Faces of the EIA

CSAC Excess Insurance Authority
2013 Annual Report

Mission Statement

The CSAC Excess Insurance Authority is a member-directed risk sharing pool committed to providing risk coverage programs and risk management services which are:

Competitive	providing programs which are competitive in scope and price over the long term
Available	endeavoring to make available programs which are flexible in meeting member needs
Responsive	delivering quality, timely services in claims management, loss control, education and communications
Equitable	allocating costs and services between various members in a fair and consistent manner
Stable	ensuring cost-effective, fiscally prudent operations and staffing which maintain financial strength and solvency

Who is the EIA?

- a member-directed risk sharing pool of counties and other public entities committed to providing risk coverage programs and risk management services
- recognized as a leader and pioneer in the Joint Powers Authority (JPA) risk management community
- the first insurance JPA in the State of California to receive the Government Finance Officers Association's Certificate of Excellence in Financial Reporting (for the fiscal year ending June 30, 1994 through June 30, 2012)
- achieved the California Association of Joint Powers Authority's highest designation, "Accreditation with Excellence" continuously since 1989
- earned the Association of Governmental Risk Pools' recognition since 2007
- one of an estimated 150 JPAs currently operating in California

What does the EIA offer its members?

Most importantly, our Competitive Advantage

volume discounts

blending of self-insurance and insurance

responsiveness to members' needs

long-term relationships

Available Coverages

workers' compensation (primary and excess)

general and automobile liability (primary and excess)

employment practices liability

errors and omissions

property

medical malpractice

employee health, dental & other benefits

many other coverages for public entity exposures

Services

loss prevention

online training

technology

legislative review and advocacy

many cost containment service programs

Resources

message board/inquiry forum

informational website

exclusive website area for member-specific information

2013 Executive Committee

Back Row: Scott Schimke, Maryellen Peters, Jim Sessions, James Brown, Kristin McMenomey, Teri Enos-Guerrero
Front Row: Peter W. Huebner, Peggy Scroggins, Barbara Lubben, Larry Moss, Lance Sposito,

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Letter to our Members

Dear Members:

Thank you for another productive year of active participation and sound decision-making!

Our mission is to be a member-directed risk sharing pool committed to providing risk coverage programs and risk management services which are competitive, available, responsive, equitable, and stable (the accronym CARES). We measure our success in our competitive rates, the quality of our program offerings, and the customer service we receive. But we are successful collectively because of the deep bonds of trust we have built over repeated positive transactions with each other, EIA staff, and our broker of record, actuaries, and consultants. Originally a JPA where counties could purchase excess property and casualty insurance, we now offer health and employee benefits programs and a portfolio of construction risk products in which potentially all California public entities can participate. As we grow, we bring many new faces to the EIA and the EIA to new faces in the human resource and public works communities.

Here are just a few ways we have demonstrated EIA CARES during 2013.

Competitive: The Master Rolling Owner Controlled Insurance Program (MR OCIP) was implemented in January 2013. MR OCIP covers construction projects as small as $10 million, as well as those in excess of $100 million, with extremely competitive rates and services. As a distinct major program, MR OCIP is a point of entry into the EIA for new members.

Available: EIA educational seminars and symposiums are being offered in multiple locations and formats. The EIAHealth Symposium in March saw record attendance, with nearly 100 attending at each location. The multiple session "Supervisor University" training program enrolled hundreds of members per session, as technology was leveraged to reach members throughout California.

Responsive: An online Schools Forum was established in July, to address the special exposures of that sub-group of members. We began designing a new Membership Services Division that may provide additional risk management and professional development services to facilitate successful succession planning as new faces join the EIA. Planning will continue into 2014.

Equitable: The commitment of EIA members to equitable treatment of each other resounded through the thoughtfulness of the debate regarding public entity fees at the October Board Meeting. Although the vote did not result in a change in practice, the respect that members displayed for the seriousness of the issue, the degree of research and reflection that informed their decisions, and their commitment to properly executing their role as members of the pool were shining examples of why we are an exemplary organization.

Stable: Each major program committee evaluated its risk tolerance and developed a guideline for making pooling versus insurance purchasing decisions. Additional research into future medical reserving practices began in late 2013, in an effort to stabilize ultimate liabilities under our workers' compensation programs. The results may inform future regulations.

Each year in the EIA is a journey through training sessions, meetings, and many decisions, where we encounter and exhibit different faces and grow individually and collectively. I hope this past year has been as rewarding and productive a journey for you professionally as it has been for me and the EIA.

Thank you, EIA members and staff, for the privilege of serving you. Thank you, Mike Fleming and Gina Dean, for your steadfast integrity, guidance, and good humor. I pass the Presidential torch to Larry Moss, East Bay Regional Park District, with a huge smile on my face. Larry's commitment to the EIA is matched only by his intelligence and self-deprecating sense of humor. He is well-equipped to lead us! Be sure to bring your hiking stick and enjoy the journey! Remember, this pool is made for you and me!

Barbara Lubben
President, 2013

Organizational Profile

The CSAC Excess Insurance Authority was formed as a Joint Powers Authority (JPA) in 1979, pursuant to Article 1, Chapter 5, Division 7, Title 1, of the California Government Code (Section 6500 et seq.). The EIA is a recognized leader and pioneer in the pooling and risk management community, in California and nationwide.

California Association of Joint Powers Authorities
Accredited with Excellence

Over the past 34 years, the organization has grown substantially in terms of membership, programs, and services. During that entire time, the EIA has helped public entities and local communities preserve their resources by reducing their cost of risk and insurance. The EIA has continued to thrive by providing members with exceptional value and service, as well as the opportunity to actively participate in an organization dedicated to the control of losses and cost effective risk management solutions.

The hallmark of the EIA is the incredible level of participation by the members. The EIA is truly member driven. More than 138 individuals are currently participating in the governance of the organization by serving on the Board of Directors or one of the EIA's committees. The EIA is fortunate to have such a substantial number of people driving the decisions that keep the organization on the cutting edge.

Not only does the EIA have a high number of members contributing to the success of the organization, the expertise and knowledge that they bring is amongst the best in the business. We have participation by members of Boards of Supervisors, County Administrative Officers, Risk Managers, Auditors, and many other professionals offering their expertise. The EIA is truly appreciative of all the time and effort the members contribute to the organization. The organization would not be as great without them.

A high priority for the Board of Directors and the committees is to ensure the EIA is providing high-quality, cost-effective, and efficient services to the members. Through the efforts of the members, the EIA has created programs and services that are stable, secure, and have the flexibility to meet the challenges of the dynamic insurance marketplace and economic turbulence.

While the membership has enjoyed the rewards of their success over the past 34 years, they have continued to refine, restructure and improve the programs and services to ensure that the members' current and future needs will be met. At the same time, efforts are continually made to keep costs as low as possible for members.

In order to measure the effectiveness of its services and programs, the EIA participates in the California Association of Joint Powers Authorities (CAJPA) Accreditation Program. Since 1989, the EIA has been awarded their highest designation, "Accreditation with Excellence". Since 2007, the EIA has also been recognized by the Association of Governmental Risk Pools (AGRiP), a national pooling association. Both the CAJPA accreditation and AGRiP recognition are indications of exceptional compliance with best management practices. Additionally, the EIA was the first JPA in the state to receive the Government Finance Officers Association's Certificate of Excellence in Financial Reporting (FYE 6/30/94 – 6/30/12). We are currently in the process of submitting information for the fiscal year ending June 30, 2013. These recognitions and achievements reinforce the valuable, effective, efficient and stable organization that the members have built for California's counties and public entities.

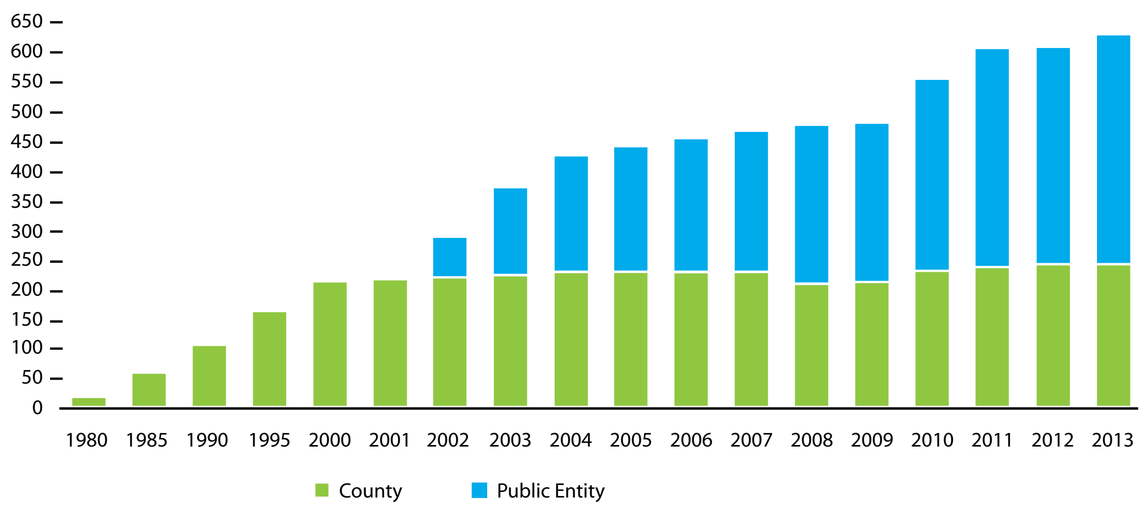
Organizational Profile

continued

2013/14 Membership

Since the early 2000s, when non-county public entities throughout the state were given the opportunity to access the EIA's programs and services, the EIA has seen significant membership growth. Most of the growth occurred during 2001 to 2004 as a result of conditions in the insurance market. As depicted in the graph below, growth over the past five years has continued, but at a more steady and controlled pace. Growth over the last three years is due, in large part, to the formation of the Dental Program. This Program launched on January 1, 2010 and currently has 130 members. In the graph below, membership is shown in terms of "member units", where each member in each of the programs is counted as one member unit.

The EIA's 54 member counties represent a 93% market share of the 58 counties in the state. While the public entity membership currently consists of 250 organizations, including cities, school districts, special districts, and other JPAs, the actual number of public entities accessing the coverage and services of the EIA is almost 1,800. In fact, coverage is being provided, either directly or through a member JPA, to 65% of the cities in California. While future growth within California is likely to continue at a slower pace, the need for high-quality, low-cost insurance programs remain strong by county-affiliated agencies and local governmental entities.



Organizational Profile

continued

Membership Involvement

As mentioned earlier, membership involvement is the hallmark of the EIA and the key to the success of the organization. The EIA members generously provide their time, expertise, and leadership by serving on the Board of Directors and through their involvement on one or more of the EIA's 17 committees. The members' active participation in the development, oversight, and future direction of the EIA's programs and services ensures that the EIA will continue its success for many years to come.

Because member involvement is a critical component of success, the EIA has made this issue one of its highest priorities. Strategies have been implemented to ensure member involvement and active participation – which leads to member loyalty – continue at a high level.

With innovative risk management techniques, cost effective programs and services, solid leadership and, most importantly, member involvement, the EIA will continue to be the "Risk Management Solution" for California public entities well into the future.

Below is an organizational chart depicting the governance structure of the EIA. The Board of Directors is comprised of 61 members; 1 representative from each member county and 7 members elected by the public entity membership. The Executive Committee consists of 11 members elected by the Board of Directors. Each year, the EIA solicits interest from the members to serve on the various committees. Appointments are then made by the Executive Committee from members' participation in the specific coverage program, or based upon an individual's background or expertise.

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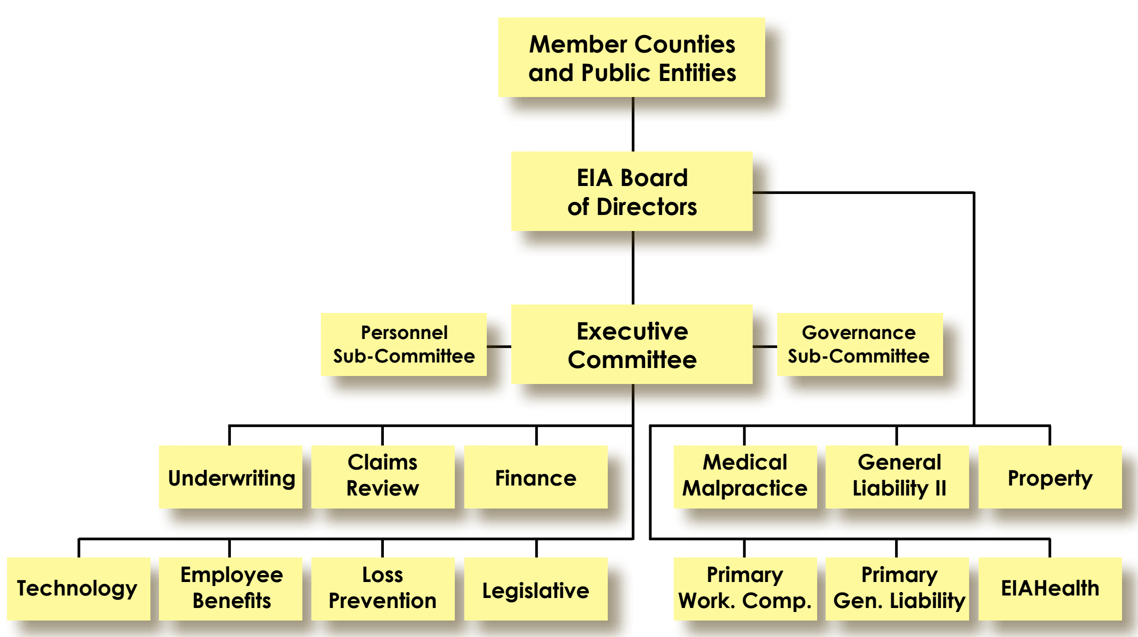


Member Programs & Services

Major Coverage Programs

The EIA members have established 10 major coverage programs. These programs are described in greater detail throughout this report. The EIA has dramatically reduced insurance costs for the members by leveraging the combined purchasing power and financial size of the group. All 10 major programs include a blend of pooled risk and purchased insurance.

