

BOARD OF DIRECTORS MEETING

AGENDA ITEM 11A

ATTACHMENT

SEPTEMBER 11, 2008 BOARD MEETING MINUTES

PRESENTED BY: Jeanne Cain

November 21, 2008

**STATE COMPENSATION INSURANCE FUND  
BOARD OF DIRECTORS**

**MINUTES OF MEETING**

**September 11, 2008**

The Board of Directors of State Compensation Insurance Fund met on September 11, 2008 in the Milton F. Marks Auditorium, State Building, 455 Golden Gate Ave, San Francisco, California.

The meeting was called to order at 8:45 a.m. and the following members were present:

**AGENDA ITEM 1: ROLL CALL**

*Present:* Jeanne L. Cain, Chair; Sheryl A. Chalupa; John C. Duncan; Don Moulds; Vincent E. Mudd; and Francis E. (Frank) Quinlan.

*Absent:* Jerry Kalmar and James A. Santangelo.

The following State Fund officials were in attendance: Janet D. Frank, President; Jim Neary, Executive VP; Jay Stewart, Acting Chief Financial Officer; Judith D. Sapper, Assistant Chief Counsel and Secretary. Randall Keen, Esq. of Manatt Phelps & Phillips was also present.

**AGENDA ITEM 2: ANTITRUST ADMONITION**

Ms. Cain called attention to State Fund's Antitrust Admonition which is included in each member's agenda:

"Certain information discussed and disseminated at State Fund Board of Directors' Closed Sessions may be confidential and proprietary to State Fund. Board members should not share or discuss information pertaining to the operation of State Fund with representatives from other workers' compensation insurers, even if that information is intended to be, or is already, public. For example, Board members should not discuss rate-making or other financial information with representatives of other insurers, including proposed rates, merit rating plans, premium discounts, surcharges or dividends. Board members also should refrain from discussing broker commission payments or commission plans with other insurers. To do so may create the impression of collusion between insurers, which could result in civil and/or criminal charges being filed against the Board member and State Fund for alleged violations of state and federal antitrust laws."

The meeting convened immediately into Closed Session and reconvened into Open Session at 2:30 p.m.

**AGENDA ITEM 3: CONSENT CALENDAR**

The consent calendar consisted of the following items: Approval of Minutes of Board Meeting of July 9-10, 2008; Approval of Renewal of Insurance Coverage at best available terms for Property (All Risk Perils, Earthquake/Flood), Commercial General Liability, Motor Vehicle Liability, and Umbrella/Excess Insurance for renewal November 4, 2008; and Approval of retirement resolutions: Retiring employees serving over 30 years were recognized in five resolutions attached hereto and incorporated as a part of these minutes:

Resolution No. 848 in appreciation of Victoria L. Gould, thanking her for serving State Fund with distinction for more than 33 years;

Resolution No. 849 in appreciation of Ray G. Ramirez, thanking him for serving State Fund with distinction for more than 39 years;

Resolution No. 850 in appreciation of Kristal L. Mead, thanking her for serving State Fund with distinction for more than 30 years;

Resolution No. 851 in appreciation of Lloyd F. Bright, thanking him for serving State Fund with distinction for more than 33 years; and

Resolution No. 852 in appreciation of Marylouise Zamora, thanking her for serving State Fund with distinction for more than 39 years.

MOTION: Ms. Chalupa      Second: Mr. Mudd

To approve the Consent Calendar items.

AYES: 4      NOES: 0      Motion carried.

**AGENDA ITEM 4: RATIFICATION OF INVESTMENT TRANSACTIONS**

**ITEM 4A:** Approval of Bond Transactions: Twenty-three (23) bonds were purchased from June 1, 2008 to July 31, 2008, totaling \$642,480,253.24. The following action was taken.

MOTION: Mr. Mudd      Second: Ms. Chalupa

To ratify the June-July 2008 bond transactions.

AYES: 4      NOES: 0      Motion carried.

**ITEM 4B:** There were no Short-Term Investment Transactions to approve.

**AGENDA ITEM 5: COMMITTEE REPORTS**

**ITEM 5A:** The Investment Committee presented its Charter and the recommendation for Board approval.

MOTION: Ms. Chalupa      Second: Mr. Mudd

To adopt the Investment Committee Charter.

AYES: 4      NOES: 0      Motion carried.

**ITEM 5B:** Mr. Quinlan reported on the GAAP financial reports for KPMG, that KPMG has been engaged as independent auditor for 2009, that the Charters for Internal Audit and the Audit Committee were both reviewed and approved, and noted proposed agenda items for the November 20, 2008 Audit Committee meeting.

