

## **PURMIT Board of Trustees Meeting**

July 23, 2015

2:15 pm – 5:00 pm

Phone: 1-866-581-3001, Passcode: 71615171

Hannon Library, DeBoer Room (3rd Floor, #303), Southern Oregon University

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### **Agenda**

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1. Call to Order, Roll Call, Welcome
2. Review and Approval of Minutes from June 25, 2015 PURMIT Board of Trustees Meeting, June 29, 2015 PURMIT Board of Trustees Meeting
3. Berkley Risk Transition Update
4. Independent Financial Auditor RFP Update
5. Claims – Claims authority protocol discussion
6. Property renewal update
7. Financial review
8. Sedgwick
  - a. Claim Review – July 21
  - b. MMSEA authorized representative
9. SAIF discussion items
10. Legal Counsel items
  - a. Sedgwick contract extension
  - b. AJG Student Health Brokerage contract extension

- c. Tax return status update
- d. DWT Engagement Letter and Conflict Waiver Form

11. Other items

- a. AGRiP Membership

12. Adjournment

## **Agenda Item #2**

# **PURMIT Board of Trustees Meeting**

June 25, 2015

10:00 a.m. – 12:00 p.m.

Phone: 1-800-689-9374, Passcode: 700464

Minutes

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Trustees Present: Chair Eric Yahnke (WOU); Patrick Hughes (OSU); George Marlton (OIT); Brian Roy (PSU); Vice Chair Lara Moore (EOU); Deb Donning (UO)

Trustees Absent: Craig Morris (SOU)

Others Present: James Parker (DWT); Ryan Britz (Berkley); Ashley Grealish (PURMIT)

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## **Call to Order**

Chair Eric Yahnke called the meeting to order at 10:00 a.m.

## **Roll Call**

Roll call was taken of those present

## **Review and approval of Minutes**

### Action:

A motion was made by Mr. Hughes to approve minutes from the meeting on May 29, 2015. The motion was seconded by Mr. Roy. The motion carried with no objection.

## **Election of Trust Chair and Vice Chair**

### Action:

A motion was made by Mr. Roy to elect Mr. Hughes as Chair of the Trust starting July 1, 2015.

The motion was seconded by Ms. Moore. The motion carried with no objection.

A motion was made by Mr. Yahnke to elect Mr. Roy as Vice Chair of the Trust starting July 1, 2015. The motion was seconded by Ms. Moore. The motion carried with no objection.

### **Berkley Risk Transition Update**

Mr. Britz provided an update regarding the transition of work from the current structure to Berkley Risk. Mr. Britz stated that the transition is on course with the previous projections and will continue to work through the process and provide regular updates to the Board.

#### Action:

No action was taken

### **Independent Financial Auditor RFP Update**

Mr. Britz provided a status report regarding responses from potential audit firms for the Trust. The RFP was sent to 10 firms and Berkley has received indications from a couple so far and is anticipating full responses within the next two weeks.

#### Action:

No action was taken

### **Certificates of Insurance**

Mr. Britz informed the Board that their insurance agent Arthur J. Gallagher will be issuing certificates of insurance for all the Trust lines of business, including certificates that reference coverage within the Trust's self-insured retention. This is a change from last year, as the self-insured retention certificates were issued by PURMIT.

#### Action:

No action was taken

### **Bank Account Approved Signatures**

The Board discussed the transition of signature authority on the PURMIT accounts at US Bank.

#### Action:

A motion was made by Ms. Donning to approve to make, effective June 30, 2015, Patrick Hughes and Brian Roy the approved signatures on the PURMIT accounts at US Bank. Motion was seconded by Mr. Yahnke. The motion carried with no objection.

### **Consent Agenda**

The following items were included in the consent agenda:

1. Bank account – the board decided to have the names of the Trust Chair in electronic format for checks drawn on US Bank account. In addition, the Vice Chair’s name will be on file as back up.
2. Payment authority level – Board put authority levels on hold until the July meeting.
3. Mailing address – Board agreed to change address per agenda.
4. Board meetings – going forward, meetings will be held quarterly, with updates to the board and ad hoc meetings as deemed appropriate.
5. Website – Berkley will be given access to monitor and post information on PURMIT website.
6. Accounting – Board agreed to allow Berkley to propose changes to accounting systems. Berkley will present at July Board meeting.

Action:

A motion was made by Mr. Roy to approve the consent agenda items as outlined above. Motion was seconded by Mr. Hughes. The motion carried with no objection.

**Other State Coverage for WC**

The Board discussed the proposal for Other State Coverage for WC.

Action:

Ms. Donning made a motion to authorize Ms. Grealish to bind state specific workers’ compensation coverage. The motion was seconded by Mr. Roy. The motion carried with no objection.

**Study Abroad Coverage**

The Board discussed the proposal for Study Abroad Coverage.

Action:

Mr. Marlton made a motion to authorize Ms. Grealish to bind study abroad coverage on an “as is” basis. The motion was seconded by Mr. Hughes. The motion carried with no objection.

**Approve Allocation Model**

The Board discussed and agreed to have a meeting on Monday, June 29, 2015, to discuss the Allocation Model.

Action:

No action was taken.

**Claims – Approval or denial of claims authority**

Board proposed to move this discussion to the meeting in July to allow for further research and thought around subject, and requested Berkley provide some examples that can be discussed at the July meeting.

Action:

No action was taken.

**Sedgwick Claim Review**

Board did not discuss this item

Action:

No action was taken.

**Other items**

1. Mr. Parker provided an update to the question regarding the need to file a Federal tax return. Mr. Parker is working with the accounting firm and tax attorney to provide additional information and solutions to reach resolution.
2. Mr. Parker proposed Amendment #1 to the Trust agreement which will appropriately reflect the status of the regional and technical universities as relates to their involvement in PURMIT.

Action:

Mr. Hughes made motion to accept Amendment #1. The motion was seconded by Mr. Yahnke. The motion carried with no objection.

3. Mr. Hughes discussed the possibility of distributing the FM Global credit back to the universities, based on the allocation model. Ms. Grealish indicated that the credit is included in the Surplus Fund. The Board discussed distribution and what the impact would be on the Fund. Some additional research was needed to accurately assess the financial impact. The discussion was placed on hold and is to be discussed at a subsequent meeting.

Action:

No action was taken.

4. Mr. Hughes discussed the benefits of having PURMIT join AGRiP. Additional research is needed to determine initial and future costs. Board requested the item be included on the agenda for the July meeting

Action:

No action was taken.

**Adjournment**

Mr. Roy moved to adjourn the meeting. Mr. Hughes seconded the motion. The motion passed with no objection and the meeting was adjourned at 11:57 a.m.



# **PURMIT Board of Trustees Meeting**

June 29, 2015

11:00 a.m. – 11:30 a.m.

Phone: 1-800-689-9374, Passcode: 700464

Minutes

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Trustees Present: Chair Eric Yahnke (WOU); Patrick Hughes (OSU); George Marlton (OIT); Brian Roy (PSU); Vice Chair Lara Moore (EOU)  
Trustees Absent: Craig Morris (SOU); Deb Donning (UO)  
Others Present: James Parker (DWT); Ryan Britz (Berkley); Ashley Grealish (PURMIT)

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## **Call to Order**

Chair Eric Yahnke called the meeting to order at 11:00 a.m.

## **Roll Call**

Roll call was taken of those present

## **Review and approval of 2015 Allocation Model**

The Board discussed the 2015 Allocation Model following the brief discussion during the prior Board meeting and the request for additional time to review. Mr. Hughes requested additional information specific to the deductible modeling work performed by the Trust actuary Price Waterhouse Cooper. Ms. Grealish had queried the actuary previously and agreed to send out deductible information later in the day. Mr. Parker inquired about the budget and the accounting expense that remains in the budget. Ms. Grealish indicated the budgeted amount is for the accounting firms closing/run off of the Trust business for the 2014 term.

## **Action:**

A motion was made by Mr. Roy to approve the 2015 Allocation Model. The motion was seconded by Ms. Moore. The motion carried with no objection.

**Adjournment**

Ms. Moore moved to adjourn the meeting. Mr. Hughes seconded the motion. The motion passed with no objection and the meeting was adjourned at 11:25 a.m.

## **Agenda Item #4**



July 15, 2015

Public Universities Risk Management & Insurance Trust  
C/O Berkley Risk Administrators Company, LLC  
Annette Schmidt  
222 South 9th Street, Suite 2700  
Minneapolis MN 55402

Dear PURMIT Board of Trustees,

We are excited to present our proposal and qualifications in response to your Solicitation for Proposal for independent auditing services for the Public University Risk Management and Insurance Trust (PURMIT).

The team at Cummings, Keegan & Co., P.L.L.P. is very excited to propose for the following reasons:

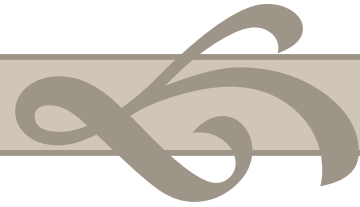
- We've built a trusting, respectful relationship with Berkley Risk Administrators Company, LLC (Berkley Risk) through other self-insurance pool audits and enjoy working together on mutual clients.
- This specialty work is enjoyable to our team members and we are ready to begin! We understand the auditing process and take pride in performing these services for other self-insurance pool clients.
- We appreciate the Board of Trustees' fiduciary responsibility to the organization and its members and will provide the thorough, accurate, timely auditing and accounting advice necessary to help them fulfill that fiduciary responsibility.

### UNIQUE CIRCUMSTANCES

Through our experience on similar self-insurance pool audits, we know there are a few unique circumstances surrounding this opportunity.

Since PURMIT is a new organization, extra time will be required during the first year audit to review the forming documents and learn about the trust, its structure and activities.

At the end of its first year, PURMIT transferred its claims handling and program administration to Berkley Risk. We understand that the claims software continues to be hosted by Sedgwick Claims Management Services, Inc., and that as of July 1, 2014, Berkley Risk is taking on responsibilities that were previously handled by Perkins & Co. and others. Since CK&Co. will be auditing the activity that occurred prior to the transfer to Berkley Risk, we anticipate the process of gathering information to be



## Proposal to Berkley Risk Administrators Company, LLC

more complicated than usual. It will be crucial for us to be able to obtain information from the prior accountant and claims handler, since they were responsible during the period being audited.

The solicitation for proposal requested that final deliverables be completed by September 15th. This date seems reasonable for the coming years when planning can be done before the end of the year, and when a basic understanding of the organization has already been established. For this date to be achieved this year (ending June 30, 2015), it would require all of the parties involved to respond very promptly to all requests, and it leaves very little time to resolve any issues that may arise. Extending the deadline one month to October 15, 2015 helps us gain a thorough understanding of the organization and reduce the margin of error for resolving questions.

The attached information assumes a one-month extension is acceptable. If the initial September 15<sup>th</sup> deadline remains, we request an \$8,000 fee premium be added to our proposed fees.

In the following pages, you'll read key information to know about Cummings, Keegan & Co., P.L.L.P. (CK&Co.) and how we propose to perform the independent auditing services while addressing these unique circumstances. We include:

1. Firm bio and team description
2. Expected fees to perform professional services
3. Recommended schedule with deadline dates
4. Client Assistance Letter, outlining the list of items required to begin the auditing services
5. Communication chart showing interaction of interested parties

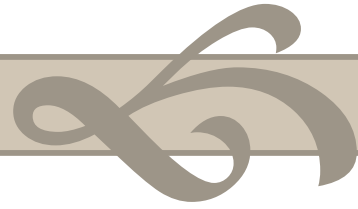
### FIRM QUALIFICATIONS

CK&Co. has been providing audit, accounting, and tax and consulting services since 1956. Our clients are not-for-profit entities and closely-held businesses as well as individuals, estates, and trusts. CK&Co. currently employs 29 staff, including 8 audit professionals. Berkley Risk and PURMIT will work with team members from our Minneapolis office.

In 1999, CK&Co. acquired the firm of George M. Hansen & Co. and began servicing self-insurance pool clients. George M. Hansen was the auditor for some of the first self-insured groups formed in Minnesota. Since then, Debra Korkowski, Partner at CK&Co., has been involved in various capacities from audit manager to engagement partner on audits of eight self-insured workers compensation pools, and supervises the firm's accounting services for the Minnesota Self-Insured Security Fund.

Through this work, we've developed a high-functioning, efficient working relationship with Berkley Risk team members, as evidenced by the following factors:

1. We have been working with Berkley Risk for 16 years. Our staff members have more than 40 combined years' experience auditing insurance groups.



## Proposal to Berkley Risk Administrators Company, LLC

2. Our history working with Berkley Risk allows the learning curve on new clients to be reduced. Because we understand the processes Berkley Risk uses, we can integrate that information into our planning to ensure the audit is done efficiently and in a timely manner. This also allows us to focus more of our efforts on PURMIT's unique issues in this first year of transition.
3. We maintain long term relationships with individuals throughout the Berkley Risk organization. The audit process can begin immediately and continue without interruption because we understand each individual's responsibility and trust each other's reliability. With direct access to Berkley's team members, we can resolve issues quickly and efficiently through trust and open communication.
4. The audit team is located less than 10 miles from the Berkley Risk office, which means we can maximize our time spent on the PURMIT audit while at Berkley Risk. This significantly reduces roadblocks and allows us to keep the process moving. We can visit with the client directly to get our questions answered and streamline email communication.

### CK&CO. BENEFITS

The financial statement audit process itself is extensively regulated and detailed and must be followed by all CPA firms. Therefore, in addition to technical expertise, CK&Co. places great emphasis on creating a tailored client experience.

Every audit becomes a unique experience based on client expectations, the accounting systems and procedures, the audit team members' personalities and commitment to client service, and the team's implementation approach. That is where CK&Co. stands apart. We tailor our working relationship to each individual client. We strive to work with you the way YOU desire – including the way you want to be communicated with, the amount of contact you desire, the extent of strategic consulting assistance you will accept, and more. In order to do that, we need to understand your current situation and what the future looks like for your organization.

An audit presents the highest level of assurance to the PURMIT Board of Trustees that the financial statements are reported fairly and accurately according to industry standards. CK&Co. brings the following essential traits for a high-quality, thorough, accurate auditing experience.

**Professional, Personable Client Service.** Clients speak highly of our personal approach. This requires the continuous involvement of the service team, as well as an in-depth knowledge and understanding of your association, operations and goals. Our service quality involves a planning meeting with clients before year-end, as well as after, to review the results.

**Thorough, Interactive Audit Approach.** PURMIT's audit will follow our proven process that maximizes your time and investment without sacrificing quality. Appropriate planning in the early stages allows us to identify potential issues before they arise. The time we invest to understand your organization,



## Proposal to Berkley Risk Administrators Company, LLC

reporting needs, and expectations improves communications, creates efficiencies, and generates an interactive process.

**Personal, Local Attention with National Expertise – The Best of Both Worlds.** CK&Co. is an independently owned and operated member firm of CPAMERICA International, Inc. one of the largest associations of CPA firms in the United States. Through our affiliation, we have instant access to the expertise and resources of more than 2,500 professionals across America. As a client of our firm, you truly receive the best of both worlds: the personal attention and sincere concern of a local firm and the knowledge and resources of an international association.