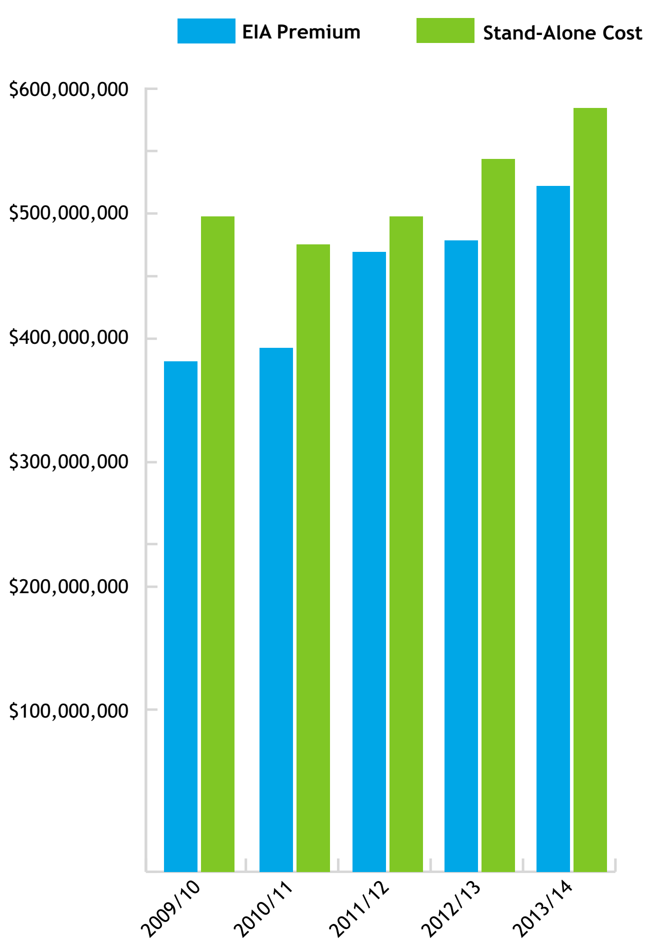
The risk pooling concept allows the program structures to adapt to current insurance market conditions. During hard market conditions, when insurance rates rise above the cost to actuarially fund the group's exposures, the pools expand and less insurance is purchased. When insurance rates decrease to the point where it is more cost effective to purchase insurance, the pools contract and additional insurance is purchased. This flexibility is a perfect example of the balancing act required by the EIA to ensure costs are kept low and members are provided with the best possible coverage and service.

The EIA is able to leverage the purchasing power of its membership to secure more cost-effective coverage than members could obtain on their own. This strategy of leveraging volume has also benefited non-members because of the competitive role the EIA has assumed in the public sector insurance marketplace. Annually, the EIA compares the cost of its major programs to the estimated cost members would pay if they were purchasing similar coverage on their own. Below is a chart showing the premium paid over the last five years by the EIA members and the premium that would have been paid by members individually. In just the past five years, the EIA has saved California's counties and member public entities over $300 million.

While the EIA has strived to develop long-term relationships with its underwriters and insurance carriers, the insurance placements are continually evaluated. The EIA's committees are actively involved in this process, as they frequently review the insurance placements and program performance. The EIA constantly monitors the insurance marketplace, and through our diligence and relationships in the market world-wide, create opportunities to reduce costs and to enhance coverages for the EIA's members whenever possible.

Major Coverage Programs

Five Year Cumulative Premium vs. Estimated Stand-Alone Cost



Member Programs & Services

continued

Miscellaneous and Employee Benefits Programs

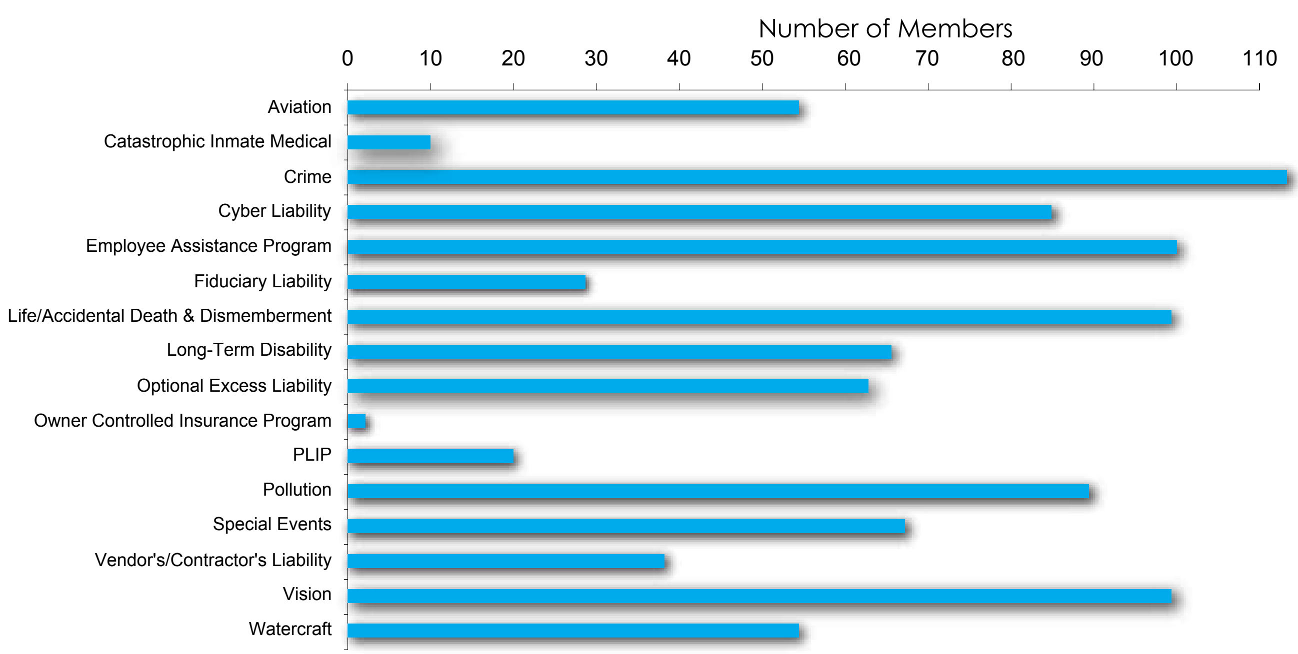
The members are continually evaluating whether its major coverage programs are addressing all the needs of the members. Where they may not, the EIA provides a variety of group purchase insurance programs to offer the members protection from other exposures. In many cases, members are also provided options to reduce deductibles and purchase additional insurance limits.

Several years ago, through a joint venture between the EIA and the California State Association of Counties (CSAC), the Personal Lines Insurance Program (PLIP) was established to provide discounted homeowners, automobile and other personal lines coverage to employees and retirees of member entities. The PLIP Program is underwritten by Liberty Mutual, who is known for their high-quality customer and claims services. To complement the PLIP Program, a wide range of voluntary insurance products from numerous insurers can be provided on a payroll-deduction basis.

The chart below illustrates the number of members participating in the Miscellaneous and Employee Benefit Programs for the current year.

Miscellaneous Program Participation

2013/2014



Member Programs & Services
continued

Member Services

In addition to the EIA's comprehensive coverage programs, numerous risk management programs have been designed to assist members in effectively administering their insurance and self-insurance programs. Some of the services and benefits enjoyed by the members include:

- Financial subsidy programs for actuarial analyses, loss prevention, and risk management
- Wide variety of loss prevention and risk management training programs, provided on a regional basis, on-site for individual members, or through live internet-based sessions
- Extensive loss prevention platform including: web-based training, automated system for monitoring employee driving records, flexible tools to monitor compliance, communication solutions for exchanging information and risk identification and mitigation technologies
- Loss prevention consultation, program assessments, and facility inspections
- Real and personal property appraisals
- Online, anytime access to coverage documents, certificates of insurance, subsidy balances, renewal applications, and property schedules
- Extension of EIA's contracted services at reduced rates for actuarial studies, claims audits, and certificate of insurance management services
- Access to additional programs and services through EIA's membership in the ISO Claims Search Program and Insurance Education Association
- Active presence with the State legislature, taking positions on those items that may impact EIA members

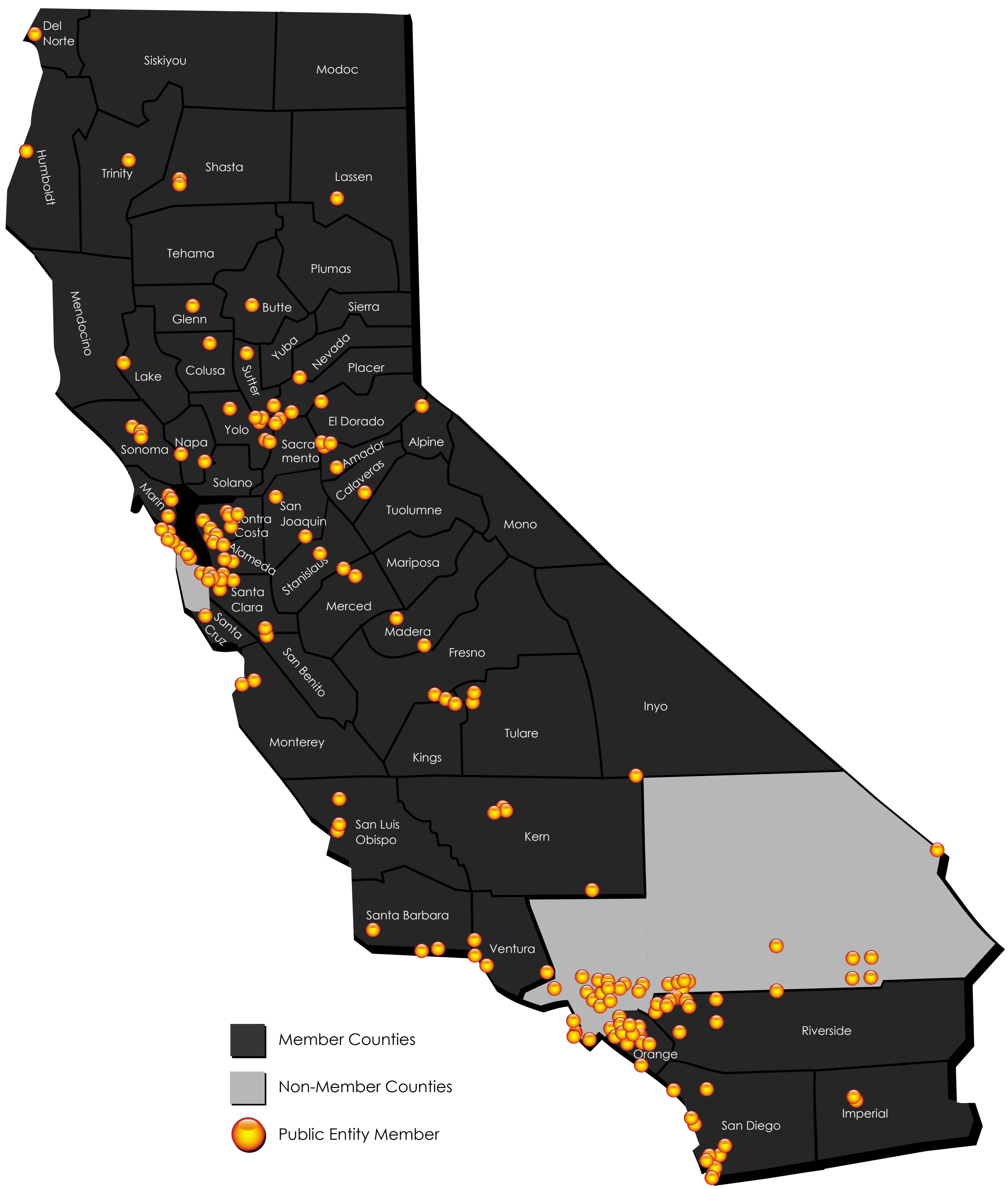
Karen Caoile
Alameda County
Technology Committee Chair

Sam Mann
City of Clovis/LAWCX
Loss Prevention Committee Chair

Larry Moss
East Bay Regional Park District
Legislative Committee Chair

CSAC EIA's Members

2013/2014



Primary Workers' Compensation

The Primary Workers' Compensation (PWC) Program provides Excess Workers' Compensation (EWC) Program members the opportunity to secure first dollar coverage instead of maintaining a self-insured retention. The PWC Program provides members with claims administration services, which is accomplished through a choice of five claims administrators, and offers several cost containment programs including a medical provider network, an injury reporting service, and a return-to-work program. The PWC Program established a new cost containment feature this year, with the implementation of a pharmacy benefit management program through Express Scripts. The EIA was able to leverage the volume of the EIAHealth Program to achieve better pricing for the PWC Program.

The PWC Program pays for claims with a blending of pooling and insurance. The first $10,000 of each claim is paid out of the Program's pool and the Program's insurer, part of the AmTrust Group, pays for the balance of the claim up to the $125,000 attachment point to the EWC Program. This structure is depicted graphically on page 11.

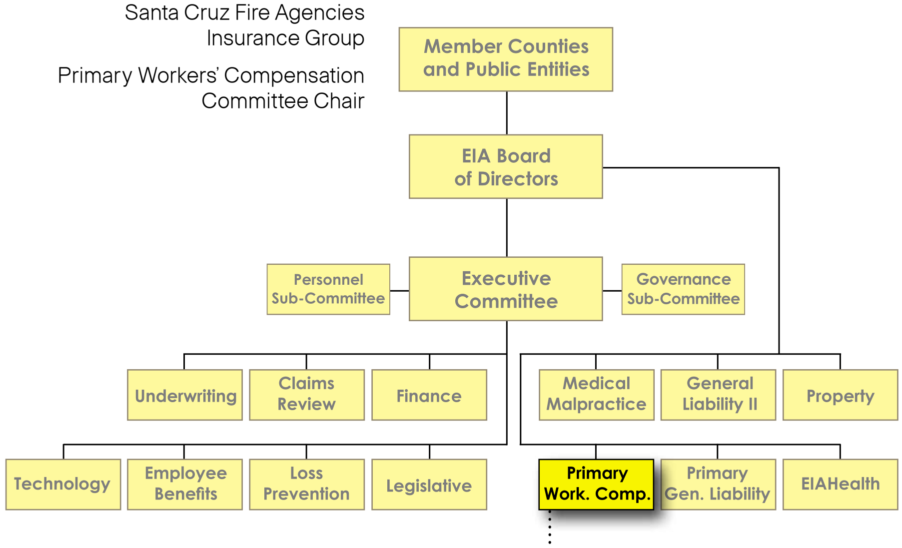
The PWC Committee governs the Program, reviewing all matters pertaining to the Program including program funding, coverage issues, claims, claims administration, program services, new member applications and insurance renewals.

