SCORE
Small Cities Organized Risk Effort
A Joint Powers Authority

SMALL CITIES ORGANIZED RISK EFFORT
BOARD OF DIRECTORS
AGENDA

Location: **GAIA Anderson Hotel**
4125 Riverside Place
Anderson, CA 96007

Date/Time: **March 23, 2012, 10:00 a.m.**

A Action
I Information

1 Attached
2 Hand Out
3 Separate Cover
4 Verbal
5 Previously Mailed

In accordance with the requirements of the Brown Act, notice of this meeting must be posted in publically accessible places, 72 hours in advance of the meeting, in each of the member agencies involved. Documents and material relating to an open session agenda item that are provided to the SCORE Board of Directors less than 72 hours prior to a regular meeting, will be available for public inspection and copying at 1792 Tribute Road, Suite 450, Sacramento, CA 95815.

Per Government Code 54954.2, persons requesting disability related modifications or accommodations, including auxiliary aids or services in order to participate in the meeting, are requested to contact Johnny Yang at Alliant Insurance at (916) 643-2712 24 hours in advance of the meeting.

PAGE **A. CALL TO ORDER**

B. ROLL CALL

C. APPROVAL OF AGENDA AS POSTED A 1

D. PUBLIC COMMENTS

pg. 01 **E. CONSENT CALENDAR** A 1

All matters listed under the consent calendar are considered routine with no separate discussion necessary. Any member of the public or Board of Directors may request any item to be considered separately.

pg. 02 1. Draft Board of Directors Meeting Minutes – January 27, 2012
pg. 10 2. Local Agency Investment Fund (LAIF) Monthly Statements of Investments – December 2012
pg. 11 3. Union Bank Account Statement – January 31, 2012
pg. 24 4. SCORE Checking Account Transaction List – to February 2012
pg. 25 5. Investment Statements from Chandler Asset Management – February 2012
  a. Account 590
    i. Portfolio Summaries
    ii. Compliance Report
pg. 28 6. TargetSolutions Utilization Report – December 31, 2011
pg. 29 7. ACI Specialty Utilization Report – December 31, 2011
pg. 30 8. York Claims Bill Review
pg. 31 9. SCORE Service Calendar

pg. 38	**F.**	**COMMITTEE REPORTS**	I	1
pg. 39		1. ERMA Board of Directors Minutes – February 10, 2012		
pg. 49		2. LAWCX Executive Committee Minutes – February 28, 2012		
pg. 71		3. CJPRMA Board of Directors Minutes – December 15, 2012		

G. PRESENTATIONS

Lunchtime — **Lexipol Fire Policy Manual** — I 4
Mr. Peter Roth, from Lexipol, will give a presentation to the Board regarding Lexipol's Fire Policy Manual and Pricing.

H. ADMINISTRATIVE REPORTS

1. **President's Report** — I 4
*Mr. Roger Carroll will address the Board on items pertaining to SCORE - **VERBAL***

2. **Alliant Update** — I 4
*Staff will update the Board on Alliant matters pertinent to SCORE - **VERBAL***

3. **California Joint Powers Risk Management Authority (CJPRMA) Update** — I 4
*Mr. Roger Carroll will update the Board regarding CJPRMA - **VERBAL***

4. **ERMA Update** — I 4
*Staff will update the Board on ERMA matters pertinent to SCORE - **VERBAL***

5. **LAWCX Update** — I 4
*Staff will update the Board on LAWCX matters pertinent to SCORE - **VERBAL***

I. FINANCIAL

pg. 77 — 1. **Chandler Asset Manager – Report from Investment Manager** — I 4
Mr. Ted Piorkowski will be in attendance to provide the Board with a presentation about SCORE's investments with Chandler Asset Management.

pg. 78 — 2. **Approval of Investment Policy Amendment** — A 1
Annually, the Board reviews, approves or request changes of SCORE's Investment Policy as presented.

pg. 86 — 3. **Approval of Internal Controls & Guidelines for Investments** — A I
The Board annually, reviews, approves or request changes of SCORE's current Internal Controls and Guidelines.

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J. JPA BUSINESS

pg. 92 **1. Conflict of Interest Code** A 1
The Board will be asked to review and approve the Conflict of Interest Code which has been amended to comply with new FPPC Filing requirements.

2. Claims Audits I 1

pg. 96 **A. Workers Compensation Claims Audit**
Mr. Nick Cali will be available via phone to present the Board with the results of the Claims audit recently performed at the York Insurance Services office in Roseville.

pg. 106 **B. Liability Claims Audit**
Mr. Ken Maiolini will be available via teleconference to present the Liability Claims Audit recently performed at the York Insurance office in Roseville.

pg. 110 **3. Liability/Workers' Compensation Claims Administration and Risk Control Services RFP Update** I 4
Members will be receiving an update regarding the status of the Liability/Workers' Compensation Claims Administration and Risk Control Services RFP.

pg. 164 **4. Workers' Compensation Actuarial Review** A 1
Mr. Mike Harrington will present the Workers' Compensation actuarial reviews completed by Bickmore Risk Services.

pg. 191 **5. General Liability Actuarial Reviews** A 1
Mr. Mike Harrington will present the General Liability actuarial reviews completed by Bickmore Risk Services.

pg. 220 **6. Approval of the 2012 General Liability Retrospective Adjustment Calculation** A 1
The Board shall review and approve the General Liability retrospective calculation as presented by Gilbert and Associates.

pg. 239 **7. Declaration of the 2012 General Liability Retrospective Distribution** A 1
The Board shall discuss and declare a General Liability retrospective distribution.

pg. 240 **8. Approval of the 2012 Workers' Compensation Retrospective Distributions Calculation** A 1
The Board shall review and approve the Workers' Compensation retrospective calculation as presented by Gilbert and Associates.

pg. 259	**9. Declaration of the 2012 Workers' Compensation Retrospective Distribution** *The Board shall discuss and declare a Workers' Compensation retrospective distribution.*	A	1
pg. 260	**10. Property Appraisals** *Property appraisals were last done in 2006. The Board should discuss if they want to retain a firm to appraise members locations.*	A	1
pg. 261	**11. 2012/13 Preliminary Budget** *Members will be asked to review and approve the 2012/13 Preliminary Budget.*	A	1
pg. 262	**12. City of Isleton Premium Payment Plan Request** *Mr. Dave Larsen will address the Board regarding the City of Isleton's Premium Payment Plan and Strategy.*	A	1
pg. 263	**13. Check Signing Authority** *Members will be asked to review and approve amending the draft bylaws which updates Article XII, Receipt and Disbursement of Funds.*	A	1
pg. 276	**14. Long Range Planning Session Meeting Discussion** *The Board will be asked to discuss if a Long Range Planning session is necessary this year, and if so, Staff will provide the Board with four locations to entertain and the Board will be asked to discuss the date and location for the upcoming Long Range Planning Session and Board Meeting*	A	1
pg. 277	**15. Nomination of SCORE's Officers** *The President, Vice President, Secretary, Treasurer and Member-At-Large are elected in even numbered years and serve for a term of two years. This year is an election year, and therefore, the Board will elect officers to serve for the 2012-2014 program years, effective July 1, 2012.*	A	1

K. SAFETY AND RISK MANAGEMENT

	1. Lexipol Fire Policy Manual – "Lunchtime Presentation" *Mr. Peter Roth, from Lexipol, will give a presentation to the Board regarding Lexipol's Fire Policy Manual and Pricing. The Board will then make a decision if SCORE should provide financial assistance to members for this program.*	A	4

SCORE
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L. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.95
**REQUESTING AUTHORITY

1. **Liability**
   a. Larsen v. Town of Loomis

2. **Workers' Compensation:**
   a. Herrin v. City of Mt. Shasta
   b. Lemanna v. City of Mt. Shasta
   c. Murphy v. City of Portola
   d. Banner v. City of Mt. Shasta

M. REPORT FROM CLOSED SESSION

N. INFORMATION ITEMS

pg. 278 1. SCORE Resource Contact Guide

O. CLOSING COMMENTS

ADJOURNMENT

UPCOMING MEETING
Board of Directors Meeting – June 15, 2012 – Gaia Hotel, Anderson, CA

MISSION STATEMENT

To protect the assets of members by reducing, sharing, controlling and stabilizing the cost of risk, while providing a high level of cost effective services.

Agenda Item E.

Consent Calendar

Action Item

ISSUE: The items on the Consent Calendar should be reviewed by the Board and, if there is any item requiring clarification or amendment, such item should be pulled from the agenda for separate discussion. The Board should adopt the Consent Calendar excluding those items pulled.

RECOMMENDATION: The Program Administrator recommends adoption of the Consent Calendar as presented.

FISCAL IMPACT: None

BACKGROUND: The Board places the following items on the Consent Calendar for adoption. The Board may accept the Consent Calendar as presented, or pull items for discussion and separate action while accepting the remaining items.

ATTACHMENTS:

1. Board of Directors Meeting Minutes – January 27, 2012
2. Local Agency Investment Fund (LAIF) Monthly Statement of Investments – December 2012
3. Union Bank Account Statement – January 31, 2012
4. SCORE Checking Account Transaction List – February 2012
5. Investment Statements from Chandler Asset Management – February 2012
    a. Account 590
        i. Portfolio Summaries
        ii. Compliance Report
6. TargetSolutions Utilization Report – December 31, 2011
7. ACI Specialty Utilization Report – December 31, 2011
8. York Claims Bill Review
9. SCORE Service Calendar

SCORE
Small Cities Organized Risk Effort
A Joint Powers Authority

Small Cities Organized Risk Effort (SCORE)
Board of Directors Meeting Minutes
January 27, 2012

Member Cities Present

Michael Botorff, City of Biggs
Liz Clontz, City of Dorris
Jim Lindley, City of Dunsmuir
Pamela Russell, City of Etna
Linda Romaine, Town of Fort Jones
Satwant Takhar, City of Live Oak
Roger Carroll, Town of Loomis
Kathy LeBlanc, City of Loyalton
Janie Sprague, City of Montague
Ted Marconi, City of Mount Shasta
Leslie Tigan, City of Portola
Stephanie Beauchaine, City of Rio Dell
John Duckett, City of Shasta Lake
Debra Magginetti, City of Susanville
Kelly McKinnis, City of Weed
Steve Baker, City of Yreka
Randolph Darrow, City of Tulelake

Member Cities Absent

Bruce Kranz, City of Colfax
Dave Larsen, City of Isleton

Consultants & Guests

Susan Adams, Alliant Insurance Services
Michael Simmons, Alliant Insurance Services
Joan Crossley, Alliant Insurance Services
Johnny Yang, Alliant Insurance Services
Marcus Beverly, York Insurance
Jack Kastorff, York Insurance
Craig Wheaton, York Insurance
Leslie Cunningham, York Insurance
Kevin Wong, Gilbert Associates
Tracey Smith-Reed, Gilbert Associates
Michael Flemming, CSAC-EIA
Amy Meyer, MAZE and Associates
Brenda Bains, City of Dunsmuir
Rebecca Villones, City of Isleton
Cricket Strock, Town of Loomis
Earl Wilson, City of Weed

A. CALL TO ORDER

Mr. Roger Carroll called the meeting to order at 9:08 a.m.

B. ROLL CALL

The above mentioned members were present constituting a quorum. Cities absent were the City of Colfax and the City of Isleton.

D. PUBLIC COMMENT

There were no public comments.

E. CONSENT CALENDAR

1. Board of Directors Meeting Minutes – October 28, 2011
2. Local Agency Investment Fund (LAIF) Monthly Statement of Investments – December 2011
3. Union Bank Account Statement – December 2011
4. Investment Statements from Chandler Asset Management: December 2011
   a. Account 590
      i. Portfolio Summaries
      ii. Compliance Report
5. SCORE's Quarterly Financials – September 30, 2011
6. LAWCX December 8, 2011 eBrief
7. TargetSolutions Utilization Report as of December 31, 2011
8. ACI Specialty Utilization Report as of December 31, 2011

A motion was made to approve the consent calendar as presented.

MOTION: Kathy LeBlanc **SECOND:** Leslie Tigan **MOTION CARRIED**

F. PRESENTATIONS

F1. CAJPA Accreditation with Excellence

Mr. Michael Fleming from CSAC-EIA, representing CAJPA, presented the Board with SCORE's second CAJPA Accreditation with Excellence Award.

F2. ANCILLARY INSURANCE PROGRAMS (Lunchtime Presentation)

Ms. Susan Adams gave a presentation to the Board of Directors regarding Ancillary Insurance Programs that are offered by Alliant should members be interested. Programs available are: Special Events Liability, Vendors/Contractors Liability, Crime Insurance, Pollution Liability, and Airport/Aviation Liability.

G. FINANCIAL REPORTS

G1. Quarterly Financials for Period Ending December 31, 2011

Mr. Kevin Wong gave a report on the Quarterly Financials for Period Ending December 31, 2011 advising that Net Assets are significantly decreased due to the decrease in contribution caused by two members leaving the pool and increase in accounts receivables. Accounts receivables increased because the assessments are booked as well as the dividends.

A motion was made to approve the Quarterly Financials for Period Ending December 31, 2011.

MOTION: Kelly McKinnis **SECOND:** John Duckett **MOTION CARRIED**

G2. Annual Audited Financial Report Year Ending June 30, 2011

Ms. Amy Meyer from MAZE and Associates presented to the Board of Directors the Annual Audited Financial Report Year Ending June 30, 2011 advising of the slight typo in SCORE's investment policy which staff will correct and bring back to the Board of Directors for approval of the amendment. There were no other issues found during the Annual Audited Financial Report. Ms. Meyer stated there was no material weakness to report and no internal control recommendations.

A motion was made to approve the Annual Audited Financial Report Year Ending June 30, 2011.

MOTION: Pamela Russell **SECOND:** Michael Botorff **MOTION CARRIED**

H. ADMINISTRATIVE REPORTS

H1. President's Report

Mr. Roger Carroll advised that US Bank has increased their annual fee from $3,500 to $7,000. Mr. Carroll researched and found that Bank of New York will agree to annual fee for $3,500. Mr. Carroll has agreed to switch to Bank of New York.

H2. Alliant Update

Ms. Joan Crossley addressed the Board regarding SCORE's new website roll-out explaining that the main reason for this new platform is due to Alliant's transition to SharePoint which will give Alliant better management of the site.

H3. California Joint Powers Risk Management Authority (CJPRMA) Update

Mr. Carroll explained that at the latest CJPRMA meeting there were no items pertaining to SCORE.

I. JPA BUSINESS

I1. SCORE Logo

Mr. Johnny Yang explained that staff has drafted a logo on behalf of SCORE and would like Board approval of the proposed logo.

A motion was made to approve the proposed SCORE logo.

MOTION: Linda Romaine **SECOND:** Liz Clontz **MOTION CARRIED**

I2. City of Isleton Premium Payment Deferral Request

Ms. Adams explained that staff has met with Mr. Dave Larsen and Ms. Rebecca Villones at the City of Isleton and advised that they currently have a past due amount for their General Liability coverage through SCORE. Mr. Larsen advised staff that Isleton has requested a loan from the County of Sacramento which would assist in their financial crisis. Ms. Rebecca Villones addressed the Board advising that the County did not approve the requested loan.

Mr. Carroll sasid that the letter provided did not reference a payment plan. Ms. Adams advised that they currently have a past due premium of $23,811.95 advising that Mr. Larsen also mentioned that should the County not approve the requested loan they would likely be filing Chapter 9 bankruptcy.

Ms. Villones advised that City Council is aware of the past due premium and paying these premiums are a priority for the Council. Mr. Simmons reminded members that should the organization wish to expel Isleton, a notice must be sent to the City 60 days prior to July 1, 2012. Ms. Adams offered to attend the next council meeting for the City of Isleton.

Ms. Stephanie Beauchaine requested for Isleton to not only provide a Payment Plan but also a Financial Plan. Ms. Beauchaine said the City Manager should be present at the next SCORE Board of Directors meeting in March to discuss the issues regarding the City of Isleton.

Staff was directed to table this item until after discussions at the next City Council meeting and bring the item to an Executive Committee teleconference to discuss options to bring to the next Board meeting in March.

I3. 2011 Retrospective Adjustment Ratification

Ms. Susan Adams advised that there were discrepancies in the original 2011 Retrospective Distribution Calculations. They have since been amended and sent to members.

A motion was made to approve the 2011 Retrospective Adjustment Ratification.

MOTION: Stephanie Beauchaine **SECOND:** Kathy LeBlanc **MOTION CARRIED**

I4. City of Crescent City Distribution Request

Ms. Susan Adams explained that at the last Board meeting the JPA made a motion to deny the City of Crescent City's distribution request and directed staff to examine a formula to determine a calculation of potentially eligible funds for departing cities for substantially closed years. Ms. Adams suggested the release of funds prior to the most recent nine years, or four years in addition to the five most current years that are restricted for distribution. Releasing these funds using the same percentage the Board approves for distribution by line of coverage would result in a $48,616 distribution to the City of Crescent City.

There was further discussion as to whether the City of Crescent City will be eligible for distributions in the upcoming Retrospective Distributions. Mr. Simmons advised that Crescent City will have to put in another request for those funds upon which the Board will review and discuss the options.

A motion was made to approve the City of Crescent City Distribution as proposed by staff.

MOTION: Michael Botorff **SECOND:** Stephanie Beauchaine **MOTION CARRIED**

I5. Target Equity Analysis as of June 30, 2011

Mr. Michael Simmons gave a report on the Target Equity Analysis as of June 30, 2011.

I6. Vendor Contract Renewals

a. Maze and Associates (Financial Auditor)

Mr. Carroll advised that MAZE and Associates' 3 year contract is due to expire on June 30, 2012 with the option of a 2 year renewal.

A motion was made to approve MAZE and Associates' 2 year renewal option.

MOTION: John Duckett **SECOND:** Stephanie Beauchaine **MOTION CARRIED**

b. York Risk Services (Liability/Workers' Compensation Claims Administration and Risk Control Services)

There was discussion regarding how long SCORE has retained the same Claims Administrator. Ms. Adams advised that it has been since pool inception. Ms. Beauchaine said SCORE should carry out its due diligence and send out a Request for Proposal (RFP).

A motion was made to submit a Request for Proposal regarding SCORE's Liability / Workers' Compensation Claims Administration and Risk Control Services.

MOTION: Stephanie Beauchaine **SECOND:** Pamela Russell **MOTION CARRIED**

There was further discussion regarding the process of the RFP and if it should be an all-inclusive RFP or broken out by service. Staff was directed to draft an RFP for all services with options made available for each service.

The Board agreed to appoint an Ad Hoc Committee to review the RFP as well as the responses to the RFP and to conduct oral interviews if needed.

An Ad Hoc Committee was appointed by the Board consisting of the following members.

Stephanie Beauchaine
Roger Carroll
Pamela Russell
Ted Marconi
Steve Baker

J. SAFETY AND RISK MANAGEMENT

J1. Lexipol Fire Manual

Mr. Jack Kastorff advised the Board that there are about 13 fire departments within SCORE and estimated the manual would cost around $4,500 for each department. Mr. Kastorff recommends providing customized Policy and Procedure Manuals through Lexipol as it would assist in reducing both Liability and Workers' Compensation exposures for fire departments.

Staff was directed to bring this item back to the next Board meeting with quotes from Lexipol.

J2. Company Nurse

Ms. Crossley advised that at its October Training Day, Dennis Chandler from Company Nurse gave a presentation regarding the services offered. The Board has agreed and has been enrolled in Company Nurse providing triage services, care instructions and/or medical referrals to injured employees for Workers' Compensation injuries. SCORE's enrollment will be effective February 1, 2012.

Mr. Johnny Yang advised that there are still a few members who have not completed the Company Nurse Enrollment form and he will be following up with those cities as until enrollment is completed they are not eligible to utilize the service.

K. CLOSED SESSION

At 11:56 a.m., pursuant to Government code section 54956.95, the Board held a closed session to discuss the following claims for payment of tort liability loss or public liability loss.

1. **Liability**
   a. Cooper vs. Mt. Shasta
   b. Arth vs. Dunsmuir

2. **Workers' Compensation**
   a. Murphy vs. Portola 2011115737
   b. Downing vs. Susanville 2010109476
   c. Goulart vs. Mt. Shasta 2011115161
   d. Hoover vs. Weed 2011120967
   e. Melo vs. Mt. Shasta 2011120592
   f. Reno vs. Crescent City 2009091056
   g. Spruill vs. Weed 2007058233
   h. Stone vs. Portola 2011120685
   i. Whittaker Jr. vs. Etna 2009097949

L. REPORT FROM CLOSED SESSION

The Board returned from closed session at 12:25 p.m. Mr. Carroll reported that the above closed session items were discussed and appropriate direction was given to Staff.

M. INFORMATION ITEMS

M1. SCORE Resource Contact Guide

M2. PARMA Conference – February 14 – 17, 2012 – Monterey, CA

N. CLOSING COMMENTS

There were no closing comments.

AJOURNMENT

The meeting was adjourned at 11:59 a.m.

NEXT MEETING DATE: Friday, January 27, 2012

Respectfully Submitted,

____
Debra Magginetti, Secretary

____
Date

JOHN CHIANG

California State Controller

LOCAL AGENCY INVESTMENT FUND
REMITTANCE ADVICE

Agency Name	S.C.O.R.E.
Account Number	40-04-001

As of 01/13/2012, your Local Agency Investment Fund account has been directly credited with the interest earned on your deposits for the quarter ending 12/31/2011.

Earnings Ratio		.00001043176196406
Interest Rate		0.38%
Dollar Day Total	$	228,607,175.13
Quarter End Principal Balance	$	2,485,196.97
Quarterly Interest Earned	$	2,384.78

UnionBank

ITC, INSTITUTIONAL CUSTODY
350 CALIFORNIA STREET, 6TH FLOOR
SAN FRANCISCO CA 94104

MB 02 002290 30738 H 12 A

SMALL CITIES ORGANIZED RISK EFFORT
ATTN: LINDA ROMAINE
P. O. BOX 40
FORT JONES, CA 96032-0040

Account Statement

Statement Period
January 1, 2012 through January 31, 2012

Account Number
6736301210

Account Name
SMALL CITIES ORGANIZED RISK EFFORT

Relationship Manager
CARMEN CONIENDO
415-705-7207

Investment Manager
CHANDLER LIQUID ASSET MGMT

Online Access
unionbank.com/trustandcustody

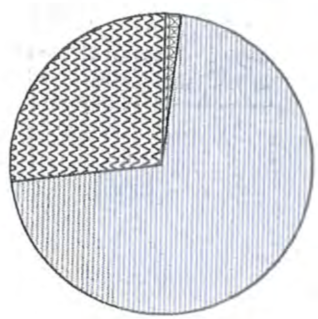
Contents

Overview of Total Account Value

Closing Value on 12/31/2011	$10,502,017.56
Opening Value on 01/01/2012	$10,502,017.56
Closing Value on 01/31/2012	$10,539,670.88
Net Change For Period	***$37,653.32***

Overview of Account by Investment Category

Your Current Portfolio Mix



% of Total Account	Market Value	Description
1.75%	184,188.28	Cash & Cash Equivalents
70.97%	7,480,395.60	Government Obligations
27.28%	2,875,087.00	Corporate Obligations
100.00%	**$10,539,670.88**	**Total Account Value**

UnionBank

Account Number
6736301210

Account Name
SCORE

Account Statement

Statement Period
January 1, 2012 through January 31, 2012

Principal Portfolio Summary

Description	Market Value	Percentage of Portfolio	Current Yield
Cash & Cash Equivalents	184,188.28	1.75%	0.00%
Government Obligations	7,480,395.60	70.97%	2.41%
Corporate Obligations	2,875,087.00	27.28%	2.83%
Total Principal Portfolio	**$10,539,670.88**	**100.00%**	**2.48%**

Unrealized Gain/Loss Summary

Description	Cost Basis	Market Value	Gain/Loss
Cash & Cash Equivalents	184,188.28	184,188.28	0.00
Government Obligations	7,325,405.75	7,480,395.60	154,989.85
Corporate Obligations	2,825,800.28	2,875,087.00	49,286.72
Total Gain/Loss	**$10,335,394.31**	**$10,539,670.88**	**$204,276.57**

Cash Transactions Summary

	Principal Cash
Receipts	
Dividend	0.15
Interest	11,659.38
Accrued Interest Received	3,354.50
Sales	928,460.91
Total Receipts	**$943,474.94**
Disbursements	
Accrued Interest Paid	(2,843.41)
Purchases	(939,577.53)
Payments to/for Beneficiaries	(1,054.00)
Total Disbursements	**($943,474.94)**
Total Net Transactions	**$0.00**

UnionBank

Account Number
6736301210

Account Name
SCORE

Account Statement

Statement Period
January 1, 2012 through January 31, 2012

Asset Detail - Principal Portfolio

Cash & Cash Equivalents

Asset Name	CUSIP	Shares/ Units Held	Cost Basis	Market Value	Price/ Date Priced	Percentage of Portfolio	Current Yield	Estimated Annual Income
HighMark Money Market Funds								
HIGHMARK MONEY MARKET 100% U S TREASURY FD FIDUCIARY SH ***CASH MANAGEMENT SWEEP	431114503S	184,188.280	184,188.28	184,188.28	1.0000 01/31/2012	1.75%	0.00%	4.57
Total Cash & Cash Equivalents			**$184,188.28**	**$184,188.28**		**1.75%**	**0.00%**	**$4.57**

Government Obligations

Asset Name	CUSIP	Shares/ Units Held	Cost Basis	Market Value	Price/ Date Priced	Percentage of Portfolio	Current Yield	Estimated Annual Income
US Treasury								
UNITED STATES TREAS NTS 4.2500% 9/30/2012	912828HE3	120,000.000	120,253.13	123,276.00	102.7300 01/31/2012	1.17%	4.14%	5,100.00
UNITED STATES TREAS NTS 3.8750% 10/31/2012	912828HG8	100,000.000	102,113.28	102,789.00	102.7890 01/31/2012	0.98%	3.77%	3,875.00
UNITED STATES TREAS NTS 3.3750% 11/30/2012	912828HK9	365,000.000	367,036.33	374,796.60	102.6840 01/31/2012	3.56%	3.29%	12,318.75
UNITED STATES TREAS NTS 2.5000% 3/31/2013	912828HV5	125,000.000	128,154.72	128,373.75	102.6990 01/31/2012	1.22%	2.43%	3,125.00
UNITED STATES TREAS NTS 2.7500% 10/31/2013	912828JQ4	125,000.000	129,633.79	130,512.50	104.4100 01/31/2012	1.24%	2.63%	3,437.50
UNITED STATES TREAS NTS 1.7500% 7/31/2015	912828NP1	225,000.000	223,067.16	235,687.50	104.7500 01/31/2012	2.24%	1.67%	3,937.50
UNITED STATES TREAS NTS 1.3750% 11/30/2015	912828PJ3	250,000.000	249,024.28	258,730.00	103.4920 01/31/2012	2.45%	1.33%	3,437.50

UnionBank

Account Number
6736301210

Account Name
SCORE

Account Statement

Statement Period
January 1, 2012 through January 31, 2012

Asset Detail - Principal Portfolio (continued)

Government Obligations

Asset Name	CUSIP	Shares/ Units Held	Cost Basis	Market Value	Price/ Date Priced	Percentage of Portfolio	Current Yield	Estimated Annual Income
US Treasury								
UNITED STATES TREAS NTS 1.5000% 7/31/2016	912828QX1	370,000.000	374,487.57	384,740.80	103.9840 01/31/2012	3.64%	1.44%	5,550.00
UNITED STATES TREAS NTS 1.0000% 8/31/2016	912828RF9	250,000.000	251,690.29	254,375.00	101.7500 01/31/2012	2.41%	0.98%	2,500.00
UNITED STATES TREAS NTS 1.0000% 9/30/2016	912828RJ1	150,000.000	149,619.64	152,532.00	101.6880 01/31/2012	1.45%	0.98%	1,500.00
UNITED STATES TREAS NTS 0.8750% 11/30/2016	912828RU6	350,000.000	350,766.80	353,419.50	100.9770 01/31/2012	3.35%	0.87%	3,062.50
Federal Govt Agency								
TENNESSEE VALLEY AUTH 6.7900% 5/23/2012	880591DT6	215,000.000	234,715.95	219,472.00	102.0800 01/31/2012	2.08%	6.65%	14,598.50
FEDERAL HOME LN BKS 3.8750% 6/14/2013	31339X2M5	200,000.000	200,403.10	209,782.00	104.8910 01/31/2012	1.99%	3.69%	7,750.00
TENNESSEE VALLEY AUTH 4.7500% 8/1/2013	880591DW9	230,000.000	242,426.00	245,145.50	106.5850 01/31/2012	2.33%	4.46%	10,925.00
FEDERAL FARM CR BKS 0.9800% 9/23/2013	31331KET3	115,000.000	114,663.05	116,227.05	101.0670 01/31/2012	1.10%	0.97%	1,127.00
FEDERAL HOME LOAN BANKS 3.6250% 10/18/2013	3133XSAE8	250,000.000	258,142.75	263,862.50	105.5450 01/31/2012	2.50%	3.43%	9,062.50
FEDERAL NATL MTG ASSN DTD 12/11/2008 2.875% 12/11/2013	31398AUJ9	100,000.000	101,696.10	104,694.00	104.6940 01/31/2012	0.99%	2.75%	2,875.00
FEDERAL HOME LOAN MTG CORP NOTES DTD 01/08/2009 2.50% 01/07/2014	3137EABX6	35,000.000	34,625.96	36,416.80	104.0480 01/31/2012	0.35%	2.40%	875.00

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Asset Detail - Principal Portfolio (continued)

Government Obligations

Asset Name	CUSIP	Shares/ Units Held	Cost Basis	Market Value	Price/ Date Priced	Percentage of Portfolio	Current Yield	Estimated Annual Income
Federal Govt Agency								
FEDL HOME LOAN MTG CORP NOTES DTD 04/24/2009 2.50% 04/23/2014	3137EACB3	150,000.000	155,568.75	156,741.00	104.4940 01/31/2012	1.49%	2.39%	3,750.00
FEDERAL FARM CREDIT BANK BONDS 1.620% 04/25/2014	31331KHF0	205,000.000	204,979.50	205,604.75	100.2950 01/31/2012	1.95%	1.62%	3,321.00
FEDERAL NATL MTG ASSN NOTES DTD 05/15/2009 2.500% 05/15/2014	31398AXJ6	300,000.000	301,178.80	314,307.00	104.7690 01/31/2012	2.98%	2.39%	7,500.00
FEDERAL FARM CR BKS CONS 1.9000% 6/2/2014	31331JQA4	260,000.000	259,368.20	269,159.80	103.5230 01/31/2012	2.55%	1.84%	4,940.00
FEDERAL HOME LN BKS 5.2500% 6/18/2014	3133X7FK5	100,000.000	111,171.90	111,529.00	111.5290 01/31/2012	1.06%	4.71%	5,250.00
FEDERAL FARM CREDIT BANK BONDS 3.000% 09/22/2014	31331GL80	245,000.000	250,683.60	261,454.20	106.7160 01/31/2012	2.48%	2.81%	7,350.00
FEDERAL HOME LN MTG CORP 0.9200% 12/12/2014	3134G3CM0	70,000.000	70,063.00	70,171.50	100.2450 01/31/2012	0.67%	0.92%	644.00
FEDERAL HOME LOAN MTG CORP NOTES DTD 01/07/2010 2.875% 02/09/2015	3137EACH0	250,000.000	256,160.83	266,872.50	106.7490 01/31/2012	2.53%	2.69%	7,187.50
FEDERAL HOME LN BKS 2.8750% 6/12/2015	3133XWNB1	265,000.000	279,807.14	284,331.75	107.2950 01/31/2012	2.70%	2.68%	7,618.75
FEDERAL NATL MTG ASSN 2.3750% 7/28/2015	31398AU34	275,000.000	283,288.50	291,186.50	105.8860 01/31/2012	2.76%	2.24%	6,531.25
FEDERAL FARM CR BKS 2.3500% 12/22/2015	31331J6C2	120,000.000	120,434.40	126,979.20	105.8160 01/31/2012	1.20%	2.22%	2,820.00

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Asset Detail - Principal Portfolio (continued)

Government Obligations

Asset Name	CUSIP	Shares/ Units Held	Cost Basis	Market Value	Price/ Date Priced	Percentage of Portfolio	Current Yield	Estimated Annual Income
Federal Govt Agency								
FEDERAL NATL MTG ASSN 2.3750% 4/11/2016	3135G0BA0	275,000.000	282,544.63	292,734.75	106.4490 01/31/2012	2.78%	2.23%	6,531.25
FEDERAL HOME LN MTG CORP 2.5000% 5/27/2016	3137EACT4	310,000.000	321,083.36	332,118.50	107.1350 01/31/2012	3.16%	2.33%	7,750.00
FEDERAL HOME LOAN BANKS 2.1250% 6/10/2016	313373SZ6	200,000.000	209,390.00	209,742.00	104.8710 01/31/2012	1.99%	2.03%	4,250.00
FEDERAL HOME LOAN MTGE CORP NTS 2.000% 08/25/2016	3137EACW7	300,000.000	312,151.20	313,866.00	104.6220 01/31/2012	2.98%	1.91%	6,000.00
FEDERAL NATL MTGE ASSN NOTE 1.250% 09/28/2016	3135G0CM3	210,000.000	209,497.89	212,373.00	101.1300 01/31/2012	2.01%	1.24%	2,625.00
FEDERAL NATL MTG ASSN NOTES DTD 10/20/2011 1.375% 11/15/2016	3135G0ES8	65,000.000	65,514.15	66,391.65	102.1410 01/31/2012	0.63%	1.35%	893.75
Total Government Obligations			**$7,325,405.75**	**$7,480,395.60**		**70.97%**	**2.41%**	**$180,019.25**

Corporate Obligations

Asset Name	CUSIP	Shares/ Units Held	Cost Basis	Market Value	Price/ Date Priced	Percentage of Portfolio	Current Yield	Estimated Annual Income
Corporate Bonds								
US BANCORP DTD 03/13/2009 2.250% 03/13/2012	91160HAA5	85,000.000	84,989.80	85,202.30	100.2380 01/31/2012	0.81%	2.24%	1,912.50
BANK OF AMERICA FDIC GTD TLG 3.1250% 6/15/2012	06050BAA9	60,000.000	62,176.80	60,665.40	101.1090 01/31/2012	0.58%	3.09%	1,875.00

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Asset Detail - Principal Portfolio (continued)

Corporate Obligations

Asset Name	CUSIP	Shares/ Units Held	Cost Basis	Market Value	Price/ Date Priced	Percentage of Portfolio	Current Yield	Estimated Annual Income
Corporate Bonds								
GOLDMAN SACHS GP INC FDIC TL 3.2500% 6/15/2012	38146FAA9	280,000.000	284,814.50	283,250.80	101.1610 01/31/2012	2.69%	3.21%	9,100.00
WELLS FARGO & COMPANY DTD 03/30/2009 2.1250% 06/15/2012	949744AC0	290,000.000	290,859.44	292,119.90	100.7310 01/31/2012	2.77%	2.11%	6,162.50
PNC FUNDING CORP NOTES DTD 12/22/2008 2.300% 06/22/2012	69351CAC7	290,000.000	294,515.30	292,456.30	100.8470 01/31/2012	2.77%	2.28%	6,670.00
JPMORGAN CHASE & CO DTD 04/06/2009 2.1250% 12/26/2012	481247AM6	295,000.000	295,914.50	300,330.65	101.8070 01/31/2012	2.84%	2.09%	6,268.75
XTO ENERGY INC 4.9000% 2/1/2014	98385XAD8	100,000.000	109,638.00	108,371.00	108.3710 01/31/2012	1.03%	4.52%	4,900.00
CHEVRON CORPORATION SR NOTES DTD 03/03/2009 3.95% 03/03/2014	166751AH0	190,000.000	200,126.65	203,284.80	106.9920 01/31/2012	1.93%	3.69%	7,505.00
GENL ELEC CAP CORP NOTES 5.900% 05/13/2014	36962G4C5	180,000.000	194,130.60	199,081.80	110.6010 01/31/2012	1.89%	5.33%	10,620.00
WAL MART STORES INC NOTES DTD 05/21/2009 3.200% 05/15/2014	931142CQ4	190,000.000	197,746.80	201,994.70	106.3130 01/31/2012	1.92%	3.01%	6,080.00
MICROSOFT CORP NT DTD 05/18/2009 2.950% 06/01/2014	594918AB0	240,000.000	246,233.20	254,632.80	106.0970 01/31/2012	2.42%	2.78%	7,080.00
BERKSHIRE HATHAWAY INC 3.200% 02/11/2015	084670AV0	195,000.000	198,471.25	208,414.05	106.8790 01/31/2012	1.98%	2.99%	6,240.00
PROCTER & GAMBLE CO DTD 11/18/2010 1.80% 11/15/2015	742718DS5	265,000.000	258,615.14	275,380.05	103.9170 01/31/2012	2.61%	1.73%	4,770.00

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Asset Detail - Principal Portfolio (continued)

Corporate Obligations

Asset Name	CUSIP	Shares/ Units Held	Cost Basis	Market Value	Price/ Date Priced	Percentage of Portfolio	Current Yield	Estimated Annual Income
Corporate Bonds								
GOOGLE INC 2.1250% 5/19/2016	38259PAC6	105,000.000	107,568.30	109,902.45	104.6690 01/31/2012	1.04%	2.03%	2,231.25
Total Corporate Obligations			**$2,825,800.28**	**$2,875,087.00**		**27.28%**	**2.83%**	**$81,415.00**
Total Principal Portfolio			**$10,335,394.31**	**$10,539,670.88**		**100.00%**	**2.48%**	**$261,438.82**
Total Account Values			**$10,335,394.31**	**$10,539,670.88**		**100.00%**	**2.48%**	**$261,438.82**

Maturity Summary

	Face Value	Par Value	Cost Basis	Market Value	Percentage of Market Value
2012		2,100,000.000	2,137,389.03	2,134,358.95	20.61%
2013		1,145,000.000	1,175,119.51	1,198,597.30	11.57%
2014		2,265,000.000	2,335,514.96	2,392,749.15	23.11%
2015		1,845,000.000	1,868,868.70	1,947,581.55	18.81%
2016		2,585,000.000	2,634,313.83	2,682,195.65	25.90%
2017					
2018					
2019					
2020					
2021					
Ten-to-Fourteen Years					
Fifteen-to-Nineteen Years					
Twenty Years and Over					
Total	**$0.00**	**9,940,000.000**	**$10,151,206.03**	**$10,355,482.60**	**100.00%**

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Transaction Detail

Date	Activity	Description	CUSIP	Principal Cash	Cost Basis
Beginning Balance				**$0.00**	**$10,309,788.72**
01/03/12	Dividend	CASH RECEIPT OF DIVIDEND EARNED ON HIGHMARK 100% US TREASURY MMKT #486 DIVIDEND FROM 12/1/11 TO 12/31/11	431114503S	0.15	
01/03/12	Purchases	PURCHASED 0.15 UNITS OF HIGHMARK 100% US TREASURY MMKT #486 TRADE DATE 01/03/12	431114503S	(0.15)	0.15
01/06/12	Payments to/for Beneficiaries	CASH DISBURSEMENT PAID TO CHANDLER ASSET MANAGEMENT INC. PAYMENT PER REQUEST R/T 286 MANAGEMENT FEE FOR PERIOD ENDING DECEMBER 31,2011, INVOICE #10591		(1,054.00)	
01/06/12	Sales	SOLD 1,054 UNITS OF HIGHMARK 100% US TREASURY MMKT #486 TRADE DATE 01/06/12	431114503S	1,054.00	(1,054.00)
01/09/12	Interest	CASH RECEIPT OF INTEREST EARNED ON FHLMC NTS 2.500% 1/07/14 0.0125/$1 PV ON 35,000 PAR VALUE DUE 1/7/2012	3137EABX6	437.50	
01/09/12	Purchases	PURCHASED 437.5 UNITS OF HIGHMARK 100% US TREASURY MMKT #486 TRADE DATE 01/09/12	431114503S	(437.50)	437.50
01/13/12	Sales	FULL CALL 265,000 PAR VALUE OF FHLMC NTS 2.000% 1/13/15 ST CAPITAL GAIN OF $477.00 TRADE DATE 01/13/12 FULL CALL	3134G2DN9	265,000.00	(264,523.00)
01/13/12	Interest	CASH RECEIPT OF INTEREST EARNED ON FHLMC NTS 2.000% 1/13/15 0.01/$1 PV ON 265,000 PAR VALUE DUE 1/13/2012	3134G2DN9	2,650.00	

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Transaction Detail (continued)

Date	Activity	Description	CUSIP	Principal Cash	Cost Basis
01/13/12	Purchases	PURCHASED 267,650 UNITS OF HIGHMARK 100% US TREASURY MMKT #486 TRADE DATE 01/13/12	431114503S	(267,650.00)	267,650.00
01/17/12	Interest	CASH RECEIPT OF INTEREST EARNED ON FHLMC 4.500% 7/15/13 0.0225/$1 PV ON 25,000 PAR VALUE DUE 1/15/2012	3134A4TZ7	562.50	
01/17/12	Purchases	PURCHASED 562.5 UNITS OF HIGHMARK 100% US TREASURY MMKT #486 TRADE DATE 01/17/12	431114503S	(562.50)	562.50
01/20/12	Purchases	PURCHASED 350,000 PAR VALUE OF US TREAS NTS 0.875% 11/30/16 TRADE DATE 01/19/12 PURCHASED THROUGH BARCLAYS CAPITAL INC. FIXED IN 350,000 PAR VALUE AT 100.219086 %	912828RU6	(350,766.80)	350,766.80
01/20/12	Accrued Interest Paid	PAID ACCRUED INTEREST ON PURCHASE OF US TREAS NTS 0.875% 11/30/16	912828RU6	(426.74)	
01/20/12	Purchases	PURCHASED 300,000 PAR VALUE OF FHLMC NTS 2.000% 8/25/16 TRADE DATE 01/19/12 PURCHASED THROUGH SALOMON BROS. 300,000 PAR VALUE AT 104.0504 %	3137EACW7	(312,151.20)	312,151.20
01/20/12	Accrued Interest Paid	PAID ACCRUED INTEREST ON PURCHASE OF FHLMC NTS 2.000% 8/25/16	3137EACW7	(2,416.67)	
01/20/12	Sales	SOLD 205,000 PAR VALUE OF FFCB GLBL BDS 2.625% 4/17/14 LT CAPITAL LOSS OF ($1,605.15) TRADE DATE 01/19/12 SOLD THROUGH MERRILL LYNCH FIXED INCOME 205,000 PAR VALUE AT 104.783 %	31331GTJ8	214,805.15	(216,410.30)
01/20/12	Accrued Interest Received	RECEIVED ACCRUED INTEREST ON SALE OF FFCB GLBL BDS 2.625% 4/17/14	31331GTJ8	1,390.16	

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Transaction Detail (continued)

Date	Activity	Description	CUSIP	Principal Cash	Cost Basis
01/20/12	Sales	SOLD 95,000 PAR VALUE OF FNMA NTS 2.750% 3/13/14 LT CAPITAL GAIN OF $3,004.37 TRADE DATE 01/19/12 SOLD THROUGH MERRILL LYNCH FIXED INCOME 95,000 PAR VALUE AT 104.916 %	31398AVZ2	99,670.20	(96,665.83)
01/20/12	Accrued Interest Received	RECEIVED ACCRUED INTEREST ON SALE OF FNMA NTS 2.750% 3/13/14	31398AVZ2	921.63	
01/20/12	Sales	SOLD 25,000 PAR VALUE OF FHLMC 4.500% 7/15/13 LT CAPITAL GAIN OF $689.75 TRADE DATE 01/19/12 SOLD THROUGH MERRILL LYNCH FIXED INCOME 25,000 PAR VALUE AT 106.272 %	3134A4TZ7	26,568.00	(25,878.25)
01/20/12	Accrued Interest Received	RECEIVED ACCRUED INTEREST ON SALE OF FHLMC 4.500% 7/15/13	3134A4TZ7	15.63	
01/20/12	Sales	SOLD 200,000 PAR VALUE OF FHLB BDS 3.625% 5/29/13 LT CAPITAL GAIN OF $11,923.00 TRADE DATE 01/19/12 SOLD THROUGH BNP PARIBAS SECURITIES BOND 200,000 PAR VALUE AT 104.585 %	3133XQU34	209,170.00	(197,247.00)
01/20/12	Accrued Interest Received	RECEIVED ACCRUED INTEREST ON SALE OF FHLB BDS 3.625% 5/29/13	3133XQU34	1,027.08	
01/20/12	Sales	SOLD 112,193.6 UNITS OF HIGHMARK 100% US TREASURY MMKT #486 TRADE DATE 01/20/12	431114503S	112,193.56	(112,193.56)
01/30/12	Interest	CASH RECEIPT OF INTEREST EARNED ON FNMA NTS 2.375% 7/28/15 0.011875/$1 PV ON 275,000 PAR VALUE DUE 1/28/2012	31398AU34	3,265.63	

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Transaction Detail (continued)

Date	Activity	Description	CUSIP	Principal Cash	Cost Basis
01/30/12	Purchases	PURCHASED 3,265.63 UNITS OF HIGHMARK 100% US TREASURY MMKT #486 TRADE DATE 01/30/12	431114503S	(3,265.63)	3,265.63
01/31/12	Interest	CASH RECEIPT OF INTEREST EARNED ON US TREAS NTS 0.000% 7/31/16 0.0075/$1 PV ON 370,000 PAR VALUE DUE 1/31/2012	912828QX1	2,775.00	
01/31/12	Interest	CASH RECEIPT OF INTEREST EARNED ON US TREAS NTS 1.750% 7/31/15 0.00875/$1 PV ON 225,000 PAR VALUE DUE 1/31/2012	912828NP1	1,968.75	
01/31/12	Purchases	PURCHASED 1,968.75 UNITS OF HIGHMARK 100% US TREASURY MMKT #486 TRADE DATE 01/31/12	431114503S	(1,968.75)	1,968.75
01/31/12	Purchases	PURCHASED 2,775 UNITS OF HIGHMARK 100% US TREASURY MMKT #486 TRADE DATE 01/31/12	431114503S	(2,775.00)	2,775.00
Net Activity				**$0.00**	**$25,605.59**
Ending Balance				**$0.00**	**$10,335,394.31**

Realized Gain/Loss Summary

Sale Date	Asset Name	CUSIP	Share	Cost	Proceeds	Gain / Loss Amount Short	Gain / Loss Amount Long
01/13/12	FHLMC NTS 2.000% 1/13/15	3134G2DN9	265,000.00	264,523.00	265,000.00	477.00	0.00
01/20/12	FFCB GLBL BDS 2.625% 4/17/14	31331GTJ8	205,000.00	216,410.30	214,805.15	0.00	(1,605.15)
01/20/12	FNMA NTS 2.750% 3/13/14	31398AVZ2	95,000.00	96,665.83	99,670.20	0.00	3,004.37
01/20/12	FHLMC 4.500% 7/15/13	3134A4TZ7	25,000.00	25,878.25	26,568.00	0.00	689.75

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Realized Gain/Loss Summary (continued)

Sale Date	Asset Name		CUSIP	Share	Cost	Proceeds	Gain / Loss Amount Short	Gain / Loss Amount Long
01/20/12	FHLB BDS	3.625% 5/29/13	3133XQU34	200,000.00	197,247.00	209,170.00	0.00	11,923.00
	TOTAL				**$800,724.38**	**$815,213.35**	**$477.00**	**$14,011.97**

SUMMARY	*DISTRIBUTIONS*	*REALIZED*	*TOTAL*
Short Term Capital Gain / Loss	$0.00	$477.00	$477.00
Long Term Capital Gain / Loss	$0.00	$14,011.97	$14,011.97

Disclaimer

The amount your account netted on a sale minus the total amount the account paid at initial purchase is your account's realized gain (if positive) or loss (if negative). Cost basis as reported on your UB statement is either a) the lot-specific purchase price minus purchase commissions and fees or b) information provided by the client or their representative to Union Bank at or after the time we were appointed Custodian or Trustee of the assets. The monthly or quarterly statements of your account may not have correct calculations of gain/loss for a particular tax lot due to incomplete information. The cost basis information in those statements is preliminary and subject to change if you provide additional data during the year or for other reasons. Therefore, please refer to the Tax Statements that we provide after year-end to determine accurate gain/loss calculations and what we report to the IRS. Please consult your tax advisor for more information. Mutual Fund Capital Gain distributions are not included in this summary.

Small Cities Organized Risk Effort
General Checking Account Detail
January 1, 2012 - February 29, 2012

Type	Date	Num	Name	Memo	Split	Debit	Credit	Balance
0100 - CASH IN BANK								984,170.26
0100-010 Scott Valley Bank								984,170.26
Payment	1/3/2012		Mt. Shasta		0120 ACCOUNTS RECEIVABLE	36,766.00		1,020,936.26
Payment	1/3/2012		Portola		0120 ACCOUNTS RECEIVABLE	8,154.00		1,029,090.26
Transfer	1/3/2012			Funds Transfer	0106-010 Trust - Liab _SVB		4,750.61	1,024,339.65
Transfer	1/3/2012			Funds Transfer	0106-020 Trust - WC - SVB		19,420.13	1,004,919.52
Payment	1/17/2012		Yreka		0120 ACCOUNTS RECEIVABLE	18.00		1,004,937.52
Check	1/17/2012	2230	York Insurance Services Group...	Inv # 500109592 WC Risk Control (Nov 2011)	0670 - Risk Management Services		1,947.14	1,002,990.38
Check	1/17/2012	2231	York Insurance Services Group...	Inv # 50000265 WC Admin (Dec 2011)	0710 - Claims Management		7,665.00	995,325.38
Check	1/17/2012	2232	York Insurance Services Group...	Inv # 500109575 Liab Claims Mgmt (Nov 2011)	0710 - Claims Management		7,545.39	987,779.99
Check	1/17/2012	2233	York Insurance Services Group...	Inv # 500109593 Liab Risk Control (Nov 2011)	0670 - Risk Management Services		5,392.50	982,387.49
Check	1/17/2012	2234	Granlibakken	Board Retreat 10/27/ - 10/28/11	0605 - B of D Activities		3,227.10	979,160.39
Check	1/17/2012	2235	TargetSafety.Com, Inc.	Inv # TSC8063 11/01/11 - 10/31/12	0676 - Safety Training		24,340.00	954,820.39
Check	1/17/2012	2236	Gibbons & Conley	Feb, Aug - Sep	-SPLIT-		1,589.71	953,230.68
Check	1/17/2012	2237	Yreka	Inv # 0026551 - For Lexipol	0676 - Safety Training		2,000.00	951,230.68
Check	1/17/2012	2238	Gilbert Associates, Inc.	29330 ENG Oct - Dec 2011	-SPLIT-		12,000.00	939,230.68
Check	1/17/2012	2239	Tulelake	Travel to Board Mtg - Megan Annand	0605 - B of D Activities		584.14	938,646.54
Check	1/17/2012	2240	Live Oak	CAJPA Reimbursement - S. Takhar	0605 - B of D Activities		1,000.00	937,646.54
Check	1/17/2012	2241	Loomis	Reimbursements	0605 - B of D Activities		1,000.00	936,646.54
Transfer	1/17/2012			Funds Transfer	0106-010 Trust - Liab _SVB		8,357.34	928,289.20
Transfer	1/17/2012			Funds Transfer	0106-020 Trust - WC - SVB		34,717.23	893,571.97
Payment	1/23/2012		Rio Dell		0120 ACCOUNTS RECEIVABLE	20,586.00		914,157.97
Transfer	1/25/2012			Funds Transfer	0106-020 Trust - WC - SVB		17,334.71	896,823.26
Check	1/27/2012	2207	Gaia Hotel		0640 - Meeting Expense		855.10	895,968.16
Payment	1/30/2012	45359	Weed		0120 ACCOUNTS RECEIVABLE	34,470.00		930,438.16
Payment	1/30/2012	46033	Shasta Lake		0120 ACCOUNTS RECEIVABLE	40,551.00		970,989.16
Deposit	1/31/2012			Interest	SVB	169.64		971,158.80
Transfer	2/1/2012			Funds Transfer	0106-010 Trust - Liab _SVB		11,086.46	960,072.34
Transfer	2/1/2012			Funds Transfer	0106-020 Trust - WC - SVB		18,036.16	942,036.18
Payment	2/6/2012		Live Oak		0120 ACCOUNTS RECEIVABLE	19,615.00		961,651.18
Transfer	2/17/2012			Funds Transfer	0106-020 Trust - WC - SVB		25,158.71	936,492.47
Payment	2/21/2012	13617	Etna		0120 ACCOUNTS RECEIVABLE	3,234.00		939,726.47
Payment	2/21/2012	45418	Weed		0120 ACCOUNTS RECEIVABLE	29,179.00		968,905.47
Payment	2/21/2012	97937	Yreka		0120 ACCOUNTS RECEIVABLE	53,142.00		1,022,047.47
Check	2/22/2012	2208	Risk Management Services	Liability Claims Audit	0511 - Claims Audit		2,785.00	1,019,262.47
Check	2/22/2012	2209	York Insurance Services Group...	Liabi Risk Control 12/11 Inv # 500109684	0670 - Risk Management Services		3,165.28	1,016,097.19
Check	2/22/2012	2243	York Insurance Services Group...	Liab Claims Admin 12/11 Inv # 500109668	0830 -Claims Service - Vouchers		8,072.91	1,008,024.28
Check	2/22/2012	2244	York Insurance Services Group...	WC Risk Control 12/11 Inv # 500109683	0670 - Risk Management Services		1,264.64	1,006,759.64
Check	2/22/2012	2245	York Insurance Services Group...	WC Claims Admin 2/12 Inv # 500006054	0710 - Claims Management		7,665.00	999,094.64
Check	2/22/2012	2246	Maze & Associates	2011 Audit Inv # 1237	0506 - Audit		4,532.00	994,562.64
Check	2/22/2012	2247	Department of Industrial Relati...	Inv # 564825 Certificate # 5020	0625 - Insurance		15,151.81	979,410.83
Payment	2/27/2012	17969	Dorris		0120 ACCOUNTS RECEIVABLE	3,768.00		983,178.83
Payment	2/27/2012	30405	Mt. Shasta		0120 ACCOUNTS RECEIVABLE	36,765.00		1,019,943.83
Genera...	2/27/2012	GAI		Depsoit - Cash Over/Short	Cash Over/Short		2.00	1,019,941.83
Deposit	2/29/2012			Interest	SVB	160.59		1,020,102.42
Total 0100-010 Scott Valley Bank						286,578.23	250,646.07	1,020,102.42
Total 0100 - CASH IN BANK						286,578.23	250,646.07	1,020,102.42
TOTAL						**286,578.23**	**250,646.07**	**1,020,102.42**

CHANDLER ASSET MANAGEMENT

Monthly Account Statement

Small Cities Organized Risk Effort

February 1, 2012 through February 29, 2012

Chandler Team
For questions about your account,
please call (800) 317-4747 or
Email operations@chandlerasset.com

Custodian
Union Bank of California
Carmen Coniendo
415-705-7207

Information contained herein is confidential. We urge you to compare this statement to the one you receive from your qualified custodian. Prices are provided by IDC, an independent pricing source.

Portfolio Summary

As of 2/29/2012

PORTFOLIO CHARACTERISTICS

Average Duration	2.39
Average Coupon	2.58 %
Average Purchase YTM	2.03 %
Average Market YTM	0.58 %
Average S&P/Moody Rating	AA+/Aaa
Average Final Maturity	2.52 yrs
Average Life	2.51 yrs

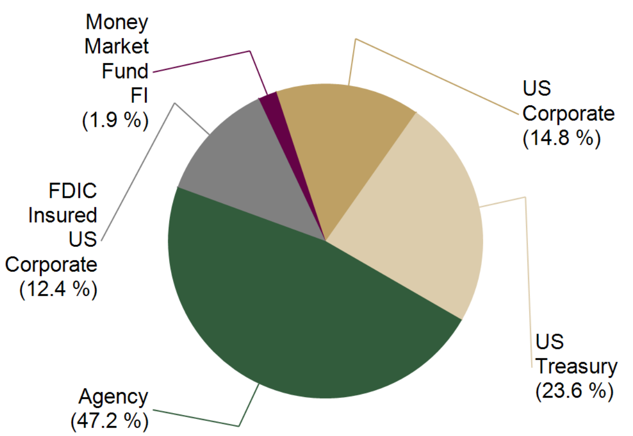
ACCOUNT SUMMARY

	Beg. Values as of 1/31/12	End Values as of 2/29/12
Market Value	10,539,677	10,528,790
Accrued Interest	61,264	63,986
Total Market Value	**10,600,941**	**10,592,776**
Income Earned	17,953	17,441
Cont/WD		-1,058
Par	10,124,188	10,142,007
Book Value	10,244,098	10,257,759
Cost Value	10,336,604	10,354,422

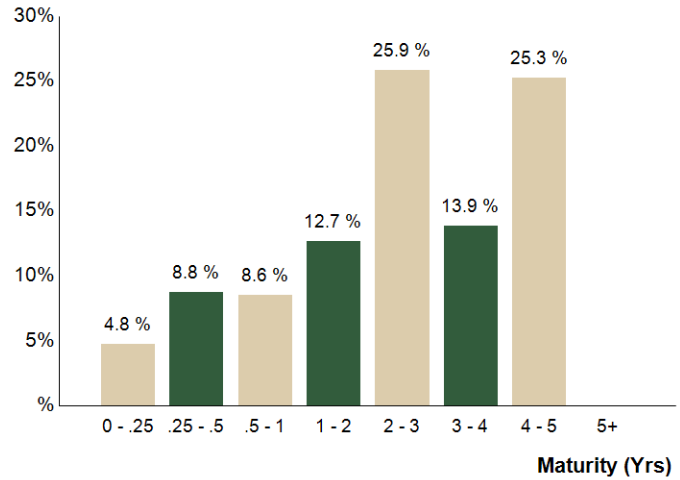
TOP ISSUERS

Issuer	% Portfolio
Government of United States	23.6 %
Federal National Mortgage Assoc	12.2 %
Federal Home Loan Mortgage Corp	11.1 %
Federal Home Loan Bank	10.2 %
Federal Farm Credit Bank	9.3 %
Tennessee Valley Authority	4.4 %
JP Morgan FDIC Insured	2.8 %
PNCFunding FDIC Insured	2.8 %
	76.4 %

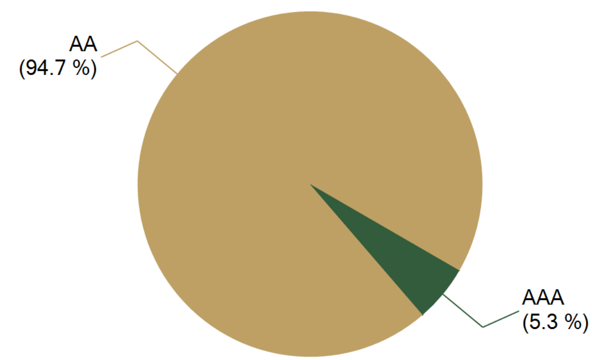
SECTOR ALLOCATION



MATURITY DISTRIBUTION



CREDIT QUALITY (S&P)



PERFORMANCE REVIEW

Total Rate of Return As of 2/29/2012	Current Month	Latest 3 Months	Year To Date	Annualized 1 Yr	Annualized 3 Yrs	Annualized 5 Yrs	Annualized 10 Yrs	Annualized 3/31/2006	Since 3/31/2006
Small Cities Organized Risk Effort	-0.07 %	0.68 %	0.40 %	3.22 %	3.31 %	4.82 %	N/A	4.98 %	33.28 %
1-5 yr Govt	-0.25 %	0.24 %	0.07 %	3.18 %	2.77 %	4.51 %	N/A	4.66 %	30.90 %
1-5 Year Govt/A Rated or better Corporate	-0.07 %	0.74 %	0.49 %	3.32 %	3.73 %	4.51 %	N/A	4.69 %	31.16 %

COMPLIANCE WITH INVESTMENT POLICY

Assets managed by Chandler Asset Management are in full compliance with State law and with the Authority's investment policy.