### THE CK&CO. TEAM

Our services to Berkley Risk and PURMIT will be supervised by, and the responsibility of, **Debra Korkowski, CPA**, your engagement partner. She will be the primary contact for your staff, as well as conduct the detailed review of work papers in the field. Debra will also perform the final partner review of the financial statements prior to final release.



**Peter Maddalena, CPA**, will be the concurring partner reviewer and will perform an overall GAAP detailed review. **Heidi Vasseur CPA**, and **Rob Engmark CPA**, will conduct the on-site field work, prepare the report and auditor communications.

We plan to utilize on a limited basis the expertise of Larson & Company, a CPAMERICA member firm located in Utah and Nevada, in an advisory role to capitalize on their long list of client experience as an insurance audit firm. This expertise is at no additional cost and enhances our team's capacity to complete the report within the reduced timeframe during this transition year. A summary sheet is attached at the end of this proposal.

The audit team is also responsible for recognizing the need for additional consulting services. When technical and advisory assistance is necessary, specialists within the firm are available. We will first evaluate any consulting services to determine that providing those services will not impair our independence.

We have typically experienced low turnover in our staff. As a mid-size firm, our staff gains exposure to all types of client entities and levels of service, offering early opportunities for career advancement and client service. The involvement of senior personnel on client engagements improves our staff continuity on your engagement for multiple years.



**Cummings, Keegan & Co., P.L.L.P.**  
Certified Public Accountants and Business Advisors



## FEES FOR PROFESSIONAL SERVICES

We promise to deliver the prompt, personal attention your organization deserves and propose to perform the following primary scope of services:

- Audit the financial statements and required supplemental information of PURMIT for the fiscal years ending June 30, 2015 and June 30, 2016. Our audit will be conducted in accordance with U.S. generally accepted auditing standards and will include tests of the accounting records and other procedures we consider necessary to enable us to issue an unqualified opinion that the financial statements are fairly stated, in all material respects, in conformity with U.S. generally accepted accounting principles. If our opinion is other than unqualified, we would thoroughly discuss the reasons with you in advance.
- Prepare a management letter to include any reportable conditions and/or material weaknesses.
- Meet with the Board of Trustees and/or Board subcommittees to discuss audit findings. We are also available to answer any other questions or concerns that may arise throughout the year.
- Prepare Federal Forms 990 and 990T (when applicable) and State Reporting Forms (as required). While these services were not included in the Solicitation for Proposal, we often perform them as part of the audit experience.

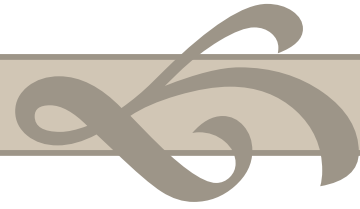
Our fees for professional services are as follows. Out-of-pocket travel expenses to Oregon for meetings will be invoiced separately.

<b>Year ending June 30, 2015</b>	\$40,000 (with report completed by October 15, 2015) (for report completed by 9/15/15, add \$8,000)
<b>Year ending June 30, 2016</b>	\$35,000

Services are billed at pre-determined hourly rates for our staff plus any direct disbursements. The estimated fees are computed on the assumption that we do not encounter extraordinary circumstances that would cause a significant extension of our procedures. If such circumstances arise, we would consult with you prior to performing the additional work.

Our policy is to keep the hours incurred on each engagement to a minimum and proportional with the application of professional standards and our own standards of providing quality service. This is accomplished through careful planning, coordination with client personnel and utilizing experienced staff.





## RECOMMENDED SCHEDULE

### Public Universities Risk Management & Insurance Trust

#### Preliminary 2015 Audit Timetable

Audit Step	Expected Date
1. Planning meeting via phone with the Trust's officers to discuss timing, schedules, actuarial firm, audit process, and required reports.	Week of July 27th
2. Meeting via phone with actuary to discuss process and timing.	Week of July 27th
3. Deliver client assistance listing to applicable parties.	Week of July 27th
4. Berkley to send claims data for actuarial review to actuary and CK&Co.	Week of August 3rd
5. Obtain preliminary financial statements and trial balance from Berkley.	Week of August 3rd
6. Obtain bank statements from Berkley or Perkins	Week of August 3rd
7. Obtain year-end cash, investment, and attorney confirmations signed by an authorized party and mailed to CK&Co.	Week of August 3rd
8. Test paid claims data at location to be determined, review claim reserves, and data provided to actuary.	Week of August 24th
9. Conference (by phone) with CK&Co and Executive/Audit Committee as necessary.	Early September
10. Berkley to provide a listing of claims paid by month and by client.	August 24, 2015
11. Obtain draft of actuarial report, review and adjust reserves accordingly.	Week of August 24th



12. Begin audit fieldwork at CK&Co.'s office.	Week of August 24th
13. Conference with audit team and actuary.	Week of August 31st
14. Complete audit fieldwork.	September 21, 2015
15. Obtain letters from attorney to represent outstanding or potential litigation of the Trust.	Late September
16. Provide draft of audit opinion and financial statements to Trust.	Early October
17. Obtain representation letter from Trust's officers.	Early October
18. Meeting with Executive/Audit Committee via phone.	Early October
19. Finalize audit and actuarial reports and provide final copies.	Mid October
20. Attend annual meeting.	Late October

### CLIENT ASSISTANCE LETTER

The following pages list the items needed to commence auditing services. Items must be received by the referenced due dates to keep the audit process moving efficiently and within the October 15 timeline. This schedule assumes the Board of Trustees returns a signed engagement letter upon selection decision.

# Public University Risk Management & Insurance Trust



Proposal to Berkley Risk Administrators Company, LLC

	Work paper	Date Due
	<b>General Information</b>	
1	A copy of the Transfer Agreement with OUS.	August 3
2	A copy of the approval from the Department of Consumer and Business Services to operate in Oregon.	August 3
3	A copy of the Bylaws and other organizing documents.	August 3
4	A copy of the Berkley claims management agreement.	August 3
5	A copy of the contract for services with Gallagher Student Health and Special Risk.	August 3
6	A copy of the contract for services with Sedgwick Claims Management Services.	August 3
7	A copy of the agreement for services with Perkins and Co.	August 3
8	A copy of the OSU Host and Staffing Agreement.	August 3
9	A copy of the Statement of Work.	August 3
10	A copy of the Risk Management Program Policy and the Risk Management Fund Policy, or summary of the policies in place. Please include documentation of any accounting policies in place.	August 3
11	A copy of the 2014-15 budget including amendments.	August 10
12	A copy of the 2015-2016 budget if available.	August 10
13	A copy of the most recently completed actuarial study.	August 3

# Public University Risk Management & Insurance Trust



Proposal to Berkley Risk Administrators Company, LLC

14	Provide confirmations of bank and investments accounts, line of credit (if applicable), attorney, Surety bond and any other required confirmation letters. <b>Templates will be provided.</b>	August 3
15	Schedule of expected dates for Board of Trustees' meetings.	August 3
16	Board of Director's and all committee meeting minutes from inception to the current date.	August 3
17	Updated listing of PURMIT board members/trustees at year-end.	August 3
18	Information on any membership changes (for instance, documents related to the withdrawal of the University of Oregon).	August 3
19	Copies of any other significant agreements entered into by the Trust during the fiscal year.	August 3
20	Provide us with copies of all insurance policies and certificates related to the current fiscal year.	August 3
21	List of any legislative changes that have occurred since July 1, 2014 that may affect the operations of PURMIT.	August 3
22	Provide updates to the Entity Understanding and IT Understanding documents. <b>Templates will be provided.</b>	August 10
23	Provide a draft and final version of the actuary report.	Aug 24(draft) Sept 4(final)
<b>General Ledger Information</b>		
24	Provide, in Excel format, general ledger balances or a detailed balance sheet and income statement as of June 30, 2015, as well as details of all general ledger activity for the year.	August 3

# Public University Risk Management & Insurance Trust



Proposal to Berkley Risk Administrators Company, LLC

	<b>Revenues and Expenses</b>	
25	Provide a detailed schedule of professional fees, including name, date, amount and description of services. Include a similar schedule of Berkley fees.	August 24
26	Have all invoices for professional services available for our review. (We will inquire of variances over certain scopes. Please provide support for variances (we will provide the accounts during fieldwork).	August 24
	<b>Cash, Cash Equivalents, and Investments</b>	
27	For all bank accounts, provide a reconciliation of the bank balance to the general ledger balance as of June 30, 2015, which includes detail of all outstanding checks and deposits-in-transit.	August 24
28	Provide us with all monthly bank statements and cancelled checks for the checking accounts as well as the investment accounts for fiscal year 2015 for our review. Also, include the July 2015 statements.	August 24
29	Provide a list of checks issued but not released as of June 30, 2015, if any.	August 24
30	Provide information regarding the last check issued for each bank account, for the fiscal year ended June 30, 2015, including the date, amount, check number and payee.	August 24
	<b>Claims</b>	
31	Provide a copy of all claims check registers covering the period July 1, 2014 to June 30, 2015. Please provide as soon as possible as we will use these to make our claims testing selections.	August 3rd (ASAP)



32	For selections provided for claims testing, please provide check copies. In addition, please provide the payment ledger detail for each claim number which will need to be tied out to loss run reports.	August 24
33	For selections provided, please provide claims files which include documentation of medical invoices, Explanations of Review, and other correspondence. In addition, please provide payment ledgers and file notes.	August 24
34	For selections provided, please provide loss run reports as of June 30, 2015.	August 24
35	Provide a workpaper which notes the claims paid during the year ended June 30, 2015 for each university and contract type.	August 24
<b>Other Assets and Liabilities</b>		
36	Prepare a list of accounts payable as of June 30, 2015 (i.e., invoices for goods or services provided through June 30, 2015, which were unpaid at year-end, such as attorney fees, trustee fees, claims management fees, etc.). Kindly provide a copy of the supporting documentation for these payables.	August 24
37	Relating to the accounts payable listing, please forward supporting documentation of existing payables to us. Also, please make us aware of any invoices that have been received after July 1, 2015 and relate to fiscal 2015 obligations that are not/may not be included in the listing provided.	August 24
38	Provide a detail listing and copies of checks for all tax payments (if any) made during the fiscal year (state and Federal).	August 24
39	Provide a loss reserve summary which reconciles to the general ledger.	August 24



## COMMUNICATIONS WITH INTERESTED PARTIES

This chart conveys the communication channels and interaction with various parties involved in a self-insurance audit for this transition year.





## REFERENCES

We welcome your contact with the following client contacts to learn more in their words about the CK&Co. client experience. These clients work regularly with Debbra, Peter, Heidi and Rob on other self-insurance audit clients.

Actuarial Advisors, Inc.	Haug Companies	EEP Workers Compensation Fund	Minnesota Self-Insurers' Security Fund
<b>Mark A. Doepke</b> <b>612-455-3331</b>	<b>Chris Sylvester</b> <b>763-938-1404</b>	<b>Leonard Binstock</b> <b>507-456-8872</b>	<b>Kim Drevnick-Voller</b> <b>651-291-9155, ext 101</b>
Fifth Street Towers 100 South Fifth Street Suite 1230 Minneapolis, MN 55402  (actuary for Minnesota Self-Insurers' Security Fund)	EEP Workers Compensation Fund chair Haug Companies CFO 4801 Highway 101 Minnetonka, MN 55345	Executive Director EEP Workers Compensation Fund 56 Panorama Drive Hot Springs Village, AR 71909	Administrator Minnesota Self-Insurers' Security Fund First National Bank Bldg 332 Minnesota St Suite West 1710 St. Paul, MN 55101

We are eager to begin the tailored client experience you deserve – **and require** – to ensure a timely completion by October 15. We welcome a discussion to answer questions, make clarifications, and expand upon this information.

Sincerely,

CUMMINGS, KEEGAN & CO., P.L.L.P.

Debbra Korkowski, CPA  
Partner

Peter Maddalena, CPA  
Partner





## Why Larson?



At Larson,  
professional service  
starts with personal  
attention.

Larson strives to differentiate itself from other professional service firms through high quality, responsive service. Our clients seek our services, not only for our knowledge and insurance industry experience, but also because we have a special understanding of their insurance business and genuinely add value to their operations.

**Insurance Industry Expertise.** Larson is a regional accounting firm, founded in 1975 with the central purpose of serving the insurance industry. Larson is currently the largest auditor of insurance companies in the Intermountain Region based on the number of companies served. **Recently we were ranked as the nation's 8<sup>th</sup> largest insurance practice in the nation by Ward Group and were one of three firms chosen by AM Best to launch their directory of insurance auditors.**

Our firm is comprised of 70 employees inclusive of 11 partners and 47 professional staff, 27 of which are CPA's, serving our clients from offices in Utah and Nevada.

Having guided start-up insurance companies from their inception to dominant market positions, we have developed both a broad and deep understanding of the way in which insurance entities function and the particular audit needs and risk specific to them. We currently service approximately 100+ insurance clients ranging in size of captive insurance companies with less than \$1.2 million in earned premium to insurance entities with over \$500 million in earned insurance premium.

Larson has audited and consulted various insurance entities, including insurance companies, captive insurance companies and government insurance risk pools, with clients licensed in 46 states and domiciles stretching from Florida to Hawaii.

**Property and Casualty Experience.** Larson & Company has been involved in audited property & casualty insurance companies, including risk pools for over 30 years. Our firm has audited P&C companies in a wide range of industries, including auto, auto warranty, home, fire, umbrella, surety, commercial, workers' compensation, and medical professional liability.



## Your Advisory Team

Peter will be the concurring partner reviewer and will perform an overall GAAP detailed review and looks forward to building a long-term relationship with PURMIT. He values the trust placed in him by clients to solve problems and achieve their strategic goals. Peter has been with our firm for 14 years, working with self-insurance clients for 12 years.



**Peter Maddalena, CPA**

PARTNER

[pmaddalena@ckco-cpa.com](mailto:pmaddalena@ckco-cpa.com)



A core member of the CK&Co. audit team, Heidi will perform the field work and prepare the report and auditor communications. Heidi enjoys the challenge of solving problems and making sense of complicated rules. Clients appreciate her insight, solutions-oriented approach, and attention to detail. Heidi has been with our firm for nearly 5 years and working with self-insurance clients throughout that time.

**Heidi Vasseur, CPA**

SENIOR ACCOUNTANT

[hvasseur@ckco-cpa.com](mailto:hvasseur@ckco-cpa.com)

A core member of the CK&Co. audit team, Rob will also perform the field work and prepare the report and auditor communications. Rob enjoys spending time at the client's site to learn about their business and build relationships with the accounting team members. Rob has been with our firm for nearly 4 years and working with self-insurance clients throughout that time.



