The Blueprint for the Future of Risk Management

CSAC Excess Insurance Authority | 2015 Annual Report

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2014/15 Year in Review

Dear Members,

This year we decided to invest in an idea. The idea is that we should bring more to our members than what we have historically provided. As a result, we are creating a Member Services function at the EIA. The intent is to have Member Services bring unique improvements including; added services, useful tools, more appropriate data, needed member education, useable communication, and other (yet to be dreamed of) risk management services to our members.

Taking on Member Services in our current environment is a significant challenge. Today's EIA has many types of members, members of varying size, and members who have members as part of their own pooling/joint purchase organization. Member Services will have the task of identifying and creating our new future enhancements, while simultaneously working with the EIA staff to provide professional, reliable support for the existing and new services.

In my opinion, the never-ending goal of the EIA is to provide a package of coverage and services that makes the EIA the essential partner to all current and potential members. The more we meet members' needs, the more essential we become. I believe Member Services and the new Chief Member Services Officer is the tool to make that happen.

Though all aspects of EIA are important, at the EIA's annual planning retreat last spring, the members present confirmed that technology will be the key to integrating the new Member Services in the most efficient manner. Making sure we continue to find and retain the best IT technicians will be critical to our future efficiency and success.

At this time, more than any other time in the past, we need our members to participate in the creation of the Member Services function. One of the challenges for Member Services will be to convince representative members to take the time to suggest improvements, consider suggested changes, try new processes, and give candid feedback.

By now, you may have guessed that I am excited about the future of the EIA.

I am embarking on a new career beginning December 18, 2015. It is called retirement by most, but I prefer to call it "Next!". The exciting part of "Next" for me is the freedom to take on any project or assignment that looks interesting. I will miss you all. I wish each of you the best in everything you do.

Warm regards to all,
Jim Sessions
President, 2015

2014/15 Year in Review

This marked the EIA's 36th year providing exceptional risk coverage programs and risk management services to California's counties and public agencies. The organization continued to build upon prior years' successes. The EIA enjoyed many significant accomplishments this year, including but not limited to:

- Steps were taken to establish a new division with a focus on development and delivery of Member Services
- The EIA retained 99% of members at renewal of the programs
- The programs continue to grow in terms of new member participation, breadth of coverage and service, and overall financial health
- A new "Educational Tower" was added in the Excess Workers' Compensation Program in order to spread risk and reduce excess rates
- The General Liability 1 Program was restructured after reinsurers left the California public entity marketplace
- Awards were received from the Government Finance Officers Association for our Comprehensive Annual Financial Report, Popular Annual Report, and Distinguished Budget
- Thousands of claim payments were made, reimbursing over $113,000,000 to the members

The theme of this year's annual report is "Blueprints for the Future of Risk Management," highlighting the building and rebuilding of the programs and services that took place this year. A high priority for the Board of Directors has been for the EIA to provide programs and services that deliver benefits for all members. The Executive Committee has spent a lot of time on this issue over the past year, resulting in the development of a Member Services division and the creation of two new staff positions. The new division will focus on delivery and communication of existing services to the membership, as well as creation and coordination of new services such as practical risk management training, exposure and experience benchmarking, and new risk assessment tools.

2015 Executive Committee, from left to right: Lance Sposito, James Brown, Kim Greer, Jim Sessions, Peter Huebner, John Kerry Whitney, Teri Enos-Guerrero, and Scott Schimke. Not pictured: Roberta Allen, Ken Hernandez, and Barbara Lubben.

EIA's Mission & Vision

The CSAC Excess Insurance Authority is a member-directed risk sharing pool of counties and public entities 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.

The Executive Committee has adopted the following service and technology vision statements to provide guidance to the programs and supporting committees.

Service Vision

The EIA will provide value added risk management services designed to:

- Attract new members
- Retain existing members and
- Improve program performance

It shall be a priority to provide services that compliment member-provided services.

Technology Vision

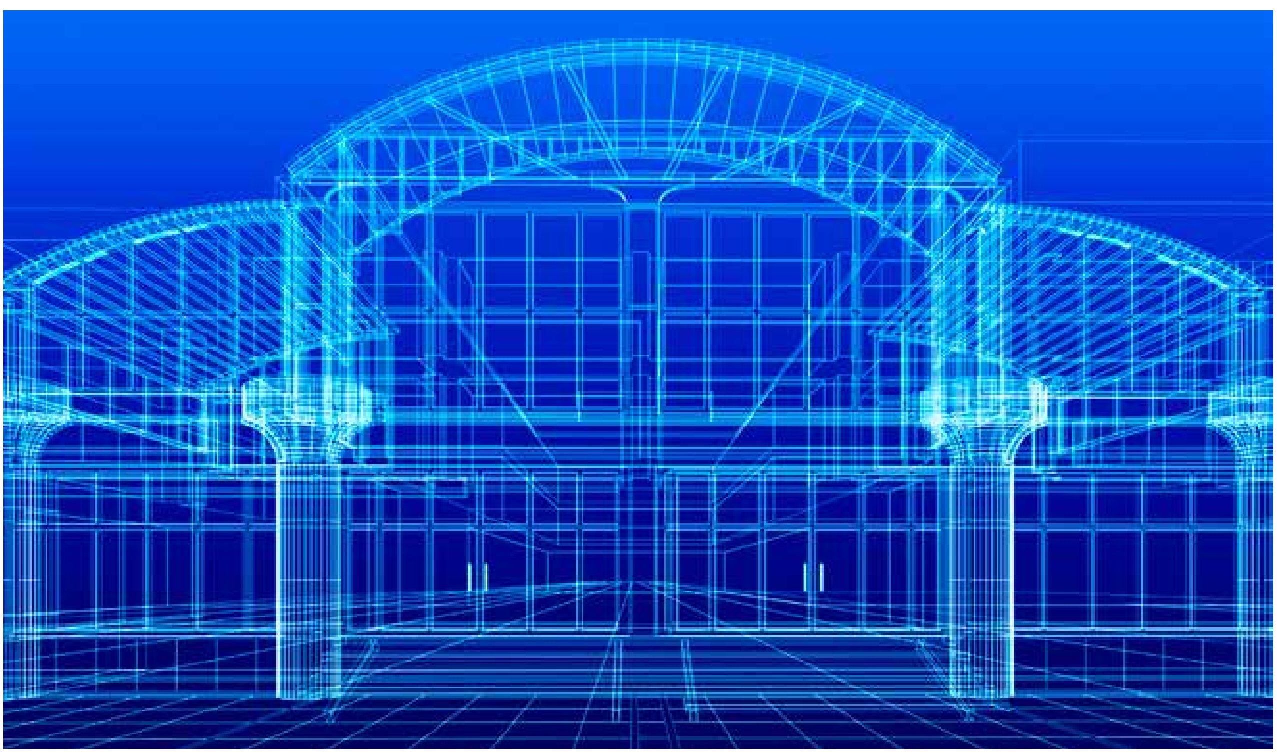
The EIA will provide technology that is:

- Interactive
- Accessible
- User-friendly and
- Dynamic

Current Services

While the EIA is in the process of developing the new Member Services division, there are already a number of risk management and loss prevention programs to assist members in supporting and "building" their insurance and self-insurance programs. Some of the services and benefits currently 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 or previously recorded internet-based sessions
- Extensive loss prevention platform including: online 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 the 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



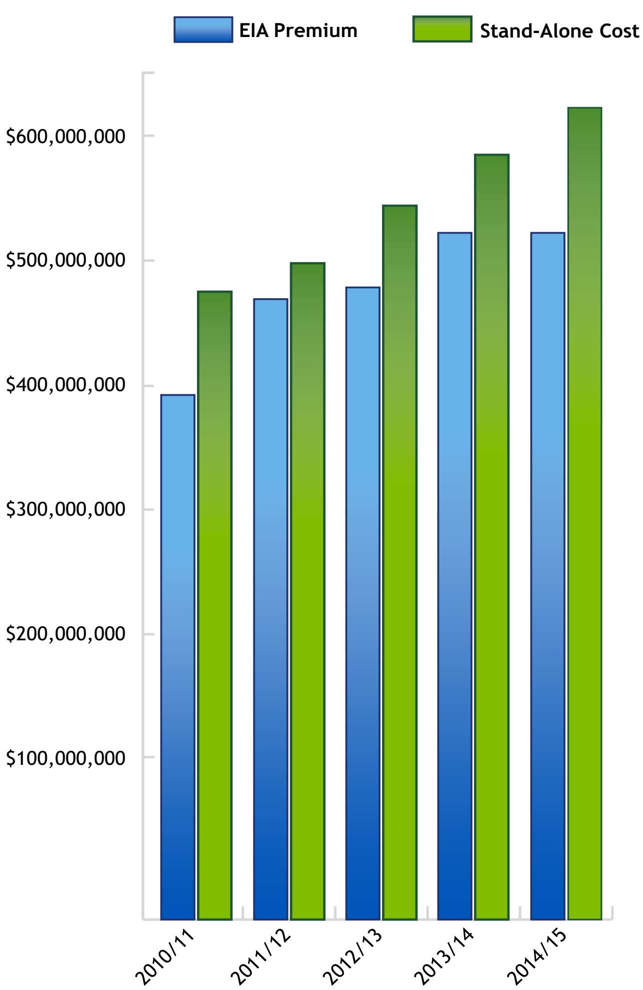
Coverage Programs

Since the organization was formed in 1979, the EIA has been designing, building, and rebuilding its programs and services. Some could ask, "Why change a good thing?" The EIA members are never complacent, which is one of their strengths. The members that govern the organization are continually evaluating the program structures, coverages, and services to identify areas for improvement. They are nimble and willing to construct complex structures to accomplish their goal of providing the best coverage at the lowest possible cost. Each year, we build upon prior successes and deploy new strategies to enhance the offerings to the membership. This process has ensured the members will continue to enjoy the benefits of low cost coverages and excellent supporting services.

Since inception, 10 major coverage programs have been established. These programs are described in greater detail throughout this report. The common "design feature" between the 10 major programs is that they each blend some level of pooled risk and purchased insurance.

Like a new building project that requires a significant amount of architecture and design to ensure a safe and pleasant atmosphere, so do the EIA's programs. They are built to be flexible to meet members' needs, yet also maintain structural soundness to be there long-term. 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 adaptation required by the EIA to ensure costs are kept low and members are provided with the best possible coverage and service.

Major Coverage Programs
Five Year Cumulative Premium vs. Estimated Stand-Alone Cost



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. To the left 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.

The EIA has designed strong and stable programs for more than 36 years. "The Blueprint for the Future of Risk Management" is illustrative of the design, build, and rebuild process that the EIA has gone through since our beginning. Through those processes, the EIA has built long-term relationships with its underwriters and a very impressive reputation in the insurance marketplace.

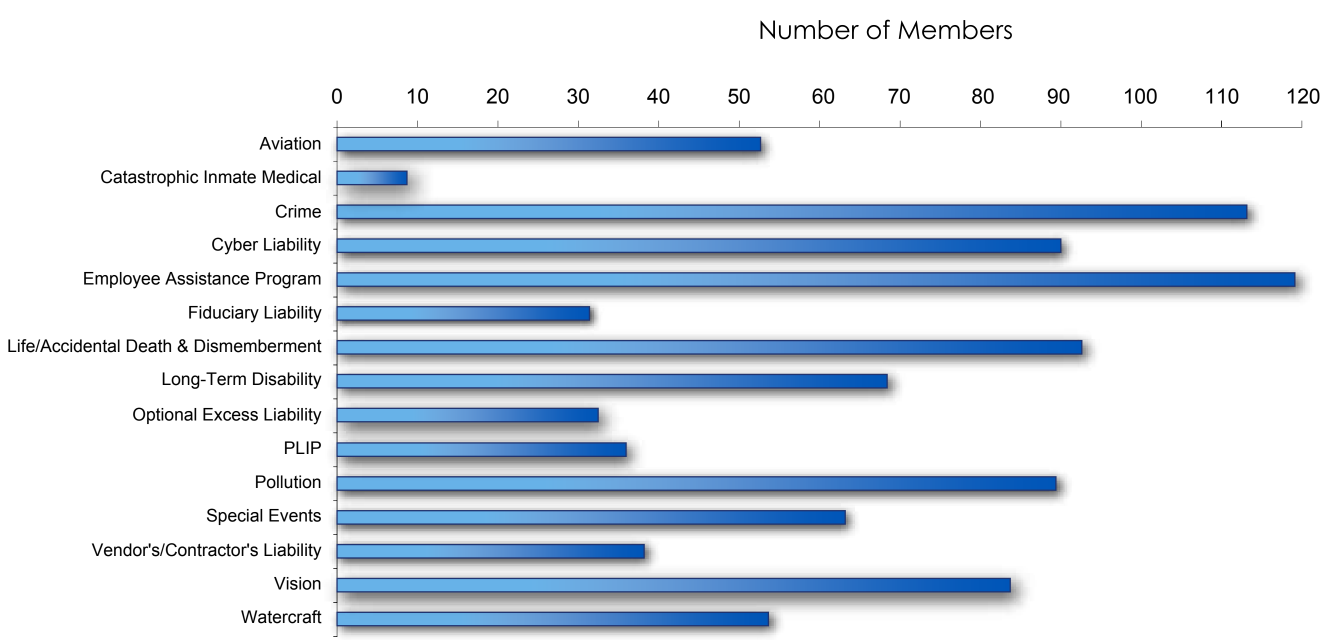
Miscellaneous and Employee Benefits Programs