Category	Standard	Comment
U.S. Treasury Issues	No limitations	Complies
Government Agencies	No limitations	Complies
Negotiable CDs	A-1/P-1 or F-1, or AA rated; 30% max.; 3 years maximum maturity; $1MM per issuer	Complies
Banker's Acceptances	A1/P1 or F-1 rated; 30% maximum; $1MM per issuer; <180 days	Complies
Commercial Paper	A-1/P1 or F-1 rated; 25% maximum;$1MM per issuer; <270 days	Complies
Medium Term Notes	"AA-" or better rated; 30% maximum; $1MM per issuer	Complies
Asset-Backed Securities	AAA/Aaa rated; 20% maximum; $1MM per issuer	Complies
Money Market Funds	AAA/Aaa rated; 15% maximum	Complies
Repurchase Agreements	Not used by investment adviser	Complies
LAIF	Not used by investment adviser	Complies
Maximum maturity	5 years	Complies

PreventionLink Utilization Report	December 2011

	Oct	Nov	Dec	Last 12 months
Active Users			138	138
Total Active and Offline Registered Users			263	263
Courses Completed-Users			19	70
Courses Completed-Total			26	322
Custom Activities Completed-Users			9	20
Custom Activities Completed-Total			16	289

2011 Utilization for SCORE
(breakdown by city)

Cities	EE Count	No. of Contacts	Individual City Utilization %
City of Biggs	9	2	22.2%
City of Colfax	1	0	0.0%
City of Dorris	12	1	8.3%
City of Dunsmuir	10	0	0.0%
City of Etna	46	4	8.7%
City of Isleton	5	2	40.0%
City of Loyalton	5	0	0.0%
City of Mount Shasta	34	2	5.9%
City of Portola	11	0	9.1%
City of Shasta Lake	45	7	15.6%
City of Susanville	62	4	6.5%
City of Weed	30	6	20.0%
City of Yreka	52	2	3.8%
Town of Loomis	10	0	0.0%
2011 (1/1/2011-12/31/2011)			

York Risk Services Group, Inc.
Feb-12

Client: SCORE - Small Cities Organized Risk Effort
Flat Rate: $7,665.00

Member	# of Open Claims	Invoice Amount
City of Biggs	0	$0.00
City of Colfax	2	$148.83
City of Crescent City	12	$893.01
City of Dorris	0	$0.00
City of Dunsmuir	2	$148.83
City of Etna	1	$74.42
City of Ione	1	$74.42
City of Live Oak	0	$0.00
City of Montague	2	$148.83
City of Mt. Shasta	20	$1,488.35
City of Portola	5	$372.09
City of Rio Dell	1	$74.42
City of Shasta Lake	3	$223.25
City of Susanville	24	$1,786.02
City of Weed	4	$297.67
City of Williams	5	$372.09
City of Yreka	21	$1,562.77
Town of Fort Jones	0	$0.00
Town of Loomis	0	$0.00
Total	103	$7,665.00

Flat Rate	$7,665.00	
Total Invoice	$7,665.00	

SCORE

SCORE Service Calendar

AS – Alliant Insurance Service Staff
PA – Program Administrator
CA – Claims Auditor
FA – Financial Auditor
York – York Insurance Services Group Staff

BD – Board of Directors
RM – Risk Management
FC – Finance Committee
GA – Gilbert Associates
JY-Johnny Yang, Alliant Insurance
KC- Kim Carter, Alliant Insurance

JT- Jan Trevino, Alliant Insurance

Date	Activity	Responsible Party	Date Completed	Status/Notes
January 2012				
1/1/12	Obtain Electronic Loss Runs valued as of 12/31/11 from York for both WC & Liability	JY		
1/1/12	Send loss runs to Gilbert Associates for retro calculation	JY		
1/1/12	Send out PEPIP Renewal information	KC		
1/1/12	Request agenda items from vendors	JY		Due Date Jan 13th
1/4/12	Alliant Staff Jan Agenda Review	AS		CCALL Mike, Susan, Johnny, Joan
1/10/12	Collect Crime Program 7/1 Renewal Apps from Members and submit to ACIP	KC		
1/11/12	Alliant Staff Jan Agenda 2nd Review	AS		
1/13/12	Request RSVP for Jan Mtg	JT		
1/15/12	Collect DE/6 Reports as of 12/31/11	KC		
1/15/12	Begin draft of next FY Budget	PA		
1/17/12	Alliant Staff Final Agenda Review	AS		CCALL Mike, Susan, Johnny, Joan
1/20/12	Post/Distribute Jan Agenda	AS		Via SCORE website
1/27/12	January Board Mtg – Gaia Anderson Hotel	BD		
(mtg)	ACI Quarterly Utilization Reports: Oct. 1, 2011 – Dec. 31, 2011	JY		
(mtg)	Quarterly Financials as of 12/31/11 - Draft	GA		
(mtg)	Equity Distribution Plan and Rate Stabilization	AS/PA		
(mtg)	Financial Audit as of 6/30/11	FA (Maze)		
(mtg)	Target Equity Presentation	AS/PA		
1/31/12	Forward all DE/6 to CJPRMA (Saima Kumar)	KC		
1/31/12	Submit loss runs to Actuary for studies in WC & Liability	JY		
1/31/12	File Audited Financial Statements w/ Secretary of State, Sacramento County and Members	GA/AS		

Date	Activity	Responsible Party	Date Completed	Status/Notes
February 2012				
2/1/12	Collect PEPIP Renewal Apps from Members and Submit to AUS	KC		
2/6/12	Review To Do List from January Board Mtg	AS		
2/8/12	January Board Meeting Draft Minutes	AS		
2/14/12 – 2/17/12	PARMA Conference	PA		
2/15/12	Follow up with Gilbert Associates for retro calculation	JY		
2/15/12	Follow up on Liability & WC Claims Audits	JY		
March 2012				
3/2/12	Request updates for March Agenda	JY		
3/2/12	Submit Pollution Program Renewal Apps to Members (every 3 years) Expires 2012	KC		
	Workers' Compensation Claims Audit (from LAWCX)			Susan to look over. Every other year. Not required in 2012.
3/9/12	Request RSVP to members for March Mtg	JT		
3/15/12	Begin Work Draft Budget for next Fiscal Year (Review and incorporate LAWCX, ERMA, CJPRMA, & PEPIP draft numbers into budget)	PA		
3/15/12	Vendor Contracts, Investment Policy & Internal Controls Guidelines, Conflict of Interest Code, WC/Liab Retros, Election of Officers (even years)	PA		
3/15/12	Collect drafts of WC & Liability Actuarial Studies for March Meeting	AS		
3/15/12	Collect Form 700s for Members	JT		
3/15/12	Review and Submit Crime Program Proposals to members	KC		
3/16/12	Send March Board Agenda to Members	JY		
3/16/12	Finalize # of attendees March Meeting	JT		
3/23/12	March Board Mtg – Gaia Anderson Hotel			
(mtg)	Find venue for October Strategic Planning & mgt	JT		
(mtg)	Present Liability & WC Claims Audits	AS		
(mtg)	Conflict of Interest Code (every even numbered year)	AS		

Date	Activity	Responsible Party	Date Completed	Status/Notes
March 2012				
(mtg)	CAJPA Accreditation on agenda	AS		
(mtg)	Actual to Budget Comparison (CYE 12/31)	GA		March Agenda
3/26/12	Review To Do List from Board Mtg	AS		
3/31/12	Send List of Renewal Certificates to Members	KC		
April 2012				
4/1/12	Collect DE/6 Reports as of 03/31/11	KC		
4/1/12	Payment for Treasurer's Bond	KC		
4/6/12	Finalize and Email March Board draft meeting minutes	JY		
4/15/12	CJPRMA Certificate Renewal List	KC		
4/15/12	SCORE Certificate Renewal List Due	KC		
4/20/12	Submit CJPRMA Certificate Renewal List to CJPRMA	KC		
4/29/12	Update Draft Budget with changes from March Mtg	PA		
Date	**Activity**	**Responsible Party**	**Date Completed**	**Status/Notes**
May 2012				
5/13/12	Obtain PEPIP Renewal Proposals	KC		
5/13/12	Obtain Quarterly Financials as of 03/31/12	AS/GA		
5/14/12	Alliant Staff First Agenda Review			CCALL Mike, Susan, Johnny, Joan
5/17/12	Obtain Final Actuarial Reports for WC & Liability for June Meeting	AS		
5/25/12	Finalize WC & Liability MOCs and Dec Pages for June Meeting	KC		
5/25/12	Request agenda items from Vendors	JY		
5/25/12	Send RSVP Requests to members	JT		

Date	Activity	Responsible Party	Date Completed	Status/Notes
June 2012				
6/1/12	Alliant Staff Agenda 2nd Review	AS		CCALL Mike, Susan, Johnny, Joan
6/1/12	Follow up on October Meeting Contracts	JT		
6/13/12	Alliant Staff Agenda Final Review	AS		CCALL Mike, Susan, Johnny, Joan
6/15/12	Bind orders for PEPIP Program	KC		
6/15/12	Send June Board Agenda to Members	JY		
6/20/12	Certificates of Insurance	KC		
6/22/12	June Board Mtg – Gaia Anderson Hotel			
(mtg)	ACI Quarterly Utilization Reports: Jan. 1, 2012 – March 30, 2012	JY		
(mtg)	SCORE MOCs and Dec Pages – Signed	AS/Roger		
(mtg)	Fiscal year Budget, Vendor Contracts, MOCs, Program Renewals, Financial Audit, Actuarial Studies, Target Equity Policy, Service Calendar, Liability Claims Auditor Contract, Treasurer's Authority, Retros, any amendments to Gov't Docs, etc.	AS/PA		
(mtg)	Resolution for mtg dates	BD		
(mtg)	Adoption of the Budget	BD		
(mtg)	Quarterly Financials as of 03/31/12	AS/GA		
(mtg)	CAJPA Conference	BD		
(mtg)	Approval of WC & Liability MOC	BD		
(mtg)	Discuss and determine Oct Training Day topics	BD		
(mtg)	Investment Authority Approval (annually)	BD		
(mtg)	Approval of PEPIP Proposal	BD		
6/25/12	Review To Do List from Board Mtg	AS		
6/28/12	Binder for Crime Program	KC		
6/28/12	Invoice for Broker Fee, Treasurer's Bond	KC		

Date	Activity	Responsible Party	Date Completed	Status/Notes
July 2012				
7/1/12	Send program invoices (ERMA, LAWCX, CJPRMA) to Gilbert Associates to pay	KC		
7/6/12	Finalize and Email June Board draft mtg minutes	JY		
7/15/12	Follow up w/ Board President regarding items that need signatures such as contracts	JY		
7/15/12	Finalize DE/6 Collection for 06/30/12	KC		
7/15/12	Follow up regarding Member deposit premium payments (coordinate with Gilbert Associates)	KC		
7/15/12	Follow up w/ ACIP members regarding premium payments	KC		
7/15/12	Follow up on payments for ERMA, LAWCX, PEPIP, CJPRMA, etc.	KC		
7/20/12	Copy and Mail all signature items to members	KC		
7/29/12	Complete and Submit LAWCX Compliance Report	AS/PA		
August 2012				
8/1/12	Submit LAWCX renewal apps to members in Workers' Compensation	KC		
8/4/12	Request agenda items from vendors for August Board Mtg	JY		
8/12/12	Send RSVP Requests to members	JT		
8/13/12	LAWCX Actual Payroll Audit by Class Code	KC		
8/13/12	Submit Fiscal Year Financial Information to Auditor	GA		
8/13/12	Begin Public Self/Insurers Report with State	AS/York		
8/18/12	Begin Strategic Planning Agenda	JY		
(mtg)	ACI Quarterly Utilization Reports: April 1, 2012 – June 30, 2012	JY		
(mtg)	Quarterly Financials as of June 30, 2012	GA		
(mtg)	CAJPA Conference	AS		
(mtg)	October Training Day and Board Mtg location	AS		

Date	Activity	Responsible Party	Date Completed	Status/Notes
September 2012				
9/2/12	Review To Do List from August Board Mtg	AS		
9/5/12	Finalize and Email August Board draft mtg minutes	JY		
9/14/12	Begin Agenda for October	JY		
9/14/12	Send RSVP Requests to Members	JT		
9/14/12	File Public Self/Insurers Annual Report with State	KC		
9/14/12	Request Agenda items from vendors for October Board mtg	JY		
9/18/12 – 9/21/12	CAJPA Conference	PA/BD		
October 2012				
10/1/12	Request DE/6 Payroll	KC		
	File Controllers Report with State	GA		
(mtg)	ACI Quarterly Utilization Reports: July 1, 2012 – September 30, 2012	JY		
(mtg)	PARMA Conference (Agenda Item)	AS		
(mtg)	Quarterly Financials as of 9/30/12			
10/28/12	Forward all DE/6 to CJPRMA (Saima Kumar)	KC		
10/29/12	Review To Do List from October Board Mtg	AS		

Date	Activity	Responsible Party	Date Completed	Status/Notes
November 2012				
11/1/12	Follow up with LAWCX regarding WC Claims Audit (Paid for by LAWCX)	AS		
11/2/12	Finalize and Email October Board draft mtg minutes	JY		
11/16/12	Send out Renewal items for Property and Crime	KC		
December 2012				
12/1/12	Send PEPIP Policy and Post on SCORE website	AS		
12/21/12	Request agenda items from Vendors for Jan Board mtg	JY		

SCORE
Small Cities Organized Risk Effort
A Joint Powers Authority

Agenda Item F.

COMMITTEE REPORTS

Information Item

ISSUE: Committee Reports are provided to the Board of Directors for their information.

RECOMMENDATION: None. This item is presented as information.

FISCAL IMPACT: None

BACKGROUND: Committee Reports are provided to the Board of Directors for their information on other committees and excess providers meetings.

ATTACHMENTS:

1. ERMA Board of Directors Meeting Minutes – February 10, 2012
2. LAWCX Executive Committee Meeting Minutes – February 28, 2012
3. CJPRMA Board of Directors Meeting Minutes – December 15, 2011

EMPLOYMENT RISK MANAGEMENT AUTHORITY (ERMA)

MINUTES OF THE BOARD OF DIRECTORS
MEETING OF FEBRUARY 10, 2012

A regular meeting of the Board of Directors of ERMA was held on February 10, 2012, at Silverado Resort & Spa, Napa, CA.

BOARD MEMBERS PRESENT:	Jake O'Malley, President, MPA Scott Ellerbrock, PERMA Craig Downs, Treasurer, VCJPA Debbie Stutsman, BCJPIA Judy Hayes, Housing Authority of Contra Costa Co. Dave Elias, CSJVRMA Florice Lewis, Oakland Housing Authority John Gillison, PARSAC
BOARD MEMBERS ABSENT:	René Mendez, MBASIA Debra Magginetti, SCORE
ALTERNATE MEMBERS PRESENT:	Greg Greeson, CSJVRMA Joe Kriskovich, MPA Artesia Dupree, Oakland Housing Authority Joanne Rennie, PARSAC Min-Lee Cheng, VCJPA
ALTERNATE MEMBERS ABSENT:	Dan Weakley, BCJPIA Joseph Villarreal, Housing Authority of Contra Costa Co. Daniel Dawson, MBASIA Dennis Molloy, PERMA Stephanie Beauchaine, SCORE
OTHERS PRESENT:	Karen Thesing, Executive Director Chrissy Mack, Board Secretary Ruth Graf-Urasaki, Litigation Manager Rebecca Lane, Assistant Litigation Manager Nancy Broadhurst, Finance Manager Charlotte Hemker-Smith, Legal Counsel Rob Kramer, BCJPIA Adrienne Beatty, BCJPIA Jeanette Workman, CSJVRMA Brian Kelley, VCJPA Seth Cole, Alliant Insurance Services Mike Simmons, Alliant Insurance Services Michael Christian, Jackson Lewis Scott Tiedemann, Liebert Cassidy Whitmore Carlos Oblites, PFM (left after item 8.B) Matt Hansen, City and County of San Francisco (left after item 9.A.)

1. CALL TO ORDER

The February 10, 2012, Board of Directors' meeting was called to order at 9:05 a.m. by President Jake O'Malley.

2. INTRODUCTIONS

A majority of the members were present constituting a quorum.

3. APPROVAL OF AGENDA AS POSTED (OR AMENDED)

Dave Elias moved to approve the agenda as posted. Seconded by John Gillison. Motion passed unanimously.

4. PUBLIC COMMENTS

None.

5. CONSENT CALENDAR

Scott Ellerbrock moved to approve/accept the following items: A) Minutes of November 14, 2011, Board of Directors' Meeting and Summary of Action Items; B) General Warrants from November 1, 2011, through January 17, 2012; C) Claims Payments from November 1, 2011, through January 17, 2012; D) Petty Cash Statement from November 1, 2011, through January 17, 2012; E) Treasurer's Report as of December 31, 2011; and F) Internal Financial Statements for the Quarter Ended December 31, 2011. Seconded by John Gillison. Motion passed unanimously.

6. GOALS AND OBJECTIVES

A. Review and Approval of ERMA Goals and Objectives Established at 2012 Annual Workshop

During the Annual Workshop discussion the previous day, the Board set forth goals, objectives, and direction for staff. Ms. Karen Thesing, Executive Director, outlined these items for the Board:

- Directed staff to issue a semi-annual reminder of what constitutes a claim to the members;
- Directed staff to present a draft budget for the 2012/13 program year utilizing a 2% discount rate;

- Directed staff to set up training in 2012/13 in the same format as the current year;
- Directed the JPA members to assist ERMA staff with communicating to their underlying members from both a training and a marketing standpoint; and
- The Board will develop and approve, effective July 1, 2012, objective criteria for evaluating untimely claims.

John Gillison moved to adopt the goals and objectives. Seconded by Debra Stutsman. Motion passed unanimously.

7. EXCESS COVERAGE MATTERS

A. Excess Coverage and Marketing Strategy for 2012/13

Prior to the meeting, the Board received a marketing report from Alliant Insurance Services, ERMA's broker. Mr. Seth Cole and Mr. Mike Simmons were present at the meeting and reviewed ERMA's current excess coverage and the marketing strategy for 2012/13. Mr. Cole noted that over the past two years ERMA has been aggressively marketed to insurers that expressed interest in providing excess insurance to ERMA. Mr. Cole explained that their plan for 2012/13 is to enter into early discussions with RSUI, ERMA's current excess carrier, and determine whether they anticipate any changes for 2012/13. If RSUI indicates any adverse changes, Alliant will market ERMA to other carriers that expressed interest during the last renewal.

At the meeting, Alliant provided a spreadsheet showcasing various coverage limit options for renewal and estimated premiums. Mr. Simmons requested direction from the Board regarding what coverage limits they are interested in seeking for the 2012/13 program year. The Board directed Alliant to market the excess coverage at the same limits as expiring of $1 million each claim each member, $2 million aggregate with a $10 million policy aggregate. Mr. Simmons informed the Board they will request RSUI to provide both a quote at the expiring limits and a quote at a $15 million policy aggregate; however, he believes a $10 million aggregate is adequate for the current members participating in the purchase of the excess coverage.

8. FINANCIAL MATTERS

A. Investment Performance Review Presented by Public Financial Management, Inc. (PFM)

Mr. Carlos Oblites, PFM, was present at the meeting and handed out ERMA's fourth quarter Investment Performance Review. Mr. Oblites discussed the state of the current investment market and reviewed ERMA's investment portfolio with the Board. Mr. Oblites noted ERMA's portfolio is well diversified with 9% of the portfolio invested in U.S. Treasuries, 71% in Federal Agencies, less than 1% in CAMP, and high quality corporate and municipal obligations equaling 20%, with no single corporate obligation making up more than 2% of the portfolio. Mr. Oblites noted that normally municipal obligations are not purchased due to their usually low yield, however, there was a market opportunity identified making the purchase advantageous to ERMA. Mr. Oblites informed the Board that over the past year, ERMA's portfolio generated a total return of 1.39%. This was slightly lower than the benchmark over the past year because of a conservative duration stance in the third quarter.

B. Annual Review and Approval of Investment Policy

Ms. Nancy Broadhurst, Finance Manager, stated that annually the Board reviews the Investment Policy to determine whether any changes are warranted. Ms. Broadhurst stated this year the Policy has been reviewed by Mr. Oblites, and he is recommending some changes. Prior to the meeting, the Board received a draft Investment Policy with changes shown in redline/strikeout text and a letter from Mr. Oblites regarding his suggestions for the Investment Policy. Mr. Broadhurst noted the suggested amendments have been reviewed by ERMA's Treasurer, Craig Downs, who has some questions which will be addressed.

Mr. Oblites noted there have been no changes to the Government Code which necessitated changes to the Policy. Mr. Oblites reviewed his suggested changes:

- Change the Policy to reflect that a quarterly investment report will be done at the suggestion, instead of the requirement, of Government Code Section 53646. This Section no longer mandates that a quarterly investment report be submitted. Mr. Oblites explained it is still recommended ERMA perform the quarterly reporting, however, it is no longer required.

- Clarify that the minimum credit ratings criteria will apply at the time of purchase, and add language stipulating that the investment advisors will be required to notify staff in the event of a downgrade and provide a plan of action. Mr. Oblites explained that the Policy will now recognize it is not a Policy violation if credit ratings fall after a security has been purchased.

- Add alternate criteria for eligible commercial paper to reflect the Government Code.

- Revise the ratings language so that corporate securities in the "A" category are eligible for purchase. ERMA's current Policy only allows for "AA" and "AAA" rated securities. Mr. Oblites noted the Government Code allows for the purchase of securities that are rated "A" or above and due to the change in the market, it is more difficult to find "AAA" and "AA" rated securities. In addition, nearly all of the large issuers carry a split rating. The split rating means Moody's and Standard and Poor's have different ratings for the same issuer.

- Change the maximum investment in LAIF to $50 million to reflect the current maximum established by the Government Code.

Mr. Downs informed the Board he questioned Mr. Oblites regarding whether ERMA is adding risk to the portfolio by allowing the purchase of "A" rated securities without gaining much yield; he asked Mr. Oblites to address this with the Board. Mr. Oblites stated while there will be minimal yield gained, it will add value over time. This change does not represent a change in PFM's stringent credit quality philosophy.

Scott Ellerbrock moved to approve the Investment Policy as amended. Seconded by Florice Lewis. Motion passed unanimously.

C. Proposed Revisions to Financial Stability Plan and Review of Proposed Target Equity Ratios

Prior to the meeting, the Board received the proposed revisions to ERMA's Financial Stability Plan and the target equity benchmarking ratios calculation. President O'Malley noted the revisions to the Plan and the ratios were reviewed the previous day at the Annual Workshop. The revisions reflect ERMA's current funding surplus which has allowed for the addition of the target equity benchmarking ratios for: 1) net contribution to equity; 2) loss reserves to equity; 3) equity to self-insured retention; 4) operating ratio; 5) reserve development; and 6) changes in equity. Clarification was requested regarding the requested Board action. It was questioned if the proposed revisions simply allow for retrospective adjustments to be performed, and any equity that is eligible to be returned to the members will be a separate Board action at a later time. Staff responded this is correct and the process for performing retrospective adjustments is not being changed in the Plan.

Dave Elias moved to approve the revisions to ERMA's Financial Stability Plan including the target equity ratios. Seconded by Craig Downs. Motion passed unanimously.

D. Premium Credit for Community Correctional Facilities (CCFs)

Ms. Thesing reminded the Board that at the November 2011 Board of Directors meeting, the Board reviewed a request from three community correctional facilities (CCFs), Delano; Shafter; and Taft, for a 2011/12 premium credit. These entities were members of ERMA through Central San Joaquin Valley Risk Management Authority (CSJVRMA) and were closed by the State. In November, the entities were in various stages of closure and all had indicated they were trying to reopen by establishing contracts with other agencies. The Board denied their request, but directed staff to determine if any other CCFs were provided coverage through ERMA and to bring this information back to the Board along with an update on the status of the CSJVRMA's three CCF members.

Staff reported that: 1) PARSAC indicated two of their entities had CCFs, however, they are not seeking a premium credit; 2) PERMA had one entity with a CCF, but a payroll reduction was accounted for in the final budget for 2011/12; and 3) the CSJVRMA CCFs are all now closed and have no definitive plans to reopen at this time. Staff recommended the Board maintain the decision to not provide a premium credit for the three CSJVRMA CCF members. No action was taken on this agenda item since the group agreed to uphold their prior decision.

9. ADMINISTRATIVE MATTERS

A. Extension of Coverage for San Francisco Redevelopment Agency (SFRA) (BCJPIA)

Ms. Thesing informed the Board that the San Francisco Redevelopment Agency (SFRA), a member of Bay Cities Joint Powers Insurance Authority (BCJPIA), ceased operations February 1, 2012, as mandated by the State. The City and County of San Francisco (CCSF) will be the successor agency. Per AB 26, the successor agency is required to accept the activities, assets, and liabilities of SFRA. In discussions with BCJPIA staff, CCSF expressed a desire for ERMA's coverage to be extended through June 30, 2012, for the activities previously covered for SFRA. At the meeting, the Board received a letter from SFRA with their formal request. In the letter, it was noted CCSF would be willing to become a signatory to the ERMA Joint Powers Agreement through June 30, 2012, and would be willing to agree to language limiting the liability to the same exposures previously covered for SFRA prior to February 1, 2012. Ms. Thesing introduced Mr. Matt Hansen, Risk Manager of CCSF, who was present to discuss the request with the Board.

Mr. Hansen informed the Board CCSF is in the process of determining how to administratively handle becoming the successor agency for CCSF. He briefly explained the operations of CCSF and noted CCSF is not requesting ERMA provide any coverage for CCSF beyond what was previously provided to SFRA. He stated that as a successor organization, because of the bargaining agreements with the employees of SFRA, CCSF has extended the employment relationship 100% through the end of March 2012 to the personnel that were employed by SFRA. The same management and supervisory relationships and working rules and regulations will remain intact up to that point. During this time, CCSF will be determining how to absorb SFRA into their agency and how many employees of the former SFRA the CCSF will retain. Mr. Hansen noted the same projects and facilities that were being managed by SFRA will now be managed by CCSF. As of April 1st, while CCSF will continue with redevelopment activities, some of the employees that were previously employed by SFRA will be laid off. Mr. Hansen stated the staff has been informed of the process and are fully aware they may be laid off. It was questioned how many employees are being absorbed from SFRA through March 30th and what percentage will be retained after that point. Mr. Hansen responded there are 111 employees, and CCSF is currently evaluating how many will be retained. The employees that are retained will hold comparable positions as they held at SFRA. They will experience changes in their retirement benefits, and they will not retain their seniority.

It was questioned why CCSF is not simply adding the former SFRA employees to CCSF's employment practices liability (EPL) coverage. Mr. Hansen responded that CCSF does not have a city-wide EPL policy. EPL coverage is provided by extension through errors & omissions policies for various boards and commissions that are separate and distinct, such as the public utilities commission. For general service, they are self-insured and have not accounted for the extra coverage to be provided to former SFRA employees in their actuarial studies. Therefore, they would be assuming a risk that has not been funded. Mr. Hansen noted CCSF is only requesting coverage that ERMA previously provided to SFRA.

Ms. Charlotte Hemker-Smith, Legal Counsel, expressed concerns with extending the coverage and noted that even if employees are retained to perform the same job functions, after March 30th the supervision may change. These supervisors may not be aware of ERMA's policies and procedures nor have they received training through ERMA. Mr. Hansen responded CCSF does have stringent procedures in place, and they are going to strive to keep the working units as cohesive as possible.

It was questioned whether BCJPIA is extending coverage to CCSF. Mr. Rob Kramer responded BCJPIA will be discussing the matter, however, the issues are different for BCJPIA as they only provided liability and auto liability coverage to SFRA.

It was questioned why CCSF does not apply as a new member to ERMA. Ms. Hemker-Smith noted ERMA has a six month application process and new members must agree to participate for a minimum of three years. Therefore, if they were to apply to ERMA, the Board would need to waive the application process and the minimum participation period.

Ms. Hemker-Smith informed the Board that if the Board votes to provide the coverage as requested, CCSF would need to become a party to the Joint Powers Agreement. The Board could adopt an addendum to the Joint Powers Agreement and provide limitations as to time, scope, and any obligations or other limitations, such as a higher SIR, that the Board wants placed on CCSF. Mr. Hansen stated CCSF would agree with ERMA adopting a limited scope. Ms. Thesing also noted that if the Board wants to extend the coverage, staff along with Legal Counsel would draft language for adoption by the Board at a special meeting.

It was questioned whether a pro-rated refund would be provided to BCJPIA for SFRA if the request is denied. Ms. Thesing responded that as this same issue was addressed regarding the CCFs and a pro-rated refund is not being provided to them, she doesn't foresee ERMA providing a refund for SFRA.

There was discussion regarding the obligations contained within AB 26 to continue insurance contracts. Ms. Hemker-Smith responded she will review the provisions of AB 26 again, but does not recall a specific provision regarding insurance. PARSAC responded they have had a review of AB 26 performed and will share those findings with her.

Dave Elias moved to deny extending the coverage previously afforded SFRA to CCSF. Seconded by Craig Downs. Motion passed by majority vote. Debra Stutsman voted no.

Staff indicated they will send a letter to CCSF regarding the Board's action.

B. Service Provider Contracts Expiring June 30, 2012

Ms. Thesing noted there are three contracts expiring June 30, 2012, and staff is requesting Board direction regarding whether to enter into negotiations for new contracts or issue any request for proposals for services.

President O'Malley noted the Board reviewed the responses to the vendor evaluation survey the previous day. The attorney firm partners and Alliant Insurance Services were included in the survey and all received high marks.

1. Attorney Firm Partners – Liebert Cassidy Whitmore and Jackson Lewis

John Gillison moved to direct staff to negotiate a new three-year contract with the attorney firm partners, Liebert Cassidy Whitmore and Jackson Lewis. Seconded by Scott Ellerbrock. Motion passed unanimously.

2. Brokerage Services – Alliant Insurance Services

Judy Hayes moved to direct staff to negotiate a three-year contract with Alliant Insurance Services. Seconded by Dave Elias.

It was requested that the requests for communication by both ERMA and the underlying members of ERMA be provided timely by Alliant.

Motion passed unanimously.

3. Claims Management System – George Hills Company

Ms. Thesing noted the contract between ERMA and George Hills Company (GHC) provides ERMA with access to their claims management system, IVOS, which ERMA uses to house its claims information. Bickmore Risk Services (BRS) is currently investigating whether it can implement an in-house claims information system at no cost to ERMA, however, that is still in an exploratory stage. ERMA currently pays $100 per month plus $50 per claim that is entered into the system. The monthly charge varies, however, ERMA budgets $4,000 each year for the claims information system. Ms. Thesing stated she has meet with the CEO of GHC who has agreed to a renewal at the same terms as expiring.

Scott Ellerbrock moved to renew the contract with George Hills Company. Seconded by Dave Elias. Motion passed unanimously.

10. LITIGATION MANAGEMENT

A. Request from MBASIA for Addition to Defense Firm Panel

Ms. Thesing informed the Board that MBASIA, ERMA's newest JPA member, is requesting the addition of the Law Office of Vincent P. Hurley to ERMA's Defense Panel. Prior to the meeting, the Board received a letter from MBASIA's claims administrator with the reason for the request. Ms. Ruth Graf-Urasaki, Litigation Manager, stated there are several reasons for MBASIA's request including Mr. Hurley's history of advising MBASIA members on employment matters, their trust in his counsel, his relationship with their police chiefs for whom he provides advice and counsel, his close proximity to the members of MBASIA, and his expertise in employment and police liability issues. In addition, MBASIA elected to join ERMA at a $500,000 self-insured retention (SIR) and based on their claim history, it is likely a majority of their claims will fall within their self-insured layer.

Prior to the meeting, Ms. Graf-Urasaki interviewed Mr. Hurley to determine his qualifications to serve on the ERMA Defense Panel and contacted two of Mr. Hurley's references. Ms. Graf-Urasaki stated she recommends the law firm be added to the panel. She noted Mr. Hurley has an understanding of ERMA's Litigation Management Program and that the Litigation Manager approves all law firm assignments. Therefore, at times MBASIA claims may be assigned to another law firm on the panel.

Ms. Graf-Urasaki noted that while ERMA periodically receives requests for additions to the Defense Panel, these requests are usually brought forth by one underlying ERMA member and are typically denied. Her consideration of adding Mr. Hurley's firm to the panel is due to the facts that the request came from a member JPA, MBASIA has a long-standing relationship with Mr. Hurley. Further, MBASIA has a $500,000 SIR.

In response to a question, it was noted if the firm is added to the Panel, they will be evaluated on an ongoing basis in the same manner as all of the firms on the Panel.

Craig Downs moved to add the Law Office of Vincent P. Hurley to the ERMA Defense Panel. Seconded by Scott Ellerbrock. Motion passed unanimously.

11. CLAIMS MATTERS

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

Pursuant to Government Code Section 54956.95(a), the Board recessed to closed session at 11:10 a.m. to discuss the following claims for the payment of employment practices liability incurred by the joint powers authority:

- Carrigan v. Lathrop
- Schuler v. Menlo Park
- Shiva/Yesford v. McFarland

B. Report from Closed Session

The Board reconvened to open session at 11:28 a.m. There was no action taken during closed session.

12. CLOSING COMMENTS

A. Board

President O'Malley thanked everyone for their participation in the Annual Workshop and the Board of Directors' meeting.

B. Staff

None.

13. ADJOURNMENT

The meeting adjourned at 11:30 a.m. by general consent.

Chrissy Mack
Chrissy Mack, Board Secretary

LOCAL AGENCY WORKERS' COMPENSATION EXCESS
JOINT POWERS AUTHORITY
1750 CREEKSIDE OAKS DRIVE, SUITE 200
SACRAMENTO, CA 95833

MINUTES OF THE EXECUTIVE COMMITTEE MEETING
OF FEBRUARY 28, 2012

A meeting of the Local Agency Workers' Compensation Excess JPA (LAWCX) Executive Committee was held at PARSAC in Sacramento, CA.

COMMITTEE MEMBERS PRESENT:	Joanne Rennie, President, PARSAC Scott Ellerbrock, Vice President, PERMA Rosa Kindred-Winzer, City of Merced Darrell Handy, City of Vallejo
COMMITTEE MEMBERS ABSENT:	Stuart Schillinger, Past President/Treasurer, BCJPIA Jace Schwarm, City of Encinitas
OTHERS PRESENT:	Karen Thesing, Manager-Secretary Tammy Vitali, Claims Manager Deborah Diller, Accounting Manager Chrissy Mack, Recording Secretary Richard Shanahan, Legal Counsel, Bartkiewicz, Kronick & Shanahan Bill Henderson, Livermore (left after item 10.C.) Kin Ong, PARSAC (left after item 10.C.) Anita Holland, LAWCX Senior Accountant, BRS (left after item 10.C.) Brian Kelley, FASIS & VCJPA Administrator, BRS (left after item 10.C.) Jeanette Workman, CSJVRMA Administrator, BRS (left after item 10.C.) Jeff Johnston, BRS (left after item 9.A.) Seth Cole, Alliant Insurance Services, Inc. (left after item 9.A.) Mike Simmons, Alliant Insurance Services, Inc. (left after item 9.A.) John Alltop, BRS (joined during item 8.B. and left after item 10.C.)

1. CALL TO ORDER

The meeting was called to order at 10:00 a.m. by President Joanne Rennie.

2. INTRODUCTIONS

Introductions took place, and it was determined a quorum was present. Deborah Diller, Accounting Manager, introduced Anita Holland from Bickmore Risk Services (BRS) who serves as the Senior Accountant for LAWCX.

3. PUBLIC COMMENTS

None.

4. APPROVAL OF AGENDA AS POSTED (OR AMENDED)

Scott Ellerbrock moved to approve the agenda as posted. Seconded by Darrell Handy. The motion passed unanimously.

5. PRESIDENT'S/GENERAL MANAGER'S MESSAGE

President Rennie welcomed everyone to the meeting at PARSAC and expressed appreciation for the Executive Committee's participation at LAWCX's Strategic Planning Session in November 2011.

Karen Thesing, Manager, noted a majority of the items on the agenda for the current meeting stem from discussion that took place at the Strategic Planning Session.

6. CONSENT CALENDAR

Scott Ellerbrock moved to approve/accept the following items: A) Summary of Action Items and Minutes from the September 27, 2011, Executive Committee Meeting; B) Internal Financial Statements as of September 30, 2011, and December 31, 2011; C) Treasurer's Report Dated December 31, 2011; D) JPA Performance Report as of June 30, 2011 – Revised; and E) eBrief, December 2011. Seconded by Rosa Kindred-Winzer. The motion passed unanimously.

7. ADMINISTRATIVE MATTERS

A. November 2011 Strategic Planning Session Action Plan

Ms. Thesing reminded the Executive Committee that the November 2011 Board Strategic Planning Session started with a Strengths, Weaknesses, Opportunities, and Threats

(SWOT) analysis and then attendees broke into groups to set goals for specific categories developed during the SWOT analysis. Ms. Thesing stated the categories were financial, coverage and governance, program services, and marketing and growth. Once each group developed goals within their category, the goals were reviewed with all of the attendees and then participants were asked to vote on which goals they felt were the most important to LAWCX. The Board was then advised the Executive Committee would review the goals at their February 2012 meeting to begin developing an action plan.

Prior to the meeting, the Executive Committee received the November 2011 Strategic Planning Session Action Plan. Ms. Thesing reviewed each goal with the Committee:

- **Financial**
  1. **Demystify LAWCX's finances for members – 6 votes.**

  The Committee discussed the importance of members understanding LAWCX's finances. It was noted one important item to discuss is trend analysis; recently, there were two new claims reported to LAWCX that are 14 years old. The members should be made aware that dividends are not expected from LAWCX in the near future due to the long tail on workers' compensation claims. In addition, they should understand the reason LAWCX currently has a financial plan to assess members over a period of three years to increase funding.

  Discussion ensued regarding where the confusion lies regarding LAWCX's finances. It was noted that the confusion most likely surrounds not understanding Joint Powers Authority (JPA) finances, such as how rates are structured and how losses are shared. In addition, each JPA has their own nuances, so understanding another JPAs finances may be irrelevant to understanding LAWCX's finances. It was suggested that a simplified "cheat sheet" be developed explaining how rates are structured, how losses are shared, etc. This information could be included in the Nuts & Bolts training session for Board members. Ms. Thesing stated staff will prepare a document for review by the Executive Committee at their next meeting.

  The Committee again addressed workers' compensation claims trends. It was stated that at the November Strategic Planning Session, the Board seemed to express a lack of confidence in the actuary, and there appeared to be a lot of confusion regarding why some of the program years are underfunded. The Committee noted it can take many years for workers' compensation claims to close and with LAWCX being an excess pool, claims are sometimes reported several years after they are initiated. Therefore, it can be difficult for an actuary to accurately predict the funding needed. In addition, there are challenges in the area of workers' compensation such as the impact of medical inflation and the ability to Compromise and Release (C&R) claims.

Ms. Thesing requested clarification regarding the "cheat sheet" and whether the Committee was interested in only including an explanation of LAWCX's finances or also adding information regarding workers' compensation claim trends. Staff was directed to only include an explanation of LAWCX's finances.

2. Analyze confidence level to determine actual losses vs. estimated losses (trend analysis) to determine if confidence level is correct – 19 votes.

It was suggested that a peer review be conducted of the actuarial study performed by BRS. Ms. Thesing questioned whether that is a specific goal and staff should contact LAWCX's actuary to determine what would be involved in a peer review from a cost perspective and bring information back to the Committee. The Committee directed staff to bring cost information back at the next meeting.

3. Review the investment portfolio and the discount rate to determine whether a 5% discount rate is appropriate for future program years – 4 votes.

It was noted this will be discussed as a separate agenda item later in the meeting.

4. Determine how to settle claims sooner to resolve future costs – 2 votes.

Ms. Tammy Vitali, Claims Manager, stated members and their third party administrators (TPAs) are encouraged to C&R claims as much as possible. The Committee discussed this goal, and President Rennie stated there was a session held at PARMA regarding doing a C&R on every claim. Ms. Vitali noted that one member hired an attorney to assist with a review of their future medical claims for the potential to settle by C&R. Ms. Vitali stated she could share the information with any interested members.

Ms. Vitali further noted that there seems to be a misunderstanding by claims examiners of what it means to their client if a claim remains open, and the members need to work with their TPA to encourage claims settlement. It was suggested staff host a webinar or training session in this area. It was questioned whether LAWCX could place a requirement in the claims performance standards that examiners attempt to settle with a C&R and if unsuccessful explain why. Ms. Vitali noted that she always requires examiners to attempt to settle a claim by C&R when she receives a request for settlement authority, and members should be ensuring their TPAs are working towards claims settlement. Information could be sent to the members in this regard; however, she would caution against placing a requirement in the claims performance standards. Ms. Vitali noted that C&R settlements involve paying more money up front, and some members are unwilling to do this. It was noted a discussion regarding claims settlement should be included when the members hold their twice annual claims reviews with their TPA as required by the claims performance standards. Ms. Thesing also noted that some of the Medicare Set Aside requirements are making it more difficult to settle claims with a C&R. In addition, as an excess coverage provider, it can be difficult for LAWCX to mandate some areas that are not within LAWCX's purview. It was stated LAWCX could simply provide guidance to the members and their TPAs regarding settling claims, without making it mandatory. Ms. Vitali stated that language could be added to the performance standards stating the examiners will evaluate all claims for Stipulated Award and C&R. This would put the onus on the claims examiner to attempt claims settlement, and if unable to accomplish, document the reasons why.

The Committee discussed the possibility of conducting training for the claims examiners. Ms. Vitali suggested that if training is conducted, that the managers/supervisors also be invited as some of LAWCX's suggestions could go against the TPA's own policies. Ms. Thesing noted it could also go against a JPA or individual members' philosophy. President Rennie questioned whether the Executive Committee is interested in staff pursuing training. The Committee concurred it would be valuable training that could be conducted via a webinar, and requested staff to pursue.

5. **Analyze use of assets vs. deficits (determine whether future assessments are necessary if LAWCX is in an overall positive position) – 4 votes.**

Ms. Thesing noted this issue will be discussed later in the meeting as a separate agenda item.

- **Coverage and Governance**

1. **Send newsletter/alerts to members once or twice per year between Board meetings which would include a summary of Executive Committee meetings and information regarding legislative updates – 6 votes**

Ms. Thesing stated that in December 2011, staff issued LAWCX's first eBrief and favorable feedback was received from the members. Therefore, the eBriefs will continue to be issued following meetings.

2. **Offer a pilot web based meeting, utilizing a technology resource such as Webex or Go To Meeting (the member can select which meeting they would like to participate in via the web) – 9 votes.**

Ms. Thesing noted this has been placed on the agenda for discussion later in the meeting.

3. **Staff and Executive Committee take another look at the volunteer exposure (is it being funded correctly) – 0 votes.**

Ms. Thesing stated since this item received zero votes, staff will not pursue unless otherwise directed.

4. **Closure on 4850 (vote of group is to remain status quo and continue providing coverage for 4850) – 0 votes.**

Ms. Thesing stated as this item also received zero votes, it will not be addressed. Ms. Thesing noted the Executive Committee previously reviewed whether to make coverage for 4850 optional as opposed to mandatory. The Committee voted to continue requiring members to participate in the 4850 coverage.

5. **Institute communication tool on website to allow members to communicate with each other.**

Ms. Thesing noted this item was added during discussion at the Strategic Planning Session and after voting had already taken place. Ms. Thesing requested direction from the Executive Committee. It was agreed the members should be encouraged to utilize the platform provided through CSAC-EIA's website, and this information will be placed in the next eBrief.

- **Program Services**

1. **Educate the membership on the services LAWCX currently provides and include information on the LAWCX website (roadmap/checklist/resource guide/mentoring) (within one year) – 21 votes.**

2. **Training for Board members and at the membership level (w/c 101, etc. and training for new Board members when they are appointed to serve) (within one year) – 2 votes.**

Ms. Thesing informed the Committee that LAWCX staff does conduct periodic training and will be holding a Nuts & Bolts session, tentatively scheduled for April, and a notice will be forthcoming to the membership. Ms. Thesing noted participation in these sessions tends to be low. It was questioned whether staff could conduct the session the morning of the Board meeting. Ms. Thesing noted this has been offered in the past, but since the Board meeting begins at 10:30 a.m., members must come early for the training, and participation was still low. Ms. Thesing suggested staff hold a Nuts & Bolts session in April as well as the morning of the Board meeting and determine which session receives better participation to know how best to move forward. It was questioned whether the Executive Committee should contact the Board members, utilizing the "telephone tree" contacts, to determine whether they would prefer training in April or in June in conjunction with the Board meeting. Ms. Thesing suggested instead that staff send out an invitation for training to be conducted in April and discuss with the President the number of registrations received. It can then be determined whether the April session should be held or whether staff should conduct a session in conjunction with the June Board meeting. Ms. Thesing stated staff is also considering conducting a Nuts & Bolts session via webinar. After a brief discussion, the Committee directed staff to hold a Nuts & Bolts training session, via webinar, in April and report back at the May Executive Committee meeting on the number of participants.

3. **Communication to membership (ad hoc committee to determine how best to accomplish) (within one year) – 1 vote.**

Ms. Thesing stated the Executive Committee communicates periodically with the Board through the use of the "telephone tree." In addition, staff communicates regularly via the website, emails, and the newly established eBrief. Ms. Thesing stated communication is an ongoing challenge, and some members feel there is too much information while others feel there should be more. Ms. Thesing stated staff suggests they continue communicating with the membership in the same manner as they have in the past. The Committee concurred with this suggestion.

4. **Review of TPA best practices:**

   a. Review and update performance standards – 0 votes.
   b. Review option of LAWCX entering agreement with a TPA that members can utilize at a discount rate in conjunction with still allowing members to select their own TPAs – 1 vote.

   Ms. Thesing stated the BRS Workers' Compensation Department does provide a sample RFP for TPA services which was recently updated and sent to the membership. In addition, a sample TPA contract is available.

5. **Evaluate whether LAWCX needs a dedicated risk control person – 0 votes.**

As this item received zero votes, it was noted it will not be pursued.

- **Marketing and Growth**

1. **Determine optimal capacity/membership makeup – 15 votes.**
2. **Determine target market – 3 votes.**

The Committee discussed whether a consultant should be hired to conduct a study to determine LAWCX's optimal capacity. It was noted many times JPAs feel they should market and grow a JPA, however, that is not always the best scenario. Based on the results of the study, LAWCX could determine whether to focus on growth. Mr. Ellerbrock noted if ARMTech is approached to conduct a peer review of

LAWCX's actuarial study, they may be willing to conduct this study at no charge. It was agreed Mr. Ellerbrock will contact Mujtaba Datoo of ARMTech and determine if ARMTech would be willing to conduct an optimal capacity study at no charge to LAWCX.

3. **Stress advantages of LAWCX and communicate this to the members (i.e., control, member driven, and 4850 coverage is provided); stress what differentiates LAWCX from the competition and focus on internal marketing – 0 votes.**

As there were no votes, this item was not addressed.

Ms. Thesing next directed the Committee's attention to the list of objectives and deliverables established at the November 2008 strategic planning session, updated at the January 2009 Executive Committee meeting, with the status as of October 2011 that was provided prior to the meeting. Ms. Thesing stated that some items were previously tabled by the Executive Committee due to the economic hardships facing the members. Those that were not tabled have been completed. Ms. Thesing noted many of the items discussed in 2008 were again discussed at the strategic planning session in 2011, and questioned whether any of the items from 2008 need to be revisited. It was requested that the following be addressed from the 2008 action plan:

- "Member Involvement - 3. Maybe give members ownership/connection through establishing subcommittees," with the action noted that at the February 2011 Executive committee meeting, the Committee addressed establishing a finance committee and agreed it was unnecessary given the members' limited time available.

  President Rennie stated she did not agree with the action reported on this item. She stated she believed BRS was proposing a $10,000 meeting fee to support a Finance Committee and this was the reason the Executive Committee did not pursue this goal. Ms. Thesing stated BRS did review the cost of meetings and $10,000 was a ballpark figure. President Rennie felt this is what extinguished the pursuit of a Finance Committee and requested this be reflected in the minutes. Ms. Thesing stated staff would review and bring the item back to the Executive Committee.

  Following the meeting, staff reviewed the notes from the February 2011 meeting and determined BRS had brought cost information to the Committee, but did not propose an additional fee would be charged. The cost analysis was meant to show the estimated time and resources involved in conducting meetings. The Executive Committee then discussed the need for establishing a Finance Committee and clarification was requested regarding why a Finance Committee is needed if items ultimately must be brought before the Executive Committee. It was noted there may be times when a financial matter needs extensive evaluation and discussion and some of the Executive Committee members do not have a financial background. It was noted the Executive Committee has resources to obtain information in order to make informed decisions. Due to the difficult financial times, LAWCX should be streamlined and the experts that are already available to LAWCX and the Executive Committee should be utilized to help clarify financial matters when needed. It was noted that a Finance Committee could enable LAWCX to involve Board members that have financial expertise. It was suggested that should a matter arise that the Executive Committee cannot resolve, an ad hoc committee be formed as needed. An ad hoc committee would not be permanent, and they do not fall under the Brown Act. The Executive Committee concurred that should an item arise that needs a very in-depth analysis, an ad hoc committee can be formed, and a Finance Committee is not needed. It was questioned whether a motion was needed on this item, and Mr. Shanahan responded a motion was only necessary if the Executive Committee wanted to clarify the matter. It was agreed no motion was needed.

At the current meeting, it was questioned whether the Committee believes a Finance Committee should be established. It was expressed that given the size of LAWCX, LAWCX may want to consider expanding the number of Executive Committee members; however, a Finance Subcommittee is unnecessary for an excess JPA with one line of coverage. In addition, the same individuals tend to volunteer to serve on committees. President Rennie stated there seemed to be a lot of financial issues to be addressed by LAWCX and there was an interest in involving Board members with a financial background. President Rennie also noted she is in favor of LAWCX exploring expansion of the Executive Committee.

Prior to the meeting, the Committee also received the Administration’s Assessment Report that was prepared by Ms. Thesing to provide the Executive Committee with her ideas for the future direction of short-term and long-term programs and services. The report is placed on the Consent Calendar of each meeting. Ms. Thesing reviewed the Report with the Committee:

1. Pricing Focus
   - **a. Examine the feasibility of making 4850 benefits optional –** Ms. Thesing stated this has been reviewed by LAWCX, and no changes are being made regarding coverage for 4850 benefits.
   - **b. Allow Risk Control Services to be optional –** Ms. Thesing stated LAWCX has decided these services will not be optional.
   - **c. Focus on reduced administrative costs –** Ms. Thesing noted LAWCX negotiated a new contract with BRS for pool administration services within the past two years, and LAWCX also entered into a new contract for claims auditing services with favorable terms.

2. Membership Focus

Ms. Thesing stated staff has continually provided outreach to the members. During the past year, no notices of withdrawal were received, and staff has continued to acknowledge and work toward succession planning.

3. Operational Focus

Ms. Thesing informed the Committee that during the past program year, the renewal process included a pre-population of answers to renewal questions based on the prior year's data to make the renewal process easier, and staff continues to work on improving the collection of data. In addition, LAWCX has reviewed a "pool" model vs. a "rating" system for a single pool of dollars with different SIR rates and determined LAWCX should remain with the current structure. At the current meeting, this was briefly discussed by the Committee and it was determined there is no need for further analysis in this area. Ms. Thesing further noted that some of the programs and services offered through CSAC-EIA, LAWCX's excess coverage provider, have been brought forward to LAWCX for review.

President Rennie questioned whether there is any interest in LAWCX pursuing other options for excess coverage. The Committee expressed they are not interested in LAWCX pursuing other excess coverage options at this time.

President Rennie stated she believes a value-added service to the LAWCX members would be insight from Tammy Vitali, Claims Manager. She suggested adding a "lessons learned" section to the eBrief by Ms. Vitali. Ms. Thesing stated staff will review this suggestion and also noted some of the risk control webinars contain a workers' compensation element. She requested members distribute information regarding the webinars to their JPA members and/or staff members.

It was agreed the items contained in the Administration's Assessment Report have been concluded.

B. <u>Inviting Board Members to Attend Executive Committee Meetings</u>

Ms. Thesing stated this item stems from the Administration's Assessment Report and the area of succession planning. In an effort to promote interest in serving on the Executive Committee, staff is proposing the Executive Committee invite Board members to attend Executive Committee meetings. The Committee could utilize the "telephone tree" to personally contact members. It was questioned whether LAWCX will reimburse a member's travel costs to which Ms. Thesing responded affirmatively. The Committee discussed pursuing this idea, and it was agreed the invitation would be a good way to reach out to the members. Mr. Richard Shanahan, Legal Counsel, cautioned the Committee of the importance that a majority of the Board not be present at the Executive Committee meetings. Mr. Shanahan noted that a majority could attend; however, they would be unable to speak during the meeting due to statutory laws. It was agreed an invitation would be extended to only one or two Board members by each Executive Committee member. Staff stated they will provide the Executive Committee with an updated “telephone tree” list.

C. Review Options for Web-based Board of Directors Meetings

Ms. Thesing stated one of the goals from the November 2011 Strategic Planning Session was to offer a pilot web-based Board meeting, utilizing a technology resource such as Webex or Go To Meeting, with the Board members selecting which Board meeting they would like to participate in remotely. Ms. Thesing informed the Committee this was researched in January 2010 at the request of the Board and deemed not feasible at that time. The issues addressed were the size of the group, the complexity of roll call with 33 members, and members are only required to attend one meeting per year. Ms. Thesing noted the Executive Committee held one of their meetings via teleconference and with only seven members it was a challenge, with the ability to hear one of the main complaints.

She stated staff has again reviewed the possibility of web-based Board meetings and believes utilizing GoTo Meeting would be the best option should LAWCX want to move forward. The members would participate via audio and would see the documents being referred to on their computer screen. Ms. Thesing suggested if a web-based meeting is attempted, the meeting be more of an informational based meeting due to the necessity of voting by roll call and the difficulty of hearing.

Members gave examples of some of the meetings they have attended when entities have attempted web-based meetings. Members expressed dissatisfaction with these attempts and the consensus was the LAWCX Board is too large to hold a web-based meeting.

It was noted that while LAWCX tries to accommodate the members, holding web-based meetings would be ineffective. The Committee concurred and agreed a report will be made to the Board outlining the difficulties in conducting web-based meetings. President Rennie noted a report can be made in the eBrief that will be published following the current meeting.

D. Alliant Agent Representative Change

Prior to the meeting, the Committee received a letter from Alliant Insurance Services informing LAWCX of a change in the agent representative. Alliant serves as a catalyst between LAWCX and CSAC-EIA, the entity through which LAWCX obtains excess coverage. Susan Adams from Alliant was LAWCX’s contact, however, they have changed the contact to Seth Cole. At the meeting, Mr. Mike Simmons, Alliant, introduced Mr. Cole to the Executive Committee. The Committee welcomed Mr. Cole.

8. RISK CONTROL MATTERS

A. Update on Risk Control Services for 2011/12

Mr. Jeff Johnston, BRS Director of Risk Control Services, was present at the meeting to review the risk control services provided to date during the 2011/12 program year. Mr. Johnston reminded the Executive Committee that the services being provided for this program year are a deviation from prior years. In prior years, a point and menu system was utilized. In 2011/12 the members have the equivalent of four days available for phone consultations, program development, on-site training, and customized webinar development. In addition, members have unlimited access to BRS's technology-based resources including blogs, sample programs available for customization, answers to common questions, safety communications, webinars, and streaming videos.

Mr. Johnston informed the Committee that as with the point and menu system, the biggest challenge has been communicating the services available to the members. However, the requests for assistance and web page activity have been increasing. Mr. Johnston informed the Committee that the new program has been well received by the members, and it allows more time to be spent with members truly interested in utilizing the services available. Mr. Johnston referred the Committee to a year-to-date activity report of risk control services, web page activity, and webinar participation for July 1, 2011, to January 31, 2012, which the Committee received prior to the meeting. Ms. Jeanette Workman, CSJVRMA Administrator, noted that the number of attendees listed under the LAWCX webinar attendance listing in the report can be deceiving. The number of attendees is based on the number of "call ins", however, there could be multiple people participating on one "call in" from a member. Mr. Johnston informed the Committee one important note is that BRS is establishing a working relationship with Cal-OSHA which in turn will be an advantage to BRS risk control clients.

Mr. Johnston stated one of the ongoing challenges is keeping members well informed while not inundating members with information. The risk control department is considering providing monthly communications to the members.

Mr. Johnston reviewed some of the services the risk control department is providing to the members and noted various risk control personnel are being utilized based on their area of expertise. Mr. Johnston also reviewed the webinars being conducted. In response to a question, Mr. Johnston stated the webinars are recorded and available to the members via the LAWCX website at any time. Mr. Johnston also noted that BRS risk control staff is encouraging members to utilize the LAWCX risk control reimbursement funds to access training by other vendors.

It was questioned whether there will be a reconciliation at the end of the contract period of the number of hours expended versus the fee being paid by LAWCX. Mr. Johnston responded that a system is being implemented to allow for such a reconciliation, and it will be available in the near future.

It was questioned whether more advance notice regarding trainings can be provided to the members. Mr. Johnston responded that advance notice is the goal; however, BRS experienced some computer problems that delayed notices, but that has now been corrected. In addition, if the program is being provided by an outside vendor, the timing of notices can be beyond BRS' control, but they are attempting to ensure early notification for all trainings.

B. Discussion and Possible Action Regarding Risk Control Services for 2012/13

Ms. Thesing stated that the current addendum to the contract between LAWCX and BRS for risk control services expires June 30, 2012. As there is not another Executive Committee meeting until May and staff will be providing a draft preliminary budget to the Board following the current meeting, the Executive Committee should advise how to proceed with risk control services in 2012/13. Mr. Shanahan made note that since this involves a BRS contract, for this item, any individuals present from BRS are serving on behalf of BRS and not as LAWCX staff. Ms. Thesing noted for this reason, staff is not making a recommendation on the agenda item. Ms. Thesing informed the Committee they may want to review three options: 1) begin negotiating a renewal contract with BRS, 2) issue a request for proposal (RFP) for risk control services, or 3) discontinue risk control services.

In response to a question, Ms. Thesing responded the current contract was for a one-year term at a fee of $50,000. The Committee briefly discussed the risk control services and concurred that risk control services should continue. The length of the contract was discussed and it was suggested a two-year contract be reviewed. Mr. Shanahan pointed out that if a two-year contract is executed, the expiration would then coincide with the pool administration contract between LAWCX and BRS.

Scott Ellerbrock moved to direct BRS to present LAWCX with a proposed renewal contract for risk control services between LAWCX and BRS for a two-year period. Seconded by Darrell Handy. Motion passed unanimously.

Ms. Thesing stated a proposed renewal contract will be brought back before the Committee at the May meeting.