The funding of the Program's pooled layer is evaluated each year. In 2009/10, the Committee approved a transaction (loss portfolio transfer) to sell a portfolio of open claims to the insurance market. The decision to enter into this arrangement was not made lightly. The Committee spent a great deal of time evaluating the pros and cons. Their conclusion was to proceed with an agreement that would allow the Program to retain control of the claims management, and transfer the financial risk, along with a significant insurance premium, to ACE American Insurance Company. While transferring the future financial risk of those claims was important, another significant motivator was the ability to free up a substantial amount of money that would no longer be needed for contingencies. Since doing this transaction, the Committee has already returned $28.5 million to the Program members. Additional distributions are anticipated in the next few years as well.

John Scott

Santa Cruz Fire Agencies Insurance Group

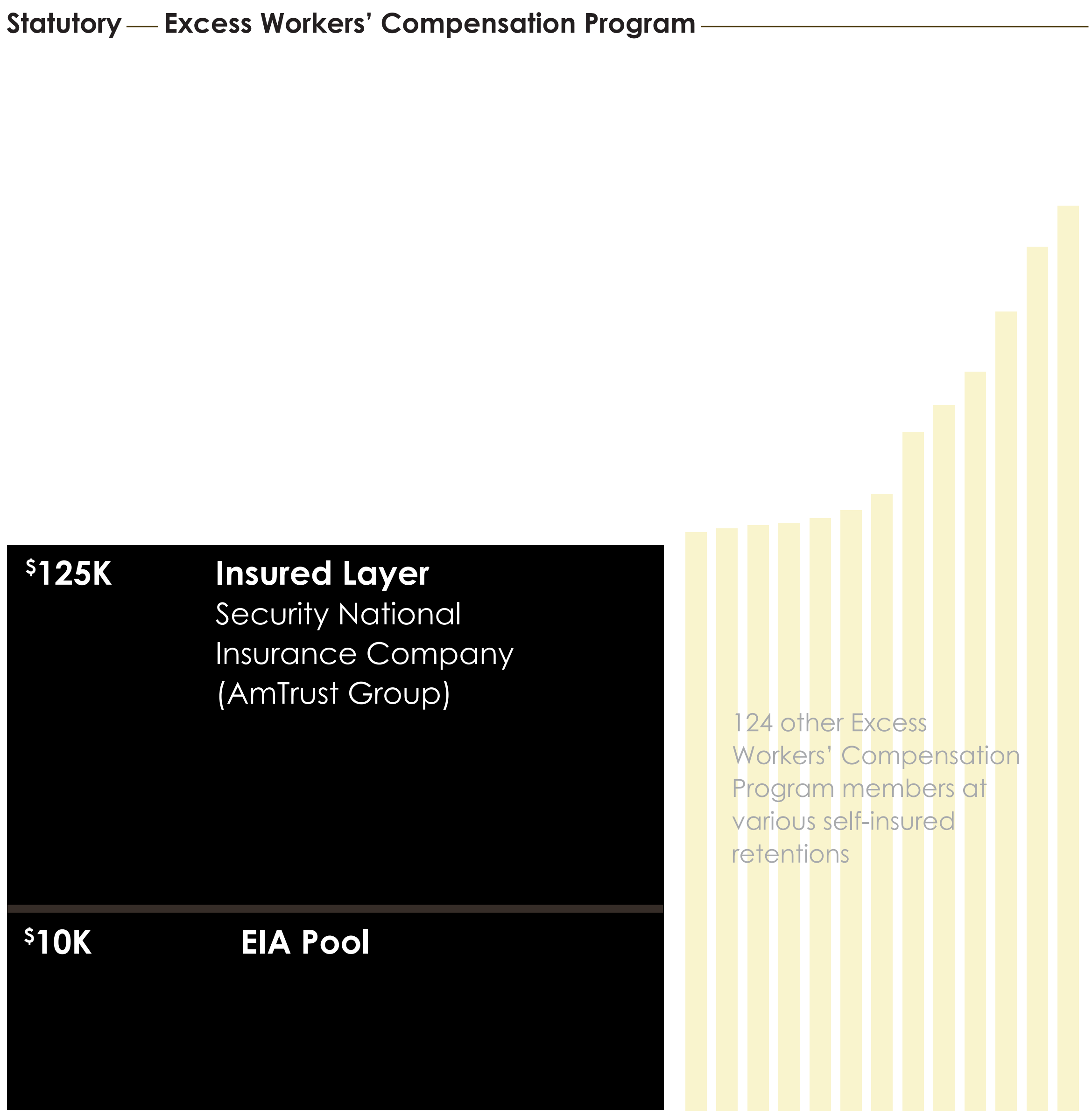
Primary Workers' Compensation Committee Chair



Governance Sub-Committee

Primary Workers' Compensation

2013/2014



Excess Workers' Compensation

The Excess Workers' Compensation (EWC) Program provides members with statutory coverage, subject to the members' self-insured retention ranging from $125,000 to $5,000,000. The Program's flexibility in providing many options gives the members the ability to balance their own needs and financial ability to self-insure their risk. Because members maintain a self-insured retention, they are able to manage their own claims, either through a third party administrator of their choice or with their own claims staff. The structure of the Program is depicted graphically on page 13.

Like most markets, the insurance market is cyclical and the insurance companies will attempt to balance profits and market share. There will also be times when the Program can leverage its volume to secure insurance at a cost that is less than it would be for the combined group to self-insure. Beginning in 2008, the Program took advantage of the softening insurance market by transferring risk on the pooled layers to the insurance market. While the structure has changed since then, the Program continues to transfer risk in this layer. Wesco Insurance Company, part of the AmTrust Group, is currently providing coverage above a corridor deductible. This gives the Program additional predictability in determining the costs for the Program. It has also helped to build the Program's overall funding position.

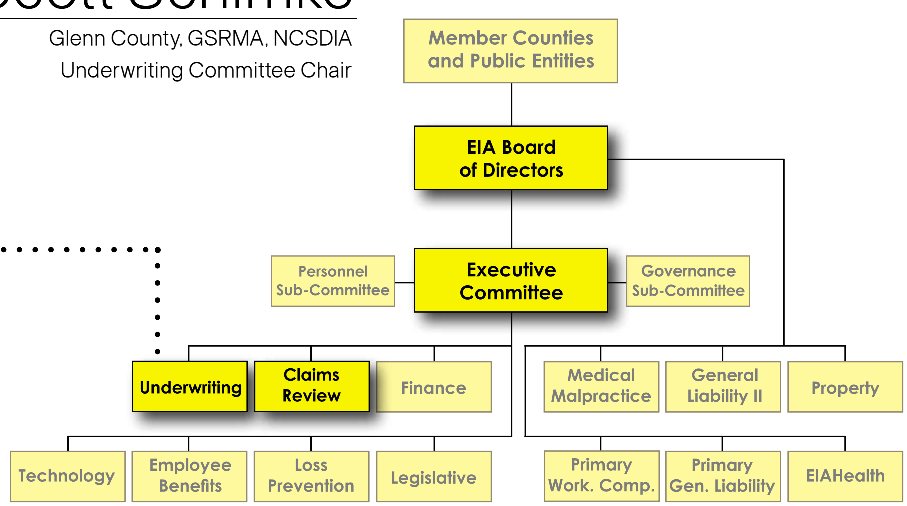
The EWC Program has been balancing the "wants" of the members with the "needs" of the Program for years. The Board of Directors strives for each of its Programs to have a healthy funding position, but at the same time, balances the need to keep premium costs to the members low and to ensure the Program is not retaining more funding than it needs. For the past few years, the EWC Program has been working towards increasing its overall funding position. Due to a very poor investment climate and adverse loss development, the funding position of the Program has not yet reached the Board's goals. The funding level is very carefully monitored by the Board and committees, and decisions to increase funding levels are continually evaluated.

The Board of Directors, ultimately, governs the EWC Program, with recommendations being made by the Executive, Underwriting and Claims Review Committees. The Board has delegated a significant amount of authority to the Underwriting and Claims Review Committees to handle the day-to-day business of the Program. More details on the Claims Review Committee can be found on page 16.

The Underwriting Committee makes recommendations to the Executive Committee and reviews matters pertaining to the General Liability I (GLI) and EWC Programs including new member applications, allocation of premiums, overall program funding and insurance renewals. Additionally, the Underwriting Committee has authority to approve many of the members' routine requests like named insured additions and minor coverage modifications.

Scott Schimke

Glenn County, GSRMA, NCSDIA
Underwriting Committee Chair



Excess Workers' Compensation

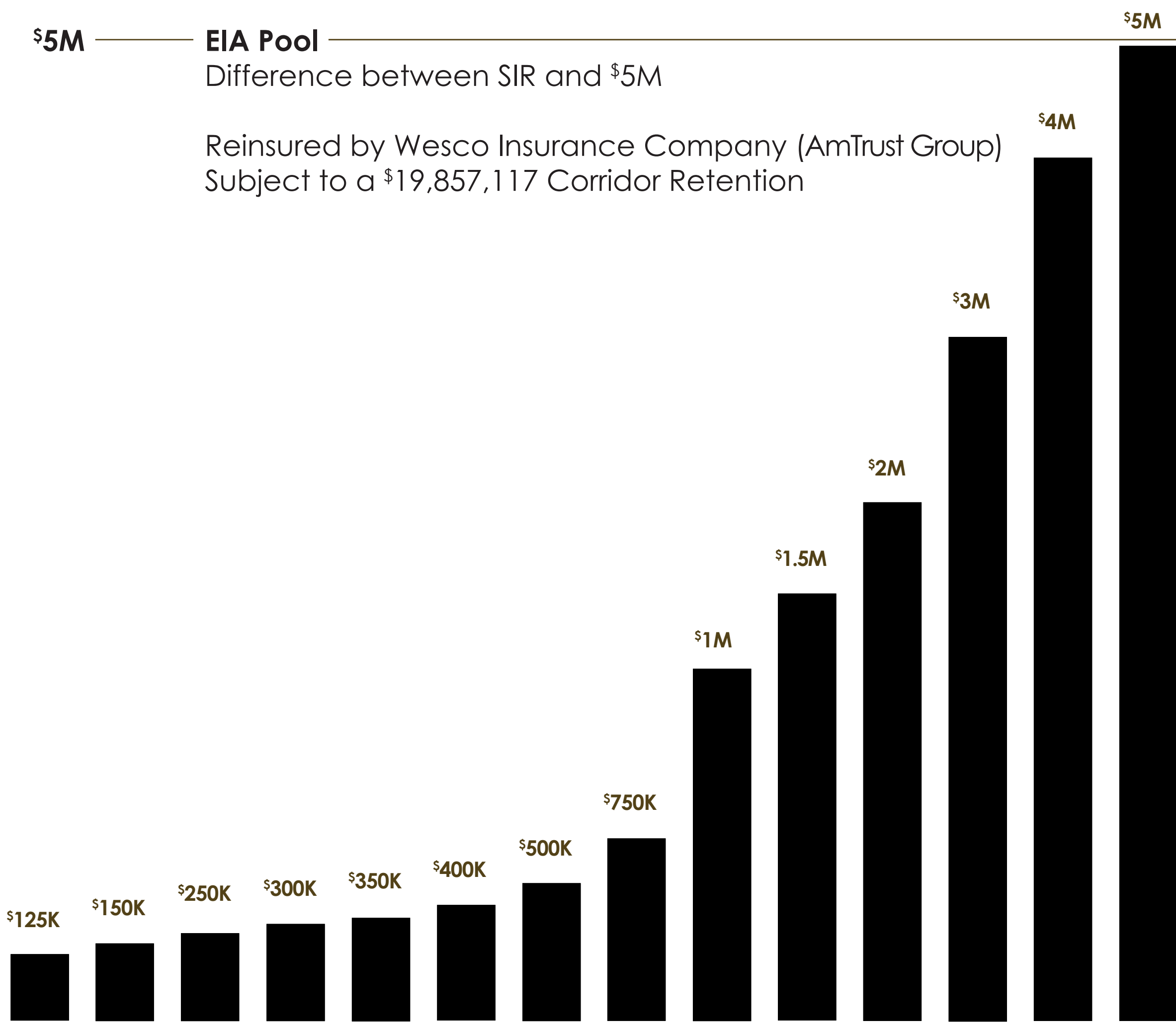
2013/2014

Statutory — **Excess Insurance Layer**
National Union Fire Insurance Company (an AIG Company)
Statutory excess of $50M

$50M — **Excess Insurance Layer**
ACE American Insurance Company
$45M excess of $5M Pool

$5M — **EIA Pool**
Difference between SIR and $5M

Reinsured by Wesco Insurance Company (AmTrust Group)
Subject to a $19,857,117 Corridor Retention



Primary General Liability

The Primary General Liability (PGL) Program provides members the opportunity to convert their self-insured retention to a $10,000 deductible. For smaller members, the Program has served to protect them from the financial instability that can come with maintaining a self-insured retention. This support has been significant for the members in terms of managing their cash-flows and budgets.

In addition to coverage at a lower level, the PGL Program also provides members with claims administration services, which is accomplished through a choice of 2 claims administrators. Under the Program's current structure, there is no pooling. Instead, the Program's limit is provided through a reinsurance arrangement with Berkley Insurance Company. This structure is depicted graphically on page 15.

