

# WEATHERING THE STORM

CSAC EXCESS INSURANCE AUTHORITY  
2011 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, 2010)
- 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 and 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



**2011 Executive Committee** (from left to right): Kristin McMenomey, Scott Schimke, Peggy Scroggins, James Brown, Richard Pietz, Jim Sessions, Barbara Lubben, Lance Sposito, Larry Moss, Maryellen Peters, Supervisor Peter Huebner

# Table of Contents

|   |    |
|---|----|
| Letter to Our Members.....                        | 2  |
| Organizational Profile.....                       | 3  |
| 2011/12 Membership.....                           | 4  |
| Membership Involvement.....                       | 5  |
| Member Programs and Services.....                 | 6  |
| Major Coverage Programs.....                      | 6  |
| Miscellaneous and Employee Benefits Programs..... | 7  |
| Member Services.....                              | 8  |
| Membership Map.....                               | 9  |
| Primary Workers' Compensation.....                | 10 |
| Excess Workers' Compensation.....                 | 12 |
| Primary General Liability.....                    | 14 |
| General Liability I.....                          | 16 |
| General Liability II.....                         | 18 |
| Property.....                                     | 20 |
| Medical Malpractice.....                          | 22 |
| EIAHealth.....                                    | 24 |
| Dental.....                                       | 25 |
| EIA Leadership.....                               | 26 |
| Financial Letter.....                             | 27 |
| Financial Profile.....                            | 31 |

## Letter to our Members

October 29, 2011

Dear EIA Members and Staff:

The theme of this year's annual report is 'Weathering the Storm', referencing the economic storm we have endured since 2008. Though the economy is a major concern, CSAC EIA has endured well. Our program committees have done their usual, excellent job of holding down costs, while maintaining each Program in a manner that meets the needs of all their members; whether large or small, county or public entity.

This year marks the tenth anniversary of public entities joining EIA. Allowing public entities into the EIA was an experiment, which gave serious concern to many county members. I believe the past ten years have shown our public entity members to be responsible parties in this partnership we call the EIA. Together we are bigger, stronger and, as a result, better able to weather the storm. This experiment is working.

The Keynote Speaker at the CAJPA conference made a comment that 'If you are coasting, you are going downhill'. The EIA is not coasting; but, rather, is continuously improving their process. If you are involved in the governance of the EIA, you know that the expertise of the EIA staff, combined with the proven creativity of Alliant, has provided continuous improvement for all members over the years, and 2011 was no exception. Some of the improvements for this year include: an improved committee member selection process; reverting to a program market cost allocation process; adopting a broker audit process; and acquiring unique software to integrate the many sources of data that the EIA maintains.

This year has proven to me that the EIA is much more than an insurance company. It is more than our ability to pool funds; more than our marketing clout; and more than our ability to tailor our coverages. The EIA is more because the members govern the EIA.

By participating in the governance, members have an inside seat into the all aspects of the functioning of the EIA. The EIA is all about what is best for the members rather than achieving profit and growth goals. Uniquely, the EIA can spend extra on long term programs that will reduce loss frequency, provide an electronic training platform available to all members and maximize benefits from technology.

At its core, the EIA is the finest opportunity to build a network of professional county and public entity representatives available in California. I invite you to come to the Board meetings, meet the other members and build yourself a network of colleagues that will last your entire career.

Thank you for the opportunity to be President of the EIA for 2011. It was a great experience. Next year Scott Schimke has the pleasure of becoming President for 2012. I envy him, wish him all the best and offer to provide any support I can to help him as President.

Best regards to each of you,

Jim Sessions  
President, CSAC Excess Insurance Authority



## Organizational Profile

The CSAC Excess Insurance Authority was formed as a joint powers authority 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 JPA risk management community.

This year marks the 10 year anniversary since the EIA expanded its membership to include other California public entities. Over the last decade, the EIA has helped public entities and communities preserve their resources by reducing their cost of risk and insurance. The EIA was there when workers' compensation coverage was nearly impossible to secure for California public entities. The EIA was there when budgets were being slashed and costs needed to be reduced. And, the EIA will continue to be there for the members in their times of need, whatever those may be.



Since inception, 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 value that the EIA brings to its members is most evident during tough economic times, like the members have been experiencing over the past few years. During this period, the EIA has tried more than ever to help the members weather the economic storm by keeping costs as low as possible and distributing dividends where possible yet prudent. Dividends declared in the past 2 years alone provided \$20.6 million back to the members, during a time when the funds were needed the most.

Providing high quality and efficient services is a top priority of the Board of Directors. Through the efforts of the members and our long-term partner and broker of record, Alliant Insurance Services, 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 fruits of its success over the past 31 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 – 6/30/10). We are currently in the process of submitting information for the fiscal year ending June 30, 2011. These recognitions and achievements reinforce the valuable, effective, efficient and stable organization that the members have built for California's counties and, for the past decade, other public entities.



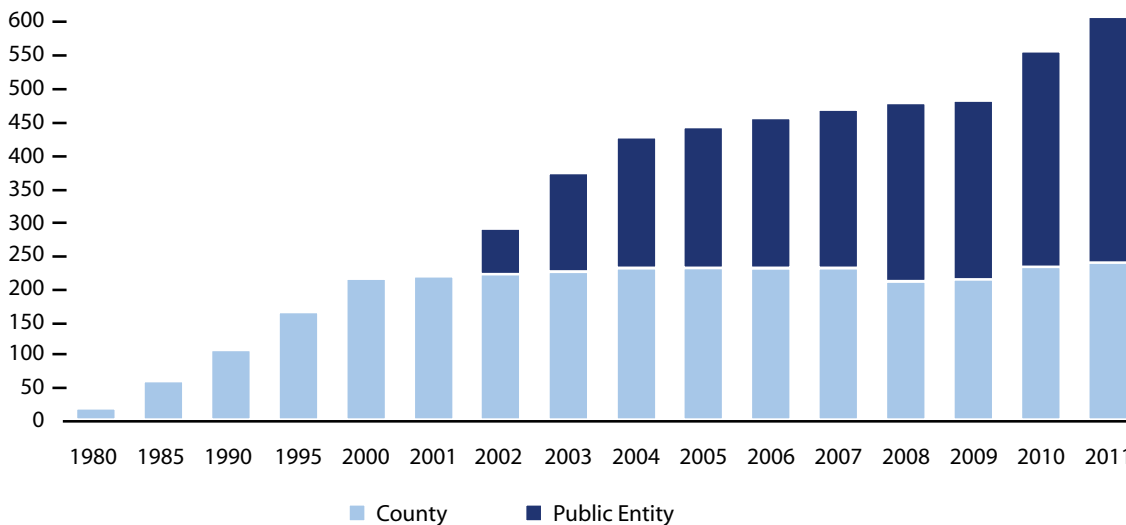
# Organizational Profile

continued

## 2011/12 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 5 years has continued, but at a more steady and controlled pace. Growth over the last 2 years is due, in large part, to the formation of the Dental Program. The Dental Program launched on January 1, 2010 and currently has 116 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 237 organizations, including cities, school districts, special districts, and other JPAs, the actual number of public entities accessing the coverage and services of the EIA are in excess of 1,300. In fact, coverage is being provided, either directly or through a member JPA, to more than 60% 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 remains strong by county-affiliated agencies and local government entities.



# Organizational Profile

continued

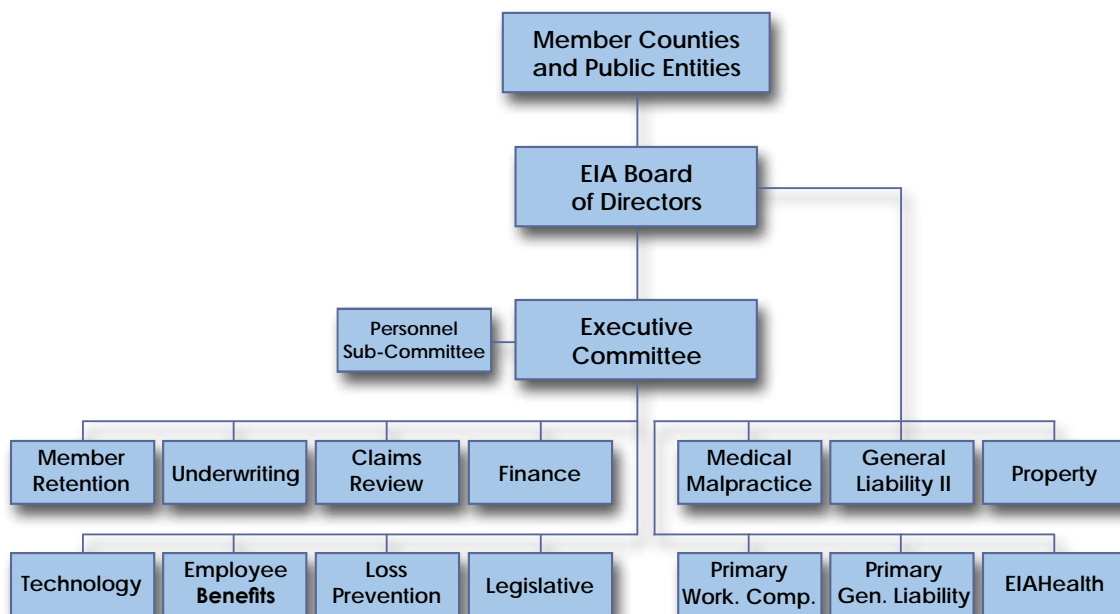
## Membership Involvement

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 16 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. New strategies are being 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 participating in the specific coverage program or based upon an individual's background or area of expertise.





# Member Programs & Services

## Major Coverage Programs

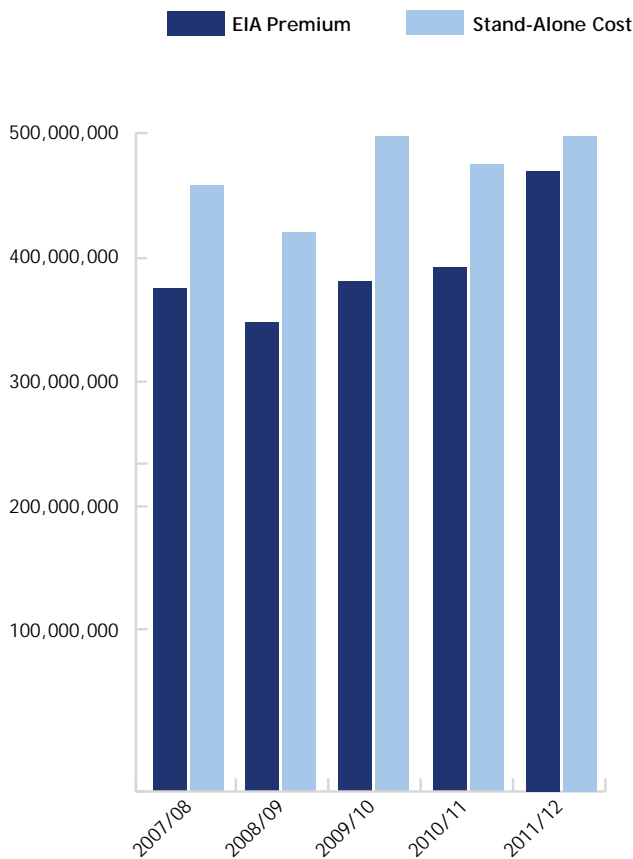
The EIA members have established 9 major coverage programs. These programs are described in greater detail throughout this report. The EIA has dramatically reduced insurance costs for the members by leveraging the combined purchasing power and financial size of the group. All 9 major programs include 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 raise 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.

The EIA is able to leverage the purchasing power of its membership to secure more cost-effective coverage than members could 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.

## Major Coverage Programs

Five Year Cumulative Premium vs. Estimated Stand-Alone Cost



Below is a chart showing the premium paid over the last 5 years by the EIA members and the premium that is estimated to have been paid by members individually. In just the past 5 years, the EIA has saved California's counties and member public entities over \$360M.

Another component to the success of the EIA is the long-term partnership with our broker/consultant, Alliant Insurance Services. Along with the EIA staff, Alliant works closely with the Board of Directors and each of the committees to continually refine the programs to ensure the EIA is positioned to provide the best coverage and service possible to meet the members' broad range of needs.

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.