9. WORKERS' COMPENSATION MATTERS

A. Discussion Regarding Loss Data Specifications

Ms. Tammy Vitali, Claims Manager, stated that members are currently required to include 49 different fields when submitting the monthly loss data to LAWCX, as provided in LAWCX's claims management policy. In response to an inquiry, she contacted the LAWCX members' TPAs to determine whether they can include an additional field designating whether a claim pertains to safety or non-safety. Ms. Vitali reported that of the nine TPAs, five responded that they are designating employees as safety or non-safety, one indicated they currently do not have a field but can create one at no cost to the member, and three responded they do not have a field nor do they have the ability to program the field into their system. It was discussed that while some of the TPAs are using the same system, the TPAs use different levels of the system with different programming capabilities. Therefore, some have the ability to program new fields while others do not. Based on this information, Ms. Vitali is recommending LAWCX not pursue adding a field to capture safety and non-safety data. It was questioned how the request originated, and Ms. Vitali responded it was at the request of President Rennie. In response to a question regarding other ways to capture the information, Ms. Vitali stated she spoke with the BRS IT department and was informed BRS could build a table to capture safety and non-safety data based on occupations for an additional cost, but this would need to be built on a bi-annual basis when the loss data is evaluated. It was questioned whether the safety and non-safety fields would be captured for historical information. Ms. Vitali responded affirmatively and noted this may entail additional work by the TPAs to conduct research if an occupation is coded generically. It was questioned whether LAWCX's experience modification calculation takes into account safety and non-safety data. Staff responded the ex-mod does not, but the premium rates are developed for safety and non-safety. The Committee concurred not to pursue this matter further.

President Rennie noted there has been a request to move one of the agenda items, Closed Session, to the end of the agenda. Mr. Shanahan advised it is the President's prerogative to move the order of the agenda. Ms. Vitali noted the reason the Closed Session was placed just prior to "Financial Matters" as opposed to the end of the agenda was to allow a discussion of claims within the LAWCX pooled layer prior to reviewing the need for assessments. However, staff agreed the Closed Session could be moved to the end of the agenda.

The Committee recessed for lunch from 12:00 to 12:30 p.m.

B. Update on Claims Audits

Ms. Vitali reminded the Committee that LAWCX entered into a contract with Farley Consulting Services, who partnered with Axon Services, for claims auditing services in 2011/12 and 2012/13. Since the contract began on July 1, 2011, ten audits have been conducted with half of the audits performed by Axon Services and the other half by Farley

Consulting Services. The audits are conducted to ensure effective claims handling services are being provided to the LAWCX members and consistent claims handling procedures are being followed. The files being reviewed are those with a total incurred of $150,000 or more. Ms. Vitali stated staff has received feedback from some of the members expressing dissatisfaction with the claims audits conducted by Axon Services due to recommendations for large increases in reserves. Ms. Vitali further stated that the prior experience of the Axon Services auditor as a State auditor led to recommendations to increase reserves per the Office of Self-Insurance Plans (OSIP) standards. Since public agencies are not subject to OSIP's purview and the reserve increases have been significant, those members expressed concerns with the recommendations. Staff spoke with Mr. Farley of Farley Consulting Services who agreed that while the OSIP model can be considered, it is not required. Ms. Vitali stated Mr. Farley is working on ensuring future audits are equitable and will not follow OSIP standards if not appropriate. Mr. Farley has expressed his commitment with continuing to improve the audit process.

Ms. Vitali informed the Committee that as a result of the audits, Bill Henderson, Livermore, has requested the LAWCX Board discuss reserving for future medical care and life expectancy to ensure members are reserving claims within acceptable parameters. Therefore, this issue will be placed on the June Board meeting agenda.

It was questioned whether Ms. Vitali can cite the public agencies' exemption from the OSIP reserve requirements. Ms. Vitali stated there is no documentation stating public entities are excluded from OSIP reserve requirements; however, public entities are not audited by the State and are not required to put up a bond. Therefore, public entities many times do not follow the OSIP guidelines. Ms. Vitali noted that a TPA has informed staff they recently received training by OSIP stating no entity is exempt from reserving in accordance with OSIP guidelines, including public entities. Ms. Vitali further stated LAWCX's claims procedures do not address reserving for future medical claims. Ms. Vitali noted LAWCX's claims performance standards do state, "Reserves should be established based on the facts of the claim and the ultimate probable cost of each claim." It is then stated that the reserves should be reviewed every 90 days or 6 months, depending on the claim.

President Rennie requested Mr. Henderson speak to his concerns regarding the audit. Mr. Henderson noted that while there have been differences of opinion regarding reserving, even with the prior auditor; they have never been as significant as with the current auditor. His agency cannot afford to increase their reserves to the extent recommended by the audit. Mr. Henderson noted that upon a review by Mr. Farley, the audit was amended and the recommended reserve increases were reduced to reasonable levels. Mr. Henderson noted one of the issues that arose during the discussions regarding their audit was the difference in life expectancy among varying individuals based on their health history.

Mr. Kin Ong, PARSAC, noted that their TPA has changed their reserving practices to comply with the OSIP guidelines which had a significant increase in reserves. Ms. Vitali noted this will not be unique to PARSAC as the TPA may make this change with their other clients as well. It was noted the TPA did not consult with PARSAC in making this change. Staff emphasized the importance of LAWCX's member JPAs and individual entities establishing their own contract guidelines and expectations with their TPAs, because LAWCX, as an excess pool, merely provides guidelines.

Discussion ensued regarding changes to reserves, and it was noted that increases in reserves for one member will affect all members within the pool. The Committee again discussed establishing reserving guidelines, and it was noted reserves are based on the medical file and can be subjective. In addition, it may be difficult for LAWCX to develop guidelines that can be agreed upon by all members. After further discussion, staff stated they can review this matter with independent consultants and make a report back to the Executive Committee in May.

As Mr. Henderson had requested the Board address this issue, it was questioned what he would like the Board to address in June. Mr. Henderson replied he is interested in the Board developing a consensus regarding reserving practices and setting a standard.

It was agreed the Committee will again discuss this matter at the May meeting at which time they can determine whether any action is needed by the Board.

10. FINANCIAL MATTERS

A. Discussion and Action Regarding Assessments for 2012/13 Program Year

Ms. Deborah Diller, Accounting Manager, noted LAWCX has thus far collected two of the three assessments previously approved by the Board with the financial plan to assess the members approximately $1.8 million over a three-year period. With the plan, the total assessment amount is allocated to the oldest deficit program year and then moves to the next year once the assessment allocation brings the funding in the year sufficient to cover projected outstanding losses to an 80% confidence level. The process is carried forward to each succeeding deficit program year until the total assessment is exhausted. Of the total $1.8 million assessment, $300,000 is being allocated to the $150,000 pool for program years 1998/99 – 2000/01 and $1.5 million is being allocated to the $250,000 pool for program years 1997/98 – 1998/99.

Ms. Diller noted that even though a three-year plan was approved by the Board, each February the Executive Committee reviews the December 31st financial statements to review the need for the assessment and whether any modifications to the plan are warranted.

Ms. Diller informed the Committee that at December 31, 2011, LAWCX's financial statements reflect positive net assets of approximately $27.5 million with liabilities recorded at the expected confidence level. So, overall, LAWCX has a positive net asset balance and it exceeds CAJPA's target net asset to self-insured retention ratio of 5 to 1. However, several of the older, individual program years have significant deficits. She also noted that while LAWCX's financial statements reflect the entire $1.8 million assessment, thus far, LAWCX has only collected $1.2 million. Ms. Diller noted that LAWCX's Bylaws state LAWCX may assess members if the total obligations including actuarially expected claims costs for any program year of a pool exceed the total assets of that year. She stressed, however, that the assessments are not required by the Bylaws since the pool as a whole is well funded. Therefore, the Executive Committee can recommend to the Board suspending, modifying, or continuing the current three-year assessment plan.

Prior to the meeting, the Committee received an assessment analysis which is performed on an annual basis. Ms. Diller noted: 1) the 1994/95 program year remains in a deficit position at the 80% confidence level. This year is not part of the assessment plan as it was previously funded above the 80% confidence level. However, due to a reclassification of claim expense to this program year due to an error, this year's funding has dropped; 2) the 1997/98 program year has fallen below the 80% confidence level as a result of two new claims that were reported to LAWCX after December 31, 2010; 3) the financial position of the $250,000 pool in the 1998/99 program year has declined approximately $300,000 since December 31, 2010, due to adverse claim development and increases in actuarially determined estimates of ultimate loss; and 4) the financial position of the 2001/02 program year for the $250,000 pool has declined approximately $360,000 since December 31, 2010, also due to adverse claim development and increases in actuarially determined estimates of ultimate loss.

Ms. Diller noted that at the Strategic Planning Session held in November 2011, there were questions regarding why LAWCX is assessing members when the pool is in an overall positive position. Ms. Diller reiterated that while the governing documents do not require an assessment at this time as the overall program is funded above the expected confidence level, staff recommends the Executive Committee recommend to the Board continuing the current approved assessment plan, issue the third assessment billing with the 2012/13 budget, and continue the annual evaluation of LAWCX's financial position at December 31, 2012. Staff's recommendation is due to: 1) the deficits in several older program years are significant and the financial position of those program years has continued to decline; and 2) LAWCX will likely decrease the discount factor applied to both pooled rates and outstanding liabilities. A decrease in the discount factor will result in an increase in claims liabilities and a decrease in net assets. Ms. Diller noted staff is not recommending the plan be amended to include the deficit in the 1994/95 program year as this program year is still funded above the expected confidence level.

It was questioned whether funds can be reallocated from a program year that is in a positive position to one that is in a deficit position. Ms. Diller noted that as the funds are allocated based on participation, and not all members were participating in the same program years, the funds cannot be reallocated between program years. However, LAWCX could declare a dividend from a program year and allow members to utilize any funds received toward deficits in other program years. However, it is unclear which program years could declare a dividend as program years are continually changing due to claims development.

Scott Ellerbrock moved to recommend to the Board continuing the current approved assessment plan, issue the third assessment billing with the 2012/13 budget, and continue the annual evaluation of LAWCX's financial position at December 31, 2012. Seconded by Rosa Kindred-Winzer. Motion passed unanimously.

B. <u>Discussion and Action Regarding the Discount Factor Utilized for Pooled Rates</u>

Ms. Diller provided the background on LAWCX's discount factor. She stated that at the November 2008 Board meeting, a draft actuarial study for the 2009/10 rates was presented. Based on the earning potential of LAWCX's portfolio and the current market conditions at the time, staff had directed the actuary to lower the discount rate from 5% to 4%. As the Board felt a change to the discount factor should be a policy matter, the Board tasked the Executive Committee with: 1) establishing a policy regarding the discount rate; and 2) further evaluating staff's recommendation to lower the discount rate to 4% and decide what discount rate to utilize for 2009/10. Ms. Diller stated that based on this action, at the January 2009 Executive Committee meeting, the Executive Committee made a recommendation that the Board adopt a policy requiring the investment advisor and the actuary to annually discuss whether a change in the discount rate is warranted, with the recommendation presented to the Executive Committee and Board for action. The Board adopted this policy at their June 2009 meeting. In addition, at the January 2009 Executive Committee meeting, staff informed the Committee that the recommendation to lower the discount rate to 4% was due to preliminary discussions with LAWCX's investment manager regarding the earning potential of LAWCX's portfolio and the market environment at that time. However, additional analysis was performed prior to the January 2009 Executive Committee meeting based on LAWCX's payout pattern and duration calculation, with the investment manager and actuary both recommending LAWCX continue discounting at 5%. Therefore, the actuarial report was accepted using a 5% discount factor for 2009/10. Ms. Diller stated since that time, the discount factor has been evaluated by the actuary and the investment manager every year and the discount factor has remained at 5% based in part on the fact that the projected duration of claims liabilities and the earning potential of the portfolio have not changed significantly.

Ms. Diller informed the Committee that at the November 2011 strategic planning session, as previously discussed, the Board deemed as important an analysis of the confidence level to determine actual losses vs. estimated losses (trend analysis) to determine if the confidence level is accurate. She explained that a review of the investment portfolio and discount rate for future years coincides with this discussion. Ms. Diller informed the Committee that while the analyses by the actuary and investment manager have been able to support a 5% discount factor, economic growth remains slow and uncertain and the

Federal Reserve has announced they expect a weak economy to warrant exceptionally low levels for the federal funds rate until at least late 2014. Therefore, it is believed LAWCX should consider making a change to the discount factor.

Ms. Diller informed the Committee that the BRS Actuarial Department developed a model to perform a discount rate analysis. Ms. Diller stated she performed an analysis for LAWCX using this model, and a summary of the analysis was provided to the Committee prior to the meeting. Ms. Diller stated the analysis indicates that a 4% discount rate is more appropriate than the 5% currently utilized. Ms. Diller noted LAWCX's investment manager was requested to project LAWCX's future interest earnings to assist in the calculation. However, this proved to be a difficult task for the investment manager; therefore, the interest rate progression utilized was estimated by staff. Ms. Diller reiterated that a decrease in the discount rate will result in: 1) an increase in pooled rates, 2) an increase in the value of claims liabilities, and 3) a corresponding decrease in net assets. Therefore, since a decrease from 5% to 4% could present a hardship for the members, staff is recommending a gradual decrease, with the discount rate decreasing to 4.5% for the 2012/13 program year. Ms. Diller referred the Committee to a comparison of actuarial rates using various discount factors and estimated 2012/13 premiums using various discount factors, which the Committee received prior to the meeting. Ms. Diller also reviewed a comparison of deposit premiums at a 5%, 4.5%, and 4% discount rate based on the 2011/12 deposit premium. Ms. Diller noted that a change in the discount factor to 4.5% will result in a decrease in net assets of $1.5 million and a corresponding increase in claims liabilities of the same amount.

A brief discussion ensued regarding whether a 4.5% or 4% discount factor should be utilized for 2012/13. Some members expressed a desire to decrease to 4% while others expressed a desire to gradually decrease the discount factor over a period of time.

Darrell Handy moved to recommend to the Board a 4.5% discount factor be utilized for pooled rates and claims liabilities for the 2012/13 program year. Seconded by Scott Ellerbrock. Motion passed unanimously.

C. Preliminary Proposed Budget for Fiscal Year 2012/13

Prior to the meeting, the Committee received a preliminary proposed budget for fiscal year 2012/13. Ms. Diller noted it was prepared utilizing pooled rates at a 4.5% discount factor and an 80% confidence level, with the confidence level approved by the Board at their November 2011 meeting. Ms. Diller also noted that, as in prior years, the draft preliminary budget contains the current year's experience modification factor. The experience modification factor 2012/13 will be calculated upon receipt of the December 31, 2011, claims data, and included in the final budget for 2012/13.

Ms. Diller next discussed the payroll utilized in the draft budget. She noted that historically the budget was calculated using the most recent actual payroll available and inflated 5%

per annum, or 10%. For the 2011/12 program year, the budget was prepared utilizing the 2009/10 actual payroll inflated by 3%. As members continue to face economic hardships, staff reviewed the historical payroll which indicates a continued downward trend. She noted that LAWCX conducts a payroll audit comparing estimated to actual and either sends refunds or invoices to members based on the comparison. For the 2008/09 program year, a net payroll adjustment of $12,546 was billed to the members; in 2009/10, a net payroll adjustment of $349,431 was returned to members; and in 2010/11 it is estimated a net payroll adjustment of $775,659 will be returned to the members. Therefore, the draft budget for 2012/13 was prepared using the most recent actual payroll, 2010/11, with no inflation. Ms. Diller stated staff is proposing the budget be presented utilizing this payroll, but members be given the opportunity to direct staff to inflate their budgeted payroll if they feel it is too low, no later than May 15th. She noted the deposit premium will be adjusted based on actual payroll in the spring of 2014.

Ms. Diller stated the $3 million excess of $2 million self-insured layer of coverage is currently funded at $5.4 million. As the Board's goal was to fund this layer to $5 million, no further funding is currently being collected nor is it anticipated funds will be collected for this layer until such time as funds need to be replenished due to claims activity. Therefore, the 2012/13 budget does not include premiums for the $3 million excess of $2 million layer.

Ms. Diller noted that the excess insurance rate has been conservatively estimated based on information received to-date from CSAC-EIA, LAWCX's excess coverage provider. The rate for 2012/13 has been increased by 12% over the current year to $0.0869 per $100 of payroll. Ms. Diller noted that beginning with the 2011/12 program year, CSAC-EIA began taking into consideration loss experience when allocating premium to members, but it is being phased in over a five-year period. If a member has any losses over $3 million in the most recent seven years, CSAC-EIA's Underwriting Committee will determine on a case-by-case basis whether a premium surcharge is warranted. As LAWCX's only incurred loss in excess of $3 million had a date of loss exceeding seven years, staff is not anticipating a premium surcharge.

Ms. Diller noted the budget contains the premium assessment which the Executive Committee is recommending to the Board.

Ms. Diller noted LAWCX did not receive any requests for withdrawal for the 2012/13 program year. Several requests have been received for quotes at higher retained limits and the deadline to increase a retained limit is April 1st. The deadline to decrease a retained limit was February 1st.

Ms. Diller noted estimated administrative costs are increasing less than 1% over the prior year, and administrative costs represent 8% of the total premium.

The Committee briefly discussed utilizing the most recent actual payroll available, 2010/11, in the budget. It was noted that it is the perception that agencies continue to reduce payroll, however, some agencies have started hiring personnel. Ms. Jeanette Workman informed the Committee that the CSJVRMA recently conducted a payroll study and found that approximately 50% of their members have increased their payroll.

Scott Ellerbrock moved to approve distribution of the preliminary proposed budget for fiscal year 2012/13 to the LAWCX members. Seconded by Darrell Handy. Motion passed unanimously.

11. CLOSED SESSION

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

The Committee recessed to closed session at 1:30 p.m. to discuss claims for the payment of workers' compensation liability incurred by a local agency member of the JPA.

B. Report from Closed Session

The Committee reconvened to open session at 1:40 p.m., and it was reported no action was taken during closed session.

12. CLOSING COMMENTS

A. Executive Committee

None.

B. Staff

Ms. Vitali noted that in the future, the list of closed session claims will only include claims that will actually be discussed. It was noted with this change members will be unable to ask questions regarding any other claims during the closed session. Ms. Vitali stated a list will be sent to the members in advance of the meeting reflecting claims to be discussed. If the Committee is interested in discussing additional claims, they will need to contact staff prior to the agenda being posted.

Ms. Diller noted that once the payroll audit for the 2010/11 program year is finalized, since a majority of the members will be receiving refunds and there will be an increase in deposit premiums for the 2012/13 program year, staff will be sending the members a survey asking each member whether they want the refund returned or applied against their 2012/13 deposit premium.

13. ADJOURNMENT

The February 28, 2012, Executive Committee meeting adjourned at 1:45 p.m. by general consent.

Chrissy Mack

Chrissy Mack, Board Secretary

BOARD OF DIRECTORS MEETING

December 15, 2011 – 9:00 A.M.
3252 Constitution Drive
Livermore, CA 94551

(925) 837-0667

Minutes

I. CALL TO ORDER:

President Handy called the meeting to order at 9.13 a.m.

II. ROLL CALL

PRESENT

1) Lucretia Akil, *Alameda*
2) Steve Schwarz, *Fremont*
3) Bill Henderson, *Livermore*
4) Janet Hamilton, *Lodi*
5) Chris Carmona, *Redding*
6) Mark Ferguson, *REMIF*
7) Lisa Achen, *Roseville*
8) Mary Ann Perini, *San Leandro*
9) Lynn Margolies, *Santa Rosa*
10) Roger Carroll, *SCORE*
11) Neal Lutterman, Stockton
12) Tony Giles, *Sunnyvale*
13) Darrell Handy, *Vallejo*
14) Jeff Tonks, *YCPARMIA*
15) Eric Davis, *San Rafael*

ABSENT

Chico, Fairfield, NCCSIF, Petaluma, Richmond, Vacaville

OTHERS PRESENT

16) Mujtaba Datoo, *Aon Global Risk*
17) Dr. William Deeb, *Aon*
18) Susan Adams, *Alliant Ins*
19) Anna Brunkal, *CJPRMA*
20) David Clovis, *CJPRMA*
21) Lola Deem, *CJPRMA*
22) Saima Kumar, *CJPRMA*
23) Craig Schweikhard, *CJPRMA*
24) Byrne Conley, *Gibbons & Conley*

III. PRESENTATIONS

- None

IV. THIS TIME IS RESERVED FOR MEMBERS OF THE PUBLIC TO ADDRESS THE BOARD OF DIRECTORS ON MATTERS OF BOARD BUSINESS

V. COMMUNICATIONS

A. Board Members
B. General Manager/Secretary
C. Next Scheduled Meetings: Executive Committee (1/19/2012) City of Vallejo
Board of Directors (3/15/2012) CJPRMA Main Office

VI. APPROVAL OF MINUTES

A motion by Director Henderson, seconded by Director Hamilton, to approve the minutes of the October 19th and 20th, 2011 Board of Director's meeting with amendments made to the consent calendar changing the financial report period ending from April 30, 2011 to May 31 and June 30, 2011, passed unanimously.

VII. CONSENT CALENDAR

1. Financial Reports of CJPRMA for the periods ending July 31, August 31 and September 30, 2011

2. Additional Covered Party Certificates Approved by the General Manager

A motion by Director Giles, seconded by Director Carmona, to approve the consent calendar, passed unanimously.

VIII. INFORMATION CALENDER

3. New Board Members/Alternates

4. Business Calendar for 2012

IX. ACTION CALENDAR

5. Annual Approval of CJPRMA's Statement of Investment Policy

The general manager informed the Board that section XIV of CJPRMA's Investment Policy states: "The statement of investment policy shall be reviewed and adopted annually by the Board of Directors at a public meeting." A copy of the approved investment policy dated 12/16/2010 was provided to the Board for review. There were no recommended changes to the policy.

A motion by Alternate Director Davis, seconded by Director Hamilton, to approve CJPRMA's Statement of Investment Policy, passed unanimously.

6. **2011 Actuarial Study**

Mr. Mujtaba Datoo of Aon Global Risk Consulting conducted the 2011 actuarial study. Mr. Datoo gave an explanation of the methodology used to complete the actuarial study and determine the proposed rates for the coming year.

He stated that this year, the value of estimated outstanding losses increased $3.6 million (7.2%) to $53.6 million. This was the result of an increase of $5.2 million in IBNR.

He also compared the ratio of net equity to SIR, it should be noted that the organization could sustain approximately 7.7 losses equal to the amount of its full retained limit ($4.5 million) under the current reinsurance program. This represents a strong financial position.

The actuarially recommended redistribution for 2011 is $5.8 million. After deductions for negative net equity adjustments, the proposed net amount being returned to the members is $4.8 million. This is a decrease of $1 million (17.3%) from 2010.

The funding rate being proposed for FY 12/13 is $0.753/$100 of payroll based upon projected payroll for 2012/2013. This is a slight decrease from the previous year of $0.775. The required liability premium for the program year is $11,025,745.

The estimated net liability premium for FY 12/13 is $6.6 million this is a decrease of $2.2 million (24.9%) from the previous year.

A motion by Director Henderson, seconded by Alternate Director Achen, to approve (1) the 2011 actuarial study, (2) the proposed funding for FY 12/13, and (3) the proposed redistribution plan for FY 11/12, passed unanimously.

7. **Change to PERS Employer Paid Member Contributions**

The general manager presented information on the CJPRMA compensation plan and the current contribution by employees to PERS. The general manager advised the Board that staff salaries were scheduled to receive a 2.9% cost of living adjustment effective July 1, 2011.

Keeping with the current funding limitations with members, the general manager recommended that the 2.9% scheduled COLA not be implemented in exchange for the remaining employee PERS 5% contribution be paid by employees. This change would reflect actions taken by members and would eliminate CJPRMA paying the employee contribution.

The general manager advised that salaries would be adjusted by 5.43% to offset the cost to employees and the current 5% contribution by CJPRMA would be transferred to employees. The general manager stated that he presented this option to all staff members and received unanimous agreement for the implementation.
The annual cost for this modification to staff salaries will be $6,130. The annual savings by not implementing the 2.9% increase will be $15,477. He stated that the

Executive Committee voted to support the changes to PERS Employer Paid Member Contributions at its meeting in November.

A motion by Director Carroll, seconded by Director Giles, to approve changes to PERS Employer Paid Member Contributions, passed unanimously.

8. Adoption of 2011-2014 Strategic Plan

The general manager presented to the Board the Strategic Planning Session's Executive Summary. He discussed the results of the draft 2011-2014 Strategic Plan that was prepared by Michelle Murphy and the general manager for Board approval and acceptance.

He also stated that the document incorporates work completed by the Board during the strategic planning session in October and includes comments provided by the Executive Committee at their November meeting.

A motion by Director Henderson, seconded by Director Hamilton, to approve and adopt the 2011-2014 Strategic Plan, passed unanimously.

9. Approve and Adopt the General Manger's Goals and Objectives 2011-2012

The general manager provided the Board with the General Manger's Goals and Objectives for 2011-2012. He stated that these goals and objectives were generated based upon the needs of CJPRMA and are in compliance with the 2011-2014 Strategic Plan.

He also mentioned that the goals and objectives also reflect the recommendations made by the Executive Committee.

He provided a list of the general manager's goals and objectives which are based upon five key performance objectives. They include:

- Financial Strength and Solvency
- Development of core products and services with innovation.
- Develop and deliver targeted training programs to members based upon CJPRMA and member loss history.
- Create an approach to marketing the value of CJPRMA to its members and identify market opportunities for control growth of the organization.
- Implement and monitor an information technology upgrade to all CJPRMA systems.

The general manager stated that he will continue to provide ongoing status reports to the Board and the Executive Committee. He will also be working with Michelle Murphy, strategic planning consultant to review the current general manager's evaluation process. Once reviewed, he will present suggested modifications to Executive Committee to clarify the process.

A motion by Director Henderson, seconded by Director Giles, to approve the proposed 2011-2012 General Manager's Goals and Objectives, passed unanimously.

10. Status Update on Risk Console

The general manager provided the Board with a status update on Risk Console. He said that members of CJPRMA staff are meeting weekly with the AON eSolutions Implementation Team. To date, staff reviewed and approved Claims Specification, Organization Specification and Certificate of Coverage Specification. In addition, staff reviewed and commented on the Auto Specification, Property Specification, and Litigation Specification.

He mentioned that AON eSolutions staff and CJPRMA staff are taking the first steps to review and evaluate the Policy portion of the program. This will be the operational area for CJPRMA to record all of its policies and Memorandum of Coverages as they apply to each member.

He stated that a number of CJPRMA members expressed an interest in utilizing the Risk Console System as their primary claims system. AON eSolutions and CJPRMA will be hosting a webinar on Monday December 19th at 9:00 a.m. The webinar will provide our members with an overview of the Risk Console System, a review of the claims system, and an overview of all of the modules which are included in the program.

11. Claims Experience Report

Claims Administrator, Craig Schweikhard, was present to discuss the overview of claims experience report that was provided to the Board. He provided a review of all claims that have been reported to CJPRMA beginning with program year 1997-1998 to present. He explained that the date range is consistent with the current methodology being utilized by our actuary for developing our program year contributions.

He stated that the intent of this report is to give a high level overview of all claims, including a description of claims frequency, severity and development history. The report will also help staff in the development of risk management training programs and will be a basis for establishing baseline criteria to be included in risk management audit standards.

This report was also presented to the Executive Committee for their review and comments. The comments have been incorporated into the report for this presentation.

12. 2010-2011 Annual Report Presentation

The general manager presented the 2010-2011 Annual Report. The report highlighted the FY 2010-2011 accomplishments of CJPRMA. Hard copies of the annual report will be mailed to members at a later date.

13. **Risk Management Issues**

Director Henderson discussed the necessity for providing E&O coverage for in-house counsel. He mentioned that Dr. William Deeb of Aon had provided a quote for his City. He also asked for a review of David Patzer's software program, Risk Control Online.

X. CLOSED SESSION

1. **Government Code Section 54956.8**
   Conference with Real Property Negotiator

   Property: 3252 Constitution Drive, Livermore, CA 94551
   Agency Negotiator: David Clovis, CJPRMA
   Negotiating Party: John Hone (Colliers International)
   Under Negotiation: Price and Terms of Payment

2. **Government Code Section 54956.9 (a)**
   Conference with Legal Counsel - Pending Litigation

   Name of Case: Eaton v. City of Rocklin
   Court: United States District Court, Eastern District of California, Sacramento Division
   Case No.: 07-80144

3. **Government Code Section 54956.9 (a)**
   Conference with Legal Counsel – Pending Litigation

   Name of Case: Dagdagan v. City of Vallejo
   Court: United States District Court, Eastern District of California, Sacramento Division
   Case No.: 2:08-CV-00922-GEB-GGH

4. **Government Code Section 54956.9 (a)**
   Conference with Legal Counsel – Pending Litigation

   Name of Case: Hooks v. City of Murrieta
   Court: Superior Court of the State of California, County of Riverside
   Case No.: RIC495559

XI. ACTION ON CLOSED SESSION ITEMS

- None

XII. ADJOURNMENT

- President Handy adjourned the meeting at 12:30 p.m.

SCORE
Small Cities Organized Risk Effort
A Joint Powers Authority

Small Cities Organized Risk Effort
Board of Directors Meeting
March 23, 2012

Agenda Item I.1.

Chandler Asset Management – Report from Investment Manager

Information Item

ISSUE: Mr. Ted Piorkowski, Senior Vice President of Chandler Asset Management will be in attendance to provide the Board with a presentation of SCORE's investments with Chandler Asset Management.

RECOMMENDATION: None

FISCAL IMPACT: Unknown

BACKGROUND: Chandler Asset Management is SCORE's investment manager and has been developing and implementing investment programs for SCORE since 2006.

ATTACHMENTS: To be distributed at the meeting

SCORE
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A Joint Powers Authority

Agenda Item I.2.

APPROVAL OF INVESTMENT POLICY AMENDMENT

ACTION ITEM

ISSUE: The Board of Directors should review and adopt the Investment Policy which has been amended to accurately reflect Medium Term notes are AA rated.

RECOMMENDATION: Staff recommends approving the investment policy as presented.

FISCAL IMPACT: None

BACKGROUND: Our auditors noted that our investment policy showed Medium Notes in the table as AA, however, in section 8 of the notes, it showed AA-. The policy was reviewed and this was found to be a typographical error, the Medium Notes are AA.

ATTACHMENTS: Revised Investment Policy with amendment to show AA in section 8.

SMALL CITIES ORGANIZED RISK EFFORT
JOINT POWERS AUTHORITY
(SCORE)

INVESTMENT POLICY

ADOPTED 2~~1~~~~-28~~13-1~~1~~2

I. POLICY STATEMENT

The Policy of the Small Cities Organized Risk Effort Joint Powers Authority (the "Authority") shall be to invest all funds under the Authority's control in a manner that complies with all laws of the State of California; all applicable Government Code Sections including but not limited to Government Code Section 53601, and the policies of the Authority.

II. SCOPE OF POLICY

This policy sets forth guidance for all funds and investment activities under the direction and control of the Authority.

III. AUTHORITY

The Board of Directors hereby delegates its authority to invest funds of the Authority for a one-year period to the Treasurer who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires. Subject to review, the Board of Directors may renew the delegation of authority each year. The authorized officer may delegate the day-to-day placement of investments to an investment advisor, via written agreement with the Authority. The investment advisor shall make all investment decisions and transactions in strict accordance with state law and this investment policy. The authorized officer shall establish a system of written internal controls to regulate the Authority's investment activities, including the activities of any subordinate officials acting on behalf of the Authority.

The delegated investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

IV. OBJECTIVES

A. Safety: The primary objective of this policy is to protect, preserve, and maintain cash and investments of the Authority. Preservation of capital is the primary objective of the Authority. Every investment transaction shall strive to avoid capital losses arising from securities default and/or broker/dealer default.

B. Liquidity: An adequate percentage of the portfolio will be maintained in liquid short-term securities which can be converted to cash as necessary to meet disbursement requirements. The liquidity requirements will be determined from time to time from projected cash flow reports. Investments will be made in securities with active secondary or resale markets. Securities with low market risk will be emphasized.

C. Yield: Within the constraints of safety and liquidity, the highest and best yield will be sought. The maximization of return will not transcend the objective of capital preservation.

D. Market-Average Rate of Return: The Authority's portfolio shall be structured to achieve a market-average rate of return through various economic cycles. The benchmark for "market-average rate" shall be the rate of return of a market-based index which has the same type of sector and maturity requirements as the Authority's portfolio. This benchmark shall be determined by the Board.

E. Diversification: The portfolio will be diversified to avoid incurring unreasonable and avoidable risk regarding specific security types or individual financial institutions.

F. Prudence: Those persons authorized to make investment decisions on behalf of the Authority will be considered trustees and subject to the prudent investor standard that states, "when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, 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." (California Government Code 53600.3)

G. Public Trust: All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust. In a diversified portfolio, it must be recognized that occasional measured losses are inevitable and must be considered within the context of the overall investment return.

V. REPORTING

The Authority's Treasurer shall submit a quarterly investment report to the Board of Directors that is in compliance with the Government Code.

The reports shall include the following information for each individual investment:

- Type of investment instrument (i.e., Treasury Bill, medium-term note)
- Issuer name (i.e., General Electric Credit Corp.)
- Yield to maturity at cost
- Purchase date (trade and settlement date)
- Maturity date
- Purchase price
- Par value
- Coupon rate
- Credit rating of each security
- Amortized cost
- Current market value for securities with maturity greater than 12 months
- Overall portfolio yield based on cost
- List of investment transactions

VI. INVESTMENT INSTRUMENTS AND MATURITIES

A. Included Investments:

Type	Minimum Credit Rating	Maximum Maturity**	Maximum Portfolio Percentage *	Maximum Individual Holding*
1. U.S. Treasury	AAA	5 years	100%	100%
2. Government Agency	AAA	5 years	100%	100%
3. California Municipals ***	AAA	5 years	20%	20%
4. Negotiable Certificates of Deposit	A-1 or P-1 or F-1 or AA	3 years	30%	$1,000,000
5. Bankers Acceptances	A-1, P-1 or F-1	180 days	30%	$1,000,000
6. Commercial Paper	A-1, P-1 or F-1	270 days	25%	$1,000,000
7. Local Agency Investment Fund (LAIF)	N/A	N/A	100%	100%
8. Repurchase Agreements	A-1,P-1 or F-1	1 year	25%	$1,000,000
9. Medium Term Notes	AA	5 year	30%	$1,000,000
10. Money Market Accounts	AA	N/A	15%	$1,000,000
11. Asset Backed Securities	AAA	5 years	20%	$1,000,000

* Excluding U.S. Government, agency securities, and LAIF no more than 5% of the portfolio may be invested in any one institution. The maximum percentages/amounts are determined at time of purchase. Amount refers to par value.
**Maximum term unless expressly authorized by the Board of Directors and within the prescribed time frame for the approval (Government Code 53601)
***No investments are allowed in financial instruments of SCORE cities.

B. **Excluded Investments:** The following investments or investment practices are not permitted under this Statement of Investment Policy:

1. Purchase or sale of securities on margin
2. Reverse Repurchase Agreements
3. Financial Futures and financial options

Any security type or structure not specifically approved by this policy is hereby specifically prohibited.

C. The following sections define in detail the parameters of each approved investment type.

1. U.S. Treasury and other government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest.

   There are no limits on the dollar amount or percentage that the Authority may invest in U.S. Treasuries.

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.

There are no limits on the dollar amount or percentage that the Authority may invest in U.S. Agency obligations.

3. Obligations issued by the State of California or any local agency within the state which are rated “AAA” by Moody’s Investors Service, Inc. (Moody’s), Standard & Poor’s Corporation (Standard & Poor’s) or Fitch Financial Services (Fitch). Purchases of California Municipals may not exceed 5 years in maturity or 20% of the Authority’s portfolio.

4. Negotiable certificates of deposit or deposit notes with a remaining term to maturity of three years or less, issued by a nationally or state-charted 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 or Fitch. Maximum maturity is restricted to three years from date of purchase.

   Purchases or negotiable certificates of deposit may not exceed three years in maturity or 30 percent of the Authority’s investment portfolio. No more than 5 percent may be invested in any one issuer.

5. Banker's 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 (P-1), Standard & Poor's (A-1) or Fitch Financial Services (F-1).

   Purchases of Banker's Acceptances may not exceed 180 days maturity or 30 percent of the Authority's investment portfolio. No more than 5 percent of the Authority's investment portfolio may be invested in the Banker's Acceptances of any one commercial bank.

6. Commercial Paper rated in the highest short-term rating category, as provided by Moody's Investors Services, Inc. (P-1), Standard & Poor's (A-1), or Fitch Financial Services (F-1). The issuing corporation must be organized and operating within the United States, having total assets in excess of $500 million, and having an "A" or higher rating for its long-term debt, if any, as provided by Moody's, Standard & Poor's, or Fitch.

   Purchases of eligible commercial paper may not exceed 270 days maturity and may not exceed 25 percent of the Authority's investment portfolio. No more than 5 percent may be invested in any one issuer. Purchases shall not exceed 10% of the outstanding paper of the issuing corporation.

7. Repurchase Agreements are subject to the following collateral restrictions: Only U.S. Treasury securities or Federal Agency securities, as described in VI. C. 1 and 2 will be acceptable collateral. All securities underlying repurchase agreements must be delivered to the Authority's custodian bank versus payment or be handled under a tri-party repurchase agreement. 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 market value of securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities, and the value shall be reviewed on a regular basis and adjusted no less than weekly. Market value of underlying collateral must be reviewed regularly or each time there is a substitution of collateral.

   The Authority may enter into repurchase agreements only with primary dealers in U.S. Government securities who are eligible to transact business with, and who report to, the Federal Reserve Bank of New York. The Authority will have specific written agreements with each firm with which it enters into repurchase agreements. Reverse repurchase agreements are not allowed.

Purchases or repurchase agreements may not exceed one year in maturity and no more than 5 percent may be invested in any one issuer.

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

   Purchases or medium term corporate notes may not exceed five years in maturity or 30 percent of the Authority's investment portfolio. No more than 5 percent may be invested in any one issuer.

9. Local Agency Investment Fund *(L.A.I.F.)* - There are no limits on the dollar amount or percentage that the Authority may invest in LAIF, subject to $50 million deposit limit imposed by LAIF.

   Credit criteria listed in this section refers to the credit of the issuing organization at the time the security is purchased.

10. Money market Mutual funds, provided that:

    a) Such funds are registered with the Securities and Exchange Commission and receive the highest ranking by not less than two nationally recognized statistical rating organizations (Moody's, Standard and Poors, Fitch);

    b) Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by California Government code Section 53601 (a through j) and with assets under management in excess of $500 million; and,

    c) No more than 15 percent of the investment portfolio may be held in Money Market Mutual Funds..

11.. Mortgage Pass-Through Securities and Asset-Backed Securities, provided that:

    a) Such securities shall have a maximum stated final maturity of five years;

    b) Shall be rated AAA by S&P or Aaa by Moody's; and

    c) Purchase of securities authorized by this subdivision may not exceed 20 percent of the portfolio.

VII. INTERNAL CONTROLS

The system of internal control shall be established and maintained in written form, in a separate document.. The controls are designed to prevent losses of public funds arising from fraud, error, misrepresentations of third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the

Authority. The most important controls are: control of collusion; separation of duties; separation of transaction authority from accounting and bookkeeping; custodial safekeeping; delegation of authority; limitations regarding securities losses and remedial action; written confirmation of telephone transactions; minimizing the number of authorized investment officials; documentation of transactions and strategies; and annual review of controls by the Treasurer.

VIII. TRANSFER OF FUNDS

The Treasurer shall have authority to transfer to and from the investment accounts in the ordinary course of operations and shall notify the President prior to any transfer of funds in excess of $1,000,000.

IX. BANKS AND SECURITIES DEALERS

In selecting financial institutions for the deposit or investment of Authority funds, the Treasurer shall consider the credit worthiness of institutions. To be eligible to receive local agency deposits, the financial institution must have received a minimum overall satisfactory rating for meeting the credit needs of California Communities in its most recent evaluation. The Treasurer shall continue to monitor their credit characteristics and financial history throughout the period in which Authority funds are deposited or invested. A commercial rating or bank watch may be used to accomplish this objective.

X. INVESTMENT RISKS

Mitigating Credit Risk in the Portfolio

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority shall mitigate credit risk by adopting the following strategies:

1. The diversification requirements included in Section VI are designed to mitigate credit risk in the portfolio;

2. No more than 5% of the total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities;

3. The Authority may elect to sell a security prior to its maturity and record a capital gain or loss in order to improve the quality, liquidity or yield of the portfolio in response to market conditions or the Authority's risk preferences; and

4. If securities owned by the Authority are downgraded by either Moody's or S&P to a level below the quality required by this Investment Policy, it shall be the Authority's policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio.

    a. If a security is downgraded two grades below the level required by the Authority, the security shall be sold immediately
    b. If a security is downgraded one grade below the level required by this policy, the Authority's Treasurer will use discretion in determining whether to sell or hold the security based on its current maturity, the loss in value, the economic outlook for the issuer, and other relevant factors.

c. If a decision is made to retain a downgraded security in the portfolio, its presence in the portfolio will be monitored and reported monthly to the Authority's Board.

Mitigating Market Risk in the Portfolio

Market risk is the risk that the portfolio will decline in value (or will not optimize its value) due to changes in the general level of interest rates. The Authority recognizes that, over time, longer-term portfolios achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The Authority shall mitigate market risk by providing adequate liquidity for short-term cash needs, and by making some longer-term investments only with funds that are not needed for current cashflow purposes. The authority further recognizes that certain types of securities, including variable rate securities, securities with principal pay downs prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. The Authority, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

1. The maximum stated final maturity of individual securities in the portfolio shall be five years, except as otherwise stated in this policy:

2. The Authority shall maintain a minimum of three months of budgeted operating expenditures in short term investments; and

3. The duration of the portfolio shall at all times be approximately equal to the duration of an index of US Treasury and Federal Agency Securities with maturities which meet the Authority's needs for cash flow and level of risk tolerance (the Benchmark Index) plus or minus 10%.

XI. SAFEKEEPING AND CUSTODY

Securities purchased from broker/dealers will be held in a third-party custodian/safekeeping account except the collateral for time deposits in banks and savings and loans institutions. Collateral for time deposits of thrifts is held by the Federal Home Loan Bank or an approved Agent of Depository. Collateral for time deposits in banks shall be handled as required by the California Government Code.

XII. REVIEW OF INVESTMENT POLICY

The Board of Directors will review the objectives and the performance of the portfolio and changes to the Investment Policy.

XIII. ETHICS AND CONFLICT OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions.

SCORE
Small Cities Organized Risk Effort
A Joint Powers Authority

Agenda Item I.3.

APPROVAL OF INTERNAL CONTROLS & GUIDELINES FOR INVESTMENTS

ACTION ITEM

ISSUE: Annually, the Board reviews and approves SCORE's Internal Controls and Guidelines for Investments.

RECOMMENDATION: The Program Administrator recommends approving the SCORE Internal Controls and Guidelines for Investments Policy. There are no changes in these controls or guidelines.

FISCAL IMPACT: Unknown.

BACKGROUND: The JPA's Internal Controls and Guidelines delegates the authority to invest funds of the Authority for a one-year period to the Treasurer who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires. The Board should review and approve the Internal Controls and Guidelines for Investment Policy annually.

ATTACHMENTS: Internal Controls & Guidelines adopted March 2008.

SMALL CITIES ORGANIZED RISK EFFORT
Internal Controls and Guidelines
Amended - March 2008

1. Delegation of Authority

The Board of Directors hereby delegates its authority to invest funds of the Authority for a one-year period to the Treasurer who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires. Subject to review, the Board of Directors may renew the delegation of authority each year. The Treasurer has chosen to delegate with the Board's approval the day-to-day placement of investments to an investment adviser, Chandler Asset Management (hereinafter "Adviser"), via a written agreement between the Authority and the Adviser. The Adviser shall make all investment decisions and transactions in strict accordance with state law and the Authority's Investment Policy.

The Treasurer shall also be responsible for ensuring that all investment transactions comply with the Authority's Investment Policy and for establishing internal controls. The internal controls shall be designed to regulate the Authority's investment activities, including the activities of any subordinate officials and the Adviser acting on behalf of the Authority, and to prevent losses of public funds arising from fraud, error, misrepresentations of third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the Authority. The most important controls are: control of collusion; separation of duties; separation of transaction authority from accounting and bookkeeping; custodial safekeeping; delegation of authority; limitations regarding securities losses and remedial action; written confirmation of telephone transactions; minimizing the number of authorized investment officials; documentation of transactions and strategies; and annual review of controls by the Treasurer.

2. Separation of Duties

When broker confirmations and monthly custodian bank statements are received, they shall be reconciled to internal documentation promptly upon receipt. The staff member who performs the reconciliation shall not be the same as the staff member who executes investment transactions.

The Adviser's portfolio management and operation's staff responsible for compliance activities shall review investment transactions on a daily basis for consistency between trading activity and portfolio accounting and compliance with Investment Policy constraints. The Authority's Treasurer will review these transactions on a monthly basis.

3. Custodial Safekeeping and Trade Settlement

Safekeeping
All securities purchased shall be delivered to the Authority's custodial bank. All securities sold shall be delivered directly from the Authority's custodial bank to the counter party's custodial bank.

Trade Settlement
All investment transactions will be settled "delivery-vs.-payment" (DVP) in accordance with industry standards. Staff members shall not handle cash or securities in conjunction with the investment of Authority's funds.

The Adviser shall coordinate the settlement of all transactions with the Authority's custodian bank, Union Bank of California, and send all necessary paperwork to:

Andy Jeremi
Union Bank of California
350 California Street, 6th Floor
San Francisco, CA 94104
Direct: (415) 705-5043
Fax: (415) 705-5052
andy.jeremi@uboc.com

Transfer Funds or Invest Proceeds
If the Authority is purchasing a security, it may be necessary to transfer funds from another bank account or a LAIF account. If the Authority is selling a security or a security matures, it may be necessary to invest the proceeds in another security, to transfer funds to another bank account or to a LAIF account. The Authority's Treasurer or the Adviser will initiate necessary transfer of funds for trade settlements.

4. Competitive Bid

- It is preferred that all trades are executed competitively with a minimum of three price quotes to insure best execution of the transaction.
- Competitive quotes, however, are not necessary for new issues when they are offered during the initial (primary) selling period and quoted at the same price (usually par) by all brokers.
- These guidelines recognize that it is not always possible to locate three brokers who offer exactly the same security. This is particularly true in the case of secondary market agency securities, corporate bonds, and some money market securities. In those situations, comparable securities will be used to determine the current value for a security being considered for purchase.

5. Trade Documentation

SCORE's Treasurer shall reconcile the monthly investment transaction report of the adviser with the transaction report received from the Custodian.

Trade Ticket
The Adviser will prepare a trade ticket with all of the information pertinent to the purchase or sale of the investment and fax or e-mail it to the Authority's Treasurer and to Alliant Insurance, the Pool Administrator.

Broker Confirmation
A confirmation will be issued by the broker/dealer for each purchase or sale transaction. The information on the confirmation will be checked and reconciled to the trade ticket from the Adviser, and the Authority's copy of the confirmation should be attached to the trade ticket.

Monthly Custody Statement
Union Bank will issue a Monthly Custody Statement for all of the securities purchased and delivered to and held in the Authority's custody account. The information on the Monthly Custody Statement will be checked and reconciled to the Authority's Transaction and Holdings Report from Adviser.

Verify the Documentation of the Transaction
In order to assure internal controls, the documentation of investment transactions must be carefully checked. The transaction and security information on the Adviser's Trade ticket, the broker's Trade Confirmation, and Union Bank's Monthly Custody Statement should be carefully cross checked to be sure that all information reconciles. If any trade document does not reconcile with what is known as the correct information regarding a trade, then the party who issued that document must be contacted to correct the erroneous information.

All trade documentation will be distributed to the following people:

Ms. Linda Romaine
Treasurer
Small Cities Organized Risk Effort
c/o Town of Fort Jones
11960 East Street, PO Box 40
Fort Jones, CA 96032
Direct: (530) 468-2281
Fax: (530) 468-2598
ftjones@sisqtel.net

Ms. Susan Adams
Pool Administrator
Small Cities Organized Risk Effort
c/o Alliant Insurance Services, Inc.
1792 Tribute Road, Suite 450
Sacramento, CA 95815
(916) 643-2704
Fax: (916) 643-2750
sadams@alliantinsurance.com

6. Authorized Financial Dealers and Institutions

1. The Authority's Treasurer shall determine which financial institutions are authorized to provide investment services to the Authority. Institutions eligible to transact investment business with the Authority include:

    a. Primary government dealers as designated by the Federal Reserve Bank;

    b. Non-primary and regional dealers;

    c. Nationally or state-chartered banks;

    d. The Federal Reserve Bank; and

    e. Direct issuers of securities eligible for purchase by the Authority.

2. Selection of financial institutions and broker/dealers authorized to engage in transactions with the Authority shall be at the sole discretion of the Authority.

3. All financial institutions which desire to become qualified bidders for investment transactions (and which are not dealing only with the investment adviser) must supply the Authority Treasurer with a statement certifying that the institution has reviewed the California Government Code Section 53600 et seq. and the Authority's Investment Policy and that all securities offered to the Authority shall comply fully and in every instance with all provisions of the Code and with this Investment Policy.

4. Public deposits shall be made only in qualified public depositories within the State of California as established by State law. Deposits shall be insured by the Federal Deposit Insurance Corporation, or, to the extent the amount exceeds the insured maximum, shall be collateralized with securities in accordance with State law.

5. Selection of broker/dealers used by the Adviser retained by the Authority shall be at the sole discretion of the Advisers.

7. Mitigating Credit and Market Risk in the Portfolio

The Authority will mitigate credit risk in the portfolio by following the guidelines described in the Investment Policy regarding diversification, maximum percentages of any single issuer and procedures for credit rating downgrades. Market risk will be mitigated by following the guidelines also described in the Investment Policy regarding maximum maturity, liquidity and the duration of the portfolio.

8. Annual Review

The Treasurer will review these investment procedures and guidelines annually and recommend any necessary revisions to the Board for approval.

Prepared by: ____

Linda Romaine, Treasurer
Small Cities Organized Risk Effort

Approved by: ____

Roger Carroll, President
Board of Directors
Small Cities Organized Risk Effort

Date: ____________________

SCORE
Small Cities Organized Risk Effort
A Joint Powers Authority

Small Cities Organized Risk Effort
Board of Directors Meeting
March 23, 2012

Agenda Item J.1.

CONFLICT OF INTEREST CODE

ACTION ITEM

ISSUE: SCORE's Conflict of Interest Code has been amended to comply with new FPPC Filing requirements.

RECOMMENDATION: It is the recommendation of the program administrators to approve the amended Conflict of Interest Code as presented.

FISCAL IMPACT: None.

BACKGROUND: None.

ATTACHMENTS: Amended Conflict of Interest Code.

SMALL CITIES ORGANIZED RISK EFFORT

CONFLICT OF INTEREST CODE

The Political Reform Act (Government Code Section 81000, et. seq.) requires state and local government agencies to adopt and promulgate conflict of interest codes. The Fair Political Practices Commission has adopted a regulation (2 Cal. Code of Regs. Sec. 18730) which contains the terms of the standard conflict of interest code, which can be incorporated by reference in an agency's code. After public notice and hearing it may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act. Therefore, the terms of 2 Cal. Code of Regs. Section 18730 and any amendments to it duly adopted by the Fair Political Practices Commission are hereby incorporated by reference. This regulation and the attached Appendices designating officials and employees and establishing disclosure categories, shall constitute the conflict of interest code of the **Small Cities Organized Risk Effort Joint Powers Authority (SCORE).**

Individuals holding designated positions shall file their statements of economic interests with **SCORE**, which will make the statements available for public inspection and reproduction. (Gov. Code Sec. 81008.) Upon receipt of the statements, **SCORE** shall make and retain copies and forward the originals to the **Fair Political Practices Commission**. All original statements will be retained by the **Fair Political Practices Commission**.

SMALL CITIES ORGANIZED RISK EFFORT JPA

APPENDIX A-DESIGNATED POSITIONS

Designated Positions	Disclosure Category
Members and Alternates of the Board of Directors	1, 2, 3, and 4
Administrator	1, 2, 3, and 4
Accountant	1, 2, 3, and 4
Consultants	*

Note: The positions of Administrator and Accountant are filled by outside consultants, but act in a staff capacity.

The following positions are not covered by the conflict-of-interest code because they must file under Government Code Section 87200 and, therefore, are listed for informational purposes only:

Treasurer

An individual holding one of the above listed positions may contact the Fair Political Practices Commission for assistance or written advice regarding their filing obligations if they believe that their position has been categorized incorrectly. The Fair Political Practices Commission makes the final determination whether a position is covered by Section 87200.

SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY

APPENDIX B-DISCLOSURE CATEGORIES

DISCLOSURE CATEGORIES:

Disclosure Category 1

Investments and business positions in business entities, and sources of income (including receipt of gifts, loans, and travel payments) from entities of the type to contract with the Authority to supply materials, commodities, supplies, books, machinery, vehicles or equipment utilized by the Authority.

Disclosure Category 2

Investments and business positions in business entities, and sources of income (including receipt of gifts, loans, and travel payments) from entities that are contractors engaged in the performance of work or services of the type utilized by the Authority, including but not limited to, insurance companies, carriers, holding companies, underwriters, agents or accounting firms.

Disclosure Category 3

Investments and business positions in business entities, and sources of income (including receipt of gifts, loans, and travel payments) from entities that have filed claims, or have claims pending against the Authority.

Disclosure Category 4

Investments and business positions in business entities, and sources of income (including receipt of gifts, loans, and travel payments) from entities that are banks or savings and loans institutions.

SCORE
Small Cities Organized Risk Effort
A Joint Powers Authority

Small Cities Organized Risk Effort
Board of Directors Meeting
March 23, 2012

Agenda Item J.2.a.

WORKERS' COMPENSATION CLAIMS AUDIT

ACTION ITEM

ISSUE: Mr. Nick Cali recently performed SCORE's Workers' Compensation claims audit and will be available via teleconference to answer any questions the Board may have.

RECOMMENDATION: None.

FISCAL IMPACT: $4,000

BACKGROUND: Workers' Compensation Claims Audit should be performed every two years per SCORE's Workers' Compensation Master Plan Document (Article VI, Section 5A). This is also a requirement of the California Association of Joint Powers Authorities (CAJPA) accreditation.

ATTACHMENTS: Workers' Compensation Claims Audit Report

NICHOLAS L. CALI, Claim Consultant/Auditor

P. O. Box 2158
Sonoma, California 95476-2158

Phone/Fax: 707/938-3746
Mobile: 707/694-6756
E-mail: nlcali@comcast.net

February 10, 2012

Susan Adams, Program Administrator
Small Cities Organized Risk Effort
1792 Tribute Road, Suite 450
Sacramento, CA 5815

Sent via email: sadams@alliantinsurance.com

Re: S.C.O.R.E. WORKERS' COMPENSATION CLAIM AUDIT – 2012

Dear Ms. Adams:

Attached you will find my report that provides conclusions and findings as a result of the workers' compensation claim audit conducted for S.C.O.R.E. at the offices of York Insurance Services Group, Inc., in Roseville, California on February 7, 2012.

The audit included a review of 82 claims. Forty-eight of the 53 current open, active Indemnity Claims were reviewed. Twenty-two of the 35 open Future Medical Claims were reviewed, and 12 of the 15 open Medical Only claims were reviewed. The audit was performed electronically via the VOS computerized claim information system maintained by York Insurance Services Group, Inc. I was able to evaluate the performance of all examiners and management personnel.

At the conclusion of the field audit I held a brief exit interview with York's Vice President of Claims Tom McCampbell and Unit Manager Leslie Cunningham during which I discussed my findings and conclusions.

The audit report is broken down into three sections. Section I summarized my conclusions based on the audit findings. Recommendations to improve the program, when necessary, are located in Section II. Section III contains the detailed audit findings.

It is my understanding that your Board Meeting is scheduled for Friday, March 23, 2012 in Anderson, California. Unfortunately, I am not available to attend on that date. However, I am available by way of telephone conference if you and/or the Board feel it necessary.

I am also enclosing the invoice in the amount of $4,000 for your usual expeditious handling.

I appreciate the opportunity to once again serve S.C.O.R.E. Please feel free to contact me if you have any questions regarding the audit.

Very truly yours,

Nicholas L. Cali

Nicholas L. Cali
Claim Consultant/Auditor

NLC: clc

Enclosures

cc: File

NICHOLAS L. CALI, Claim Consultant/Auditor

P. O. Box 2158
Sonoma, California 95476-2158

Phone/Fax: 707/938-3746
Cell: 707/694-6756
E-mail: nlcali@comcast.net

INVOICE

Date: February 10, 2012

To: **Susan Adams, Program Administrator**
Small Cities Organized Risk Effort
1792 Tribute Road, Suite 450
Sacramento, CA 95815

Sent via email:
sadams@alliantinsurance.com

Professional services performed:

Week of February 6, 2012	**Workers' Compensation Claim Audit As per proposal**	**$4,000.00**

Tax ID# 113-26-6147

TOTAL AMOUNT DUE $ 4,000.00

SMALL CITIES ORGANIZED RISK EFFORT

WORKERS' COMPENSATION CLAIM AUDIT

FEBRUARY 2012

NICHOLAS L. CALI, Claim Consultant/Auditor

P. O. Box 2158
Sonoma, California 95476-2158

Phone/Fax: 707/938-3746
Cell: 707/694-6756
E-mail: nlcali@comcast.net

I. CONCLUSIONS

The S.C.O.R.E. self-insured workers' compensation claim administration program is meeting, and in some areas exceeding, claim industry standards, as well as meeting all CAJPA Claim Administration Accreditation Criteria.

Claim administration has been transferred from the York Insurance Services Group, Inc.'s Redding, California office to their Roseville, California location. This appears to have been a positive move for S.C.O.R.E. members. In a very short period of time, the examiners in the Roseville office have taken action to review and provide plans of action for all the claims reviewed during this audit.

There is an aggressive approach toward investigation, claimant contact, and the initiation and maintenance of workers' compensation benefits. By the same token, there is an aggressive approach toward the disposition of non-meritorious claims and litigation.

Reserving philosophy and practice are sound and a primary concern of the York examiners. I found that they attempt to establish and maintain an "ultimate probable cost" reserve for loss and expense, based on current information available in each claim file.

Excess notification to LAWCS is timely, with supplemental reports made on a consistent and current basis. Excess reimbursement is active.

I believe S.C.O.R.E. can anticipate continued above-average workers' compensation claim administration with the current York Risk Services Group, Inc.'s personnel in place.

II. RECOMMMENDATIONS

There are no recommendations as a result of the audit findings.

III. FINDINGS

A. STAFFING

The S.C.O.R.E. self-insured workers' compensation claim administration program is being managed and technically administered by York Insurance Services Group, Inc. in their Roseville, California office since September 2011.

The program is under the direction of Vice President Tom McCampbell, who has many years' experience as a workers' compensation claim technician and manager. The program is under the supervision of Unit Manager Leslie Cunningham, who likewise has significant workers' compensation claim technical and management experience. Active Indemnity claims are being handled by Examiner Jodi Fink while Future Medical and Medical Only claims are being handled by Examiner Sara Marshall. The unit is assisted by Claim Assistant Stephanie Hawk.

This audit involved a review of claim files handled by all the above-mentioned personnel. I found that they demonstrate a keen sense of urgency regarding AOE/COE investigation, claimant contact, and the initiation and maintenance of benefits and medical case management. The examiner diaries are current and the VOS system reflects timely and comprehensive reporting by all concerned.