**Robert Engmark, CPA**

SENIOR ACCOUNTANT

[rengmark@ckco-cpa.com](mailto:rengmark@ckco-cpa.com)



As the Client Engagement Partner, Debra will manage the client relationship, supervise the services and monitor overall quality control. You will benefit from her auditing expertise for self-insured organizations, retirement and other benefit plans. Debra has been with our firm for 19 years and has been working with self-insurance clients for 17 years.

**Debra Korkowki, CPA**

PARTNER

[dkorkowski@ckco-cpa.com](mailto:dkorkowski@ckco-cpa.com)



**Public Universities Risk Management & Insurance Trust**

**Proposal for Audit Services**

June 30, 2015



Assurance • Tax • Consulting

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McGladrey LLP

801 Nicollet Mall  
West Tower Ste 1100  
Minneapolis, MN 55402-2526  
O 612.332.4300  
www.mcgladrey.com

June 30, 2015

Public Universities Risk Management & Insurance Trust  
C/O Berkley Risk Administrators Co. LLC  
222 South Ninth Street, Suite 1300  
Minneapolis, MN 55402-3332

Dear Ms. Schmidt:

We are pleased to submit our experience, expertise and credentials to the Public Universities Risk Management & Insurance Trust (PURMIT) for audit services. We appreciate the time you spent with us responding to our questions and the opportunity to bid on the Solicitation for Proposal (SFP). We are confident that McGladrey LLP—our methodology, personnel and business philosophy—is a great fit for your organization. We are eager to develop a long-term business relationship with you.

McGladrey has served organizations like PURMIT for almost 90 years. Everything about us helps us respond to your needs, earn your trust and contribute to your success. Our commitment to quality and timely service, insurance, non-profit and governmental industry expertise, range of service capabilities and spirit of innovation and teamwork will exceed your expectations.

Leading our Minneapolis-based proposed team for your engagement is Lance Massmann, assurance partner. Lance has more than 23 years of experience serving clients similar to PURMIT. Lance will be joined by Carrie Esler, assurance director, whose 14 years of experience includes working almost exclusively with insurance and non-profit clients. In addition to Lance and Carrie, a team of carefully selected professionals from our public sector (governmental and non-profit organizations) and insurance teams will work with you throughout the year to ensure your expectations are met and that there are no surprises in your engagement.

We have proposed an engagement team and an audit approach that are specifically tailored to help you meet your reporting requirements. We will gladly accommodate the schedule outlined in the SFP. We look forward to understanding the intricacies of PURMIT and joining that knowledge with our experience to spark new ideas and breakthroughs that help PURMIT meet its goals and objectives.

## **Firm history**

McGladrey LLP was founded in 1926. By 1966 the firm had 29 offices in eight states. Significant mergers in 1978 and 1984 increased the size and geographic footprint of the firm to include offices coast to coast. McGladrey has continued this trend of joining forces with like-minded firms to become the fifth largest provider of assurance, tax and consulting services in the U.S. and the leading firm focused on the middle market.

McGladrey is committed to being the first-choice adviser to middle-market leaders. Our core values—respect, integrity, teamwork, excellence and stewardship—are the foundation of how we interact with clients and each other.

## **Credibility and reputation of a large, national firm, with personalized, local service**

McGladrey LLP is the leading U.S. provider of assurance, tax and consulting services focused on the middle market, with more than 8,000 people in 80 cities nationwide. McGladrey is a licensed CPA firm and is the U.S. member of RSM International, a global network of independent assurance, tax and consulting firms with over 730 offices in more than 110 countries worldwide.

There are over 500 personnel in our Minneapolis office. The combination of local presence and national strength assures that you will receive exceptional advice from professionals experienced in the insurance, governmental and non-profit industries, prompt responses to your needs and questions, and timely and cost-effective delivery of services.

While our size affords us the national resources needed to serve complex industries, size by itself is not important. What is important are the factors that have resulted in our success. We believe that McGladrey LLP is unique because while we possess the expertise of a national firm, our client service philosophy matches that of a local accounting firm. Our growth has been the result of our ability to provide our clients with close, personal attention; continuity and accessibility of all professional personnel, including partners/directors and managers; and prompt quality services in a cost-effective and innovative manner. This translates into direct knowledge of the unique challenges faced by PURMIT and experience in helping you meet your business challenges and achieve your goals and objectives.

## **Insurance, governmental and non-profit organizations—Industry knowledge and experience**

As previously discussed, the team assembled to serve PURMIT has industry-specific audit experience to enable us to provide PURMIT with proactive, timely information regarding changes occurring in your industries and to ensure quality audits are performed. Because the engagement team – from partners through staff – is dedicated to serving their industry niche, they understand the nature of PURMIT and your operations and can focus on the risks within your organization rather than learning your industries and relying on personnel to educate our team.

Public Universities Risk Management & Insurance Trust  
Attn: Ms. Annette Schmidt, Berkley Risk, Program Accounting  
June 30, 2015  
Page 3

Our specialized insurance practice personnel serve hundreds of insurance organizations during their careers, including public entity risk pools, workers' compensation insurers, property and casualty insurers, health insurers, reinsurers and alternative risk markets. Our non-profit and governmental teams serve over 2,000 governmental entities across the nation and consist of professionals serving non-profit and governmental entities, municipalities, counties, public retirement systems, special purpose authorities, housing authorities, and state agencies. Because of our industry specialization, client service teams are often comprised of individuals from more than one industry team. Because we take a holistic approach to serving you, PURMIT will benefit from our industry knowledge and expertise in a seamless manner. Information regarding some representative clients served by your team, as well as their contact information, is included in Appendix A. We urge you to contact those clients to learn more about our experience, style, service delivery and commitment to quality.

### **Independence and quality—No compromise**

Expertise and experience alone are not enough to build a successful relationship with an audit firm. There has to be trust and confidence that the firm is working to provide you with an objective perspective on your business and offers solutions that are based on business fundamentals. You have to believe that your auditor adheres to the highest ethical standards. We pride ourselves on the way we work with our clients. We respond to their questions and get them answers when they need them. We value the opportunity to serve as your auditor, and we are proud of the excellent national reputation for excellence we've earned over the years. We will not sacrifice quality.

For almost 90 years, our firm has been committed to high integrity, going above and beyond the requirements of our profession. Partners and managers serving insurance and government and non-profit entities are required to meet strict quality control standards, and the quality of their work is periodically reviewed. Specialized training is required to continue to serve clients in these sectors. Being held to a higher level of scrutiny allows PURMIT to enjoy the peace of mind in knowing your professional service providers have the integrity and professionalism you and your stakeholders deserve.

We are not aware of any potential conflicts of interest with PURMIT regarding any other work performed by our Firm. If we become aware of any independence issue, we will promptly discuss it with management.

We are conscious of the importance of independence in the audit process—both perceived and actual. In the event we are requested to perform any non-audit services, we will discuss the nature of those services and any potential impact on perceived independence with management and the board, as appropriate, prior to providing those services. In no event will we provide non-audit services that impair our independence.

McGladrey is subject to the triennial peer review requirements of the AICPA. The peer review focuses on the member firm's non-SEC audit practice. McGladrey's system of quality control for the accounting and auditing practice applicable to non-SEC issuers in effect for the year ended April 30, 2013, was subject to peer review. Under the peer review standards, firms can receive a rating of pass, pass with deficiency(ies), or fail. McGladrey was notified on December 12, 2013 that our firm has received a peer review rating of pass. Our peer review reports are included in Appendix E.

### **Our people make the difference**

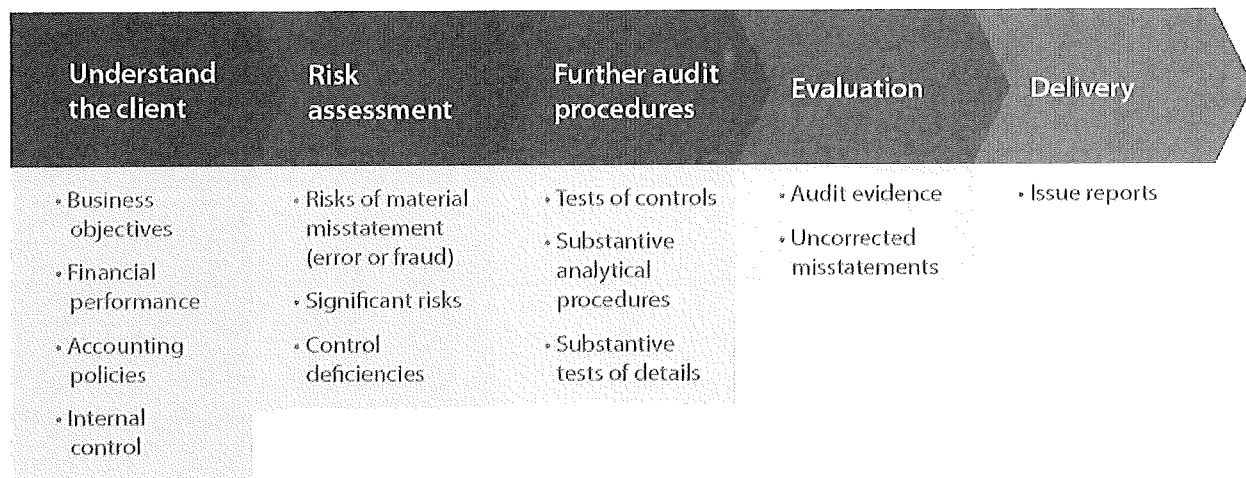
As previously discussed, PURMIT needs and deserves to be served by a firm that takes the time to truly understand your organization and is excited about serving you. Our professionals work together as an integrated team, which provides our clients the depth of expertise they need in a timely manner and ensures we conduct a quality audit. Furthermore, by leveraging a team methodology for delivering audit services, the team members can provide a more holistic perspective to you and the organization, because they understand how each area of the business may be affected by the recommendations that are given.

Full biographies of the engagement team above are included in Appendix B. There have been no complaints against any of these individuals leveled by the state board of accountancy or other regulatory authority. In addition, no corrective actions have been taken by the Firm with respect to these people.

### **Customized audit approach with a strong emphasis on early planning and efficient execution of procedures**

We don't utilize a "one-size fits all" audit approach. Our team will work closely with your team to develop a coordinated audit plan. We will identify audit issues and business risks as they arise. Our audit team will use progressive technology and strong interpersonal communication skills, providing high-quality audit services in a manner that keeps costs down. We strive to increase efficiency – both yours and ours. We value the opportunity to serve as your auditor, are proud of our reputation and do not sacrifice quality. Therefore, our audit approach starts by gaining an in-depth understanding of your organization and how we may be able to add value to your current processes. Our approach includes a careful analysis of your internal accounting and information systems controls.

The following diagram provides an overview of our audit process:



A more in-depth explanation of our audit process is included in Appendix D.



**Communication**

Communication is critical. We firmly believe communication is one of the most, if not the most, important factors to a successful outcome. By meeting regularly throughout the year and encouraging open dialogue, our teams will work together to deliver highly successful, smooth and quality audits, while implementing practical and appropriate changes to assist PURMIT in becoming more efficient and effective in the years to come. We are committed to ongoing communication and a “no surprises approach” to our work with you. We encourage contact throughout the year and want you to feel free to call us without fear of incurring additional charges. We offer a complete, unbiased assessment of issues affecting the growth of your organization, and propose practical solutions you can depend on.

**Fee estimate**

Our goal is to provide high-quality, reliable service at reasonable fees. Based on our understanding of your needs, our estimated fees are as follows.

Summary of Deliverables	Estimated Fee		
	FY2015	FY2016	FY2017
Audit of the financial statements of PURMIT including issuance of report to those charged with governance and communications of internal control matters	\$33,750	\$35,000	\$36,250
Meetings with PURMIT Board of Trustees, as necessary	Included	Included	Included

We are committed to providing the highest-quality audit and outstanding service with a personalized approach. Our experience and approach enables us to operate in an efficient and effective manner, eliminating unwanted surprises (including additional and unexpected fees) and providing the most value to our clients. Our fees are based on hourly rates and are determined by each professional’s level of experience.

For consultations regarding out-of-scope technical matters, we will bill at rates relative to the professionals with whom you consult. Such rates are listed below and vary based on the experience level and years of service of the individual involved. We anticipate that any significant services will be prearranged and agreed upon with you.

Staff Level	2015
	Billing Rates
Partner or director	\$225–450
Manager	\$175–225
Professional staff	\$105–175

**Approach to audit fees**

**We absorb first-year costs**

Because we want a long-term relationship with PURMIT, you don’t pay for our learning curve. We absorb the first-year costs of gathering historical information, building permanent files, and understanding your accounting system and business objectives.

### **Significant changes in your business**

Significant changes in the nature and scope of the business will result in annual professional fee increases. Significant changes may include the following: addition of new locations, new businesses or lines of business; unpreparedness on the part of the entity; material changes in financial reporting; an unusual number of adjustments to the financial statements; and changes in scope of work due to regulations, audit and accounting standards, or income tax laws.

### **Assumptions on which fees are based**

Our fees for the audit and accounting services described above are based upon the time required by the individuals assigned to the engagement. Out-of-pocket costs are included in the fees quoted above. Interim billings will be submitted as work progresses and as expenses are incurred. Billings are due upon submission.

Our estimated fee is based on our experience with organizations like PURMIT and is also based on the following assumptions:

- Assistance will be supplied by PURMIT personnel, including preparation of schedules and analyses of accounts, which will be requested on client participation lists provided by us
- There will be no significant audit adjustments to the financial statements required
- PURMIT incurred no significant litigation during the period under audit
- A single audit, in accordance with OMB Circular A-133, is not required
- There are no significant changes in the nature and scope of the audits. Significant changes in the nature and scope of the audits could include, among other things, a complex change in the equity structure, significant new lines of business, etc.
- PURMIT engages a qualified external actuary to opine on its insurance liabilities

### **Approval for services out of scope**

Should it be necessary to extend the scope of our audit and accounting services due to the unpreparedness on the part of PURMIT, significant accounting assistance requiring multiple adjusting journal entries, or other significant changes in the nature and scope of the engagement, we will bill for these additional services based on our standard hourly rates. We will contact you to discuss these items before proceeding with any out-of-scope work.

### **No charge for quick phone calls**

We realize clients occasionally need to call for information or ideas that require quick, concise responses. In the interest of strengthening the trust and working relationship between our organizations, we believe your personnel should feel comfortable calling for necessary information without fear of punitive phone charges. Therefore, we do not charge for short, routine phone calls.

### **Client acceptance**

Our acceptance of this engagement is subject to completion of our standard acceptance procedures.

## Differentiators

Every audit firm has a process, but our clients have told us how much they appreciate the way our team is able to execute that process at all levels. From staff to managers to partners, we understand the procedures and take a methodical approach to the audit, as well as making the personal commitment to really understand the client. The difference in the depth of our procedures has been proven time and time again. This attention to detail, the depth in our audit procedures, and the solutions we suggest for improvement are what offers our clients more value during the audit than they receive from our competition.

Experience can be a difficult thing to quantify. The value of our experience is being able to offer our clients the benefit of having been through the process, time and time again. Our clients attest to the value they have received from the experience of our insurance and governmental and non-profit team members. Because our entire firm is committed to understanding and serving the unique issues of our clients and to industry specialization, our team sees it! They see the solutions, because they've been a witness on previous engagements. They can anticipate potential issues, recognize solutions that work, and assist you to find better or more effective ways to improve your business.