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



Primary Workers' Compensation

Like a family enlarging their house, the Primary Workers' Compensation (PWC) Program was formed as an "addition" to the Excess Workers' Compensation (EWC) Program, offering those 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 four 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 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 9.

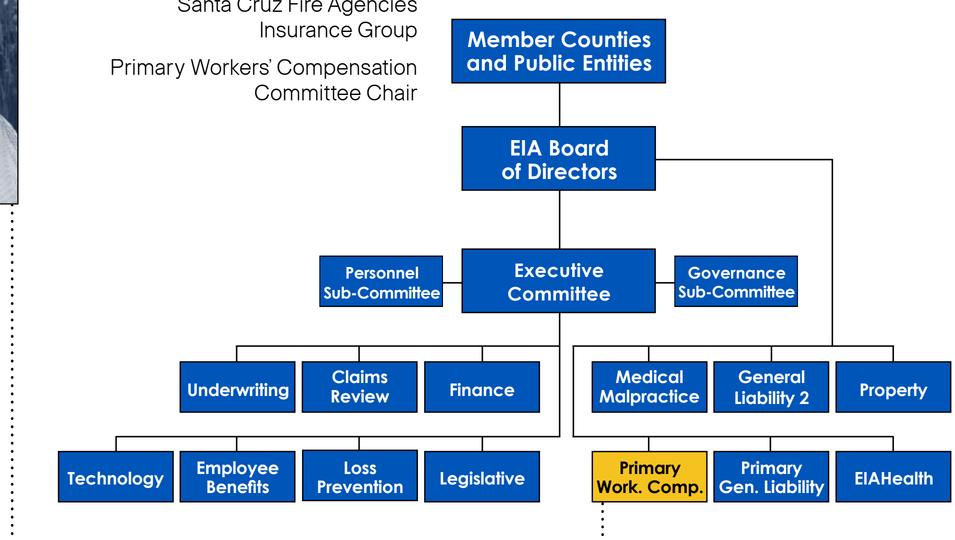
The PWC Committee governs the Program, reviewing all matters pertaining to the Program including program funding, coverage issues, claims, claims administration, program services, new member applications, and insurance renewals.

The funding of the Program's pooled layer is evaluated each year. In 2009, 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 balancing 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 $38,000,000 to the Program members. The Program has proven it has been "built strong" and additional distributions are anticipated in the next few years as well.

John Scott

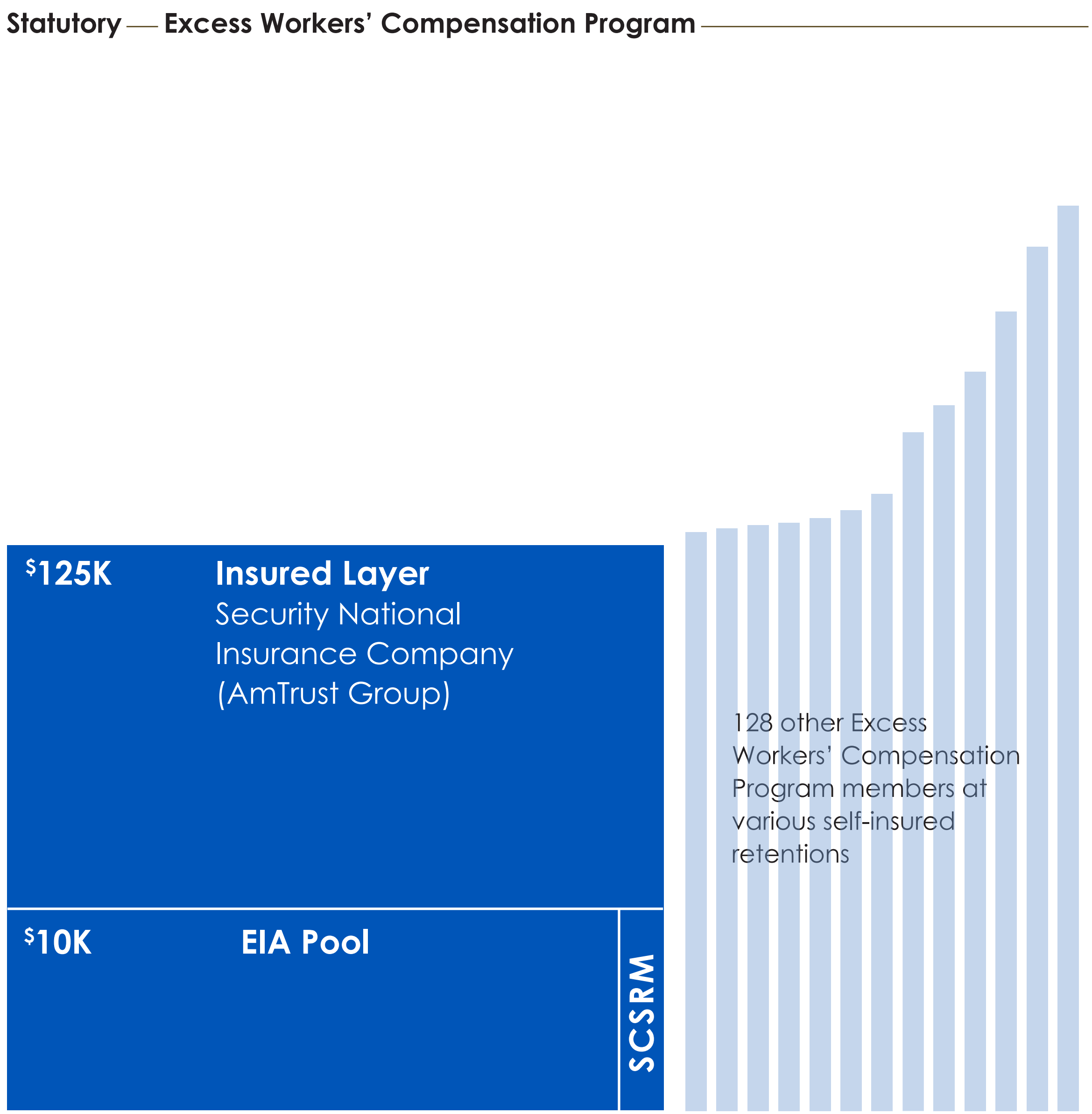
Santa Cruz Fire Agencies
Insurance Group