Based on the results of this audit, I see no problems with the caseloads of any of the personnel involved. Ms. Cunningham is actively involved in the supervision of the unit based on her supervisory reporting in the VOS system.

B. REPORTING

I evaluated the reporting timeliness of new claims reported since the previous audit; the average number of days between knowledge by the various cities and receipt by York was 3.8 days. This is excellent reporting timeliness. As mentioned above, the examiner/supervisory reporting is excellent.

York's management requires a Workers' Compensation Claims Status Report (CSR) by the examiner within 30 days of initial notice and quarterly thereafter. I found full compliance with this procedure.

C. CLAIMANT CONTACT

The York procedures require 24-hour claimant contact and, in fact, a three-point contact requirement with the employee, the employer, and the medical care facility. I found this procedure to be fully in place and active. This practice certainly contributes to the positive litigation ratio enjoyed by S.C.O.R.E.

D. DIARY SYSTEM

York's system requires a standard 30-day diary; the examiner may make diary adjustments depending upon the specific needs of each claim file. The diary was current in all claims reviewed. There were diary review comments regarding current activities and future plans of action.

E. INVESTIGATION

A majority of investigation is being performed by telephone or electronic communication with the member cities. Where necessary, AOE/COE investigations and/or sub rosa investigations are assigned to vendors based upon the geographic location of the member city. I did not find excessive use of investigative vendors, and, therefore, I consider this practice to be cost-effective.

A review of investigative vendors' reporting reflects timely and comprehensive submissions.

York Insurance Services Group, Inc. continues to report all workers' compensation claims to the Index Bureau upon initial review of a new claim.

F. TEMPORARY DISABILITY

In those claims in which initial temporary total disability benefits were due, I found timely notice to the injured worker and the state. The files are documented with the initial notices and notices regarding termination of benefits. TTD rates are computed accurately by the examiners, and all claims in which temporary total disability benefits have been paid contained a wage statement from the employer.

I found only one case in which temporary total disability penalty was required. This was a claim in which a TD overpayment occurred and created confusion. The error was recognized and the penalty paid by York. I do not consider this to be a trend.

G. PERMANENT DISABILITY

The prior examiner, Bonnie Markuson, and the current examiner are very aggressive in the recognition of the potential for permanent disability and subsequent settlement of the issue. The plans of action are directed toward a Compromise and Release or a Stipulation, Findings, and Award depending upon the specific situation. I did not find any claims in which the activities directed toward settlement were not in place or needed further motivation.

Permanent disability advances are recognized in a timely manner and are issued upon receipt of a Permanent and Stationary Medical Report with a permanent disability rating.

York examiners have no settlement authority. Any claim that required settlement authorization within the $150,000 SIR must be requested from the member city. Any settlement authority above the SIR must be approved by LAWCX. I found no abuses of this process. The files are clearly documented with member city and LAWCX authorizations.

Medicare Set Aside issues are being recognized and dealt with in all settlements I reviewed.

H. LITIGATION

Only 15 of the current, active Indemnity claims are in litigation. This is a very favorable litigation ratio. Many of the open, active Indemnity claims are being handled by the examiner without the need or cost of defense counsel. This is a very cost-effective method to handle litigation.

When defense of litigation is required, the examiners are making assignments from a S.C.O.R.E.-approved panel of defense attorneys based on the location of the member city or the nature or issues of the litigation involved. The following firms are involved in S.C.O.R.E. litigation defense:

- Hanna, Brophy, McLean, McAleer, and Jensen
- Laughlin, Falbo, Levy, and Morresi

The York examiners are active in litigation management and strategy.

I. MEDICAL CONTROL AND PAYMETS

York Insurance Services Group, Inc., continues to utilize the services of WellComp to review and approve payment of medical bills. This procedure is working well. There is timely payment of medical bills. The authorizations are in accordance with the RVS Schedules and reasonable and customary allowances appear to be in place. Bills are being paid within 30 days of receipt in a majority of claims.

The Utilization Review process is used aggressively by the York examiners.

I did not find any delays in regard to the receipt of permanent and stationary medical reports. Where there was an issue with a permanent and stationary rating, the examiners were quick to respond and requested further clarification.

J. SUBROGATION

I reviewed several claims in which there was subrogation potential. Subrogation potential is being investigated thoroughly and pursued for collection.

K. REHABILITATION

Rehabilitation benefits are being recognized where applicable and the appropriate procedures are being followed. Reserving is evident where rehab is a potential benefit.

L. RESERVES

The York Risk Services Group, Inc.'s claim personnel's reserving philosophy and practice are sound. There is an attempt to establish and maintain an "ultimate probable cost" reserve for both loss and expense based on the circumstances in each claim file.

Reserving rationale is discussed thoroughly by the examiner and manager in the VOS system. The Claim Status Reports discuss reserving thoroughly. I found no case in which a recommendation for a reserve change was necessary.

In a review of 22 Future Medical claims handled by Examiner Sara Marshall, I found she has taken aggressive action to review and evaluate all future medical reserves, and the files are well documented in this regard. I saw no evidence of dangling reserves for Indemnity or expense.

Having performed the audit electronically, I was able to view the current status of all claim data on the day of the audit. The posting of claim data by the examiners is timely and accurate. I believe that the current computerized system accurately reflects S.C.O.R.E.'s workers' compensation claim exposure.

M. EXCESS NOTIFICATION

S.C.O.R.E. is a member of Local Agency Workers' Compensation Excess JPA (LAWCX). S.C.O.R.E. maintains a $150,000 Self Insured Retention per occurrence.

The reporting requirements include any claim in which the total incurred exceeds 50% of the SIR, catastrophic injury, death, or lengthy temporary disability. This audit included a review of almost 100% of the current Indemnity claims, and I was able to spot-check all others for excess potential. I found that all claims in which excess potential was evident had been reported to LAWCX in a timely manner. In most cases, the reporting was made out of an abundance of caution.

I reviewed several excess claims in which reimbursement was in process. Reimbursement is very active.

SCORE
Small Cities Organized Risk Effort
A Joint Powers Authority

Small Cities Organized Risk Effort
Board of Directors Meeting
March 23, 2012

Agenda Item J.2.b.

LIABILITY CLAIMS AUDIT

ACTION ITEM

ISSUE: Mr. Ken Maiolini recently performed SCORE's Liability claims audit and will be available via teleconference to answer any questions the Board may have.

RECOMMENDATION: None.

FISCAL IMPACT: $2,785

BACKGROUND: Liability Claims Audit should be performed every two years per SCORE's Liability Master Plan Document (Article VI, Section 5A). This is also a requirement of the California Association of Joint Powers Authorities (CAJPA) accreditation.

ATTACHMENTS: Liability Claims Audit Report.

RMS
RISK MANAGEMENT SERVICES
8000 Old Redwood Highway • Cotati, CA 94931 • (707) 792-4980 • FAX (707) 792-4988

February 3, 2012

Susan Adams
Assistant Vice President
1792 Tribute Road, Suite 450
Sacramento, CA 95815

RE: SCORE Audit 2012

Dear Ms. Adams:

Please find enclosed the SCORE Audit Report for 2012.

Should you have any questions, do not hesitate to call our office. Also, please let me know when and if you would like me to present this to the SCORE Board.

Thank you for your confidence in Risk Management Services.

Sincerely,

Kenneth R. Maiolini, ARM-P

RECEIVED
FEB 06 2012

Small Cities Organized Risk Effort

(SCORE)

Liability – Property Audit Report

On January 18, 2012 an audit was conducted at the York Risk Group offices in Roseville, Ca.

The audit consisted of a pre-audit interview with Craig Wheaton, AVP Claims and hard file/database review of 25 open and 20 closed claims. The audit concluded with an exit interview with the AVP and his claims management team. (A copy of individually prepared RMS claims audit review forms completed on all open claims reviewed is included in this report as ***EXHIBIT A*** closed files are summarized in ***EXHIBIT B***).

SUMMARY

The claims handling on the SCORE account is done in an efficient, professional and effective manner. Most of the claims are handled by one very experienced claims adjuster who handles claims in a proactive and detailed manner. There is evidence in the files that this adjuster:

- Responds to Member's claims needs and emergent situations in a timely manner.
- Conducts a timely and extensive investigation on all claims.
- Evaluates the risk of liability and degree of damages before setting appropriate reserves.
- Works well with Defense Counsel and the Members on litigated matters.
- Utilizes the York loss database efficiently and all pertinent activity and documents are appropriately recorded.
- Communicates well with Members to keep them updated on claims activity and status.
- Negotiates resolutions on appropriate meritorious manners in a timely manner to avoid the cost of litigation.

Overall we found the Claims handling of the SCORE claims to meet or exceed generally accepted claims handling standards as well as meeting or exceeding CAJPA standards.

The areas of investigation, reserving and evaluations are done in a consistent and timely manner.

The files reflect that the adjuster is active in litigation management and involved in all litigation strategy decisions. This results in favorable defense costs and resolutions involving many granted motions and dismissals.

The files reviewed were well organized, had evidence of statutory notice compliance, good communication, appropriate excess reporting, proactive risk transfer through tenders and contractual obligations, good documentation on financials, appropriate diary follow-up and exceptional communication with Members.

The resolution results of the files reviewed indicate a proactive approach to settlement, negotiation, filing of dispositive motions and risk transfer.

The files both electronic and hard copy have a consistent and appropriate pattern of claims manager reviews, interaction, assistance and guidance.

The electronic database is well utilized and contains appropriate claim information that can be utilized by SCORE. The tabs in the system were found to be completed and adjuster's use of the notepad is exceptional. The database alerts the adjuster to Medi-Care reporting and follow-up.

The consistency in claims handling resulted in an audit that found no issues that need resolution.

The Members of SCORE were well served by the claims handling provided by York Risk Group's Roseville office.

Respectfully Submitted,

Kenneth R. Maiolini, ARM-P

Agenda Item J.3.

LIABILITY/WORKERS' COMPENSATION CLAIMS ADMINISTRATION AND RISK CONTROL SERVICES RFP UPDATE

INFORMATION ITEM

ISSUE: Update Board regarding the RFP that was issued for Claims Administration and Risk Control Services.

RECOMMENDATION: None

FISCAL IMPACT: Unknown

BACKGROUND: At the January 27, 2012 meeting, the Board approved issuing a RFP for Workers' Compensation and Liability Claims Administration and Risk Control Services to perform due diligence for these contracted services. SCORE has contracted with York Risk Insurance Services for these services since inception.

An Ad Hoc Committee was created and they have been involved in the RFP process and will be available to provide input and answer any questions of the Board.

ATTACHMENTS: Request for Proposals

REQUEST FOR PROPOSALS

SCORE
Small Cities Organized Risk Effort

WORKERS' COMPENSATION CLAIMS ADMINISTRATION
LIABILITY CLAIMS ADMINISTRATION
RISK CONTROL SERVICES

ISSUE DATE:	MARCH 6, 2012
RESPONSES DUE:	APRIL 3, 2012 – 5 P.M.

TABLE OF CONTENTS

I. INFORMATION REGARDING THE PROPOSALS

INTRODUCTION

Small Cities Organized Risk Effort Joint Powers Authority, hereinafter referred to as SCORE, is soliciting proposals from qualified Third Party Administrators, hereinafter referred to as the TPA, for clams administration of SCORE's self-insured Workers' Compensation and Liability programs and from qualified firms specializing in developing, providing and coordinating safety services to Public Agencies, predominantly addressing Public Liability and Workers' Compensation areas.

SCORE requires a vendor who demonstrates an innovative and effective claims management process that is streamlined and user-friendly, has strong customer service focus, solid reporting capabilities, effective technological capabilities, proactive and consistent management of employee/claimant occupational absences, competitive rates and fees, and the ability and willingness to comply with SCORE's performance standards. The proposing firm's staff should be qualified and have proper certification to perform risk control services. The proposing firm should evidence a regional presence and depth of staff necessary to perform the risk control services requested now, and into the future, as needed for stability.

****Respondents to this RFP may respond to each of the services requested in this RFP separately. It is not mandatory that you reply to each section, just those you are qualified and interested in responding to.**

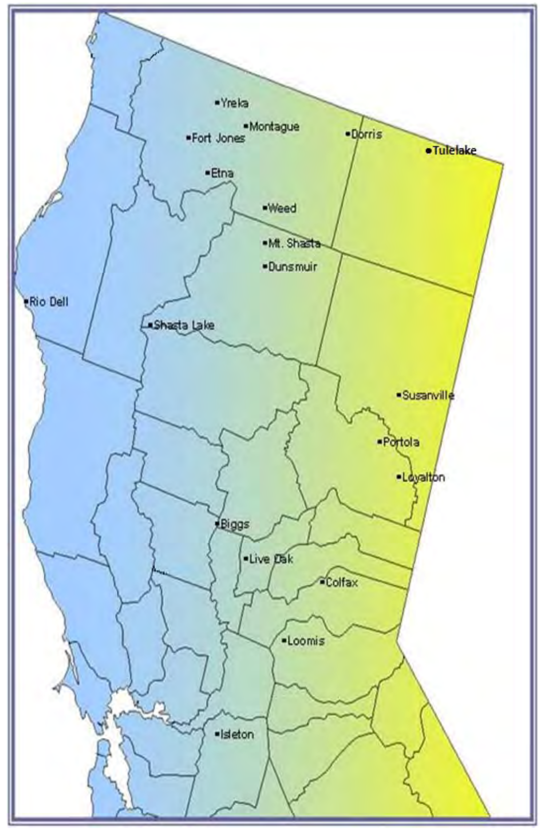
BACKGROUND

Small Cities Organized Risk Effort (SCORE) is a California Joint Powers Authority comprised of 19 Cities in Northern California. Total payroll is approximately $20 million. The Members vary in size from the City of Susanville (largest) to the Town of Fort Jones (smallest). The JPA was established in 1986. Their Mission Statement sums up the intent of SCORE**:** ***To protect the assets of members by reducing, sharing, controlling and stabilizing the cost of risk, while providing a high level of cost effective services.***

SCORE has two pooled program and two group purchase programs. The two pooled programs are for Liability and Workers' Compensation. The retained layer for Workers' Compensation is $150,000 and $500,000 for Liability. Both program purchase excess limits through excess Joint Powers Authorities, LAWCX for Workers' Compensation and CJPRMA for Liability.

SCORE contracts with Alliant Insurance Services, Inc. (Alliant) to provide JPA administrative services. York Risk Services, Inc. (YORK) currently provides Workers' Compensation claims administration, Liability claims administration and Risk Control Services. Accounting services are provided by Gilbert and Associates.

City	Pop.	Payroll	Emergency Services
Biggs	1,815	$464,940	None
Colfax	1,878	$458,278	Vol. Fire
Dorris	838	$174,117	Vol. Fire
Dunsmuir	1,792	$483,574	Vol. Fire
Etna	766	$298,801	Police & Vol. Fire
Fort Jones	647	$163,050	Vol. Fire
Isleton	842	$391,957	Police & Vol. Fire
Live Oak	8,292	$1,250,914	None
Loomis	6,874	$796,405	None
Loyalton	753	$242,118	Vol. Fire
Montague	1,455	$276,098	Vol. Fire
Mt. Shasta	3,517	$1,651,028	Police & Vol. Fire
Portola	2,037	$753,028	Vol. Fire
Rio Dell	3,184	$950,961	Police only
Shasta Lake	10,208	$3,295,618	None
Susanville	14,044	$3,686,521	Police & Fire
Tulelake	956	$438,041	Police & Vol. Fire
Weed	3,020	$1,517,694	Police & Vol. Fire
Yreka	7,343	$3,013,638	Police & Vol. Fire
TOTAL		**$20,307,134**	



IMPORTANT NOTICE

Read this RFP carefully. By submitting a Proposal(s) in response to this RFP, you acknowledge that you have read, understand and agree to comply with all the provisions of this RFP. SCORE may modify this RFP or make relevant information available to potential Proposers. It is the responsibility of potential Proposers to refer daily to SCORE's website (www.scorejpa.org) to check for any available addenda, responses to clarifying questions, or solicitation cancellations.

GENERAL INFORMATION

SCORE's Program Administrator will be your sole point of contact during the RFP process. All correspondence pertaining to this RFP should be appropriately addressed per the contact information below:

Susan Adams
SCORE Administrator
Alliant Insurance Services, Inc.
1792 Tribute Road, Suite 450
Sacramento, CA 95815
sadams@alliantinsurance.com
(916) 643-2704

GENERAL PROVISIONS

SCORE reserves the right to reject any and all Proposals received as a result of this RFP. In addition, SCORE may award a contract to the firm offering the best level of services in the opinion of SCORE and not the lowest cost. SCORE may further negotiate terms with any firm who provides a response.

1. **Modification or Withdrawal of Proposal:** Any Proposal may be modified or withdrawn at any time prior to the closing deadline, provided that a written request is received by the SCORE Administrator prior to the closing date. The withdrawal of a Proposal will not prejudice the right of a Proposer to submit a new proposal.

2. **Protests of Specifications:** Protests of the RFP specifications may be made only if a term or condition of the RFP violates applicable law. Protests of Specifications must be received in writing prior to the date and time indicated in the Schedule of Events, at the email address listed under General Information. Protests of the RFP Specifications must include the reason for the protest and any proposed changes to the requirements.

3. **Requests for Clarification and Requests for Change**: Proposers may submit questions regarding the specifications of the RFP. Questions must be received prior to the date and time indicated in the Schedule of Events at the email address listed under General Information. Requests for changes must include the reason for the change and any recommended modifications to the RFP requirements.

   The purpose of this requirement is to permit SCORE to correct, prior to consideration of the Proposals, RFP terms or technical requirements that may be improvident or which unjustifiably restrict competition.

   SCORE will consider all requested changes and, if appropriate, amend the RFP. SCORE will provide reasonable notice of its decision to all Proposers.

4. **Addenda:** If any part of this RFP is amended, addenda will be provided on the SCORE website (www.scorejpa.org). Proposers are exclusively responsible to checking the website to determine whether any addenda have been issued. **By submitting a Proposal, each Proposer thereby agrees that it accepts all risks and waives all claims associated with or related to its failure to obtain any addendum or addendum information.**

5. **Post-Selection Review and Protest of Award:** SCORE will name the apparent successful Proposer in a "Notice of Intent to Award" letter. Identification of the apparent successful Proposer is procedural only and creates no right in the named Proposer to award of the contract. Competiting Proposers will be notified in writing of the selection of the apparent successful Proposer and shall be given seven (7) calendar days from the

date on the “Notice of Intent to Award” letter to request and review documents regarding the selection process and to file a written protest of award. Any award protest must be received in writing at email address listed under General Information.

<u>SCORE will consider any protests received and:</u>

a. reject all protests and proceed with final evaluation of, and any contract language negotiation with, the apparent successful Proposer and, pending the satisfactory outcome of this final evaluation and negotiation, enter into a contract with the named Proposer; OR

b. sustain a meritorious protest(s) and reject the apparent successful Proposer as nonresponsive if such Proposer is unable to demonstrate that its Proposal complied with all material requirements of the solicitation and California public procurement law; thereafter, SCORE may name a new apparent successful Proposer; OR

c. reject all Proposals and cancel the procurement.

SCORE will timely respond to any protests after receipt. The decision shall be final.

6. **Potential Selection of Finalists.** After the initial evaluation of Proposals, SCORE, at its sole discretion, may:

   a. issue a Notice of Intent to Award based on the evaluation criteria provided in each section of this RFP; OR

   b. select one or more Proposer(s) as designated finalists based on the evaluation criteria provided in each section of this RFP (“Finalists”). Finalists may be invited to participate in oral interviews. These firms should be prepared to include in the interview, the proposed personnel which the firms plans to utilize to provide these services to SCORE, the proposed Account Manager, the proposed person(s) who will manage the electronic data and develop and generate the regular and special reports, and the representative of the company responsible for contract execution. These oral interviews are tentatively scheduled for April 24th and April 25th in Anderson, CA. The time and address of such interviews will be provided to those firms selected, if any.

Proposers shall not materially alter the content or terms of the original Proposal. If the Evaluation committee requests presentations to be made by the Finalists, SCORE’s administrator will schedule the time and location for the presentations. **Note:** Oral interviews are at the discretion of the Evaluation committee and may not be conducted; therefore, **written Proposals should be complete.**

If Finalists are selected, Proposers not selected as Finalists will be notified in writing of the Finalist selections. Proposers not selected as Finalists will be given seven (7) calendar days from the date on the notice of Finalist selection to file a written protest. Any protest must be received in writing at SCORE's administrators email address listed General Information section in this RFP.

Acceptance of Contractual Requirements: Failure of the selected Proposer to execute a contract and deliver required insurance certificates within ten (10) calendar days after notification of an award may result in cancellation of the award. This time period may be extended at the option of SCORE.

Contractor shall submit the following documents:

- An Agreement for Liability Claims Adjusting and Administration Services, Workers' Compensation Claims Adjusting and Administration Services and or Risk Control Services, as applicable, executed in duplicate (as supplied by SCORE). The initial term of the contract will be for three years with the ability for a two year extension upon mutual consent of the parties.

- A valid business license.

- A completed Internal Revenue Form W-9.

- Evidence of the required insurance coverage as set forth below:

<u>Insurance Requirements</u>

The Contractor must agree to indemnify, hold SCORE harmless, and defend SCORE from all claims and legal action for damages arising from their performance under an agreement.

Prior to and during the performance of an agreement, the Contractor shall maintain at its own expense the following minimum insurance coverage:

- **General Liability:** $1,000,000 per occurrence for bodily injury, personal injury, and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to the Contractor or the general aggregate limit shall be twice the required occurrence limit. Such insurance shall include SCORE, its officers, agents, and employees as additional insureds. Such insurance shall provide thirty (30) calendar days notice of intent to cancel or non-renew to SCORE. Upon execution of an agreement, the Contractor shall provide SCORE with a certificate of insurance evidencing that such general liability insurance has been obtained and is in full force and effect. In addition to the certificate of insurance and upon request by SCORE, the TPA shall provide to SCORE a certified copy of the insurance policy or policies.

- **Automobile Liability:** $1,000,000 per accident for bodily injury and property damage. Such insurance shall include SCORE, its officers, agents, and employees as additional insureds. Such insurance shall provide thirty (30) calendar days notice of intent to cancel or non-renew to SCORE. Upon execution of an agreement, the Contractor shall provide SCORE with a certificate of insurance evidencing that such automobile liability insurance has been obtained and is in full force and effect. In addition to the certificate of insurance and upon request by SCORE, the Contractor shall provide to SCORE a certified copy of the insurance policy or policies.

- **Workers' Compensation and Employer's Liability:** Workers' Compensation limits as required by the Labor Code of the State of California and Employer's Liability limits of $1,000,000 per accident. Upon execution of an agreement and upon renewal of such coverage, the Contractor shall provide SCORE with a certificate of insurance evidencing that such Workers' Compensation and Employer's Liability insurance has been obtained and is in full force and effect. In addition to the certificate of insurance and upon request by SCORE, the Contractor shall provide to SCORE a certified copy of the insurance policy or policies.

- **Errors and Omissions:** $3,000,000/$5,000,000 per occurrence/aggregate and shall not be subject to a deductible and/or self-insured retention of greater than $100,000. The Contractor shall maintain errors and omissions insurance applying to all claims arising out of an occurrence or events during the term of the insurance and made during, or subsequent to, the term of an agreement. Such insurance shall apply whether the claim arises out of the operations of the Contractor, its officers, employees, consultants, agents, or anyone else acting, directly or indirectly, on behalf of any of the foregoing. Such insurance shall be severable and, except as respects the limits of liability and self-insured retention, apply to each insured as if no other insureds exist. Such coverage shall provide thirty (30) calendar days notice of intent to cancel or non-renew to SCORE. Upon execution of an agreement and upon renewal of such coverage, the Contractor shall provide SCORE with a certificate of insurance evidencing that such errors and omissions insurance has been obtained and is in full force and effect. In addition to the certificate of insurance and upon request by SCORE, the Contractor shall provide to SCORE a certified copy of the insurance policy or policies.

- **Employee Dishonesty:** $1,000,000 to include comprehensive employee dishonesty, disappearance, theft, and forgery or alteration coverage in a form and issued by an insurance or bonding company or companies acceptable to SCORE.

Upon execution of an agreement, the Contractor shall provide SCORE with a certificate of insurance evidencing that such insurance has been obtained and is in full force and effect. Such coverage shall provide thirty (30) calendar days notice of intent to cancel or non-renew to SCORE.

Insurance shall be primary with regards to any claim for damages arising out of the work performed

All insurance documents are to be sent to under a service agreement. The TPA shall disclose its self-insured retention(s) on each of the required policies. The insurer shall provide thirty (30) calendar days written notice to SCORE regarding non-renewal, expiration or any changes in coverage. Appropriate insurance certificates and endorsements shall be provided to SCORE for review and approval prior to execution of a service agreement.

7. **Indemnification:** TPA shall hold harmless, defend and indemnify SCORE and its officers, officials, employees and volunteers from and against all claims, damages, losses and expenses including attorney fees arising out of the work described herein, caused in whole or in part by any negligent act or omission of the contractor, any subcontractor, anyone directly or indirectly employed by any of them or anyone for whose acts any of them may be liable, except where caused by the active negligence, sole negligence, or willful misconduct of SCORE.

8. **Public Records**: Proposals are deemed confidential until the "Notice of Intent to Award" letter is issued. This RFP and one copy of each original Proposal received in response to it, together with copies of all documents pertaining to the award of a contract, will be kept and made a part of a file or record which will be open to public inspection. If a Proposal contains any information that is considered a "**TRADE SECRET" or "CONFIDENTIAL",** Proposer must so indicate by delineating each section of the Proposal with the heading "Confidential". However, Proposers should understand that SCORE has reservations as to whether any such information is exempt from disclosure under the California Public Records Act (Government Code Section 6250, *et seq.)* SCORE will notify a Proposer if it receives a request for release of information identified as confidential by Proposer. By submitting its Proposal, Proposer agrees that SCORE will not be held liable for releasing information pursuant to a Public Records Act request.

   If any information is set apart and clearly marked "confidential" when it is provided to SCORE, SCORE will give notice to the Proposer of any request for the disclosure of such information. Proposers will then have 5 days from its receipt of such notice to enter into an agreement with SCORE providing for the defense of, and complete indemnification and reimbursement for all costs (including plaintiff's attorney fees) incurred by SCORE in, any legal action to compel the disclosure of such information under the California Public Records Act. Proposers will have sole responsibility for defense of the designation of such information.

9. **Investigation of References**: SCORE reserves the right to investigate all references in addition to supplied references and investigate past performance of any Proposer with respect to its successful performance of similar services, compliance with specifications and contractual obligations, completion or delivery of a project on schedule, and lawful payment of subcontractors and employees. SCORE may postpone the award or the execution of the contract after the announcement of the apparent successful proposer in order to complete its investigation. Information provided by references may prevail in final selection, regardless of preliminary scoring results. Despite its right to investigate all Proposer references, SCORE is not obligated to utilize references as part of its evaluation criteria and may decline to investigate or consider references. Any decision made by SCORE in regards to the use of references, including restricting the consideration of references to only Finalists, will not be considered grounds for protest.

10. **RFP Preparation Costs**: Cost of developing the proposal, attendance at an interview (if requested by SCORE) or any other such costs are entirely the responsibility of the Proposer and will not be reimbursed by SCORE. By submitting a Proposal, each Proposer thereby accepts all risks, and waives all claims, associated with or related to the costs it incurs in Proposal preparation, submission, and participation in the solicitation process.

11. **Clarification and Clarity**: SCORE reserves the right to seek clarification of each Proposal or to make an award without further discussion of Proposals received. Therefore, it is important that each Proposal initially be submitted in the most complete, clear, and favorable manner possible.

12. **Right to Reject Proposals**: SCORE reserves the right to reject any or all Proposals if such rejection would be in the public interest. Whether such rejection is in the public interest will be solely determined by SCORE.

13. **Cancellation**: SCORE reserves the right to cancel or postpone this RFP at any time or to award no contract.

14. **Proposal Terms:** All Proposals, including any price quotations, will be valid and firm through the period of contract execution.

15. **Usage:** It is the intention of SCORE to utilize the services of the successful Proposer(s) to provide services as outlined in the Scope of Work section for each service requested

16. **Review for Responsiveness:** Upon receipt of all Proposals, SCORE's administrative staff will determine the responsiveness of all Proposals before submitting them to the Evaluation committee. If a Proposal is incomplete or unresponsive in part or in whole, it may be rejected and, if rejected, will not be submitted to the evaluation committee. SCORE reserves the right to determine if an inadvertent error is solely clerical or is a

minor informality which may be waived when determining if an error is grounds for disqualifying a Proposal. The Proposer's contact person identified in the Proposal will be notified by SCORE to communicate the reason(s) the Proposal is non-responsive. One copy of the Proposal will be archived.

17. **Rejections and Withdrawals.** SCORE reserves the right to reject any or all Proposals or to withdraw any item from the award.

18. **RFP Incorporated into Contract.** This RFP will become part of the final contract between SCORE and the selected Proposer (also referred to herein as the "Contractor"). The Contractor will be bound to perform according to the terms of this RFP and its Proposal.

19. **Communication Blackout Period.** Except as called for in this RFP, Proposers may not communicate about this RFP with members of the Evaluation committee or any Board Members of SCORE or SCORE's administration staff until the apparent successful Proposer is selected and all protests, if any, have been resolved. The contact person designated by the "General Information" section of this RFP is exempted from this blackout period. If any Proposer initiates or continues contact in violation of this provision, SCORE may, in its sole discretion, reject that Proposer's Proposal and remove it from consideration for award of a contract under this RFP.

20. **Prohibition on Commissions.** SCORE will contract directly with organizations capable of performing the requirements of this RFP. Contractors must be represented directly. Participation by brokers or commissioned agents will not be allowed during the proposal process.

21. **Ownership of Proposals**. All Proposals in response to this RFP are the sole property of SCORE and subject to the provisions of the California Public Records Act (Government Code Section 6250, et seq).

22. **Clerical Errors in Awards.** SCORE reserves the right to correct inaccurate awards resulting from its clerical errors.

23. **Rejection of Qualified Proposals.** Proposals may be rejected in whole or in part if they limit or modify any of the terms and conditions and/or specifications of the RFP. Any terms contained in Proposals that conflict with or modify the terms of this RFP and sample contract are expressly rejected unless specifically adopted in writing by SCORE.

SCOPE OF WORK

The Scope of Work is outlined in detail in each section of the RFP as the scope applies differently for each service.

FEES

Refer to each service section of the RFP as respects fees as the components differ by service.

SELECTION CRITERIA

The Selection Criteria is outlined in detail in each section of the RFP as the criteria are different for the different service proposed.

TERM OF CONTRACT

SCORE and the Contractor may enter into a contract to begin work on or about July1, 2012 (the "Contract"). The initial term of the Contract will be for three years with the a two year extension option, subject to the Contractor's continued successful performance, as determined by the SCORE Board of Directors. SCORE reserves the right to terminate the Contract at its discretion upon 30 days notice to the Contractor.

INSTRUCTIONS FOR PREPARING WRITTEN PROPOSAL

Please respond to this RFP in the following manner:

1. Submit a cover letter that contains the name, title, address, and telephone number of the individual(s) with authority to bind the proposal during the period in which SCORE is evaluating the proposal. The proposal shall also identify the legal form of the firm, (i.e., sole proprietor, partnership, corporation, etc.). If the firm is a corporation, the cover letter shall identify the state in which the firm was incorporated and the name of the parent corporation. A principal of the firm or other person fully authorized to act on behalf of the firm shall sign the cover letter.

2. References and Experience

    1. Please give a brief description of proposer including

        a. The names and backgrounds of principal owners, partners, or officers including a resume detailing experience;

        b. The length of time the firm has been in the business of administering California workers' compensation claims, liability claims or providing risk control services;

        c. The number of California offices and locations;

d. The California office that would service SCORE's claims or provide risk control services; and

e. The California office that would service SCORE for loss data or functions other than claims adjusting.

3. Please advise whether there are any major changes (e.g., relocation of firm/consolidation, legal name change, etc.) planned for proposer and the parent corporation during the next twelve (12) months.

4. Identify the personnel, including supervisory and management, who would be assigned to administer SCORE's claims or provide loss control services. In addition, provide detailed responses to the following:

    1. The position each individual currently occupies and is being proposed to occupy;

    2. The education, years, and type of experience of each individual (attach a resume or curriculum vitae);

    3. The experience each individual has adjusting California permissibly public agency or private self-insured claims or providing risk control services;

    4. The length of time each individual has been with the proposer;

    5. The percentage of time each individual is in the office, remotely, and the field;

    6. The caseload for every person assigned to handle any portion of SCORE's claims.

5. Provide a list of clients for which similar types of claims-related services or risk control services are currently provided. Please include the name, title, and phone number of three (3) people, in three (3) different companies, other than SCORE, whom SCORE can contact to discuss the proposer's performance.

6. Provide a list of clients and their contact information who have cancelled their contract with your company during the past twenty-four (24) months. Please include the reason(s) for termination and/or non-renewal by either party.

7. Describe how your TPA ensures compliance with workers' compensation statutes and rules and regulations promulgated by the Department of Industrial Relations.

8. If available, provide a copy of the most recent Statement of Auditing Standards Report addressing your internal controls.

9. Identify any owned and/or affiliated ancillary services, companies, etc.

10. Quote a flat annual fee for each year of a minimum three (3) year contract and options for a two-year extension for services outlined in the **"SCOPE OF WORK." FAILURE TO PROVIDE PRICING INFORMATION IN THE MANNER REQUESTED MAY DISQUALIFY THE PROPOSAL.**

11. Indicate any additional fees or fee adjustments for bundled services of Utilization Review, Bill Review, and/or Managed Care.

12. Indicate any additional fees or fee adjustments for unbundling of Utilization Review, Bill Review, and/or Managed Care

13. Please indicate any additional fees for data conversion and on-line access.

14. In compliance with MMSEA Section 111 Medicare Secondary Payor Mandatory Reporting, SCORE requires the selected TPA to be registered with the Centers for Medicare and Medicaid Reporting Services (CMS) as the Account Manager for the JPA. The proposer will provide verification of their intention to register as the Account Manager and provide detailed information on their plan to provide necessary data to CMS within the required timeframes. Please specify any ancillary vendors which will be utilized for the transmission of data, any contractual arrangements between the proposer and the ancillary vendor, and any associated costs above the TPA claims administration costs for assuming the Account Manager responsibilities and data transmission as outlined by CMS.

15. It is expected that there will be approximately 100 open Workers' Compensation files that will be transferred to the new TPA and approximately 56 open Liability files that will be transferred to the new TPA.

    The proposer must state whether the cost of handling these existing open files are included in the flat annual fee quoted above. If not, then proposer shall indicate the costs for adjusting these existing open files.

16. Provide a comprehensive transition plan, including estimated timelines, to include the process for the transitioning of hard copy claim files to paperless claim files or paperless claim files to hard copy files if required

17. Please indicate whether the proposer can comply with the "SCOPE OF WORK" outlined in the services section of the RFP you are responding to. If the proposer is unable to comply with a specific performance objective, please indicate which objective cannot be complied with, the reason(s) the objective cannot be met, and provide suggestions or alternatives.

18. Please describe any services not previously covered which you believe may be of particular value to SCORE, such as provider and facility networks, litigation management, etc.

19. The proposal must indicate that the TPA agrees to be bound by the proposal and shall enter into an agreement to provide services in a form as approved by SCORE.

20. The proposal should expressly state that the offer, including all pricing proposals, will remain in effect until award of contract. In addition, all information presented in your proposal will be considered binding when an agreement is developed (unless otherwise modified and agreed to by both parties during subsequent negotiations).

21. Samples of computer-generated reports must accompany as referred to in “Special Provisions” of the “SCOPE OF WORK” in the RFP.

22. The TPAs whose proposals are selected as finalists for consideration may be asked to appear, at their own expense, before an evaluation panel to discuss their proposal.

All proposals, whether selected or rejected, shall become the property of SCORE. Costs of preparation of proposals will be borne solely by the proposer.

SCORE will review all submitted proposals and evaluate them against the selection criteria listed above. Proposals will be reviewed and considered by SCORE’ Evaluation Committee. If SCORE elects to proceed with selection of a TPA, SCORE will enter into contract negotiations with the selected TPA.

SCORE reserves the right to: reject any and all proposals; waive any informality, defect, or irregularity in a proposal; conduct contract negotiations with any TPA (whether or not it has submitted a proposal); alter the selection process in any way; postpone the selection process for its own convenience at any time; accept or reject any individual sub-consultant that a TPA proposes to use; and/or decide whether or not to contract with any TPA. Nothing in this RFP shall be construed to obligate SCORE to negotiate or enter into an agreement with any particular TPA. This RFP shall not be deemed to be an offer to contract or to enter into a binding contract or agreement of any kind.

DELIVERY OF PROPOSALS

All proposals must be in our offices by 5:00 p.m. on Tuesday, April 3, 2012. **LATE PROPOSALS WILL NOT BE ACCEPTED.** Please send copies of your proposal(s) **electronically** to:

Susan Adams, Program Administrator for SCORE

Alliant Insurance Services, Inc.
sadams@alliantinsurance.com

SCHEDULE

The following is the schedule for the RFP process:

DATES	ITEMS
March 7, 2012	Issuance of the Request for Proposal
March 15, 2012 – 5:00 p.m.	Questions in writing due to Program Administrator
March 26, 2012	Program Administrator's responses due
April 3, 2012 – 5 p.m.	Proposals due
April 10, 2012 & April 17, 2012	Evaluation Committee review
April 24-25, 2012	Oral Interviews with Evaluation committee
May 11, 2012	SCORE Board Meeting – "tentative"
May 18, 2012	Award contracts
7 calendar days after the contracts are awarded	Deadline for Protest of Awards
July 1, 2012	Anticipated Contract Begin Date

SCORE reserves the right to change the above dates in its sole discretion as needs dictate. During the evaluation process, SCORE reserves the right to request additional information or clarifications from proposals, or to allow corrections of errors or omissions.

SCHEDULE OF PROPOSER FIRMS

Firms that have received this Request for Proposals include:

1. Acclamation Insurance Management Services (AIMS)
2. Athens Administrators
3. Bickmore Risk Services
4. Carl Warren & Company
5. CorVel
6. George Hills Company, Inc.
7. JT2 Integrated Resources
8. SBK Risk Services
9. The Simon Companies
10. TRISTAR Risk Management
11. York Insurance Services, Inc.

This list, however, does not impose a limitation on who may respond to this Request for Proposals.

II. WORKERS' COMPENSATION CLAIMS ADMINISTRATION SERVICES

INTRODUCTION

Small Cities Organized Risk Effort, hereinafter referred to as SCORE, is soliciting proposals from qualified third party administrators, hereinafter referred to as the TPA, for administration of SCORE's self-insured Workers' Compensation program. SCORE requires a vendor who demonstrates an innovative and effective claims management process that is streamlined and user-friendly, has strong customer service focus, solid reporting capabilities, effective technological capabilities, proactive and consistent management of employee/claimant occupational absences, competitive rates and fees, and the ability and willingness to comply with SCORE's performance standards.

BACKGROUND

SCORE is a self-insured group currently comprised of cities located in Northern California. SCORE began pooling for Workers' Compensation risk coverage in 1993. SCORE currently maintains a self-insured retention of $150,000. Within SCORE, the members maintain a self-insured retention of $25,000 in the banking layer and share risk with the other members up to $150,000. SCORE purchases Excess Workers' Compensation coverage from LAWCX up to Statutory limits.

SCORE contracts with Alliant Insurance Services, Inc. (Alliant) to provide JPA administrative services. York Risk Services, Inc. (YORK), currently provides Workers' Compensation and Liability claims administration and Risk Control Services. Accounting services are provided by Gilbert and Associates.

SCORE's total expected payroll (salaries) for fiscal year 2011/2012 is approximately $20 million. SCORE's Workers' Compensation program consists of 17 members which employ approximately 600 employees, which consist of both full-time and part-time employees (optional – including Safety Personnel). There are 2 members that do not participate in the Worker's Compensation program.

SCORE'S WORKERS' COMPENSATION MASTER PLAN DOCUMENT STATES THE FOLLOWING:

1. CLAIMS ADJUSTING SERVICE

The claims adjusting company shall:

A. Accept notices or reports of claims on behalf of the "Participating Members" and SCORE;

B. Maintain a complete and separate file for each claim reported, including actions taken, amounts reserved, and amounts paid by date;

C. Report claims as needed to the excess coverage provider, document amounts due from the excess coverage and follow through with collection of such amounts,

D. Make available for inspection and review by SCORE or its agents any and all claims files, provided reasonable notice of inspection and reasonable time and place is set for review;

E. Report claims activity monthly to the Administrator and each “Participant”.

2. CLAIMS PROCEDURES MANUAL

A. A Workers’ Compensation Claims Procedures Manual, including reporting procedures, forms, and other vital information shall be adopted by the Board of Directors and provided to all "Participants".

B. The Board of Directors may adopt amendments to the Workers’ Compensation Claims Procedures Manual. Any amendments shall not be effective for fifteen (15) days after distribution of the amendments to the "Member Entities".

C. All "Participating Members" shall be held accountable for understanding and abiding by the procedures stated in this Manual, as well as any changes thereto.

The current TPA has administered the Workers’ Compensation program since 1993. The chart below reflects SCORE’s claims activity as of 12/31/11 which includes medical only, indemnity claims, and future medical claims.

Year	# MO Claims	# IND Claims	Total Claims	Total Open IND	Total Open FM	Total Open Mo	Total FY Pending	% Active Litigation
2006-2007	25	23	48	2			2	2
2007-2008	26	18	44	3	1		4	4
2008-2009	23	26	49	3	2		5	4
2009-2010	25	28	53	12	1		12	12
2010-2011	15	25	40	15			15	15

SCOPE OF WORK

A. Claims Administration Performance Standards

1. Caseload

Each person who handles indemnity claims shall have a caseload not to exceed one hundred fifty (150) open indemnity claims, inclusive of all clients, future medical claims, and medical only claims if assigned. Each person who handles solely medical only or future medical claims shall have a caseload not to exceed two hundred (200) open indemnity claims, inclusive of all clients.

2. Claim File Set Up

Upon receipt of the Employer's Report of Occupational Injury or Illness or Application for Adjudication of Claim, the TPA will prepare an individual claim file within one (1) business day for each claim. Preparation of the claim file shall include entering each new claim into the computer system and establishing a claim number. The file shall be available to SCORE, including its members, their representatives, claims auditors, and agents, for inspection and will contain all medical and factual information on each reported claim.

3. Claim File Documentation

All activity, contact, notification, reconciliation, referrals, reviews, verification, etc, shall be clearly documented in the computer notepad within one (1) business day and maintained in the applicable claim file. A copy of all written documentation, notices, letters, reports, etc. will be maintained in the applicable claim file. This requirement shall apply to all standards contained in this section of the document.

Use of electronic claim files is appropriate only with assurance that all claim file documentation can be recreated in hard copy as requested and access provided to the electronic claim files.

4. Coverage

The TPA shall verify the coverage period and that coverage was provided to the member by SCORE on the date of injury or illness in accordance with member program dates and governing documents. If applicable, the TPA shall exercise due diligence in joining applicable co-defendants. All activity to verify coverage and join co-defendants shall be clearly documented in the computer notepad within one (1) business day.

5. ISO

The examiner shall request a report from the ISO on all new indemnity claims. The TPA shall review and analyze all reports.

6. Employer Contact

The TPA shall immediately request the Employer's Report of Occupational Injury or Illness form when or if notification of any injury or illness by any source is received first.

If the DWC Form 1 has not been received by the TPA within two (2) business days after receiving the Employer's Report of Occupational Injury or Illness, the examiner will contact the member to ensure the DWC Form 1 was given to the employee/claimant within one (1) business day of knowledge of the injury. If a DWC Form 1 was not provided to the injured employee/claimant, the TPA shall immediately send the DWC Form 1 directly to the employee/claimant.

The TPA shall contact the member within one (1) business days of receipt of notice of a claim by any source to conduct an initial and meaningful investigation. The TPA shall confirm with the employer the number of employees on the date of injury. Such contact with the member and information received from the member shall be clearly documented in the computer notepad within one (1) business day.

When a claim reaches or exceeds $25,000 in total incurred value, the TPA shall report to the member every ninety (90) calendar days regarding the status of the claim. A copy of the claim status report will be provided to SCORE's Administrator. Such report shall include a current status of the claim, the examiner's plan of action for the future handling of the claim, and the current paid to date and total incurred amounts listed by indemnity, Supplemental Job Displacement Benefits, medical, and expense categories.

The examiner will provide on-site file reviews if requested by a member of SCORE. Other periodic on-site file reviews will be scheduled based upon the needs of the members.

Return phone calls to members and responses to e-mails will be accomplished within one (1) business day and clearly documented in the computer notepad within one (1) business day.

All correspondence from employers will be responded to within three (3) business days of receipt and clearly documented in the computer notepad within one (1) business day.

7. Employee/Claimant Contact

In all non-litigated, lost time, or disputed cases, telephone or personal contact will be established with the injured employee/claimant within one (1) business day of receipt of notice of claim. Such contact will continue as often as necessary, but at least monthly. Any contact with the employee/claimant shall be clearly documented in the computer notepad within one (1) business day.

As required, the TPA will confer with and assist injured employee/claimants in resolving problems that arise from injury or illness claims.

Return phone calls to employee/claimants will be accomplished within one (1) business day of receipt and clearly documented in the computer notepad within one (1) business day.

All correspondence from employee/claimants will be responded to within three (3) business days of receipt and clearly documented in the computer notepad within one (1) business day.

8. Medical Administration

The TPA, absent a Medical Provider Network (MPN), shall select a panel of general practitioners, specialists, hospitals, and emergency treatment facilities to which injured employee/claimants should be referred. The panel shall be regularly reviewed and updated.

The TPA shall assist the members in identifying an industrial clinic and/or medical providers, if requested.

The physician's office will be contacted within three (3) business days of notice of all new claims to conduct an initial investigation as to the medical aspects of the claim and discuss the member's return-to-work goals. Such contact will continue as needed during the continuation of temporary disability to assure that treatment is related to a compensable claim and clearly documented in the computer notepad within one (1) business day.

The TPA shall maintain contact with treating physicians to ensure employee/claimants receive proper medical treatment and are returned to full or modified employment at the earliest possible date.

The TPA shall maintain direct contact with medical providers to ensure their reports are received in a timely manner.

The TPA shall arrange medical evaluations when needed, reasonable, and/or requested in compliance with the current California Labor Code. In accordance with Labor Code Section 4601(a), the examiner will provide the employee/claimant with an alternative physician within five (5) business days of the employee/claimant's request for a change of physicians.

Such referral shall be clearly documented in the computer notepad within one (1) business day.

The TPA shall make every attempt to utilize medical providers with contracts for negotiated rates to be paid less then the Official Medical Fee Schedule (OMFS) and/or recommended rates established by the Administrative Director of Workers' Compensation.

The TPA shall ensure that medical bills are reduced to at least the OMFS and/or recommended rates established by the Administrative Director of Workers' Compensation. The use of a service contractor is acceptable provided approval is first obtained from SCORE's Administrator. SCORE shall pay for the use and benefits of the services provided; however, fees charged by the service contractor shall have been approved by SCORE prior to the provision of and payment for services. SCORE will approve the service contractor's fees on a monthly basis prior to payment by the TPA to the service provider. Such fees will be charged to the applicable claim file and will be paid from the appropriate category as determined by Self-Insurance Plans.

The TPA shall provide, at SCORE's expense, utilization review and/or professional managed care services on an as-needed basis to injured employee/claimants in compliance with Utilization Review approved guidelines. The use of a service contractor to provide this service is acceptable provided SCORE's approval is first obtained. Such fees will be charged to the applicable claim file and will be paid from the appropriate category as determined by Self-Insurance Plans.

9. <u>Compensability</u>

The compensability determination (accept claim, deny claim, or delay acceptance pending the results of additional investigation) and the reasons for such determination will be made and clearly documented in the file within two (2) business days from the receipt date by the TPA. Delay of benefit notices shall be mailed in compliance with the Division of Industrial Relations' guidelines. Copies of benefit notices will be maintained in the applicable claim file. The TPA shall notify the member of delay or denial of any claim.

In no case shall a final compensability decision be extended beyond ninety (90) calendar days from the date of knowledge of the claim.

10. <u>Investigations</u>

The TPA shall promptly initiate investigation of issues identified as material to potential litigation and subrogation recovery. The member shall be notified of the need for an outside investigation as soon as possible. The member shall be kept informed on the scope and results of all investigations. All activities and communication with the member shall be clearly documented in the computer notepad within one (1) business day.

11. Reserves

Establish appropriate initial reserves within three (3) business days based on the information obtained at the time of claim set up. A copy of the detailed worksheet establishing the initial reserves shall be maintained in the applicable claim file.

Reserves shall be established based on the facts of the claim and the ultimate probable cost of each claim. All reserve categories shall be reviewed on a regular basis but not less than at least every ninety (90) calendar days. Such detailed reviews shall be clearly documented in the computer notepad within one (1) business day. Any changes to reserves shall include an explanation of the change.

12. Payments

SCORE has established a trust bank checking account to which Claims Administrator shall have access for purposes of paying losses within its claims adjustment authority and process claims administration and litigation expenses to third persons.

The trust account is maintained at a level adequate to disburse payments on claims files in timely fashion, and are replenished as necessary by SCORE upon request of the Claims Administrator. The records of the trust account including check registers, cancelled checks and bank statements shall be available for examination by SCORE at any reasonably time. The trust account balances shall be reconciled monthly by Claims Administrator, with copies of the reconciliations supplied to SCORE not later than thirty (30) days after rendition of account statement(s) by the bank..

13. Provision of Benefits

The TPA shall provide all compensation and medical benefits in a timely manner and in compliance with the statutory requirements of the California Labor Code. The TPA shall compute and pay benefits to injured employee/claimants based upon earnings information and authorized disability periods. The TPA shall review, compute, and pay all informal ratings, death benefits, Findings and Awards, life pensions, or Compromise and Release settlements. However, all such benefits shall be paid from SCORE's established zero-balance account that will be linked to SCORE's "positive pay" account.

14. Initial Indemnity Payment

The initial indemnity payment or voucher will be issued and mailed to the injured employee/claimant or employer, if appropriate, together with a properly completed DWC benefit notice within ten (10) business days of the knowledge of the first day of disability. Copies of benefit notices will be maintained in the applicable claim file with a copy to the member if not previously provided.

Late payments must include the self-imposed increase in accordance with the Labor Code. Reasons for the late payment shall be clearly documented in the computer notepad within one (1) business day.

15. Subsequent Indemnity Payments

All indemnity payments or vouchers subsequent to the first payment will be verified, except for obvious long-term disability, and issued timely in compliance with the Labor Code. Copies of benefit notices issued with subsequent benefits will be maintained in the applicable claim file with a copy to the member.

Late payments must include the self-imposed increase in accordance with the Labor Code. Reasons for the late payment shall be clearly documented in the computer notepad within one (1) business day.

16. Medical Payments

Medical bills will be reviewed for accuracy, approved for payment on the appropriate claim file, and paid within time limits established by the Labor Code. If all or part of the bill is being disputed, the TPA will notify the medical provider, on the appropriate form letter, within time limits established by the Labor Code.

Late payments must include the self-imposed increase and penalties in accordance with the Labor Code. Reasons for the late payment shall be clearly documented in the computer notepad within one (1) business day.

17. Transportation/Self-Procured Expenses

Transportation/Self-Procured Expenses reimbursement will be reviewed for accuracy, approved for payment, and paid within three (3) business days of the receipt of the claim for reimbursement. Advance travel expense payments will be mailed to the injured employee/claimant at least ten (10) calendar days prior to the anticipated date of travel.

18. Return-to-Work

The TPA shall provide assistance to SCORE in coordinating return to work information that is appropriate for injured employees while recovering and prior to their return to regular duties.

The TPA shall consult with the member at least once a month in those cases where the injury residuals might involve work restrictions and assist the member in the provision of modified duty when appropriate.

The TPA shall notify the member immediately upon receipt of an employee's permanent work restrictions so that the member can determine the availability of permanent modified or alternative work. Notification shall clearly be documented in the computer notepad within one (1) business day.

19. Permanent Disability

The TPA shall determine the nature and extent of permanent disability and arrange for an informal disability rating whenever possible to avoid Workers' Compensation Appeals Board (WCAB) litigation. Determination of the level of permanent disability shall be clearly noted in the computer notepad within one (1) business day.

The TPA shall take advantage of any potential apportionment potential to prior claims, disabilities, and impairments. The TPA shall also advise the member with fifty (50) or more employees on the date of injury of potential credits and increases to permanent disability benefits should the member accommodate permanent/alternative work for at least twelve (12) months.

All permanent disability benefit notices shall be sent to the employee/claimant as required by the California Labor Code. Copies of benefit notices will be maintained in the applicable claim file with a copy to the member.

20. Supplemental Job Displacement Benefits (SJDB)

In accordance with all applicable California laws, the TPA shall advise the injured employee/claimant of his/her right to SJDB, provide appropriate SJDB, control SJDB costs, attempt to secure the prompt conclusion of SJDB, and provide notification to SCORE's members should work restrictions require permanent or modified alternative accommodations.

21. Diary Review

All claim files shall be reviewed by the claims adjusting staff at least every forty-five (45) calendar days for active claims and at least every one hundred eighty (180) calendar days for claims that have settled but are open for the employee/claimant's future medical care. The examiner shall distinguish the regular diary review from routine file documentation in the computer notepad. The examiner is to update the system on any current "activity" that has occurred since the last file review. The computer notepad should include all steps/actions taken according to the plan of action previously entered.

22. Plan of Action

A plan of action will be included and separately labeled in the file notes. Each claim file shall contain the examiner's plan of action for the future handling of that claim.

The plan of action on new claims will be clearly documented in the computer notepad within ten (10) business days of initial claim set up. Such plan of action shall be clearly stated including the reasoning, strategy, and course of action(s) for the plan.

The plan of action will be updated at least every ninety (90) calendar days on active claims and at least every one hundred eighty (180) calendar days for claims that have settled but are open for the employee/claimant's future medical care. The plan of action shall include, but not be limited to accident history, current disability status, employee/claimant's return-to-work status, medical status, type and duration of future medical care recommended by the applicable medical provider, litigation status, subrogation potential, detailed review of reserves, excess information, and future activity to move the claim towards resolution.

23. Supervision

The TPA shall provide supervisory staff that will regularly review the work product of the examiners. The Supervisor shall review all new claims within the first thirty (30) calendar days of receipt from any source. The supervisor shall review at least ten percent (10%) of each examiner's caseload each month to ensure each examiner is following the performance standards outlined in this document. The supervisor shall conduct a regular quarterly review of all open indemnity claims with future reserves in excess of $75,000 and all problem or complex claims. Such reviews shall include directions, recommendations, and/or appropriate feedback and be labeled as "Supervisor Review" and clearly documented in the computer notepad within one (1) business day.

The supervisor shall monitor the diary reviews by printing a report each month to identify any files that have fallen off the diary system.

The supervisor must review all medical only claims open beyond ninety (90) calendar days from the date of entry by the TPA for potential closure or conversion to indemnity claim status. Claims with $5,000 or more paid-to-date on any claim open beyond one hundred eighty (180) calendar days from date of entry shall be converted to indemnity status and an appropriate precautionary indemnity reserve placed on the claim.

24. Report Requests

Written claim status reports requested by members, in addition to the regular ninety (90) calendar day status reports, shall be provided by the TPA to the respective member within ten (10) business days or a timeframe agreed upon with the member. Verbal status reports requested by members shall be provided by the TPA to the respective member within two (2) business days and clearly noted in the computer notepad within one (1) business day.

25. Settlements

The TPA shall obtain the member's authorization on all settlements. If the settlement exceeds an amount established by SCORE's governing body, the written settlement proposal shall be directed to SCORE's Board of Directors.

All requests for settlement authority shall be clear and concise and include a written claim analysis, estimate of permanent disability, coverage, and the defense counsel's comments and recommendations along with the dates of any pending litigation activity or conferences at the WCAB.

Settlement considerations must include an evaluation of the need for a Medicare Set Aside (MSA).

26. <u>Award Payment</u>

Payments on Awards, computations, commutations, or Compromise and Release agreements will be issued within ten (10) calendar days, following receipt of the appropriate document. Payments will be made sooner if necessary to ensure payments are made within twenty (20) calendar days of the WCAB approval date. Late payments must include the self-imposed increase and appropriate interest in accordance with the Labor Code.

The TPA shall document the computer notepad with the date of WCAB approval, the amount of the settlement, and the type and duration of future medical care recommended by the applicable medical provider. The TPA shall also document the reason(s) for any late payment of the Award.

27. <u>Future Medical Claims</u>

Claims that remain open to monitor future medical care shall remain open for two (2) years from the last payment of benefit. Reviews shall be documented in the claim notes to include settlement information, future medical care outline, last date and type of treatment, name of excess carrier, excess carrier reporting level, and date last reported to the excess carrier.

Reserves for future medical treatment will be reviewed every one hundred eighty (180) calendar days and adjusted for use over a three (3) year average and the injured employee/claimant's life expectancy based on the latest version of the U.S. Life Table. The reason(s) and calculation(s) for the adjustment(s) shall be clearly documented in the computer notepad within one (1) business day.

The TPA shall evaluate the claim at least annually to determine a reasonable amount for settlement of future medical benefits and any remaining benefits due. The reason(s) and calculation(s) for the recommended settlement amount shall be clearly documented in the computer notepad within one (1) business day. The TPA shall clearly document the computer notepad with the outcome of the settlement negotiations with the employee/claimant and/or applicant's attorney. Refer to Item 25 regarding the consideration of MSA settlements.

Should active litigation develop after the claim has been settled, the claim will be considered active and will no longer be considered a future medical claim. All appropriate performance standards contained in this document pertaining to active claims will apply.

28. Subrogation

The TPA shall promptly initiate investigation of issues identified as material to potential litigation and subrogation recovery. In all cases where a third party is responsible for the injury to the employee/claimant, the TPA shall send a letter to the member indicating they will pursue subrogation unless instructed otherwise by the member.

When subrogation is to be pursued, the third party shall be contacted within ten (10) business days with notification of the member's right to subrogation and the recovery of certain claim expenses. If the third party is a governmental authority, a claim shall be filed with the governing athority within six (6) months of the injury or notice of injury.

Periodic contact shall be made with the responsible third party and/or insurer to provide notification of the amount of the estimated recovery.

If subrogation rights are waived, the TPA shall obtain written authority from SCORE's Member. Upon the member's authorization, subrogation counsel shall be assigned to file a Lien or a Complaint in Intervention in the civil action within the applicable Statute of Limitations.

Whenever practical, the TPA should take advantage of any settlement in a civil action by attempting to settle the workers' compensation claim by means of a Third Party Compromise and Release. Refer to Item 25 regarding the consideration of MSA settlements. If such attempt does not succeed, then every effort should be made through the WCAB to offset claim expenses through a credit against the proceeds from the employee/claimant's civil action.

The TPA shall be responsible for collecting subrogation recoveries from the appropriate third party on a quarterly basis. Any discrepancy in the recovery or reimbursement amount shall be clarified in the claim notes at the time of each request for reimbursement.