In addition to the key differentiators listed above, we have listed additional differentiators for our firm and our services below:

- Communication is critical—You will hear from partners and managers throughout the year as emerging issues surface that may affect PURMIT.
- Our reputation for excellence and delivering the highest-quality audit sets us apart from the competition. The uncompromising quality we deliver offers peace of mind to our clients and their stakeholders.
- We have a breadth of resources focused on the insurance and non-profit and governmental industries. Therefore, we have the privilege of offering our clients the types of resources who understand their industry and can anticipate the issues from day one. And, because our professionals work together using an integrated team approach, our clients have the depth of expertise they need in a timely manner.
- Having a strong local presence is important—With more than 500 employees in Minneapolis, we are the largest non-Big Four firm in the Twin Cities metro area.
- In a highly competitive environment and industry, our best differentiation lies in the service we provide to our clients. Our commitment to great service sets us apart. Clients feel important, because they are important. We work hard every day for the privilege to have you as our client.
- Access to a national audit and accounting team is one distinction that sets McGladrey apart from many of our competitors. Their role is that of interpreting standards, ensuring quality and assisting in the resolution of difficult and unusual matters. This wealth of knowledge and resource of oversight has proven invaluable to our clients and will be a readily available resource to PURMIT.

## Actuarial services

Our actuarial group has significant experience in providing actuarial support services for audits of risk-bearing entities. The leaders of this group hold actuarial credentials such as ASA (Associate of the Society of Actuaries), MAAA (Member of the American Academy of Actuaries) and FCA (Fellow of the Conference of Consulting Actuaries).

Our actuarial team will support the audit team's review of the claim liabilities, as well as the potential for premium deficiency reserves. Our audit plan contemplates testing the validity of data provided to your actuarial specialist and using our actuarial consultant to assess conclusions. In our audit model, the actuaries provide support above and beyond the traditional oversight activities. They are a sounding board to you for reserving and other issues, as well as a resource for best practices and generally accepted actuarial practices and principles. Although we are not providing consulting services as part of the audit, our actuaries offer guidance and alternative views outside of the customary "supervisory" role, working with your team in a respectful, collaborative and constructive manner.

We take pride in the ability and desire of our actuaries to add value during the audit process and believe this differentiates us from our competitors.

## Closing

We believe we are the Firm best-suited to serve PURMIT's audit needs now and long into the future. We trust our genuine interest in continuing an effective and long-term business relationship with your team is evident as you review our proposal. We have the resources to help you succeed. You will be well-served by our people, commitment to quality and timely service, locally available range of service specialists and depth of experience. We will work hard to exceed your expectations. We look forward to having the opportunity to work with you and your team.

Please reach out to us if you have questions or need clarification on anything in this proposal. We look forward to your favorable response to our proposal and to a long and mutually beneficial relationship.

Very truly yours,



Lance Massmann  
Audit Partner  
605.575.0508  
lance.massmann@mcgladrey.com



Carrie Esler  
Audit Director  
612.376.9370  
carrie.esler@mcgladrey.com

## **Appendix A—Client references**

Expertise and experience alone are not enough to build a successful relationship with a professional services firm. There must be trust and confidence that the firm is working to provide an objective perspective and offer solutions that are based on business fundamentals. You must believe that they adhere to the highest ethical standards. We encourage you to talk to our clients, as we believe their perspective is the most reliable.

### **League of Minnesota Cities Insurance Trust Property and Casualty Program and League of Minnesota Cities Workers' Compensation Program**

Ms. Marky Engler, Director of Finance & Technology  
St. Paul, MN  
651.215.4021

The engagement includes the audits of The League of Minnesota Cities Insurance Trust Property and Casualty Program and The League of Minnesota Cities Workers' Compensation Program. Both are sub-funds of the League of Minnesota Cities Insurance Trust.

### **SDML Workers' Compensation Fund and The Health Pool of South Dakota**

Ms. Sandi Larson, Director of Risk Sharing Services  
Pierre, SD  
605.224.8654

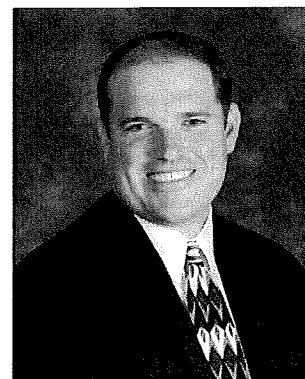
The engagement includes the audit of the SDML Workers' Compensation Fund and a review of The Health Pool of South Dakota. Both are associated with the South Dakota Municipal League.

### **ASB Workers' Compensation Fund, ASB Property and Liability Fund, and South Dakota School District Benefit Fund**

Mr. Bill Lynch, Chief Financial Officer  
Pierre, SD  
605.773.2506

The engagement includes the audits of the ASB Workers' Compensation Fund and the ASB Property and Liability Fund, and a review of the South Dakota School District Benefit Fund. All are sub-funds of the Associated School Boards Protective Trust.

## Appendix B—Engagement Team



### Lance Massmann

Partner  
Assurance Services  
McGladrey LLP  
Sioux Falls, South Dakota  
lance.massmann@mcgladrey.com  
605.575.0508

### Summary of Experience

Lance is a general services Partner in the Sioux Falls office. He has 23 years of experience in public accounting. Lance is the office managing partner of the Sioux Falls office. He works with clients in the insurance and manufacturing industries. Lance is an insurance industry specialist as designated by the Firm. He serves various types of insurance organizations, including public entity risk pools, workers' compensation, property and casualty, captive and health organizations. Lance annually attends continuing professional education related specifically to the insurance industry. He has also met the continuing educational requirements required for the performance of audits under Government Auditing Standards.

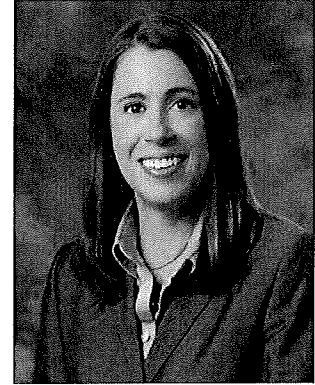
His assistance to clients includes financial statement audits and reviews, assistance on technical accounting and reporting matters, agreed-upon procedures to meet specific needs, business advisory services, computer audit techniques and internal control reviews.

### Professional Affiliations and Credentials

- Certified Public Accountant
- Member, American Institute of Certified Public Accountants
- Member, South Dakota CPA Society

### Education

- Bachelor of Science degree in business administration, University of South Dakota



## **Carrie Esler**

Director  
Assurance Services  
McGladrey LLP  
Minneapolis, MN  
carrie.esler@mcgladrey.com  
612.376.9370

### **Summary of Experience**

Carrie has more than 14 years of experience in public accounting and has focused her career on providing audit and accounting services to insurance, health care and non-profit organizations.

Carrie is responsible for all aspects of audits, including planning, implementation and reporting. She works with the engagement team and clients throughout the audit to assure efficiency and effectiveness. She manages audit fieldwork, reviews engagement workpapers, and reviews deliverable reports related to the audit.

### **Industry Specialization**

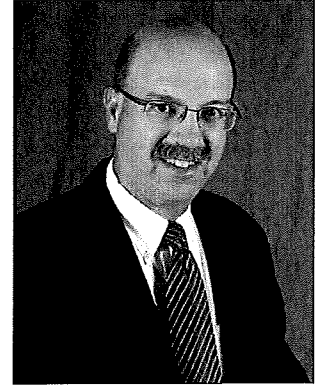
- HMOs and other health insurers
- Pharmacy benefit managers
- Workers' compensation funds
- Public entity risk pools
- Foundations and other non-profit entities
- Clinics and care coordinators

### **Professional Affiliations and Credentials**

- Minnesota Society of Certified Public Accountants
- American Institute of Certified Public Accountants
- Healthcare Financial Management Association

### **Education**

- Bachelor of Business Administration degree in accounting, University of Wisconsin–Eau Claire
- Certificate in business communications, University of Wisconsin–Eau Claire



## Mark Tomaw

Partner  
Assurance Services  
McGladrey LLP  
Springfield, IL  
mark.tomaw@mcgladrey.com  
217.523.3370

### Summary of Experience

Mark has experience in a variety of industries, but has primarily focused on the insurance industry, and currently serves as a member of McGladrey's Insurance Leadership Team, primarily focusing on assurance services. Mark has worked with clients in the insurance industry his entire career providing audit, tax and consulting services to all types of insurance entities. These insurance entities cover a variety of insurance lines of business, including personal lines (automobile and homeowners), professional and product liability, commercial lines, title, workers' compensation, life and health. He has worked with all forms of insurance organizations, including stock (both privately owned and public), mutual, reciprocal, group self-funded insurance programs, public entity risk pools, and various captive arrangements.

Mark's experience with captives includes the audits of approximately 25 domestic and off-shore captive companies over the last 10 years. As a member of the firm's Insurance Leadership Team, Mark provides support in serving the insurance industry to other offices of McGladrey and firms within the McGladrey Alliance. He has been a member of the Illinois CPA Society's Insurance Special Interest Group and annually attends continuing professional education related specifically to the insurance industry. He has also met the continuing educational requirements required for the performance of audits under *Government Auditing Standards*.

### Professional Affiliations and Credentials

- Illinois Society of Certified Public Accountants
- American Institute of Certified Public Accountants
- Government Finance Officers Association

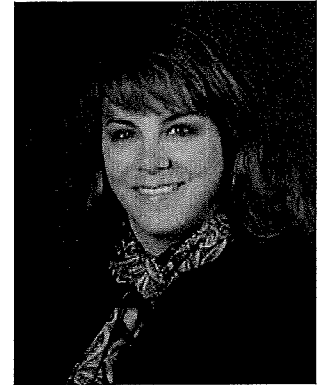
### Education

- Bachelor of Science degree in accounting, University of Illinois

### Additional Information

- Downtown Springfield, Inc. executive committee, past president
- Greater Springfield Chamber of Commerce, audit committee





## **Sherri L. Noel**

Senior Manager  
McGladrey LLP  
Rockford, Illinois  
sherri.noel@mcgladrey.com  
O 815.231.7324  
F 815.231.7309

### **Summary of Experience**

Sherri Noel is a general services senior manager in McGladrey LLP's Great Lakes practice. She is responsible for providing audit and accounting services to her clients in the not-for-profit industry, as well as to governmental, healthcare and manufacturing entities in the northern Illinois and southern Wisconsin areas. As a qualified independent report reviewer and engagement quality control reviewer, Sherri also provides technical expertise to clients in these industries across the Great Lakes Region.

She has been with the firm since 1996. Prior to joining McGladrey, Sherri worked for a large public accounting firm in their Chicago, Illinois office.

### **Professional Affiliations**

Sherri is a Certified Public Accountant and a member of the American Institute of Certified Public Accountants and the Illinois CPA Society.

### **Community Involvement**

Sherri currently serves as the chair of the finance committee and treasurer for the Barbara Olson Center of Hope, in Rockford, as well as on the board of the Belvidere School District Charitable Foundation. In addition, Sherri is a member of the Community Action Council for the Northeast Branch of the YMCA in Rockford. Sherri is a 2014 graduate of the Rockford Chamber of Commerce's "Leadership Rockford" program.

### **Education**

Sherri graduated in 1994 from Augustana College with a Bachelor of Arts degree. Her major was in accounting, with a minor in computer science. Sherri is also Yellow Book compliant.

In addition, Sherri regularly attends several local and national AICPA and GFOA conferences dealing with compliance, not-for-profit and governmental auditing and has remained current in all accounting standards and compliance requirements.

## Appendix C—Team information

The identity, specific audit and attest experience and years with the firm of partners, directors and managers who will be assigned to each major audit component are as follows:

Team Member	Specific Experience	Years With Firm
<b>Lance Massmann</b> Partner	<ul style="list-style-type: none"> <li>• SDML Workers' Compensation Fund</li> <li>• The Health Pool of South Dakota</li> <li>• Associated School Boards of South Dakota (Workers' Compensation, Property and Casualty and Health Programs)</li> <li>• League of Minnesota Cities (Workers Compensation and Property and Casualty Programs)</li> </ul>	23
<b>Carrie Esler</b> Director	<ul style="list-style-type: none"> <li>• Associated School Boards of South Dakota</li> <li>• League of Minnesota Cities (Workers Compensation and Property and Casualty Programs)</li> <li>• Minnesota Self-Insurers' Security Fund</li> </ul>	14
<b>Mark Tomaw</b> Concurring Partner	<ul style="list-style-type: none"> <li>• SDML Workers' Compensation Fund</li> <li>• Associated School Boards of South Dakota (Workers' Compensation and Property and Casualty Programs)</li> <li>• League of Minnesota Cities (Workers Compensation and Property and Casualty Programs)</li> <li>• Intergovernmental Risk Management Agency</li> <li>• Metro Interagency Insurance Program</li> </ul>	37
<b>Sherri Noel</b> Senior Manager	<ul style="list-style-type: none"> <li>• SDML Workers' Compensation Fund</li> <li>• The Health Pool of South Dakota</li> <li>• Associated School Boards of South Dakota (Workers' Compensation, Property and Casualty and Health Programs)</li> <li>• League of Minnesota Cities (Workers Compensation and Property and Casualty Programs)</li> <li>• Intergovernmental Risk Management Agency</li> <li>• Metro Interagency Insurance Program</li> <li>• Governmental school districts – 17 different districts</li> <li>• Governmental municipalities – 6 different municipalities</li> </ul>	21

## Appendix D—Our approach and process for financial statement audits

### Approach

Our audit approach is designed to minimize business and audit risk associated with the audit process in the following ways:

- Our client acceptance policies permit relationships only with clients whose management has a high degree of integrity and competence
- Audit engagements are staffed at the proper level of experience in relation to the complexity of the client engagement
- Our audit approach places heavy emphasis on thorough planning to ensure the timely identification of key operating and accounting issues, and resulting audit strategies

### Process

The audit process involves planning an overall audit strategy for the expected conduct, organization and staffing of the audit. Although many planning activities are performed prior to the commencement of field work, planning is not a discrete phase of the audit—rather it is an iterative process that begins with engagement acceptance and continues throughout the audit.

Our communication with the Board of Trustees (Board) also takes place during every phase of the audit, as necessary. As part of our two-way communication with the Board, we will communicate an overview of the planned scope and timing of the audit. At the conclusion of the audit, we will communicate our audit findings. We begin the audit process by meeting with the Board and management to clearly identify needs and expectations, including inquiries about risks and concerns.