Primary Workers' Compensation
Committee Chair



Primary Workers' Compensation

2015/2016



Excess Workers' Compensation

The EWC Program was the "foundation" for the EIA, being the first coverage program offered to the members in 1979. Today the EWC Program, one of the most magnificent design pieces in our assembly, provides members with statutory coverage, subject to the members' self-insured retention ranging from $125,000 to $5,000,000. The structure of the Program is depicted graphically on page 11, and is quite a bit different from a year ago. This year, we were able to "build a new tower", literally. While the existing members continue to enjoy the breadth of coverage, service and low cost in the "Core Tower", our school and university members are enjoying similar benefits in the "Educational Tower". Our largest and most significant addition, allowing us to build the "Educational Tower", is the California State University Risk Management Authority.

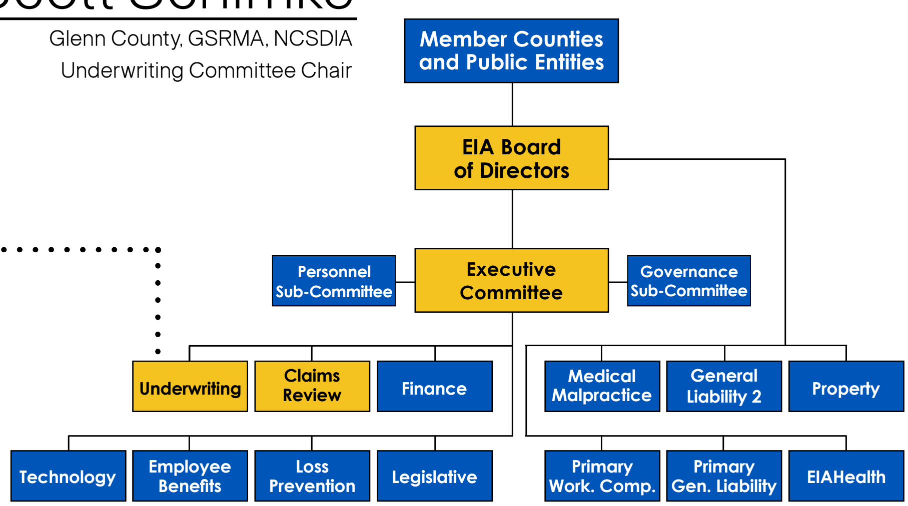
Like most markets, the insurance market is cyclical and the insurance companies will attempt to balance profits and market share. There will also be times when the Program can leverage its volume to secure insurance at a cost that is less than it would be for the combined group to self-insure. Current market conditions give the Program the opportunity to transfer a significant amount of risk. 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 grow the Program's overall funding position.

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 slowed investment climate and increasing 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 governing committees, and decisions to increase funding levels are continually evaluated to ensure the EWC will continue as one of our largest and strongest, as well as best engineered, programs for the EIA members.

The Board of Directors 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 14.

