

AUDIT COMMITTEE MEETING (OPEN)

AGENDA ITEM 8

ATTACHMENT 8-I

MINUTES OF September 10, 2009 OPEN AUDIT COMMITTEE MEETING

PRESENTED BY: Frank Quinlan

November 12, 2009

**STATE COMPENSATION INSURANCE FUND
AUDIT COMMITTEE**

MINUTES OF OPEN SESSION MEETING

SEPTEMBER 10, 2009

The Audit Committee met on September 10, 2009 in the Auditorium of the Milton Marks Conference Center, State Building, 455 Golden Gate Avenue, San Francisco, California.

AGENDA ITEM 1: CALL TO ORDER AND ROLL CALL

The meeting came to order at 12:15 p.m. with the following members present: Francis (Frank) E. Quinlan, Chair; Vincent E. Mudd; Steven L. Rank; and Alternate Thomas E. Rankin.

There was a quorum.

Also present: President and CEO Janet Frank; Chief Financial Officer Jay Stewart; Chief Risk Officer Doug Stewart; Senior Vice President of Internal Affairs Lisa Middleton; Internal Audit Manager Marie Wardell; General Counsel and Corporate Secretary Carol Newman; Assistant Chief Counsel and Assistant Secretary Judith D. Sapper; Chief Counsel Suzanne Ah-Tye; KPMG Audit Partner Mark McMorrow; Senior Manager Shelly Kay Pfeiffer; and Manager Julie Rhodes.

AGENDA ITEM 2: PUBLIC COMMENT ON APPROPRIATENESS OF CLOSED SESSION ITEM 4

There was no public comment.

The Committee immediately convened into Closed Session.

AGENDA ITEM 3: APPROVAL OF MINUTES OF JULY 9, 2009 CLOSED MEETING Closed Session.

AGENDA ITEM 4: INTERNAL AUDIT MANAGER'S BRIEFING ON PENDING AUDITS AND INVESTIGATIONS Closed Session.

AGENDA ITEM 5: CALL TO ORDER AND ROLL CALL

The meeting was called to order at 1:55 p.m. following the conclusion of the Closed Session and the following members were present: Francis Quinlan, Chair; Vincent E. Mudd; Steven Rank; and Alternate Thomas E. Rankin.

There was a quorum.

Also present: President and CEO Janet Frank; Chief Financial Officer Jay Stewart; Senior Vice President of Internal Affairs Lisa Middleton; General Counsel and Corporate Secretary Carol R. Newman; Chief Counsel Suzanne Ah-Tye; and Assistant Chief Counsel and Assistant Secretary Judith D. Sapper.

AGENDA ITEM 6: APPROVAL OF JULY 9, 2009 OPEN MEETING MINUTES

MOTION: Mr. Mudd Second: Mr. Rankin

To approve the minutes of the July 9, 2009 Open meeting of the Audit Committee as presented.

AYES: 3 NOES: 0 Motion carried.

AGENDA ITEM 7: COMPLETED AUDIT STATUS REPORT

Mr. Quinlan requested Ms. Middleton report on the status of Completed Audit Projects. Ms. Middleton reported on the California Department of Insurance (CDI) regular Market Conduct Rating and Underwriting Audit for the period of January to July, 2008, facilitated by Internal Audit. The last such audit was completed in 2004. The CDI examined rates, forms, underwriting rules, data and statistics, policy files, advertisements, and consumer complaints. There were 5 findings. In one instance an experience modification was not input timely, resulting in a refund of \$3620. State Fund corrected the situation to prevent a recurrence. Two marketing brochures failed to contain a statutory disclaimer. State Fund met with CDI and reached a resolution about which future material requires a disclaimer. The other findings concerned the adequacy of the write-up of a policyholder's merit rating. Ms. Middleton noted the CDI's generated a positive report on the status of Underwriting and no further Marketing Conduct Rating and Underwriting exam is expected for the next five years. Mr. Quinlan requested public comment of which there was none.

AGENDA ITEM 8: TRAINING FOR INTERNAL AUDIT

Mr. Quinlan requested Ms. Middleton report on the status of training for Internal Audit. Ms. Middleton thanked Ms. Sandy Peters of Resources Global for working on the training. Internal Audit had relied too much on external training and now benefited from internal training on risk assessment and client interaction. Internal Audit reduced its training budget while improving the training. Two classes have been completed, Effective Communication and Audit 101 Basics. Mr. Quinlan requested public comment of which there was none.

AGENDA ITEM 9: COMMITTEE MEMBER PRESENTATIONS

Mr. Quinlan thanked and encouraged Internal Audit for its training progress and the expected improvement in performing audits. He welcomed Ms. Marie Wardell as the new Internal Audit Manager. Mr. Quinlan requested public comment of which there was none.

AGENDA ITEM 10: PROPOSALS AND SUGGESTIONS FOR NOVEMBER 2009 AGENDA

In addition to standing agenda items and recurring calendar items, the Committee requested further briefing on the quality and timeliness for completing audits. The Committee suggested a briefing on policyholder premium audit procedures and protocols. Mr. Quinlan requested public comment of which there was none.

AGENDA ITEM 11: PUBLIC COMMENT

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

The next Audit Committee meeting is scheduled for November 12, 2009 at noon in San Francisco, California.

ADJOURNMENT

There being no further business before the Audit Committee, the meeting adjourned at 2:10 p.m.

Respectfully submitted,

Suzanne Ah-Tye
Assistant Corporate Secretary