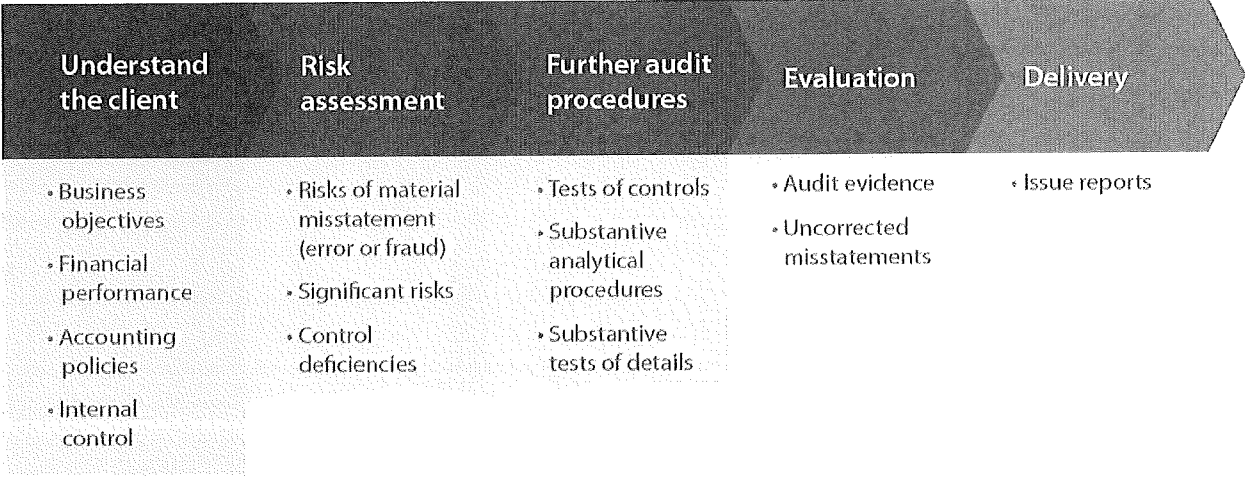
**Step 1—Understanding the client:** We learn as much as possible about your business up front in order to properly understand the account balances, classes of transactions, and disclosures relevant to your activities.

**Step 2—Risk assessment:** We assess the risk that errors or fraud may cause a material misstatement of financial statements. We next decide whether the identified risks relate to specific relevant assertions related to significant account balances, classes of transactions, or disclosures, or whether they relate to the financial statements taken as a whole and potentially affect many relevant assertions. We then determine which of the identified risks of material misstatement are significant risks that require special audit consideration.

**Step 3—Further audit procedures:** We next determine the nature, timing and extent of tests of controls and substantive procedures necessary given the risks identified and the controls as we understand them. When audit evidence obtained from the audit procedures contradicts planned risk assessment procedures, we revise the assessment and plan and perform additional audit procedures to reduce risk of material misstatement related to those assertions to an acceptably low level.

**Step 4—Evaluation:** At the conclusion of the audit, we evaluate the sufficiency and appropriateness of the audit evidence obtained and whether the assessments of the risks of material misstatement at the relevant assertion level remain appropriate. We may redesign planned audit procedures based on our evaluation. We also evaluate the effects, both individually and in the aggregate, of known and likely misstatements that are not corrected by the organization. We accumulate all known and likely misstatements identified during the audit, other than those we believe to be trivial, and communicate them to management and the board of trustees on a timely basis.

**Step 5—Delivery:** We communicate with you frequently throughout the audit process to avoid surprises at the end. Our audit culminates with the issuance of a report on the financial statements, report to the board of trustees and, if applicable, communications of material weaknesses and significant deficiencies.



**Resolving issues efficiently**

Because our proactive advisors are your resource throughout the year, we expect few, if any, major accounting-related issues to arise during the audit. Our experience has shown that most accounting issues can be avoided by clearly communicating the facts to all parties and being sure the team members from your organization and the Firm are aware of any unique complexities that exist in the process or as part of the organization’s environment. Because we are business advisors, we take a business approach to auditing and can effectively understand the issues surrounding many of the concerns management has related to accounting and reporting matters.

**Recommendations in the wrap-up**

At the end of each audit, we provide a letter to the Board and management meeting the requirements of the auditing standards for communications to the Board. This letter will address our responsibilities as auditors, adjustments made or not made, changes in accounting policies, and any difficulties or disagreements with management during the audit process. The letter will also provide our observations to improve your accounting methods and procedures, business practices and operations, as well as recommendations for the further enhancement of your organization and advice on accounting, IRS or other pronouncements that may affect your organizations.

## Appendix E—Peer review reports



910 E. St. Louis Street, Suite 200 // P.O. Box 1190 // Springfield, MO 65801-1190  
417.865.8701 // fax 417.865.0682 // [bkd.com](http://bkd.com)

### System Review Report

To the Partners of  
McGladrey LLP  
and the National Peer Review Committee  
of the American Institute of Certified  
Public Accountants Peer Review Board

We have reviewed the system of quality control for the accounting and auditing practice of McGladrey LLP (the "firm") applicable to non-SEC issuers in effect for the year ended April 30, 2013. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*, audits of employee benefit plans, audits performed under FDICIA, and audits of carrying broker-dealers, and examinations of service organizations [Service Organizations Control (SOC) 1 and 2 engagements].

In our opinion, the system of quality control for the accounting and auditing practice of McGladrey LLP applicable to non-SEC issuers in effect for the year ended April 30, 2013, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. McGladrey LLP has received a peer review rating of *pass*.

*BKD, LLP*

December 4, 2013





**Peer Review Program**  
Administered by the National Peer Review Committee

American Institute of CPAs  
220 Leigh Farm Road  
Durham, NC 27707-8110

December 19, 2013

Joseph Michael Adams, CPA  
McGladrey LLP  
1 S Wacker Dr Ste 800  
Chicago, IL 60606

Dear Mr. Adams:

It is my pleasure to notify you that on December 12, 2013 the National Peer Review Committee accepted the report on the most recent system peer review of your firm. The due date for your next review is October 31, 2016. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Sincerely,

Betty Jo Charles  
Chair, National Peer Review Committee  
nprc@aicpa.org 919 402-4502

cc: John Mark Edwardson; Andrew V. Lear

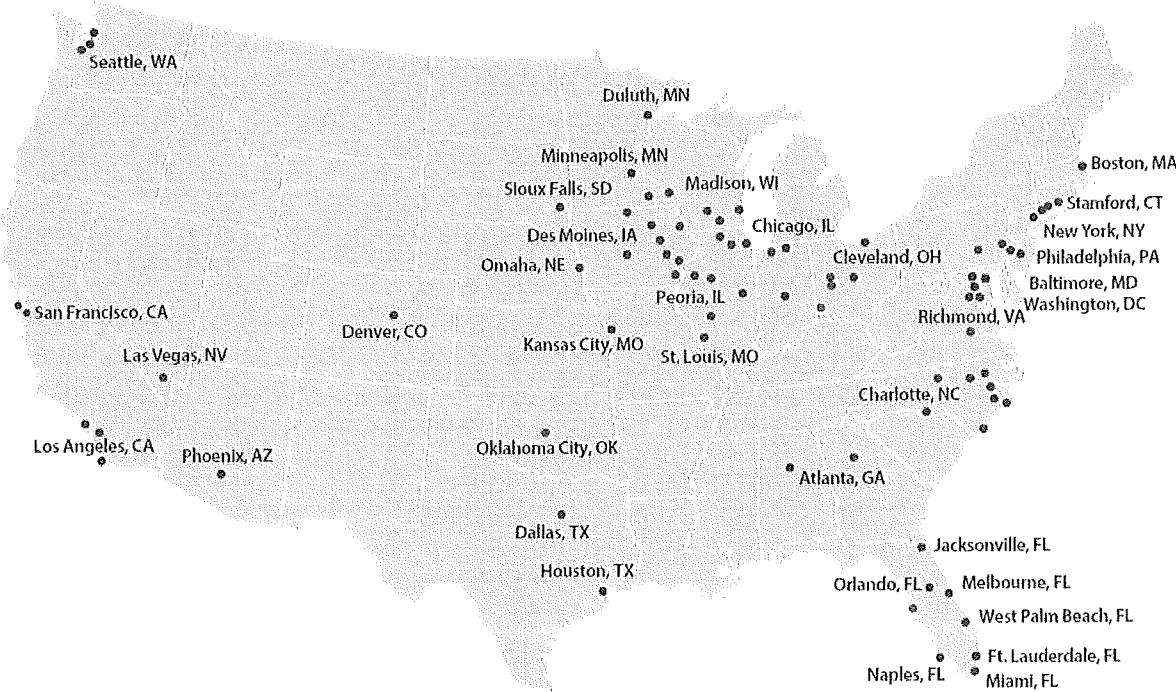
Firm Number: 10046712

Review Number 347652

Letter ID: 850189

## Appendix F—About McGladrey

McGladrey is a leading provider of assurance, tax and consulting services focused on the middle market. We guide our clients through complex business challenges by understanding their needs and bringing together the right team to address them.



With nearly 8,000 people in 80 U.S. cities—and access to more than 37,000 people in over 110 countries through our membership in RSM International—we can handle your needs wherever in the world you do business.



**[www.mcgladrey.com](http://www.mcgladrey.com)**

McGladrey LLP is the leading U.S. provider of assurance, tax and consulting services focused on the middle market, with nearly 8,000 people in 80 cities nationwide. McGladrey is a licensed CPA firm and serves clients around the world through RSM International, a global network of independent assurance, tax and consulting firms. McGladrey uses its deep understanding of the needs and aspirations of clients to help them succeed.

For more information, visit [www.mcgladrey.com](http://www.mcgladrey.com), like us on Facebook at [McGladrey News](#), follow us on Twitter [@McGladrey](#) and/or connect with us on [LinkedIn](#).

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**Public Universities Risk Management &  
Insurance Trust**

**Proposal to Provide Audit Services**

**June 15, 2015**



Achieving  
Higher  
Expectations

June 15, 2015

Public Universities Risk Management & Insurance Trust  
C/O Berkley Risk Administrators Co. LLC  
222 South Ninth Street, Suite 1300  
Minneapolis, MN 55402-3332

On behalf of K Financial, I am pleased to present you with a proposal to provide financial statement audit services to the Public Universities Risk Management & Insurance Trust (PURMIT).

There are two factors that differentiate K Financial: the integrity of our professionals and the quality of our work. At K Financial, your business is important to us. So we work hard to earn it--and keep it. As a result, our approach is both practical and results-oriented, driven by our singular goal of delivering value that consistently exceeds our clients' expectations.

Audits of insurance companies and public entity self-insurance pools are an important part of our business, so we invest more time and resources than most firms to ensure that our auditors stay abreast of the latest regulatory and reporting requirements. Our internal quality control program requires the K Financial audit team to complete training every spring to fine tune our skills and update our knowledge for the upcoming audit season. We attend specific training for audits of insurance entities, such as the Insurance Accounting and Systems Association (IASA) national conference. This training translates into higher quality audits for our clients and enables us to keep our clients updated on the latest statutory and GAAP accounting requirements. And by specializing in audits of insurance entities, our team is highly efficient so we can keep audit fees as low as possible.

Please do not hesitate to contact me directly at (303) 665-8060 if you have questions regarding this proposal.

Sincerely,

K Financial, Inc.

A handwritten signature in cursive script that reads "Jamie Kilcoyne".

Jamie Kilcoyne  
Principal

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## 1. Background Information

K Financial is a CPA firm headquartered in Louisville, Colorado. The Firm was established in 2003 to provide audit and advisory services to insurance companies. The Firm's principal served as the President of the Denver chapter of IASA for 2 years and has presented on a variety of topics at national conferences. The PURMIT account will be serviced from our Louisville, Colorado office.

In addition to financial statement audit services, K Financial also provides claims audit services to insurance entities, Service Organization Control (SOC) reporting services to insurance-related and other entities, internal audit services and advises several public companies on Sarbanes-Oxley compliance.

K Financial has significant experience providing financial statement audit services to a variety of organizations, particularly public entity risk pools and other insurance entities. Additionally, prior to founding K Financial, the Firm's principal managed the Denver insurance audit practice for KPMG. During his tenure with KPMG, he actively managed audits for entities very similar to PURMIT, such as the University of Colorado Risk and Insurance Management Fund (RIMF) and the University of Colorado Insurance Pool (UCIP). And for the past 12 years, K Financial has worked with the University of Colorado on a variety of projects, giving us a broad understanding of the university system to complement our experience with audits of public entity risk pools.

K Financial is appropriately registered, licensed and approved as a CPA firm by the State of Colorado. The firm participates in the AICPA peer review program to ensure the quality of our audit practice. Our last peer review was completed in December 2013, covering the year ended July 31, 2013.

## 2. References – Current Clients

<i>Client name:</i>	Colorado Intergovernmental Risk Sharing Agency (CIRSA)
<i>Contact:</i>	Patrick Priest, CFO
<i>Phone number:</i>	(303) 757-5475
<i>Email:</i>	patrick@cirsa.org
<i>Description of services:</i>	CIRSA is a public entity risk pool that provides property and casualty and workers' compensation insurance coverage to municipalities in Colorado. We have audited the financial statements of CIRSA for the

years ended December 31, 2011 through December 31, 2014 and are engaged as their auditor for the year ended December 31, 2015.

*Client name:* University of Colorado Risk Management Department  
*Contact:* Terry Lee, Assistant Vice President and Chief Risk Officer  
*Phone number:* (303) 860-5615  
*Email:* terry.lee@cu.edu  
*Description of services:* Claims audit services (2003, 2006, 2009 and 2012). We will also be providing claims audit services in 2015.  
Enterprise Risk Management Advisory Services

*Client name:* Colorado Counties Casualty & Property Pool  
County Workers' Compensation Pool  
County Health Pool  
*Contact:* Robert Pelzer, Finance Director for County Technical Services (TPA for the pools listed above)  
*Phone number:* (303) 861-0507  
*Email:* rpelzer@ctsi.org  
*Description of services:* Financial statement audit services for 3 public entity self-insurance pools (workers' compensation, property/casualty and health) for the years ended December 31, 2007 through December 31, 2014. (We are also engaged to audit these pools for the next 2 years.)

### **3. The K Financial Team**

Our team of professionals has the right experience, knowledge and insight to serve PURMIT. Following is a synopsis of the resumes of the individuals who will perform the audit.

**Jamie Kilcoyne** will be your engagement principal and primary contact, responsible for overseeing all services delivered to PURMIT. He has over 20 years of audit experience and has worked for K Financial for 12 years. Prior to founding K Financial, Kilcoyne was a Senior Audit Manager at KPMG. His responsibilities at KPMG included managing all audits of insurance enterprises conducted by the Denver office. He holds a Bachelor of Science in Business Administration from Ohio University, where he

majored in Accounting and Business Law. Kilcoyne is a CPA, Certified Internal Auditor, Certified Information Systems Auditor, Certified Information Technology Professional, and a Certified Fraud Examiner. Kilcoyne currently serves insurance companies including the Colorado Intergovernmental Risk Sharing Agency, University of Colorado Risk and Insurance Management Fund, Colorado County insurance pools (P&C, health and workers' compensation pools), Pinnacol Assurance, and Black Diamond Insurance Company. In addition, he served on and managed the financial statement audits of several other public entity risk pools during his tenure at KPMG.