# Member Programs & Services

continued

## Miscellaneous and Employee Benefits Programs

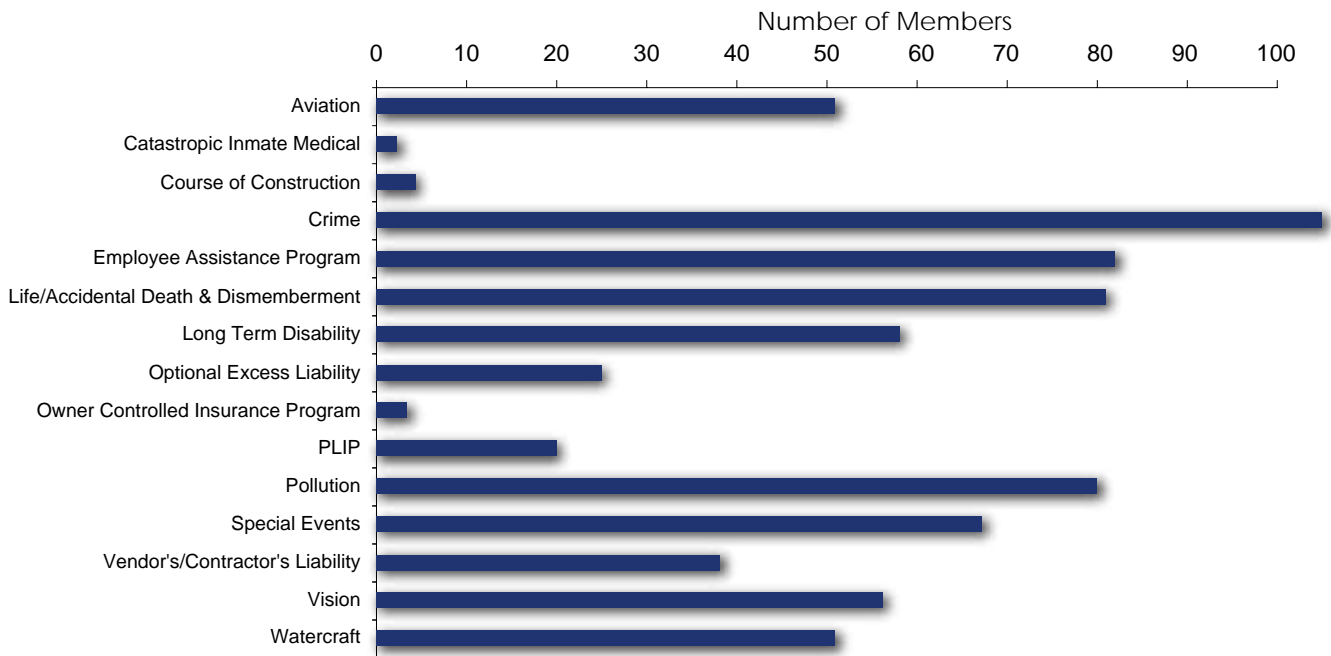
In addition to the 9 major coverage programs, the EIA provides a variety of group purchase insurance programs to offer the members protection from other exposures such as watercraft, aviation, pollution, special events, crime and faithful performance, vendor/contractor’s liability, catastrophic inmate medical expenses and employee benefit programs. In many cases, members are also provided options to reduce deductibles and purchase additional insurance limits. The employee benefit programs include options for vision, life and accidental death and dismemberment, short and long-term disability, and employee assistance.

Many years ago, through a joint venture between the EIA and 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.

The chart below illustrates the number of members participating in the miscellaneous and employee benefit programs for the current year.

## Miscellaneous Program Participation

2011/2012



# Member Programs & Services

continued

## Member Services

In addition to our comprehensive coverage programs, the EIA has implemented numerous risk management programs 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 regulatory 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 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

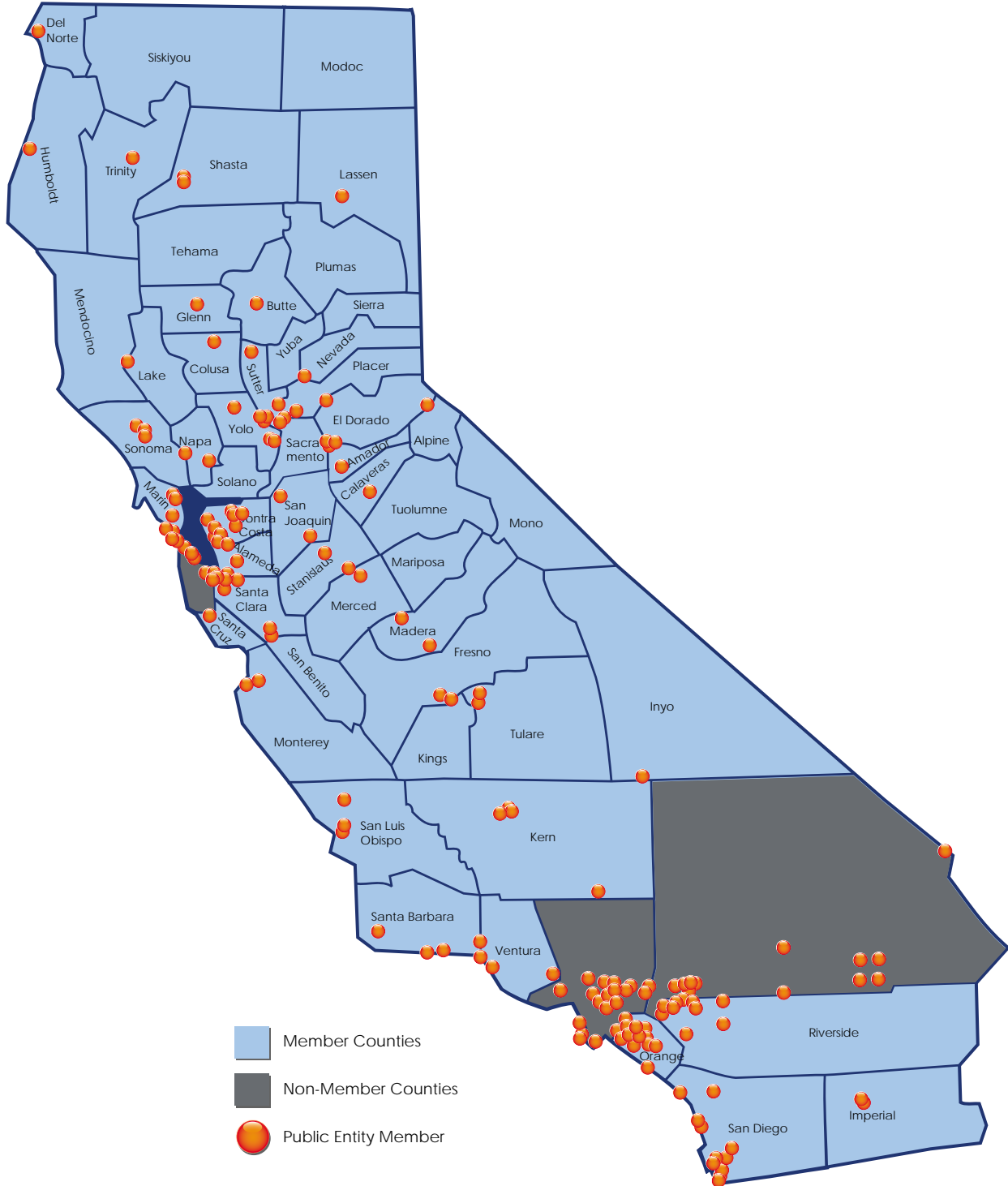


**Larry Scott**

Sacramento County  
Legislative Committee Chair

# CSAC EIA'S Members

2011/2012



Primary Workers' Compensation

The Primary Workers' Compensation (PWC) Program provides Excess Workers' Compensation (EWC) Program members the opportunity to convert their \$125K EWC Program self-insured retention to first dollar coverage. The PWC Program provides members with claims administration services, which is accomplished through a choice of 3 third-party 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 pays for claims with a blending of pooling and insurance. The first \$10K of each claim is paid out of the Program's pool and the Program's insurer, CastlePoint, pays for the balance of the claim up to the \$125K 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.

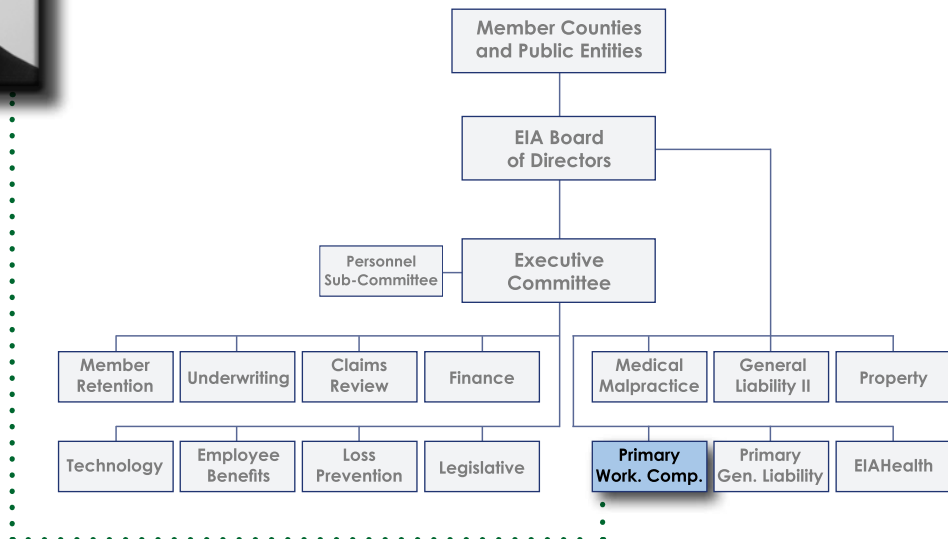
The funding of the Program's pooled layer is evaluated each year. In 2009/10, the Committee approved a transaction (loss portfolio transfer) to sell a portfolio of open claims to the insurance market. For the 2011/12 year, the Committee once again decided to fund the pool at the 90% confidence level, and declared another \$7.5M dividend.

The PWC Program is a great example of the members coming together to weather difficult economic times. By doing the loss portfolio transfer in 2010, the Program was able to free up funds to provide back to the members during a time when they needed relief the most. Over the past 4 years, a total of \$23.5M in dividends has been distributed back to the participating members, with another \$19M estimated to be provided in future years.



## Peter Cheney

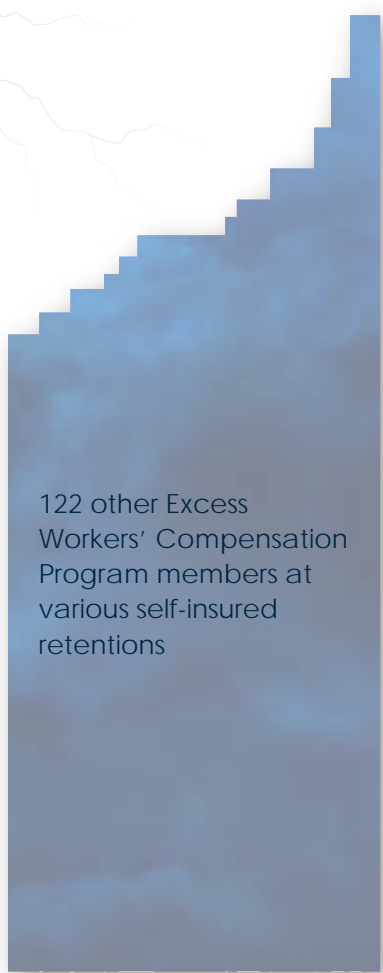
Nevada County  
Primary Workers' Compensation  
Committee Chair



# Primary Workers' Compensation

2011/2012

Statutory — Excess Workers' Compensation Program





**Excess Workers' Compensation**

The Excess Workers' Compensation (EWC) Program provides members with statutory coverage, subject to the members' self-insured retention ranging from \$125K to \$5M. 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.

For the past several years, the Program has maintained a \$5M pool. Beginning in 2008, the Program took advantage of the softening insurance market by entering into a quota share arrangement for the \$875K excess of \$125K layer. For the Program, the strategy resulted in reducing costs during some of the most difficult financial times the members had ever experienced. This insurance arrangement remains in place today and it continues to fulfill its purpose of providing additional stability and lower costs for the members. A multi-year agreement is in place providing even more security and stability for years to come.

Like most markets, the insurance environment is cyclical and they will experience "storms" of their own. There also will be "sunny days" when the Program can leverage its volume to secure insurance at a cost that is less than it would cost even for the group to self-insure. This proved to be the case for 2011/12, where the Program was able to negotiate an arrangement with a new partner, Wesco Insurance Company (part of the AmTrust Group), to reinsure the \$4M excess of \$1M layer. The Program retains exposure for the first \$3.5M of claims to be expended in this layer, with all remaining exposure to be covered by Wesco. While the claims expenses will be transferred, claims control will not. The Program, along with the members, will retain control of the claims administration and disposition. We are excited about this new venture, which we believe is another way the members of the Program have collaborated to weather difficult economic times together.

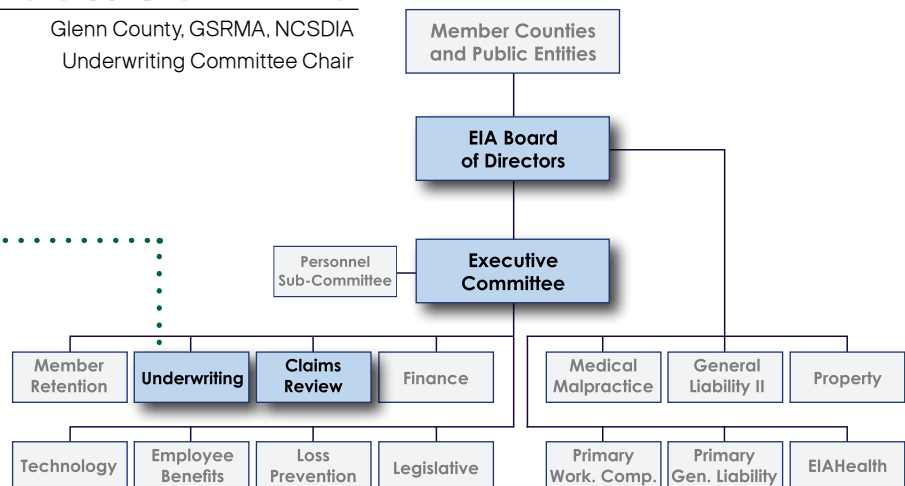
The Board of Directors, ultimately, governs the EWC Program, with recommendations being made by the Executive, Underwriting and Claims Review Committees. The Board has delegated a significant amount of authority to the Underwriting and Claims Review Committees to handle the day-to-day business of the Program. More detail 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.