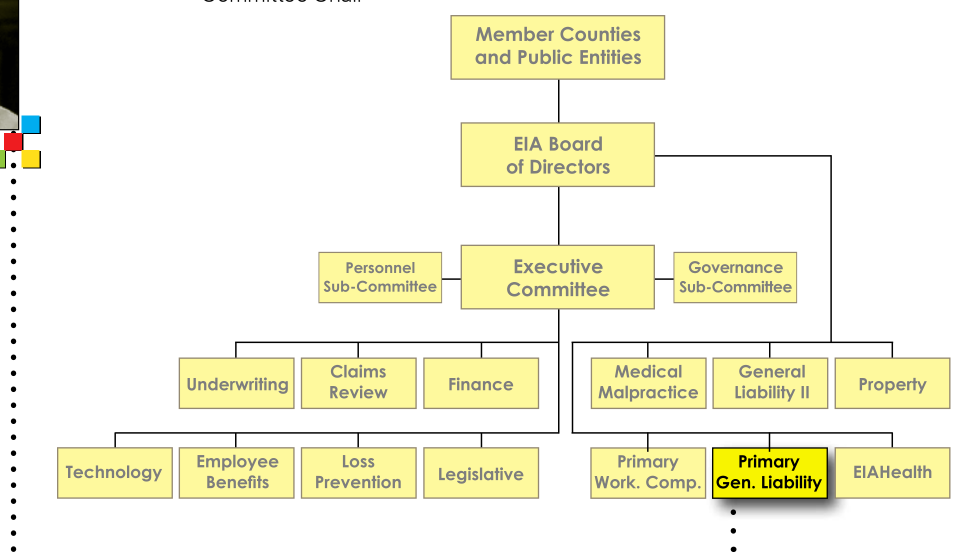
Transferring the risk to an insurance company has helped accomplish the PGL members' goals for the Program: keep costs reasonable, maintain stability and ensure the members have the ability to control their claims disposition. At the same time, the members of the Program have shown they can balance the desire to transfer risk with the need to keep costs low. The Committee has demonstrated they are flexible and will react to changes in the insurance environment, when necessary. Together, the members have sustained a very successful Program for more than 15 years, and this success is expected to carry on for many years to come.

The PGL Committee governs this Program. They review all matters pertaining to the Program including coverage issues, claims, program services, new member applications and reinsurance renewals.

Paul Hight

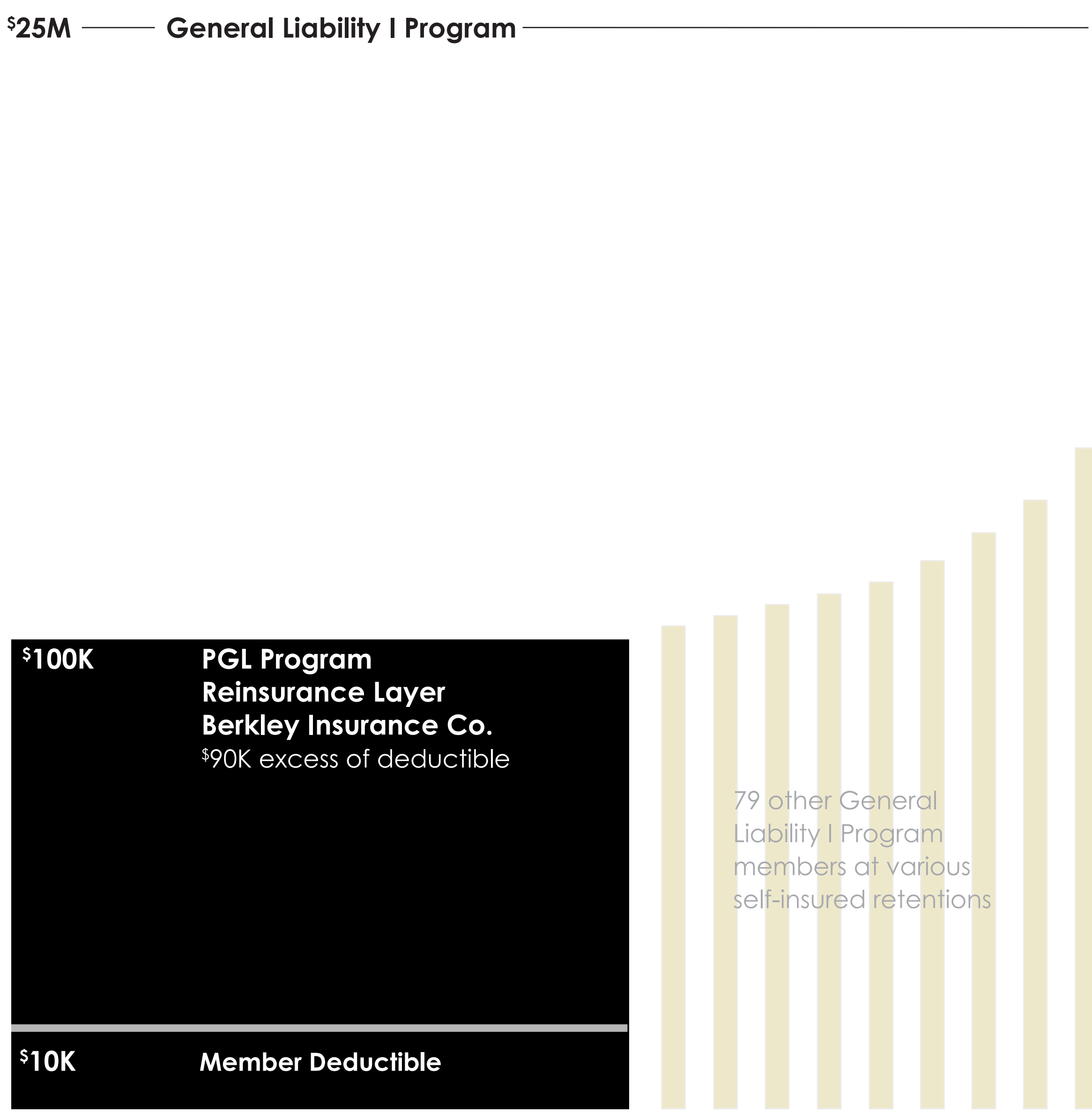
Sacramento County Contracts

Primary General Liability
Committee Chair



Primary General Liability

2013/2014



General Liability I

The General Liability I (GLI) Program provides members with coverage for third party liabilities (including general, automobile, employment practices and errors and omissions), up to a limit of $25,000,000, subject to the members' self-insured retention, which can range from $100,000 to $1,000,000 (retentions as low as $25,000 have been provided on an exception basis). Because members maintain self-insured retentions in this Program, they are able to manage their own claims, either through a third party of their choice or with their own claims staff. The Program funds a $5,000,000 pool and purchases $20,000,000 in reinsurance to achieve the $25,000,000 limit. This structure is depicted graphically on page 17.

Within the public liability arena, there are many coverage issues to consider. The Program's coverage document is frequently reviewed, and the decisions to grant coverage or exclude risks must be made carefully. The Program has a diverse membership, and the Board and committees must ensure the needs and desires of all members are considered. At the same time, these groups must also consider the potential risk for unanticipated claims to the Program. This ongoing balancing act of providing coverage while protecting the Program's assets is the heart of the EIA.

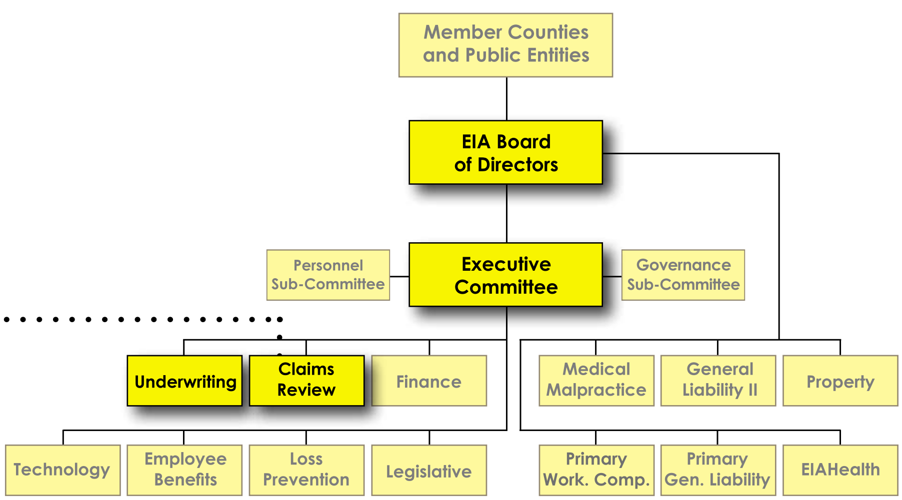
Like the EWC Program, the GLI Program is governed by the Board of Directors, with recommendations being made by the Executive, Underwriting and Claims Review Committees. The Board has delegated a significant amount of authority to the Underwriting and Claims Review Committees to handle the day-to-day business of the Program. More detail on the Underwriting Committee can be found on page 12.

The Claims Review Committee reviews GLI and EWC claims. They have full authority to authorize settlements and take action regarding claims services, such as cost containment solutions and claims audit services.

Marlon Robbins

Elk Grove USD

Claims Review Committee Chair



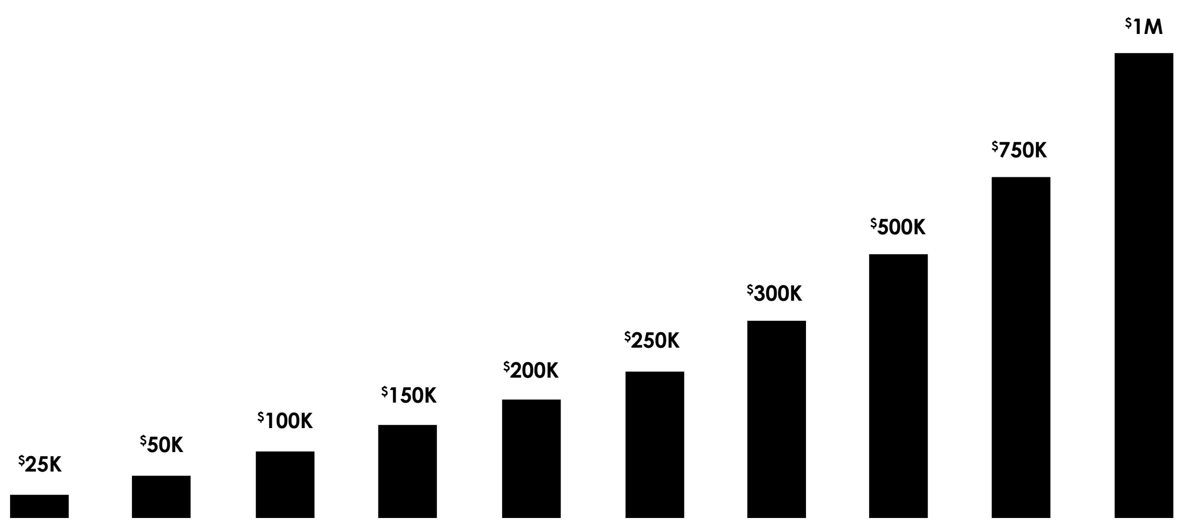
General Liability I

2013/2014

$25M — **Reinsurance Layer**
Starr Indemnity & Liability Co.
$10M excess of $15M

$15M — **Reinsurance Layer**
Ironshore Indemnity, Inc.
$10M excess of $5M pool

$5M — **EIA Pool**
Difference between SIR or PGL and $5M



*19 GLI Program members purchase additional limits through the Optional Excess Liability Program

General Liability II

The General Liability II (GLII) Program provides members with coverage for third party liabilities (general, automobile, employment practices and errors and omissions), up to a limit of $25,000,000, subject to the members' self-insured retentions, which range from $1,000,000 to $3,000,000. Because members maintain self-insured retentions, they are able to manage their own claims, either through a claims administrator of their choice or with their own claims staff. The Program purchases reinsurance up to $25,000,000 inclusive of the member's retention. This structure is depicted graphically on page 19.

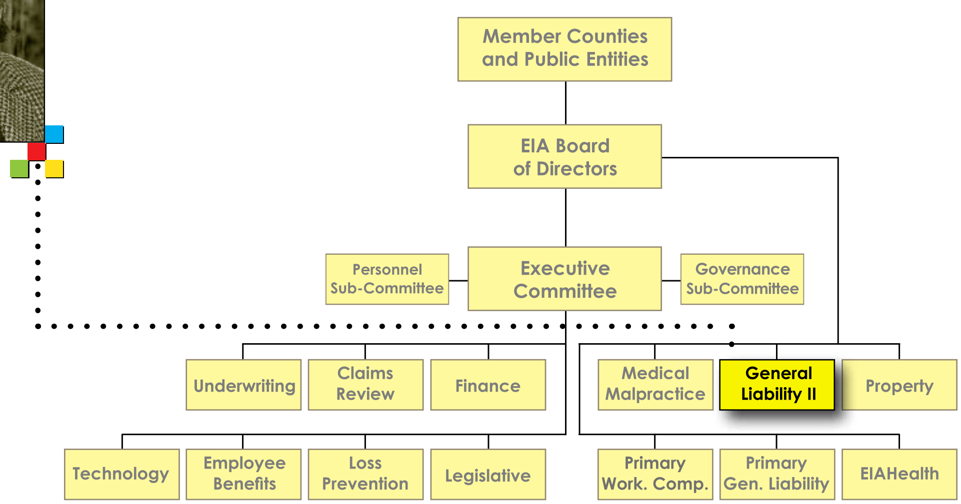
The GLII Committee governs this Program. They review all matters pertaining to the GLII Program including insurance placements, coverage issues, claims administration, program services and new member applications. Another important aspect of the Program that the Committee is involved with is the allocation of premium amongst the members. This is a key area for the Committee in terms of balancing the Program's goals of member equity and Program stability.