**Daniel Kugel** will be your engagement manager responsible for the overall execution and completion of the audit. Daniel has worked for K Financial for 6 years and holds a Bachelor of Science in Business Administration with an emphasis in Finance, as well as a Master of Science in Business Administration with an emphasis in Accounting. Both degrees were obtained from the University of Colorado at Boulder. Daniel is also a CPA and currently serves as the manager on audits of the Colorado Intergovernmental Risk Sharing Agency, University of Colorado Risk and Insurance Management Fund, Colorado County insurance pools (P&C, health and workers' compensation pools) and Black Diamond Insurance Company.

**Martin Moran** will serve as senior auditor on the engagement. Martin has worked for K Financial for 3 years, is a CPA and holds a Bachelor of Science in Business Administration with an emphasis in Accounting and a Master of Science in Accounting. Both degrees were obtained from the University of Colorado. Moran currently serves as the Senior Auditor for the Colorado Intergovernmental Risk Sharing Agency, University of Colorado Risk and Insurance Management Fund, Colorado County insurance pools (P&C, health and workers' compensation pools) and Black Diamond Insurance Company.

#### **4. Audit Approach and Methodology**

##### **A. Pre-Engagement Activities**

###### Client Acceptance Considerations

K Financial's system of internal controls provides assurance that:

- The firm undertakes only those engagements that can be completed with professional competence.
- The firm appropriately considers the risks associated with providing professional services in the particular circumstances.

## **B. Overall Audit Approach**

The overall objective of the audit of PURMIT's financial statements is to render an opinion on whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. This requires us to gather and evaluate sufficient evidence as a basis for our opinion using audit procedures such as inspection, observation, inquiries, and confirmations.

K Financial's audit approach and methodology incorporates the ten generally accepted auditing standards (GAAS) approved by the American Institute of Certified Public Accountants (AICPA), as well as Government Auditing Standards, issued by the Comptroller General of the United States, when applicable. Our quality control program requires that we use detailed audit programs and tools from Thomson Reuters to ensure that a GAAS audit is performed. In addition to our Thomson Reuters subscription, K Financial subscribes to CCH's Accounting Research Manager, which gives us access to all accounting and auditing standards issued by the FASB and AICPA. For a small firm, K Financial makes significant investments to ensure we have access to the appropriate resources to enable us to perform the highest quality audits.

## **C. Audit Planning**

Our audit planning procedures include the following:

- Obtaining background information about PURMIT
- Assessing materiality and considering audit risk
- Considering fraud, based on guidance in SAS 99
- Evaluating the internal control structure
- Developing the overall audit plan and audit program

Our audit methodology is risk-based in nature. This means that we focus the majority of our time and effort on accounts and classes of transactions that are complex, judgmental or involve large dollar amounts. For PURMIT, a significant amount of time will be spent auditing claim reserves, claim payments and investments.

## **D. Audit Fieldwork**

We will conduct audit fieldwork on-site, using a combination of analytical procedures, control testwork, and substantive testing.

The procedures used to audit a particular account or class of transactions depend upon the nature of account balances or transactions, and the risks we identify during audit planning.

Our audit procedures are planned with the objective of completing the audit in the most effective and efficient manner possible. This requires us to identify and focus on high risk areas, as well as accounts that involve management estimates, such as claim reserves. Our procedures related to claims and loss reserves will include the following:

- Obtaining an understanding of claims processing and controls.
- Analyzing incurred claims and year end loss reserves by comparing amounts for the current and prior years.
- Preparing a rollforward of the reserve balance and reconciling components of the rollforward to supporting documents.
- Selecting a sample of claim files and validating that key controls were performed for each claim and that data in the claim files supports amounts recorded in the general ledger.
- Obtaining and reviewing the ULAE calculation.
- Obtaining and reviewing actuary reports and agreeing data “provided by PURMIT” from the actuary’s report to source documents. We will also review the actuarial methodology. K Financial does not have an in-house actuary, but when we encounter unusual items in actuarial reports we consult with an independent actuary. If this becomes necessary, there will be no impact on the base fee we have quoted. Because K Financial’s principal has reviewed hundreds of actuarial reports over the past 20 years, he is generally able to speak directly to our clients’ actuaries without using an expensive internal actuarial resource as an intermediary. This ends up being more efficient and effective in the long run and enables us to keep our fees low.

#### **E. Concluding the Audit and Reporting**

All audit workpapers are subject to rigorous quality control standards and are reviewed by an individual that is one level above the preparer. Audit findings, adjustments, and differences are evaluated by the engagement team and discussed with management. A comprehensive disclosure checklist is completed during the final review of the financial statements in order to ensure that no required footnote disclosures are omitted. We will issue GAAP



basis financial statements for PURMIT as well as certain letters required under Generally Accepted Auditing Standards.

**5. Delivery of Audit Report**

K Financial will complete the audit and deliver electronic and bound reports before the September 15 deadline.

**6. Timing of Audit Field Work**

K Financial will perform planning procedures in July and audit fieldwork during July or early August. (Our schedule can be adjusted to fit your needs.) All audit fieldwork will be completed by the end of August.

**7. Fee Quote**

It is K Financial's intention to build a strong business relationship with PURMIT and provide the highest quality services for a reasonable fee. Our all-inclusive fee quote for the June 30, 2015 audit is \$18,000. We understand that there are opportunities to work with local firms, so do not consider it fair to bill PURMIT for travel expenses. Travel costs will therefore be absorbed by K Financial if we are awarded the audit contract. Our budget for the June 30, 2015 audit includes estimated start-up (i.e., first-year) hours. Assuming that there are no significant issues in the first year and the audit is clean, our fee for the June 30, 2016 audit, if we were to be re-engaged, is estimated to be \$16,000. This estimate, however, is contingent upon the results of the 2015 audit.

Thank you for the opportunity to present this proposal.

## **Agenda Item #6**

# Property Renewal Update

## Proposed 2015 Renewal Time-Line

Renewal Request	February 2015
Pre-Renewal Meeting	July 8, 2015
Final Statement of Values and BI Worksheet	July 17, 2015
Submissions to Market	July 2, 2015 (direct markets) Final SOV and BI worksheet - 7/20/2015
Target Proposal to Berkley Risk	September 21 to BR for review and forward to Board
PURMIT Board Meeting Presentation	Tentaive Dates: 9/30 or 10/1 AJG and BR present to Board
Bind Coverage	Prior to October 15, 2015

### Marketing Focus:

1. Program Design Options:
  - a. Move expiration date from 10/15 to 7/1
  - b. SIR options - \$500k and \$250k
  - c. Trending of 2%
  - d. Earth movement – Higher limit options up to \$250M for group and explore campus specific excess limit. Review options after PML work completed.
  - e. Flood sublimit – remove flood sublimit for OSU and PSU that are currently on FM policy.
  - f. Increase Personal Property at other locations
2. Markets – FM Global, Lexington, Travelers, Berkshire, Travelers, Lloyds, Liberty Mutual
3. Obtain stand-alone equipment breakdown quotes.
4. Obtain stand-alone terrorism quotes – property and NCBR. Explore DIC options for group quotes.
5. Quote for Violent and Malicious Acts

6. Convert FM policy wording to PURMIT manuscript form and review prior to sending to markets. Markets previously supplied FM Global form for review with initial marketing exercise as of July 2015.

## **Agenda Item #7**

# Public Universities Risk Management & Insurance Trust

May 31, 2015

Financial Review

PURMIT – Board of Trustees Meeting

**PURMIT**

# Agenda

---

## Operating Results

- PURMIT Summary All Funds
- PURMIT Detail All Funds
- PURMIT Summary by Class

## Financial Position

- PURMIT Balance Sheet
- PURMIT Member Surplus Rollforward
- PURMIT Investments

## Comments and Future Enhancements

# ACTUALS

## Operating Results Summary– PURMIT All Funds As of May 31, 2015 (\$ in 000s)

	Year to Date		Mar 31 to May 31 2015	
	May 31, 2015	Mar 31, 2015	\$ Variance	% Variance
Revenues	\$ 11,070	\$ 9,982	\$ 1,088	
Surplus-Expected Claims	(593)	(431)	(162)	
<b>Total Ordinary Income</b>	<b>\$ 10,477</b>	<b>\$ 9,550</b>	<b>\$ 927</b>	<b>10%</b>
Claims	959	798	161	
Insurance Premium Expense	5,792	4,881	910	
Software License (RMIS DB)	35	26	9	
Professional Services	542	302	240	
Other Expenses	199	192	8	
<b>Total Expense</b>	<b>7,527</b>	<b>6,199</b>	<b>1,328</b>	<b>21%</b>
<b>Net Ordinary Income</b>	<b>\$ 2,950</b>	<b>\$ 3,351</b>	<b>\$ (401)</b>	<b>-12%</b>
Other Income	1,625	1,625	0	
<b>Net Income</b>	<b>\$ 4,575</b>	<b>\$ 4,976</b>	<b>\$ (401)</b>	<b>-8%</b>

### Key Ratios (Expense/Income)\*

	May 31, 2015	Mar 31, 2015	Variance
Total Expense Ratio (Total Ordinary Income)	72%	65%	-7% PTS
Total Expense Ratio (Total Ordinary Income & Other)	62%	55%	-7% PTS

\* A ratio below 100% indicates a condition of underwriting profit while a ratio above 100% means more money is being paid out in expenses than received in premiums. Also can be used for trending comparisons. Negative PTS variances conveys positive trending.



# ACTUALS

## Operating Results Line Detail– PURMIT All Funds As of May 31, 2015 (\$ in 000s)

	Year to Date		Mar 31 to May 31 2015	
	May 31, 2015	Mar 31, 2015	\$ Change	% Change
RM Assessments	\$ 10,539	\$ 9,451	\$ 1,088	12%
Insurance Restitution	0	0	-	0%
Insurance Subrogation	345	345	-	0%
Premium Credit	186	186	-	0%
<b>Total Revenue</b>	<b>11,070</b>	<b>9,982</b>	<b>1,088</b>	<b>11%</b>
25% Surplus - Current Year	492	358	134	37%
Fund (Surplus) /Deficit	(1,085)	(789)	(296)	37%
<b>Total Surplus - Expected Claims</b>	<b>(593)</b>	<b>(431)</b>	<b>(162)</b>	<b>38%</b>
Settlements	658	518	139	27%
Expense	1	1	-	0%
Legal Expense - Claims	301	279	22	8%
<b>Total Claims</b>	<b>959</b>	<b>798</b>	<b>161</b>	<b>20%</b>
Insurance Premium Expense	5,792	4,881	910	19%
Software License (RMIS DB)	35	26	9	33%
<b>Subtotal</b>	<b>5,827</b>	<b>4,908</b>	<b>919</b>	<b>19%</b>
USSE Expense	191	191	-	0%
Broker Fee	200	-	200	N/A
Actuary Fee	50	25	25	100%
Legal Expense	43	33	10	32%
Accounting Expense	15	12	3	20%
Other Professional Services	43	41	2	5%
<b>Total Professional Services</b>	<b>542</b>	<b>302</b>	<b>240</b>	<b>79%</b>
<b>Other Expense</b>	<b>199</b>	<b>192</b>	<b>8</b>	<b>4%</b>
Interest Income	3	3	(0)	-5%
Dividend Income	57	57	(0)	0%
Other Income	1,566	1,566	(0)	0%
<b>Total Other Income</b>	<b>1,625</b>	<b>1,626</b>	<b>(1)</b>	<b>0%</b>
<b>Net Income</b>	<b>\$ 4,575</b>	<b>\$ 4,977</b>	<b>\$ (402)</b>	<b>-8%</b>

FUTURE USE OF THIS SLIDE WOULD BE TO LIST OUT THE DETAIL OF SPECIFIC LINES OF INTEREST FROM THE OPERATING RESULTS SIDE

# ACTUALS

## Operating Results Summary – PURMIT By Fund

### Year to Date As of May 31, 2015 (\$ in 000s)

	<u>Auto</u>	<u>Direct Specialty</u>	<u>Gen Liab</u>	<u>Operations</u>	<u>Property</u>	<u>Workers Comp</u>	<u>TOTAL</u>
Revenues	\$ 56	\$ 938	\$ 1,811	\$ -	\$ 4,426	\$ 3,838	\$ 11,070
Surplus-Expected Claims	46	-	2,056	-	(534)	(2,161)	(593)
<b>Total Ordinary Income</b>	<b>\$ 102</b>	<b>\$ 938</b>	<b>\$ 3,867</b>	<b>\$ -</b>	<b>\$ 3,893</b>	<b>\$ 1,677</b>	<b>\$ 10,477</b>
Claims	17	-	345	-	8	589	959
Insurance Premium Expense	22	1,683	1,661	-	1,877	548	5,792
Software License (RMIS DB)	-	-	-	35	-	-	35
Professional Services	-	-	-	504	38	-	542
Other Expenses	-	6	-	193	-	0	199
<b>Total Expense</b>	<b>39</b>	<b>1,689</b>	<b>2,006</b>	<b>733</b>	<b>1,922</b>	<b>1,138</b>	<b>7,527</b>
<b>Net Ordinary Income</b>	<b>\$ 63</b>	<b>\$ (751)</b>	<b>\$ 1,861</b>	<b>\$ (733)</b>	<b>\$ 1,971</b>	<b>\$ 539</b>	<b>\$ 2,950</b>
Other Income	-	-	3	57	-	1,566	1,625
<b>Net Income</b>	<b>\$ 63</b>	<b>\$ (751)</b>	<b>\$ 1,864</b>	<b>\$ (676)</b>	<b>\$ 1,971</b>	<b>\$ 2,105</b>	<b>\$ 4,575</b>

<u>Key Ratios</u>	<u>Auto</u>	<u>Direct Specialty</u>	<u>Gen Liab</u>	<u>Operations</u>	<u>Property</u>	<u>Workers Comp</u>	<u>TOTAL</u>
Total Expense Ratio (Total Ordinary Income)	38%	180%	52%	N/A	49%	68%	72%
Total Expense Ratio (Total Ordinary Income & Other)	38%	180%	52%	1291%	49%	35%	62%

# ACTUALS

## Financial Position Balance Sheet (\$ in 000's)

<b>Assets</b>	<b>May 31, 2015</b>	<b>June 30, 2014</b>
Cash	\$ 5,384	\$ 11,506
Short Term Investments	3,592	-
Subtotal Cash and Investments	\$ 8,975	\$ 11,506
Receivables	2,465	390
Fixed Assets	101	133
Other Assets	1,833	18
<b>Total Assets</b>	<b>\$ 13,375</b>	<b>\$ 12,047</b>
<b>Liabilities</b>		
Accounts Payable	\$ 67	\$ 664
Accrued IBNR Claims - Estimate	7,661	11,193
Deferred Revenue	887	-
Accruals	-	5
<b>Total Liabilities</b>	<b>\$ 8,615</b>	<b>\$ 11,862</b>
<b>Equity</b>		
Retained Earnings	185	(4,532)
Net Income	4,575	4,716
<b>Total Liabilities &amp; Member Surplus</b>	<b>\$ 13,375</b>	<b>\$ 12,047</b>

### Key Ratios:

Asset to Liability Ratio: > 1.00 Favorable	1.55	1.02
Cash and Investments/Liabilities Ratio: >1.00 Favorable	1.04	0.97

# ACTUALS

## Financial Position

## Member Surplus - Rollforward (\$ in 000's)

	<u>30-Jun-14</u>	<u>31-May-15</u>
<b>Member Surplus, Beg. of Period</b>	\$ (4,531) *	\$ 185
Add: Net Ordinary Income	4,716	2,950
Add: Other Income	-	1,625
Less: Member Dividends	-	-
Net Change in Surplus Position	<u>\$ 4,716</u>	<u>\$ 4,575</u>
<b>Member Surplus, End of Period</b>	<u><u>\$ 185</u></u>	<u><u>\$ 4,760</u></u>

- Beginning Fund Balance per the Risk Management Financial Status as of June 30, 2014 provided by Perkins & Co.