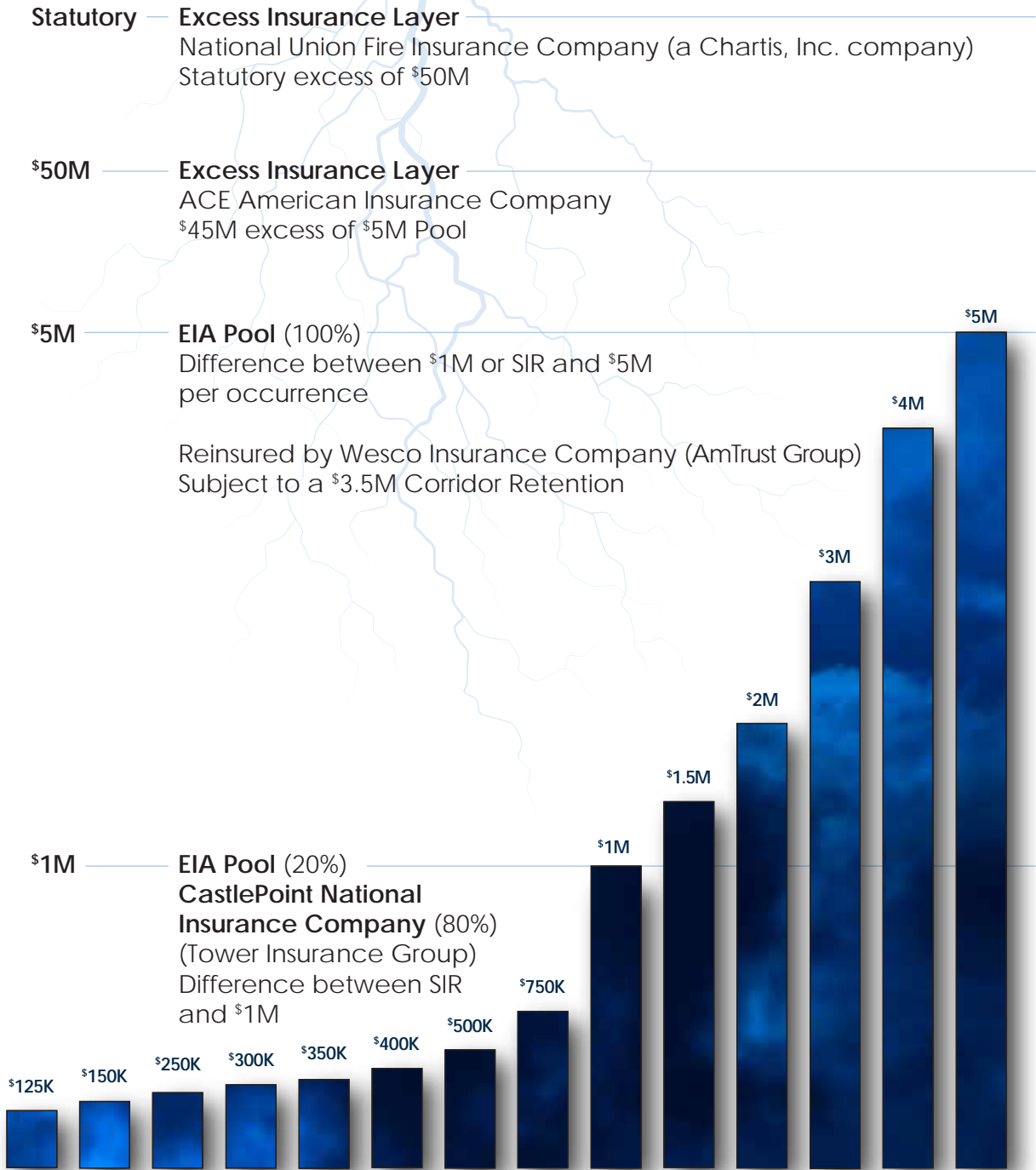
**Scott Schimke**

Glenn County, GSRMA, NCSDIA  
 Underwriting Committee Chair



# Excess Workers' Compensation

2011/2012



Primary General Liability

The Primary General Liability (PGL) Program provides General Liability I (GLI) Program members the opportunity to convert their \$100K self-insured retention to a \$10K deductible. For smaller members, the Program has served like an “umbrella” to help shield 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 third-party administrators. Under the Program's current structure, there is no pooling. Instead, the Program's limit is provided through a reinsurance arrangement with ACE American Insurance Company. This structure is depicted graphically on page 15.

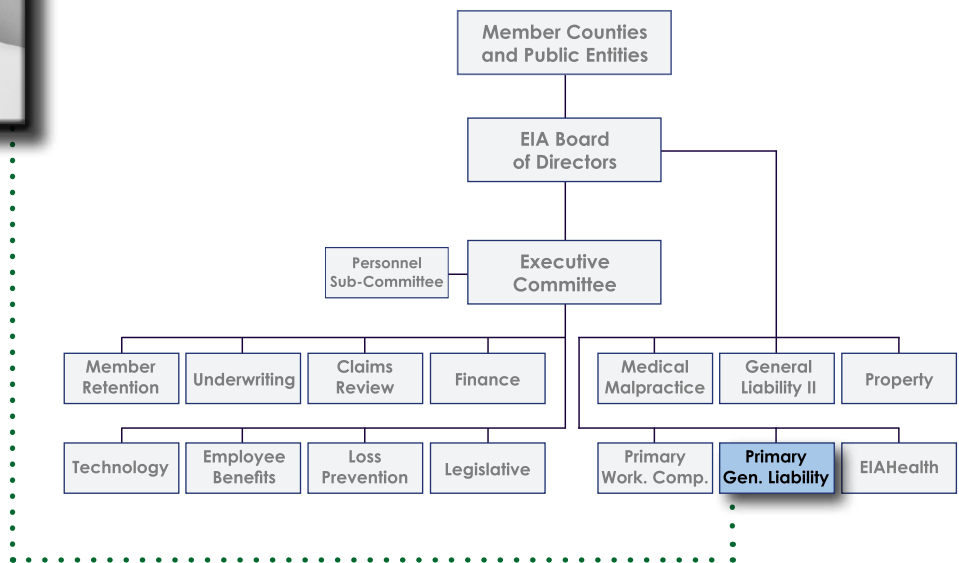
Transferring the risk to an insurance company has helped accomplished the PGL members' goals for the Program: keep costs reasonable, maintain stability and ensure the members have the ability to control their claims disposition. At the same time, the members of the Program have shown they can be flexible, putting the “umbrella” down when it makes sense, and react to changes in the insurance environment. Together, the members have sustained a very successful Program for more than 13 years, and we expect this success to carry on for many “seasons” 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.



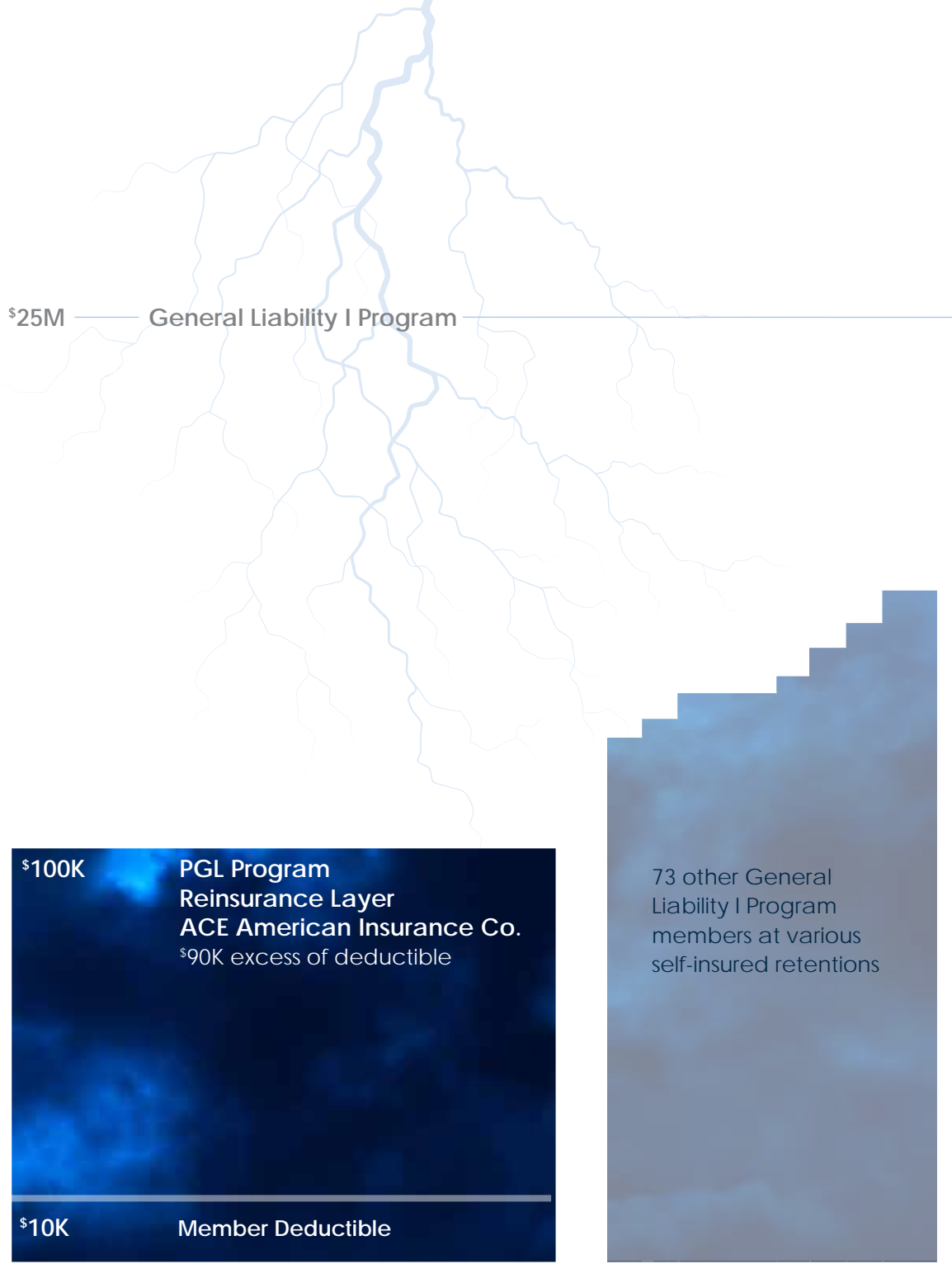
**Paul Hight**

Sacramento County Contracts  
Primary General Liability  
Committee Chair



# Primary General Liability

2011/2012



**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 \$25M, subject to the members' self-insured retention, which can range from \$100K to \$1M (retentions as low as \$25K can be 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 \$5M pool and purchases \$20M in reinsurance to achieve the \$25M limit. This structure is depicted graphically on page 17.

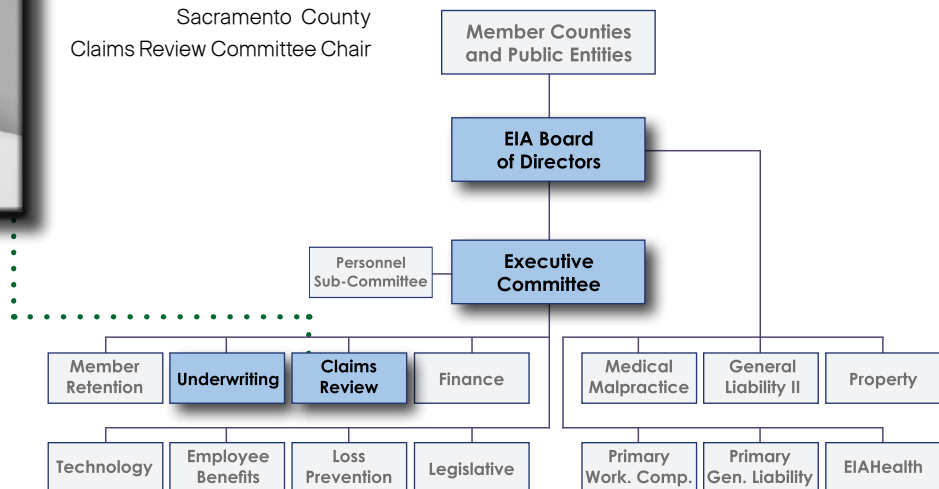
Last year, the GLI Program went through some changes including increasing the limit to \$25M, bringing on new insurance partners in Ironshore and Torus and giving the Memorandum of Coverage a facelift. While there were changes with the 2011/12 renewal, they were much more modest. Torus let us know well in advance of the renewal that they would not be able to continue on the Program due to company-wide underwriting changes that were being made. While it was challenging to replace Torus because of their very aggressive pricing, we were able to bring Starr Indemnity on board with little impact to the members' overall premium. Although the premium for that layer increased, the Board determined to reduce rates in the Pool layer to ensure overall premium stability for the members. Keeping costs in this Program low during another difficult financial year is another way the EIA and the GLI Program have been able to collectively continue to "stack the sandbags" to protect the members from "rising waters".