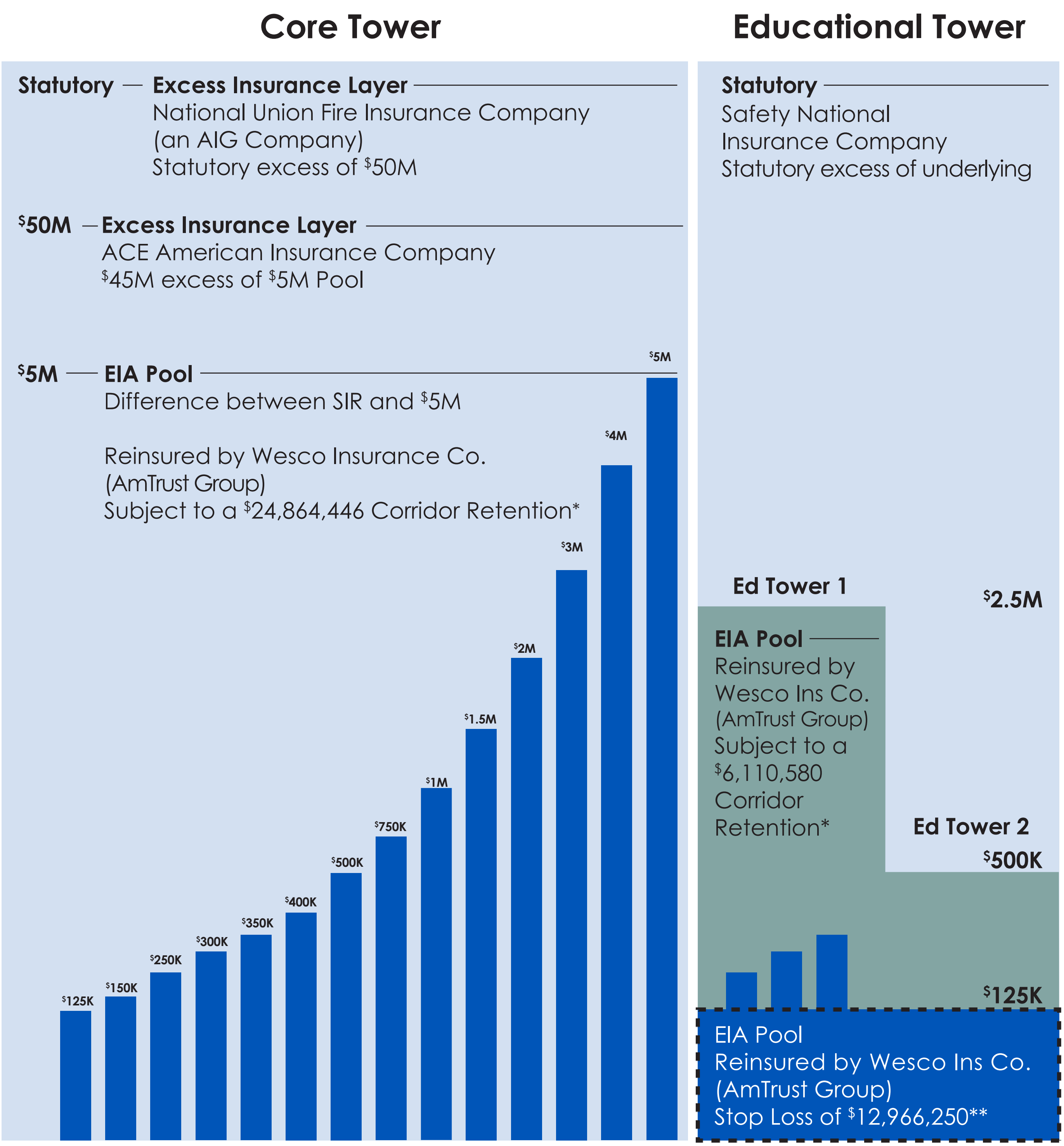
Scott Schimke

Glenn County, GSRMA, NCSDIA
Underwriting Committee Chair



Excess Workers' Compensation

2015/2016



*The Corridor Retentions will be adjusted at the end of the year

**Actual coverage written on an 18 - month period, 1/1/15 - 6/30/16

Primary General Liability

The Primary General Liability (PGL) Program is another "adjoining" program, modeled after the PWC and "constructed" out of a desire to provide 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 two 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 13.

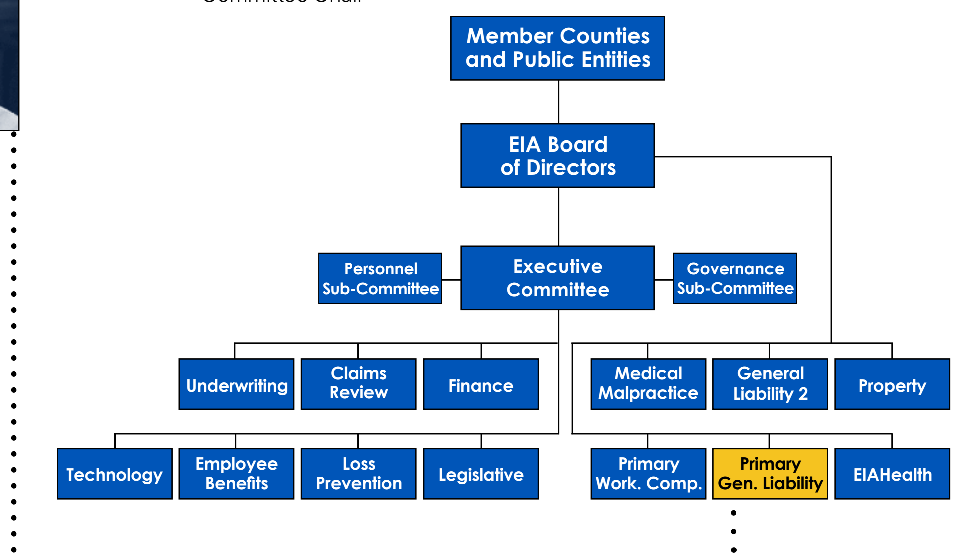
The PGL Committee governs this Program. They review all matters pertaining to the Program including coverage issues, claims, program services, new member applications, and reinsurance renewals.

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. The PGL Committee has demonstrated they are flexible and will react to changes in the insurance environment, when necessary. Together, the members have enjoyed a very successful program for more than 15 years, and this success is expected to carry on for many years to come.