Because of a challenging loss history, the Program has had to manage the members' desire to keep premium costs down, while also ensuring the Program is attractive to the insurance markets. The GLII Program has generally maintained long-term relationships with its reinsurance partners, thus giving the Program the ability to negotiate implementation of changes over a number of years. The Program currently has three reinsurance placements, with AmTrust providing coverage from the member's self-insured retention up to $10,000,000, Ironshore providing coverage up to $20,000,000 million, and Evanston Insurance Company providing coverage up to $25,000,000.

Barbara Lubben

Alameda County

General Liability II Committee Chair



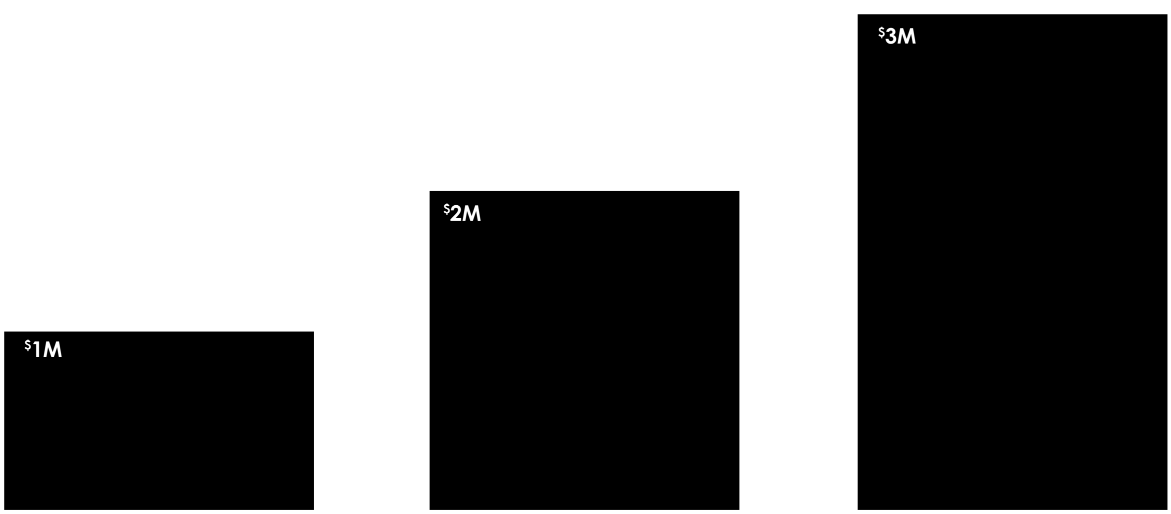
General Liability II

2013/2014

$25M **Reinsurance Layer**
Evanston Insurance Co. (Markel Re)
$5M excess of $20M

$20M **Reinsurance Layer**
Ironshore Indemnity, Inc.
$10M excess of $10M

$10M **Reinsurance Layer**
Wesco Insurance Company
(AmTrust Group)
Placed through ANML



*6 GLII Program members purchase additional limits through the Optional Excess Liability Program

Property

The Property Program is a great example of the benefits that come from creativity and member involvement. Each year, the Property Committee works hard to balance the members' desire for coverage, need for protection, as well as their budget constraints. There is only so much insurance capacity available in the marketplace, in particular as respects earthquake coverage. Ideally, we would like to buy more, but at some point purchasing additional coverage becomes cost-prohibitive or simply unavailable. To address these issues, the Property Program has implemented a unique structure with "Towers" to spread risk both geographically and categorically. This spread of risk allows the Program to access higher limits at reduced costs. Members have $600 million in all risk and $400 million in flood limits. Plus, members that purchase earthquake coverage have access to $307.5 million in earthquake coverage in one or more of five towers. The Program maintains a $3 million pool, with reinsurance and insurance providing the balance of the limits. The pool exposure is limited to $10 million for the year, and upon exhaustion of the pool's aggregate, the primary reinsurer, Lexington, pays for losses excess of the members' deductibles.

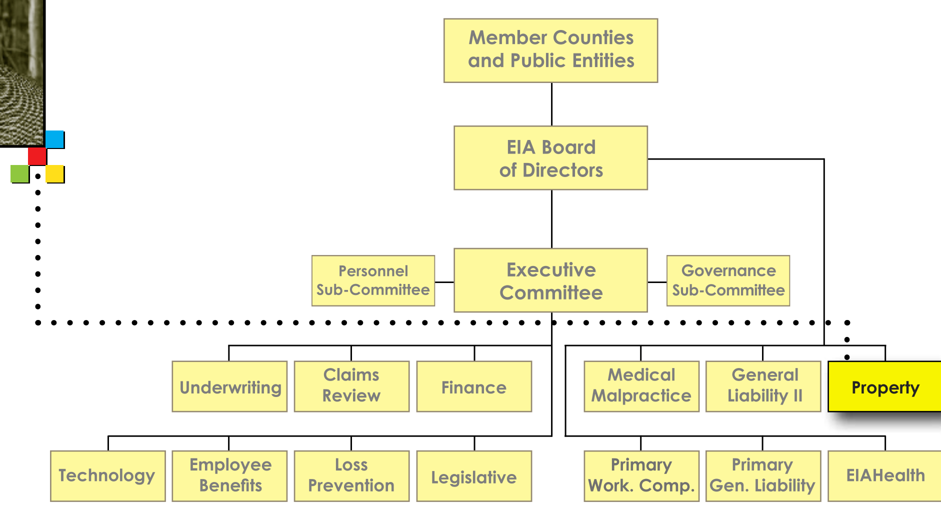
Because this is basically a fully insured program, with members' deductibles ranging from $5,000 to $150,000, the primary reinsurer, Lexington, takes full responsibility for the adjustment of claims. The Program provides real property appraisal services to all members, with each location valued over $250,000 being appraised every five years.

Each year, the structure of the Property Program is modified based on the insurance market's shift of capacity, pricing adjustments, and overall availability to provide coverage. The Property Committee has done a great job on behalf of the Program members in balancing the desire for stability in structure, with the need to maintain the lowest premiums possible, and the need to purchase enough coverage to ensure the members feel adequately protected from their property risks.

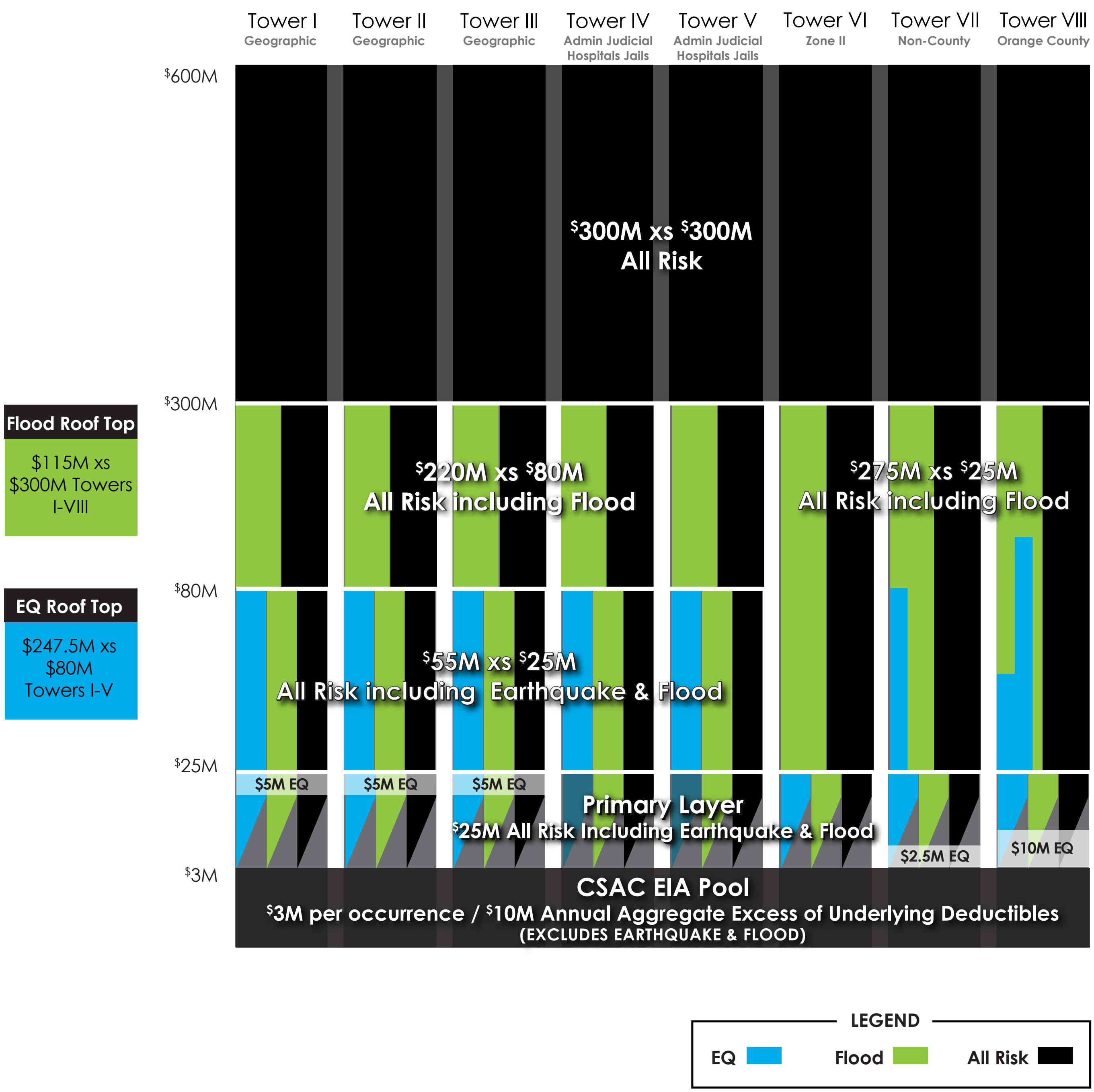
The Property Committee governs this Program. They review all matters pertaining to the Program including insurance placements, coverage issues, property appraisals, other program services, and new member applications.

Lance Sposito

Santa Clara County
Property Committee Chair



Property
2013/2014



Medical Malpractice

The Medical Malpractice Program provides members with coverage for medical professional services and limited general liability exposures at established healthcare facilities. The Program offers limits of $21,500,000, in addition to the members' deductible or self-insured retention, which range from $5,000 to $1,100,000. For members who maintain a deductible, claims administration is provided by the Program's claims administrator, Risk Management Services. Members who maintain a self-insured retention are able to manage their claims, either through a claims administrator or with their own claims staff. The Program funds a $1,500,000 pool and purchases $20,000,000 of reinsurance to fulfill the limits. This structure is depicted graphically on page 23.

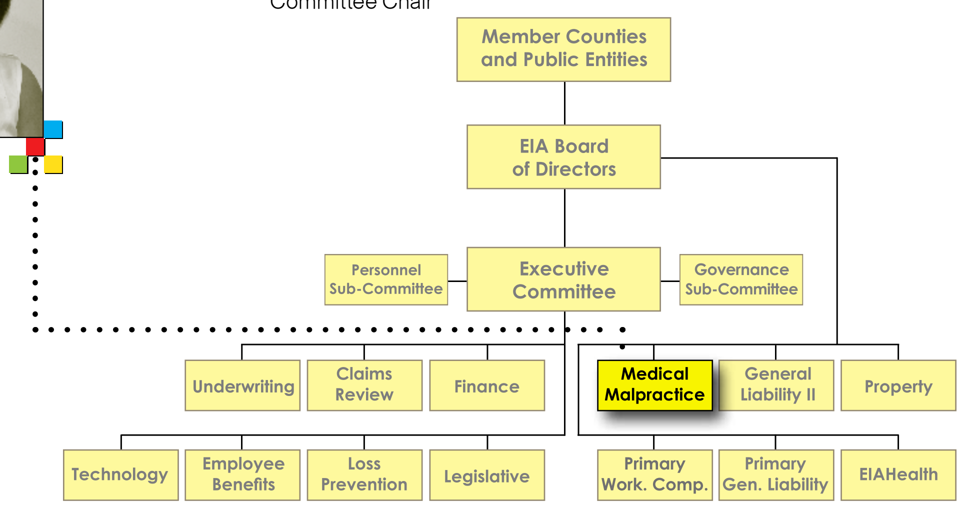
Beginning with the 2010/11 year, the Program's reinsurance agreement was converted from "claims-made" to an "occurrence" basis. This has allowed the Program to transfer its liability for tail claims in the reinsured layer to Lexington over the course of a three year period. This elimination of the tail exposure will increase the stability of the Program, and ultimately help the members and save money when the professional insurance market begins to show signs of change. At the same time, the members have elected to fund the pool exposure on a claims-made basis in order to take advantage of the risk financing benefits of lower cost and greater predictability and stability.

The Program is governed by the Medical Malpractice Committee, who is responsible for all matters pertaining to the Program including pool funding, coverage issues, claims, program services, new member applications and insurance placements.