**AGENDA ITEM 6: FINANCIAL REVIEW 2<sup>ND</sup> QUARTER 2008**

Mr. Jay Stewart noted the following highlights for the 2<sup>nd</sup> Quarter 2008 from the Income Statement Summary. Net earned premium was \$863M, down about 28% from last year but 3% over budget. Underwriting deductions were \$1.159B, down \$219M over last year. The combined loss ratio was 144.8 compared to 121.9 last year. The loss ratio increased 7% over last year from 68 to 75 and underwriting expenses were up 9%. The actual combined loss ratio was 11 points higher than budgeted for 2008. State Fund has made expense reductions and issued RFQs on reinsurance but these savings were offset by the CDI investigation which is costing over \$300,000/mo and will run through the end of the year and by the need to set up a Public Records Office unit. More expenses were accrued over last year, which is an improvement. The Balance Sheet Summary shows \$21.4B in assets. The loss reserves are \$15.5M less the loss portfolio transfer. There is over \$5B in surplus. The Cash Flow Forecast shows a negative cash flow of \$1.3B, offset by about \$1B in investment income for a net negative of \$258M but there is liquidity. Direct premium written is ahead of budget. The net underwriting gain is behind budget. The net investment income is slightly above budget but will decrease because State Fund is not investing in corporates. The net income is down about \$90M from budget. The combined ratios are projected to be 141 by year end. The total leverage of premium to surplus is extremely low. Mr. Stewart noted investment advisor Conning will continue to monitor bond ratings and asset growth.

**AGENDA ITEM 9: MANAGEMENT ACTION ON RENEWAL OF INSURANCE COVERAGE**

There was no discussion of this item.

**AGENDA ITEM 10: OPEN DISCUSSION**

There was no discussion of this item.

**AGENDA ITEM 11: PUBLIC COMMENT**

There was no public comment.

**ADJOURNMENT**

There being no further business, Chair Cain adjourned the meeting at 3:00 p.m. to a Closed Session discussion of the President's performance. The next regularly scheduled Board meeting will begin on Thursday, November 20, 2008 at 4:00 p.m. for a Closed Session at the Milton Marks Conference Center, 455

Golden Gate Ave, San Francisco and will resume there at 8:30 a.m. on Friday, November 21, 2008 with the Open Session to begin at 11:00 a.m.

BOARD OF DIRECTORS  
STATE COMPENSATION INSURANCE FUND  
RETIREMENT RESOLUTION

*In Appreciation*

*Whereas*, the Board of Directors of the State Compensation Insurance Fund, of the State of California, has been officially advised of the retirement, effective July 19, 2008, of

VICTORIA L. GOULD

*Whereas*, Vicki Gould's devotion to duty has played an important role in the success of State Fund for more than thirty-three years, and

*Whereas*, Vicki has a well-earned reputation as a consummate workers' compensation insurance professional having distinguished herself in such diverse disciplines as Office Services, Field Services, Auditing, Claims, Vocational Rehabilitation, Sales, and District Office Management, and

*Whereas*, Vicki's outstanding managerial skills and professionalism have contributed to the successful operation of the Santa Rosa District Office, and

*Whereas*, Vicki's good humor, personal warmth, team spirit, and concern for others have earned her the admiration and affection of her staff, peers and management alike, therefore be it

*Resolved*, by the Board of Directors of the State Compensation Insurance Fund, in regular meeting held in San Francisco on September 11, 2008, that we extend to Victoria L. Gould our best wishes for a happy retirement and our appreciation for her dedication to duty in advancing the best interests of State Fund, its policyholders, and their employees.

BOARD OF DIRECTORS of the STATE COMPENSATION INSURANCE FUND

  
President



Chairwoman







  
Members

BOARD OF DIRECTORS  
STATE COMPENSATION INSURANCE FUND  
RETIREMENT RESOLUTION

*In Appreciation*

*Whereas*, the Board of Directors of the State Compensation Insurance Fund, of the State of California, has been officially advised of the retirement, effective August 16, 2008, of

RAY G. RAMIREZ

*Whereas*, Ray Ramirez's devotion to duty has played an important role in the success of State Fund for more than thirty-nine years, and

*Whereas*, Ray has a richly deserved reputation as a consummate workers' compensation insurance professional whose tenure in Office Services, Auditing, and Loss Control has been marked by an unrivaled degree of distinction, and

*Whereas*, Ray's considerate and accomplished skills as a Payroll Audit Supervisor have produced outstanding results, garnered a Best Audit Unit Award for exceeding superior audit performance, and by extension contributed to the overall success and outstanding reputation of the Fresno District Office, and



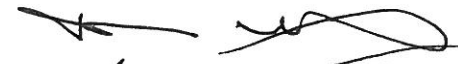



*Whereas*, Ray's knowledge, technical skills, and dedication to the principles of safety and health education have made him an invaluable resource to employers and workers throughout the State of California, and

*Whereas*, Ray's superior work ethic, integrity, and decency have earned him the respect and affection of his colleagues, therefore be it

*Resolved*, by the Board of Directors of the State Compensation Insurance Fund, in regular meeting held in San Francisco on September 11, 2008, that we extend to Ray G. Ramirez our best wishes for a happy retirement and our appreciation for his dedication to duty in advancing the best interests of State Fund, its policyholders, and their employees.