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.

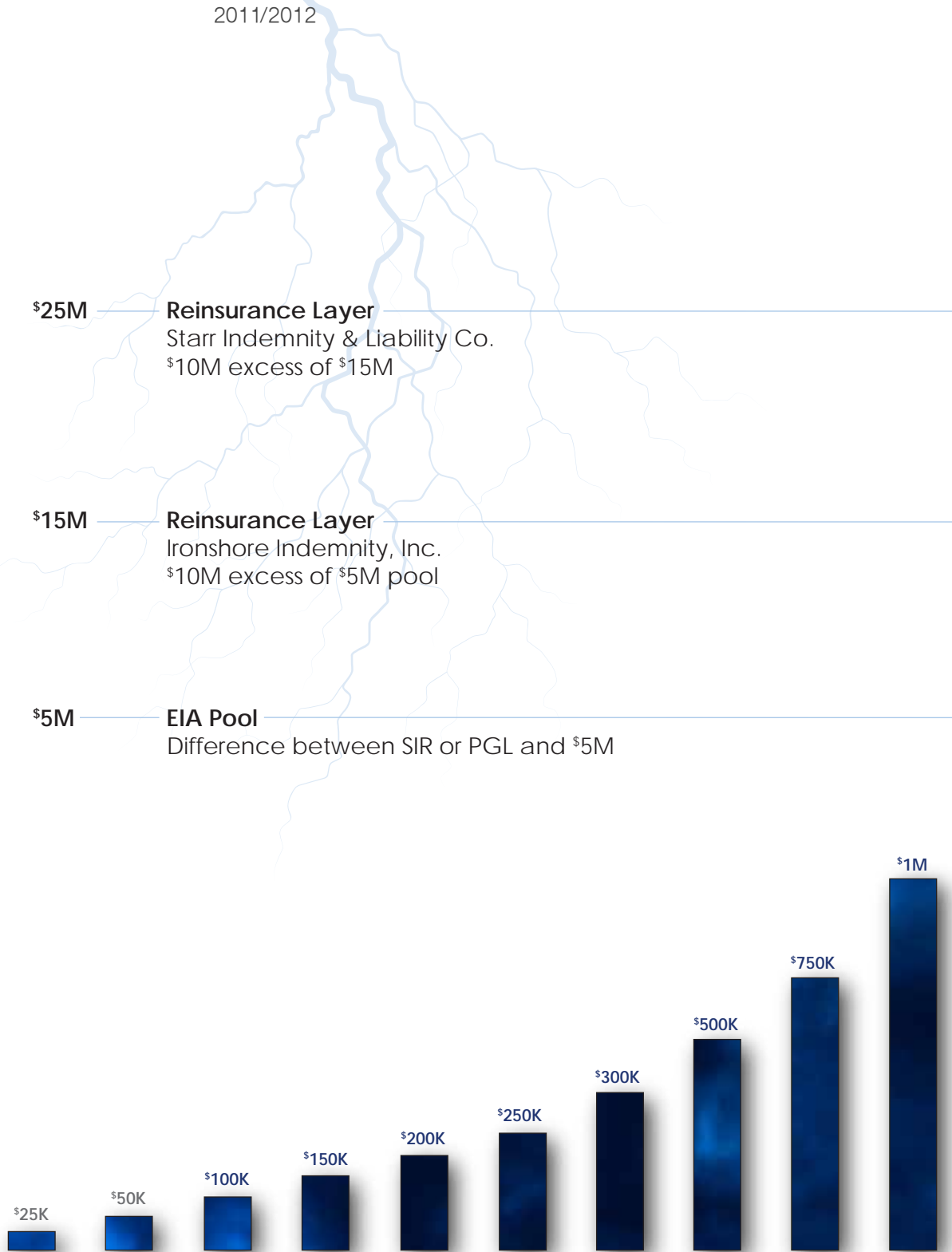
The Claims Review Committee reviews GLI and EWC claims. They have full authority to authorize settlements and take action regarding claims services, such as cost containment solutions and claims audit services.



**Paul Hight**  
 Sacramento County  
 Claims Review Committee Chair



# General Liability I



\*20 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 \$25M, subject to the members' self-insured retentions, which range from \$1M to \$3M. Because members maintain self-insured retentions, they are able to manage their own claims, either through a third party administrator of their choice or with their own claims staff. The Program purchases reinsurance up to \$25M, inclusive of the member's retention. This structure is depicted graphically on page 19.

Several changes were implemented last year, including increasing the Program's limits to \$25M, adding a new reinsurer, Torus, on the placement and making changes to the Memorandum of Coverage. Similar to the GLI Program, as this year's renewal neared, Torus let us know that due to company-wide underwriting changes, they would not be able to remain on the Program. A full marketing of the Program was initiated and the Committee once again made some changes to ensure a favorable renewal. Ironshore moved to a higher layer in the placement, and a new partner, Wesco Insurance (part of the AmTrust Group), was brought on board through the Alliant National Municipal Liability (ANML) Program. Compared to renewal conditions a few years ago, which were much more tumultuous, this year's renewal was much more like "smooth sailing".

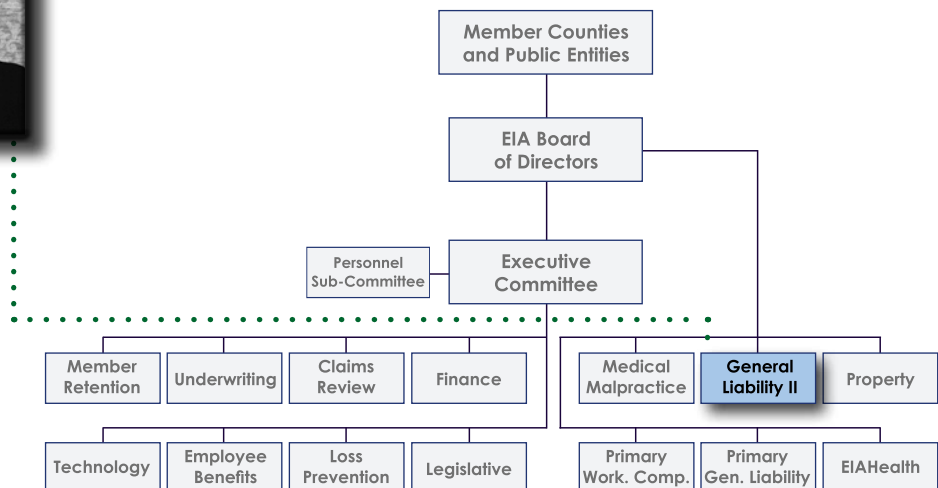
The GLII Committee governs this Program. They review all matters pertaining to the GLII Program, including: insurance placements, coverage issues, claims administration, program services and new member applications. Another important aspect of the Program that the Committee is involved with is the allocation of premium amongst the members. This year, the Committee spent a lot of time discussing alternatives for allocating the premium. Ultimately, they concluded to modify the premium allocation formula to be based on the likely premium calculations in the insurance market.

Another venture of the GLII Committee this year has been to expand representation on the GLII Committee to include all public entity members. Currently, all of the county members have a seat on the Committee. The public entity members have one appointed representative. This initiative, which will take place in the form of a change to the Memorandum of Understanding, is anticipated to occur in the fall of 2011.



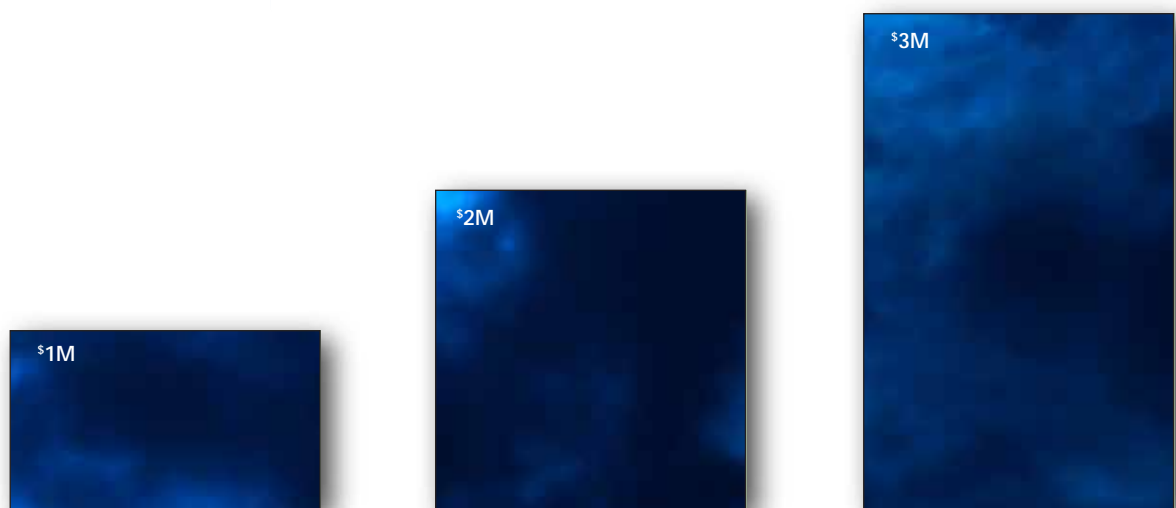
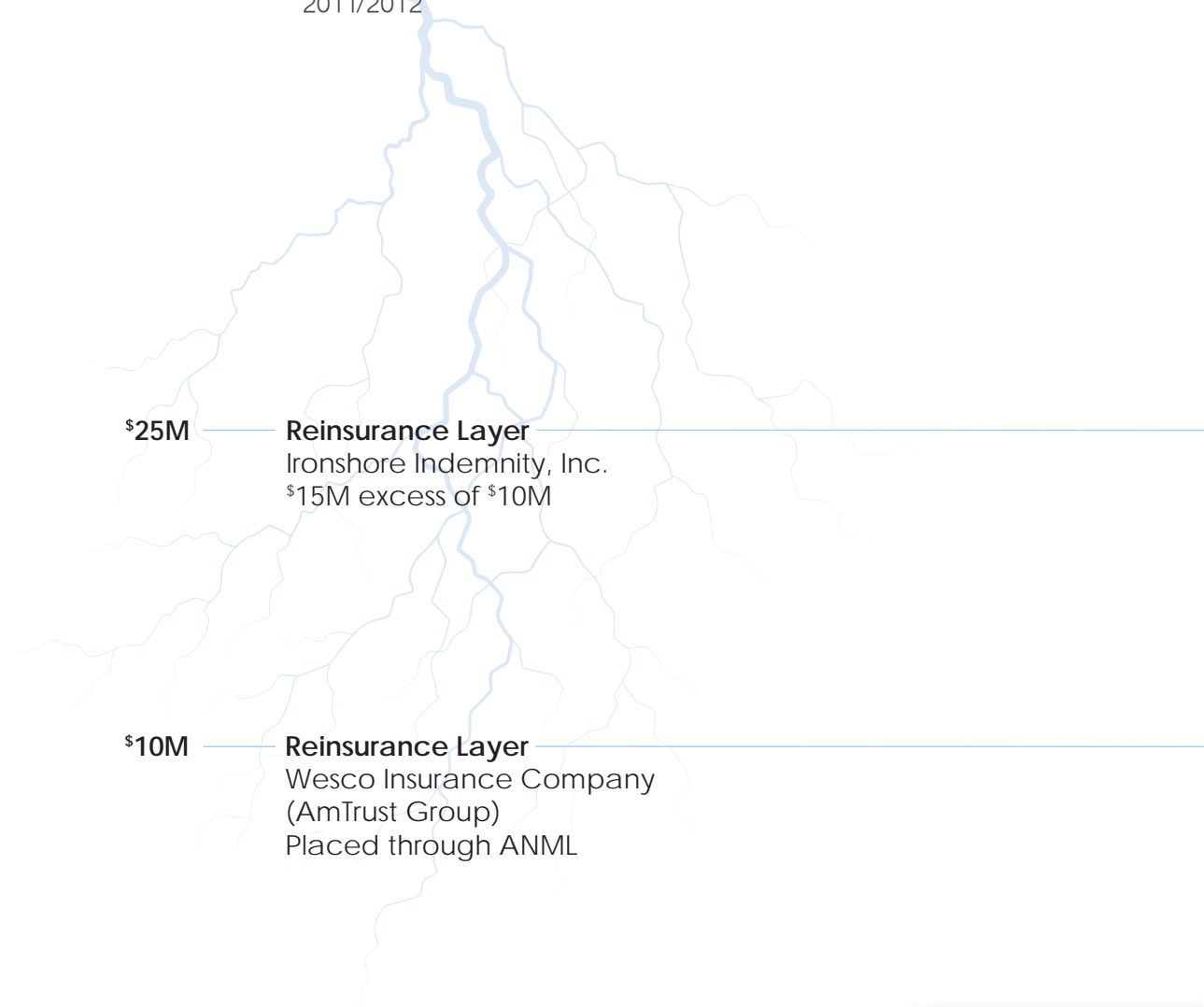
## Barbara Lubben

Alameda County  
 General Liability II Committee Chair



# General Liability II

2011/2012



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

**Property**

The Property Program provides coverage for physical damage to members' real and personal property as a result of "all risk" perils, including flood and automobile physical damage. Members also have the opportunity to purchase earthquake coverage. The unique structure of the Program into towers spreads risk both geographically and categorically. This spread of risk allows the Program to access higher limits at reduced costs. Members have \$610M in all risk and \$602.5M in flood limits. Plus, members that purchase earthquake coverage have access to \$307.5M in earthquake limits in 1 or more of 5 towers. The Program maintains a \$3M pool with reinsurance and insurance providing the balance of the limits. The pool exposure is limited to \$10M for the year, and upon exhaustion of the pool's aggregate, the primary reinsurer, Lexington, pays for losses excess of the members' deductibles.