Paul Hight

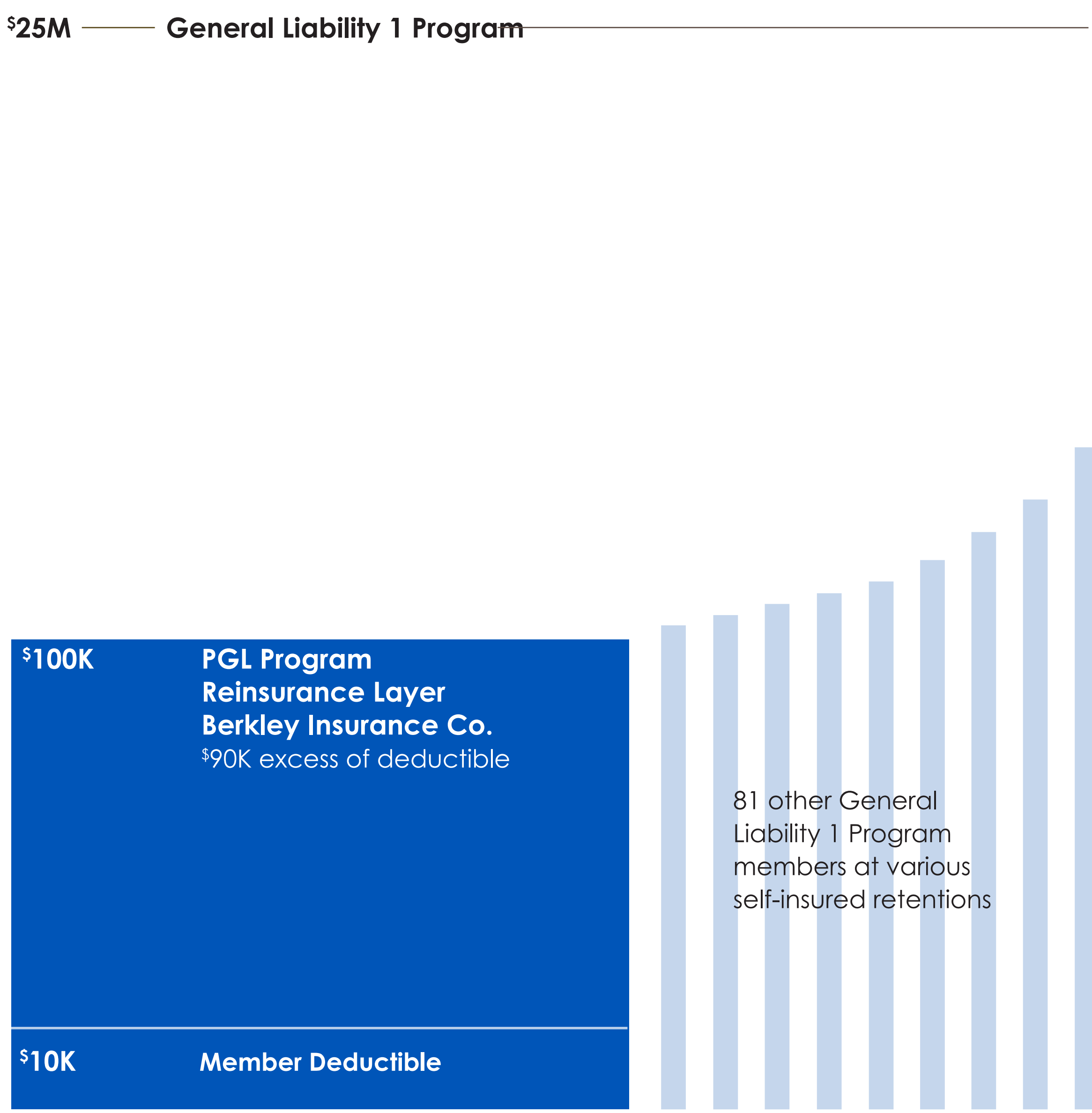
Sacramento County Contracts

Primary General Liability Committee Chair



Primary General Liability

2015/2016



General Liability 1

Another core piece of the EIA's program "infrastructure", the General Liability 1 (GL1) Program provides members with coverage for third party liabilities (including general, automobile, employment practices, and errors and omissions). Like a "dome" of protection, members enjoy $25,000,000 in coverage limits, 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 15.

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 evaluation of providing coverage, while protecting the Program's assets, is part of the "surveying" the EIA does on a regular basis.

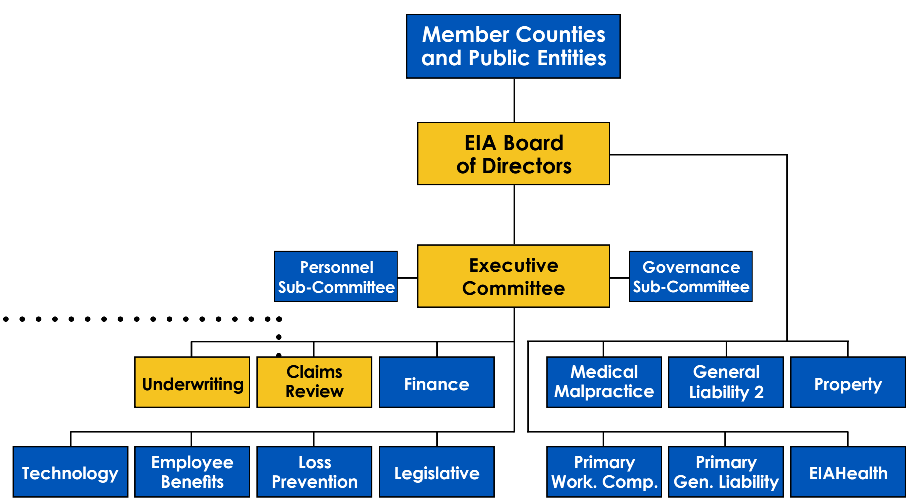
Like the EWC Program, the GL1 Program is governed by the Board of Directors, with recommendations being made by the Executive, Underwriting, and Claims Review Committees. The Board has delegated a significant amount of authority to the Underwriting and Claims Review Committees to handle the day-to-day business of the Program. More detail on the Underwriting Committee can be found on page 10.

The Claims Review Committee reviews GL1 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.

Kerry John Whitney

Napa County

Claims Review Committee Chair



General Liability 1

2015/2016

$25M — **Reinsurance Layer**

Quota Share Placement
50% Evanston Insurance Co. (Markel Re)
50% Argonaut Insurance Co. (Alteris)
$10M excess of $15M

$15M — **Reinsurance Layer**

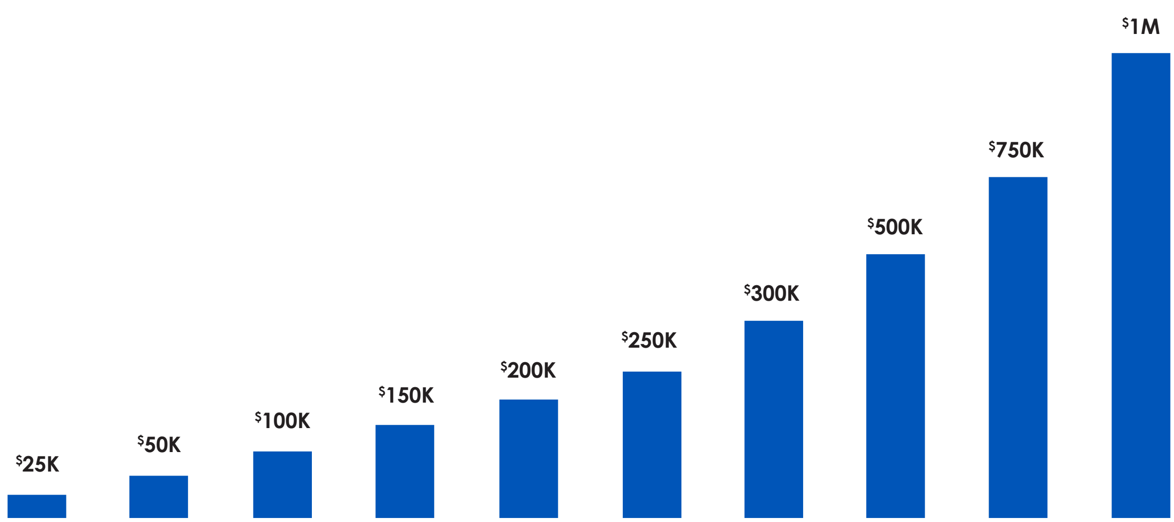
Wesco Insurance Company (AmTrust Group)
$5M excess of $10M