29. Litigated Cases

Notice of applicant representation shall be clearly documented in the computer notepad and include allegations of injury. All assignments to defense counsel will be appropriate and done with the member's authorization and consent. Litigation direction shall remain with the claims examiner. The TPA shall prepare clear and concise litigation referrals to outside counsel outlining the issues of the claim and duties that will be handled by defense counsel, which shall not be clerical in nature. Defense counsel shall clearly outline a written plan to defend the litigated issues and provide a written initial analysis and periodic written updates timely. The TPA shall monitor the outside counsel's progress. The TPA shall audit all defense counsel's bills before payment is authorized.

In the absence of defense counsel, the TPA shall work closely with the applicant's attorney in disposition of litigated cases. The TPA shall confirm the defendant is properly named on all legal documents.

All preparation for a trial shall involve the member so that all material evidence and witnesses are utilized to obtain a favorable result for the defense.

The TPA's manager, supervisor, or claims examiner shall attend WCAB hearings and meetings with defense counsel as necessary and as requested to do so.

30. Fraudulent Claims

Any claim with suspected fraudulent activity shall be referred to the TPA's special investigation process for further investigation and potential referral to the appropriate authorities. If the TPA does not have an in-house special investigation process, the claim will be referred to an investigator with the member's prior approval, to conduct further investigation. The member will be notified of the referral and be provided with periodic updates.

31. Excess Coverage

Cases that have the potential to exceed SCORE's self-insured retention shall be reported in accordance with the reporting criteria established by the excess coverage policies. All cases that meet the established reporting criteria are to be reported within ten (10) business days of the day on which it is known the criteria is met, or sooner if required by the excess carrier. The report shall be on a form satisfactory to the excess carrier and submitted electronically ninety (90) calendar days from the date of the initial notice and every ninety (90) calendar days thereafter, unless indicated otherwise by the excess carrier.

32. Excess Reimbursements/Recoveries

The TPA shall be responsible for collecting reimbursements and recoveries from the excess carrier and on a quarterly basis. Reimbursements shall be requested by the twentieth (20^{th}) of the following month after the quarter ending March 31, June 30, September 30, and December 31. If the claim remains open to monitor future medical care, reimbursements shall be immediately requested when the claim is reviewed semi-annually.

Any discrepancy in the recovery or reimbursement amount shall be clarified in the claim notes at the time of each request for reimbursement.

33. Overpayments

The TPA shall be responsible for collecting any overpayment of any benefit. In the event that the TPA fails to collect the overpayment, the TPA may be responsible to reimburse SCORE for the amount of the overpayment. Any settlement which considers credit for an overpayment against "new and further" disability must be reviewed and approved by the SCORE. The claim notes shall outline the reason and amount of the overpayment and the efforts taken to request reimbursement for the overpayment.

34. Penalties/Self-Imposed Increases

Late payment of all benefits must include the self-imposed penalty/increase in accordance with California law. The claim notes shall outline the reason and amount of the penalties/increases.

The TPA shall adhere to the requirements outlined in Section 25, Settlements, when settling exposures for penalties/increases.

35. Case Closure

All cases, where permanent disability is not an issue, will be closed within sixty (60) calendar days of the final financial transaction or final correspondence to the employee/claimant as required by law. All indemnity claims where permanent disability is an issue will remain open for two (2) years from the last payment of benefit and then closed within sixty (60) calendar days of that date.

36. Compliance with Labor Code

The TPA shall comply with all provisions of the Labor Code and Rules and Regulations.

37. Performance Expectations

The above Performance Standards shall be reviewed and implemented by all TPA staff assigned to SCORE's Program within thirty (30) calendar days of approval of an agreement and/or staff assignments.

B. Special Provisions

1. Financial Administration

SCORE has established a trust account from which the TPA shall make all indemnity, medical, and allocated loss expense payments. Payment authorization limits and payment policies will be established by SCORE and reviewed from time to time with the TPA. The TPA's monthly service fee shall not be paid from the trust account.

The TPA shall maintain complete and accurate records with respect to costs, expenses, receipts, and other such information required by SCORE that relate to the performance of services under this RFP. The TPA shall maintain adequate records of services provided in sufficient detail to permit an evaluation of services. All such records shall be maintained in accordance with generally accepted accounting principles and shall be clearly identified and readily accessible.

2. Allocated Loss Expenses

All allocated loss expenses shall be the responsibility of SCORE. It is agreed and understood that, whenever practicable, allocated loss expenses should be paid directly from the applicable claim file. The above fee arrangement shall include all services included in this RFP except for payments made by the TPA on SCORE's behalf for medical, disability, or other benefits, and allocated loss expense.

Allocated Loss Expense shall mean all WCAB or court costs, fees, and expenses; fees for service of process; fees to attorneys; fees of independent adjusters or attorneys for investigation or adjustment of claims for AOE/COE investigations not performed by the TPA's workers' compensation claims personnel; the cost of employing experts for the purpose of preparing maps, photographs, diagrams, chemical or physical questions; the cost of copies of transcripts of testimony of coroner's inquests or private records; the cost of depositions and court reporter or recorded statements; and any similar costs or expenses properly chargeable to the defense of a particular claim or to the protection of the subrogation rights of SCORE; provided, however, that all of the above services performed by the TPA's personnel shall not be considered allocated loss expenses unless SCORE is informed by the TPA that an AOE/COE investigation is necessary and SCORE requests, in writing, that the TPA perform that investigation; the TPA personnel can then perform the investigation and the costs of that investigation shall be considered as allocated loss expenses. If SCORE does not request the AOE/COE investigation be performed by the TPA personnel, such investigation shall be referred by the TPA to an independent investigator.

Effective July 1, 2012, allocated loss expense shall also include medical cost containment program costs as defined in Title 8, Division 1, Chapter 8, Subchapter 2, Article 6, and Section 15300 of the California Code of Regulations, Estimating and Reporting Workers' Injury Claims.

3. Right to Audit

SCORE or its designated representative is authorized to visit the TPA's processing and/or storage premises for the purpose of performing a claims audit, and shall have access to all data, including paper documents, microfilm, microfiche, and magnetically stored data which relate to payments or non-payments made by the TPA. Any assistance or service provided in response to a claims audit described above will be rendered at no additional cost to SCORE.

4. Payments Outside of Coverage Period

No charges to SCORE for payments made on behalf of persons who were not valid employees of the covered SCORE on the date of injury shall be accepted for payment by SCORE.

5. Personnel

The TPA agrees to assign only competent personnel according to the reasonable and customary standards of training and experience in the relevant field to perform services pursuant to an agreement. Failure to assign such competent personnel shall constitute grounds for termination of an agreement. The examiners and claims assistants shall be dedicated to the exclusive handling of SCORE's claims. The TPA shall be allowed to use a non-dedicated or part-time, experienced examiner when caseloads exceed the number specified in the caseloads outlined in the "SCOPE OF WORK".

Each examiner shall have passed the State of California, Department of Industrial Relations, Self Insurance Administrator's Examination; or as a minimum requirement, no more than one (1) examiner in SCORE's dedicated unit shall not have successfully passed the State examination; however, an examiner that has not passed the State examination shall be enrolled in appropriate courses leading to certification within two years. The TPA shall annually certify to SCORE that each claims examiner handling the members' claims is in compliance with all legal and regulatory licensing and continuing educational requirements as presently or in the future shall be promulgated and required by the State of California. It is understood that SCORE has the right to require examiners to be removed from their program based on unsatisfactory performance.

The TPA shall maintain, at all times, one (1) or more of the examiners assigned to SCORE's claims, or in their absence, the supervisor or management above the supervisory level, are on-site and available by telephone for emergencies through a 24-hour emergency telephone number. The TPA shall provide a toll-free telephone number at no additional charge to SCORE.

The TPA shall require an examiner to be available and to readily respond to a member's request for assistance with problem cases, which may include in-person visits with the members.

The TPA shall require its examiners or other TPA personnel, as necessary, to attend SCORE's regularly scheduled Board of Directors and Executive Committee meetings to report on the general state of the program since the last meeting, and on any particular cases of interest to the Board and Executive Committee.

The TPA shall ensure that other personnel, such as management, clerical, accounting, and data processing, which may be required to satisfactorily provide the services required by an agreement, shall be provided by the TPA within the agreed fee for services contained in this RFP. It is understood that the personnel referred to in this paragraph need not be dedicated to the exclusive use of SCORE.

6. Forms

The TPA shall provide all forms necessary for the processing of benefits or claims information including the Employer's Report of Occupational Injury or Illness (DWC Form 5020), Employee Claim Form (DWC Form 1), vouchers, checks, and other related forms. The cost of providing these forms shall be included within the contract price.

7. Member Services

The TPA shall provide special, in-person training services annually to the members' staff to ensure that the members' staff that process workers' compensation claims are effectively carrying out the procedures required for a successful program. A copy of SCORE's approved Workers' Compensation Claims Procedures Manual should be readily available for review by the members' staff or representative.

The TPA shall consult annually with SCORE on the establishment and coordination of necessary procedures and practices to meet the needs of SCORE with respect to the administration and processing of claims.

The TPA shall provide SCORE with information regarding statutes, proposed changes to statutes, and changes to the rules and regulations affecting SCORE and its responsibility as a legally uninsured workers' compensation authority.

8. Computer Access

The TPA shall provide online access at no additional charge to SCORE's Administrator and members. Such data shall be in a format accessible from SCORE's Administrator's computers and will permit SCORE's Administrator to print copies of the data on its printers. The TPA shall provide training for use of the computer system for SCORE's Administrator. If SCORE's Administrator, under the TPA's guidance, is not able to maintain online interface with data maintained by the TPA, the TPA may be required to provide a copy of all data processed during the previous month to SCORE's Administrator's office on a disk by the tenth (10^{th}) calendar day following month end.

9. Record Retention

All claim files and associated data shall be maintained in accordance with statutory time requirements and SCORE's Record Retention Policy. The members shall be notified prior to any destruction of files to determine if the member wishes to retain the claim file at their own expense.

10. Confidentiality of Information

All data, documents, or other information developed or received, verbally or in writing, in performance of the agreement between the TPA and SCORE are confidential and not to be disclosed to any person except as authorized by SCORE, the TPA, or as required by law.

11. Protection of Data

It is the TPA's responsibility to develop and implement processes and procedures relating to the protection of SCORE's electronic data, including a suitable security and back-up system for all stored data and a written policy with respect to disaster recovery, physical and electronic data security, and electronic data retention, as per the standards for Accreditation with Excellence by the California Association of Joint Powers Authorities (CAJPA).

12. Computer Generated Reports/Loss Runs

The TPA shall, at its expense, by the tenth (10^{th}) calendar day of the following month, unless otherwise specified below:

A. Provide the following information monthly to the members, as it pertains to their respective claims, electronically, on diskette, or in written format:

   i. A listing of all open claims showing the employee/claimant's name, claim number, date of injury, paid amount, future liability, total incurred, and any amounts recovered;

   ii. A listing of information needed for SCORE's members to complete the applicable OSHA logs for claims where temporary disability benefits were paid during the applicable month showing the paid-to-date amounts, from and through dates of temporary disability benefits paid, claim number, and date of injury; and

   iii. A summary listing by fiscal year showing paid-to-date amounts, future liability or reserve amounts, total incurred amounts, number of open claims, and number of closed claims.

B. Provide the following information monthly to SCORE's Administrator electronically in Excel and the appropriate formats:

i. All open and closed claims run by fiscal year and then alphabetically by member, to include the employee/claimant's name, claim number, date of injury, occupation, free form text description of the injury, free form text description of the cause, site, and nature of the injury, number of days temporary disability benefits were paid, paid amount separated by type, future liability or reserves separated by type, total incurred separated by type, and any amounts recovered for subrogation or excess insurance;

ii. A summary listing run alphabetically by member and then by program year showing paid amount with Labor Code 4850 benefits, paid amount without Labor Code 4850 benefits, future liability or reserve amounts, total incurred with Labor Code 4850 benefits, total incurred without Labor Code 4850 benefits, number of open claims, and number of closed claims;

iii. A summary listing run by program year showing paid-to-date amounts, future liability or reserve amounts, total incurred amounts, number of open claims, and number of closed claims;

iv. A check register, excluding vouchers, in check number order, including any voids, refunds, and recoveries received with a page showing the total payments for the month by fiscal year;

v. A check register, including all activity, in check number order, including any voids, refunds, and recoveries received with a page showing the total payments for the month to be run by member and then fiscal year;

vi. A voucher register run by fiscal year and then by member; and

vii. A "No Activity" report listing the claims that have had no activity during the previous one hundred eighty (180) calendar days. The report components should include no reserve changes, no payments, no recoveries, no refunds, and/or no computer notepad activity.

C. Provide the following quarterly reports, in addition to the regular monthly reports, to SCORE's Administrator electronically in Excel format:

i. A listing of any administrative penalties/increases paid during the quarter. The report shall designate the party responsible for the penalty/increase;

ii. A listing of subrogation claims showing the employee/claimant's name, claim number, date of injury, paid amount with Labor Code 4850 benefits, paid amount without Labor Code 4850 benefits, future liability, total incurred with Labor Code

4850 benefits, total incurred without Labor Code 4850 benefits, and any excess or subrogation recoveries;

iii. As of June 30, September 30, December 31, and March 31, a listing of all open and closed claims with a total incurred value in excess of $50,000 to be run by fiscal year alphabetically. The report should include the employee/claimant name, claim number, date of injury, paid amount with Labor Code 4850 benefits, paid amount without Labor Code 4850 benefits, future liability, total incurred with 4850 benefits, total incurred without 4850 benefits, and any excess insurance or subrogation recoveries;

iv. As of June 30, September 30, December 31, and March 31, a listing of all open and closed claims with a total incurred value in excess of $125,000 to be run by fiscal year alphabetically. The report should include the employee/claimant name, claim number, date of injury, paid amount with Labor Code 4850 benefits, paid amount without Labor Code 4850 benefits, future liability, total incurred with Labor Code 4850 benefits, total incurred without Labor Code 4850 benefits, and any excess insurance or subrogation recoveries; and

v. As of June 30, September 30, December 31, and March 31, a listing of all open and closed claims with a total incurred value in excess of $250,000 to be run by fiscal year alphabetically. The report should include the employee/claimant name, claim number, date of injury, paid amount with Labor Code 4850 benefits, paid amount without Labor Code 4850 benefits, future liability, total incurred with Labor Code 4850 benefits, total incurred without Labor Code 4850 benefits, and any excess insurance or subrogation recoveries;

D. The TPA shall provide loss data information to the excess carrier on a monthly basis in the format outlined by the excess carrier. The submissions shall be submitted to the excess carrier's secure File Transfer Protocols (FTP) server or website by the tenth (10^{th}) calendar day of the following month. The submission shall include the required fields outlined by the excess carrier. The submissions will be made electronically in addition to the loss runs provided to the members and SCORE and will be made at no additional costs to the member, SCORE, or excess carrier.

E. Provide a report to SCORE's Administrator annually in Excel format as of the end of the fiscal year, in addition to the regular monthly and quarterly reports, a year-end report. The report shall include all open and closed claims run by fiscal year and then alphabetically by member, to include the employee/claimant name, claim number, date of injury, occupation, text description of the injury, number of days temporary disability benefits were paid, paid amount separated by type, future liability or reserves separated by type, total incurred separated by type, and any amounts recovered for subrogation or excess insurance; and

F. The TPA shall also provide appropriate reports as requested documenting the timely and accurate reporting of SCORE'S claims to the Centers for Medicare and Medicaid Services (CMS).

G. The TPA shall assist in the preparation of all reports that are now, or will be required by the State of California or other government agencies with respect to self-insurance programs. The TPA will also assist in the preparation of all reports to statistical database organizations as requested by SCORE.

H. The TPA will provide SCORE a quarterly listing of any administrative penalties/increases paid in the quarters ending March 31, June 30, September 30, and December 31. The report shall designate the party responsible for the penalty/increase. If the penalty/increase was the responsibility of the TPA, the TPA shall issue a check payable to SCORE for reimbursement of the penalties/increases. The check and report shall be submitted to SCORE by the twentieth (20^{th}) calendar day of the following month after the quarter ends.

I. Provide other special reports required of SCORE or its Administrator including, but not limited to, loss trend reports, claim abstract reports, reports required by actuaries, excess insurance carriers, etc. If new programming is required in order to provide such special reports, the TPA shall pay at its own expense for new or special programming costs.

Any corrections to the loss runs shall be made within thirty (30) calendar days of a request for correction.

Other than standard monthly loss runs referenced in this section, computer generated loss data reports requested by members or SCORE administrative staff shall be provided within five (5) business days.

FEES

A. Quote a flat annual fee for each year of a minimum three (3) year contract and options for a two-year extension for services outlined in the **"SCOPE OF WORK."**

FAILURE TO PROVIDE PRICING INFORMATION IN THE MANNER REQUESTED MAY DISQUALIFY THE PROPOSAL.

Explain the fee structure for claims adjusting (annual flat fee is preferred, payable monthly).

1. Include expenses for claims adjuster, any file storage fees, mileage expenses, communication expenses, etc. Identify allocated loss adjustment expenses that would typically be paid by client.
2. The fee for the renewal, if exercised, will be subject to negotiation at the time of renewal.

B. Indicate any additional fees or fee adjustments for bundled services of Utilization Review, Bill Review, and/or Managed Care.

C. Indicate any additional fees or fee adjustments for unbundling of Utilization Review, Bill Review, and/or Managed Care

D. Please indicate any additional fees for data conversion and on-line access.

E. In compliance with MMSEA Section 111 Medicare Secondary Payor Mandatory Reporting, SCORE requires the selected TPA to be registered with the Centers for Medicare and Medicaid Reporting Services (CMS) as the Account Manager for the JPA. The proposer will provide verification of their intention to register as the Account Manager and provide detailed information on their plan to provide necessary data to CMS within the required timeframes. Please specify any ancillary vendors which will be utilized for the transmission of data, any contractual arrangements between the proposer and the ancillary vendor, and any associated costs above the TPA claims administration costs for assuming the Account Manager responsibilities and data transmission as outlined by CMS.

F. It is expected that there will be approximately 100 open Workers' Compensation files that will be transferred to the new TPA. The proposer must state whether the cost of handling these existing open files are included in the flat annual fee quoted above. If not, then proposer shall indicate the costs for adjusting these existing open files.

G. Pricing should include all required direct and indirect expenses for providing claims administration services.

SELECTION CRITERIA

The selection criteria to be used to select the successful proposer will include, but is not limited to, the following:

A. Adherence to the requirements of this RFP;

B. Depth of proposer's experience with claims administration for public entity government claims in the State of California;

C. Established record of consistent, professional service and reputation within the industry;

D. High quality references from clients, particularly from other-self-insured groups, either public or private;

E. Proposer’s approach to providing claims investigation and claims administration services and adjuster caseload assignment;

F. Depth of experience of the proposer’s service team, including claims adjusters, claims manager and information technology (IT support);

G. Dynamic, state of the art claims management system along with sufficient information systems support staff;

H. Cost effectiveness of medical and legal cost containment services and activities;

I. Proposer’s approach to meeting Medicare Secondary Payor requirements;

J. Demonstrated ability to stay within budget and to meet established time schedules;

K. Overall cost-benefit advantages.

III. GENERAL LIABILITY CLAIMS ADMINISTRATION SERVICES

INTRODUCTION

The Board of Directors of the Small Cities Organized Risk Effort JPA, hereafter referred to as SCORE, is seeking proposals from qualified claims administrative service firms to act as a third-party administrator (TPA) for its self-insured general liability program. Firms must have experience providing liability TPA services to public entities and possess in-depth knowledge of the Government Claims Act.

BACKGROUND

Small Cities Organized Risk Effort (SCORE) is a California Joint Powers Authority comprised of 19 Cities in Northern California. Total payroll is approximately $20 million. The Members vary in size from the City of Susanville (largest) to the Town of Fort Jones (smallest). The JPA was established in 1986. A copy of the latest annual report is provided for your review. Their Mission Statement sums up the intent of SCORE**:** ***To protect the assets of members by reducing, sharing, controlling and stabilizing the cost of risk, while providing a high level of cost effective services.***

SCORE began pooling for liability risk coverage in 1986. All members of SCORE must participate in the Liability Program. SCORE currently maintains a self-insured retention of $500,000 for the liability program. Within this self insured retention, the members maintain a self-insured retention of $25,000 in the banking layer and share risk with the other members up to $500,000 per occurrence. SCORE purchases excess Liability limits from CJPRMA of $39,500,000 in excess of $500,000.

SCORE'S LIABILITY MASTER PLAN DOCUMENT STATES THE FOLLOWING:

1. SETTLEMENT AUTHORITY

A. Each "Participating Member" shall have settlement authority for its claims within the banking layer.

B. The Executive Committee shall have authority to settle claims within the banking layer, even without the "Participating Member's" approval, but only after notice of such intent is given to the "Participating Member" experiencing the claim.

C. The Claims Adjuster shall have authority up to $5,000 in excess of that which has already been paid or authorized to settle claims.

D. The Board of Directors retains unto itself the authority to approve settlement of all other claims.

E. If a settlement of a claim requires approval by the Board, except for the fact that the Board will not have a regularly scheduled Board meeting sufficiently early enough to take action on a settlement offer, the Executive Committee may authorize settlement, but only after the President determines that the settlement opportunity will not exist until the next regularly scheduled Board meeting and the settlement is not sufficiently controversial to justify the time and expense required to call a special Board Meeting. Such action by the Executive Committee will be reported at the next Board meeting.

2. DISPUTES REGARDING MANAGEMENT OF A CLAIM

A. Any matter in dispute between a "Participating Member" and the Claims Adjustor shall be called to the attention of the Program Administrator who shall bring it to the Board of Directors or, if the matter must be resolved prior to the next regularly scheduled Board meeting, the Administrator shall bring it to the attention of the Executive Committee.

B. The decision of the Board of Directors or Executive Committee shall be final and not appeasable to a higher authority.

SCORE has approximately 80 claims per year. Total number of open files from 2004 – 2011 is approximately 56 as of December 31, 2011 of which approximately 7 are litigated claims.

Year	Number of Members	Number of Open Claims	Number of Closed Claims	Incurred Amount of Claims Open	Amount Paid on Closed Claims
2006-2007	21	3	86	$4,387	$886,354
2007-2008	21	1	69	$1,751	$760,446
2008-2009	21	1	58	$23,750	$249,099
2009-2010	21	6	64	$107,518	$225,688
2010-2011	18	24	53	$391,508	$106,690

SCOPE OF WORK

A. Claims Administration

1. Set up file and evaluate liability for new claims as they come in.

2. Review claims promptly for completeness and return as insufficient within prescribed timeframes when required information is missing.

3. Establish appropriate loss reserves for liability claims.

4. Acknowledge receipt of claim to claimants and provide SCORE with an initial report summarizing potential liability and reserves.

5. Provide SCORE with periodic status reports while the claim is under investigation.

6. Report claims to the excess insurer, and coordinate with the excess insurer on a claim's progress, in accordance with the excess insurer's reporting requirements; submit requests for reimbursement on behalf of SCORE to the excess insurer.

7. Comply with claims requirements as described in the California Government Code.

8. Provide a designated claim adjuster for SCORE. Claim adjuster may not be changed without mutual consent of member city during term of contract.

9. Investigate claims and make liability determinations. Settle claims within established limit of authority.

10. Maintain a diary system to ensure that all claims have appropriate follow-up.

11. Reject claims promptly when the facts indicate that SCORE is not liable for a loss.

12. Close claims promptly at the expiration of the applicable statutes of limitation.

13. Coordinate Medicare and Medicaid set aside agreements in compliance with Section 111 of the MMSEA including required reporting. If this capability is achieved through contract with another firm, please disclose the firm you are using for that service.

14. Interact with claimants and respond to claimant inquiries.

15. Examine claims for potential third-party liability. Tender claims to third parties when appropriate and look for subrogation opportunities.

    a. Subrogate on behalf of SCORE when member city's property is involved and report on those claims. (**Please provide separate cost for this item).**

B. Statistical Reporting

1. Record all claims in a Claims Management System or Risk Management Information System. Records must contain all pertinent claim information, including but not limited to claim number, date of loss, date of claim, claimant name, claimant address, impacted department, location of loss, description of incident, loss reserves, loss payments, expense reserves.

2. Provide computerized loss run and summary report each month covering activity on all newly reported, open and newly closed claims for the period. This report will be customized for SCORE's needs and will provide the following by claim year.

    a. Monthly listing of open claims by date of loss, department, location, and alpha by name showing expense categories, reserves and total incurred.

    b. Various reports on demand, at no additional charge, such as claim frequency reports, i.e., by cause, site, department, etc.

    c. Provide loss run data and required reports for actuarial, auditing and reserve analysis purposes.

    d. Provide monthly claim summary reports, within 10 days of month end.

3. Provide a report writer function for SCORE staff to design customized Evaluation and standard reports to be printed at SCORE Administrator's offices.

C. Financial Accounting

1. SCORE has established a trust bank checking account to which the Claims Administrator shall have access for purposes of paying losses within its claims adjustment authority and processing claims administration and litigation expenses to third persons. The Claims Administrator for the purpose of compromising and/or settling any claims against members of SCORE has been designated authority of $2,500. Prior approval to compromise or settle any claim over $2,500 will be obtained from the SCORE member's designee, or the SCORE Claims Review Committee or Board of Directors according to SCORE bylaws and procedures. Checks that are written for over $2,500 shall require two signatures from either the Claims Administrator or authorized SCORE Board members.

2. A copy of all checks, vouchers or warrants drawn by the adjusting firm to pay benefits on member's claims shall be provided to SCORE.

3. The adjusting firm shall provide a monthly check/voucher register of all transactions made for the period.

D. Additional Services

1. All records, files, transcripts, computer tapes and other materials on claims adjusting activity developed on SCORE claims is the property of SCORE and must be relinquished in good order and condition upon termination of this contract with the TPA. SCORE shall not be required to pay any additional cost for the transfer of files to SCORE.

2. Claim adjuster must be available to respond, potentially upon short notice, to a major emergency or catastrophe involving potential claims.

3. Claim adjuster attendance at hearings, settlement conferences, conferences with defense counsel, small claims court proceedings, meetings with member city staff, and departments when required.

4. Upon request, provide training to SCORE member city managers and supervisors on general liability issues, loss control, management responsibilities and practices to improve reduction of filed claims.

5. Provide an administrative manual on claims processing.

E. Minimum Qualifications

1. The designated claims adjuster must be experienced in issues involving the California Government Claims Act, governmental immunities, settlement negotiation tactics, legal theories, relevant case law, Americans with Disabilities Act, discrimination laws, sexual harassment case law, etc.

2. The designated claims adjuster must be experienced in public entity client work including law enforcement claims, inverse condemnation, land use, governmental immunity defenses.

3. The firm must have a strong customer service orientation at all levels of the firm. A designated manager must have the authority to resolve client issues immediately, including re-assignment of adjusting firm's staff to client's satisfaction.

4. The adjusting firm must provide a qualified back up adjuster in the event of absence of the designated adjuster.

FEES

A. Quote a flat annual fee for each year of a minimum three (3) year contract and options for a two-year extension for services outlined in the **"SCOPE OF WORK." FAILURE TO PROVIDE PRICING INFORMATION IN THE MANNER REQUESTED MAY DISQUALIFY THE PROPOSAL.** Explain the fee structure for claims adjusting (annual flat fee is preferred, payable monthly).
   1. Include expenses for claims adjuster, any file storage fees, mileage expenses, communication expenses, etc. Identify allocated loss adjustment expenses that would typically be paid by client.

2. The fee for the renewal, if exercised, will be subject to negotiation at the time of renewal.

B. The fee for the renewal, if exercised, will be subject to negotiation at the time of renewal.

C. Please indicate any additional fees for data conversion and on-line access.

D. In compliance with MMSEA Section 111 Medicare Secondary Payor Mandatory Reporting, SCORE requires the selected TPA to be registered with the Centers for Medicare and Medicaid Reporting Services (CMS) as the Account Manager for the JPA. The proposer will provide verification of their intention to register as the Account Manager and provide detailed information on their plan to provide necessary data to CMS within the required timeframes. Please specify any ancillary vendors which will be utilized for the transmission of data, any contractual arrangements between the proposer and the ancillary vendor, and any associated costs above the TPA claims administration costs for assuming the Account Manager responsibilities and data transmission as outlined by CMS.

E. It is expected that there will be approximately 56 open Liability files that will be transferred to the new TPA. The proposer must state whether the cost of handling these existing open files are included in the flat annual fee quoted above. If not, then proposer shall indicate the costs for adjusting these existing open files.

F. Pricing should include all required direct and indirect expenses for providing claims administration services.

G. Pricing should include all required direct and indirect expenses for providing claims administration services.

SELECTION CRITERIA

The selection criteria to be used to select the successful proposer will include, but is not limited to, the following:

A. Adherence to the requirements of this RFP;

B. Depth of proposer's experience with claims administration for public entity government claims in the State of California;

C. Established record of consistent, professional service and reputation within the industry;

D. High quality references from clients, particularly from other-self-insured groups, either public or private;

E. Proposer’s approach to providing claims investigation and claims administration services and adjuster caseload assignment;

F. Depth of experience of the proposer’s service team, including claims adjusters, claims manager and information technology (IT support);

G. Dynamic, state of the art claims management system along with sufficient information systems support staff;

H. Cost effectiveness of medical and legal cost containment services and activities;

I. Proposer’s approach to meeting Medicare Secondary Payor requirements;

J. Demonstrated ability to stay within budget and to meet established time schedules;

K. Overall cost-benefit advantages.

IV. RISK CONTROL SERVICES PROPOSAL

INTRODUCTION

SCORE is requesting proposals from qualified firms specializing in developing and coordinating safety services to Public Agencies, including cities; predominantly addressing Public Liability and Workers' Compensation areas. The provider will coordinate with the SCORE Program Administrator and the Board of Directors on the provision of services to Members, including, but not limited to:

- on site hazard assessment to Member cities;
- recommend practical mitigation measures;
- review and guidance of Member's regulatory compliance with Cal OSHA, OSHA, etc;
- on site safety training;
- vehicle safety and operational safety training;
- coordinating with online training programs with TargetSolutions;
- coordinating with training by other outside providers;
- present comprehensive summary of activities at JPA Board Meetings (5 a year);
- publication of quarterly safety newsletter;
- preparing DRAFT safety related policy documents; and
- serve as a resource on safety related issues with the Program Administrator, the Board of Directors and through a Member hot line.

The provider will operate under the direction of the Program Administrator with feedback and general planning from the Board of Directors.

BACKGROUND

Small Cities Organized Risk Effort (SCORE) is a California Joint Powers Authority comprised of 19 Cities in Northern California. Total payroll is approximately $20 million. The Members vary in size from the City of Susanville (largest) to the Town of Fort Jones (smallest). The JPA was established in 1986. Their Mission Statement sums up the intent of SCORE**:** ***To protect the assets of members by reducing, sharing, controlling and stabilizing the cost of risk, while providing a high level of cost effective services.***

SCORE has two pooled program and two group purchase programs. The two pooled programs are for Liability and Workers' Compensation. The retained layer for Workers' Compensation is $150,000 and $500,000 for Liability. Both program purchase excess limits through excess Joint Powers Authorities, LAWCX for Workers' Compensation and CJPRMA for Liability.

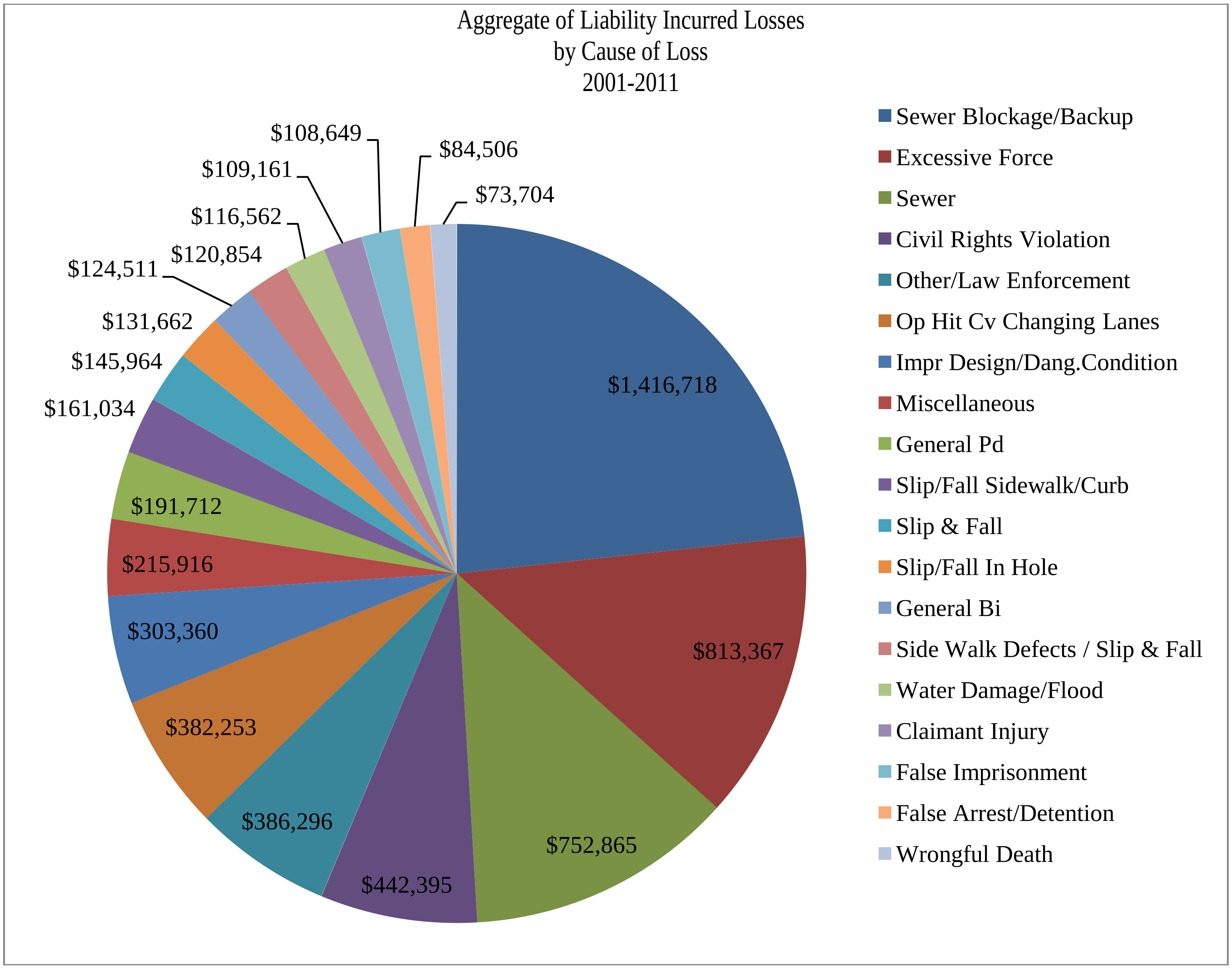
SCORE is staffed by contract managers (Alliant) and also contracts for claims services and risk management services through a third party claims administrator (York). SCORE currently utilizes a number of outside providers for safety training including:

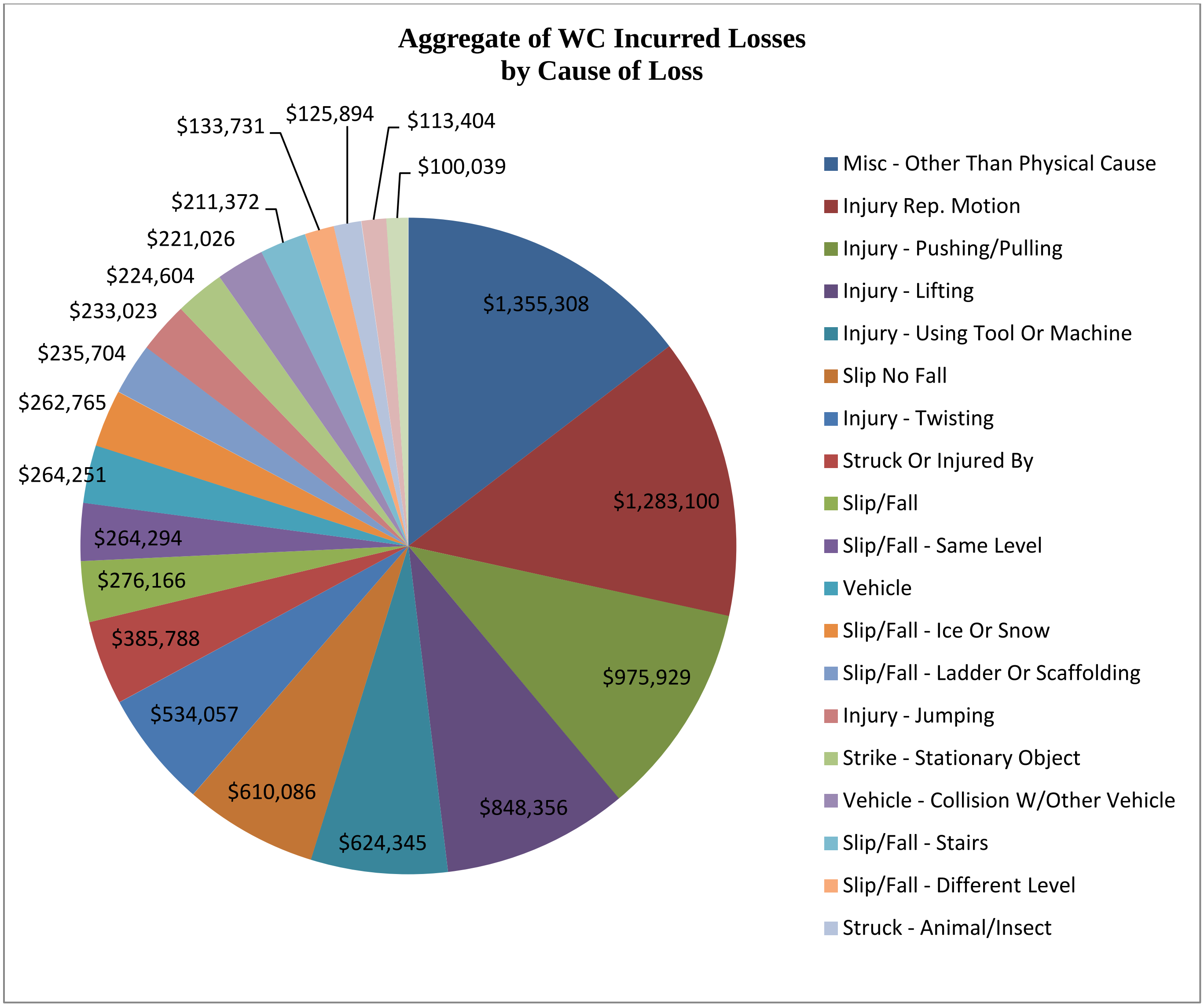
- TargetSolutions provides online training services on a variety of topics including OSHA Compliance and Employment Practices
- Lexi-Pol for Police Safety Manuals and daily training bulletins

- ACI for Employee Assistance Programs
- ERMA – some members participate in ERMA JPA and receive additional employment practices training through their program.
- CJPRMA provides excess liability coverage to SCORE and provides some loss control services available to all CJPRMA members.

We are providing to you a listing of the cities along with their WC payrolls so that you will have an idea of size and operations of each. Members are in varying stages of becoming compliant with CalOSHA requirements. Some Members are very active in maintaining their safety programs and others are less active and have had activities restricted in the past few years due to budgetary constraints.

City	Population	Payroll	Emergency Services
Biggs	1,815	$464,940	None
Colfax	1,878	$458,278	Vol. Fire
Dorris	838	$174,117	Vol. Fire
Dunsmuir	1,792	$483,574	Vol. Fire
Etna	766	$298,801	Police & Vol. Fire
Fort Jones	647	$163,050	Vol. Fire
Isleton	842	$391,957	Police & Vol. Fire
Live Oak	8,292	$1,250,914	None
Loomis	6,874	$796,405	None
Loyalton	753	$242,118	Vol. Fire
Montague	1,455	$276,098	Vol. Fire
Mt. Shasta	3,517	$1,651,028	Police & Vol. Fire
Portola	2,037	$753,028	Vol. Fire
Rio Dell	3,184	$950,961	Police only
Shasta Lake	10,208	$3,295,618	None
Susanville	14,044	$3,686,521	Police & Fire
Tulelake	956	$438,041	Police & Vol. Fire
Weed	3,020	$1,517,694	Police & Vol. Fire
Yreka	7,343	$3,013,638	Police & Vol. Fire
TOTAL		**$20,307,134**	


Aggregate of Liability Incurred Losses
by Cause of Loss
2001-2011
$1,416,718
$813,367
$752,865
$442,395
$386,296
$382,253
$303,360
$215,916
$191,712
$161,034
$145,964
$131,662
$124,511
$120,854
$116,562
$109,161
$108,649
$84,506
$73,704
Sewer Blockage/Backup
Excessive Force
Sewer
Civil Rights Violation
Other/Law Enforcement
Op Hit Cv Changing Lanes
Impr Design/Dang.Condition
Miscellaneous
General Pd
Slip/Fall Sidewalk/Curb
Slip & Fall
Slip/Fall In Hole
General Bi
Side Walk Defects / Slip & Fall
Water Damage/Flood
Claimant Injury
False Imprisonment
False Arrest/Detention
Wrongful Death



SCOPE OF WORK

1. Provider(s) to contact each city directly prior to hazard evaluation or safety program evaluation meeting to discuss the city's areas of concern, departments which are loss leaders, and scheduling appropriate personnel to assist. Provider will review losses prior to meeting.

2. Provider(s) to visit each city a minimum of at least 2 days annually, with some cities having more visits based on size and complexity of current program and training needs. SCORE will develop with provider a budget for provider services by city, based on % of WC Member costs. As an example the Cities of Susanville and Yreka each represent 18% of the WC program costs and would be allocated 18% of the provider's services, subject to adjustment to meet the 2 day minimum.

3. Provider(s) to visit each Member to perform a thorough hazard and safety assessment. Provider will review the safeguards currently in place and provide recommendations on how each individual City can reduce the frequency and severity of loss.

4. Provider(s) to look to their own expertise and creativity in determining the scope of work to be performed at each city and how best to coordinate with the other safety services providers. This will be included in the feedback and recommendations.

5. After Provider(s) has met with each individual city and completed its assessment, a detailed report with all Finding and Recommendations is to be sent in draft form to each city for their review as well as one master report for the Program Administrators' review within two weeks of meetings with cities. The final report will be completed upon receiving feedback from the Members.

6. Provider will provide a quarterly summary of all activities and present to the Board of Directors.

7. Provider will develop a quarterly safety focus newsletter for electronic distribution.

8. Provider will establish a 24/7 hot line for Members' safety related questions.

9. Provider will develop a cost allocation of services with monthly reporting to the Program Administrator so that usage of various services can be tracked, for budgetary purposes.

FEES

A. Quote a flat annual fee for each year of a minimum three (3) year contract and options for a two-year extension for services outlined in the **"SCOPE OF WORK."**

   FAILURE TO PROVIDE PRICING INFORMATION IN THE MANNER REQUESTED MAY DISQUALIFY THE PROPOSAL.

B. All anticipated costs to provide services are to be included in the proposal, including printing/photocopying/mailing, travel and expenses in the provision of services to SCORE and the Members.

SELECTION CRITERIA

The proposals will be evaluated based on your creativity in developing a plan of services that will meet the varying needs of the Members.

1. Statement of Qualifications and Project Organization
2. Staffing resumes and Company Profile
3. Service Fee

SCORE
Small Cities Organized Risk Effort
A Joint Powers Authority

Agenda Item J.4.

WORKERS' COMPENSATION ACTUARIAL REVIEW

ACTION ITEM

ISSUE: The annual actuarial review, *based on 12/31/11 loss information*, has been completed. The attached "draft" summary reflects the estimated ultimate cost of claims and expenses for the banking layer and the pooling layer for the 2012-2013 Program Year. This review also reflects the anticipated outstanding liabilities including ALAE for the banking and pooling layers for the 2012-2013 program year.

The 2012-2013 estimated liability for outstanding loss at the 70% confidence level is $3,394,000 which is $457,000 higher than the projected liabilities as of June 30, 2011.

The "draft" report also provides estimated funding at various levels of confidence for the program years 2012/2013 and 2013/2014. The projected combined funding level rate per $100 payroll at the 70% confidence level for 2012/2013 is $3.66 which is 5% higher than the $3.46 rate that was projected for the 2011/2012 program year. The projected funding is reflected in the budget proposed later in this agenda.

	2012/2013 @ 70% Confidence Level	2011/2012 @70% Confidence Level	
Banking Layer	$1.61	$1.57	2.50%
Pooling Layer	$2.05	$1.89	1.85%
Combined Layer	$3.66	$3.46	5.78%
Outstanding Loss Liability	$3,394,000	$2,937,000	15.56%

RECOMMENDATION: None

FISCAL IMPACT: There was a $457,000 increase in reserves and approximately a $65,000 increase in contributions to the banking and shared risk layers for 2012/2013.

BACKGROUND: SCORE has Actuarial Studies performed annually for accreditation and budget purposes. By having these studies done, SCORE is able to project their funding for the upcoming year and see how the rates affect their budgets.

ATTACHMENTS: Workers' Compensation Actuarial Review as of March 9, 2012.

DRAFT

Bickmore Risk Services

Friday, March 9, 2012

Ms. Susan Adams
JPA Administrator
Small Cities Organized Risk Effort
C/o Alliant Insurance Services, Inc. - Driver Specialty Group
1792 Tribute Road, Suite 450
Sacramento, CA 95815

Re: Actuarial Review of the Self-Insured Workers' Compensation Program

Dear Ms. Adams:

As you requested, we have completed our review of the Small Cities Organized Risk Effort's (SCORE) self-insured workers' compensation program. Assuming an SIR of $150,000 per occurrence, we estimate the ultimate cost of claims and expenses for claims incurred during the 2012-13 program year to be $221,000 for the banking layer and $285,000 for the pooling layer, for a total of $506,000. For claims incurred during the 2013-14 program year, we estimate the ultimate cost of claims and expenses to be $229,000 for the banking layer and $297,000 for the pooling layer, for a total of $526,000. This amount includes allocated loss adjustment expenses (ALAE) and a discount for anticipated investment income, but exclude unallocated loss adjustment expenses (ULAE). The discount for investment income is calculated based on the likely payout pattern of SCORE's claims, assuming a 3% return on investments per year. For budgeting purposes, the expected cost of 2012-13 claims translates to a rate of $1.33, $1.72 and $3.05 per $100 payroll for the banking layer, pooling layer, and in total respectively. For the 2013-14 claims, the expected cost translates to rates of $1.38, $1.79 and $3.18 per $100 payroll for the banking layer, pooling layer, and in total respectively.

In addition, we estimate the program's liability for outstanding claims including ALAE and discounted for anticipated investment income as of June 30, 2012 to be $452,000 for the banking layer and $2,606,000 for the pooling layer, for a total of $3,058,000. As of June 30, 2013, we estimate the program's liability for outstanding claims to be $336,000 for the banking layer and $2,488,000 for the pooling layer, for a total of $2,824,000, again including ALAE and discounted for anticipated investment income.

The $2,606,000 and $2,488,000 estimates are the minimum liability to be booked by SCORE at June 30, 2012 and June 30, 2013, respectively for the Small Cities Organized Risk Effort's pooling layer liability, in accordance with Governmental Accounting Standards Board (GASB) Statement #10. GASB #10 requires SCORE to accrue a liability on its financial statements for the ultimate cost of claims and expenses associated with all reported and unreported claims, including ALAE and ULAE. GASB #10 does not prohibit the discounting of losses to recognize investment income.

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5200 SW Macadam Avenue
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Portland, OR 97239
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Our conclusions regarding SCORE's liability for unpaid loss and allocated loss adjustment expenses (ALAE) at June 30, 2012, are summarized in the table below.

Small Cities Organized Risk Effort
Self-Insured Workers' Compensation Program
Estimated Liability for Unpaid Loss and ALAE
at June 30, 2012

Banking Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Recommended Range Target 80% CL	Recommended Range High 85% CL	Conservative 90% CL
Loss and ALAE	$473,000					
Investment Income Offset	(21,000)					
Discounted Loss and ALAE	$452,000	$503,000	$525,000	$551,000	$583,000	$626,000

Pooling Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Recommended Range Target 80% CL	Recommended Range High 85% CL	Conservative 90% CL
Loss and ALAE	$3,142,000					
Investment Income Offset	(536,000)					
Discounted Loss and ALAE	$2,606,000	$2,891,000	$3,013,000	$3,158,000	$3,334,000	$3,570,000

Combined

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Recommended Range Target 80% CL	Recommended Range High 85% CL	Conservative 90% CL
Loss and ALAE	$3,615,000					
Investment Income Offset	(557,000)					
Discounted Loss and ALAE	$3,058,000	$3,394,000	$3,538,000	$3,709,000	$3,917,000	$4,196,000

Our conclusions regarding SCORE's liability for unpaid loss and allocated loss adjustment expenses (ALAE) at June 30, 2013 are summarized in the following tables.

Small Cities Organized Risk Effort
Self-Insured Workers' Compensation Program
Estimated Liability for Unpaid Loss and ALAE
at June 30, 2013

Banking Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Recommended Range Target 80% CL	Recommended Range High 85% CL	Conservative 90% CL
Loss and ALAE	$352,000					
Investment Income Offset	(16,000)					
Discounted Loss and ALAE	$336,000	$374,000	$390,000	$410,000	$433,000	$465,000

Pooling Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Recommended Range Target 80% CL	Recommended Range High 85% CL	Conservative 90% CL
Loss and ALAE	$2,987,000					
Investment Income Offset	(499,000)					
Discounted Loss and ALAE	$2,488,000	$2,761,000	$2,877,000	$3,016,000	$3,185,000	$3,410,000

Combined

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Recommended Range Target 80% CL	Recommended Range High 85% CL	Conservative 90% CL
Loss and ALAE	$3,339,000					
Investment Income Offset	(515,000)					
Discounted Loss and ALAE	$2,824,000	$3,135,000	$3,267,000	$3,426,000	$3,618,000	$3,875,000

GASB #10 does not address an actual funding requirement for the program, but only speaks to the liability to be recorded on SCORE's financial statements. Because actuarial estimates of claims costs are subject to some uncertainty, we recommend that an amount in addition to the discounted expected loss costs be set aside as a margin for contingencies. Generally, the amount should be sufficient to bring funding to the 75% to 85% confidence level. We consider funding to the 90% confidence level to be conservative.

The following tables show our funding recommendations for the Small Cities Organized Risk Effort for the 2012-13 fiscal year, assuming the current SIR of $150,000.

Small Cities Organized Risk Effort (SIR = $150,000)
Self-Insured Workers' Compensation Program
Loss and ALAE Funding Guidelines for 2012-13

Banking Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Target 80% CL	High 85% CL	Conservative 90% CL
Loss and ALAE	$228,000					
Investment Income Offset	(7,000)					
Discounted Loss and ALAE	$221,000	$267,000	$291,000	$320,000	$355,000	$404,000
Rate per $100 of 2012-13 Payroll	$1.33	$1.61	$1.76	$1.93	$2.14	$2.44

Pooling Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Target 80% CL	High 85% CL	Conservative 90% CL
Loss and ALAE	$333,000					
Investment Income Offset	(48,000)					
Discounted Loss and ALAE	$285,000	$339,000	$362,000	$389,000	$424,000	$470,000
Rate per $100 of 2012-13 Payroll	$1.72	$2.05	$2.19	$2.35	$2.56	$2.84

Combined

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Target 80% CL	High 85% CL	Conservative 90% CL
Loss and ALAE	$561,000					
Investment Income Offset	(55,000)					
Discounted Loss and ALAE	$506,000	$606,000	$653,000	$709,000	$779,000	$874,000
Rate per $100 of 2012-13 Payroll	$3.05	$3.66	$3.94	$4.28	$4.70	$5.28

The funding recommendations shown in the tables above do not include any recognition of the existing funding margin at June 30, 2012. They are for losses and allocated loss adjustment expenses only, and do not include a provision for claims administration, loss control, overhead, excess insurance premiums, and other expenses associated with the program.

The following tables show our funding recommendations for Small Cities Organized Risk Effort for the 2013-14 fiscal year, assuming the current SIR of $150,000.

Small Cities Organized Risk Effort (SIR = $150,000)
Self-Insured Workers' Compensation Program
Loss and ALAE Funding Guidelines for 2013-14

Banking Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Recommended Range Target 80% CL	Recommended Range High 85% CL	Conservative 90% CL
Loss and ALAE	$236,000					
Investment Income Offset	(7,000)					
Discounted Loss and ALAE	$229,000	$277,000	$302,000	$332,000	$368,000	$419,000
Rate per $100 of 2013-14 Payroll	$1.38	$1.67	$1.82	$2.00	$2.22	$2.53

Pooling Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Recommended Range Target 80% CL	Recommended Range High 85% CL	Conservative 90% CL
Loss and ALAE	$347,000					
Investment Income Offset	(50,000)					
Discounted Loss and ALAE	$297,000	$353,000	$377,000	$405,000	$442,000	$490,000
Rate per $100 of 2013-14 Payroll	$1.79	$2.13	$2.28	$2.45	$2.67	$2.96

Combined

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Recommended Range Target 80% CL	Recommended Range High 85% CL	Conservative 90% CL
Loss and ALAE	$583,000					
Investment Income Offset	(57,000)					
Discounted Loss and ALAE	$526,000	$630,000	$679,000	$737,000	$810,000	$909,000
Rate per $100 of 2013-14 Payroll	$3.18	$3.80	$4.10	$4.45	$4.89	$5.49

The funding recommendations shown in the tables above do not include any recognition of the existing funding margin at June 30, 2013. They are for losses and allocated loss adjustment expenses only, and do not include a provision for claims administration, loss control, overhead, excess insurance premiums, and other expenses associated with the program.

The following tables show our funding recommendations for the Small Cities Organized Risk Effort for the 2012-13 fiscal year, assuming an SIR of $250,000.

Small Cities Organized Risk Effort (SIR = $250,000)
Self-Insured Workers' Compensation Program
Loss and ALAE Funding Guidelines for 2012-13

Banking Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Target 80% CL	High 85% CL	Conservative 90% CL
Loss and ALAE	$228,000					
Investment Income Offset	(7,000)					
Discounted Loss and ALAE	$221,000	$267,000	$291,000	$320,000	$355,000	$404,000
Rate per $100 of 2012-13 Payroll	$1.33	$1.61	$1.76	$1.93	$2.14	$2.44

Pooling Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Target 80% CL	High 85% CL	Conservative 90% CL
Loss and ALAE	$444,000					
Investment Income Offset	(79,000)					
Discounted Loss and ALAE	$365,000	$439,000	$473,000	$513,000	$563,000	$631,000
Rate per $100 of 2012-13 Payroll	$2.20	$2.65	$2.86	$3.10	$3.40	$3.81

Combined

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Target 80% CL	High 85% CL	Conservative 90% CL
Loss and ALAE	$672,000					
Investment Income Offset	(86,000)					
Discounted Loss and ALAE	$586,000	$706,000	$764,000	$833,000	$918,000	$1,035,000
Rate per $100 of 2012-13 Payroll	$3.54	$4.26	$4.61	$5.03	$5.54	$6.25

The funding recommendations shown in the tables above do not include any recognition of the existing funding margin at June 30, 2012. They are for losses and allocated loss adjustment expenses only, and do not include a provision for claims administration, loss control, overhead, excess insurance premiums, and other expenses associated with the program.

The following tables show our funding recommendations for the Small Cities Organized Risk Effort for the 2013-14 fiscal year, assuming an SIR of $250,000.

Small Cities Organized Risk Effort (SIR = $250,000)
Self-Insured Workers' Compensation Program
Loss and ALAE Funding Guidelines for 2013-14

Banking Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Recommended Range Target 80% CL	Recommended Range High 85% CL	Conservative 90% CL
Loss and ALAE	$236,000					
Investment Income Offset	(7,000)					
Discounted Loss and ALAE	$229,000	$277,000	$302,000	$332,000	$368,000	$419,000
Rate per $100 of 2013-14 Payroll	$1.38	$1.67	$1.82	$2.00	$2.22	$2.53

Pooling Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Recommended Range Target 80% CL	Recommended Range High 85% CL	Conservative 90% CL
Loss and ALAE	$467,000					
Investment Income Offset	(83,000)					
Discounted Loss and ALAE	$384,000	$461,000	$497,000	$539,000	$593,000	$664,000
Rate per $100 of 2013-14 Payroll	$2.32	$2.78	$3.00	$3.25	$3.58	$4.01

Combined

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Recommended Range Target 80% CL	Recommended Range High 85% CL	Conservative 90% CL
Loss and ALAE	$703,000					
Investment Income Offset	(90,000)					
Discounted Loss and ALAE	$613,000	$738,000	$799,000	$871,000	$961,000	$1,083,000
Rate per $100 of 2013-14 Payroll	$3.70	$4.46	$4.82	$5.26	$5.80	$6.54

The funding recommendations shown in the tables above do not include any recognition of the existing funding margin at June 30, 2013. They are for losses and allocated loss adjustment expenses only, and do not include a provision for claims administration, loss control, overhead, excess insurance premiums, and other expenses associated with the program.

The following tables show our funding recommendations for the Small Cities Organized Risk Effort for the 2012-13 fiscal year, assuming an SIR of $500,000.

Small Cities Organized Risk Effort (SIR = $500,000)
Self-Insured Workers' Compensation Program
Loss and ALAE Funding Guidelines for 2012-13

Banking Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Recommended Range Target 80% CL	Recommended Range High 85% CL	Conservative 90% CL
Loss and ALAE	$228,000					
Investment Income Offset	(7,000)					
Discounted Loss and ALAE	$221,000	$267,000	$291,000	$320,000	$355,000	$404,000
Rate per $100 of 2012-13 Payroll	$1.33	$1.61	$1.76	$1.93	$2.14	$2.44

Pooling Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Recommended Range Target 80% CL	Recommended Range High 85% CL	Conservative 90% CL
Loss and ALAE	$589,000					
Investment Income Offset	(118,000)					
Discounted Loss and ALAE	$471,000	$570,000	$622,000	$682,000	$758,000	$862,000
Rate per $100 of 2012-13 Payroll	$2.84	$3.44	$3.76	$4.12	$4.58	$5.20

Combined

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Recommended Range Target 80% CL	Recommended Range High 85% CL	Conservative 90% CL
Loss and ALAE	$817,000					
Investment Income Offset	(125,000)					
Discounted Loss and ALAE	$692,000	$837,000	$913,000	$1,002,000	$1,113,000	$1,266,000
Rate per $100 of 2012-13 Payroll	$4.18	$5.05	$5.51	$6.05	$6.72	$7.64

The funding recommendations shown in the tables above do not include any recognition of the existing funding margin at June 30, 2012. They are for losses and allocated loss adjustment expenses only, and do not include a provision for claims administration, loss control, overhead, excess insurance premiums, and other expenses associated with the program.

The following tables show our funding recommendations for the Small Cities Organized Risk Effort for the 2013-14 fiscal year, assuming an SIR of $500,000.