The Property Program is one of the best examples of how the EIA members have pulled together during "stormy weather", literally at times, but mostly financially. The property insurance market is one of the most reactive to occurrences. Almost as fast as "lightning flashes", the EIA's Property Program felt changes coming on quickly following the 2010 Japan earthquakes and tsunamis spreading to areas very far away, including our own shores. Those events were occurring just as the EIA was wrapping up last year's Property Program renewal. Fortunately, the EIA was able to react and get the Program's placements bound prior to the insurance marketplace's reaction to such a world-wide catastrophic event.

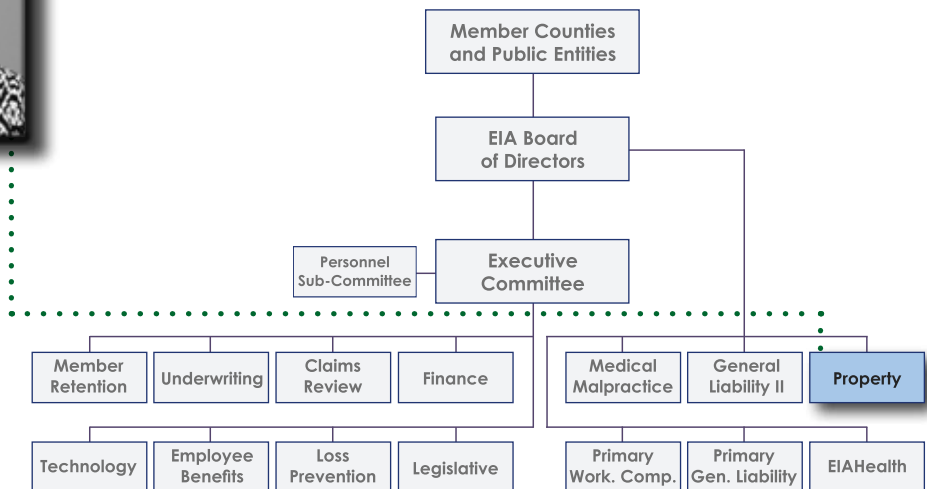
Because this is basically a fully insured program, with members' deductibles ranging from \$5K to \$150K, the primary reinsurer, Lexington, takes full responsibility for the adjustment of claims. The Program provides real property appraisal services to all members, with each location valued over \$250K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

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.

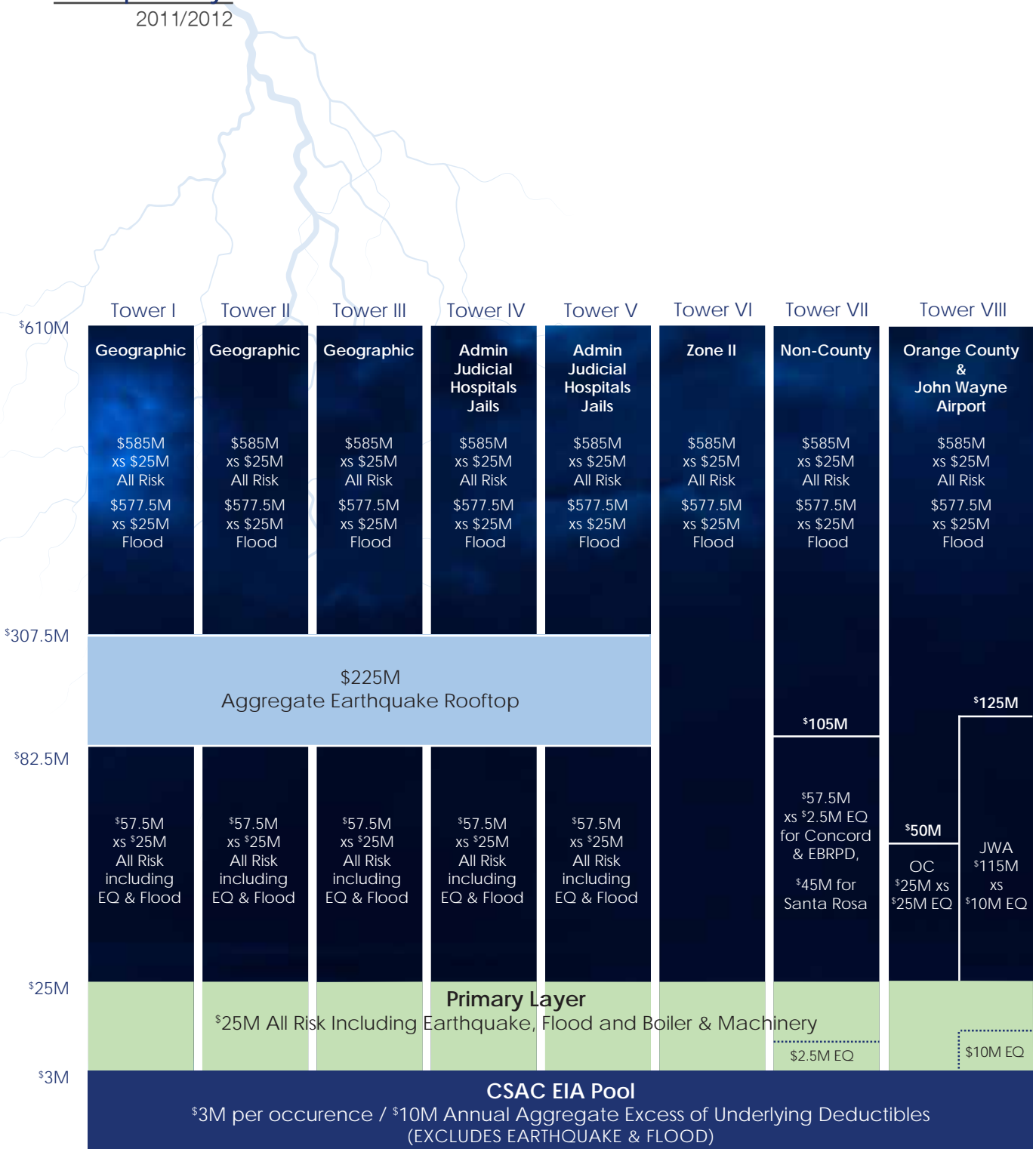


## Susan Eldridge

San Diego County  
 Property Committee Chair



Property  
2011/2012



**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 \$21.5M, in addition to the members' deductible or self-insured retention which range from \$5K to \$1.1M. For members who maintain a \$5K or \$10K deductible, claims administration is provided by the Program's third party administrator, Risk Management Services. Members who maintain a self-insured retention are able to manage their claims, either through a third party administrator or with their own claims staff. The Program funds a \$1.5M pool and purchases \$20M 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 3-year period. This elimination of the tail exposure will increase stability of the Program, and ultimately help the members to save money when the professional insurance market begins to show signs of "clouds on the horizon". 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.

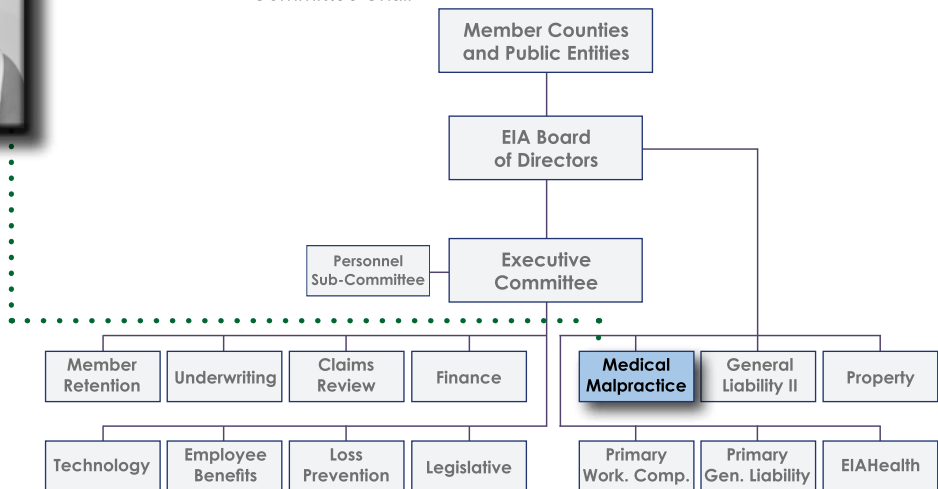
The Program is governed by the Medical Malpractice Committee, who is responsible for all matters pertaining to the Program, including: pool funding, coverage issues, claims, program services, new member applications and insurance placements.

This year, based on the Program's healthy funding position, the Medical Malpractice Committee did its part in "weathering the financial storm" with the members by declaring another \$2M dividend. In some cases, members chose to have those funds returned to them in the form of a check. Others decided to have it applied to their upcoming premium to reduce this year's contribution. Either way, the dividend was another way to help members get through tough economic times.



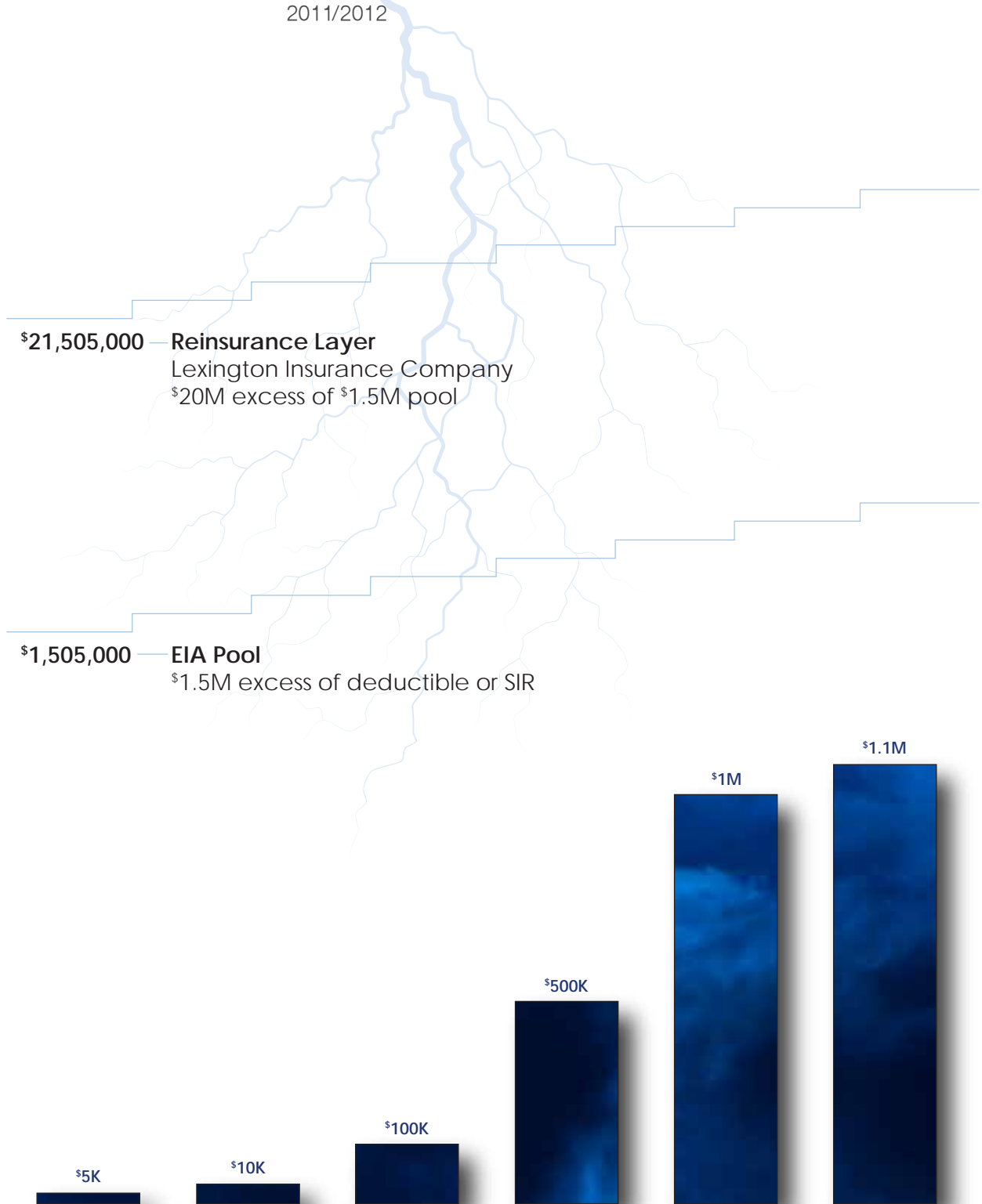
**Karen Caoile**

Alameda County  
 Medical Malpractice  
 Committee Chair

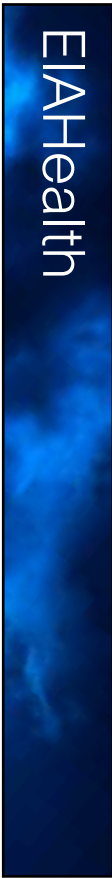


# Medical Malpractice

2011/2012







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.