$10M — **Reinsurance Layer**

Great American
$5M excess of $5M pool
Subject to a $5M 2-Year Corridor Retention

$5M — **EIA Pool**

Difference between SIR or PGL and $5M



*15 GL1 Program members purchase additional limits through the Optional Excess Liability Program

General Liability 2

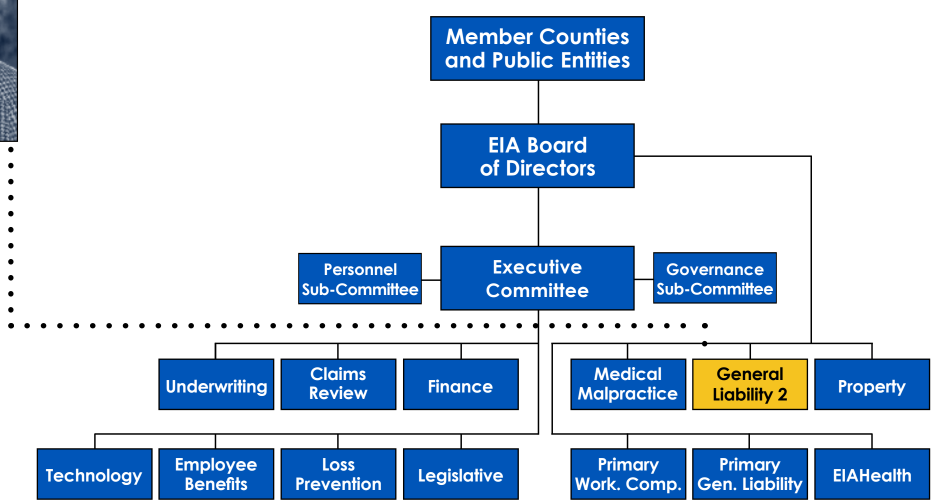
The General Liability 2 (GL2) Program has been firmly embedded in insurance offerings of the EIA for more than two decades. The Program provides members with coverage for third party liabilities (general, automobile, employment practices, and errors and omissions), up to a limit of $25,000,000 subject to the members' self-insured retentions, which range from $1,000,000 to $3,000,000.

Because of a challenging loss history, the "support" of the Program has been more important than ever. The members stuck together to work through tough renewals and premium increases. They have also worked together to make changes to ensure the Program is attractive to the insurance market. The GL2 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 layers, with AmTrust providing coverage above the corridor retention up to $10,000,000; Markel, Great American, and Brit each taking a piece of the next $10,000,000 layer; and Markel providing the upper $5,000,000 layer of the Program. This structure is depicted graphically on page 17.

The GL2 Committee governs this Program. They review all matters pertaining to the GL2 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 "firmly grounding" the membership in the Program and ensuring the premiums are equitably distributed amongst the members.

Barbara Lubben

Alameda County
General Liability 2 Committee Chair



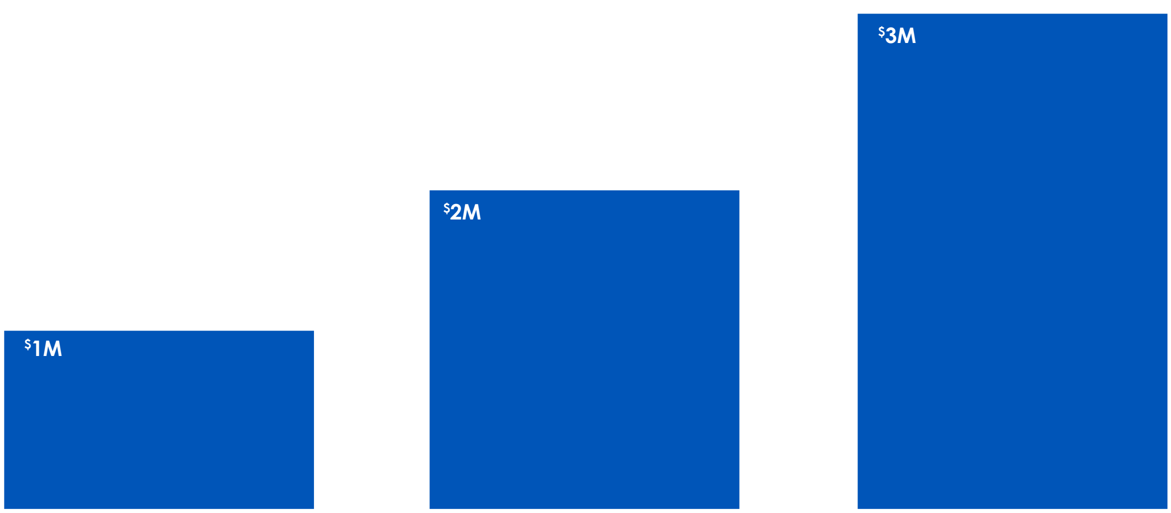
General Liability 2

2015/2016

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

$20M — **Reinsurance Layer**
Quota Share Placement
45% Evanston Insurance Co. (Markel Re)
30% Great American
25% Brit Insurance
$10M excess of $10M

$10M — **Reinsurance Layer**
Wesco Insurance Company
(AmTrust Group)
Placed through ANML
Subject to a $9,000,000 Corridor Retention



*8 GL2 Program members purchase additional limits through the Optional Excess Liability Program