# ACTUALS

## Financial Position Investments (\$ in 000s)

<u>Asset Class, at Fair Value</u>	<u>5/31/2015</u>		<u>6/30/2014</u>	
	<u>\$</u>	<u>% Mix</u>	<u>\$</u>	<u>% Mix</u>
Cash and Equivalents	\$ 3,592	31%	\$ -	0%
Investment Categories				
Fixed Income Domestic	-	0%	-	0%
Fixed Income International	-	0%	-	0%
Fixed Income - Subtotal	\$ -	0%	\$ -	0%
Equities				
Equity Domestic	-	0%	-	0%
Equity International	-	0%	-	0%
Equity - Subtotal	\$ -	0%	\$ -	0%
Total Investments Under Management	\$ 3,592	39%	\$ -	0%
Operating Cash	5,384	47%	11,506	100%
Other Securities (not included above)	-	0%	-	0%
Total Cash and Securities	<u>\$ 8,976</u>	<u>86%</u>	<u>\$ 11,506</u>	<u>100%</u>
Unrealized Gains	\$ -		\$ -	
Change in Unrealized Gains/(Losses)	\$ -			

## Comments

- 25% Surplus
- Claims
- P/L & BS by Campus
- Loss Ratios
- OU Campus Leaving
- Prior periods
- Invoicing
- Audit Considerations

## Future Enhancements

- Significant Claims
- Investments
- Budget
- Surplus

Questions and Comments?

**Agenda Item #10.d.**





## *Standard Terms of Engagement for Legal Services*

This statement sets forth the standard terms of our engagement as your lawyers. Unless modified in writing by mutual agreement or superseded by contrary controlling law, these terms will be an integral part of our agreement with you. Therefore, we ask that you review this statement carefully and contact us promptly if you have any questions. We suggest that you retain this statement in your file.

### **The Scope of Our Work**

You should have a clear understanding of the legal services we will provide. Any questions that you have should be dealt with promptly.

Our firm will provide the services requested, keep you informed of developments and progress in the matter, and respond promptly to your inquiries. You agree to be truthful and cooperative and apprise us of all developments relating to your needs and our services, to be available to attend all requested appearances and depositions, settlement negotiations or court appearances, to attend meetings when requested by us, and to keep us apprised of any change in address or telephone numbers. Any expressions on our part concerning the outcome of your legal matters are expressions of our professional judgment, but are not guarantees. Such opinions are necessarily limited by our knowledge of the facts and are based on the state of the law at the time they are expressed.

It is our policy that our client is the person or entity identified in our engagement letter and does not include any affiliates or constituents of such person or entity (i.e., if you are a corporation or partnership, any parents, subsidiaries, employees, officers, directors, shareholders or partners of the corporation or partnership, or commonly owned corporations or partnerships; or, if you are a trade association, any members of the trade association), whether or not any such affiliate or constituent is operationally integrated with the person or entity identified in our engagement letter as our client. Accordingly, for conflict of interest purposes, we may represent another client with interests adverse to any such affiliate or constituent without notifying you or obtaining your consent.

### **Consent to Electronic Communications**

In order to increase our efficiency and responsiveness, we endeavor to use state of the art communication devices (e.g. email, document transfer by computer, wireless telephones, facsimile transfer and other devices which may develop in the future). The use of such devices under current technology may place your confidences and privileges at risk. However, we believe that the efficiencies involved in the use of these devices outweigh the risk of accidental disclosure. By

agreeing to these terms you consent to the use of these electronic communication devices.

### **Consent Relating to Future Adverse Representation on Unrelated Matters**

Our firm provides a wide array of legal services, including administrative, legislative, litigation, and transactional services, to many other companies and individuals around the world. It is possible that one or more of our present or future clients will have disputes or transactions with you during the course of our representation of you or that one or more of them will ask us to advocate a change in law or policy that might have a direct or indirect adverse impact upon your interests. You agree that we may represent any existing or new clients in any matter, including litigation, that is not substantially related to our work for you, even if the interests of such clients in those matters are directly adverse to you or a policy we advocate might have a direct or indirect adverse impact upon your interests. We agree, however, that your prospective consent to conflicting representation set forth in the preceding sentence shall not apply in any instance where, as a result of our representation of you, we have obtained confidential information that, if known to our other client, could be used in the matter adverse to you and to your material disadvantage and we have not taken steps to screen such information from the lawyers representing the other client in the matter adverse to you prior to such lawyers learning any such information. You hereby consent to the firm taking any reasonable measures it deems appropriate to protect your confidential information from such disclosure or use, including the creation of a formal “ethical screen” in accordance with the firm’s internal procedures for implementing such measures. Your alternative to giving this consent to our future representation of other clients in unrelated adverse matters is to retain any other counsel of your choosing to represent you in this matter.

### **Consent to In-House Attorney-Client Privilege**

From time to time issues arise that raise questions as to our duties under the professional conduct rules that apply to lawyers. These might include, for example, conflict of interest issues, and could even include issues raised because of a dispute between us and a client over the handling of a matter. Under normal circumstances when such issues arise we seek the advice of our General Counsel or a member of the firm’s Quality Assurance Committee, each of whom is knowledgeable, and has been given the responsibility within the firm for providing advice, in matters involving professional conduct. Historically, we have considered such consultations to be attorney-client privileged conversations between firm personnel and the counsel for the firm. In recent years, however, there have been a few court decisions indicating that under some circumstances such conversations involve a conflict of interest between the client and the firm and that our consultation with the firm’s counsel may not be privileged, unless we either withdraw from the representation of the client or obtain the client's consent to consult with the firm’s counsel.

We believe that it is in our clients' interest, as well as the firm's interest, that, in the event legal ethics or related issues arise during a representation, we are able to obtain appropriate advice promptly regarding our obligations. Accordingly, you agree that if we determine in our own discretion during the course of the representation that it is appropriate to consult with our firm counsel (either the firm's internal counsel or, if we choose, outside counsel) we have your consent to do so and that our contemporaneous representation of you shall not result in a waiver or invalidation of any attorney-client privilege that the firm has to protect the confidentiality of our communications with counsel.

### **Who Will Provide the Legal Services**

Customarily, each client of the firm is served by a principal attorney contact. The principal attorney should be someone in whom you have confidence and with whom you enjoy working. You are free to request a change of principal attorney at any time. Subject to the supervisory role of the principal attorney, your work or parts of it may be performed by other lawyers and legal assistants in the firm. Such delegation may be for the purpose of involving lawyers or legal assistants with special expertise in a given area, or lawyers who are licensed in a state in which a particular issue arises, or for the purpose of providing services on an efficient and timely basis. Whenever practicable, we will advise you of the names of those attorneys and legal assistants who work on your matters.

### **How Fees Will Be Set**

In determining the amount to be charged for the legal services we provide to you we will consider:

- The time and effort required, the novelty and complexity of the issues presented, and the skill required to perform the legal services promptly;
- The fees customarily charged in the community for similar services and the value of the services to you;
- The amount of money or value of property involved and the results obtained;
- The time constraints imposed by you as our client and other circumstances, such as an emergency closing, the need for injunctive relief from court, or substantial disruption of other office business;
- The nature and longevity of our professional relationship with you;
- The experience, reputation and expertise of the lawyers performing the services;

- The extent to which office procedures and systems have produced a high-quality product efficiently.

Among these factors, the time and effort required are typically weighted most heavily. We will keep accurate records of the time we devote to your work, including conferences (both in person and over the telephone), negotiations, factual and legal research and analysis, document preparation and revision, travel on your behalf, and other related matters. We record our time in units of tenths of an hour.

The hourly rates of our lawyers and legal assistants have an important bearing on the fees we charge. These rates are adjusted periodically to reflect current levels of legal experience, changes in overhead costs, and other market factors. These hourly rates may vary, depending on the client, the nature of the matters involved, or other circumstances.

We are sometimes requested to estimate the amount of fees and costs likely to be incurred in connection with a particular matter. Whenever possible, we will furnish such an estimate based upon our professional judgment, but always with a clear understanding that it is not a maximum or fixed-fee quotation. The ultimate cost frequently is more or less than the amount estimated.

For certain well-defined services (for example, a simple business incorporation), upon request, we may quote a flat fee. It is our policy not to accept representation on a flat-fee basis except in such defined-service areas or pursuant to a special arrangement tailored to the needs of a particular client.

Any flat fee arrangement will be expressed in a letter that sets forth both the amount of the fee and the scope of the services to be provided. In undertaking representation of a client with a personal injury or wrongful death claim or certain other matters, we will, in appropriate circumstances, provide legal services on a contingent fee basis. Any such contingent fee arrangement must be reflected in a written contingent fee agreement.

### **Additional Charges**

Typically, we will charge our clients not only for legal services rendered, and for our out-of-pocket expenses incurred, but also for other ancillary services provided. Examples include charges for in-house messenger deliveries, computerized research services, the use of our facsimile and photocopy machines, discovery data handling and hosting and litigation support services. While our charges for these services are measured by use, they do not, in all instances, reflect our actual out-of-pocket costs. For many of these items, the true cost of providing the service is difficult to establish. While we are constantly striving to maintain these charges at rates which are the same as or lower than those maintained by others in our markets, in some instances, the amounts charged exceed the actual costs to the firm. We would be pleased to discuss the specific schedule of

charges for these additional services with you and to answer any questions that you may have. If you would prefer, in some situations we can arrange for these ancillary services to be provided by third parties with direct billing to you.

We will advance routine expenses for individual items that cost less than \$1,000 but will refer items that cost more directly to you for payment.

### **Retainer and Trust Deposits**

New clients of the firm are commonly asked to deposit a retainer with the firm. You hereby grant us a security interest in any retainer you deposit with us and in any funds we hold on your behalf to secure your obligations to us under this agreement. Typically, the retainer is equal to the fees and costs likely to be incurred during a two-month period. Unless otherwise agreed, the retainer deposit will be credited toward your unpaid invoices, if any, at the conclusion of services. At the conclusion of our legal representation or at such time as the deposit is unnecessary or is appropriately reduced, the remaining balance or an appropriate part of it will be returned to you. If the retainer deposit proves insufficient to cover current expenses and fees on at least a two-month basis, it may have to be increased.

Deposits which are received to cover specific items will be disbursed as provided in our agreement with you, and you will be notified from time to time of the amounts applied or withdrawn. Any amount remaining after disbursement will be returned to you.

All trust deposits we receive from you, including retainers, will be placed in a trust account for your benefit. As required by court rule or statute in each jurisdiction in which the firm has an office, your deposit will be placed in a pooled account if it is not expected to earn a significant net return, taking into consideration the size and anticipated duration of the deposit and the transaction costs. Other trust deposits will also be placed in the pooled account unless you request a segregated account. By court rule or statute in each of these jurisdictions, interest earned on the pooled account is payable to a charitable foundation or other non-profit entity established in accordance with such court rule or statute. Interest earned on a segregated trust account will be added to the deposit for your benefit and will be includable in your taxable income.

### **Termination; Retention and Disposition of Documents**

You may terminate our representation at any time, with or without cause. Our right or obligation to terminate our representation is subject to the rules of professional conduct for the applicable jurisdiction in which we practice, which list several types of conduct or circumstances that require or permit us to withdraw from a representation, including, for example, nonpayment of fees or costs, misrepresentation or failure to disclose material facts,

failure to cooperate, taking action contrary to our advice and conflict of interest with another client. We will try to identify in advance and discuss with you any situation which may lead to our withdrawal and if we decide to withdraw, we usually give written notice of our withdrawal.

Unless previously terminated by you or us, the attorney-client relationship will be considered terminated upon our sending you the invoice that describes the final legal services for all matters that you have retained us to perform. You will not thereafter be considered a current client because you remain on a firm mailing list or have appointed an affiliate of the firm to serve as your registered agent or because the firm retains possession of certain of your papers or other property received in connection with the prior engagement or is identified as a required recipient of notices under a contract to which you are a party. If you later retain us to perform further or additional legal services, our attorney-client relationship will be revived subject to our standard terms of engagement in effect at that time.

Upon your request after the earlier of the termination of the attorney-client relationship or conclusion of the matter, we will return to you any original documents and other property you provided to the firm in connection with the matter. If you do not request your documents, unless you make written arrangements with us to the contrary (such as to retain your original will or other documents in our vault or otherwise), we reserve the right to destroy or otherwise dispose of them for various reasons, including the minimization of unnecessary storage expenses, or for no reason, without further notice to you at any time after ten years following the date of the final invoice to you with respect to the matter.

The remainder of the file pertaining to the matter will be retained by the firm and will remain its property. If, upon your request, we agree to provide you with copies of certain documents from our file pertaining to the matter, you agree to pay the copying costs.

You agree that for various reasons, including the minimization of unnecessary storage expenses, or for no reason, we may destroy or otherwise dispose of the firm's file pertaining to the matter at any time after ten years following the date of the final invoice to you with respect to the matter.

### **Postengagement Matters**

You are engaging the firm to provide legal services in connection with a specific matter. After completion of the matter, changes may occur in the applicable laws or regulations that could have an impact upon your future rights and liabilities. Unless you engage us after completion of the matter to provide additional legal advice on issues arising from the matter, the firm has no continuing obligation to advise you with respect to future legal developments.

## **Billing Arrangements and Terms of Payments**

We will bill you on a regular basis, normally each month, for both fees and disbursements. You agree to make payment within 30 days after receiving our statement. Unpaid fees and disbursements accrue interest at the maximum rate permitted by state law (noncompounded), but not exceeding 1% per month from the beginning of the month in which they became overdue. (Where fees and disbursements are regularly paid out of a retainer deposit, no interest will be charged.)

We will give you prompt notice if your account becomes delinquent, and you agree to bring the account or the retainer deposit current. If the delinquency continues and you do not arrange satisfactory payment terms, you agree that we may withdraw from the representation and pursue collection of your account. You agree to pay the expenses of collecting the debt, including court costs, filing fees and reasonable attorneys' fees.

## **Related Proceedings**

If any claim is brought against the firm or any of its personnel based on your negligence or misconduct; if we are asked to testify as a result of our representation of you; or if we must defend the confidentiality of our communications in any proceeding, you agree to reimburse us for any resulting costs, including for our time, calculated at the hourly rate for the particular individuals involved, even if our representation of you has terminated.