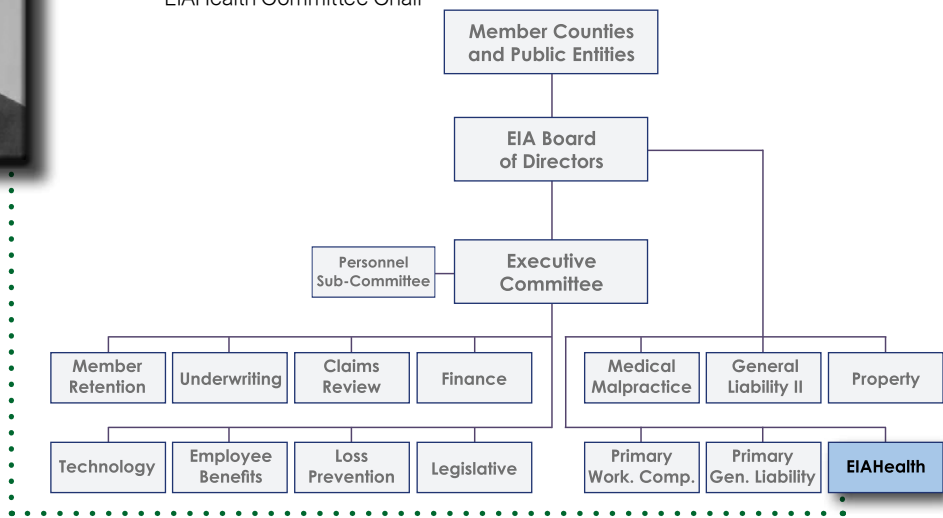
## EIAHealth Membership

- |                          |                         |                               |
|--------------------------|-------------------------|-------------------------------|
| City of Chico            | City of Visalia         | Merced County                 |
| City of Huntington Beach | City of Yuba City       | SDRMA (small group)           |
| City of Irvine           | County of Calaveras     | Superior Court of California, |
| City of Merced           | County of El Dorado     | County of Riverside           |
| City of Oceanside        | County of Lake          | County of Santa Barbara       |
| City of Redding          | County of Santa Barbara | County of Tehama              |
| City of Santa Rosa       | GSRMA (small group)     |                               |



### James Brown

Merced County  
EIAHealth Committee Chair



Dental

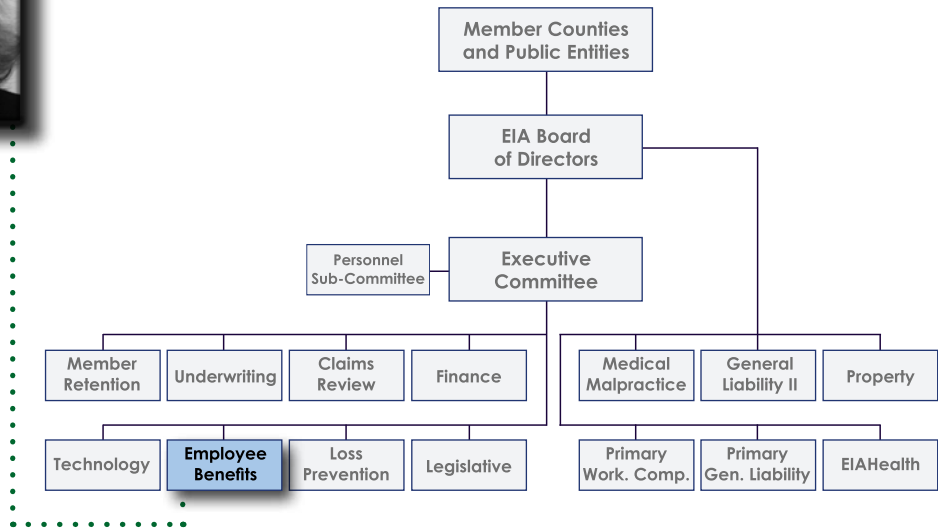
The Dental Program was launched in January 2010 and has since experienced significant growth. This Program utilizes the pooling methodology to provide members with more predictable and stable dental rates year over year. The Program partners with Delta Dental to provide administrative services, including 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.



## Donna Caldwell

Solano County  
Employee Benefits Committee Chair



## EIA Leadership

### 2011 Executive Committee

#### President

Jim Sessions, Riverside County

#### Vice President

Scott Schimke, Golden State Risk Mgmt. Authority

#### Members

Barbara Lubben, Alameda County  
Peggy Scroggins, Colusa County  
Larry Moss, East Bay Regional Park District  
Kristin McMenomey, Mendocino County  
James Brown, Merced County  
Maryellen Peters, Placer County  
Richard Pietz, San Joaquin County  
Lance Sposito, Santa Clara County  
Supervisor Peter W. 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. Dolanar, 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

### 2012 Executive Committee

#### President

Scott Schimke, Golden State Risk Mgmt. Authority

#### Vice President

Barbara Lubben, Alameda County

#### Members

Supervisor Mark Marshall, Colusa County  
Peggy Scroggins, Colusa County  
Larry Moss, East Bay Regional Park District  
Kristin McMenomey, Mendocino County  
James Brown, Merced County  
Maryellen Peters, Placer County  
Jim Sessions, Riverside 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

Laura Turlington, Chief Information Officer  
Jack Blyskal, Chief Claims Officer  
Gina Dean, Chief Operating Officer  
Michael Fleming, Chief Executive Officer  
Marianne Stuart, Chief Financial Officer  
Dan Calabrese, Chief Investment Officer

# Financial Letter

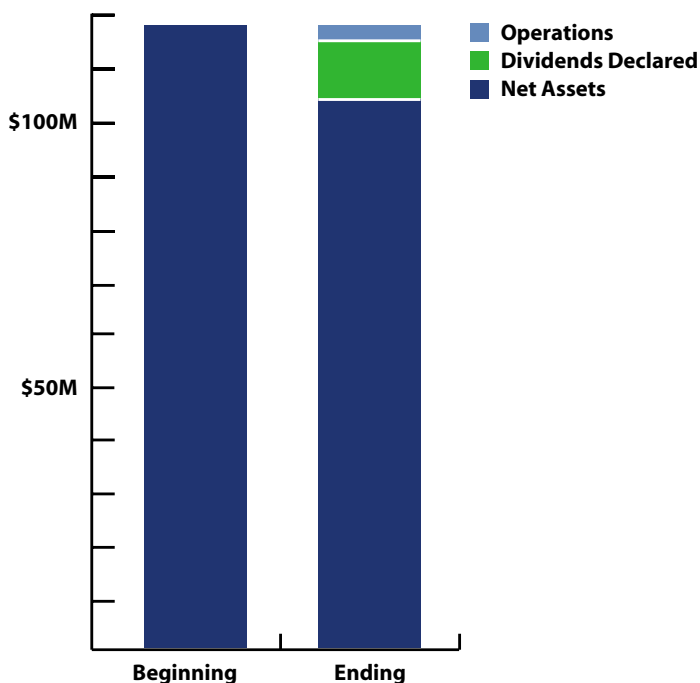
November 1, 2011

Board of Directors:

The phrase “the new reality” is all over the landscape in California, referring to state and local governments fiscally stressed, an investment market with historically low yields and a state economy still experiencing a housing market in the doldrums and high unemployment. With members pulling together, the EIA is successfully navigating these stormy waters and has continued to provide competitive and fair risk financing programs that meet the needs of California governments, from small volunteer fire departments to the largest counties in the State. This past fiscal year marked the 10 year anniversary of non-county public entity participation in the EIA including cities, special districts, school districts, and other JPAs. Public entity participation has strengthened the EIA not only in terms of increased revenue and risk sharing, but in building our greatest asset, our member participation in program development and governance.

This report is intended to provide those interested with an easy-to-read overview of the EIA's financial condition, and highlight the financial activity for the fiscal year ended June 30, 2011. Included in this report are comparative financial statements for the years ended June 30, 2011 and 2010 including the Statement of Net Assets, the Statement of Revenues and Expenses and Changes in Net Assets. 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](http://www.csac-eia.org). Our fiscal 2010 CAFR received the Government Finance Officers Association (GFOA) Certificate of Excellence in Financial Reporting. We believe that our CAFR for 2011 will continue to meet the requirements of the Certificate of Achievement program and we are also submitting our 2011 CAFR to the GFOA.

## Change in Net Assets



## Financial Highlights:

### Net Assets

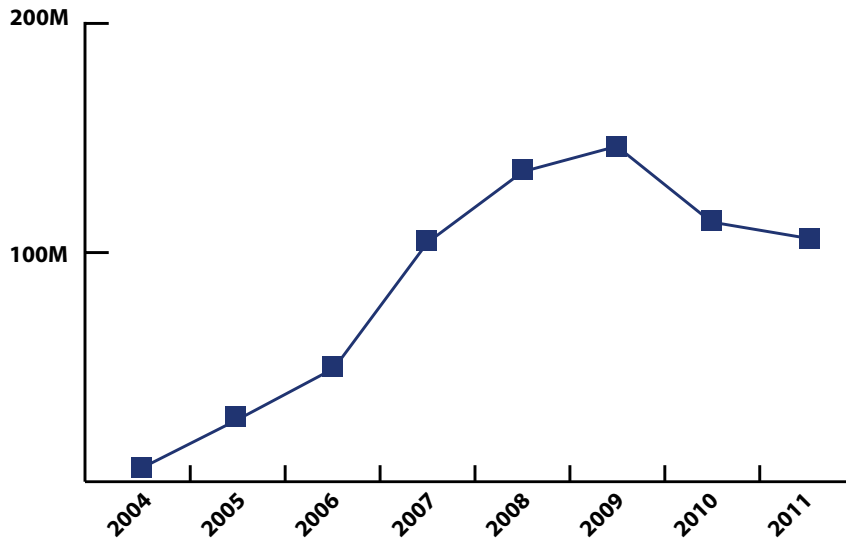
We started the year with net assets of \$118.4M. Our strong position in net assets in some programs allowed us to return dividends to our members of \$11M, decreasing net assets by that amount. Overall results, not including dividends and excluding the reserve strengthening to offset lower investment income discussed on the following page, were a positive \$10.5M. Our ending balance in net assets is \$104M.

# Financial Letter

continued

This chart shows how net assets have changed over time.

## Net Assets



## Claim Liabilities

After net assets, claim liabilities are the most significant line item on our statements. This year we took a hard look at our projected earnings on the assets set aside to pay future claims and decided we needed to increase those assets to offset historically low short and mid-term interest rates. This analysis led us to increase our claim liabilities by \$9.5M in the Excess Workers' Compensation Program, \$3.4M in our General Liability I Program and \$640K in our Medical Malpractice Program. This adjustment totaled \$13.5M and is part of our total increase in claim liabilities of \$39M. Overall claim liabilities increased from \$384M to \$423M. Even with this adjustment, all our risk financing programs have net assets in excess of liabilities and a positive fund balance.

| <u>Claim Liabilities</u>             | <u>Current Year</u> | <u>Prior Years</u>   | <u>Total</u>         |
|--------------------------------------|---------------------|----------------------|----------------------|
| Beginning Balance                    | \$ -                | \$388,680,573        | \$388,680,573        |
| Claim Development                    | 92,021,532          | 33,549,554           | 125,571,086          |
| <u>Claim Payments</u>                | <u>(31,194,458)</u> | <u>(55,519,680)</u>  | <u>(86,714,138)</u>  |
| <u>Balance in Claims Liabilities</u> | <u>\$60,827,074</u> | <u>\$366,710,447</u> | <u>\$427,537,521</u> |

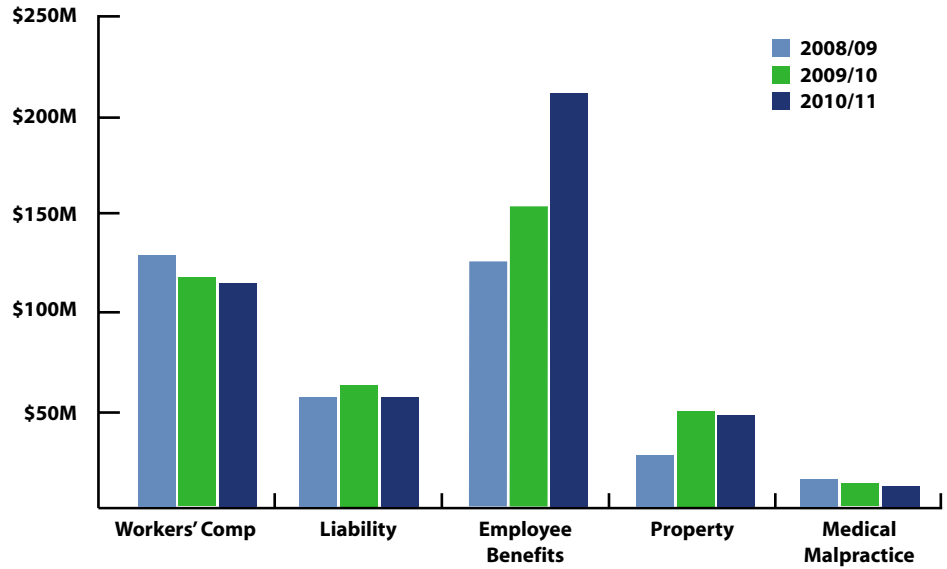
## Growth in Programs

Our overall revenues increased by 12% or \$49M from \$416M in 2010 to \$465M in 2011. Most of that growth was in the employee benefits programs as can be seen in the graph on the next page. EIAHealth revenues increased over \$37M and the new Dental Program, in its first full year of operation, had an increase in revenues of \$16M, from \$8M in 2010 to \$24M in 2011. Smaller entities joining the programs accounted for much of this growth.