Karen Caoile

Alameda County

Medical Malpractice
Committee Chair

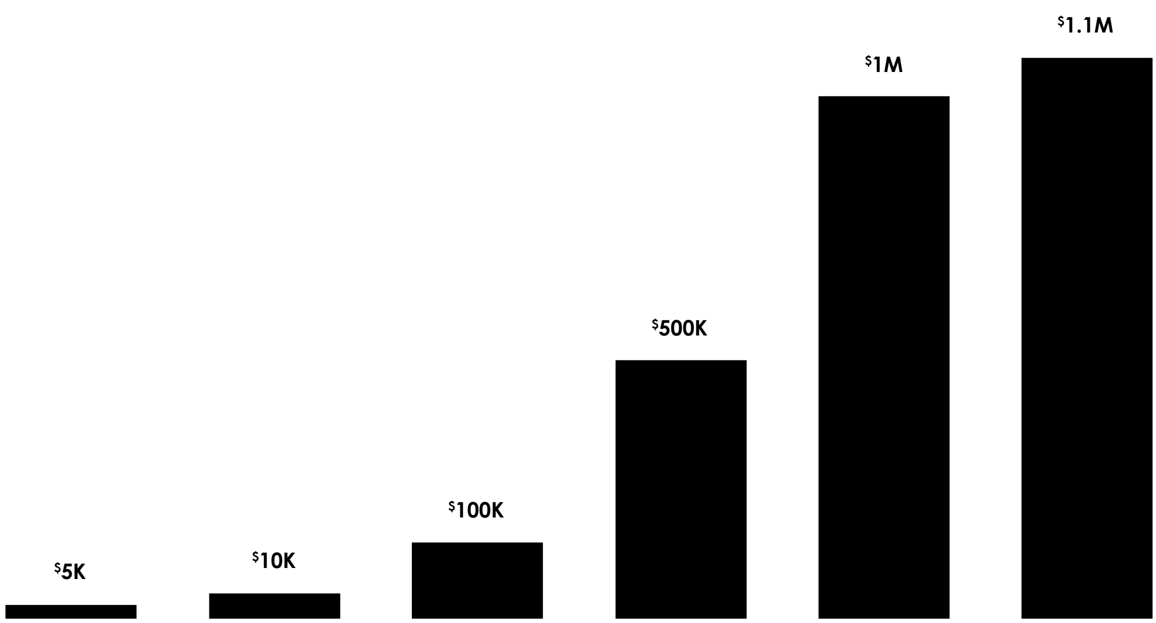


Medical Malpractice

2013/2014

$21,505,000 Reinsurance Layer
Lexington Insurance Company (an AIG Company)
$20M excess of $1.5M pool
(Occurrence Basis)

$1,505,000 EIA Pool
$1.5M excess of deductible or SIR
(Claims Made Basis)



EIAHealth

The EIAHealth Program provides members an alternative to group health insurance plans using the concept of pooling to reduce insurance premiums through consolidating the fixed costs over a larger population. Members are able to create and maintain their own plan designs within the context of the pooling arrangement, which provides much greater stability than a stand alone program. In addition, small group programs are available with pre-defined benefit options for public employers with less than 250 employees.

The EIAHealth Program partners with Self Insured Schools of California (SISC) for the pooling of PPO type indemnity plans. In addition, HMO options are available to members on an insured basis. This relationship gives the Program more stability and lower rates.

The EIAHealth Committee governs this Program. This Committee reviews all matters pertaining to the EIAHealth Program, including: program funding, new member applications and Program renewals.

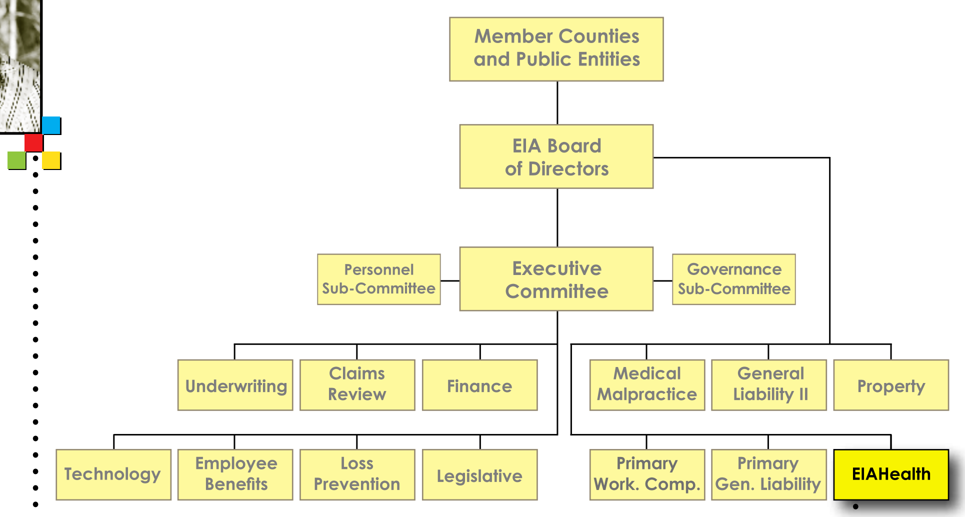
EIAHealth Membership

Amador County
Calaveras County
City of Chico
City of Huntington Beach
City of Irvine
City of Merced
City of Oceanside
City of Redding
City of Santa Rosa
City of Visalia
City of Watsonville
City of Yuba City
El Dorado County
GSRMA (small group)
Hi-Desert Memorial Hlth. Dist.
Lake County
Mendocino Coast Hospital District
Merced County
Santa Barbara County
SDRMA (small group)
Superior Court of California,
 County of Riverside
 County of Santa Barbara
Tehama County
Turlock Irrigation District

Sheri DeMaagd

City of Redding

EIAHealth Committee Chair



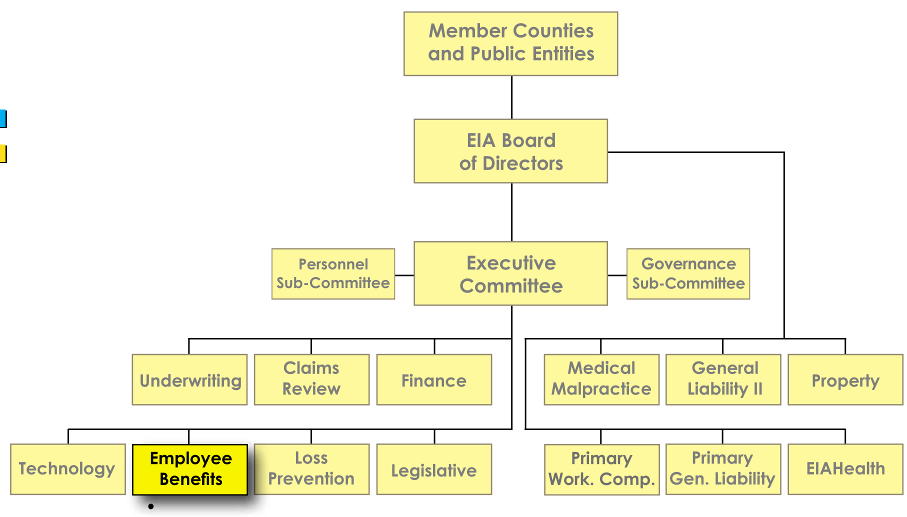
Dental

The Dental Program was launched in January 2010 and has since experienced significant growth. This Program utilizes the pooling methodology to provide members with more predictable and stable dental rates year over year. The Program partners with Delta Dental to provide administrative services, including claims administration and access to the Delta Dental network of providers. The administrative fees in the Program are also some of the lowest offered by Delta Dental of California.

The Employee Benefits Committee governs the Dental Program as well as other miscellaneous employee benefit programs (i.e. Vision, EAP, Life and LTD). This Committee reviews all matters pertaining to the Dental Program, including: program funding, new member applications and Program renewals.

Jill Abel

Yuba County
Employee Benefits Committee Chair



Master Rolling Owner Controlled Insurance Program

The Master Rolling Owner Controlled Insurance Program, or MR OCIP for short, enables members to purchase workers compensation and general liability coverage for all eligible parties (owner, general contractor, and sub-contractors) working on their construction projects. These policies (also known as "wrap-ups") are widely used on public sector construction projects and capital improvement programs. They offer cost savings, better coverage, more control, and higher limits of insurance than a traditional approach to construction insurance.

MR OCIP was launched on January 1, 2013 as the newest major program of the EIA. The Program currently has two participating members, the Cities of San Diego and Oakland, but there are several others evaluating the cost savings and enhanced coverage that is provided by the Program.

Historically, OCIPs were only cost effective for construction projects of at least $100,000,000. The EIA leveraged its pooling power to combine smaller projects of the members into one Program. Now, construction projects as little as $10,000,000 provides the members the opportunity to receive the benefits of a "wrap-up" on projects that otherwise wouldn't qualify because of their size.

EIA Leadership

2013 Executive Committee

President
Barbara Lubben, Alameda County

Vice President
Larry Moss, East Bay Regional Park District

Members
Teri Enos-Guerrero, City of Chula Vista
Peggy Scroggins, Colusa County
Scott Schimke, Golden State Risk Mgmt. Authority
Kristin McMenomey, Mendocino County
James Brown, Merced County
Maryellen Peters, Placer County
Jim Sessions, Riverside County
Lance Sposito, Santa Clara County
Supervisor Peter Huebner, Sierra County

Presidents
Supervisor Barbara Crowley, Tehama Co. 1980-1982
J. Terry Roberts, Fresno County, 1983-1984
Charles Mitchell, Santa Barbara Co., 1985-1986
James L. Gale, Kings County, 1987
John Crane, Calaveras County, 1988
Gail Braun, Sonoma County, 1988-1989
Ronald Whipp, Santa Cruz County, 1990
Norman Phelps, Shasta County, 1991
Charles Graham, Sutter County, 1992
John Larkin, Trinity County, 1993
Arthur Giumini, San Luis Obispo County, 1994
Don Blackhurst, Santa Clara County, 1995
Marcia Chadbourne, Solano County, 1996
Richard Robinson, Tehama County, 1997
J. Terry Roberts, Fresno County, 1998
Robert Kessinger, Colusa County, 1999
Brent Harrington, Calaveras County, 2000
Kimberly Kerr, Humboldt County, 2001-2002
Richard Robinson, Tehama County, 2003
Charles Nares, San Diego County, 2004
David L. Dolenar, Stanislaus County, 2005
Peggy Scroggins, Colusa County, 2006
Marcia Chadbourne, Sonoma County, 2007
Ron Harvey, Contra Costa County, 2008
Supervisor Peter W. Huebner, Sierra County, 2009
Lance Sposito, Santa Clara County, 2010
Jim Sessions, Riverside County, 2011
Scott Schimke, Golden State Risk Mgmt. Authority, 2012
Barbara Lubben, Alameda County, 2013
Larry Moss, EBRPD, 2014

2014 Executive Committee

President
Larry Moss, East Bay Regional Park District

Vice President
Jim Sessions, Riverside County

Members
Barbara Lubben, Alameda County
Teri Enos-Guerrero, City of Chila Vista
Peggy Scroggins, Colusa County
Scott Schimke, Golden State Risk Mgmt. Authority
Kristin McMenomey, Mendocino County
James Brown, Merced County
Maryellen Peters, Placer County
Lance Sposito, Santa Clara County
Supervisor Peter W. Huebner, Sierra County

Chief Executive Officers
Gregory L. Trout, 1980-1985
Vincent W. Pisani, 1985-1992
Michael D. Fleming, 1992-Present

Director Emeritus
Supervisor Dick Mudd, 2000-Present

Legal Counsel
Stephen Underwood

Senior Management
Dan Calabrese, Chief Investment Officer
Gina Dean, Chief Operating Officer
Jack Blyskal, Chief Claims Officer
Michael Fleming, Chief Executive Officer
George Reynolds, Chief Information Officer
Marianne Stuart, Chief Financial Officer

Financial Letter

November 1, 2013

Board of Directors
CSAC Excess Insurance Authority

"The faces of the EIA" is the theme of this year's Popular Annual Financial Report, and we hope to outline how the people impact the activities of the EIA.

This report is intended to provide those interested in our financial position and performance with an easy to read overview of the EIA's financial condition, and highlights the financial activity for the fiscal year ended June 30, 2013. Included in this report are comparative financial statements for the years ended June 30, 2012 and 2013, including the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position. This information is derived from our Comprehensive Annual Financial Report (CAFR). The CAFR contains more detailed information and can be found on our website at www.csac-eia.org. Our CAFR for fiscal year ending June 30, 2012 received the Government Finance Officers Association (GFOA) Certificate of Excellence in Financial Reporting. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our CAFR continues to conform to the Certificate of Achievement program requirements and will be submitting our CAFR for the current year to the GFOA.

Financial Highlights:

Net Position (formerly called Net Assets)

The EIA started the year with a net position of $105.5 million. Net income, not including dividends, was $ 23.3 million. Our strong position in in some programs allowed us to return dividends to our members totaling $10.2 million, decreasing net position by that amount. Our ending balance in net position at June 30, 2013 is $118.6 million. The following chart shows how our operating results and position has changed over time.

5-year Trend Data (in Millions)

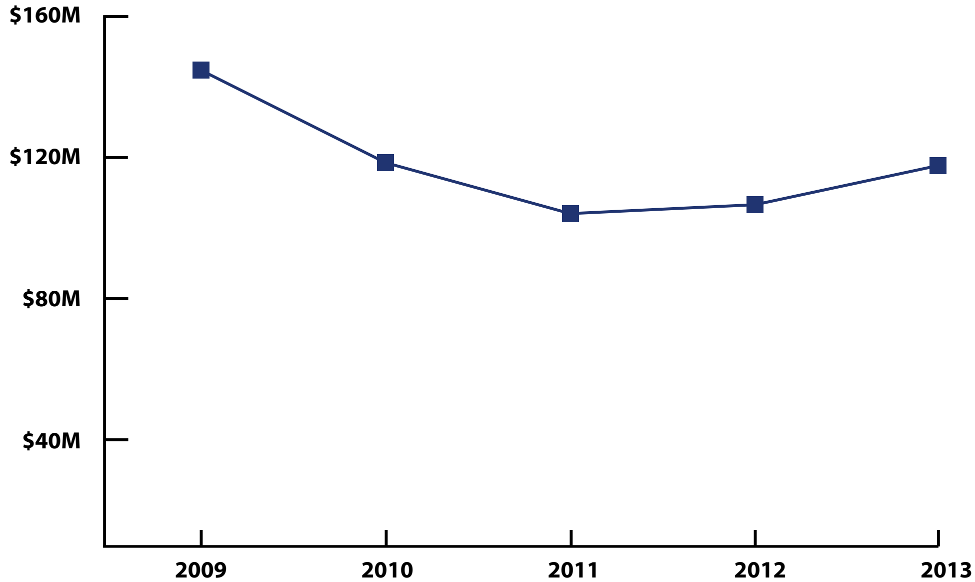
	Revenues	Expenses	Revenues in Excess (Deficit) of Expenses	Net Position
2008/09	$404	$395	$9	$146
2009/10	$416	$444	($28)	$118
2010/11	$466	$480	($14)	$104
2011/12	$515	$514	$1	$105
2012/13	$539	$526	$13	$118

Financial Letter
continued

This chart shows how Net Assets have changed over time.