BOARD OF DIRECTORS of the STATE COMPENSATION INSURANCE FUND

  
President

  
Chairwoman  
  
  
  
  
  
Members

BOARD OF DIRECTORS  
STATE COMPENSATION INSURANCE FUND  
RETIREMENT RESOLUTION

*In Appreciation*

*Whereas*, the Board of Directors of the State Compensation Insurance Fund, of the State of California, has been officially advised of the retirement of

KRISTAL L. MEAD

*Whereas*, Kristal Mead's professionalism and devotion to duty have played an important role in the success of State Fund for more than thirty years, and

*Whereas*, Kristal has a well-earned reputation as a consummate workers' compensation insurance professional having distinguished herself in Office Services for her clerical precision and in Sales, Field Services, and Policy Services for her underwriting acumen and supervisory expertise, and


*Whereas*, Kristal illuminated her career with a personal commitment to achieving exceptional results not only when performing regularly assigned duties but also when adopting extracurricular challenges, and

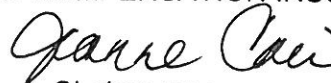
*Whereas*, during her tenure, Kristal's superior performance set the standard for her peers and her sound leadership inspired her staff to value teamwork, productivity, and excellent customer service, and





*Whereas*, Kristal's superlative work ethic and dedication have earned her the respect and admiration of her managers as "a legend in State Fund underwriting, a million-dollar asset, and one of our finest examples of an outstanding employee," therefore be it

*Resolved*, by the Board of Directors of the State Compensation Insurance Fund, in regular meeting held in San Francisco on September 11, 2008, that we extend to Kristal L. Mead our best wishes for a happy retirement and our appreciation for her dedication to duty in advancing the best interests of State Fund, its policyholders, and their employees.

BOARD OF DIRECTORS of the STATE COMPENSATION INSURANCE FUND

  
President

  
Chairwoman

  
  
  
  
Members



BOARD OF DIRECTORS  
STATE COMPENSATION INSURANCE FUND  
RETIREMENT RESOLUTION

*In Appreciation*

*Whereas*, the Board of Directors of the State Compensation Insurance Fund, of the State of California, has been officially advised of the retirement, effective October 31, 2008, of

LLOYD F. BRIGHT

*Whereas*, Lloyd Bright's devotion to duty has played a significant role in the success of State Fund for more than thirty-three years, and

*Whereas*, Lloyd has a richly deserved reputation as a consummate workers' compensation insurance professional having distinguished himself as a highly regarded expert in Sales, Safety, Underwriting, and Field Services, and

*Whereas*, Lloyd's meritorious and steadfast leadership has contributed to the success of countless State Fund employees, and

*Whereas*, during his tenure, Lloyd worked with many valued State Fund clients, consistently displaying excellence and integrity, with an extraordinary sense of responsibility seldom seen in employees at any level, and

*Whereas*, Lloyd's genuine concern for others and his superior dedication and performance have earned him the respect and admiration of State Fund colleagues and policyholders alike, therefore be it

*Resolved*, by the Board of Directors of the State Compensation Insurance Fund, in regular meeting held in San Francisco on September 11, 2008, that we extend to Lloyd F. Bright our best wishes for a happy retirement and our appreciation for his dedication to duty in advancing the best interests of State Fund, its policyholders, and their employees.

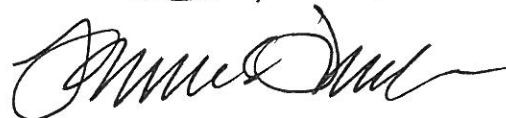
BOARD OF DIRECTORS of the STATE COMPENSATION INSURANCE FUND

  
President

  
Chairwoman



Members

BOARD OF DIRECTORS  
STATE COMPENSATION INSURANCE FUND  
RETIREMENT RESOLUTION

*In Appreciation*

*Whereas*, the Board of Directors of the State Compensation Insurance Fund, of the State of California, has been officially advised of the retirement, effective October 31, 2008, of

MARYLOUISE ZAMORA

*Whereas*, Marylouise Zamora's devotion to duty has played a significant role in the success of State Fund for close to thirty-nine years, and

*Whereas*, Marylouise has a richly deserved reputation as a consummate workers' compensation insurance professional having distinguished herself as an esteemed expert in Policy Services, Insurance Services, Claims/Rehabilitation, Underwriting, and Field Services, and

*Whereas*, Marylouise's meritorious achievements, extensive technical knowledge, and masterful training techniques have earned her recognition as a model State Fund resource,

*Whereas*, during her tenure, Marylouise worked with many valued State Fund clients, consistently displaying professionalism, excellence, and integrity, and

*Whereas*, Marylouise's genuine concern for others and her superior motivation, dedication, performance, and supervisory acumen have been exemplary, earning her the respect and admiration of State Fund colleagues and policyholders alike, therefore be it

*Resolved*, by the Board of Directors of the State Compensation Insurance Fund, in regular meeting held in San Francisco on September 11, 2008, that we extend to Marylouise Zamora our best wishes for a happy retirement and our appreciation for her dedication to duty in advancing the best interests of State Fund, its policyholders and their employees.

BOARD OF DIRECTORS of the STATE COMPENSATION INSURANCE FUND

  
President

  
Chairwoman









Members