# Financial Letter

continued

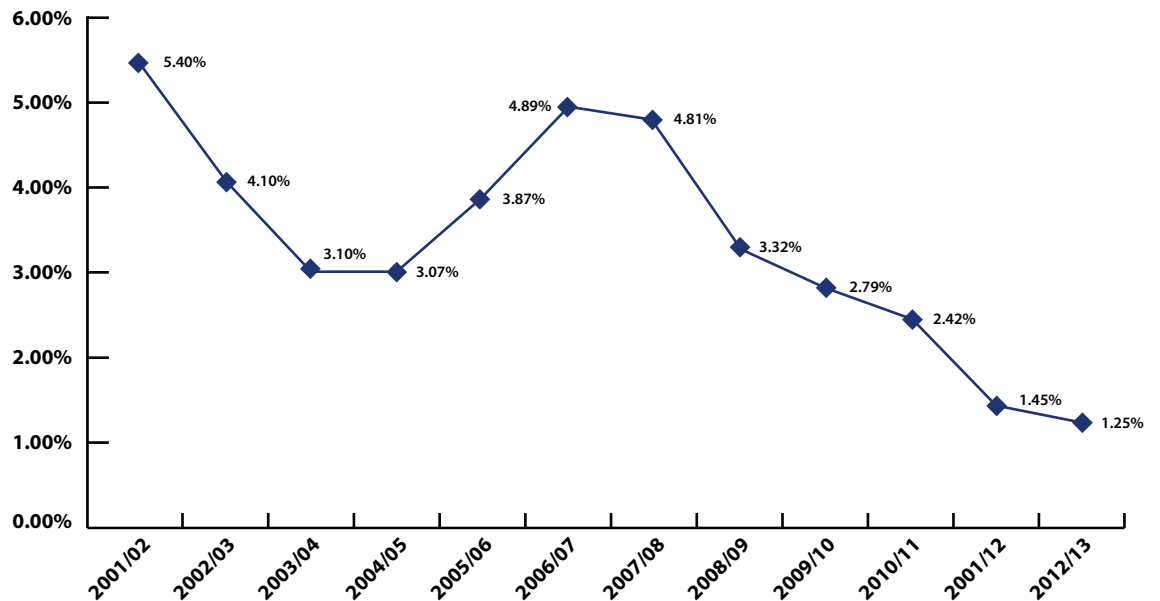
## Program Growth



## Investment Income

Falling interest rates and yields continued to impact our investment earnings, which were down from \$15.7M a year ago to \$9.7M in 2011. We expect earnings to continue to decline in the near term. Our holdings will mature, on average, in 15 months so we can take advantage of higher interest rates when the market turns.

## Investment Rate of Return





# 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 2011, insurance expenses were \$310M, up from \$277M in 2010. Purchased insurance was 65% of all expenses, while claim costs accounted for 26% of all expenses.

## Loss Prevention Expenses

Our members continued their utilization of the Target Safety platform. User fees were \$355K, which partially offset platform expenses of \$1.2M. Members contributed another \$470K to the Loss Prevention Subsidy Program, and spent \$701K of subsidy funds. Our members have balances of \$5.2M in Risk Management and Loss Prevention Subsidy funds.

Our financial statements follow, including graphs showing our 2011 expenses by program. Through its strong member participation, the EIA continues to weather the storm and seek new ways to fulfill its mission of providing cost effective risk solutions for California governments.

Respectfully submitted,



Marianne I. Stuart  
Chief Financial Officer

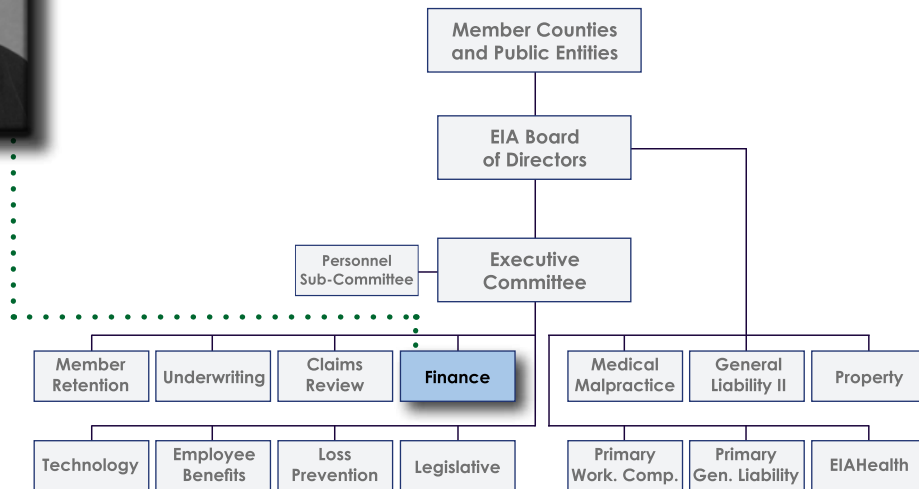


Michael D. Fleming  
Chief Executive Officer  
Secretary/Treasurer



## Van Maddox

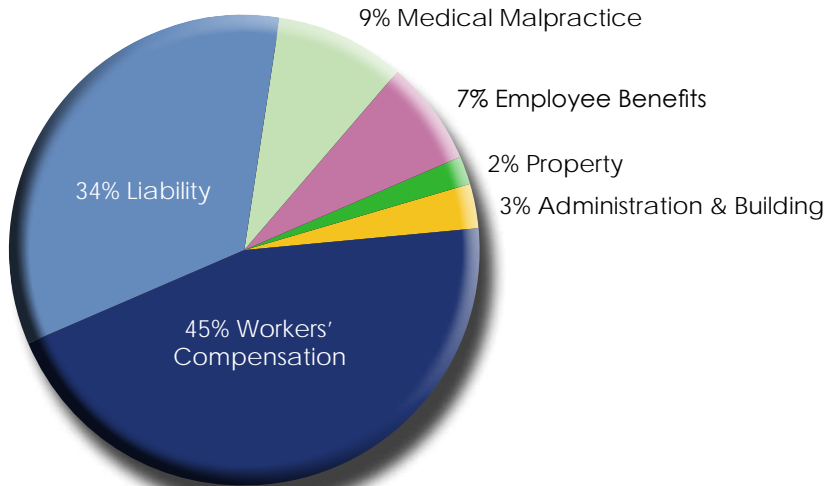
Sierra County  
Finance Committee Chair



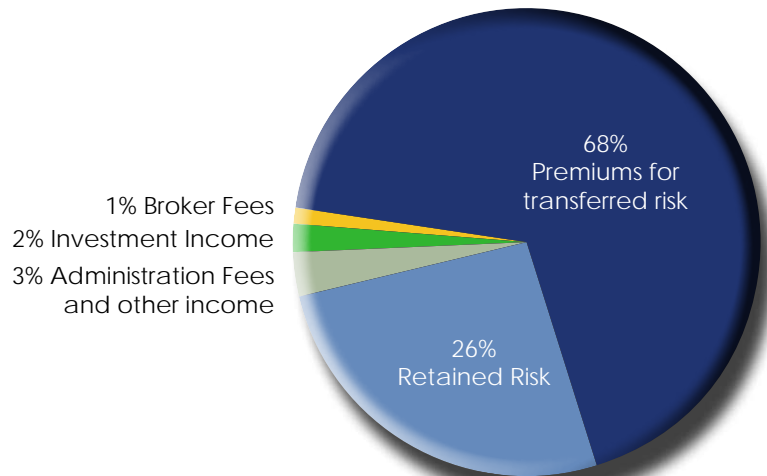
# Financial Profile

Financial results in Brief 2011/2012

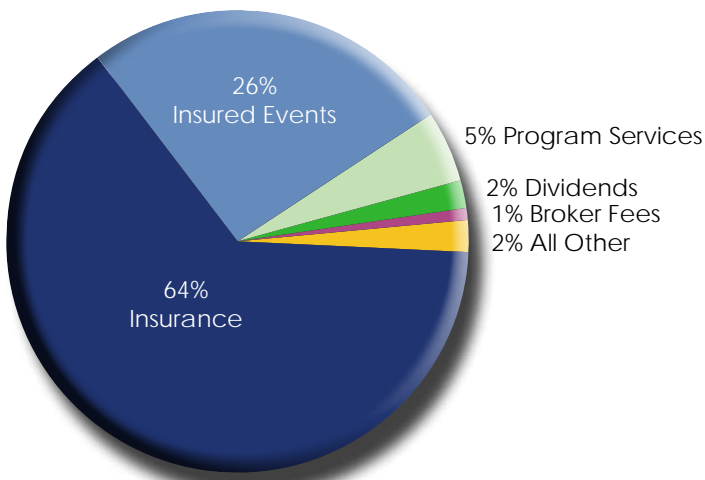
## Total Assets by Program



## Revenues



## Expenses



# Financial Profile

continued

## Statement of Net Assets, June 30, 2011 &amp; 2010

|   | <u>June 30, 2011</u>        | <u>June 30, 2010</u>        |
|---|-----------------------------|-----------------------------|
| <b>Assets:</b>                                      |                             |                             |
| Cash  | \$300                       | \$300                       |
| Cash in Banks                                       | 5,825,315                   | 3,253,646                   |
| Cash in the EIA Treasury                            | <u>75,099,674</u>           | <u>33,758,780</u>           |
| <b>Total Cash &amp; Cash Equivalents</b>            | <u>80,925,289</u>           | <u>37,012,726</u>           |
| Investments   | 376,301,475                 | 396,494,908                 |
| Accounts Receivable                                 |                             |                             |
| Due from Members                                    | 19,206,855                  | 19,773,464                  |
| Investment Income Receivable                        | 2,761,445                   | 3,795,325                   |
| Reinsurance Claims                                  | 6,788,843                   | 11,060,472                  |
| Other Receivables                                   | 69,397                      | 162,879                     |
| Prepaid Insurance and Expenses                      | 68,604,312                  | 67,758,371                  |
| Land, Buildings and Equipment (Net)                 | <u>9,181,260</u>            | <u>10,706,672</u>           |
| <b>Total Assets</b>                                 | <b><u>563,838,876</u></b>   | <b><u>546,764,817</u></b>   |
| <b>Liabilities:</b>                                 |                             |                             |
| Accounts Payable                                    | 5,267,341                   | 9,407,554                   |
| Due to Members                                      | 24,560,819                  | 25,311,518                  |
| Deferred Income & Deposits from Insurance Companies | 6,634,140                   | 9,543,167                   |
| Claim Liabilities                                   | 384,080,259                 | 346,344,298                 |
| Unallocated Loss Adjustment Expense Payable         | 38,457,262                  | 37,336,275                  |
| Compensated Absences                                | 237,876                     | 235,767                     |
| Other Post Employment Benefits                      | <u>286,540</u>              | <u>228,633</u>              |
| <b>Total Liabilities</b>                            | <b><u>459,524,237</u></b>   | <b><u>428,407,212</u></b>   |
| <b>Net Assets:</b>                                  |                             |                             |
| Invested in Capital Assets                          | 9,181,260                   | 10,706,672                  |
| Unrestricted  | <u>95,133,379</u>           | <u>107,650,933</u>          |
| <b>Total Net Assets</b>                             | <b><u>\$104,314,639</u></b> | <b><u>\$118,357,605</u></b> |