Net Position Trend

(in $ millions)



Claim Liabilities

After net position, claim liabilities are the most significant line item on our statements. Claim liabilities are shown discounted, that is at their net present value, taking into account investment earnings over time. This year, the EIA again lowered our discount rate from 4% to 3.75% in the Excess Workers Compensation Program, and from 2.25% to 1.75% in the General Liability I Program. Overall, claim liabilities decreased from $433 million to $428 million because payments on claims ($105 million) were $5 million greater than our claims expense ($100 million).

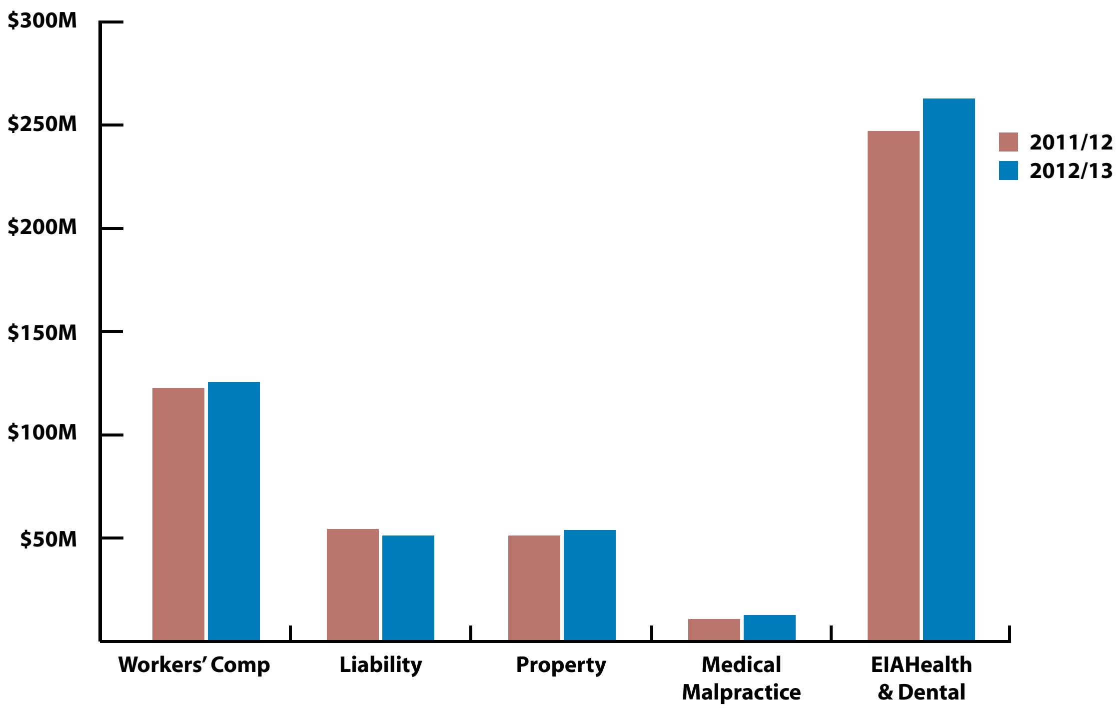
The target equity range is what the EIA considers as necessary assets that should be on hand as reserve for loss development. The chart below shows the target equity range for each program, and the equity of those programs at June 30, 2013.

	Target Equity Range		Program Equity
Program	Low	High	at June 30, 2013
Primary Workers' Compensation	$13M	$34M	$36M
Excess Workers' Compensation	$29M	$58M	$13M
Primary General Liability	$0.4M	$2M	$3M
General Liability I	$14M	$33M	$38M
Medical Malpractice	$3M	$10M	$4M

Financial Letter
continued

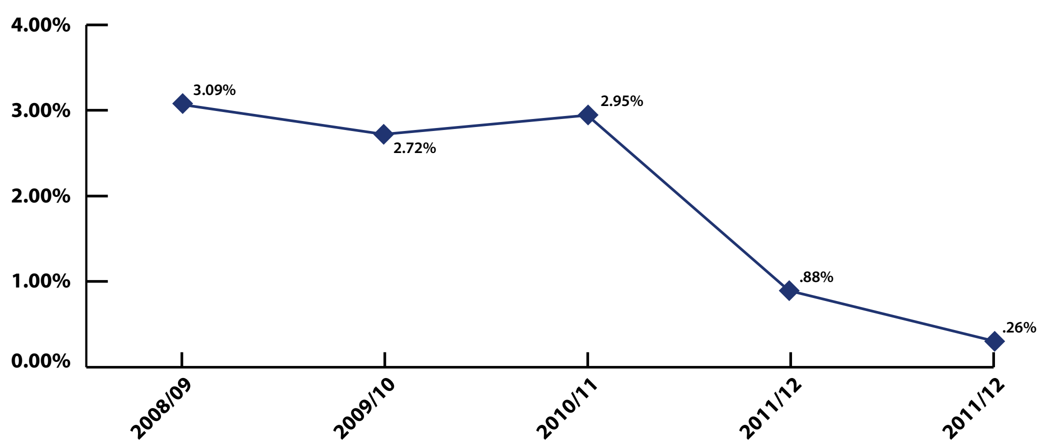
Growth in Programs

Our revenues increased by 5% (or $23 million), from $515 million in 2012 to $538 million in 2013. Most of that growth was in the employee benefits programs. EIAHealth Program revenues increased 7% ($14 million) and the Dental Program, now in its third full year of operation, had an increase in revenues of over 10%, or ($2 million).



Investment Income

Falling interest rates and yields continued to impact our investment earnings, which were again down from $5.1 million a year ago to $1.4 million in 2013. We expect earnings to continue at these lower rates in the near term. Our holdings will mature on average in just under 18 months, so the EIA can take advantage of higher interest rates when the market turns.

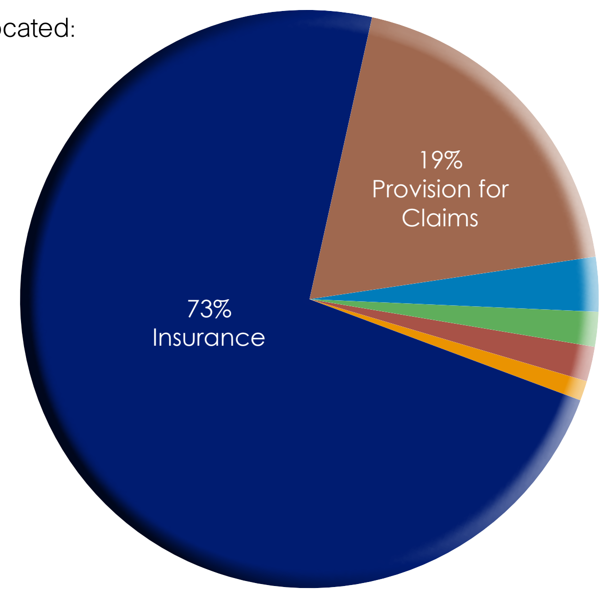


Financial Letter
continued

Expenses

The EIA continued to purchase insurance to cover risks when that option was more cost effective than pooling the risk. In 2013, insurance related expenses were $391 million, up from $380 million in 2012. Purchased insurance was 73% of all expenses, while claim costs accounted for 19%. Administrative costs continued to be less than 2% of overall expenses.

The chart shows how expenses for the 2012/13 fiscal year were allocated:



Loss Prevention Expenses

Our people continue to expand their risk management services including:

- On-site and telephonic consultation
- Video and printed resource material acquisition and distribution
- Regional, on-site and web based training programs
- Facility inspections
- Hazard and exposure assessments with realistic solutions
- Drug and Alcohol Monitoring Consortium
- Policy/program evaluation and development

Member employees completed over 186,000 courses via our web based training platform, we had over 160 members enrolled in our employee vehicle citation pull notice program, and 3,300 employees attended staff produced webinars. We continue to provide funding for risk management services through our subsidy programs.

New Initiatives

Some of the initiatives undertaken by the people of the EIA this year include establishing a new Master Rolling Owner Controlled Insurance Program, which provides “wrap around” coverage for large construction projects, work on a second phase of our member–web interface, contracting for a new claims system, and an effort to document program by program our member’s risk tolerance. These efforts impact the fiscal direction of the EIA programs both in the current year and in the years to come.

Financial Letter
continued

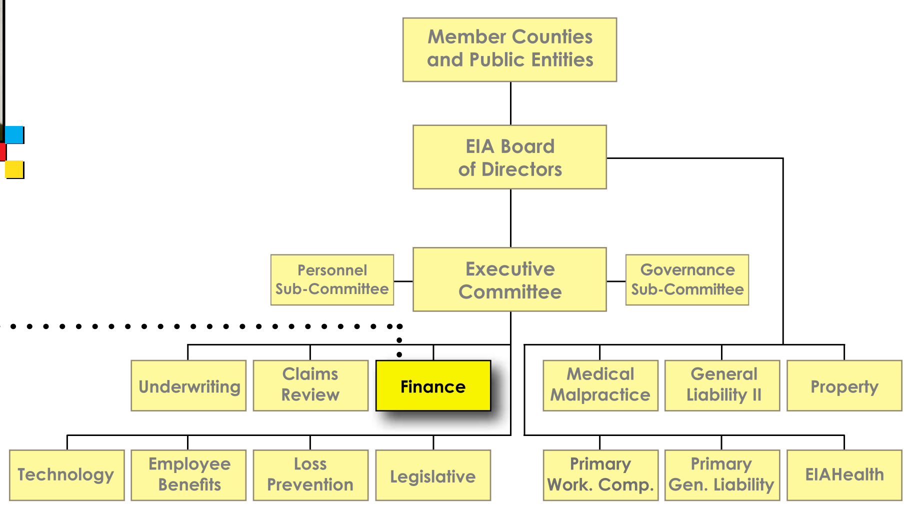
Our financial statements follow, along with graphs showing our 2012/13 expenses by program. With the help of its people, members, staff, business and insurance partners, the EIA continues to accomplish its mission of providing Competitive, Accessible, Responsive, Equitable and Stable risk financing to its members.

Respectfully submitted,

Marianne I. Stuart
Chief Financial Officer

Michael D. Fleming
Chief Executive Officer
Secretary/Treasurer

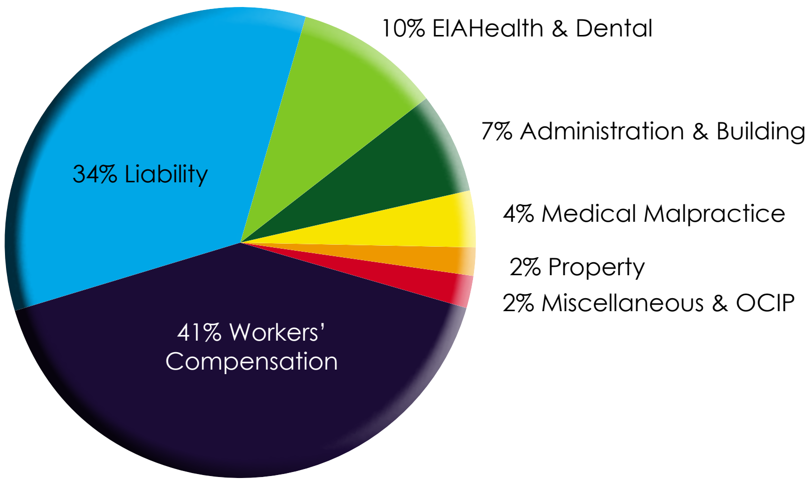
Greg Iturria
Butte County
Finance Committee Chair



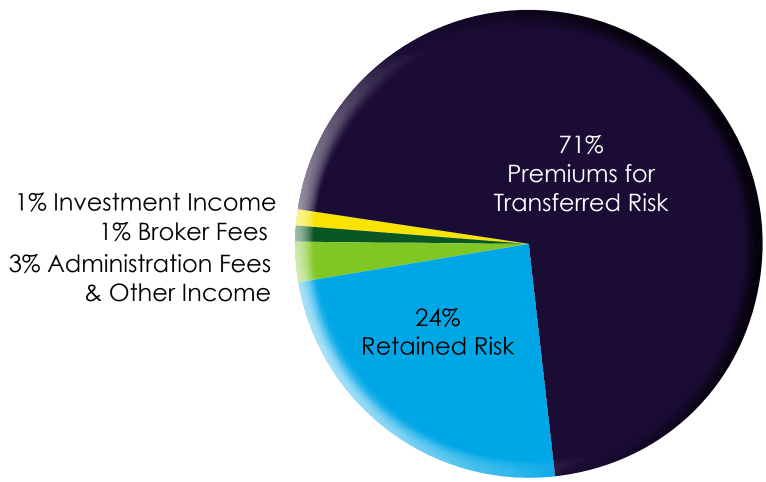
Financial Profile

Financial Results in Brief 2012/2013

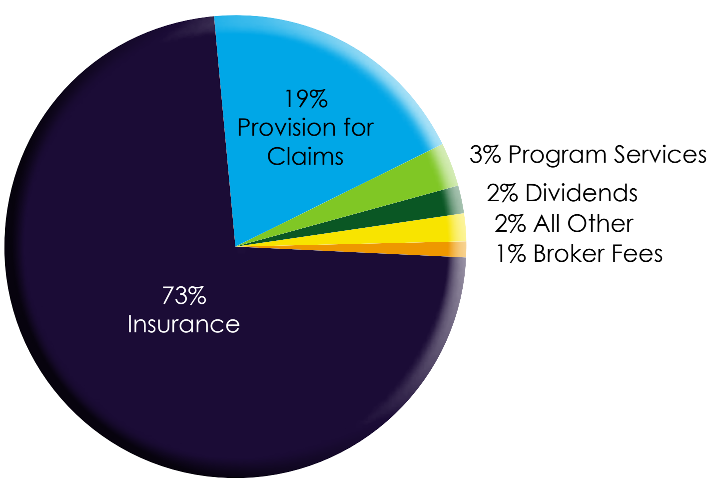
Net Position by Program



Revenues



Expenses



Financial Profile
continued

Statement of Net Position, June 30, 2013 and 2012

	June 30, 2013	June 30, 2012
Assets:		
Cash	$300	$300
Cash in Banks	4,609,696	9,870,421
Cash in the EIA Treasury	40,143,936	70,823,337
Total Cash & Cash Equivalents	44,753,932	80,694,058
Investments	435,093,753	389,166,944
Accounts Receivable		
Due from Members	15,222,192	14,819,415
Investment Income Receivable	2,060,758	2,858,667
Reinsurance Claims	4,108,236	5,762,632
Other Receivables	1,070	
Prepaid Insurance and Expenses	78,236,146	71,712,331
Land, Buildings and Equipment (Net)	8,677,508	8,848,705
Total Assets	**588,152,525**	**573,863,822**
Liabilities:		
Accounts Payable	3,397,612	3,630,609
Due to Members	20,931,727	19,449,370
Deferred Income & Deposits from Insurance Companies	16,655,115	11,134,420
Claim Liabilities	389,811,604	395,469,284
Unallocated Loss Adjustment Expense Payable	38,034,618	38,018,578
Compensated Absences	293,812	261,864
Other Post Employment Benefits	412,641	347,877
Total Liabilities	**469,537,129**	**468,312,002**
Net Position:		
Invested in Capital Assets	8,677,508	8,848,705
Unrestricted	109,937,888	96,703,115
Total Net Position	**$118,615,396**	**$105,551,820**

