

**STATE COMPENSATION INSURANCE FUND
BOARD OF DIRECTORS**

MINUTES OF OPEN SESSION MEETING

October 4-5, 2012

The Board of Directors of the State Compensation Insurance Fund met on October 4-5, 2012 at the Napa Valley Marriott Hotel, 3425 Solano Avenue, Napa, California.

October 4, 2012

AGENDA ITEM 1: CALL TO ORDER AND ROLL CALL

The meeting was called to order on October 4, 2012 at 8:15 a.m. and the following were present: Lawrence E. Mulryan, Chair; Sheryl A. Chalupa; Daniel M. Curtin, Donald E. Garcia; Sen. Michael J. Machado (Ret.); Thomas E. Rankin; and Scott K. Reid.

Absent (by prior arrangement): Francis E. Quinlan; Steven L. Rank; William M. Zachry; and non-voting member Christine Baker.

There was a quorum.

Also present: President and CEO Thomas E. Rowe; Chief Financial Officer Dan Sevilla; General Counsel and Corporate Secretary Carol R. Newman and Assistant Corporate Secretary and Board Liaison Hilda Padua.

AGENDA ITEM 2: ANTITRUST ADMONITION

Mr. Mulryan called attention to and requested the Board members read State Fund's Antitrust Admonition, which is included in each Board member's meeting materials.

AGENDA ITEM 3: PUBLIC COMMENT ON APPROPRIATENESS OF CLOSED SESSION FOR ITEM 5

Mr. Mulryan requested public comment of which there was none.

AGENDA ITEM 4: PUBLIC COMMENT

Mr. Mulryan requested public comment of which there was none.

Mr. Mulryan noted that the Board may be taking some actions during the Closed session for items 11 and 12. These actions will be announced during the Open session on Friday after the roll call.

ADJOURNMENT

There being no further business, Chair Mulryan adjourned the meeting at 8:20 a.m.

October 5, 2012

The Board of Directors of State Compensation Insurance Fund continued their Open Session on October 5, 2012 at the Napa Valley Marriott Hotel, 3245 Solano Avenue, Napa, California.

AGENDA ITEM 6: CALL TO ORDER AND ROLL CALL

The meeting was called to order on October 5, 2012 at 11:30 a.m. and the following were present: Lawrence E. Mulryan, Chair; Daniel M. Curtin; Donald E. Garcia; Sen. Michael J. Machado (Ret.); Francis E. Quinlan; Thomas E. Rankin; and Scott K. Reid.

Absent (by prior arrangement): Sheryl A. Chalupa; Steven L. Rank; William M. Zachry; and non-voting member Christine Baker.

There was a quorum.

Also present: President and CEO Thomas E. Rowe; Chief Financial Officer Dan Sevilla; General Counsel and Corporate Secretary Carol R. Newman; and Assistant Corporate Secretary and Board Liaison Hilda Padua.

REPORT OF ACTIONS TAKEN

Mr. Mulryan noted that the Board took two actions during Closed session. First, the Board approved a seven (7%) percent rate reduction that reflects the projected savings from the Workers Compensation Reform bill, SB 863. The rates will apply to the filing currently under review by the California Department of Insurance (CDI) and are expected to take effect in the first quarter of 2013.

Second, the Board of Directors approved a \$100 million dividend to qualifying policyholders for the 2012 policy year. The dividend represents approximately 10 percent of policyholders' 2012 estimated annual premium and is a direct result of the organization's improved efficiencies, disciplined pricing, and sound investment returns.

The resolution was projected and copies were available for the public as attached and incorporated herein.

Mr. Mulryan requested public comment of which there was none.

Mr. Mulryan requested additional items for the November Board meeting and noted the Board's interest in further discussion on the Reinsurance Strategy. Mr. Mulryan requested any additional public comment of which there was none.

There being no further business, Chair Mulryan adjourned the meeting at 11:45 a.m.

The next regularly scheduled Board meeting will begin on Thursday, November 15, 2012 at 333 Bush Street in San Francisco.

Respectfully submitted,

Hilda B. Padua
Assistant Corporate Secretary and Board Liaison

**STATE COMPENSATION INSURANCE FUND
BOARD OF DIRECTORS**

RESOLUTION DECLARING A 2012 DIVIDEND

WHEREAS, pursuant to California Insurance Code section 11775, the State Compensation Insurance Fund ("State Fund") is required to be fairly competitive with other insurers, and should be neither more nor less than self-supporting; and

WHEREAS, pursuant to California Insurance Code section 11776, State Fund is required to ascertain the actual loss experience and expense on or about the first of January in each year for the year preceding; and

WHEREAS, if, after ascertaining the actual loss experience and expense, State Fund determines that assets exceed liabilities, necessary reserves, and a reasonable surplus for the catastrophe hazard, State Fund may declare a cash dividend or credit on the renewal premium of, each employer who has been insured with State Fund in the preceding year; and

WHEREAS, pursuant to Insurance Code section 11777, any such cash dividend or credit is to be in an amount which the Board of Directors of State Fund ("Board") in its discretion considers to be the employer's proportion of divisible surplus; and

WHEREAS, State Fund has projected the actual loss experience and expense for calendar year 2012, and has projected that assets will exceed liabilities, necessary reserves, and a reasonable surplus for the catastrophe hazard and has concluded that it has divisible surplus of approximately \$100 million dollars, or 10% of 2012 estimated annual premium ("EAP"); and

WHEREAS, a cash dividend for policyholders who obtained or renewed a State Fund policy in 2012, conditioned on a final audit and timely payment of premiums would recognize good policyholder performance;

NOW, THEREFORE, BE IT RESOLVED:

That based on the projected loss experience, expenses and investment results for calendar year 2012, the Board has determined that assets exceed liabilities, necessary reserves, and a reasonable surplus for the catastrophe hazard, and that there is divisible surplus of approximately \$100 million, or 10% of 2012 EAP; and

BE IT FURTHER RESOLVED that, the Board of Directors hereby approves and adopts the 2012 Dividend Plan, which will provide qualifying policyholders who have obtained or renewed a policy in 2012 with a cash dividend payment; and

BE IT FURTHER RESOLVED that the President of State Fund is hereby granted the authority to establish the necessary policies and procedures to implement a 2012 Dividend Plan, such policies and procedures to include but not be limited to, the calculation of the proper cash dividend for each policyholder and the timing of the cash dividend payment;

Resolution No. 1050
Resolution Declaring Dividend

BE IT FURTHER RESOLVED that the President of State Fund is hereby granted the authority to take all actions necessary to implement the 2012 Dividend Plan pursuant to this resolution.

YES:

NO:

Resolution [carried/defeated]