## **Your Right to Arbitrate**

If you disagree with the amount of our fee, or if you have any complaint about the services rendered by us, please take up the question with your principal attorney contact or with the firm's managing partner. Typically, such disagreements are resolved to the satisfaction of both sides with little inconvenience or formality. If a fee dispute is not readily resolved, you have the right to request arbitration under supervision of the bar associations for the jurisdictions in which we practice, and we agree to participate in that process.

Thank you for choosing Davis Wright Tremaine LLP to represent you in this matter.

## **Davis Wright Tremaine Office Locations**

### **Anchorage**

188 West Northern Lights Blvd., Suite 1100  
Anchorage, Alaska 99503-3985  
TEL (907) 257-5300 FAX (907) 257-5399

### **Bellevue**

777 108th Avenue NE, Suite 2300  
Bellevue, Washington 98004-5149  
TEL (425) 646-6100 FAX (425) 646-6199

### **Los Angeles**

865 South Figueroa Street, Suite 2400  
Los Angeles, California 90017-2566  
TEL (213) 633-6800 FAX (213) 633-6899

### **New York**

1633 Broadway, 27th Floor  
New York, New York 10019-6708  
TEL (212) 489-8230 FAX (212) 489-8340

### **Portland**

1300 SW Fifth Avenue, Suite 2400  
Portland, Oregon 97201-5610  
TEL (503) 241-2300 FAX (503) 778-5299

### **San Francisco**

505 Montgomery Street, Suite 800  
San Francisco, California 94111-6533  
TEL (415) 276-6500 FAX (415) 276-6599

### **Seattle**

1201 Third Avenue, Suite 2200  
Seattle, Washington 98101-3045  
TEL (206) 622-3150 FAX (206) 757-7700

### **Shanghai**

Suite 701-704, Tower 2, Shanghai IFC  
8 Century Avenue, Pudong District  
Shanghai 200120, China  
TEL (011) 8621-6170-9500 FAX (011) 8621-6170-9599

### **Washington, D.C.**

1919 Pennsylvania Avenue NW, Suite 800  
Washington, D.C. 20006-3401  
TEL (202) 973-4200 FAX (202) 973-4499

[www.dwt.com](http://www.dwt.com)



February 26, 2015

Via Email [rbritz@berkleyrisk.com](mailto:rbritz@berkleyrisk.com)

Ryan Britz  
Berkley Risk Administrators Company, LLC  
222 South 9th Street #2700  
Minneapolis, MN 55402

Re: Public Universities Risk Management and Insurance Trust Conflict Waiver

Dear Mr. Britz:

We appreciate your selection of Davis Wright Tremain LLP (“DWT”) to represent the Public Universities Risk Management and Insurance Trust (“PURMIT”). As stated in our Letter of Engagement, DWT will represent PURMIT on issues of insurance law, board governance, and constituent and vendor relationships, including the preparation of contracts (collectively, the “Engagement”). In this capacity, DWT’s sole client is the Trust. DWT does not represent the Trust’s members, Oregon State University (“OSU”), University of Oregon (“UO”), Portland State University (“PSU”), Eastern Oregon University (“EOU”), Western Oregon University (“WOU”), Southern Oregon University (“SOU”), or Oregon Institute of Technology (“OIT”) (collectively, the “Members”). The purpose of this letter is to memorialize potential consent to conflicts of interest with respect to DWT’s representation of other clients on current matters as well as with respect to future matters generally involving PURMIT and the Members.

### **Consent to Conflict of Interest**

DWT regularly represents clients adverse to the Members. DWT anticipates that DWT will be asked by current and future clients to represent their interests in matters adverse to the interests of PURMIT and its Members. PURMIT understands that it is a condition to DWT’s agreement to represent PURMIT that, subject to the terms this letter and the requirements set forth in the Oregon Rules of Professional Conduct (“RPC”), PURMIT and the Members provide a broad waiver of current and future conflicts of interest for matters unrelated to the services covered by the Engagement.

### **Current Conflicts of Interest**

DWT is currently adverse to the Members in the following matters. Because PURMIT is DWT’s sole client in this Engagement, PURMIT’s consent is not technically required under the Oregon Rules of Professional Conduct. We nonetheless ask, and PURMIT hereby consents to and waives any of the conflicts of interest that these matters represent:

1. DWT represents Verizon in obtaining the real property rights enabling installation and maintenance of communication facility equipment on property owned or controlled by the State Board of Higher Education (“SBHE”), PSU, OSU, and UO.

2. DWT represents Amplify Education, Inc. (“Amplify”) in connection with the use of DIBELS and IDELS trademarks in literacy assessments. We understand that UO is determining whether there is a claim that has been or may be asserted against Amplify for violation of intellectual property rights.

3. DWT represented Insignia Health (“Insignia”) relating to the licensure of intellectual property developed by faculty at the UO and continues to provide ongoing advice to Insignia. We are not aware of any disputes between Insignia and the UO; representatives of the UO are part of Insignia’s management.

4. DWT represented Sue B. Wallin relating to certain intellectual property licensing of videos to WOU and continues to provide ongoing advice to Ms. Wallin. We are not aware of any disputes between Ms. Wallin and WOU.

5. DWT represents Natural Plant Products (aka Oregon Meadowfoam Growers) relating to certain intellectual property matters, including the negotiation of licenses for one or more Meadowfoam-related patents or patent applications from OSU. We are not aware of any disputes between Natural Plant Products and OSU.

6. DWT represents Dulsenergy, Inc. relating to the ongoing negotiation of certain intellectual property matters with OSU.

7. DWT represents INTO University Partners, Ltd. and its affiliates (“INTO”) in a partnership with Oregon State University related to enrolling foreign students at Oregon State University and developing facilities for Oregon State University, such as classroom buildings and dormitories. INTO is also entering into a new joint venture to develop and lease a campus for Oregon State University in Bend.

### **Future Conflicts of Interest**

As part of the Engagement, PURMIT understands and agrees that DWT anticipates that in the future, other clients of DWT will ask DWT to represent them in matters adverse to the Members. Because PURMIT is DWT’s sole client in this Engagement, these future matters do not create conflicts of interest. But, in an abundance of caution, DWT asks and PURMIT hereby grants consent to and waives future conflicts of interest that may arise as a result of DWT’s representation of other clients adverse to any of the Members. Examples of the matters for which advance consent is granted by PURMIT include, but are not limited to, DWT’s representation of existing or future clients: (a) bringing claims against Members or their employees which may trigger obligations under insurance policies or programs put in place by

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PURMIT; (b) seeking public records maintained by any of the Members, or access to public meetings held by any of the Members; (c) negotiating licenses, including for communication facilities and involving intellectual properties; (d) lobbying the Legislative Assembly and other public bodies in opposition to legislation or other action favored by any of the Members; and (e) any other matters that are unrelated to the Engagement. This advance consent includes the representation of existing and future clients of DWT including, but not limited to, Amplify, Insignia, Natural Plant Products, INTO, Ms. Wallin, Dulsenergy, and Verizon, on matters unrelated to the Engagement. DWT may continue to represent and may in the future represent existing or new clients in matters, including giving legal advice to any client that might be adverse to the interests of any of the Members, or representing any party in a transaction, alternative dispute resolution proceeding, regulatory proceeding, litigation, or other judicial proceeding and any appeal therefrom in which any of the Members is an adverse party.

PURMIT will not seek to disqualify DWT with respect to any of the current or former clients' engagements described above, even where DWT may have obtained proprietary or confidential information of a nonpublic nature from the Members during the course of the Engagement that could theoretically be used in the matter adverse to any of the Members to its material disadvantage, provided that DWT takes adequate steps to screen such information from the DWT lawyers representing the client in a matter adverse to any of the Members.

### **Applicability of Ethical Rules to all Conflicts Discussed Above**

Under RPC 1.7, we may not represent a client if the representation of that client will be directly adverse to another client, even if the work we do for the other client is in unrelated matters, or there is a significant risk that the representation will be materially limited by the lawyer's responsibilities to another client, a former client, or a third person or by a personal interest of the lawyer unless each of the following statements is true: (1) the lawyer reasonably believes that the lawyer will be able to provide competent and diligent representation to each affected client; (2) the representation is not prohibited by law; (3) the representation does not obligate the lawyer to contend for something on behalf of one client that the lawyer has a duty to oppose on behalf of another client; and (4) each affected client gives informed consent, confirmed in writing. "Informed consent" denotes the agreement by a person to a proposed course of conduct after the lawyer has communicated adequate information and explanation about the material risks of and reasonably available alternatives to the proposed course of conduct. The lawyer must also provide a recommendation that the client seek independent legal advice to determine if consent should be given. We believe that all of the situations above are true and recommend that PURMIT seek independent legal counsel to review the terms of the Engagement.

DWT's proposed representation of PURMIT is not illegal and would not obligate us to contend for inconsistent results. Under the circumstances, we believe that we will be able to provide competent and diligent representation to PURMIT in the Engagement while continuing to represent other current and future clients because the lawyers in our office who regularly

February 26, 2015  
Page 4


represent clients in other matters will not work on the Engagement. We further believe that we will be able to provide competent and diligent representation of PURMIT despite our possible future representation of other clients adverse to the members.

By signing this letter, PURMIT is evidencing its consent to the broad waiver of conflicts as to the specific current matters listed and to future matters and that PURMIT has had the opportunity to have the Engagement and waiver requested reviewed by independent legal counsel.

Please do not hesitate to contact me if you have questions.

Very truly yours,

Davis Wright Tremaine LLP



James Parker

Reviewed and agreed to this \_\_\_\_ day of July, 2015:

PUBLIC UNIVERSITIES RISK MANAGEMENT AND INSURANCE TRUST

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

cc: Ryan J. Hagemann  
Douglas Park  
David C. Reese  
Meg Reeves

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February 26, 2015

Via Email [rbritz@berkleyrisk.com](mailto:rbritz@berkleyrisk.com)

Ryan Britz  
Berkley Risk Administrators Company, LLC  
222 South 9th Street #2700  
Minneapolis, MN 55402

Re: PURMIT and Davis Wright Tremain Letter of Engagement

Dear Mr. Britz:

We appreciate the selection of Davis Wright Tremain LLP (“DWT”) to represent the Public Universities Risk Management and Insurance Trust (“PURMIT”). This letter confirms the scope and terms of DWT’s representation of PURMIT.

### **Scope of Representation**

DWT will represent PURMIT on issues of insurance law, board governance, and constituent and vendor relationships, including the preparation of contracts (collectively, the “Engagement”). In this capacity DWT’s sole client is PURMIT. In conjunction with this Engagement, DWT will not be representing Oregon State University, University of Oregon, Portland State University, Eastern Oregon University, Western Oregon University, Southern Oregon University, or Oregon Institute of Technology.

### **Engagement Terms**

At DWT, we believe that it is essential that our clients and we have the same understanding of the client-attorney relationship. With this in mind, enclosed for your review is a copy of our *Standard Terms of Engagement for Legal Services*, which describes in greater detail the basis on which we provide legal services to our clients. As supplemented by this letter, the “Standard Terms of Engagement” comprises our engagement agreement. Therefore, we ask that you review it carefully and contact us promptly if you have any questions about our relationship.

### **Legal Fees**

I will be the primary attorney at DWT handling your work. Fees for services are based on a variety of factors including, for example, time and effort involved, the experience of those doing

February 26, 2015

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the work, the complexity of the matter and the amount involved. Of these and other considerations, the time devoted and the experience of those providing the services will be given the most weight. For example, my rate at present is \$280 per hour.

If there are opportunities to use other attorneys with sufficient expertise to provide services on some issues efficiently at lower rates, we will certainly do so, with your permission of course. If necessary, because of particular legal expertise or geographic location, we have other attorneys who may be called upon to perform services at their applicable billing rates. Others who may be involved on this or future matters are paralegals, associates, and partners in our Portland office whose present billing rates range from \$160 to \$505 per hour.

We believe very strongly in maintaining an open line of communication with each other at all times. This allows us to better serve you and keep you fully informed regarding the status of the work we are performing on your behalf. Our switchboard is open from 7:30 a.m. to 6:00 p.m. I can be reached at other times on our direct-dial numbers listed above. If you have a question regarding your billing statements, please feel free to contact either of us or our Credit Specialist, Julie Springer, at 503-778-5462. If the terms of this engagement are acceptable to you, please sign and date the enclosed copy of this letter and return it in the enclosed self-addressed envelope.

We are pleased that you are entrusting PURMIT's work to us, and we hope to exceed your expectations for prompt, efficient, and high quality legal counsel. It is important for us to know how our clients feel about the services we provide. If you ever feel we are not meeting this commitment or you have other questions about our relationship, please do not hesitate to call us or our Partner-In-Charge, Bill Miner. We look forward to serving you.

Very truly yours,

Davis Wright Tremaine LLP



James Parker

Reviewed and agreed to this \_\_\_\_ day of July, 2015:

PUBLIC UNIVERSITIES RISK MANAGEMENT AND INSURANCE TRUST

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

**Audit RFP Summary**

Name	<u>Cummings, Keegan &amp; Co., P.L.L.P.</u>	<u>K Financial</u>	<u>McGladrey LLP</u>
Services Since	1956	2003	1926
Cost	<p>Year ending June 30, 2015 \$40,000 October 15, 2015 reporting date.</p> <p>Additional \$8,000 9/15/15 reporting date. Out-of-pocket travel for Oregon meetings invoiced separately.</p> <p>Year ending June 30, 2016 \$35,000</p>	<p>Year ending June 30, 2015 \$18,000 September 15, 2015 reporting date.</p> <p>No out-of-pocket travel fee</p> <p>Year ending June 30, 2016 \$16,000</p>	<p>Year ending June 30, 2015 \$33,750</p> <p>Meetings with PURMIT Board of Trustees, as necessary no additional fee.</p> <p>Year ending June 30, 2016 \$35,000</p> <p>Year ending June 30, 2017 \$36,250</p>
Timing	<p>Begin week of July 27th 2015 Mid October, finalize audit and actuarial reports providing final copies.</p>	<p>Begin week of July 27th 2015 Mid September, finalize audit and actuarial reports providing final copies.</p>	<p>Will agree with our time requests</p>
Professional Services	<p>Audit financial statements fiscal years ending June 30, 2015 &amp; 2016</p> <p>Prepare Management Letter</p> <p>Meet to discuss audit findings</p> <p>Prepare any Federal &amp; State as required as part of Audit.</p>	<p>Audit financial statements fiscal years ending June 30, 2015 &amp; 2016</p> <p>Completed audit report</p>	<p>Audit financial statements fiscal years ending June 30, 2015 &amp; 2016 &amp; 2017</p> <p>Completed audit per our request.</p>
Comment	<p>Past experience with Firm. Extensive Firm bio and team description.</p>	<p>Referred by an associate, no direct experience with Firm Limited Firm bio and team description.</p>	<p>Past experience with Firm. Extensive Firm bio and team description.</p>