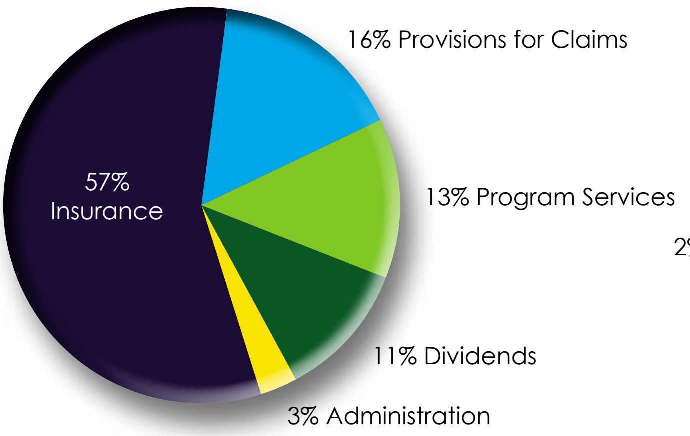
Statement of Revenues, Expenses & Changes in Net Assets
For the Fiscal Years Ended June 30, 2013 and 2012

	June 30, 2013	June 30, 2012
Revenues:		
Premiums for Transferred Risk	$384,507,793	$374,220,717
Broker Fees	7,382,605	7,085,654
Contributions for Retained Risk	129,253,959	108,763,785
Dividend Income	213,606	75,314
Investment Income	1,782,998	5,103,554
Member Services	640,078	613,490
Administration Fees	12,617,685	11,487,622
Public Entity Fees	480,351	456,577
Development Fees	-	3,550
Other Income	1,991,075	7,673,338
Total Revenues	**538,870,150**	**515,483,601**
Expenses:		
Member Dividends	10,281,301	10,291,841
Insurance and Provision for Losses:		
Insurance Expense	383,759,144	372,467,736
Broker Fees	7,384,093	7,053,183
Provision for Insured Events	99,860,765	101,501,141
Unallocated Loss Adjustment Expenses	18,714	(424,706)
Program Services	13,831,864	13,426,729
Member Services and Subsidies	2,192,839	2,056,405
General Administrative Services	7,702,622	7,118,673
Depreciation and Building Maintenance	775,232	755,418
Total Expenses	**525,806,574**	**514,246,420**
Changes in Net Position	**13,063,576**	**1,237,181**
Net Position:		
Net Position, Beginning of Year	105,551,820	104,314,639
Net Position, End of Year	**$118,615,396**	**$105,551,820**

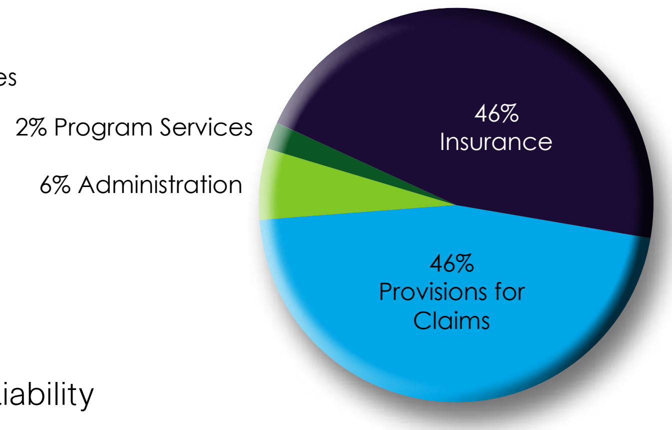
Financial Profile

Operating Results by Program

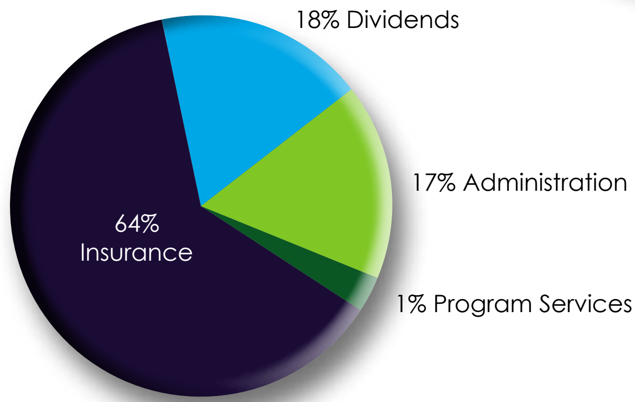
Primary Workers' Compensation



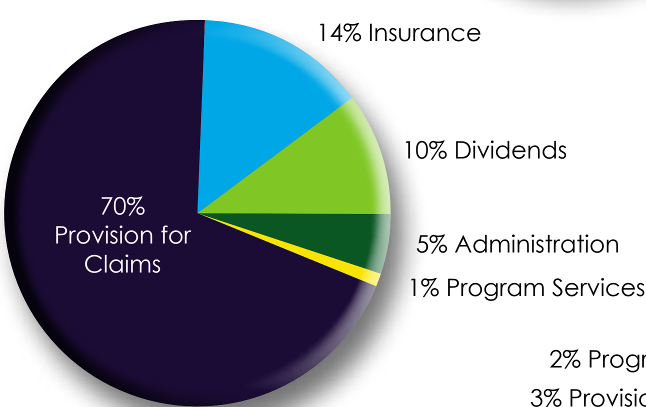
Excess Workers' Compensation



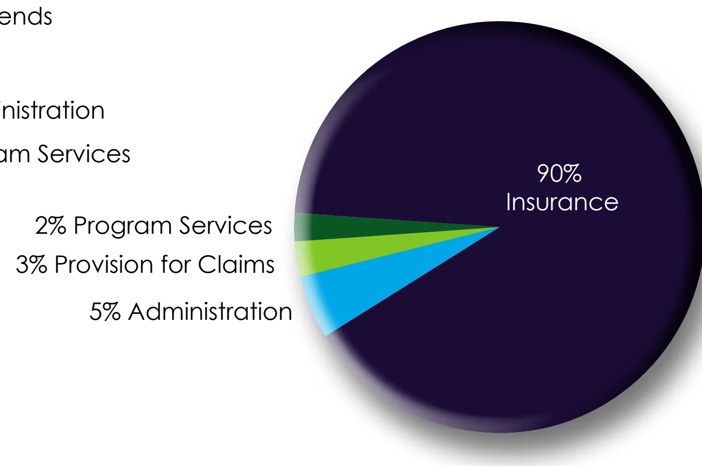
Primary General Liability



General Liability I



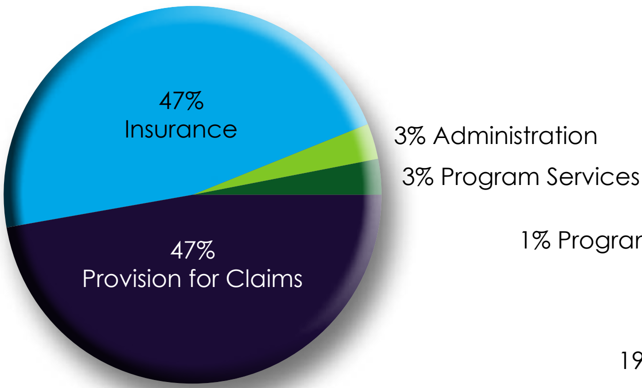
General Liability II



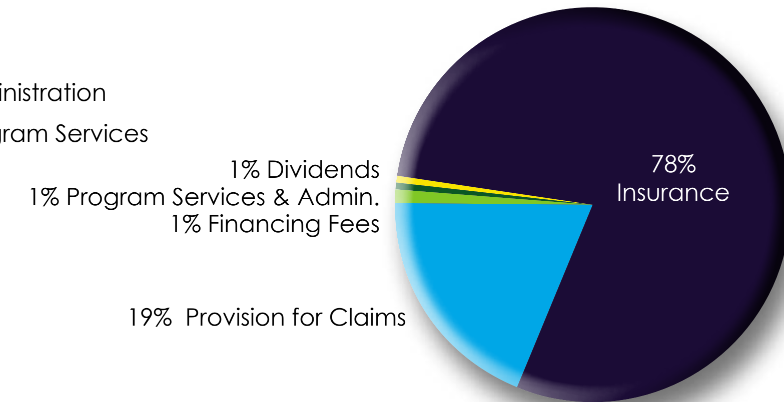
Financial Profile

Operating Results by Program

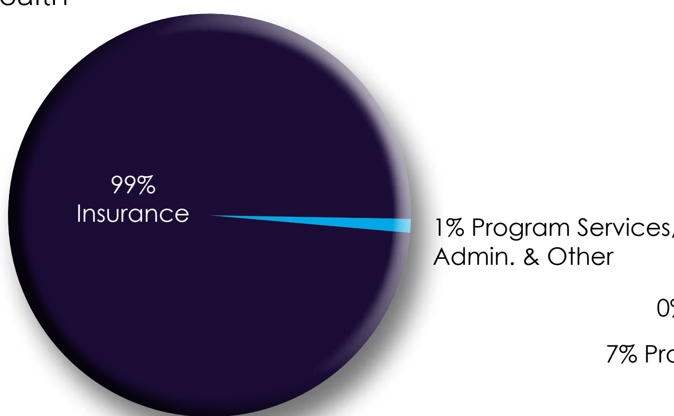
Medical Malpractice



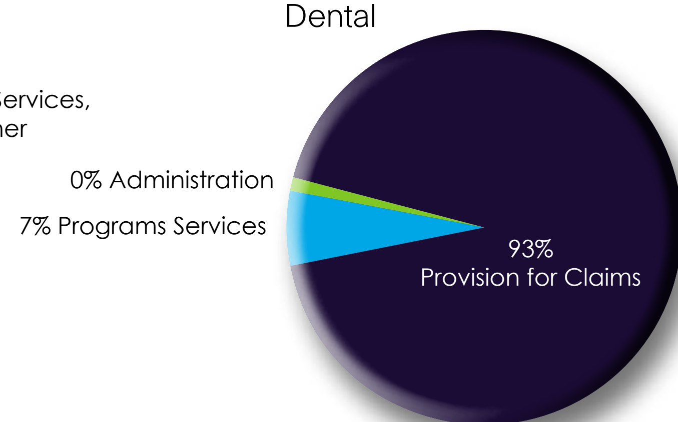
Property



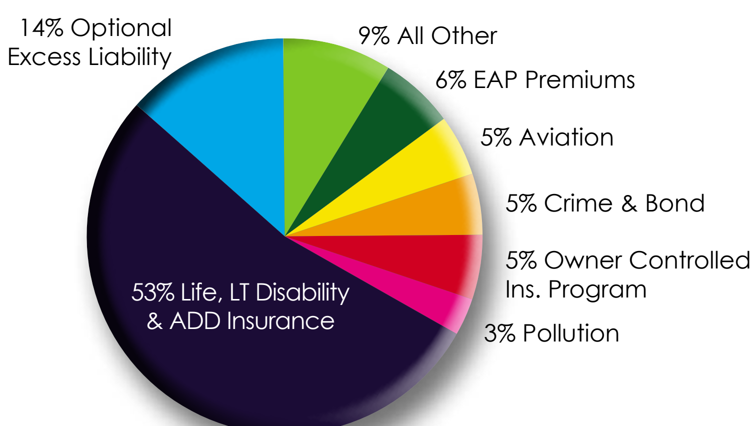
EIAHealth



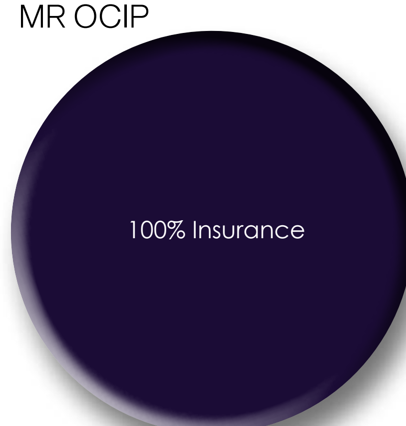
Dental



Miscellaneous



MR OCIP



The Board of Directors of the
Association of Governmental Risk Pools
Is Pleased to Grant Recognition to

CSAC – EIA

Such Recognition is Granted
Only After a Rigorous Review of
Documentation Submitted to
Show Compliance with the

AGRiP Advisory Standards

2013-2016

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ASSOCIATION OF
GOVERNMENTAL RISK POOLS

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Presented to

CSAC Excess Insurance Authority, California

For its Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

CSAC Excess Insurance Authority
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Folsom, CA 95630
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