# Financial Profile

continued

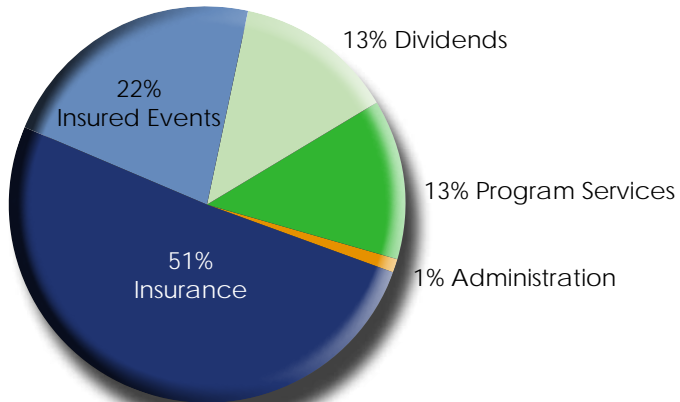
## Statement of Revenues, Expenses & Changes in Net Assets For the Fiscal Years Ended June 30, 2011 and 2010

|                                       | <u>June 30, 2011</u>        | <u>June 30, 2010</u>        |
|---------------------------------------|-----------------------------|-----------------------------|
| <b>Revenues:</b>                      |                             |                             |
| Premiums for Transferred Risk         | \$316,271,011               | \$281,136,570               |
| Broker Fees                           | 6,459,876                   | 5,616,485                   |
| Contributions for Retained Risk       | 119,707,240                 | 102,214,702                 |
| Dividend Income                       | 41,971                      | 201,158                     |
| Investment Income                     | 9,726,704                   | 15,736,593                  |
| Member Services                       | 530,052                     | 263,004                     |
| Administration Fees                   | 10,155,392                  | 9,963,197                   |
| Public Entity Fees                    | 408,475                     | 398,951                     |
| Development Fees                      | 7,550                       | 4,200                       |
| Other Income                          | <u>2,313,897</u>            | <u>617,281</u>              |
| <b>Total Revenues</b>                 | <b><u>465,622,168</u></b>   | <b><u>416,152,141</u></b>   |
| <b>Expenses:</b>                      |                             |                             |
| Member Dividends                      | 11,062,736                  | 11,488,482                  |
| Insurance and Provision for Losses:   |                             |                             |
| Insurance Expense                     | 303,821,702                 | 271,385,012                 |
| Broker Fees                           | 6,459,283                   | 5,616,545                   |
| Provision for Insured Events          | 124,443,282                 | 117,204,060                 |
| Unallocated Loss Adjustment Expenses  | 1,127,804                   | 9,376,859                   |
| Program Services                      | 22,809,139                  | 19,004,605                  |
| Member Services and Subsidies         | 2,027,109                   | 2,210,316                   |
| General Administrative Services       | 7,150,235                   | 6,760,362                   |
| Depreciation and Building Maintenance | 763,844                     | 541,668                     |
| <b>Total Expenses</b>                 | <b><u>479,665,134</u></b>   | <b><u>443,587,909</u></b>   |
| <b>Changes in Net Assets</b>          | <b><u>(14,042,966)</u></b>  | <b><u>(27,435,768)</u></b>  |
| <b>Net Assets:</b>                    |                             |                             |
| Net Assets, Beginning of Year         | <u>118,357,605</u>          | <u>145,793,373</u>          |
| <b>Net Assets, End of Year</b>        | <b><u>\$104,314,639</u></b> | <b><u>\$118,357,605</u></b> |

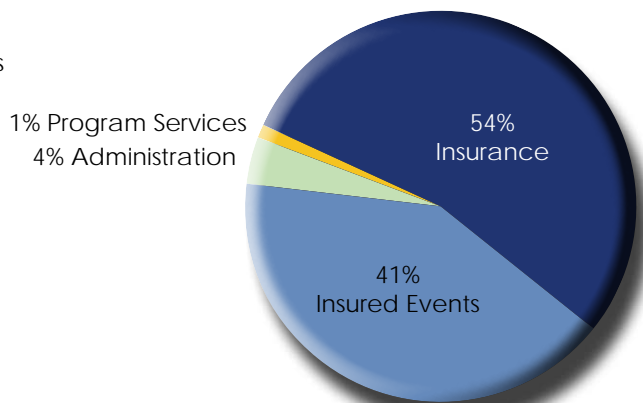
# Financial Profile

Operating Results by Program

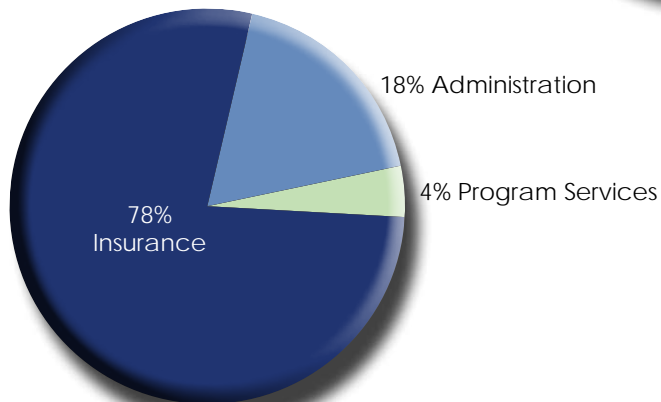
## Primary Workers' Compensation



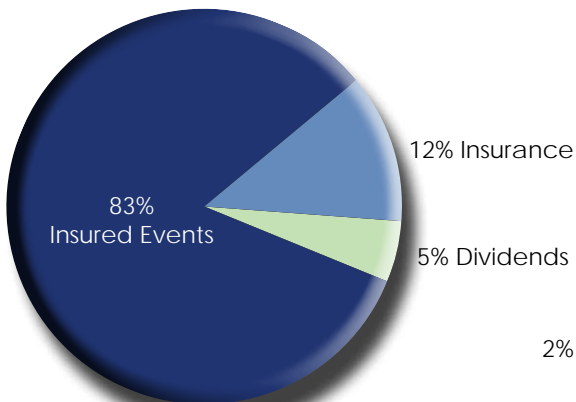
## Excess Workers' Compensation



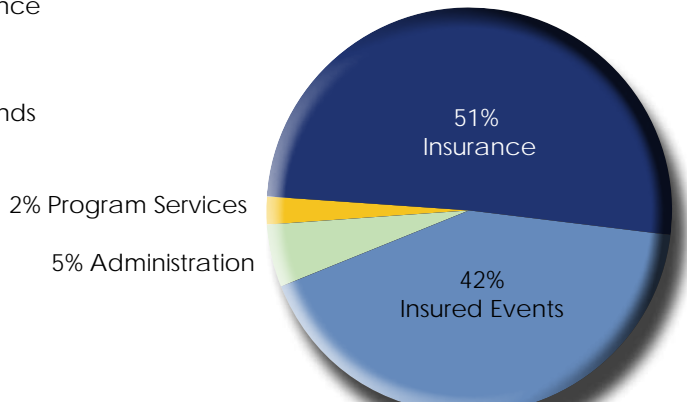
## Primary Liability



## General Liability I



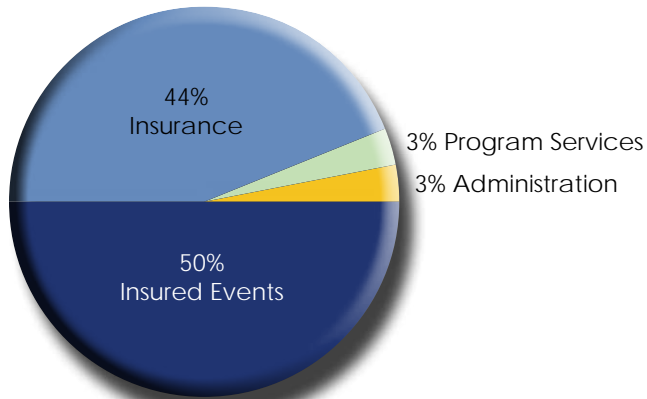
## General Liability II



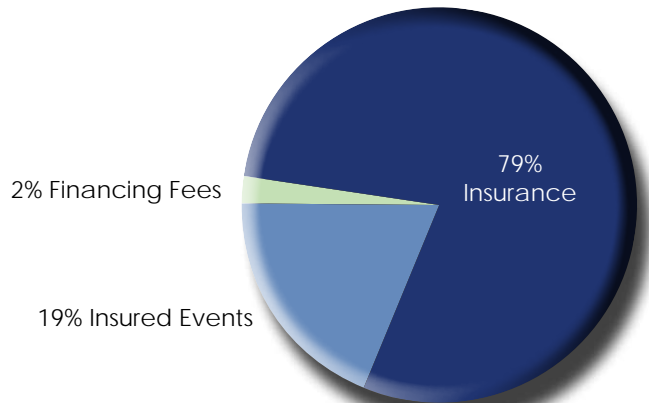
# Financial Profile

## Operating Results by Program

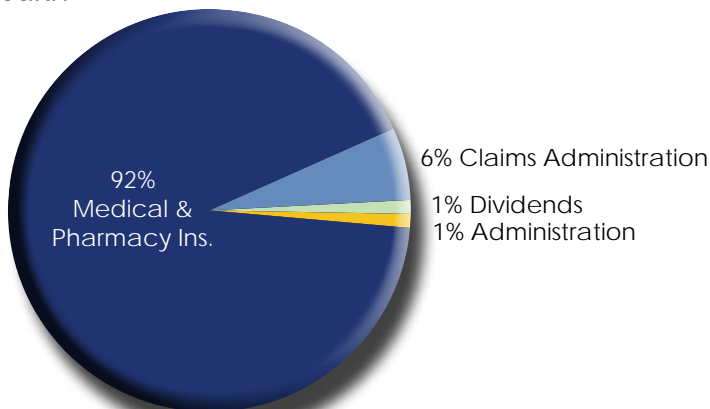
### Medical Malpractice



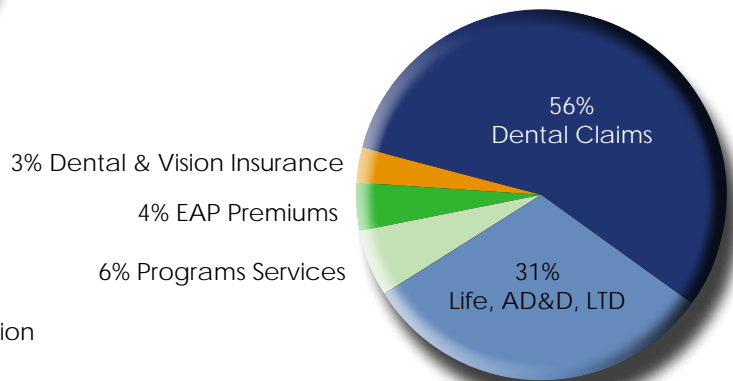
### Property



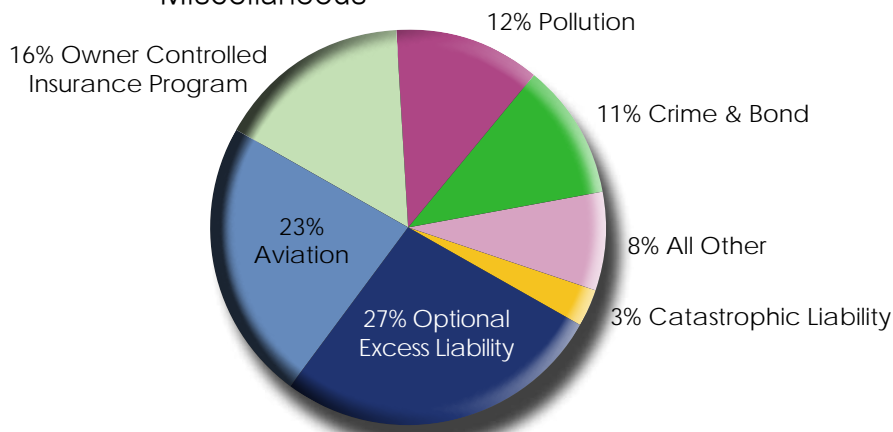
### EIAHealth

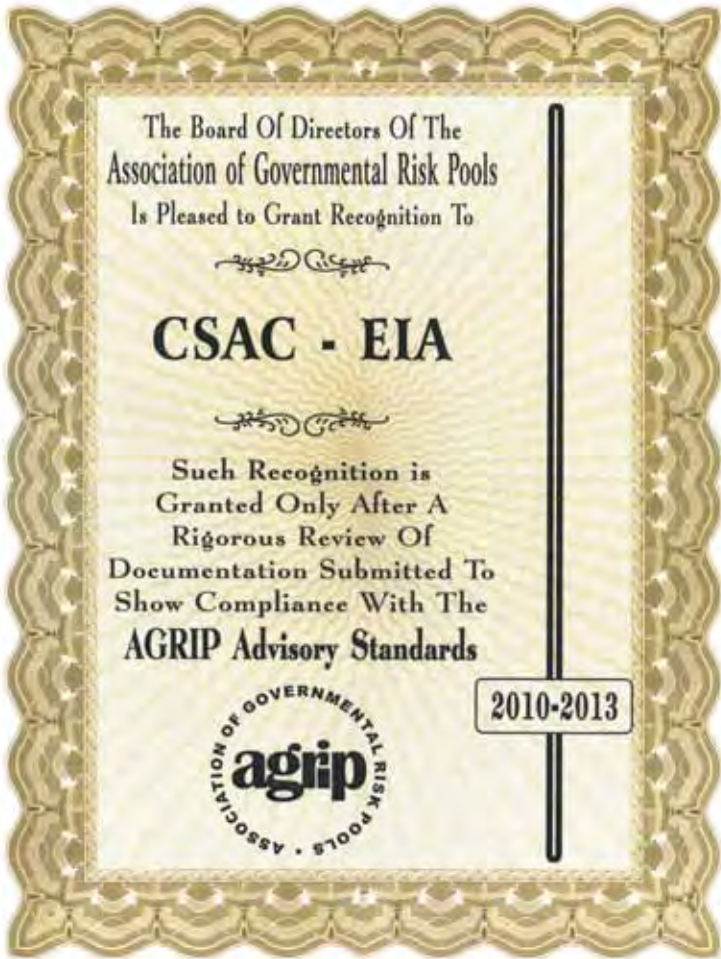


### Employee Benefits



### Miscellaneous





**Award for  
Outstanding  
Achievement in  
Popular Annual  
Financial Reporting**

PRESENTED TO

**CSAC Excess Insurance  
Authority, California**

for the Fiscal Year Ended

**June 30, 2010**



*Linda C. Dawson*  
President

*Jeffrey L. Esser*  
Executive Director



1989-2013







CSAC Excess Insurance Authority  
75 Iron Point Circle, Suite 200  
Folsom, CA 95630  
916.850.7300  
[www.csac-eia.org](http://www.csac-eia.org)