

Governance/Compliance Update

Governance Committee Item 4

September 14, 2011

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Background

Compliance at State Fund

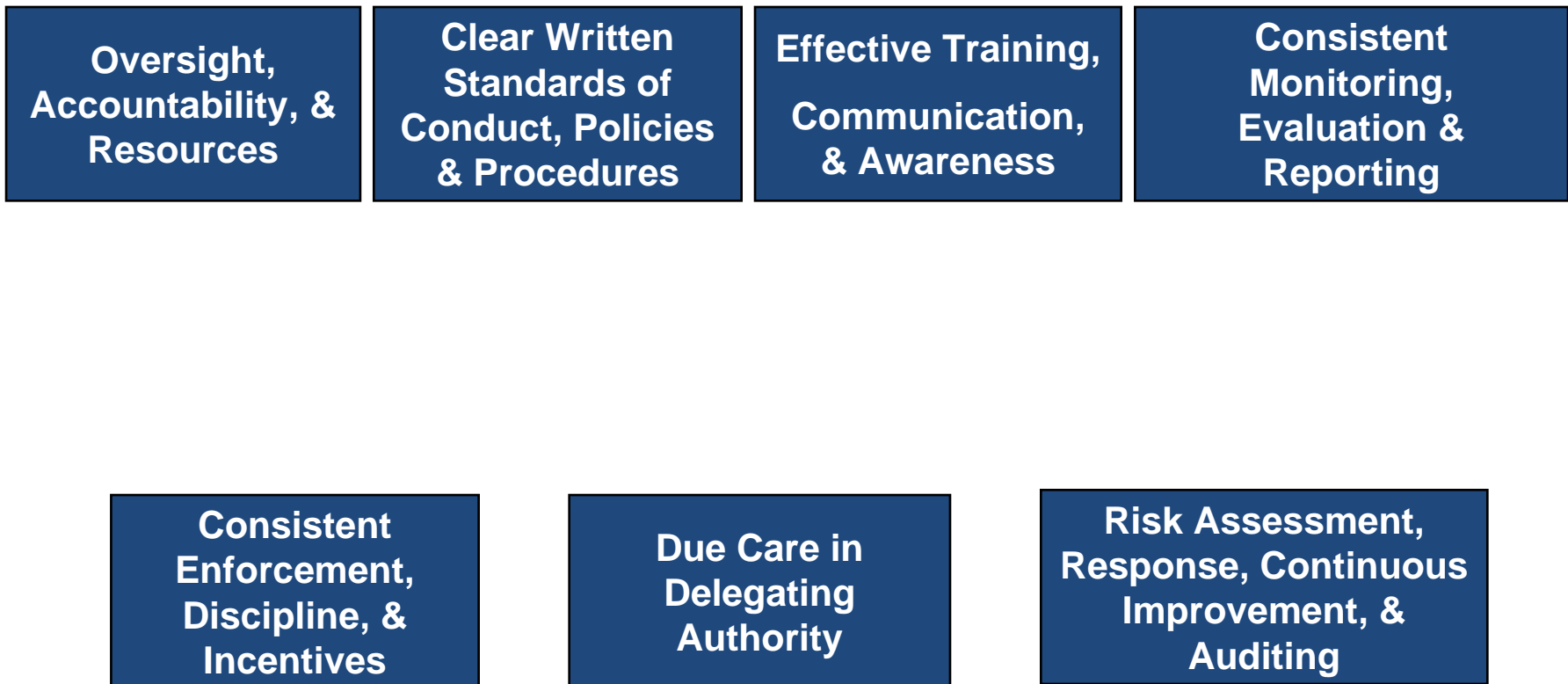
- Written standards and reporting to promote honest and ethical conduct and to prevent and detect illegal conduct;
- Framework designed to weave compliance into the fabric of State Fund;
- Modeled after the US Sentencing Guidelines

Areas of Compliance

- Current and future states
 - Statutory and Regulatory;
 - Internal

Compliance Model

U.S. Federal Sentencing Guidelines



Source : USSG Ch. 8 Part B2.1(b)

See Appendix 1 for detailed compliance-related initiatives

Compliance - Appendix

Appendix - State Fund's Compliance Framework – Major Components

Element	Current State	Initiatives
Oversight, Accountability & Resources	Board approval – Code of Conduct; Conflict of Interest Code, & Key Corporate Policies; retain policy review rights. Periodic status reporting - key initiatives Annual Internal Audit Plan Independent Financial Auditor Report Sr. Mgt. – periodic financial reporting	<ul style="list-style-type: none"> • Corporate Policy Initiative • Statement of Economic Interest Filing & Review • Attestation of Financial Reports to Dept. of Insurance • Model Audit Rule Management Assessment • Periodic Rate Filing • Independent Financial Audit
Clear written standards of conduct, policies & procedures	Code of Conduct Corporate Policies and Procedures – sustainable framework for periodic review and communication	<ul style="list-style-type: none"> • Policy Administration and management framework • Legal Review Compliance & Regulatory issues
Effective training, communication & awareness	Periodic compliance training CA Whistleblower hotline notice External Publication – Code of Conduct & Key Policies	<ul style="list-style-type: none"> • Code of Conduct • Adjuster Certification • Annual CA Whistleblower notice • WC Fraud • IT Security • Sexual Harassment (Mgrs) • Privacy • Ethics

Appendix - State Fund's Compliance Framework – Major Components

Element	Current State	Initiatives
Consistent monitoring, evaluation & reporting	Complaint Reporting Hotlines Statutory & Regulatory compliance CA Public Records Act Bagley Keene Act Cal. Insurance Code State Personnel Board	<ul style="list-style-type: none"> • Integrity in Action/Privacy • Centralize statutory, regulatory, internal reporting • Public Records Office • Executive & Legal • Periodic CA Dept. Insurance Risk Based Capital and Actuarial Opinion reports • Mobility and Workforce Analysis Reports
Consistent enforcement, discipline & incentives	Code of Conduct Motor Vehicle Safety	<ul style="list-style-type: none"> • Annual Acknowledgement • DMV Pull Notice Program
Due care in delegating authority	Delegation of Authority	<ul style="list-style-type: none"> • Resolution Board of Directors
Risk Assessment, response, continuous improvement & auditing	Claims – Compliance Claims – Conduct Claims – Utilization Review Claims – Unit Statistical Report Underwriting Employee Safety Workers' Compensation Fraud Annual Internal Audit Plan	<ul style="list-style-type: none"> • DWC PAR Audits • CDI Claims Market Conduct • Dept. Industrial Relations • WCIRB periodic reports • CDI UW Market Conduct • Cal-OSHA IIPP • Annual CDI SIU Compliance Rpt/Periodic Audit • BOD Audit Committee Recommendation