Small Cities Organized Risk Effort (SIR = $500,000)
Self-Insured Workers' Compensation Program
Loss and ALAE Funding Guidelines for 2013-14

Banking Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Recommended Range Target 80% CL	Recommended Range High 85% CL	Conservative 90% CL
Loss and ALAE	$236,000					
Investment Income Offset	(7,000)					
Discounted Loss and ALAE	$229,000	$277,000	$302,000	$332,000	$368,000	$419,000
Rate per $100 of 2013-14 Payroll	$1.38	$1.67	$1.82	$2.00	$2.22	$2.53

Pooling Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Recommended Range Target 80% CL	Recommended Range High 85% CL	Conservative 90% CL
Loss and ALAE	$625,000					
Investment Income Offset	(125,000)					
Discounted Loss and ALAE	$500,000	$605,000	$660,000	$724,000	$805,000	$914,000
Rate per $100 of 2013-14 Payroll	$3.02	$3.65	$3.98	$4.37	$4.86	$5.52

Combined

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Recommended Range Target 80% CL	Recommended Range High 85% CL	Conservative 90% CL
Loss and ALAE	$861,000					
Investment Income Offset	(132,000)					
Discounted Loss and ALAE	$729,000	$882,000	$962,000	$1,056,000	$1,173,000	$1,333,000
Rate per $100 of 2013-14 Payroll	$4.40	$5.32	$5.81	$6.38	$7.08	$8.05

The funding recommendations shown in the tables above do not include any recognition of the existing funding margin at June 30, 2013. They are for losses and allocated loss adjustment expenses only, and do not include a provision for claims administration, loss control, overhead, excess insurance premiums, and other expenses associated with the program.

The loss projections in this report reflect the estimated impact of benefit legislation contained in AB749, AB227, SB228, SB899, and recent WCAB court decisions based upon information provided by the WCIRB.

The ultimate impact on loss costs of legislated benefit adjustments are generally difficult to forecast in advance because the changes typically take place over a period of several years following enactment. Furthermore, actuarially derived benefit level evaluations often underestimate actual future cost levels. The shortfalls result from a variety of circumstances, including: increases in utilization levels, unanticipated changes in administrative procedures, and cost shifting among benefit categories. Thus, actual cost increases could differ, perhaps substantially, from the WCIRB's estimates.

The report that follows outlines the scope of our study, its background, and our conclusions, recommendations, and assumptions. Judgments regarding the appropriateness of our conclusions and recommendations should be made only after studying the report in its entirety, including the graphs, attachments, exhibits and appendices. Our report has been developed for the SCORE's internal use. It is not intended for general circulation.

We appreciate the opportunity to be of service to the Small Cities Organized Risk Effort in preparing this report. Please feel free to call Mike Harrington at (916) 244-1162 or Nina Gau at (916) 244-1193 with any questions you may have concerning this report.

Sincerely,

Bickmore Risk Services

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I. BACKGROUND

The Small Cities Organized Risk Effort began its self-insured workers' compensation program on July 1, 1993. Its current self-insured retention is $150,000, and excess coverage is provided by the Local Agency Workers' Compensation Excess Joint Powers Authority. SCORE has a banking layer to $25,000 per occurrence. Each member is directly responsible for its own losses within the banking layer. Losses above $25,000 are pooled to SCORE's self-insured retention. Claims administration services are provided by York Insurance Services. Additional background on the program is given in Appendix K.

The purpose of this review is to provide a guide to SCORE to determine reasonable funding levels for its self-insurance program according to the funding policy SCORE has adopted and to comply with Governmental Accounting Standards Board Statements #10 and #30. The specific objectives of the study are to estimate SCORE's liability for outstanding claims as of June 30, 2012 and June 30, 2013, project ultimate loss costs for 2012-13 and 2013-14, and provide funding guidelines to meet these liabilities and future costs.

II. CONCLUSIONS AND RECOMMENDATIONS

A. LIABILITY FOR OUTSTANDING CLAIMS

Graphs 1a, 1b and 1c on the following pages summarize our assessment of SCORE's funding position as of June 30, 2012. The dark-colored bars indicate our estimates of the program's liability for outstanding claims before recognition of the investment income that can be earned on the assets held before the claim payments come due.

Our best estimate of the full value of SCORE's liability for outstanding claims within its self-insured retention (SIR) as of June 30, 2012 is $473,000 for the banking layer and $3,142,000 for the pooling layer, for a total of $3,615,000. This amount includes losses, allocated loss adjustment expenses (ALAE) but exclude unallocated loss adjustment expenses (ULAE). ALAE is the direct cost associated with the defense of individual claims (e.g. legal fees, investigation fees, court charges). ULAE is the cost to administer claims to final settlement, which may be years in the future (e.g. claims adjusters' salaries, taxes).

There is some measure of uncertainty associated with our best estimate because of the random nature of much of the process that determines ultimate claims costs. For this reason, we generally recommend that a program such as this include some funding margin for the possibility that actual loss costs will be greater than the best estimate. We generally measure the amount of this margin by thinking in terms of the probability distribution of actual possible results around our best estimate. As the margin grows, the probability that the corresponding funding amount will be sufficient to meet actual claim liabilities increases. We typically refer to this probability as the "confidence level" of funding. Graphs 1a, 1b and 1c show the liabilities for outstanding claims at several confidence levels that are typically of interest to risk managers in formulating funding policies for self-insurance programs.

SCORE can earn investment income on the assets it holds until claims payments come due. Assuming a long-term average annual return on investments of 3%, we estimate the impact of investment income earnings to be about 17% if the program is funded within the range indicated in the graphs, resulting in a discounted liability for outstanding claims of $452,000 for the banking layer and $2,606,000 for the pooling layer for a total of $3,058,000 as of June 30, 2012.

Investment income earnings will be less than this when the program does not maintain sufficient funding, and more when there is excess funding. Thus, thinking in terms of liabilities discounted for investment income can actually mask funding deficiencies and redundancies that might otherwise be obvious. However, the discounted liabilities do represent legitimate funding targets. The light-colored bars on Graphs 1a, 1b and 1c show our estimates of SCORE's discounted liability for outstanding claims.

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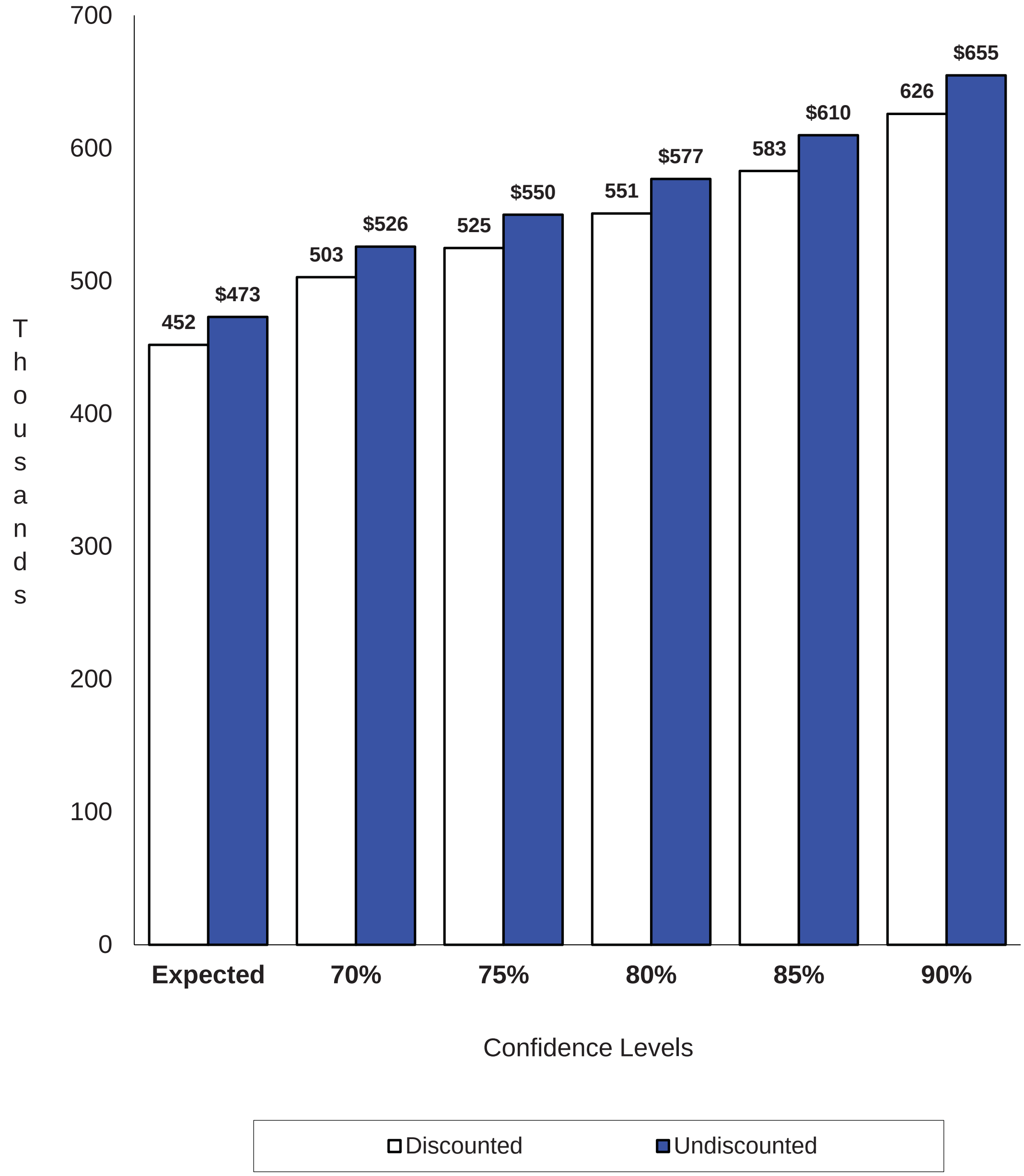
Graph 1a

Small Cities Organized Risk Effort - Workers' Compensation
Outstanding Liability ($000's)
at June 30, 2012
Banking Layer



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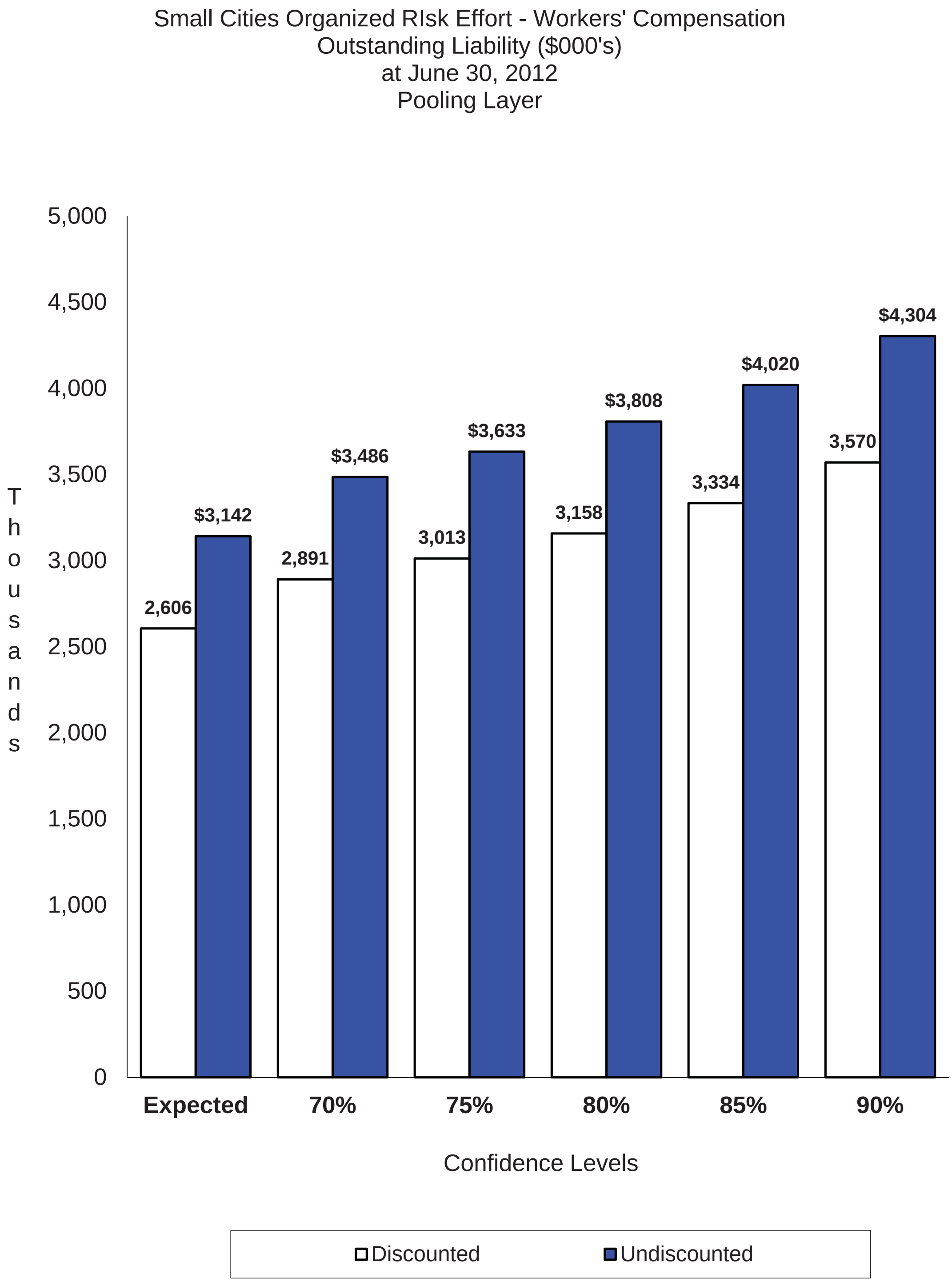
Graph 1b



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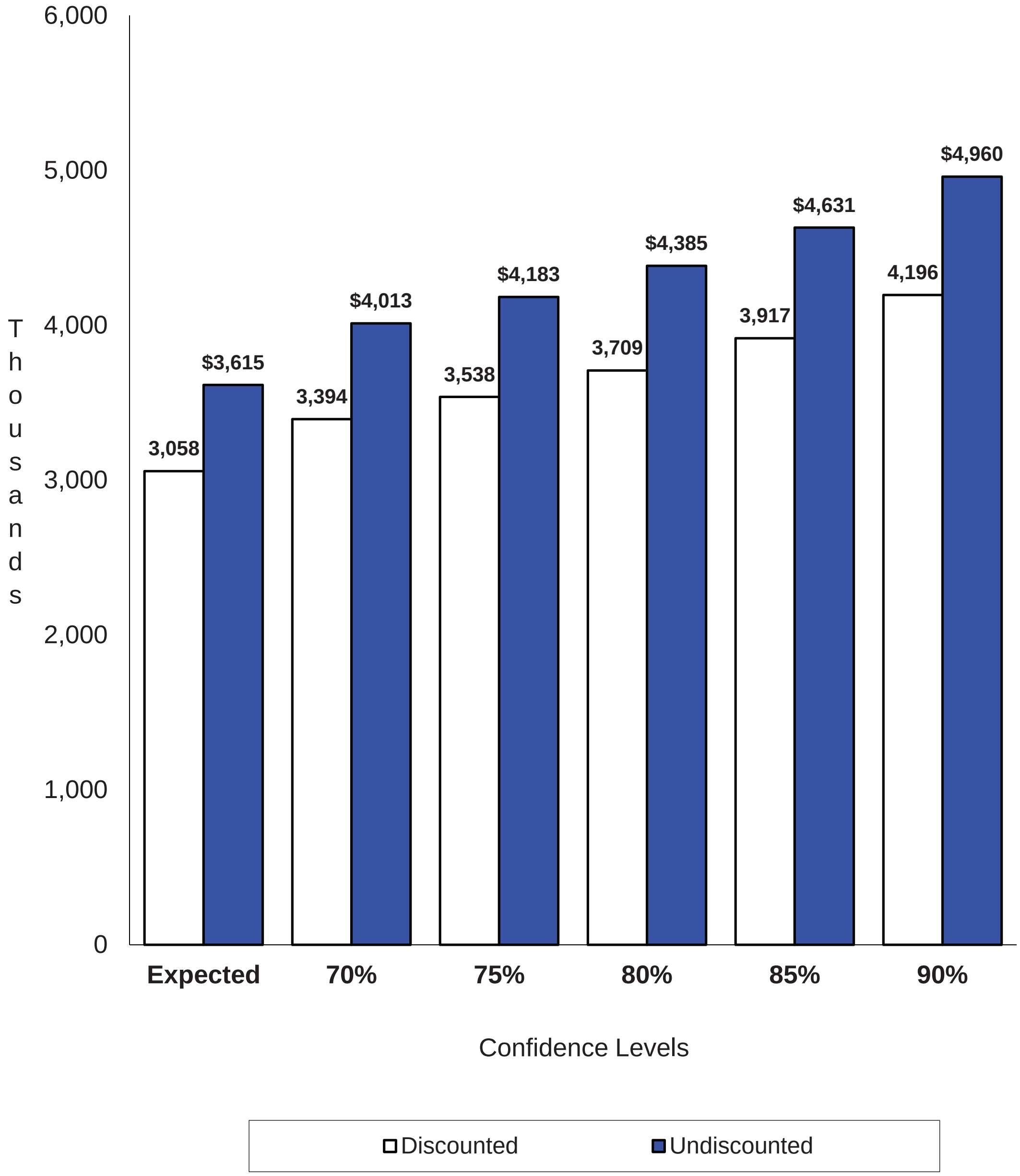
Graph 1c

Small Cities Organized Risk Effort - Workers' Compensation
Outstanding Liability ($000's)
at June 30, 2012
Combined



The table below displays a breakdown of the program's outstanding loss and ALAE liabilities into case reserves and incurred but not reported (IBNR) reserves at June 30, 2012, before recognition of investment income.

Small Cities Organized Risk Effort
Self-Insured Workers' Compensation Program – Pooling Layer
Estimated Liability for Unpaid Loss and ALAE at June 30, 2012

Year	Case Reserves	IBNR Reserves	Total Outstanding
1993-94	$25,226	$12,239	$37,465
1994-95	0	0	0
1995-96	15,458	14,491	29,949
1996-97	55,694	26,515	82,209
1997-98	52,321	19,970	72,291
1998-99	66,900	18,206	85,106
1999-00	76,262	28,832	105,094
2000-01	61,871	18,411	80,282
2001-02	117,288	66,177	183,465
2002-03	142,497	72,630	215,127
2003-04	52,346	58,347	110,693
2004-05	252,373	58,467	310,840
2005-06	50,555	33,313	83,868
2006-07	12,547	78,496	91,043
2007-08	172,086	99,557	271,643
2008-09	95,777	109,634	205,411
2009-10	194,975	182,503	377,478
2010-11	203,251	192,997	396,248
2011-12	190,069	214,390	404,459
Loss and ALAE	$1,837,496	$1,305,175	$3,142,671

B. PROGRAM FUNDING: GOALS AND OBJECTIVES

As self-insurance programs have proliferated among public entities, it has become apparent that there is a large measure of inconsistency in the way in which these programs recognize and account for their claims costs. This is the result of the fact that there have been several different sources of guidance available, none of which has been completely relevant to public entity self-insurance programs.

According to the Governmental Accounting Standards Board (GASB), the most relevant source of guidance on the subject is Financial Accounting Standards Board Statement #60. A liability for unpaid claim costs, including all loss adjustment expenses, should be accrued at the time the self-insured events occur. This liability should include an allowance for incurred but not reported claims. It may be discounted for investment income at an appropriate rate of return, provided the discounting is disclosed. The regulations detailing the way in which this must be done are outlined in GASB's statements #10 and #30. These regulations are required to be applied by SCORE.

GASB #10 and #30 do not address funding requirements. They do, however, allow a range of funded amounts to be recognized for accounting purposes; specifically, GASB #10 and #30 which allow recognition of a funding margin for unexpectedly adverse loss experience. Thus, for accounting purposes, it is possible to formulate a funding policy from a range of alternatives. The uncertainty in any estimate of the program's liability for outstanding claims should be taken into consideration in determining funding policy, but it may be offset by recognizing anticipated investment income earnings. This usually means developing a funding program based on discounted claims costs with some margin for unexpected adverse loss experience.

The amount of the margin should be a question of long-term funding policy. We recommend that the margin be determined by thinking in terms of the probability that a given level of funding will prove to be adequate. For example, a reasonable goal might be to maintain a fund at the 85% confidence level.

A key factor to consider in determining funding policy is the degree to which stability is required in the level of contributions to the program from year to year. If you elect to fund at a low confidence level, the chances are much greater that future events will prove that additional contributions should have been made for current claims. The additional contributions for years by that time long past may be required at the same time that costs are increasing dramatically on then-current claims. The burden of funding increases on past years as well as on current years, may well be prohibitive.

We generally recommend maintaining program funding at the 80% confidence level, after recognition of investment income, with a recommended range of the 75% to 85% confidence levels. We tend to think of the 70% confidence level as marginally acceptable and of the 90% confidence level as conservative. We recommend the 75% to 85% confidence level range because the probabilities are reasonably high that resulting funding will be sufficient to meet claim liabilities, yet the required margins are not so large that they will cause most self-insured entities to experience undue financial hardship. In addition, within this range, anticipated investment income generally offsets the required margin for the most part, which means that it is also reasonable to think of the liabilities as being stated on an undiscounted basis.

We also strongly believe, however, that the confidence level to which any future year is funded should be evaluated in light of the relative certainty of the assumptions underlying the actuarial analysis, SCORE's other budgetary constraints, and the relative level of risk it is believed appropriate to assume. This means formulating both short and long-term funding goals, which may be the same in some years, but different in others.

In general, we recommend that you fund each year's claims costs in that year. When surpluses or deficiencies have developed on outstanding liabilities and funding adjustments are necessary, they should be clearly identified as such so that the habit of funding each year's claims costs that year is maintained. We also recommend that you reduce surplus funding more slowly than you would accumulate funding to make up a deficiency.

C. COMPARISON WITH PREVIOUS RESULTS

The prior report for the Small Cities Organized Risk Effort was dated March 11, 2011. In the table below we display actual versus expected development of incurred losses and ALAE by accident year between the 12/31/2010 evaluation date of the prior report and the 12/31/2011 evaluation date of the current report.

Actual Versus Expected Incurred Loss and ALAE Development – Pooling Layer

Accident Year	Expected Incurred Development	Actual Incurred Development	Actual Minus Expected
1993-94	$4,000	($104)	($4,104)
1994-95	0	0	0
1995-96	3,000	11	(2,989)
1996-97	4,000	38,674	34,674
1997-98	4,000	4,716	716
1998-99	3,000	0	(3,000)
1999-00	5,000	53,639	48,639
2000-01	4,000	0	(4,000)
2001-02	12,000	16,122	4,122
2002-03	14,000	59,290	45,290
2003-04	11,000	(2,036)	(13,036)
2004-05	15,000	176,822	161,822
2005-06	11,000	25,055	14,055
2006-07	17,000	(9,190)	(26,190)
2007-08	19,000	80,431	61,431
2008-09	25,000	17,536	(7,464)
2009-10	44,000	190,589	146,589
2010-11	201,000	295,003	94,003
Total	$396,000	$946,558	$550,558

As shown, actual incurred development was greater than anticipated since the prior report.

In the table below we display the change in our estimates of the program's ultimate losses and ALAE by accident year since our prior report.

Change in Ultimate Loss and ALAE – Pooling Layer

Accident Year	Prior Report	Current Report	Change In Ultimate
1993-94	$522,911	$516,911	($6,000)
1994-95	114,520	114,520	0
1995-96	391,028	387,028	(4,000)
1996-97	694,013	727,013	33,000
1997-98	439,051	437,862	(1,189)
1998-99	327,863	323,863	(4,000)
1999-00	283,283	333,000	49,717
2000-01	207,288	202,288	(5,000)
2001-02	868,031	870,031	2,000
2002-03	706,000	753,000	47,000
2003-04	466,000	452,000	(14,000)
2004-05	685,000	815,000	130,000
2005-06	159,000	144,000	(15,000)
2006-07	479,000	448,000	(31,000)
2007-08	437,000	502,000	65,000
2008-09	378,000	358,000	(20,000)
2009-10	469,000	608,000	139,000
2010-11	468,000	513,000	45,000
Total	$8,094,988	$8,505,516	$410,528

As shown, overall we have increased our estimated ultimates by $411,000 since our prior report. The greater than anticipated loss development mentioned previously translates to an increase in our estimates of ultimate losses as shown in the table above. These changes generally track with the actual versus expected incurred loss development.

At the time of the prior report, we estimated the liability for outstanding claims as of June 30, 2011 to be $2,297,000 at the discounted, expected level. Our current estimate as of June 30, 2012, is $2,606,000, an increase in our assessment of SCORE's outstanding liabilities, as shown below:

Outstanding Claim Liabilities for Loss and ALAE – Pooling Layer

	Prior Report at June 30, 2011	Current Report at June 30, 2012	Change
Case Reserves:	$1,240,000	$1,837,000	$597,000
IBNR Reserves:	1,526,000	1,305,000	(221,000)
Total Reserves:	$2,766,000	$3,142,000	$376,000
Offset for Investment Income:	(469,000)	(536,000)	(67,000)
Total Outstanding Claim Liabilities:	$2,297,000	$2,606,000	$309,000

As shown, our estimate of outstanding claims liabilities at the discounted, expected level has increased between June 30, 2011 and June 30, 2012 as reflected in our prior and current reports respectively.

The increase in claim reserves (case and IBNR) is driven primarily by adverse loss development, resulting in a $376,000 increase in total claim reserves. This increase in reserves leads to a larger offset for investment income. The net change due to the above factors is an overall increase of $309,000 in our estimate of outstanding claim liabilities for loss and ALAE.

At the time of the prior report, our funding estimate for the 2011-12 year was $420,000 at the discounted, expected level. That amount included allocated loss adjustment expenses (ALAE), and a discount for anticipated investment income, but excluded unallocated loss adjustment expenses (ULAE). Our current estimate for the 2012-13 year is $285,000 at the discounted, expected level, a/n de/increase in the program's expected loss costs, as shown in the table below:

Comparison of Funding for Loss and ALAE – Pooling Layer

	Prior Report 2011-12 Pooling Layer $25K - $150K	Current Report 2012-13 Pooling Layer $25K - $150K	Change
Ultimate Loss and ALAE:	$493,000	$333,000	($160,000)
Offset for Investment Income:	(73,000)	(48,000)	25,000
Total Recommended Funding:	$420,000	$285,000	($135,000)
Funding per $100 of Payroll:	$1.62	$1.72	$0.10

As you can see, our funding recommendations at the discounted, expected level have decreased between 2011-12 and 2012-13, as shown in our prior and current reports respectively.

Our estimates of ultimate loss and ALAE have decreased by $160,000, driven primarily by a large decrease in payroll. Investment income is expected to be lower. The net change due to the above factors is an overall decrease of $135,000 in our annual funding estimate for loss and ALAE.

E. DATA PROVIDED FOR THE ANALYSIS

Overall, the data utilized in preparing this report appears to be accurate.

Comments and issues regarding the data are as follows:

- We have assumed that the program's self-insured retention will remain at $150,000 per occurrence for 2012-13 (See Appendix K).
- We received loss data evaluated as of 12/31/2011 (See Appendix L). We also utilized the data from SCORE's most recent actuarial study for our assessment of loss development.
- We have assumed that SCORE's payroll for 2012-13 will be $11,564,231 based upon information provided by SCORE (See Appendix M).
- Please note that the estimates contained in this report do not include costs for 4850 claims.

The data provided for the analysis appears to be reasonable for use in this actuarial valuation of liabilities and projection of loss costs.

III. ASSUMPTIONS AND LIMITATIONS

Any quantitative analysis is developed within a very specific framework of assumptions about conditions in the outside world, and actuarial analysis is no exception. We believe that it is important to review the assumptions we have made in developing the estimates presented in this report. By doing so, we hope you will gain additional perspective on the nature of the uncertainties involved in maintaining a self-insurance program. Our assumptions, and some observations about them, are as follows:

- Our analysis is based on loss experience, exposure data, and other general and specific information provided to us by SCORE. We have accepted all of this information without audit.

- We have also made use of loss statistics that have been developed from the information gathered and compiled from other California public entity workers' compensation programs.

- We have assumed that the future development of incurred and paid losses can be reasonably predicted on the basis of development of such losses in the recent past. We have also assumed that the historical development patterns for similar workers' compensation programs in the aggregate form a reasonable basis of comparison to the patterns from the Small Cities Organized Risk Effort's data.

- We have made use of cost relationships for claims of various sizes derived from the most recent actuarial review of similar workers' compensation programs.

- We have assumed that there is a continuing relationship between past and future loss costs.

- It is not possible to predict future claim costs precisely. Most of the cost of workers' compensation claims arise from a small number of incidents involving serious injury. A relatively small number of such claims could generate enough loss dollars to significantly reduce, or even deplete, the self-insurance fund.

- We cannot predict and have not attempted to predict the impact of future law changes and court rulings on claims costs. This is one major reason why we believe our funding recommendations are reasonable now, but should not be extrapolated into the future.

- The changes in cost levels associated with benefit increases and administrative changes typically take place over a period of several years following their enactment, and these changes are very difficult to forecast in advance. We have based our benefit level factors on those produced by the Workers' Compensation Insurance Rating Bureau of California (WCIRB). See Appendix E for a display of the benefit level cost indices by fiscal year.

- We have assumed that the loss rate trend associated with claim costs increases at 0.5% per year. We have assumed that claim severity increases at 2.5% per year, and that claim frequency decreases at 2.0% per year.
- We have assumed that payroll and other inflation-sensitive exposure measures increase 2.5% annually due to inflation.
- We have assumed that assets held for investment will generate an annual return of 3%.
- The claims costs we have estimated include indemnity and medical payments, and all loss adjustment expenses. We have not included estimates for claims administration, excess insurance contributions and other expenses associated with the program.
- Our funding recommendations do not include provisions for catastrophic events not in SCORE's history, such as earthquakes, flooding, mass civil disorder, or mass occupational disease.
- Our estimates assume that all excess insurance is valid and collectible. Further, our funding recommendations do not include a provision for losses greater than the SCORE’s excess coverage.
- We have assumed that SCORE’s payroll will remain at the 2011-12 level for both the 2012-13 and 2013-14 program years.

SCORE
Small Cities Organized Risk Effort
A Joint Powers Authority

Small Cities Organized Risk Effort
Board of Directors Meeting
March 23, 2012

Agenda Item J.5.

GENERAL LIABILITY ACTUARIAL REVIEW

ACTION ITEM

ISSUE: The annual actuarial review, *based on 12/31/11 loss information*, has been completed. The attached draft summary reflects the estimated ultimate cost of claims and expenses for the banking layer and the pooling layer for the 2012-2013 program year. This review also reflects the anticipated outstanding liabilities including ALAE for the banking and pooling layers for the 2012-2013 Program Year.

The 2012-2013 estimated liability for outstanding loss at the 70% confidence level is $1,181,000 which is $286,000 less than the projected liabilities as of June 30, 2011.

The draft report also provides estimated funding at various levels of confidence for the program years 2012/2013 and 2013/2014. The projected combined funding level rate per $100 payroll at the 70% confidence level for 2012/2013 is $3.32 which is 3% lower than the $3.42 rate that was projected for the 2011/2012 program year. The projected funding is reflected in the budget proposed later in this agenda.

	2012/2013 @ 70% Confidence Level	2011/2012 @ 70% Confidence Level	
Banking Layer	$1.39	$1.40	<1.00%>
Pooling Layer	$1.93	$2.03	<5.00%>
Combined Layer	$3.32	$3.42	<3.00%>
Outstanding Loss Liability	$1,181,000	$1,467,000	<20.00%>

RECOMMENDATION: Staff recommends using the 70% confidence rates in the premium projections.

FISCAL IMPACT: $286,000 decrease in reserves and approximately $70,000 less in funding contributions for banking and shared risk layers for the 2012/2013 coverage period.

BACKGROUND: SCORE has Actuarial Studies done annually for accreditation and budget purposes. By having these studies done, SCORE is able to project their funding for the upcoming year and see how the rates affect their budgets.

ATTACHMENTS: General Liability Actuarial Review as of March 19, 2012.

DRAFT

Bickmore Risk Services

Friday, March 9, 2012

Ms. Susan Adams
JPA Administrator
Small Cities Organized Risk Effort
C/o Alliant Insurance Services, Inc. - Driver Specialty Group
1792 Tribute Road, Suite 450
Sacramento, CA 95815

Re: Actuarial Review of the Self-Insured Liability Program

Dear Ms. Adams:

As you requested, we have completed our review of the Small Cities Organized Risk Effort's (SCORE) self-insured liability program. Assuming an SIR of $500,000 per occurrence, we estimate the ultimate cost of claims and expenses for claims incurred during the 2012-13 program year to be $197,000 for the banking layer and $278,000 for the pooling layer for a total of $475,000. For claims incurred during the 2013-14 program year, we estimate the ultimate cost of claims and expenses to be $197,000 for the banking layer and $285,000 for the pooling layer for a total of $482,000. These amounts include allocated loss adjustment expenses (ALAE), and a discount for anticipated investment income, but exclude unallocated loss adjustment expenses (ULAE). The discount for investment income is calculated based on the likely payout pattern of SCORE's claims, assuming a 3% return on investments per year. For budgeting purposes, the expected cost of 2012-13 claims translates to rates of $1.12, $1.59 and $2.71 per $100 payroll for the banking layer, pooling layer and in total respectively. For the 2013-14 claims, the expected cost translates to rates of $1.12, $1.63 and $2.75 per $100 payroll for the banking layer, pooling layer and in total respectively.

In addition, we estimate the program's liability for outstanding claims including ALAE and discounted for anticipated investment income as of June 30, 2012 to be $200,000 for the banking layer and $805,000 for the pooling layer for a total of $1,005,000. As of June 30, 2013, we estimate the program's liability for outstanding claims to be $208,000 for the banking layer and $779,000 for the pooling layer for a total of $987,000, again including ALAE and discounted for anticipated investment income.
The $805,000 and $779,000 estimates are the minimum liability to be booked by SCORE at June 30, 2012 and June 30, 2013, respectively for the Small Cities Organized Risk Effort's pooling layer liability, in accordance with Governmental Accounting Standards Board (GASB) Statement #10. GASB #10 requires SCORE to accrue a liability on its financial statements for the ultimate cost of claims and expenses associated with all reported and unreported claims, including ALAE and ULAE. GASB #10 does not prohibit the discounting of losses to recognize investment income.

Our conclusions regarding SCORE's liability for unpaid loss and allocated loss adjustment expenses (ALAE) at June 30, 2012, are summarized in the table below.

Small Cities Organized Risk Effort
Self-Insured Liability Program
Estimated Liability for Unpaid Loss and ALAE
at June 30, 2012

Banking Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Target 80% CL	High 85% CL	Conservative 90% CL
Loss and ALAE	$206,000					
Investment Income Offset	(6,000)					
Discounted Loss and ALAE	$200,000	$243,000	$263,000	$287,000	$317,000	$357,000

Pooling Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Target 80% CL	High 85% CL	Conservative 90% CL
Loss and ALAE	$849,000					
Investment Income Offset	(44,000)					
Discounted Loss and ALAE	$805,000	$938,000	$1,004,000	$1,084,000	$1,181,000	$1,313,000

Combined

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Target 80% CL	High 85% CL	Conservative 90% CL
Loss and ALAE	$1,055,000					
Investment Income Offset	(50,000)					
Discounted Loss and ALAE	$1,005,000	$1,181,000	$1,267,000	$1,371,000	$1,498,000	$1,670,000

Our conclusions regarding SCORE's liability for unpaid loss and allocated loss adjustment expenses (ALAE) at June 30, 2013, are summarized in the table below.

Small Cities Organized Risk Effort
Self-Insured Liability Program
Estimated Liability for Unpaid Loss and ALAE
at June 30, 2013

Banking Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Recommended Range Target 80% CL	Recommended Range High 85% CL	Conservative 90% CL
Loss and ALAE	$215,000					
Investment Income Offset	(7,000)					
Discounted Loss and ALAE	$208,000	$253,000	$274,000	$299,000	$330,000	$372,000

Pooling Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Recommended Range Target 80% CL	Recommended Range High 85% CL	Conservative 90% CL
Loss and ALAE	$821,000					
Investment Income Offset	(42,000)					
Discounted Loss and ALAE	$779,000	$907,000	$971,000	$1,047,000	$1,142,000	$1,268,000

Combined

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Recommended Range Target 80% CL	Recommended Range High 85% CL	Conservative 90% CL
Loss and ALAE	$1,036,000					
Investment Income Offset	(49,000)					
Discounted Loss and ALAE	$987,000	$1,160,000	$1,245,000	$1,346,000	$1,472,000	$1,640,000

GASB #10 does not address an actual funding requirement for the program, but only speaks to the liability to be recorded on SCORE's financial statements. Because actuarial estimates of claims costs are subject to some uncertainty, we recommend that an amount in addition to the discounted expected loss costs be set aside as a margin for contingencies. Generally, the amount should be sufficient to bring funding to the 75% to 85% confidence level for primary programs. We consider funding to the 70% confidence level to be marginally acceptable and funding to the 90% confidence level to be conservative.

The following tables show our funding recommendations for the Small Cities Organized Risk Effort for the 2012-13 fiscal year, assuming the current SIR of $500,000.

Small Cities Organized Risk Effort (SIR = $500,000)
Self-Insured Liability Program
Loss and ALAE Funding Guidelines for 2012-13
Banking Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Recommended Range Target 80% CL	Recommended Range High 85% CL	Conservative 90% CL
Loss and ALAE	$203,000					
Investment Income Offset	(6,000)					
Discounted Loss and ALAE	$197,000	$243,000	$266,000	$293,000	$328,000	$374,000
Rate per $100 of 2012-13 Payroll	$1.12	$1.39	$1.52	$1.67	$1.87	$2.13

Pooling Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Recommended Range Target 80% CL	Recommended Range High 85% CL	Conservative 90% CL
Loss and ALAE	$300,000					
Investment Income Offset	(22,000)					
Discounted Loss and ALAE	$278,000	$338,000	$381,000	$431,000	$493,000	$577,000
Rate per $100 of 2012-13 Payroll	$1.59	$1.93	$2.17	$2.46	$2.81	$3.29

Combined

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Recommended Range Target 80% CL	Recommended Range High 85% CL	Conservative 90% CL
Loss and ALAE	$503,000					
Investment Income Offset	(28,000)					
Discounted Loss and ALAE	$475,000	$581,000	$647,000	$724,000	$821,000	$951,000
Rate per $100 of 2012-13 Payroll	$2.71	$3.32	$3.69	$4.13	$4.69	$5.43

The funding recommendations shown in the table above do not include any recognition of the existing funding margin at June 30, 2012. They are for losses and allocated loss adjustment expenses only, and do not include a provision for claim administration, loss control, overhead, excess insurance premiums, and other expenses associated with the program.

The following tables show our funding recommendations for the Small Cities Organized Risk Effort for the 2013-14 fiscal year, assuming the current SIR of $500,000.

Small Cities Organized Risk Effort (SIR = $500,000)
Self-Insured Liability Program
Loss and ALAE Funding Guidelines for 2013-14
Banking Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range: Low 75% CL	Recommended Range: Target 80% CL	Recommended Range: High 85% CL	Conservative 90% CL
Loss and ALAE	$204,000					
Investment Income Offset	(7,000)					
Discounted Loss and ALAE	$197,000	$243,000	$266,000	$293,000	$328,000	$374,000
Rate per $100 of 2013-14 Payroll	$1.12	$1.39	$1.52	$1.67	$1.87	$2.13

Pooling Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range: Low 75% CL	Recommended Range: Target 80% CL	Recommended Range: High 85% CL	Conservative 90% CL
Loss and ALAE	$307,000					
Investment Income Offset	(22,000)					
Discounted Loss and ALAE	$285,000	$347,000	$391,000	$442,000	$505,000	$591,000
Rate per $100 of 2013-14 Payroll	$1.63	$1.98	$2.23	$2.52	$2.88	$3.37

Combined

	Expected	Marginally Acceptable 70% CL	Recommended Range: Low 75% CL	Recommended Range: Target 80% CL	Recommended Range: High 85% CL	Conservative 90% CL
Loss and ALAE	$511,000					
Investment Income Offset	(29,000)					
Discounted Loss and ALAE	$482,000	$590,000	$657,000	$735,000	$833,000	$965,000
Rate per $100 of 2013-14 Payroll	$2.75	$3.37	$3.75	$4.20	$4.75	$5.51

The funding recommendations shown in the table above do not include any recognition of the existing funding margin at June 30, 2013. They are for losses and allocated loss adjustment expenses only, and do not include a provision for claim administration, loss control, overhead, excess insurance premiums, and other expenses associated with the program.

The following tables show our funding recommendations for the Small Cities Organized Risk Effort for the 2012-13 fiscal year, assuming an SIR of $750,000.

Small Cities Organized Risk Effort (SIR = $750,000)
Self-Insured Liability Program
Loss and ALAE Funding Guidelines for 2012-13
Banking Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Recommended Range Target 80% CL	Recommended Range High 85% CL	Conservative 90% CL
Loss and ALAE	$203,000					
Investment Income Offset	(6,000)					
Discounted Loss and ALAE	$197,000	$243,000	$266,000	$293,000	$328,000	$374,000
Rate per $100 of 2012-13 Payroll	$1.12	$1.39	$1.52	$1.67	$1.87	$2.13

Pooling Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Recommended Range Target 80% CL	Recommended Range High 85% CL	Conservative 90% CL
Loss and ALAE	$334,000					
Investment Income Offset	(25,000)					
Discounted Loss and ALAE	$309,000	$364,000	$420,000	$488,000	$571,000	$683,000
Rate per $100 of 2012-13 Payroll	$1.76	$2.08	$2.40	$2.79	$3.26	$3.90

Combined

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Recommended Range Target 80% CL	Recommended Range High 85% CL	Conservative 90% CL
Loss and ALAE	$537,000					
Investment Income Offset	(31,000)					
Discounted Loss and ALAE	$506,000	$607,000	$686,000	$781,000	$899,000	$1,057,000
Rate per $100 of 2012-13 Payroll	$2.89	$3.46	$3.92	$4.46	$5.13	$6.03

The funding recommendations shown in the table above do not include any recognition of the existing funding margin at June 30, 2012. They are for losses and allocated loss adjustment expenses only, and do not include a provision for claim administration, loss control, overhead, excess insurance premiums, and other expenses associated with the program.

The following tables show our funding recommendations for the Small Cities Organized Risk Effort for the 2012-13 fiscal year, assuming an SIR of $750,000.

Small Cities Organized Risk Effort (SIR = $750,000)
Self-Insured Liability Program
Loss and ALAE Funding Guidelines for 2013-14
Banking Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Recommended Range Target 80% CL	Recommended Range High 85% CL	Conservative 90% CL
Loss and ALAE	$204,000					
Investment Income Offset	(7,000)					
Discounted Loss and ALAE	$197,000	$243,000	$266,000	$293,000	$328,000	$374,000
Rate per $100 of 2013-14 Payroll	$1.12	$1.39	$1.52	$1.67	$1.87	$2.13

Pooling Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Recommended Range Target 80% CL	Recommended Range High 85% CL	Conservative 90% CL
Loss and ALAE	$343,000					
Investment Income Offset	(25,000)					
Discounted Loss and ALAE	$318,000	$374,000	$432,000	$502,000	$587,000	$701,000
Rate per $100 of 2013-14 Payroll	$1.82	$2.13	$2.47	$2.87	$3.35	$4.00

Combined

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Recommended Range Target 80% CL	Recommended Range High 85% CL	Conservative 90% CL
Loss and ALAE	$547,000					
Investment Income Offset	(32,000)					
Discounted Loss and ALAE	$515,000	$617,000	$698,000	$795,000	$915,000	$1,075,000
Rate per $100 of 2013-14 Payroll	$2.94	$3.52	$3.98	$4.54	$5.22	$6.14

The funding recommendations shown in the table above do not include any recognition of the existing funding margin at June 30, 2013. They are for losses and allocated loss adjustment expenses only, and do not include a provision for claim administration, loss control, overhead, excess insurance premiums, and other expenses associated with the program.

The following tables show our funding recommendations for the Small Cities Organized Risk Effort for the 2012-13 fiscal year, assuming an SIR of $1,000,000.

Small Cities Organized Risk Effort (SIR = $1,000,000)
Self-Insured Liability Program
Loss and ALAE Funding Guidelines for 2012-13

Banking Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Recommended Range Target 80% CL	Recommended Range High 85% CL	Conservative 90% CL
Loss and ALAE	$203,000					
Investment Income Offset	(6,000)					
Discounted Loss and ALAE	$197,000	$243,000	$266,000	$293,000	$328,000	$374,000
Rate per $100 of 2012-13 Payroll	$1.12	$1.39	$1.52	$1.67	$1.87	$2.13

Pooling Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Recommended Range Target 80% CL	Recommended Range High 85% CL	Conservative 90% CL
Loss and ALAE	$355,000					
Investment Income Offset	(27,000)					
Discounted Loss and ALAE	$328,000	$369,000	$431,000	$510,000	$612,000	$751,000
Rate per $100 of 2012-13 Payroll	$1.87	$2.11	$2.46	$2.91	$3.49	$4.29

Combined

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Recommended Range Target 80% CL	Recommended Range High 85% CL	Conservative 90% CL
Loss and ALAE	$558,000					
Investment Income Offset	(33,000)					
Discounted Loss and ALAE	$525,000	$612,000	$697,000	$803,000	$940,000	$1,125,000
Rate per $100 of 2012-13 Payroll	$3.00	$3.49	$3.98	$4.58	$5.37	$6.42

The funding recommendations shown in the table above do not include any recognition of the existing funding margin at June 30, 2012. They are for losses and allocated loss adjustment expenses only, and do not include a provision for claim administration, loss control, overhead, excess insurance premiums, and other expenses associated with the program.

The following tables show our funding recommendations for the Small Cities Organized Risk Effort for the 2013-14 fiscal year, assuming an SIR of $1,000,000.

Small Cities Organized Risk Effort (SIR = $1,000,000)
Self-Insured Liability Program
Loss and ALAE Funding Guidelines for 2013-14

Banking Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Target 80% CL	High 85% CL	Conservative 90% CL
Loss and ALAE	$204,000					
Investment Income Offset	(7,000)					
Discounted Loss and ALAE	$197,000	$243,000	$266,000	$293,000	$328,000	$374,000
Rate per $100 of 2013-14 Payroll	$1.12	$1.39	$1.52	$1.67	$1.87	$2.13

Pooling Layer

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Target 80% CL	High 85% CL	Conservative 90% CL
Loss and ALAE	$365,000					
Investment Income Offset	(27,000)					
Discounted Loss and ALAE	$338,000	$381,000	$444,000	$525,000	$630,000	$773,000
Rate per $100 of 2013-14 Payroll	$1.93	$2.17	$2.53	$3.00	$3.60	$4.41

Combined

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Target 80% CL	High 85% CL	Conservative 90% CL
Loss and ALAE	$569,000					
Investment Income Offset	(34,000)					
Discounted Loss and ALAE	$535,000	$624,000	$710,000	$818,000	$958,000	$1,147,000
Rate per $100 of 2013-14 Payroll	$3.05	$3.56	$4.05	$4.67	$5.47	$6.55

The funding recommendations shown in the table above do not include any recognition of the existing funding margin at June 30, 2013. They are for losses and allocated loss adjustment expenses only, and do not include a provision for claim administration, loss control, overhead, excess insurance premiums, and other expenses associated with the program.

The report that follows outlines the scope of our study, its background, and our conclusions, recommendations, and assumptions. Judgments regarding the appropriateness of our conclusions and recommendations should be made only after studying the report in its entirety, including the graphs, attachments, exhibits and appendices. Our report has been developed for SCORE's internal use. It is not intended for general circulation.

We appreciate the opportunity to be of service to the Small Cities Organized Risk Effort in preparing this report. Please feel free to call Mike Harrington at (916) 244-1162 or Nina Gau at (916) 244-1193 with any questions you may have concerning this report.

Sincerely,

Bickmore Risk Services

DRAFT

Mike Harrington, FCAS, MAAA
Director, Property and Casualty Actuarial Services, BRS
Fellow, Casualty Actuarial Society
Member, American Academy of Actuaries

DRAFT

Nina Gau, FCAS, MAAA
Manager, Property and Casualty Actuarial Services, BRS
Fellow, Casualty Actuarial Society
Member, American Academy of Actuaries

TABLE OF CONTENTS

I. BACKGROUND

The Small Cities Organized Risk Effort began its self-insured liability program on July 1, 1983. Its current self-insured retention is $500,000, and excess coverage is provided by the California Joint Powers Risk Management Authority. SCORE has a banking layer to $25,000 per occurrence. Each member is directly responsible for its own losses within the banking layer. Losses above $25,000 are pooled to SCORE's self-insured retention. Claims administration services are provided by York Insurance Services. Additional background on the program is shown in Appendix K.

The purpose of this review is to provide a guide to SCORE to determine reasonable funding levels for its self-insurance program according to the funding policy SCORE has adopted and to comply with Governmental Accounting Standards Board Statements #10 and #30. The specific objectives of the study are to estimate SCORE's liability for outstanding claims as of June 30, 2012 and June 30, 2013, project ultimate loss costs for 2012-13 and 2013-14, and provide funding guidelines to meet these liabilities and future costs.

II. CONCLUSIONS AND RECOMMENDATIONS

A. LIABILITY FOR OUTSTANDING CLAIMS

Graphs 1a, 1b and 1c on the following pages summarize our assessment of SCORE's funding position as of June 30, 2012. The dark-colored bars indicate our estimates of the program's liability for outstanding claims before recognition of the investment income that can be earned on the assets held before the claim payments come due.

Our best estimate of the full value of SCORE's liability for outstanding claims within its self-insured retention (SIR) as of June 30, 2012 is $206,000 for the banking layer and $849,000 for the pooling layer for a total of $1,055,000. These amounts include losses, allocated loss adjustment expenses (ALAE), but exclude unallocated loss adjustment expenses (ULAE). ALAE is the direct cost associated with the defense of individual claims (e.g. legal fees, investigation fees, court charges). ULAE is the cost to administer claims to final settlement, which may be years in the future (e.g. claims adjusters' salaries, taxes).

There is some measure of uncertainty associated with our best estimate because of the random nature of much of the process that determines ultimate claims costs. For this reason, we generally recommend that a program such as this include some funding margin for the possibility that actual loss costs will be greater than the best estimate. We generally measure the amount of this margin by thinking in terms of the probability distribution of actual possible results around our best estimate. As the margin grows, the probability that the corresponding funding amount will be sufficient to meet actual claim liabilities increases. We typically refer to this probability as the "confidence level" of funding. Graphs 1a, 1b and 1c show the liabilities for outstanding claims at several confidence levels that are typically of interest to risk managers in formulating funding policies for self-insurance programs.

SCORE can earn investment income on the assets it holds until claims payments come due. Assuming a long-term average annual return on investments of 3%, we estimate the impact of investment income earnings to be about 5% if the program is funded within the range indicated in the graphs, resulting in a discounted liability for outstanding claims of $200,000 for the banking layer and $805,000 for the pooling layer for a total of $1,005,000 as of June 30, 2012.

Investment income earnings will be less than this when the program does not maintain sufficient funding, and more when there is excess funding. Thus, thinking in terms of liabilities discounted for investment income can actually mask funding deficiencies and redundancies that might otherwise be obvious. However, the discounted liabilities do represent legitimate funding targets. The light-colored bars on Graphs 1a, 1b and 1c show our estimates of SCORE's discounted liability for outstanding claims.

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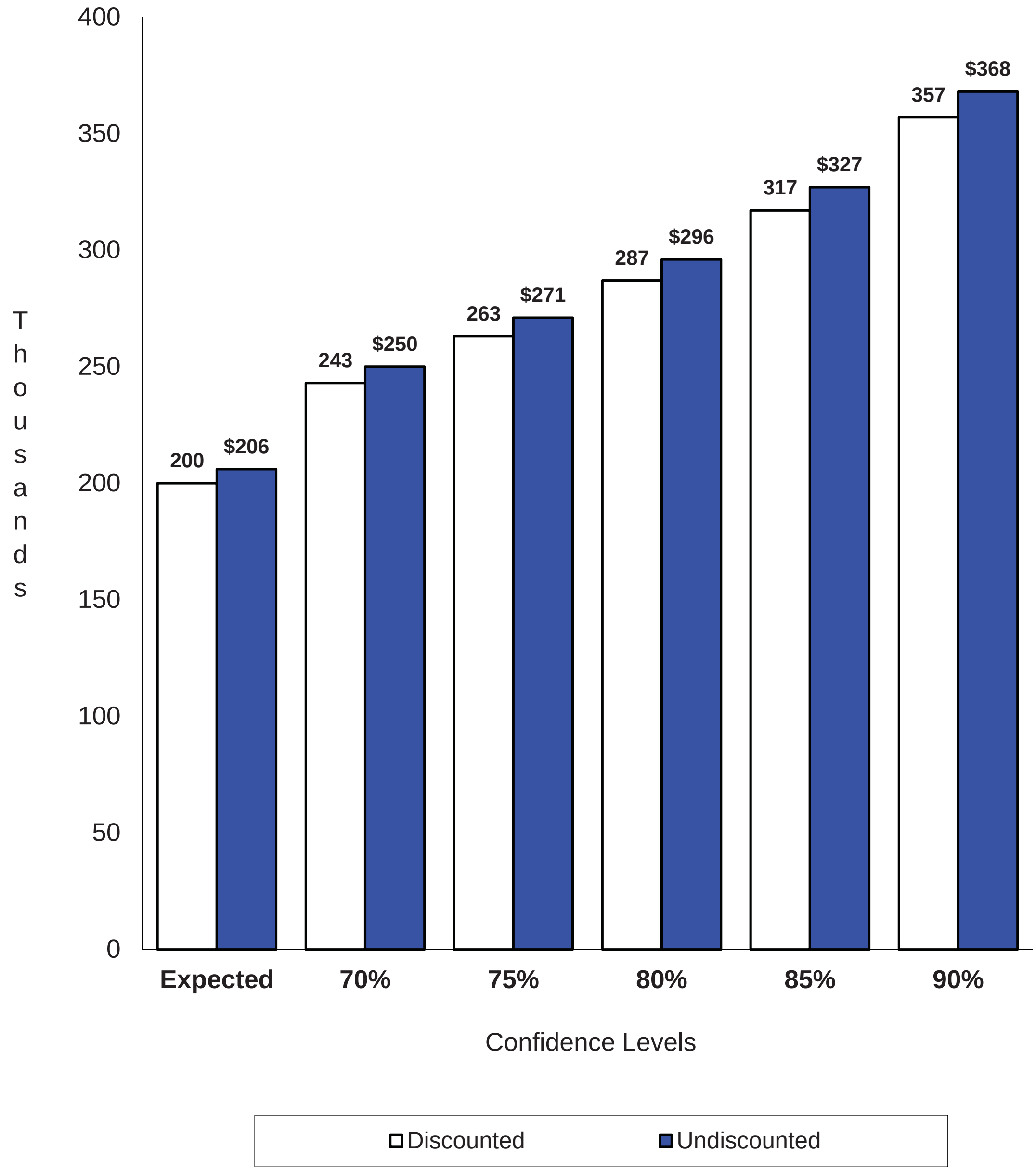
Graph 1a

Small Cities Organized Risk Effort - Liability
Outstanding Liability ($000's)
at June 30, 2012
Banking Layer



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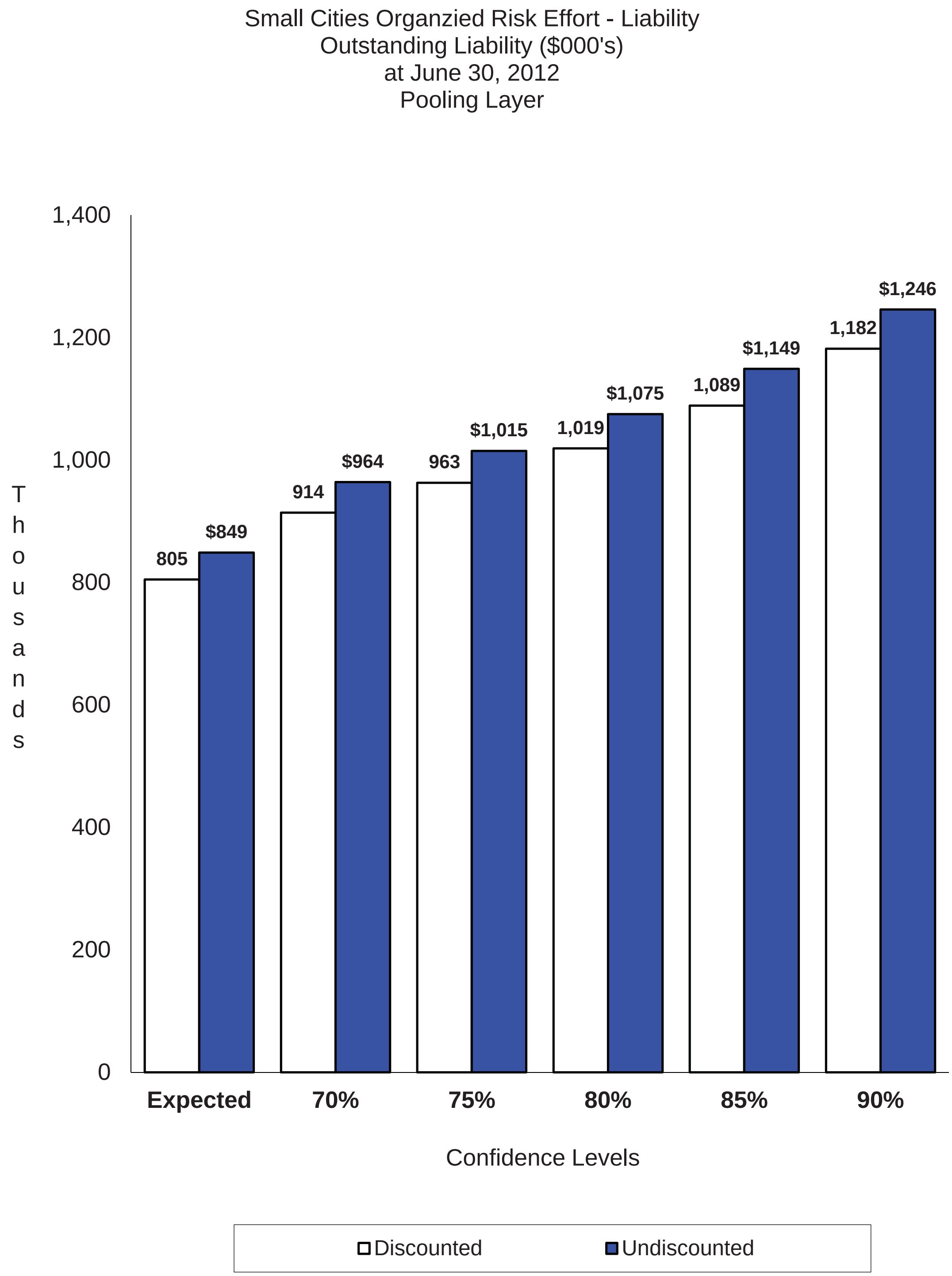
Graph 1b



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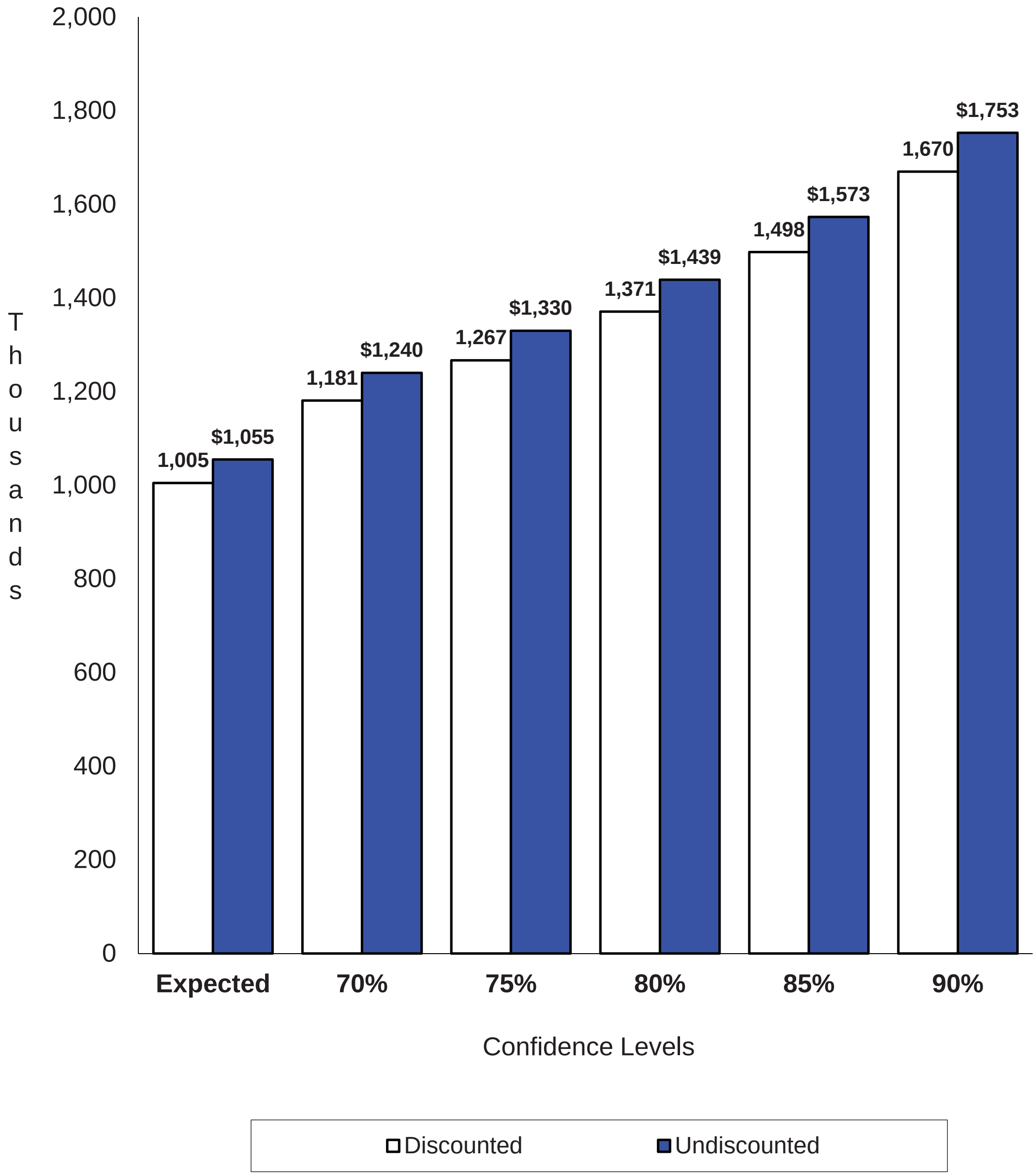
Graph 1c

Small Cities Organized Risk Effort - Liability
Outstanding Liability ($000's)
at June 30, 2012
Combined



The table below displays a breakdown of the program's outstanding loss and ALAE liabilities into case reserves and incurred but not reported (IBNR) reserves at June 30, 2012, before recognition of investment income.

Small Cities Organized Risk Effort
Self-Insured Liability Program – Pooling Layer
Estimated Liability for Unpaid Loss and ALAE at June 30, 2012

Year	Case Reserves	IBNR Reserves	Total Outstanding
2006-07	$712	$4,503	$5,215
2007-08	230	12,514	12,744
2008-09	4,425	50,125	54,550
2009-10	21,679	100,937	122,616
2010-11	209,393	173,792	383,185
2011-12	56,502	213,910	270,412
Loss and ALAE	$292,941	$555,781	$848,722

B. PROGRAM FUNDING: GOALS AND OBJECTIVES

As self-insurance programs have proliferated among public entities, it has become apparent that there is a large measure of inconsistency in the way in which these programs recognize and account for their claims costs. This is the result of the fact that there have been several different sources of guidance available, none of which has been completely relevant to public entity self-insurance programs.

According to the Governmental Accounting Standards Board (GASB), the most relevant source of guidance on the subject is Financial Accounting Standards Board Statement #60. A liability for unpaid claim costs, including all loss adjustment expenses, should be accrued at the time the self-insured events occur. This liability should include an allowance for incurred but not reported claims. It may be discounted for investment income at an appropriate rate of return, provided the discounting is disclosed. The regulations detailing the way in which this must be done are outlined in GASB's statements #10 and #30. These regulations are required to be applied by SCORE.

GASB #10 and #30 do not address funding requirements. They do, however, allow a range of funded amounts to be recognized for accounting purposes; specifically, GASB #10 and #30 which allow recognition of a funding margin for unexpectedly adverse loss experience. Thus, for accounting purposes, it is possible to formulate a funding policy from a range of alternatives. The uncertainty in any estimate of the program's liability for outstanding claims should be taken into consideration in determining funding policy, but it may be offset by recognizing anticipated investment income earnings. This usually means developing a funding program based on discounted claims costs with some margin for unexpected adverse loss experience.

The amount of the margin should be a question of long-term funding policy. We recommend that the margin be determined by thinking in terms of the probability that a given level of funding will prove to be adequate. For example, a reasonable goal might be to maintain a fund at the 85% confidence level.

A key factor to consider in determining funding policy is the degree to which stability is required in the level of contributions to the program from year to year. If you elect to fund at a low confidence level, the chances are much greater that future events will prove that additional contributions should have been made for current claims. The additional contributions for years by that time long past may be required at the same time that costs are increasing dramatically on then-current claims. The burden of funding increases on past years as well as on current years, may well be prohibitive.

We generally recommend maintaining program funding at the 80% confidence level, after recognition of investment income, with a recommended range of the 75% to 85% confidence levels. We tend to think of the 70% confidence level as marginally acceptable and of the 90% confidence level as conservative. We recommend the 75% to 85% confidence level range because the probabilities are reasonably high that resulting funding will be sufficient to meet claim liabilities, yet the required margins are not so large that they will cause most self-insured entities to experience undue financial hardship. In addition, within this range, anticipated investment income generally offsets the required margin for the most part, which means that it is also reasonable to think of the liabilities as being stated on an undiscounted basis.

We also strongly believe, however, that the confidence level to which any future year is funded should be evaluated in light of the relative certainty of the assumptions underlying the actuarial analysis, SCORE's other budgetary constraints, and the relative level of risk it is believed appropriate to assume. This means formulating both short and long-term funding goals, which may be the same in some years, but different in others.

In general, we recommend that you fund each year's claims costs in that year. When surpluses or deficiencies have developed on outstanding liabilities and funding adjustments are necessary, they should be clearly identified as such so that the habit of funding each year's claims costs that year is maintained. We also recommend that you reduce surplus funding more slowly than you would accumulate funding to make up a deficiency.

C. COMPARISON WITH PREVIOUS RESULTS

The prior report for the Small Cities Organized Risk Effort was dated March 11, 2011. In the table below we display actual versus expected development of incurred losses and ALAE by accident year between the 12/31/2010 evaluation date of the prior report and the 12/31/2011 evaluation date of the current report.

Actual Versus Expected Incurred Loss and ALAE Development – Pooling Layer

Accident Year	Expected Incurred Development	Actual Incurred Development	Actual Minus Expected
Prior	$0	$0	$0
1991-92	0	0	0
1992-93	0	0	0
1993-94	0	0	0
1994-95	0	0	0
1995-96	0	0	0
1996-97	0	0	0
1997-98	0	0	0
1998-99	0	0	0
1999-00	0	0	0
2000-01	0	0	0
2001-02	0	0	0
2002-03	0	0	0
2003-04	0	0	0
2004-05	0	175,777	175,777
2005-06	18,000	(11,600)	(29,600)
2006-07	0	0	0
2007-08	18,000	108,808	90,808
2008-09	105,000	1	(104,999)
2009-10	206,000	40,452	(165,548)
2010-11	173,000	200,597	27,597
Total	$520,000	$514,035	($5,965)

As shown, actual incurred development was less than anticipated since the prior report. The greater than expected loss development in 2004-05, 2007-08 and 2010-11 years have been more than offset by favorable loss development in 2005-06, 2008-09 and 2009-10 years.

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In the table below we display the change in our estimates of the program's ultimate losses and ALAE by accident year since our prior report.

Change in Ultimate Loss and ALAE – Pooling Layer

Accident Year	Prior Report	Current Report	Change In Ultimate
Prior	$466,423	$466,423	$0
1991-92	0	0	0
1992-93	61,415	61,415	0
1993-94	90,358	90,358	0
1994-95	104,476	104,476	0
1995-96	515,829	515,829	0
1996-97	60,280	60,280	0
1997-98	484,839	484,839	0
1998-99	41,697	41,697	0
1999-00	626,047	626,047	0
2000-01	197,109	197,109	0
2001-02	386,085	386,085	0
2002-03	873,533	873,640	107
2003-04	428,967	428,967	0
2004-05	120,336	296,336	176,000
2005-06	371,530	341,702	(29,828)
2006-07	516,130	523,000	6,870
2007-08	423,000	519,000	96,000
2008-09	290,000	170,000	(120,000)
2009-10	354,000	191,000	(163,000)
2010-11	458,000	465,000	7,000
Total	$6,870,054	$6,843,203	($26,851)

As shown, overall we have decreased our estimated ultimates by $27,000 since our prior report. The less than anticipated loss development mentioned above translates to a decrease in our estimates of ultimate losses. These changes generally track with the actual versus expected incurred loss development shown in the previous table.

At the time of the prior report, we estimated the liability for outstanding claims as of June 30, 2011 to be $970,000 at the discounted, expected level. Our current estimate as of June 30, 2012, is $805,000, a decrease in our assessment of SCORE's outstanding liabilities, as shown below:

Outstanding Claim Liabilities for Loss and ALAE – Pooling Layer

	Prior Report at June 30, 2011	Current Report at June 30, 2012	Change
Case Reserves:	$266,000	$293,000	$27,000
IBNR Reserves:	757,000	556,000	(201,000)
Total Reserves:	$1,023,000	$849,000	($174,000)
Offset for Investment Income:	(53,000)	(44,000)	9,000
Total Outstanding Claim Liabilities:	$970,000	$805,000	($165,000)

As shown, our estimate of outstanding claims liabilities at the discounted, expected level has decreased between June 30, 2011 and June 30, 2012 as reflected in our prior and current reports respectively.

The decrease in claim reserves (case and IBNR) is driven primarily by favorable loss development, resulting in a $174,000 decrease in total claim reserves. This decrease in reserves leads to a smaller offset for investment income. The net change due to the above factors is an overall decrease of $165,000 in our estimate of outstanding claim liabilities for loss and ALAE.

At the time of the prior report, our funding estimate for the 2011-12 year was $435,000 at the discounted, expected level. That amount included allocated loss adjustment expenses (ALAE), and a discount for anticipated investment income, but excluded unallocated loss adjustment expenses (ULAE). Our current estimate for the 2012-13 year is $278,000 at the discounted, expected level, a decrease in the program's expected loss costs, as shown in the table below:

Comparison of Funding for Loss and ALAE – Pooling Layer

	Prior Report 2011-12 Pooling Layer $25K - $500K	Current Report 2012-13 Pooling Layer $25K - $500K	Change
Ultimate Loss and ALAE:	$468,000	$300,000	($168,000)
Offset for Investment Income:	(33,000)	(22,000)	11,000
Total Recommended Funding:	$435,000	$278,000	($157,000)
Funding per $100 of Payroll:	$1.67	$1.59	($0.08)

As you can see, our funding recommendations at the discounted, expected level have decreased between 2011-12 and 2012-13, as shown in our prior and current reports respectively.

Our estimates of ultimate loss and ALAE have decreased by $168,000, driven by favorable loss development coupled with a large decrease in payroll. Investment income is expected to be lower. The net change due to the above factors is an overall decrease of $157,000 in our annual funding estimate for loss and ALAE.

E. DATA PROVIDED FOR THE ANALYSIS

Overall, the data utilized in preparing this report appears to be accurate.

Comments and issues regarding the data are as follows:

- We have assumed that the program's self-insured retention will remain at $500,000 per occurrence for 2012-13 (See Appendix K).
- We received loss data evaluated as of 12/31/2011 (See Appendix L). We also utilized the data from SCORE's most recent actuarial study for our assessment of loss development.
- We have assumed that SCORE's payroll for 2012-13 will be $17,519,812 based upon information provided by SCORE (See Appendix M).

The data provided for the analysis appears to be reasonable for use in this actuarial valuation of liabilities and projection of loss costs.

III. ASSUMPTIONS AND LIMITATIONS

Any quantitative analysis is developed within a very specific framework of assumptions about conditions in the outside world, and actuarial analysis is no exception. We believe that it is important to review the assumptions we have made in developing the estimates presented in this report. By doing so, we hope you will gain additional perspective on the nature of the uncertainties involved in maintaining a self-insurance program. Our assumptions, and some observations about them, are as follows:

- Our analysis is based on loss experience, exposure data, and other general and specific information provided to us by SCORE. We have accepted all of this information without audit.
- We have also made use of loss statistics that have been developed from the information gathered and compiled from other California public entity liability programs.
- We have assumed that the future development of incurred and paid losses can be reasonably predicted on the basis of development of such losses in the recent past. We have also assumed that the historical development patterns for similar liability programs in the aggregate form a reasonable basis of comparison to the patterns from the Small Cities Organized Risk Effort's data.
- We have made use of cost relationships for claims of various sizes derived from the most recent actuarial review of other California public entities with self-insured liability programs in the aggregate.
- We have assumed that there is a continuing relationship between past and future loss costs.
- It is not possible to predict future claim costs precisely. Most of the cost of liability claims arise from a small number of incidents involving serious injury. A relatively small number of such claims could generate enough loss dollars to significantly reduce, or even deplete, the self-insurance fund.
- We cannot predict and have not attempted to predict the impact of future law changes and court rulings on claims costs. This is one major reason why we believe our funding recommendations are reasonable now, but should not be extrapolated into the future.
- We have assumed that the loss rate trend associated with claim costs increases at 0.5% per year. We have assumed that claim severity increases at 2.5% per year, and that claim frequency decreases at 2.0% per year.
- We have assumed that payroll and other inflation-sensitive exposure measures increase 2.5% annually due to inflation.

- We have assumed that assets held for investment will generate an annual return of 3%.
- The claims costs we have estimated include indemnity and medical payments, and all loss adjustment expenses. We have not included estimates for excess insurance contributions and other expenses associated with the program based upon information provided by SCORE.
- Our funding recommendations do not include provisions for catastrophic events not in SCORE's history, such as earthquakes, flooding, mass civil disorder, or mass occupational disease.
- Our estimates assume that all excess insurance is valid and collectible. Further, our funding recommendations do not include a provision for losses greater than SCORE's excess coverage.
- We have assumed that SCORE's payroll will remain at the 2011-12 level for both the 2012-13 and 2013-14 program years.

IV. GLOSSARY OF ACTUARIAL TERMS

Accident Year - Year during which the accidents that generate a group of claims occurs, regardless of when the claims are reported, payments are made, or reserves are established.

Allocated Loss Adjustment Expenses (ALAE) - Expense incurred in settling claims that can be directly attributed to specific individual claims (e.g., legal fees, investigative fees, court charges, etc.)

Case Reserve - The amount left to be paid on a claim, as estimated by the claims administrator.

Claim Count Development Factor - A factor that is applied to the number of claims reported in a particular accident period in order to estimate the number of claims that will ultimately be reported.

Claim Frequency - Number of claims per $1 million payroll.

Confidence Level - An estimated probability that a given level of funding will be adequate to pay actual claims costs. For example, the 85% confidence level refers to an estimate for which there is an 85% chance that the amount will be sufficient to pay loss costs.

Discount Factor - A factor to adjust estimated loss costs to reflect anticipated investment income from assets held prior to actual claim payout.

Expected Losses - The best estimate of the full, ultimate value of loss costs.

Incurred but not Reported (IBNR) Losses - Losses for which the accident has occurred but the claim has not yet been reported. This is the ultimate value of losses, less any amount that has been set up as reported losses by the claims adjuster. It includes both amounts for claims incurred but not yet received by the administrator and loss development on already reported claims.

Loss Development Factor - A factor applied to losses for a particular accident period to reflect the fact that reported and paid losses do not reflect final values until all claims are settled (see Section IV).

Loss Rate - Ultimate losses per $100 payroll.

Non-Claims Related Expenses – Program expenses not directly associated with claims settlement and administration, such as excess insurance, safety program expenses, and general overhead. These exclude expenses associated with loss settlements (Indemnity/Medical, BI/PD), legal expenses associated with individual claims (ALAE), and claims administration (ULAE).

Outstanding Losses - Losses that have been incurred but not paid. This is the ultimate value of losses less any amount that has been paid.

Paid Losses - Losses actually paid on all reported claims.

Program Losses - Losses, including ALAE, limited to the SIR for each occurrence.

Reported Losses - The total expected value of losses as estimated by the claims administrator. This is the sum of paid losses and case reserves.

Self-Insured Retention (SIR) - The level at which an excess insurance policy is triggered to begin payments on a claim. Financially, this is similar to an insurance deductible.

Severity - Average claim cost.

Trend Factor - Factor used to adjust historical losses to the current level of Liability costs.

Ultimate Losses - The value of claim costs at the time when all claims have been settled. This amount must be estimated until all claims are actually settled.

Unallocated Loss Adjustment Expenses (ULAE) – Claim settlement expenses that cannot be directly attributed to individual claims (e.g., claims adjusters' salaries, taxes, etc.)

Small Cities Organized Risk Effort
Board of Directors Meeting
March 23, 2012

Agenda Item J.6.

**APPROVAL OF 2012 GENERAL LIABILITY
RETROSPECTIVE ADJUSTMENT CALCULATION**

ACTION ITEM

ISSUE: The Board should review and adopt the Retrospective Adjustment calculations for the General Liability Program as presented by Gilbert and Associates.

RECOMMENDATION: The Program Administrator will make a recommendation at the meeting after the Retrospective Adjustment calculation has been reviewed. *Mike and Susan will be meeting with Gilbert on Monday (after agenda packet mailing) to review these reports in detail before the Board receives them.*

FISCAL IMPACT: Unknown.

BACKGROUND: In accordance with the Liability Master Plan Document, SCORE calculates the funds available for returns by Program Year annually. All years are adjusted under the banking layer, (i.e. loss amounts under $25,000) but only 75 percent of the cities' positive balance is eligible to be declared as a dividend. The adjustment to the Shared Risk, (i.e. above $25,000 to $500,000) is limited to those years which have the five years or more to reach full maturity.

The Board of Directors may declare a return amount. However, such ability is limited that returns from any year as long as returns do not reduce the funding of the year or the Program as a whole below the 70 percent confidence level. See Liability Master Plan Document, Article III, Section 3, C (4).

Mike and Susan will be meeting with Gilbert on Monday (after agenda packet mailing) to review these reports in detail before the Board receives them.

ATTACHMENTS: Liability Master Plan Document.

HANDOUTS: Retrospective Rating Calculations will be distributed at the meeting.

SMALL CITIES ORGANIZED RISK EFFORT
MASTER PLAN DOCUMENT
FOR THE
LIABILITY PROGRAM

(ALSO KNOW AS THE PROGRAM BYLAWS)

EFFECTIVE JUNE 16, 2006
AS AMENDED JUNE 25, 2010
AS AMENDED JUNE 24, 2011

ARTICLE I – GENERAL

1. PURPOSE

A. One of the primary purposes in forming the Small Cities Organized Risk Effort Joint Powers Authority, hereinafter SCORE, was to create a method for providing coverage for legal damages incurred by the member agencies and SCORE because of General Liability, Automobile Liability, Public Officials Errors and Omissions and other public liabilities. The Joint Exercise of Powers Agreement and the Bylaws have been created and duly approved to provide the "Member Entities" with this coverage. This Liability Master Plan Document, hereinafter the LMPD sets forth the manner in which these services shall be delivered to the membership. The Program shall use the concepts and techniques of pooled sharing of operating costs and losses above the banking layer. The Liability Program may purchase excess coverage or participate in other risk sharing pools above those limits provided by the Liability Program pools as authorized by the Board of Directors of SCORE. SCORE may also purchase reinsurance above a set retention per occurrence and/or in the aggregate as authorized by the Board of Directors of SCORE.

B. The Board of Directors has the right to alter the terms and conditions of the pooled underlying coverage in response to the needs and abilities of the Liability Program, the "Member Entities", and the availability of coverage from outside sources.

2. SEPARATE PROGRAM YEARS

A. PROGRAM YEARS

1) "Program Years" shall be defined as the losses incurred during the period from July 1st of each year to June 30th of the following year. The income and expenses of each "Program Year" shall be accounted separately from any other "Program Years" income or expenses. The Liability Program shall charge "deposit premiums" to each “Participating Member” at inception of the year to fund the cost of losses and expenses anticipated for the life of the "Program Years". "Retrospective Adjustments" may be made annually, subject to criteria set forth in this LMPD.

2) The life of the "Program Year" may be many years, as it cannot be completed until all claims incurred during the "Program Year" are closed, and it is very improbable that new claims for that "Program Year" will arise. The "Program Year" shall remain open until the Board of Directors authorizes closure, being convinced that known claims for the year are closed, and no further claims will be discovered.

B. ACTUARIALLY SOUND PROGRAM YEARS

1) To assure each "Program Year" is "actuarially sound" as a separate unit, the Liability Program shall charge each “Participating Member” a "deposit premium" based on an actuarial projection of losses for the year and the exposure of loss presented by each “Participating Member”.

2) To maintain actuarial soundness, the Liability Program shall have actuarial studies done annually and take appropriate action if the “Program Year” should be deficient actuarially. For such actions, please see Article III – Premiums, Rates and Assessments.

3. FINANCING THE PROGRAM

A. DEPOSIT PREMIUMS

The Administrator, in conjunction with an actuary, shall prepare rates and "deposit premiums" adequate to fund the actuarially determined losses in the shared risk and banking layers of the Liability Program, including attorney fees and other claims related costs, the cost of excess coverage, and the projected administrative costs of the Liability Program. These rates and “deposit premiums” shall be approved by the Board as part of SCORE’s annual budget.

B. RETROSPECTIVE ADJUSTMENTS

"Dividends" for a "Program Year" may be made provided that a reserve surplus exists which exceeds a reserve requirement established by the 70th percentile confidence level, calculating expected interest earnings at a rate no higher than the prevailing rates at the time of the distribution. The Liability program will also maintain a MINIMUM EQUITY threshold of $2,500,000 (5 times the anticipated retailed limit of $500,000) Dividends may not be declared from the shared risk layer prior to the fifth anniversary of the Program Year. Article III Section 2(B) sets forth the procedures to be followed in the determination of amounts to be refunded to the individual "Member Entities".

Effective July 1, 2011, it is understood that funds of a “Participanting Member” that withdraws from SCORE’s Workers’ Compensation Plan will remain with SCORE until such time as the “Program Year” is closed. If a “Program Year” is not closed and the “Participating Member” would be eligible for a distribution, they may annually send a written request for release of their funds to the Board of Directors.

This action will require a 2/3 approval of the Board of Directors as specified in the JPA Bylaws, Article III, Section 1, paragraph B.6.

C. ASSESSMENTS

Assessments shall be made when the Liability Program, as a whole, is found to be actuarially under-funded. The Liability Program is under-funded when an actuarial study has determined that the available reserves are less than an amount of expected outstanding claims liabilities, calculating expected interest earnings at a rate no higher than the prevailing rates at the time of the assessment.

4. AMENDMENTS TO THIS PLAN

The provisions of this document may be amended by a two-thirds vote of the Directors, provided prior written notice has been given to the "Participating Members". An Item on an Agenda for a Board of Directors meeting constitutes prior written notice of such proposed amendments.

ARTICLE II - COVERAGE

1. GENERAL DESCRIPTION

A. COVERAGE PROVIDED

1) The Board of Directors shall approve this document which shall provide the means for the members of SCORE to pool their resources to pay for General Liability, Automobile Liability, Public Officials Errors and Omissions claims and other public liability claims as deemed appropriate and for which coverage is extended to the "Participants" of this Liability Program. An account shall be established from which losses and expenses of the Liability Program shall be paid.

2) SCORE shall provide another document, separate and apart from this document, which shall be entitled the Liability Memorandum of Coverage (LMOC). This Memorandum of Coverage shall provide for the indemnification of the covered parties for liability because of General Liability, Automobile Liability, Public Officials Errors and Omissions and other public liabilities as the Board of Directors deems appropriate, subject to any exclusions of coverage stated in the LMOC. The LMOC may provide coverage by incorporation of other documents with or without amendments. Those express provisions in the LMOC shall supersede any provision of a document that has been incorporated into the LMOC that is inconsistent with those express provisions.

3) The LMOC shall be adopted by the majority of the directors at a SCORE Board of Directors meeting. The Board of Directors may amend the LMOC at any time in the same manner and restrictions as imposed upon the adoption of the LMOC.

B. LIMITS OF COVERAGE

1) This Liability Program shall provide a self-funded banking and shared risk layer, where economically practical, with total "limits of coverage" of at least $500,000 per occurrence.

2) The Banking Layer shall consist of that amount of all claims arising out of one occurrence or wrongful act up to $25,000.

3) The Shared Risk Layer shall consist of that amount of all claims arising out of one occurrence that exceeds the amount within the Banking Layer to the extent the claims are retained by SCORE.

4) The Liability Program may obtain for its "Participating Members" and SCORE limits in excess of the self-funded coverage through the purchase of excess insurance, reinsurance, or participation in a joint powers agreement or other self-insurance plans.

C. POLICY TERM, RENEWAL, AND CANCELLATION

1) The period of the coverage shall be the same period of time covered by the "Program Year". The coverage shall commence at 12:01 a.m. local time, on July 1st at the location of the SCORE office. The coverage shall expire at 12:01 a.m. local time on the July 1st following commencement of coverage. Renewal periods shall follow the same dates. Cancellation by withdrawal of a "Participating Member" shall only be permitted at the end of a "Program Year". Cancellation by expulsion of the "Member Entity" shall be as determined by the Board of Directors.

2. AUTHORITY TO ALTER COVERAGE AND CONTRACT FOR EXCESS COVERAGE

A. The Board of Directors may, from time to time, alter the coverage provided in the Memorandum of Coverage based on the needs of the "Participating Members", costs, the funds available, insurance available and other factors.

B. Only the Board of Directors may purchase excess insurance, reinsurance, and participate in other pooling arrangements as authorized by the Government Code Section 6500 et seq or other self-insurance plan.

3. DISTRIBUTION

A copy of this document and the Memorandum of Coverage shall be provided to each "Participating Member". All endorsements or other changes to the Liability Program shall be distributed, as occurring, to the "Participating Members". All documents shall be deemed provided if the designated representative for the "Participating Member" receives a copy of such document in person or if the document has been duly mailed in the U.S. Postal system or any other delivery system with tracking and verification of delivery to the address of the representative on file with SCORE.

ARTICLE III – PREMIUMS, RATES, AND ASSESSMENTS

1. DEPOSIT PREMIUM CALCULATIONS

A. The annual "deposit premium" for each "Participating Member" shall be calculated utilizing:

1) a deposit for the “Banking Layer” using an actuarially determined expected loss rate at an 70 percent confidence level,

2) a deposit for the “Shared Risk Layer” using an actuarially determined expected loss rate at an 70 percent confidence level,

3) a charge for excess coverage and

4) A charge for the "Administrative Expenses" of the Liability Program as adopted by the Board of Directors.

5) The above-mentioned deposits may be determined at a confidence level greater or less than 70 percent only by a two-thirds vote of the Directors.

B. The deposit for the “Banking Layer” shall be determined by multiplying the “Participating Member’s” projected payroll for the “Program Year” by the rate determined by the actuary.

C. The deposit for the “Shared Risk Layer” shall be determined by multiplying the “Participating Member’s” projected payroll for the “Program Year” by an experience modification factor times the rate determined by the actuary.

1) The Experience Modification Factor for the member shall be determined by:

i. Dividing the member’s losses for the five (5) years immediately preceding the one for which the deposit is being calculated not to exceed $50,000 any one occurrence by the payroll for the same period. This calculates the member’s Loss Rate.

ii. Then dividing the member’s loss rate by the loss rate for SCORE as a whole during the same period using the total losses and payroll for all the members, calculating a Relative Loss Rate for the member.

iii. This Relative Loss Rate will be multiplied by a Credibility Factor to which one minus the Relate Loss Rate will be added. This sum will be the Experience Modification Factor.

iv. A Credibility Factor will be calculated by dividing the member's payroll by the member's payroll plus a constant (i.e. member's payroll/ (member's payroll + constant)). The constant will be one times the largest member's payroll.

D. The cost of excess coverage shall be charged to each "Participating Member" in the same proportion as the projected payroll is to the total payroll.

E. The "Administrative Expenses" charged to each "Participating Member" is calculated by:

1) Multiplying fifty (50) percent of the "Administrative Expenses" by a factor derived by dividing the "Participating Member's" projected payroll for the "Program Year" by the total projected payroll of all "Participating Members"'; plus

2) A share of the remaining "Administrative Expenses" that is equal among all the members.

F. Notwithstanding the super-majority vote under 1.A. of this Article, the Board of Directors may impose a minimum and/or a maximum deposit. Should that be the case, the portion of the deposit premium that is for the banking layer shall be adjusted accordingly.

2. ADJUSTMENTS TO ACCOUNT BALANCES

A. ASSESSMENTS

If the Liability Program as a whole is not actuarially sound, that is where the funds for losses are less than the expected losses as determined by the actuary, an assessment against all "Participating Members" of the "Program Years" that are found to be actuarially unsound, shall be assessed a portion of the deficiency of funding according to the following calculation:

1) Each "Participating Member" of the earliest "Program Year" with a deficit balance shall be assessed to the extent that the "Participating Member" has a deficit balance in that year using the calculation of account balances as described in the Retrospective Adjustment Section below. However, such calculation shall use funding at an actuarially expected loss level.

2) If the funds collected from assessing the year under A1, above, are insufficient to fund the Program above a deficit balance, the next earliest "Program Year" with a deficit will be assessed in the same fashion as the first year, per A1 above.

3) A.2 above will be repeated until such time as sufficient funds have been raised to eliminate the deficit of the Program as a whole.

4) "Participating Members" that have withdrawn from the Workers; Compensation Plan are still responsible for assessments as detailed in Article V. – Participation, Section 2.b. of this document.

B. RETROSPECTIVE ADJUSTMENT

It is understood that the funds of the JPA are those of the JPA and no member may demand payment of the funds allocated to them via the Retrospective Adjustment or any other manner of distribution other than the declaration of a dividend by the Board or in accordance with distribution described in the Joint Powers Agreement upon the dissolution of SCORE.

Effective July 1, 2011, "Participants" that withdraw from SCORE's Workers' Compensation plan, agree that any available funds' allocated to them in the Shared Risk Layer, will remain with SCORE until such time as the "Program Year" is closed. This includes funds allocated to them via the "Retrospective Adjustment" or any other manner of distribution other than the declaration of a dividend by the Board or in accordance with distribution described in the Joint Powers Agreement upon the dissolution of SCORE. If a "Program Year" is not closed and the "Participating Member" would be eligible for a distribution, they may annually send a written request for release of their funds to the Board of Directors. This action will require a 2/3 approval of the Board of Directors as specified in the JPA Bylaws, Article III, Section 1, paragraph B.6.

1) TIMING

a. Shared Risk Layer – five (5) years after the end of the "Program Year", a "Retrospective Adjustment" shall be calculated for potential distribution or surcharge. Every year after the first "Retrospective Adjustment", there shall be additional adjustments until the "Program Year" is closed.

b. Banking Layer – a "Retrospective Adjustment" shall be calculated at the end of the "Program Year" for potential distribution or surcharge. Every year after the first "Retrospective Adjustment", there shall be additional adjustments until the "Program Year" is closed. Typically, the Board of Directors refrains from returning 25 percent of the positive balances.

c. The Board of Directors may waive the collection of all members having a negative net balance or a net surcharge, provided the waiver will not leave the Liability Program funded below the 70 percent confidence level. This waiver may apply to the shared risk or the banking layer separately or together.

d. The Board of Directors need not declare a dividend or may declare a dividend that is something less than the "Retrospective Adjustment" calculates.

2) CALCULATION OF ACCOUNT BALANCES – SHARED RISK

a. Each "Participating Member" will be credited for their "deposit premiums" paid to the Shared Risk Layer and any assessments paid for the "Program Year". Allocated interest for the year will be added to the amount determined above. This amount will constitute the Total Revenues credited to the "Entity's" Shared Risk account for the "Program Year".

b. From the amount calculated in 2a, above, the cost of claims shall be subtracted.

   i. If the "Program Year" adjusted is the Program Year 2002-2003, then the total claims and IBNR in the shared risk layer for the shared risk layer shall be allocated based on an Adjusted Exposure Base calculated by:

      - Dividing five (5) consecutive years of losses for each member limited to $50,000 any one occurrence starting with the "Program Year" for which the adjustment is being calculated by the total deposits to the Liability Program of the member for those corresponding four (4) years. This calculates the member's loss rate for the period.
      - Dividing the above loss ratio by the loss ratio for SCORE as a whole during the same period. This comparison of the loss rate of each member to the loss rate of SCORE for the same four (4) year period calculates a Relative Loss Rate or the member's deviation from the norm as a ratio.
      - Multiply the Relative Loss Rate by the Credibility Factor and then add one minus the credibility factor. This produces the Experience Modification Factor.
         - The credibility factor is determined by dividing the member's four (4) year total deposits by the sum of the member's total deposit plus the smallest of the total deposit of any of the members. Thus, the smallest member will have a credibility factor of 50 percent and all other members will have a credibility factor of 50 percent or greater.
      - The Adjusted Exposure Base is calculated by multiplying the four (4) years of deposits calculated earlier by the Experience Modification Factor.

   ii. If the "Program Year" is the Program Year 2003-2004 or later, then the Adjusted Exposure Base is the Share Risk deposit for the "Program Year" divided by the total of all members' Shared Risk deposit for the year.

c. The total amount of incurred claims within the share risk layer plus the IBNR at the 70 percent confidence level, plus any amounts reserved for shock losses as determined by the Board of Directors is distributed to the members in proportion to their Adjusted Exposure Base is to the total Adjusted Exposure Base for SCORE as a whole. This amount will be the Total Claims Costs for the member.

d. The Funds in Excess of Costs is determined by subtracting the Total Claims Costs from the Total Revenues.

e. The Account Balance for the member in any "Program Year" is the Funds in Excess of Costs less any prior returns plus any prior surcharges. This amount, or any portion of this amount, may be distributed to the member after approval from the

Board and only if the "Program Year" is at least five (5) years old and the Program as a whole will not be under an 70 percent confidence level after the return or dividend.

3) CALCULATION OF ACCOUNT BALANCE – BANKING LAYER

a. Each "Participating Member" will be credited for their deposit premiums paid to the Banking Layer and any assessments paid for the "Program Year". Allocated interest for the year will be added to the amount determined above. In addition, returns or surcharges from the excess coverage shall be credited or debited. This amount will constitute the Total Revenues credited to the "Entity's" Banking Layer account for the "Program Year".

b. The amount credited for the returns from the excess coverage, or debited for the surcharges from the excess coverage, shall be allocated to the "Participating Members" in the same proportion as the member's Banking Layer deposit is to the total deposits of all "Participating Members".

c. From the amount calculated in 3a, above, the cost of claims incurred within the Banking Layer by the member shall be subtracted. This amount shall include any payments made for the member from the Funds for Legal Assistance.

d. In addition, an amount shall be deducted for IBNR at an 70 percent confidence level plus any amount for shock losses the Board of Directors determines should be withheld for financial security. The amount to be deducted from the member shall be the same proportion of the amount to be charged to the "Program Year" as is the member's Banking Layer deposit to the total Banking Layer deposits of all the members. The result will be the Funds in Excess of Costs.

e. Any excess funds charged, or shortage of funds, for "administrative expenses" at the beginning of the "Program Year" for the Liability Program shall be added to, or subtracted from, the Funds in Excess of Costs, allocating such "administrative expenses" half by payroll for the period and half equally among the members.

f. Finally, any prior returns, or prior surcharges shall be subtracted from, or credited to, the Funds in Excess of Costs.

g. The result of the above calculation will provide the ending account balance for the Banking Layer of which the Board may return all or any portion of the excess funds provided such return will not leave the Liability Program, or the "Program Year", below an 70 percent confidence level.

4) DISTRIBUTION

Upon completion of the calculation described above, if there is a net negative balance in the individual accounts, the "Participant" shall not receive a refund for that "Program Year". Participants with a negative balance may apply monies from its other program that have a positive balance as payment against the negative balance. "Participants" with positive balances may receive a refund, as determined by the Board of Directors. However, the total refunds for any one "Program Year" shall not exceed the actuarially determined surplus for that year. Further, the total refunds for any one "Program Year" shall be limited to the actuarially determined surplus for the Liability Program as a whole less any refunds granted from prior "Program Year's".

C. CLOSING OF PROGRAM YEARS

1) The Board of Directors may close a "Program Year" as described in Article I Section 2A.

1) Upon closure of a "Program Year", a final calculation of account balances shall be made as described in Section 3g above, and the account balances shall be returned if positive, or surcharged if negative, to the "Participating Member" and to Participating Members that have withdrawn from the Plan
2) The Board of Directors retains the right to assess any and all "Member Entities" including Member Entities that have withdrawn from the Plan participating in a closed "Program Year", if such "Program Year" should incur additional expenses after closure.

ARTICLE IV - ADMINISTRATION

1. ORGANIZATION AND RESPONSIBILITIES

A. RELATION TO SCORE STRUCTURE

1) This document shall be considered to be an integral part of the Bylaws of SCORE. From time to time, resolutions of SCORE Board of Directors may be adopted which may take precedence over this document for a limited period of time; however, it is intended that any change thus enacted by resolution that is intended to be permanent shall be incorporated into an amendment to this document.

2) SCORE Administrator shall administer the Liability Program and report to the Board of Directors.

B. BOARD OF DIRECTORS' RESPONSIBILITIES

The Board of Directors shall:

1) Adopt this document and make changes to it as seen appropriate,

2) Adopt a Memorandum of Coverage and Declarations Page where appropriate,

3) Review applications to participate in the Liability Program from other agencies and determine their acceptability to the Program,

4) Approve budgets, rates, assessments, dividends and surcharges, and closures of "Program Years".

5) Approve all contracts for services for one (1) year or more. However, contracts for the Board of Directors need not approve legal representation provided to a covered party under the Memorandum of Coverage.

6) Meet at least annually to review the developments and performance of this program. This duty is fulfilled by discussion of developments and performance of this program as a part of a general or special Board of Directors meeting.

C. ADMINISTRATORS DUTIES AND RESPONSIBILITIES

The Program Administrator shall:

1) Use his best efforts to administer the Liability Program such as to achieve the objectives and goals of the Program and SCORE.

2) Shall administer the Liability Program in a manner that will provide claim and cost accountability for each "Program Year", separate and apart from all other "Program Years", and from other programs of SCORE.

3) Act as an arbitrator where disputes arise between an "Participant" and the Claims Adjustor;

4) Provide the members with ongoing review of coverages provided by this Liability Program including any excess coverage; and

5) Maintain and distribute to the members the documents of this Program;

6) Assist in the selection of a Claims Adjusting company, including evaluation of service in both the claims handling and reporting services;

7) Oversee performance of the Claims Adjustor with special emphasis on the handling of "open claims";

8) Present claims audits to the Board of Directors, with recommendations of changes in claims procedures where appropriate.

9) Prepare a budget for each "Program Year" for approval by the Board of Directors before the "Program Year";

10) Ensure that Retrospective Adjustments for previous "Program Years", and rates and "deposit premiums" for each new "Program Year" are calculated in the manner described in Article II;

11) Present the findings of the actuarial studies to the Board of Directors and recommend actions where "Program Years" are, or are likely to be, in the near future actuarially unsound;

12) Ensure that all "Participating Members" are invoiced for "deposit premiums" and other amounts due; and

13) Ensure that timely quarterly and annual financial statements describing the financial condition of the Liability Program is presented to the Board of Directors.

D. RISK ANALYST

The Risk Analyst shall:

1) Visit each "Participant" at least once a year,

   a. The Board of Directors may list specific areas on which these inspections should place special emphasis.

   b. A written safety report shall be sent to the "Participating Member" within thirty (30) days after the visit summarizing areas for improvement. Each "Participating Member" shall respond to the report within forty-five (45) days after receipt.

2) Provide consultation and advice as respects issues of safety and loss control as requested.

2. ELIGIBILITY AND APPLICATION

A. WHO MAY PARTICIPATE IN THE LIABILITY PROGRAM

1) All "Entities" which are members of SCORE may participate in the Liability Program after review and a vote by two-thirds of the Board of Directors.

2) New agencies applying for membership in this Liability Program shall submit an application for participation. A history of liability claims for at least five (5) years must be presented for review.

B. DATE OF MEMBERSHIP

It is desirable that new agencies enter the Liability Program at the commencement of a new "Program Year". If the new applicant enters at any other time, the "deposit premium" may be prorated for the remainder of the "Program Year", and covered losses of the new applicant which occur on or after the date of membership will be paid; however, the new applicant shall be required to share losses for the pool for the entire year, just as if it had begun its membership in the pool at the beginning of the "Program Year".

ARTICLE V - PARTICIPATION

1. ELIGIBILITY AND APPLICATION

A. ELIGIBILITY

1) To participate in the Liability Program, the "Entity" must be a member of SCORE. Participation in the Liability Program is **mandatory**.

2) The "Entity" must initially commit to at least three (3) full "Program Years" of participation in the Liability Program.

3) The "Entity" must apply for participation by providing a completed and signed resolution obligating the "Entity" to participate for the required three (3) years and accepting the rules and regulations set forth in this document. The "Entity" requesting to participate in the Liability Program shall submit five (5) years of Liability loss experience, complete an Exposure Analysis Questionnaire, and provide copies of the last four (4) quarterly DE-6 reports.

4) The "Entity" should provide the resolution form, the experience information, and the DE-6 reports at least sixty (60) days prior to the inception of the "Program Year" in which they will commence participation, or the date the "Entity" desires coverage to begin.

B. APPROVAL OF APPLICATION

1) The Coverage Committee shall, from a review of the Resolution and other underwriting criteria, determine the acceptability of the exposures presented by the requesting "Entity".

2) The Administrator shall advise, in writing, the requesting "Entity" of the decision of the Coverage Committee to accept or reject the request within ten (10) working days after the decision.

2. PARTICIPANTS' DUTIES

A. PROVIDE UNDERWRITING CRITERIA

1) Each participant shall provide copies of the DE-6 report quarterly within fifteen (15) days after filing with the State.

2) Each participant shall, upon request, complete an exposure questionnaire.

3) Each participant shall cooperate with SCORE in the claim management, loss control, underwriting, and actuarial activities of SCORE.

B. PAYMENT OF PREMIUMS AND OTHER CHARGES

1) Each year, on or around July 1st, SCORE shall invoice "Participating Members" for a Liability "Deposit Premium" for the next "Program Year". The annual invoice shall be due and payable on July 1, and shall be delinquent if not paid on or before the last working day in July.

2) A "Participating Member" may be invoiced an additional amount because of assessments to bring a "Program Year" into a state of actuarial soundness or a surcharge arising out of a “Retrospective Adjustment.” This invoicing is due and payable upon receipt and delinquent if not paid on or before thirty (30) calendar days after receipt. The date of receipt shall be determined as the date the billing was presented in person to a representative of the "Entity", or three (3) days after posting the billing in the U.S. Mail.

3) "Entities" which have formerly participated in the Liability Program, but have since withdrawn as a participant, shall be required to pay all applicable billings for the "Program Years" in which they participated. Delinquent billings shall be treated in the same manner as set forth above as if the "Entity" were still a “Participant”.

4) Failure to pay billings, penalties, or the accrued interest shall be considered grounds for removal of the "Participant" from the Liability Program and may result in the expulsion of the "Participant" from SCORE.

5) Failure to pay billings, penalties, or accrued interest thereon shall constitute a breech of the agreement between the former "Participating Member" and SCORE. The former "Participating Member" shall be liable for the billings, penalties, accrued interest, and all costs incurred by SCORE in the enforcement of all provisions set forth in this document.

3. TERMINATION OF PARTICIPATION

A. A "Participating Member" in one "Program Year" shall participate in the next "Program Year" unless:

1) A request to terminate participation is received from the "Participating Member" at least six (6) months prior to the inception of the next “Program Year”,

2) A termination notice from the President advising the Board of Directors that action to expel the “Participating Member” has been sent to the "Participating Member", or

3) The “Participant” is no longer a “Member Entity”.

B. Termination of participation in future "Program Years" does not relieve the terminated "Entity" of any benefits or obligations of those "Program Years" in which the "Entity" participated. These obligations include payment of assessments, "Retrospective Adjustments", or any other amounts due and payable.

C. The Board of Directors may terminate future participation by an "Entity" for the following reasons:

1) Declination to cover the "Entity" by the organization providing excess coverage;

2) Nonpayment of past billings, assessments, surcharges, or other charges;

3) Habitual late payment of billings, assessments, surcharges, and/or other charges, or habitual late response in submitting data required by the Liability Program;

4) Failure to provide underwriting information;

5) Development of an extraordinarily poor loss history;

6) A substantial change in exposures that are not acceptable in this program; and/or

7) Financial impairment that is likely to jeopardize this Program's ability to collect amounts due in the future.

ARTICLE VI – CLAIMS ADMINISTRATION

1. SELECTION OF ADJUSTOR

A. The Board of Directors shall review proposals for claims adjusting services and may enter into contract based on the qualifications and experience of the proposer. The adjusting company shall have the capacity, and shall report claims activities in such a manner that the segregated accounting requirement of the Liability Program can be easily administered.

2. CLAIMS ADJUSTING SERVICE

The claims adjusting company shall:

A. Accept notices or reports of claims on behalf of the "Participating Members" and SCORE;

B. Maintain a complete and separate file for each claim reported, including actions taken, amounts reserved, and amounts paid by date;

C. Report claims as needed to the excess coverage provider, document amounts due from the excess coverage and follow through with collection of such amounts,

D. Make available for inspection and review by SCORE or its agents any and all claims files, provided reasonable notice of inspection and reasonable time and place is set for review;

E. Report claims activity monthly to the Administrator and each "Participant"

3. CLAIMS PROCEDURES MANUAL

A. A Liability Claims Procedures Manual, including reporting procedures, forms, and other vital information shall be adopted by the Board of Directors and provided to all "Participants".

B. The Board of Directors may adopt amendments to the Liability Claims Procedures Manual. Any amendments shall not be effective for fifteen (15) days after distribution of the amendments to the "Member Entities".

C. All "Participating Members" shall be held accountable for understanding and abiding by the procedures stated in this Manual, as well as any changes thereto.

4. DUTY TO REPORT CLAIM

A. Timely reporting of claims is essential to efficient claims management. Thus, any claim shall be reported to the Claims Adjustor immediately, as set forth in the Claims Procedures Manual.

B. The Liability Claims Procedures Manual shall include forms and detailed procedures for claims reporting. It is the responsibility of each "Participating Member" to ensure that the persons handling claims at the "Participant's" place of business knows the claims procedures set forth in the Manual.

5. CLAIMS AUDIT

A. At least once every two (2) years, the adequacy of claims adjusting shall be examined by an independent auditor who specializes in claims auditing.

B. The Board of Directors shall direct the Administrator to obtain the services of a claims auditor chosen by the Board and present the finding of the audit to the Board of Director.

C. The claims audit report shall address the issues of adequacy of claims procedures, the implementation of the litigation management procedures and the accuracy of claims data.

6. SETTLEMENT AUTHORITY

A. Each "Participating Member" shall have settlement authority for its claims within the banking layer.

B. The Executive Committee shall have authority to settle claims within the banking layer, even without the "Participating Member's" approval, but only after notice of such intent is given to the "Participating Member" experiencing the claim.

C. The Claims Adjuster shall have authority up to $5,000 in excess of that which has already been paid or authorized to settle claims.

D. The Board of Directors retains unto itself the authority to approve settlement of all other claims.

E. If a settlement of a claim requires approval by the Board, except for the fact that the Board will not have a regularly scheduled Board meeting sufficiently early enough to take action on a settlement offer, the Executive Committee may authorize settlement, but only after the President determines that the settlement opportunity will not exist until the next regularly scheduled Board meeting and the settlement is not sufficiently controversial to justify the time and expense required to call a special Board Meeting. Such action by the Executive Committee will be reported at the next Board meeting.

7. DISPUTES REGARDING MANAGEMENT OF A CLAIM

A. Any matter in dispute between a "Participating Member" and the Claims Adjustor shall be called to the attention of the Program Administrator who shall bring it to the Board of Directors or, if the matter must be resolved prior to the next regularly scheduled Board meeting, the Administrator shall bring it to the attention of the Executive Committee.

B. The decision of the Board of Directors or Executive Committee shall be final and not appeasable to a higher authority.

ARTICLE VII - DEFINITIONS

1. **"Actuarially sound"** means that the "Program Year" has sufficient funds to pay the expected cost of claims as determined by a certified actuary and the "Administrative Expenses" for the "Program Year".

2. **"Administrative Expenses"** means those expenses incurred by the Liability Program that are not incurred due to any specific claim and does not constitute a reserve for future expected changes in the size of existing claims or discovery of previously unknown claims. "Administrative Expenses" shall include expenses of the Authority that are allocated to the Liability Program.

3. **"Banking Layer"** shall be that amount of all claims arising out of one occurrence where 100 percent of the claims will be charged against the "Participant's" account.

4. **“Claim”** means, if not otherwise defined within the context, to be all demands for compensation by third party claimants against a covered party arising out of one occurrence.

5. **“Entity”** means a governmental body, including any commissions, agencies, districts, authorities, boards, or other similar government body under the direct control of the governmental body which is eligible to participate in a Joint Powers Authority. A “Member Entity” is one who has been accepted into SCORE.

6. **“Limits of Coverage”** means the maximum amount of financial protection afforded any “Member Entity” or “entities”.

7. **“Obligated Reserves”** means reserves for expected claims expenses, determined by an actuarial study, not attributable to any known claim. This is sometimes called IBNR.

8. **“Participant”** or **“Participating Member”** is a “Member Entity” that participates in the Liability Program.

9. **“Program Year”** means the period of coverage from July 1st of any one year to July 1st of the next year as provided by the Memorandum of Coverage.

10. **“Share Risk Layer”** means the amount of all claims from one occurrence exceeding the “Banking Layer” but not more than the total amount retained by SCORE.

11. **“Programs”** means Liability or Workers’ Compensation Programs.

Agenda Item J.7.

DECLARATION OF 2012 GENERAL LIABILITY RETROSPECTIVE DISTRIBUTION

ACTION ITEM

ISSUE: The Board should declare a Liability Retrospective Adjustment as presented.

RECOMMENDATION: **The Program Administrator will make a recommendation at the meeting after further review of the calculations.** *Mike and Susan will be meeting with Gilbert on Monday (after agenda packet mailing) to review these reports in detail before the Board receives them.*

The Program Administrator **is recommending;** that, if a member has a debit balance in any of their programs, any refunds be applied to that debit balance first and then the balance returned to the member.

FISCAL IMPACT: Unknown.

BACKGROUND: The Board of Directors has used the Retrospective Adjustments to provide guidance in the amounts declared in the past. Assuming the Board has adopted the Retrospective Adjustment Calculations of the previous item, it would be consistent to declare a retrospective adjustment for the members with either a positive or negative value.

ATTACHMENTS: None.

SCORE
Small Cities Organized Risk Effort
A Joint Powers Authority

Agenda Item J.8.

APPROVAL OF 2012 WORKERS' COMPENSATION RETROSPECTIVE ADJUSTMENT CALCULATION

ACTION ITEM

ISSUE: The Board should review and adopt the Retrospective Adjustment calculations for the Workers' Compensation Program as presented by Gilbert and Associates.

RECOMMENDATION: The Program Administrator will make a recommendation at the meeting after the Retrospective Adjustment calculation has been reviewed. *Mike and Susan will be meeting with Gilbert on Monday (after agenda packet mailing) to review these reports in detail before the Board receives them.*

FISCAL IMPACT: Unknown.

BACKGROUND: In accordance with the Workers' Compensation Master Plan Document, SCORE annually recalculates the funds available for retrospective adjustment by Program Year. All years are adjusted under the banking layer, i.e. loss amounts under $25,000, but only 75 percent of the cities' positive balances are eligible to be declared as an adjustment. The adjustment to the Shared Risk, i.e. above $25,000 to $500,000, is limited to those years which have had five years or more to mature.

The Board of Directors has used the Retrospective Adjustments to provide guidance in the amounts declared in the past.

The Board of Directors may declare the retrospective adjustment amount. However, such ability is limited that adjustments from any year so long as such dividend do not reduce the funding of the year or the Program as a whole below the 70 percent confidence level. See Workers' Compensation Master Plan Document, Article III, Section 3, C.

The Workers' Compensation Retrospective Calculations will be forwarded under separate cover.

ATTACHMENTS: Workers' Compensation Master Plan Document.

HANDOUTS: Retrospective Rating calculation will be distributed at the meeting.

SMALL CITIES ORGANIZED RISK EFFORT
MASTER PLAN DOCUMENT
FOR THE
WORKERS' COMPENSATION PROGRAM
(ALSO KNOWN AS THE PROGRAM BYLAWS)

EFFECTIVE JUNE 27, 2003
AS AMENDED JUNE 25, 2010
AS AMENDED JUNE 24, 2011

ARTICLE I - GENERAL

1. PURPOSE

A. One of the primary purposes in forming the Small Cities Organized Risk Effort Joint Powers Authority, hereinafter SCORE, was to create a method for providing coverage for legal liabilities unexpectedly incurred by the member agencies. In response to the members' liabilities arising out of the California Workers' Compensation Act and other liabilities for bodily injury to employees, SCORE established the Workers' Compensation Program. This Workers' Compensation Master Plan Document, hereinafter the WCMPD sets forth the manner in which these services shall be delivered to the membership. The Program shall use the concepts and techniques of pooled sharing of operating costs and losses above the banking layer. The Workers' Compensation Program may purchase excess coverage or participate in other risk sharing pools above those limits provided by the Workers' Compensation Program shared risk layer as authorized by the Board of Directors of SCORE. SCORE may also purchase reinsurance above a set retention per occurrence and/or in the aggregate as authorized by the Board of Directors of SCORE.

B. The Board of Directors has the right to alter the terms and conditions of the underlying coverage in response to the needs and abilities of the Workers' Compensation Program, the "Member Entities", and the availability of coverage from outside sources.

2. SEPARATE PROGRAM YEARS

A. PROGRAM YEARS

"Program Years" shall be defined as the losses incurred during the period from July 1st of each year to June 30th of the following year. The income and expenses of each "Program Year" shall be accounted separately from any other "Program Year's" income or expenses. The Workers' Compensation Program shall charge "deposit premiums" to each participating member at inception of the year to fund the cost of losses and expenses anticipated for the life of the "Program Year". "Retrospective Adjustments" may be made annually, subject to criteria set forth in this WCMPD.

The life of the "Program Year" may be many years, as it cannot be completed until all claims incurred during the "Program Year" are closed, and it is very improbable that new claims for that "Program Year" will arise. The "Program Year" shall remain open until the Board of Directors authorizes closure, being convinced that known claims for the year are closed, and no further claims will be discovered.

B. ACTUARIALLY SOUND PROGRAM YEARS

To assure each "Program Year" is "actuarially sound" as a separate unit, the Workers' Compensation Program shall charge each participating member a "deposit premium" based on an actuarial projection of losses for the year and the exposure of loss presented by each participating member.

To maintain actuarial soundness, the Workers' Compensation Program shall have actuarial studies done annually and take appropriate action if the "Program Year" should be deficient actuarially. For such actions, please see Article III - Premiums, Rates and Assessments.

3. FINANCING THE PROGRAM

A. DEPOSIT PREMIUMS

The Administrator, in conjunction with an actuary, shall prepare rates and "deposit premiums" adequate to fund the actuarially determined losses in the shared risk and banking layers of the Workers' Compensation Program, including attorney fees and other claims related costs, the cost of excess coverage, and the projected administrative costs of the Workers' Compensation Program. These rates and "deposit premiums" shall be approved by the Board as part of SCORE's annual budget.

B. RETROSPECTIVE ADJUSTMENTS

"Dividends" for a "Program Year" may be made provided that a reserve surplus exists which exceeds a reserve requirement established by the 70th percentile confidence level, calculating expected interest earnings at a rate no higher than the prevailing rates at the time of the distribution. The Workers' Compensaton program will also maintain a MINIMUM EQUIY threshold of $1,250,000 (5 times the anticipated retained limit of $250,000). Dividends may not be declared from the shared risk layer prior to the fifth anniversary of the Program Year. ARTICLE III Section 3 sets forth the procedures to be followed in the determination of amounts to be refunded to the individual "Member Entities".

Effective July 1, 2011, it is understood that funds of a "Participanting Member" that withdraws from SCORE's Workers' Compensation Plan will remain with SCORE until such time as the "Program Year" is closed. If a "Program Year" is not closed and the "Participating Member" would be eligible for a distribution, they may

annually send a written request for release of their funds to the Board of Directors. This action will require a 2/3 approval of the Board of Directors as specified in the JPA Bylaws, Article III, Section 1, paragraph B.6.

C. ASSESSMENTS

Assessments shall be made when the Workers' Compensation Program, as a whole, is found to be actuarially under-funded. The Workers' Compensation Program is under-funded when an actuarial study has determined that the available reserves are less than an amount of expected outstanding claims liabilities, calculating expected interest earnings at a rate no higher than the prevailing rates at the time of the assessment.

4. AMENDMENTS TO THIS PLAN

The provisions of this document may be amended by a two-thirds vote of the Directors, provided prior written notice has been given to the "Participating Members". An Item on an Agenda for a Board of Directors meeting constitutes prior written notice of such proposed amendments.

ARTICLE II - COVERAGE

1. GENERAL DESCRIPTION

A. COVERAGE PROVIDED

1) The Board of Directors shall approve this document which shall provide the means for the members of SCORE to pool their resources to pay for workers' compensation and employer's liability claims and for which coverage is extended to the "Participants" of this Workers' Compensation Program. An account shall be established from which losses and expenses of the Workers' Compensation Program shall be paid.

2) SCORE shall provide another document, separate and apart from this document, which shall be entitled the Workers' Compensation Memorandum of Coverage (WCMOC). This Memorandum of Coverage shall provide for the indemnification of the covered parties for liability because of bodily injury to employees, as the Board of Directors deems appropriate, subject to any exclusions of coverage stated in the WCMOC. The WCMOC may provide coverage by incorporation of other documents with or without amendments. Those express provisions in the WCMOC shall supersede any provision of a document that has been incorporated, whether such document is the Labor Code or otherwise, into the WCMOC that is inconsistent with those express provisions.

3) The WCMOC shall be adopted by the majority of the directors at a SCORE Board of Directors meeting. The Board of Directors may amend the WCMOC at any time in the same manner and restrictions as imposed upon the adoption of the WCMOC.

B. LIMITS OF COVERAGE

1) This Workers' Compensation Program shall provide a self-funded banking and shared risk layer, where economically practical, with total "limits of coverage" of at least $150,000 per occurrence.

2) The Banking Layer shall consist of that amount of all claims arising out of one occurrence up to $25,000.

3) The Shared Risk Layer shall consist of that amount of all claims arising out of one occurrence that exceeds the amount within the Banking Layer to the extent the claims are retained by SCORE.

4) The Workers' Compensation Program may obtain for its participating members and SCORE limits in excess of the self-funded coverage through the purchase of excess insurance, reinsurance, or participation in a joint powers agreement or other self-insurance plans.

C. POLICY TERM, RENEWAL, AND CANCELLATION

1) The period of the coverage shall be the same period of time covered by the "Program Year". The coverage shall commence at 12:01 a.m. local time, on July 1st at the location of the SCORE office. The coverage shall expire at 12:01 a.m. local time on the July 1st following commencement of coverage. Renewal periods shall follow the same dates. Cancellation by withdrawal of a "Participating Member" shall only be permitted at the end of a "Program Year". Cancellation by expulsion of the "Member Entity" shall be as determined by the Board of Directors.

2. AUTHORITY TO ALTER COVERAGE AND CONTRACT FOR EXCESS COVERAGE

A. The Board of Directors may, from time to time, alter the coverage provided in the Memorandum of Coverage based on the needs of the "Participating Members", costs, the funds available, insurance available and other factors.

B. Only the Board of Directors may purchase excess insurance, purchase reinsurance, participate in other pooling arrangements as authorized by the Government Code Section 6500 et seq or other self-insurance plan.

3. DISTRIBUTION

A copy of this document and the Memorandum of Coverage shall be provided to each "Participating Member". All endorsements or other changes to the Workers' Compensation Program shall be distributed, as occurring, to the "Participating Members". All documents shall be deemed provided if the designated representative for the "Participating Member" receives a copy of such document in person or if the document has been duly mailed in the U.S. Postal system or any other delivery system with tracking and verification of delivery to the address of the representative on file with SCORE.

ARTICLE III – PREMIUMS, RATES AND ASSESSMENTS

1. MINI-CITIES POOL

A 'Mini-Cites" pool shall constitute those "Participating Members" who have elected, in writing, to participate in it and for which the Board of Directors has agreed by a vote of two-thirds of the Directors. For purposes of this Article, such "Mini-Cities" pool shall be treated as if it were a single "Participating Member".

A. "Deposit Premiums" for the "Mini-Cities" pool, as calculated in Section 2 below, shall be distributed to its members in the proportion the member's payroll is to the total payroll of all the members of the "Mini-Cities" pool.

B. Assessments, Dividends, or Surcharges for the "Mini-Cities" pool, as calculated under Section 3 below, shall be distributed to its members in the proportion the member's deposit premium for the appropriate "Program Year" was to the deposit premium for the "Mini-Cities" pool as a whole.

C. The Board of Directors will establish rules for admission to the Mini-Cities Pool.

2. DEPOSIT PREMIUM CALCULATIONS

A. The annual "deposit premium" for each "Participating Member" shall be calculated utilizing:

1) a deposit for the "Banking Layer" using an actuarially determined expected loss rate at an 70 percent confidence level,

2) a deposit for the "Shared Risk Layer" using an actuarially determined expected loss rate at an 70 percent confidence level,

3) a charge for excess coverage and

4) a charge for the "Administrative Expenses" of the Workers' Compensation Program as adopted by the Board of Directors.

The above-mentioned deposits may be determined at a confidence level greater or less than 70 percent only by a two-thirds vote of the Directors.

B. The deposit for the "Banking Layer" shall be determined by multiplying the "Participating Member's" projected payroll for the "Program Year" by the rate determined by the actuary.

C. The deposit for the "Shared Risk Layer" shall be determined by multiplying the "Participating Member's" projected payroll for the "Program Year" by experience modification factor times the rate determined by the actuary.

1) The Experience Modification Factor for the member shall be determined by:

i. Dividing the member's losses for the four (4) years immediately preceding the one for which the deposit is being calculated not to exceed $50,000 any one occurrence by the payroll for the same period. This calculates the member's Loss Rate.

ii. Then dividing the member's loss rate by the loss rate for SCORE as a whole during the same period using the total losses and payroll for all the members, calculating a Relative Loss Rate for the member.

iii. This Relative Loss Rate will be multiplied by a Credibility Factor to which one minus the Relate Loss Rate will be added. This sum will be the Experience Modification Factor.

iv. A Credibility Factor will be calculated by dividing the member's payroll by the members' payroll plus a constant, i.e. member's payroll (member's payroll + constant). The constant will be one times the largest member's payroll.

D. The cost of excess coverage shall be charged to each "Participating Member" in the same proportion as the projected payroll is to the total payroll.

E. The "Administrative Expenses" charged to each "Participating Member" is calculated by:

1) multiplying 50 percent of the "Administrative Expenses" by a factor derived by dividing the "Participating Member's" projected payroll for the Program Year by the total projected payroll of all "Participating Members"'; plus

2) A share of the remaining "Administrative Expenses" that is equal among all the members.

F. Notwithstanding the super-majority vote under 2.A of this Article, the Board of Directors may impose a minimum and/or a maximum deposit. Should that be the case, the portion of the deposit premium that is for the banking layer shall be adjusted accordingly.

3. ADJUSTMENTS TO ACCOUNT BALANCES

A. ASSESSMENTS

If the Workers' Compensation Program as a whole is not actuarially sound, that is where the funds for losses are less than the expected losses as determined by the actuary, an assessment against all "Participating Members" of the "Program Years" that are found to be actuarially unsound, shall be assessed a portion of the deficiency of funding according to the following calculation:

1) Each "Participating Member" of the earliest "Program Year" with a deficit balance shall be assessed to the extent that the participating Member has a deficit balance in that year using the calculation of account balances as described in the Retrospective Adjustments Section below. However, such calculation shall use funding at an actuarially expected loss level.

2) If the funds collected from assessing the year under a. above is insufficient to fund the Program above a deficit balance, the next earliest "Program Year:" with a deficit will be assessed in the same fashion as the first year per A.1 above.

3) A.2 above will be repeated until such time as sufficient funds have been raised to eliminate the deficit of the Program as a whole.

4) "Participating Members" that have withdrawn from the Workers; Compensation Plan are still responsible for assessments as detailed in Article V. – Participation, Section 2.b. of this document.

B. RETROSPECTIVE ADJUSTMENTS

It is understood that the funds of the JPA are those of the JPA and no member may demand payment of the funds allocated to them via the "Retrospective Adjustment" or any other manner of distribution other than the declaration of a dividend by the Board or in accordance with distribution described in the Joint Powers Agreement upon the dissolution of SCORE.

Effective July 1, 2011, "Participants" that withdraw from SCORE's Workers' Compensation plan, agree that any available funds' allocated to them in the Shared Risk Layer, will remain with SCORE until such time as the "Program Year" is closed. This includes funds allocated to them via the "Retrospective Adjustment" or any other manner of distribution other than the declaration of a dividend by the Board or in accordance with distribution described in the Joint Powers Agreement upon the dissolution of SCORE. If a "Program Year" is not closed and the "Participating Member" would be eligible for a distribution, they may annually send a written request for release of their funds to the Board of Directors. This action will require a 2/3 approval of the Board of Directors as specified in the JPA Bylaws, Article III, Section 1, paragraph B.6.

1) TIMING

a. Shared Risk Layer – five (5) years after the end of the "Program Year", a "Retrospective Adjustment" shall be calculated for potential distribution or surcharge. Every year after the first "Retrospective Adjustment", there shall be additional adjustments until the "Program Year" is closed.

b. Banking Layer – a "Retrospective Adjustment" shall be calculated at the end of the "Program Year" for potential distribution or surcharge. Every year after the first "Retrospective Adjustment", there shall be additional adjustments until the "Program Year" is closed. Typically, the Board of Directors refrains from returning 25 percent of the positive balances of those open years.

c. The Board of Directors may waive the collection of all members having a negative net balance or a net surcharge, provided the waiver will not leave the Workers' Compensation Program funded below the 70 percent confidence level. This waiver may apply to the shared risk or the banking layer separately or both.

d. The Board of Directors need not declare a dividend or may declare a dividend that is something less than the "Retrospective Adjustment" calculates.

2) CALCULATION OF ACCOUNT BALANCES – SHARED RISK

a. Each "Participating Member" will be credited for their "deposit premiums" paid to the Shared Risk Layer and any assessments paid for the program year. Allocated interest for the year will be added to the amount determined above. This amount will constitute the Total Revenues credited to the "Entity's" Shared Risk account for the "Program Year".

b. From the amount calculated in 2a, above, the cost of claims shall be subtracted.

   i. The cost of claims constitutes the total of incurred claims within the share risk layer plus the IBNR at the 70 percent confidence level, plus any amounts reserved for shock losses as determined by the Board of Directors.

   ii. The costs of claims are allocated to the members in the same proportion as their Shared Risk Deposit is to the total Shared Risk Deposit for the Participating Members as a whole.

c. The Funds in Excess of Costs is determined by subtracting the Total Claims Costs from the Total Revenues.

d. The Account Balance for the member in any "Program Year" is the Funds in Excess of Costs less any prior returns plus any prior surcharges. This amount, or any portion of this amount, may be distributed to the member after approval from the Board and only if the "Program Year" is at least five (5) years old and the Program as a whole will not be under an 85 percent confidence level after the return or dividend.

3) CALCULATION OF ACCOUNT BALANCE – BANKING LAYER

a. Each "Participating Member" will be credited for their deposit premiums paid to the Banking Layer and any assessments paid for the “Program Year.” Allocated interest for the year will be added to the amount determined above. In addition, returns or surcharges from the excess coverage shall be credited or debited. This amount will constitute the Total Revenues credited to the "Entity's" Banking Layer account for the "Program Year".

b. The amount credited for the returns from the excess coverage, or debited for the surcharges from the excess coverage, shall be allocated to the “Participating Members” in the same proportion as the member’s Banking Layer deposit is to the total deposits of all “Participating Members”.

c. From the amount calculated in 3a, above, the cost of claims incurred within the Banking Layer by the member shall be subtracted.

d. In addition, an amount shall be deducted for IBNR at an 70 percent confidence level plus any amount for shock losses the Board of Directors determines should be withheld for financial security. The amount to be deducted from the member shall be the same proportion as the member’s Banking Layer deposit is to the total Banking Layer deposits of all the members. The result will be the Funds in Excess of Costs.

e. Any excess funds charged, or shortage of funds, for administrative expenses at the beginning of the “Program Year” for the Workers’ Compensation Program shall be added to, or subtracted from, the Funds in Excess of Costs, allocating such administrative expenses half by payroll for the period and half equally among the members.

f. Finally, any prior returns, or prior surcharges shall be subtracted from, or credited to, the Funds in Excess of Costs.

g. The result of the above calculation will provide the ending account balance for the Banking Layer of which the Board may return all or any portion of the excess funds provided such return will not leave the Workers’ Compensation Program, or the “Program Year”, below an 70 percent confidence level.

4) DISTRIBUTION

Upon completion of the calculation described above, if there is a net negative balance in the individual accounts, the "Participant" shall not receive a refund for that "Program Year". Participants with a negative balance may apply monies from its other program that have a positive balance as payment against the negative balance. "Participants" with positive balances may receive a refund, as determined by the Board of Directors. However, the total refunds for any one “Program Year” shall not exceed the actuarially determined surplus for that year. Further, the total refunds for any one "Program Year" shall be limited to the actuarially determined surplus for the Workers' Compensation Program as a whole less any refunds granted from prior Program Years.

C. CLOSING OF PROGRAM YEARS

1) The Board of Directors may close a "Program Year" as described in Article I Section 2.A.

2) Upon closure of a "Program Year", a final calculation of account balances shall be made as described in Article 3 Section B above, and the account balances shall be returned, if positive, or surcharged if negative, to the "Participating Member" and to Participating Members that have withdrawn from the Plan

3) The Board of Directors retains the right to assess any and all "Member Entities" including Member Entities that have withdrawn from the Plan participating in a closed "Program Year", if such "Program Year" should incur additional expenses after closure.

ARTICLE IV - ADMINISTRATION

1. ORGANIZATION AND RESPONSIBILITIES

A. RELATION TO SCORE STRUCTURE

1) This document shall be considered to be an integral part of the Bylaws of SCORE. From time to time, resolutions of the SCORE Board of Directors may be adopted which may take precedence over this document for a limited period of time; however, it is intended that any change thus enacted by resolution that is intended to be permanent shall be incorporated into an amendment to this document.

2) SCORE Administrator shall administer the Workers' Compensation Program and report to the Board of Directors.

B. BOARD OF DIRECTORS' RESPONSIBILITIES

The Board of Directors shall:

1) Adopt this document and make changes to it as seen appropriate,

2) Adopt a Memorandum of Coverage and Declarations page where appropriate,

3) Review applications to participate in the Workers' Compensation Program from other agencies and determine their acceptability to the Program,

4) Approve budgets, rates, assessments, dividends and surcharges, and closures of "Program Years".

5) Approve all contracts for services for one (1) year or more. However, contracts for the Board of Directors need not approve legal representation provided to a covered party under the Memorandum of Coverage.

6) Meet at least annually to review the developments and performance of this program. This duty is fulfilled by discussion of developments and performance of this program as a part of a general or special Board of Directors meeting.

C. ADMINISTRATORS DUTIES AND RESPONSIBILITIES

The Program Administrator shall:

1) Use their best efforts to administer the Workers' Compensation Program such as to achieve the objectives and goals of the Program and SCORE.

2) Shall administer the Workers' Compensation Program in a manner that will provide claim and cost accountability for each "Program Year", separate apart from all other "Program Years", and from other programs of SCORE.

3) Act as an arbitrator where disputes arise between an "Participant" and the Claims Adjuster;

4) Provide the members with ongoing review of coverage's provided by this Workers' Compensation Program including any excess coverage; and

5) Maintain and distribute to the members the documents of this Program;

6) Assist in the selection of a Claims Adjusting company, including evaluation of quality and price of service in both the claims handling and reporting services;

7) Oversee performance of the Claims Adjuster with special emphasis on the handling of "open claims";

8) Present claims audits to the Board of Directors, with recommendations of changes in claims procedures where appropriate.

9) Prepare a budget for each "Program Year" for approval by the Board of Directors before the "Program Year";

10) Ensure that "Retrospective Adjustments" for previous "Program Years", and rates and "deposit premiums" for each new "Program Year" are calculated in the manner described in Article II;

11) Present the findings of the actuarial studies to the Board of Directors and recommend actions where "Program Years" are, or are likely to be, in the near future actuarially unsound;

12) Ensure that all "Participating Members" are invoiced for "deposit premiums" and other amounts due; and

13) Ensure that timely quarterly and annual financial statements describing the financial condition of the Workers' Compensation Program is presented to the Board of Directors.

D. SAFETY ANALYST

The Safety Analyst shall:

1) Visit each "Participant" at least once a year,

   a. The Board of Directors may enumerate areas on which these inspections should place special emphasis.

   b. A written safety report shall be sent to the "Participating Member" within 30 days after the visit summarizing areas for improvement. Each "Participating Member" shall respond to the report within 45 days after receipt.

2) Provide consultation and advice as respects issues of safety and loss control as requested.

2. ELIGIBILITY AND APPLICATION

A. WHO MAY PARTICIPATE IN THE WORKERS' COMPENSATION PROGRAM

1) All "Entities" which are members of SCORE may participate in the Workers' Compensation Program after review and a vote by two-thirds of the Board.

2) New agencies applying for membership in this Workers' Compensation Program shall submit an application for participation. A history of liability claims for at least five (5) years must be presented for review.

B. DATE OF MEMBERSHIP

It is desirable that new agencies enter the Workers' Compensation Program at the commencement of a new "Program Year". If the new applicant enters at any other time, the "deposit premium" may be prorated for the remainder of the "Program Year", and covered losses of the new applicant which occur on or after the date of membership will be paid; however, the new applicant shall be required to share losses for the pool for the entire year, just as if it had begun its membership in the pool at the beginning of the "Program Year".

ARTICLE V - PARTICIPATION

1. ELIGIBILITY AND APPLICATION

A. ELIGIBILITY

1) To participate in the Workers' Compensation Program, the "Entity" must be a member of SCORE. Participation in the Workers' Compensation Program is voluntary.

2) The "Entity" must initially commit to at least three (3) full "Program Years" of participation in the Workers' Compensation Program.

3) The "Entity" must apply for participation by providing a completed and signed resolution obligating the "Entity" to participate for the required three (3) years and accepting the rules and regulations set forth in this document. The "Entity" requesting to participate in the Workers' Compensation Program shall submit five (5) years of workers' compensation loss experience, complete an Exposure Analysis Questionnaire and/or payroll by classification codes, and provide copies of the last four (4) quarterly DE-6 reports.

4) The "Entity" should provide the resolution form, the experience information, and the DE-6 reports at least sixty (60) days prior to the inception of the "Program Year" in which they will commence participation, or the date the "Entity" desires coverage to begin.

B. APPROVAL OF APPLICATION

1) The Coverage Committee shall, from a review of the Resolution and other underwriting criteria, determine the acceptability of the exposures presented by the requesting "Entity".

2) The Administrator shall advise, in writing, the requesting "Entity" of the decision of the Board of Directors to accept or reject the request within ten (10) working days after the decision.

2. PARTICIPANTS' DUTIES

A. PROVIDE UNDERWRITING CRITERIA

1) Each participant shall provide copies of the DE-6 report quarterly within fifteen (15) days after filing with the State.

2) Each participant shall, upon request, complete an exposure questionnaire.

3) Each participant shall cooperate with SCORE in the claim management, loss control, underwriting, and actuarial activities of SCORE.

B. PAYMENT OF PREMIUMS AND OTHER CHARGES

1) Each year, on or around July 1st, SCORE shall invoice "Participating Members" for a Workers' Compensation "Deposit Premium" for the next "Program Year". The deposit invoice shall be due and payable on the first day of each quarter, and shall be delinquent if not paid on or before the 30th day after the due date.

2) A "Participating Member" may be invoiced an additional amount because of assessments to bring a "Program Year" into a state of actuarial soundness or a surcharge arising out of a "Retrospective Adjustment". This invoicing is due and payable upon receipt and delinquent if not paid on or before thirty (30) calendar days after receipt. The date of receipt shall be determined as the date the billing was presented in person to a representative of the "Entity", or three (3) days after posting the billing in the U.S. Mail.

3) "Entities" which have formerly participated in the Workers' Compensation Program, but have since withdrawn as a participant, shall be required to pay all applicable billings for the "Program Years" in which they participated. Delinquent billings shall be treated in the same manner as set forth above as if the "Entity" were still a "Participant".

4) Failure to pay billings, penalties, or the accrued interest shall be considered grounds for removal of the "Participant" from the Workers Compensation Program and may result in the expulsion of the "Participant" from SCORE.

5) Failure to pay billings, penalties, or accrued interest thereon shall constitute a breech of the agreement between the former "Member Entity" and SCORE. The former "Member Entity" shall be liable for the billings, penalties, accrued interest, and all costs incurred by SCORE in the enforcement of all provisions set forth in this document.

3. TERMINATION OF PARTICIPATION

A. A "Participating Member" in one "Program Year" shall participate in the next "Program Year" unless:

1) a request to terminate participation is received from the "Participating Member" at least six (6) months prior to the inception of the next "Program Year",

2) a termination notice from the President advising of the Board of Directors that action to expel the "Participating Member" has been sent to the "Participating Member", or

3) The "Participant" is no longer a "Member Entity".

B. Termination of participation in future "Program Years" does not relieve the terminated "Entity" of any benefits or obligations of those "Program Years" in which the "Entity" participated. These obligations include payment of assessments, "Equity Allocation Adjustments", or any other amounts due and payable.

C. **The Board of Directors may terminate future participation by an "Entity" for the following reasons:**

1) **De**clination to cover the "Entity" by the organization providing excess coverage;

2) Nonpayment of past billings, assessments, surcharges, or other charges;

3) Habitual late payment of billings, assessments, surcharges, and/or other charges, or habitual late response in submitting data required by the Liability Program;

4) Failure to provide underwriting information;

5) Development of an extraordinarily poor loss history;

6) A substantial change in exposures that are not acceptable in this program; and/or

7) Financial impairment that is likely to jeopardize this Program's ability to collect amounts due in the future.

ARTICLE VI – CLAIMS ADMINISTRATION

1. SELECTION OF ADJUSTOR

A. The Board of Directors shall review proposals for claims adjusting services and may enter into contract with the based on the qualifications and experience of the proposer. The adjusting company shall have the capacity, and shall report claims activities in such a manner that the segregated accounting requirement of the Workers' Compensation Program can be easily administered.

2. CLAIMS ADJUSTING SERVICE

The claims adjusting company shall:

A. Accept notices or reports of claims on behalf of the "Participating Members" and SCORE;

B. Maintain a complete and separate file for each claim reported, including actions taken, amounts reserved, and amounts paid by date;

C. Report claims as needed to the excess coverage provider, document amounts due from the excess coverage and follow through with collection of such amounts,

D. Make available for inspection and review by SCORE or its agents any and all claims files, provided reasonable notice of inspection and reasonable time and place is set for review;

E. Report claims activity monthly to the Administrator and each “Participant”.

3. CLAIMS PROCEDURES MANUAL

A. A Workers’ Compensation Claims Procedures Manual, including reporting procedures, forms, and other vital information shall be adopted by the Board of Directors and provided to all "Participants".

B. The Board of Directors may adopt amendments to the Workers’ Compensation Claims Procedures Manual. Any amendments shall not be effective for fifteen (15) days after distribution of the amendments to the "Member Entities".

C. All "Participating Members" shall be held accountable for understanding and abiding by the procedures stated in this Manual, as well as any changes thereto.

4. DUTY TO REPORT CLAIM

A. Timely reporting of claims is essential to efficient claims management. Thus, any claim shall be reported to the Claims Adjustor immediately, as set forth in the Claims Procedures Manual.

B. The Workers’ Compensation Claims Procedures Manual shall include forms and detailed procedures for claims reporting. It is the responsibility of each "Participating Member" to ensure that the persons handling claims at the "Participant’s" place of business knows the claims procedures set forth in the Manual.

5. CLAIMS AUDIT

A. At least once every two (2) years, the adequacy of claims adjusting shall be examined by an independent auditor who specializes in claims auditing.

B. The Board of Directors shall direct the Administrator to obtain the services of a claims auditor chosen by the Board and present the finding of the audit to the Board of Director.

C. The claims audit report shall address the issues of adequacy of claims procedures, the implementation of the litigation management procedures and the accuracy of claims data.

6. SETTLEMENT AUTHORITY

A. Each “Participating Member" shall have settlement authority for its claims within the banking layer.

B. The Executive Committee shall have authority to settle claims within the banking layer, even without the "Participating Member's" approval, but only after notice of such intent is given to the "Participating Member" experiencing the claim.

C. The Board of Directors retains unto itself the authority to approve settlement of all other claims.

D. If a settlement of a claim requires approval by the Board, except for the fact that the Board will not have a regularly scheduled Board meeting sufficiently early enough to take action on a settlement offer, the Executive Committee may authorize settlement but only after the President determines that the settlement opportunity will not exist until the next regularly scheduled Board meeting and the settlement is not sufficiently controversial to justify the time and expense required to call a special Board Meeting. Such action by the Executive Committee will be reported at the next Board meeting.

E. For the purposes of this section, settlement shall include "stipulations to a permanent disability rating" as well as "compromise and releases "

7. DISPUTES REGARDING MANAGEMENT OF A CLAIM

A. Any matter in dispute between a "Participating Member" and the Claims Adjustor shall be called to the attention of the Program Administrator who shall bring it to the Board of Directors or, if the matter must be resolved prior to the next regularly scheduled Board meeting, the Administrator shall bring it to the attention of the Executive Committee.

B. The decision of the Board of Directors or Executive Committee shall be final and not appealable to a higher authority.

ARTICLE VII - DEFINITIONS

1) **"Actuarially sound"** means that the "Program Year" has sufficient funds to pay the expected cost of claims as determined by a certified actuary and the Administrative Expenses for the "Program Year".

2) **"Administrative Expenses"** means those expenses incurred by the Workers' Compensation Program that are not incurred due to any specific claim and does not constitute a reserve for future expected changes in the size of existing claims or discovery of previously unknown claims. Administrative Expenses shall include expenses of the "Authority" that are allocated to the Workers' Compensation Program.

3) **"Banking Layer"** shall be that amount of all claims arising out of one occurrence where 100 percent of the claims will be charged against the "Participant's" account.

4) **“Claim”** means, if not otherwise defined within the context, to be all demands for compensation by employees for bodily injury caused while in the course of his or her employment.

5) **“Entity”** means a governmental body, including any commissions, agencies, districts, authorities, boards, or other similar government body under the direct control of the governmental body which is eligible to participate in a Joint Powers Authority. A “Member Entity” is one who has been accepted into SCORE.

6) **“Limits of Coverage”** means the maximum amount of financial protection afforded any “member entity” or “entities”.

7) **“Obligated Reserves”** means reserves for expected claims expenses, determined by an actuarial study, not attributable to any known claim. This is sometimes called IBNR.

8) **“Participant”** or “**Participating Member”** is a “Member Entity” that participates in the Workers’ Compensation Program.

9) **“Program Year”** means the period of coverage from July 1st of any one year to July 1st of the next year as provided by the Memorandum of Coverage.

10) **“Share Risk Layer”** means the amount of all claims from one occurrence exceeding the “Banking Layer” but not more than the total amount retained by SCORE.

11) **“Programs”** means Liability or Workers’ Compensation Programs.

Agenda Item J.9.

DECLARATION OF 2012 WORKERS' COMPENSATION RETROSPECTIVE DISTRIBUTION

ACTION ITEM

ISSUE: The Board should declare a Workers' Compensation Retrospective Adjustment as presented.

RECOMMENDATION: The Program Administrator will make a recommendation at the meeting after further review of the calculations. *Mike and Susan will be meeting with Gilbert on Monday (after agenda packet mailing) to review these reports in detail before the Board receives them.*

The Program Administrator **is recommending**; that, if a member has a debit balance in any of their programs, that any refunds will be applied to that debit balance first and then the balance returned to the member.

FISCAL IMPACT: TBD.

BACKGROUND: Assuming the Board has adopted the Retrospective Adjustment Calculations of the previous item, it would be consistent to declare an adjustment, either positive or negative.

ATTACHMENTS: None.

SCORE
Small Cities Organized Risk Effort
A Joint Powers Authority

Small Cities Organized Risk Effort
Board of Directors Meeting
March 23, 2012

Agenda Item J.10.

PROPERTY APPRAISALS

ACTION ITEM

ISSUE: SCORE has not had appraisals done of their members' locations since 2006. It is important to have appraisals done every 3-5 years to properly insure the locations for property coverage at adequate limits and correct locations. The Board should discuss if they wish to allocate funds in the budget and contract for property appraisals to be done during the 2012/2013 coverage year.

RECOMMENDATION: Staff recommends that we contact various vendors to obtain costs for these services, and contract with a vendor for appraisal service of Members' locations during the 2012/2013 term.

FISCAL IMPACT: Estimated cost is $65,000 which has been included in the preliminary 2012/2013 budget.

BACKGROUND: SCORE has not had appraisals done of member's locations since 2006. Having appraisals done will provide the members with a current estimate of the cost to replace their locations if they were damaged or had a loss. It will also provide the members with current replacement cost estimates used in developing the property insurance premiums.

ATTACHMENTS: None

SCORE
Small Cities Organized Risk Effort
A Joint Powers Authority

Small Cities Organized Risk Effort
Board of Directors Meeting
March 23, 2012

Agenda Item J.11.

2012/13 PRELIMINARY BUDGET

ACTION ITEM

ISSUE: The 2012/2013 Preliminary Budget will be presented by Ms. Susan Adams.

RECOMMENDATION: None.

FISCAL IMPACT: The preliminary budget is relatively flat from 2011/2012.

BACKGROUND: The budget uses estimates of payroll, property values and auto values, where appropriate to calculate premium and expenses for SCORE Board members. The budget also recognizes the calculation of experience modification factors as adopted by the program's Master Plan Documents.

Although the costs are not finalized, it has become the practice in the past for SCORE to review a Preliminary Program Budget at the March Board meeting. This practice was adopted to allow the members to have an indication of costs for their individual budgets. It also allowed the SCORE members to give direction as to where they would like to expend the funds in the following year.

ATTACHMENTS: To be distributed under separate cover.

Agenda Item J.12.

CITY OF ISLETON PREMIUM PAYMENT PLAN REQUEST

ACTION ITEM

ISSUE: City of Isleton has requested a payment plan for the 2011/2012 year to pay their premiums. Mr. Dave Larsen, City Manager will be in attendance to discuss this with the Board.

RECOMMENDATION: It is the recommendation of the program administrator for the Board to review and discuss the City of Isleton's Payment and Financial Plan and direct staff as needed.

FISCAL IMPACT: $23,811.95 currently due plus interest.

BACKGROUND: The City of Isleton has been in arrears of premium payment to SCORE for the last several years. The Board had previously agreed to annual payment plans plus interest at the rate SCORE's investments earn.

In October, 2011, Isleton had a dividend declared of $25,658 which was applied to their balance due. Their total retrospective rating funds available are $85,527 less the $25,658 applied or $59,869.

The City of Isleton has provided a written notice to the SCORE program administrator asking for a 60-day deferral of their premium payment as they are currently requesting a loan from the County of Sacrament to assist in their financial crisis.

At the January 27, 2012 Board meeting SCORE members requested that the City Manager be present to present the Board with a Payment Plan as well as a Finance Plan for discussion.

ATTACHMENTS: None

SCORE
Small Cities Organized Risk Effort
A Joint Powers Authority

Small Cities Organized Risk Effort
Board of Directors Meeting
March 23, 2012

Agenda Item J.13.

CHECK SIGNING AUTHORITY

ACTION ITEM

ISSUE: Article II, Receipt and Disbursement of Funds, of the SCORE ByLaws require two signatures on all checks issued. Board should discuss and approve amending the JPA ByLaws as respects check signing authority to allow one signature on those checks that are less than $5,000 in value and those checks issued to SCORE's Claims Administrator.

If the Board approves this By Law change, it will be effective 30 days from the Board meeting date in accordance with the ByLaws amendment notice requirements.

RECOMMENDATION: Staff, Treasurer and the President recommend approving this ByLaw change.

FISCAL IMPACT: None

BACKGROUND: SCORE's ByLaws currently require two signatures on all checks or warrants issued. The Bylaws states the following:

> **Jointly with the President, Vice-President, or Secretary, the Treasurer shall have authority to approve payment of warrants. All disbursements, except disbursement from the Claims Trust Accounts, must have approval of signature of two individuals holding the above referenced offices.**

ATTACHMENTS: Red-Line Strike out ByLaws with proposed changes.

SMALL CITIES ORGANIZED RISK EFFORT

(SCORE)

BYLAWS

AMENDED
JULY 1, 2000
JANUARY 26, 2007
JUNE 24, 2011
APRIL 23, 2012

BYLAWS

For the regulation of the Small Cities Organized Risk Effort, except as otherwise provided by statue or the "Agreement" creating the Small Cities Organized Risk Effort, a Joint Powers "Authority."

ARTICLE I
DEFINITIONS

The terms in these Bylaws shall be as defined herein and in the "Agreement" creating the Small Cities Organized Risk Effort Joint Powers Insurance Authority, unless otherwise specified herein.

A. "Agreement" shall mean the Joint Powers "Agreement" creating the Small Cities Organized Risk Effort Joint Powers "Authority."
B. The "Authority" shall mean the Small Cities Organized Risk Effort (SCORE).
C. "Cash Assessments" are changes levied upon the members by the Board of Directors that are intended to raise the funding of the "Authority" to a level above the minimum solvency level when the normal budgeting and member contributions are insufficient to maintain such a level of funding. "Cash Assessments" are not changes against the members because of retrospective adjustment calculations of a pooled coverage "Program."
D. "Mandatory Programs" are programs for which participation by all members is required.
E. "Master Plan Document" shall mean a governing document that defines the procedures of a coverage "Program."
F. "Memorandum of Coverage" shall be the governing document issued by the "Authority" to Member Agencies specifying the type and amount of pooled coverage provided to each Member Agency by the "Authority."
G. "Program" shall mean a formal plan or procedure adopted by the Board of Directors to provide coverage against the possibility of loss or reduce the chance of loss.
H. "Voluntary Program" shall mean a "Program" for which participation is merely voluntary by the members.

ARTICLE II
OFFICES

The principal office for the transaction of business of the "Authority" and receipt of all notices is hereby fixed and located as described in Appendix A attached hereto and incorporated herein by reference. The Board shall have the authority, with a majority vote of those present and voting at a regular or special meeting of the Board, to change the location of the principal executive office from time to time.

ARTICLE III
BOARD OF DIRECTORS

Section 1 – Governing Board

In accordance with Article X of the "Agreement," the Board of Directors shall be the governing body of the "Authority." Each member's governing board shall appoint, by resolution, a director and an alternate to the Board of Directors of the "Authority." Such appointment shall not take effect until such resolution is received by the "Authority" at its executive office as defined in Article II above. Voting members shall be the Directors, or in the case of their absence, their Alternates.

The Board of Directors shall provide policy direction to the Committees, the Officers, and any employees or contracted service providers of the "Authority." The Board shall have the authority to delegate any and all authority except those specifically reserved onto the Board or specifically requiring a vote by the Board of Directors. Some of those authorities reserved onto the Board are:

A. By a three fourths vote of the entire Board of Directors:
    1) Accept a new member to the "Authority"
B. By a two thirds vote of the entire Board of Directors:
    1) Amend these Bylaws pursuant to Article XVII of these Bylaws;
    2) Create or terminate any risk management, self-insurance, or group purchase insurance "Program;"
    3) Expel an existing member from the "Authority;" or
    4) Remove an Officer of the "Authority" or Committee Member; and
    5) Authorize a "Cash Assessment."
    6) Authorize release of funds at the request of a Member Agency that has withdrawn from the "Authority".
C. By a simple majority of Directors voting at a regular or special meeting:
    1) Adopt an operating budget for each of the "Authority's" fiscal years; or
    2) Authorize payment of a dividend, or charge a surcharge, under a retrospective adjustment;
    3) Change the location of the Principal Executive Office.

Section 2 – Meetings

All regular and special meetings of the Board of Directors shall be conducted in accordance with the Ralph M. Brown Act (Government Code Section 54950) as it now exists or may be amended from time to time. The Secretary shall give notice or cause notice to be given of all meetings and prepare minutes or cause minutes to be prepared and distributed to the Board of Directors. An official set of minutes of all Board meetings shall be kept at the principal executive offices of the "Authority" as defined in Article II.

All matters duly noticed and within the purview of the Board of Directors may be decided by a simple majority of those voting at a regular or special meeting, unless the governing documents prescribe otherwise.

The Board shall have at least four regular meetings a year. The time and place of such meetings for the next calendar year shall be established by resolution of the Board adopted at the last regular Board meeting of the then current calendar year.

A special meeting of the Board of Directors may be called by the President, or in the case that the President cannot be contacted, by the Vice-President, with 24 hours notice stating the time and place of such meeting and the matter to be discussed. Such notice may be delivered personally, by way of electronic transmission (other than voice communication) or mail. Notice by mail must be received at least 24 hours prior to the meeting.

All meetings may be postponed or cancelled by the President with at least 24 hours prior notice.

ARTICLE IV
OFFICERS OF THE AUTHORITY

Section 1 - Election

The Board of Directors will elect the officers and committee members from among the Board's Directors and Alternates. Any Board member may nominate themselves or another Board member for any office or as a member-at-large on the Executive Committee. These nominations may be made by either prior written nomination delivered to the executive offices of the "Authority" or from the floor. The President shall announce each nominee for each office or member-at-large. Each Board member present shall cast one vote for the candidate of his/her own choice for each office or member-at-large. If more than one candidate was nominated, a roll call vote shall be taken. A plurality shall succeed to the office or as a member-at-large.

Section 2- Term

The terms of the President, Vice-President, Secretary, Treasurer and a member-at-large of the Executive Committee will be for two (2) years. The term of these offices and member-at-large will begin with the commencement of the Fiscal Year in each of the even numbered calendar years. The officers and member-at-large shall serve their term until the first one of the following events occurs:

1) The term expires
2) Until termination of employment with a member entity; or
3) Until removal from office or as the member-at-large by a vote of two-thirds of the entire Board of Directors.

Should a vacancy occur in any of the office or the position of member-at-large prior to the expiration of the term, the Board of Directors, at their next regular or special meeting shall elect an officer or a member-at-large to fill the vacancy until the remainder of the term expires.

Section 3- Duties

President – The President shall preside over all meetings of the Board of Directors. The President shall execute documents on behalf of the "Authority" as authorized by the Board and serve as the primary liaison between this "Authority" and any other organization. Jointly with the Vice-President, Secretary, or Treasurer, the President shall have authority to approve payments of warrants. The President shall have such other powers and duties as the Board of Directors may prescribe from time to time.

Vice-President – The Vice-President, in the absence of the President, shall have all the authority and duties of the President. The Vice-President shall, jointly with the President, Secretary, or the Treasurer, have authority to approve the payments of warrants. The Vice-President shall have such other powers and duties as the Board of Directors may prescribe from time to time.

Secretary – The duties of the Secretary shall be to cause minutes to be kept and distributed as specified in the "Agreement," to maintain or cause to be maintained documents pursuant to a record retention policy adopted by the Board of Directors, and to perform such other duties as the Board may specify. Jointly with the President, Vice-President, or Treasurer, the Secretary shall have authority to approve payments of warrants.

Treasurer – The duties of the Treasurer shall be those specified in Sections 6505.5 or 6505.6 of the California Government Code, to maintain or cause to be maintained all accounting and other financial records of the "Authority," to file all financial reports required of the "Authority" and other duties as specified by the Board. Jointly with the President, Vice-President, or Secretary, the Treasurer shall have the authority to approve payments of warrants.

Section 4 – Other Officers

The Board of Directors may create, by resolution, any other office of the "Authority," and delegate such authority, that it deems appropriate, which is not inconsistent with the "Agreement" and other provisions of these Bylaws. The Board may establish a term for such office. If a term of office is not established, the term will continue until such time as the Board, by a majority vote, determines the office is no longer needed or another person is appointed to the office.

ARTICLE V
COMMITTEES

Section 1 – Executive Committee

The Executive Committee shall consist of five members, the President, Vice President, Secretary, Treasurer and one member-at-large. The Executive Committee shall have the responsibility and authority to conduct the business of the "Authority" which is necessary and, in the opinion of the President, there is no reason to call a special meeting, or wait until the next regular Board of Directors meeting. The Committee shall have all other authority as specifically granted it by the Board, including, but not limited to the following:

A. Provide general supervision and direction to the Program Administrator.
B. Act as Program Administrator in the absence of the Program Administrator.
C. Review and recommend a budget to the Board no later than fifteen (15) days prior to the June meeting of the Board.
D. Enter into contracts, within budget limits.
E. Appoint a nominating committee for each election of officers and members of the Executive Board.

Subject only to such limitations as are expressly stated in the "Agreement," these Bylaws or a resolution of the Board of Directors, the Executive Committee shall have and be entitled to exercise all powers which may be reasonably implied from powers expressly granted and which are reasonably necessary to conduct, direct and supervise the business of the "Authority."

Any action taken by the Executive Committee may be appealed to the Board by filing a written request with the Program Administrator within sixty (60) days, based on notice to all Board members of the Executive Committee actions. Upon receipt of such request, the Program Administrator shall place the request for appeal on the agenda of the next regularly scheduled Board meeting. The decision of the Board shall be final.

The President shall be the Chair of the Executive Committee. The President shall call the time and place of the meetings and the matter to be discussed prior to a properly noticed meeting.

Section 2 – Finance Committee

The Finance Committee shall consist of five members including the Treasurer. The Treasurer will act as Chair of the committee. It is desired that one member of the committee shall be a finance or assistant finance officer of a Member Agency. The Committee shall have all other authority as specifically granted it by the Board, including, but not limited to the following:

A. In accordance with the Investment Policy, discuss strategies with the Investment Advisors and direct overall investment strategy.
B. On an annual basis the Finance Committee shall review cash management requirements and give direction to the accountant to make adjustments.
C. Review the independent auditors' proposed audit scope and approach.
D. Review the performance of the independent auditor(s).
E. Recommend the appointment to the Board or Executive Committee of the independent auditor(s) and review audit fees.
F. At the direction of the Board or the Executive Committee, review with counsel any legal matters that could have significant impact on the financial statements.
G. Review and make recommendations to the Board or the Executive Committee to maintain or change the Investment Policy in accordance with California Government Code.
H. Advise the Board and the Executive Committee on other financial matters.

All committee meetings shall be held as open meetings in accordance with the Ralph M. Brown Act. Minutes shall be kept of all committee meetings and distributed to all committee and Board members.

Section 3 – Other Standing Committees

The Board of Directors may establish other standing committees and delegate authority to such committees to accomplish certain tasks. Members of the committees shall remain members of the committees until such time as the Board appoints new members to the committees or the committees are dissolved by the Board.

The Board shall appoint a chair of each committee, other than the Executive Committee and Finance Committee, who shall call the meetings.

All committee meetings shall be held as open meetings in accordance with the Ralph M. Brown Act. Minutes shall be kept of all committee meetings and distributed to all committee and Board members.

Section 4 – Ad Hoc Committees

The Board of Directors may establish from time to time, ad hoc committees and delegate limited authority to such committee to accomplish certain tasks. Members of the committee shall remain members of the committee until such time as the Board appoints new members to the committee, or the committee is dissolved by the Board. The Board shall appoint a chair of each committee.

ARTICLE VI
MEMBERS' RESPONSIBILITIES

Any party to the Joint Powers "Agreement" is a member. Any governmental agency as defined by the Government Code is eligible to become a member.

The Joint Powers "Authority" is a participatory organization with the goal of reducing exposures to losses. To facilitate this goal, each Member agrees to perform the following functions in discharging its responsibilities:

1. Abide by all the rules and obligations imposed upon the member by the "Agreement," these Bylaws, any Administrative Policies and Procedures adopted, any "Master Plan Documents" and Memoranda of Coverage for any and all "Programs" to which the member participates;
2. Appoint a representative and alternate to the Board;
3. Participate in all "Mandatory Programs"
4. Remit fund contributions and other amounts due within 15 days of the date of invoice or, in the case of the deposit premiums adopted in the budget, within 15 days of the commencement of the fiscal year for which the budget applies;
5. Cooperate fully with the "Authority" in reporting on and in determining the cause of claims and in the settlement of such claims;
6. Adopt by resolution and implement the claims procedures established by the "Authority;" and
7. Upon withdrawal from the "Authority," the member shall remain responsible for any losses and any other costs which it has incurred while a Member of the "Authority."

In addition to the above, each member agrees to cooperate fully with parties or persons employed by the "Authority" to provide safety/loss control service, and each of the entities agree to permit such parties or persons access to inspect property and conditions. Each participating Member will endeavor to maintain minimum loss experience through the institution of loss control programs. In the even a participating member fails to comply with safety/loss control recommendations, after having been afforded reasonable opportunity to do so, a two-thirds majority vote of the Member entities may vote to exclude such Member from the "Authority" as of the close of the fiscal year.

Each Member entity agrees to share the cost of safety/loss control services which shall be allocated to each Member as agreed by the Board.

ARTICLE VII
NEW MEMBERS

Any California governmental agency as defined by the Government Code is eligible to be a member of this "Authority." Such agency shall become a member once they have signed the Joint Powers

"Agreement" and the Board of Directors ahs approved its admission to the "Authority" with a three fourth vote of the entire Board of Directors.

ARTICLE VIII
WITHDRAWL

Member Agencies that withdraw from SCORE's Liability and or Worker's Compensation plans, agree that any available funds' allocated to them in the Shared Risk Layer, will remain with SCORE until such time as the "Program Year" is closed. This includes funds allocated to them via the "Retrospective Adjustment" or any other manner of distribution other than the declaration of a dividend by the Board or in accordance with distribution described in the Joint Powers Agreement upon the dissolution of SCORE. Funds available from the Banking Layer to these Members are available for distribution.

If a "Program Year" is not yet closed and the "Participating Member" would otherwise be eligible for a distribution~~, a~~, a Member that has withdrawn from the "Authority" may annually, in writing, request a early release of their funds for consideration by the Board of Directors. This action will require a 2/3 approval of the Board of Directors as specified in the JPA Bylaws, Article III, Section 1, paragraph B.6.

ARTICLE XI
PROGRAMS

Section 1- Formation of Programs

The Board of Directors may establish with a two thirds vote, a risk management, self-insurance, or group purchase insurance "Program." Such "Program" shall be designated as a Mandatory or a "Voluntary Program." If it is Mandatory, all existing members must participate in the "Program." The Board of Directors shall establish the rules by which a member shall commit to a new "Program."

Section 2 – Administration of Programs

For each self-insured risk pooling "Program" or any "Mandatory Program," the Board of Directors shall adopt a "Master Plan Document" that will describe the "Program's" purpose, procedures, and administration. Once adopted, the "Master Plan Document" may be amended as described in that document. In addition to the "Master Plan Document," the "Authority" shall adopt a "Memorandum of Coverage" defining the scope of coverage and the rights and obligations of the participating members.

The Board of Directors may delegate authority for the establishment of policies and operations of a "Program" to a committee consisting of the Board Representative from each of the participating members or, in the case of an absence by a Board Representative, the Alternate for the participating member. Such delegation may be part of the "Master Plan Document" for the "Program," or where such document does not exist, by resolution of the Board.

Notwithstanding anything to the contrary, the budget, "Cash Assessments," and retrospective adjustments or dividends for each "Program" shall be approved by the Board of Directors.

Section 3 – Liability Program

The "Authority" shall offer to, and make participation mandatory of, each Member. The purpose and scope of the "Program" shall be defined in a "Master Plan Document" and the coverage provided defined in a "Memorandum of Coverage."

ARTICLE IX
ADMINISTRATION

The general administration of the "Authority" shall be performed by those designated by the Board of Directors. The administration may be performed by an employee of the "Authority," an employee of a member of the "Authority," a consultant, or a corporation or other legal entity.

The Treasurer shall be responsible for maintaining the books in accordance with the General Accepted Accounting Principles (GAAP) and the standards established by the Government Accounting Standards Board (GASB).

The Treasurer shall also be responsible for causing the State Controllers Annual Report of Financial Transactions to be filed along with the audited financial reports. The Treasurer shall be responsible for causing the quarterly financial statements to be prepared and distributed to the members.

The Board of Directors shall adopt a Conflict of Interest Code, an Investment Policy and a Records Retention Policy. The Board shall review the Conflict of Interest Code every even year. The Board shall review the Investment Policy every year.

ARTICLE X
BUDGET

An annual budget shall be presented to the Board of Directors no later than thirty (30) days prior to the beginning of each fiscal year and shall be adopted no later than June 30 of each year.

The budget shall separately show the following:

A. General and administrative costs;
B. The actuarially projected claims and allocated claims adjustment costs, and
C. The cash contributions allocated among the members.

ARTICLE XI
ASSESSMENTS

Upon a two thirds vote of the entire Board, the Board shall have the authority to levy a "Cash Assessment" for any pooled coverage "Program." There must be a finding by the Board that there are insufficient funds available to the "Program" or the "Authority" as a whole to meet its legal obligations. Insufficient funds shall be calculated by applying against the assets of the "Program," any and all liabilities, including claims reserves, reserves for expected losses not yet recognized in the claim reserves, plus a contingency for adverse claims development.

A "Cash Assessment" shall be directed only to those members or former members that participated in the pooled coverage "Program" during the "Program" year in which the covered loss, causing the assessment, was incurred.

Any costs, including attorney fees incurred by the "Authority" in collecting any "Cash Assessment," shall be reimbursed fully by the member against whom such collection action has been taken.

ARTICLE XII
RECEIPT AND DISBURSEMENT OF FUNDS

Revenues of the "Authority" shall be received at its principal executive office. The Treasurer or other designee of the Board shall safeguard and invest funds in accordance with the "Authority's" current Investment Policy.

Jointly with the President, Vice-President, ~~or~~ Secretary, or the Treasurer shall have authority to approve payment of warrants. ~~All disbursements, except disbursement from the Claims Trust Accounts, must have approval of signature of two individuals holding the above referenced offices.~~ Disbursements from other than the Claims Trust Accounts, in the amount of $5,000 or more must have approval of the signature of two individuals holding the above referenced offices. Disbursements from other than the Claims Trust Accounts that are less than $5,000 and disbursement of funds payable to SCORE's Claims Administer, only require one signature holding the above referenced offices. Claim Trust Accounts must have the approval of two signatures from the Claims Third Party Administrator.

Jointly with the President, Vice-President, or Secretary, the Treasurer shall be authorized to make all expenditures for good or services to the extent such funds have been included in the general and administrative costs budgeted and approved by adoption of such budget, or as subsequently approved by the Board.

A register of all checks issued since the last Board meeting shall be provided as part of the Treasurer's report at the subsequent Board meeting and reviewed by the Board.

ARTICLE XIII
FINANCIAL AUDITS

Prior to June 30 of each fiscal year, the Board of Directors shall appoint a Certified Public Accountant familiar with accounting standards practices of governmental agencies, including GAAP and GASB accounting standards, to audit the financial accounts of the "Authority." The minimum requirements of the audit shall be those prescribed by law.

The audit report shall be made available to the members and filed with the State of California within six months of the end of the fiscal year being examined. It shall also be filed with the County in which the executive office is located.

The costs of the audit shall be charged against the administrative funds of the "Authority."

ARTICLE XIV
EXECUTION OF CONTRACTS

The Board of Directors may authorize any officer, employee or agent to enter into any contract or execute any instrument in the name and on behalf of the "Authority," and such authorization may be general or specific to a certain contract or instrument.

ARTICLE XV
NOTICES

Notices to the "Authority," other than notices of claims under a pooled coverage "Program," shall be in writing and delivered to the address of the executive office is stated in Article II above. Notices of claims under a Pooled Coverage "Program" shall be made in accordance with the "Master Plan Document" and/or "Memorandum of Coverage" document for the "Program" under which the claim is being noticed.

Notice from the "Authority" to the members shall be in writing and delivered to the appointed Representative or mailed to the address of record.

ARTICLE XVI
EFFECTIVE DATE

The effective date of these amended Bylaws shall be when adopted by the Board unless specifically identified as another date. The adoption of these amended Bylaws shall supersede any prior Bylaws or amended Bylaws. These Bylaws shall supersede any resolution or any other document, other than the "Agreement" form this "Authority," to the extent that such resolution or document is inconsistent with the Bylaws or the "Agreement."

ARTICLE XVII
AMENDMENTS

These Bylaws may be amended by a two thirds vote of the entire Board provided that any amendment is compatible with the purposes of SCORE, is not in conflict with the "Agreement" forming this "Authority," and has been submitted to the Board at least thirty (30) days in advance.

Any such amendment shall be effective immediately, unless otherwise designated.

<u>APPENDIX A</u>

<u>PRINCIPAL EXECUTIVE OFFICE</u>

The principal address of the Small Cities Organized Risk Effort Joint Powers Authority for the transaction of business and receipt of all notices shall be:

1792 Tribute Road, Ste. 450
Sacramento, CA 95815-4320

Agenda Item J.14.

LONG RANGE PLANNING SESSION MEETING DISCUSSION

ACTION ITEM

ISSUE: Many California pools are re-evaluating the need for bi-annual, full day Long Range Planning (LRP) session due the economic times, and manpower costs of having employees away from their cities. Although LRP is a "requirement" for CAJPA Accredidation with Excellence, groups are either postponing the activity, or combining it with other meetings or Trainings. The Board should discuss the need for a Long Range Planning (LRP) session in FY 12/13. The discussion should include:

- Is a LRP needed this year?
- Do potential topics warrant the time commitment and cost.
- Where could it be held to be most cost effective
- What is the appropriate Time Commitment

RECOMMENDATION: None

FISCAL IMPACT: $7,500 - $10,000

BACKGROUND: SCORE has held Long Range Planning sessions every *other* year. The last meeting was held in October 2010 in Williams, CA and a lot was accomplished. The results of that meeting were a change in the funding levels and equity distribution to members. Training was held in North Lake Tahoe in 2011, and although not specifically LRP oriented, many of the same issues were reviewed.

The Board could hold a shortened LRP version this year at a regular Board meeting, or SCORE could miss a year and combine LPR with bi-annual training in 2013. *(SCORE may want to re-schedule both these activities to a more appropriate time of year).*

ATTACHMENTS: None

Small Cities Organized Risk Effort
A Joint Powers Authority

Small Cities Organized Risk Effort
Board of Directors Meeting
March 23, 2012

Agenda Item J.15.

NOMINATION OF SCORE'S OFFICERS

ACTION ITEM

ISSUE: The Board of Directors will nominate and elect Executive officers for the two-year term of office beginning July 1, 2012. Should a nominating committee be selected to then individually "poll" Board members and solicite nominees and if so, volunteers would be needed for that role. Or would the Board prefer staff to send out a letter to the members asking for interested members to hold these positions.

RECOMMENDATION: None

FISCAL IMPACT: None

BACKGROUND: Currently, Mr. Roger Carroll holds the office of the President of SCORE, Mr. Kelly McKinnis holds the office of Vice-President, Ms. Debra Magginetti holds the office of Secretary, Ms. Linda Romaine holds the office of Treasurer and Mr. Ted Marconi holds the office of Executive Committee Member-At-Large. The President, Vice President, Secretary, Treasurer and Member-At Large are elected in each even numbered year and serve for a term of two years, beginning in July of the year elected. This year is an election year for SCORE officers.

In the past, when it was decided a nominating committee was unnecessary, the Program Administrator had sent out a letter on April 1, asking for nominations for the offices of President, Vice-President, Secretary, Treasurer and Member-At-Large. Nomination of candidates for the offices would be made in writing to the Authority no later than May 1, 2012. The Program Administrator would verify with the nominees that they were willing to run. The nominees would be provided to each member entity prior to the June Board meeting, and voting for officers would be conducted at the June Board meeting.

If the use of a Nominating Committee is desired, staff will establish a teleconference meeting to discuss the procedures to be used in determining a slate to present to the Board. Either procedure will not preclude a nomination from the floor.

ATTACHMENT: None

SCORE RESOURCE CONTACT GUIDE
November 2011

PROGRAM ADMINISTRATION
Alliant Insurance Services, Inc.
www.alliantinsurance.com
Main: (916) 643-2700 Fax: (916) 643-2750

SUBJECT	MAIN CONTACT
JPA MANAGEMENT ISSUES – coverage questions, quotations, new members, development of shared risk program coverage agreements, RFPs for actuarial services, actuary liaison, excess insurance/additional coverage marketing (Crime coverage, etc.), program development; program budget/funding, financial analysis, coordination w/financial auditor/JPA accountant	**Susan Adams** Joan Crossley Johnny Yang
JPA ADMINISTRATIVE ISSUES – meeting agendas; minutes; development/maintenance of governing documents, development/interpretation of policies & procedures, JPA state compliance, Form 700, changes in Board members, website maintenance.	**Johnny Yang** Susan Adams Joan Crossley Jan Trevino
COVERAGE / RISK MANAGEMENT ISSUES – ➢ Certificates of coverage, additions/deletions of coverage's, special events liability coverage, automobile identification cards, auto/mobile equipment physical damage programs ➢ Coverage questions, quotations, new members, development of shared risk program coverage agreements, RFPs for actuarial services, actuary liaison, excess insurance/additional coverage marketing (Crime coverage, etc.), program development ➢ Insurance Requirements in Contracts (IRIC), hold harmless agreements, indemnification clauses, safety program planning, RFPs for JPA services & audits, third party contract review	**Kimberly Carter** Susan Adams Joan Crossley

Susan Adams	(916) 643-2704 / (916) 203-1541 (cell)	sadams@alliantinsurance.com
Johnny Yang	(916) 643-2712	jyang@alliantinsurance.com
Joan Crossley	(916) 643-2708	jcrossley@alliantinsurance.com
Mike Simmons	((415) 403-1425 / (925) 708-3374 (cell)	msimmons@alliantinsurance.com

ACCOUNTING SERVICES
Gilbert Associates, Inc.
2880 Gateway Oaks Drive, Suite 100
Sacramento, California 95833
Main: (916) 646-6464 Fax: (916) 929-6836
www.gilbertcpa.com
Kevin Wong – kswong@gilbercpa.com

EMPLOYEE ASSISTANCE PROGRAM
ACI Specialty Benefits Corporation
5414 Oberlin Drive, Suite 240
San Diego, California 92121
Main: (858) 452-1254 Fax: (858) 452-7819
www.acieap.com
Tori Barr - tbarr@acieap.com

SCORE RESOURCE CONTACT GUIDE
November 2011

CLAIMS ADMINISTRATION / LOSS CONTROL
York Risk Services Group, Inc.
www.yorkrsg.com
P.O. Box 619058
Roseville, CA 95661-9058
Main: (916) 960-0900 Fax: (916) 783-0334

SUBJECT	MAIN CONTACT
ADMINISTRATIVE ISSUES - annual contracts for services, IT issues, reports, service issues	**Marcus Beverly**
SUPERVISORIAL ISSUES – liability claims administration management, oversight of safety & loss control services	**Tom Baber -** Liability
CLAIMS ISSUES – *LIABILITY*	**Craig Wheaton – ALL**
- Auburn, Dixon, Folsom, Galt, Lincoln, Rocklin	Craig Wheaton
- Anderson, Corning, Red Bluff	Cameron Dewey
- Colusa, Gridley, Marysville, Oroville, Willows, Yuba City, Paradise	Shawn Millar
- Ione, Jackson	Dan Lamb
- Rio Vista	John Tucker
CLAIMS ISSUES – *WORKERS' COMPENSATION*	**Ben Burg–** Workers' Comp
- Folsom	Kara Kennedy
- Oroville, Placerville, Rio Vista, Rocklin	Teresa Utterback
- Anderson, Auburn , Colusa, Corning, Dixon, Galt, Gridley, Ione, Jackson, Lincoln, Nevada City, Marysville, Paradise, Red Bluff, Willows, Yuba City,	Kelly Fahey
SAFETY/LOSS PREVENTION – development & implementation of safety programs, on-site assistance, hotline services	**Jack Kastorff**
COMPUTER SERVICES	**Chris Shaffer**
TRUST ACCOUNT SERVICES – loss runs, special reports, check registers, bank reconciliations	**Herb McDuffee**

Tom Baber	(916) 746-8834	tom.baber@yorkrsg.com
Marcus Beverly	(916) 746-8828	marcus.beverly@yorkrsg.com
Christina Bishop	(530) 248-1412	christina.bishop@yorkrsg.com
Ben Burg	(916) 960 0946	ben.burg@yorkrsg.com
Lainie Callahan	(916) 960-0979	lainie.callahan@yorkrsg.com
Cameron Dewey	(530) 248-1414	cameron.dewey@yorkrsg.com
Kelly Fahey	(916) 960-0963	Kelly.fahey@yorkrsg.com
Jack Kastorff	(916) 960-0931	jack.kastorff@yorkrsg.com
Kara Kennedy	(916) 960-0983	kara.kennedy@yorkrsg.com
Dan Lamb	(209) 795-0742	dan.lamb@yorkrsg.com
Herb McDuffee	(916) 960-0941	herb.mcduffee@yorkrsg.com
Shawn Millar	(530) 345-5998	shawn.millar@yorkrsg.com
Chris Shaffer	(916) 960-0960	christopher.shaffer@yorkrsg.com
Randy Smith	(916) 960-0908	randall.smith@yorkrsg.com
John Tucker	(209) 320-0804	john.tucker@yorkrsg.com
Teresa Utterback	(916) 960-0975	teresa.utterback@yorkrsg.com
Craig Wheaton	(916) 960-0988	craig.wheaton@yorkrsg.com