Property

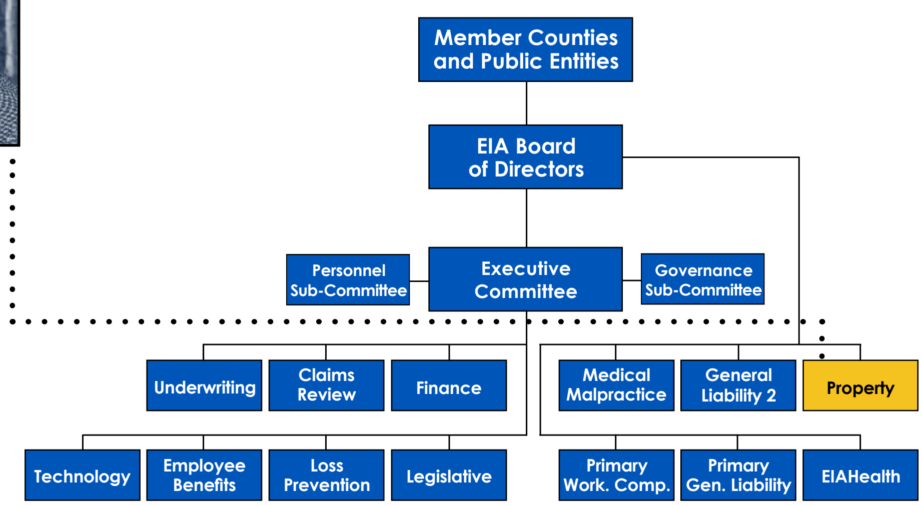
The Property Program is a perfect example of the benefits that come from creativity, tenacity to work through tough renewals, longevity of membership commitments and partnerships with underwriters, and patience for the Program to "hammer out" the scope over time. The Program itself is much like a well-designed business center, in that the structure has been built, re-built, re-designed, added-on, sometimes demolished, and the again newly constructed (we refer to this as building "Towers" and "Rooftop Layers"), to ensure that the Program continues to thrive and provide the best protection for the members at the lowest possible cost for many years to come.

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 $490 million in flood limits. Plus, members that purchase earthquake coverage have access to $490 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.

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.

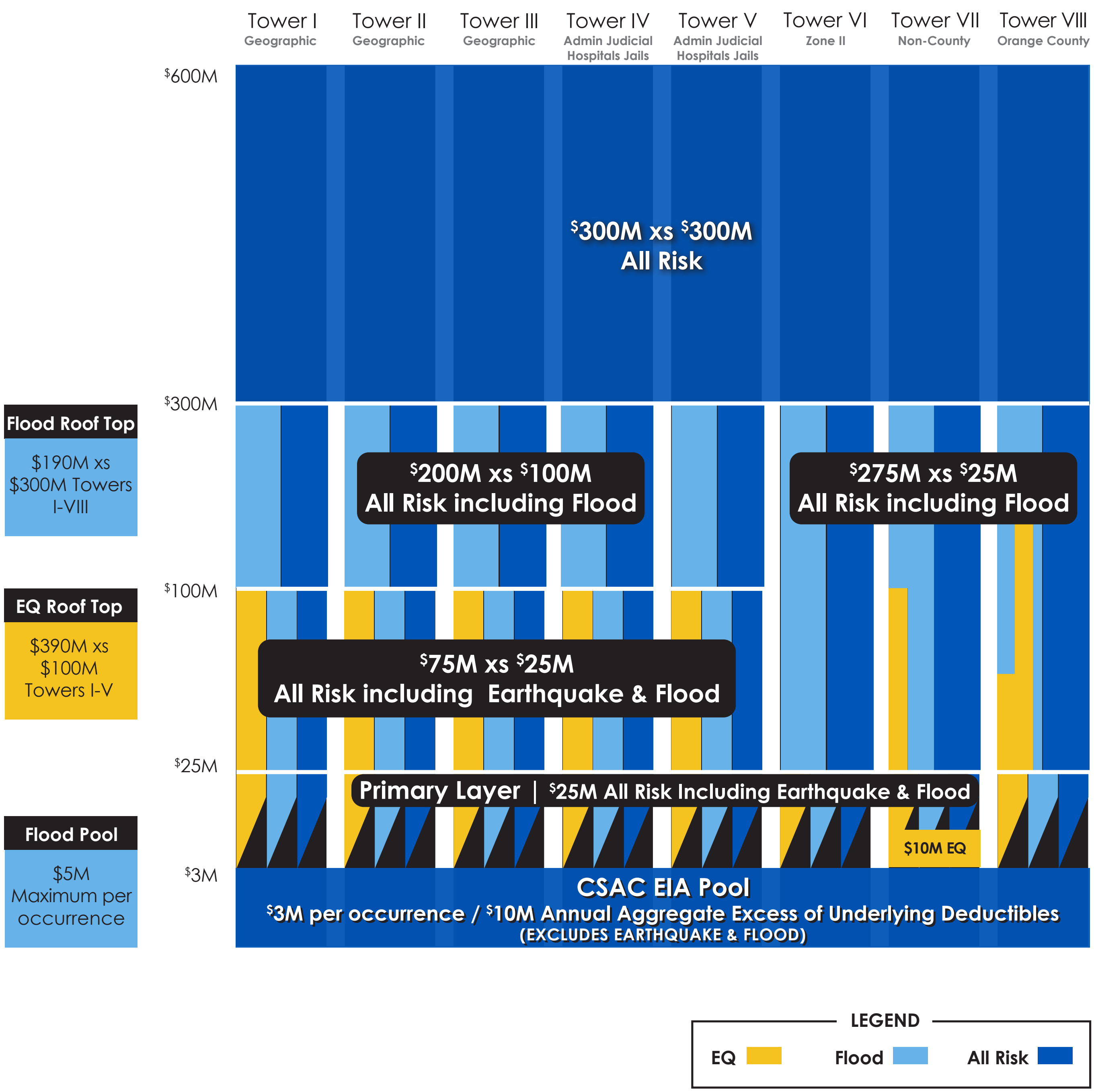
Lance Sposito

Santa Clara County
Property Committee Chair



Property

2015/2016



Medical Malpractice

The Medical Malpractice Program has taken different shapes over the years, while providing 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 21.

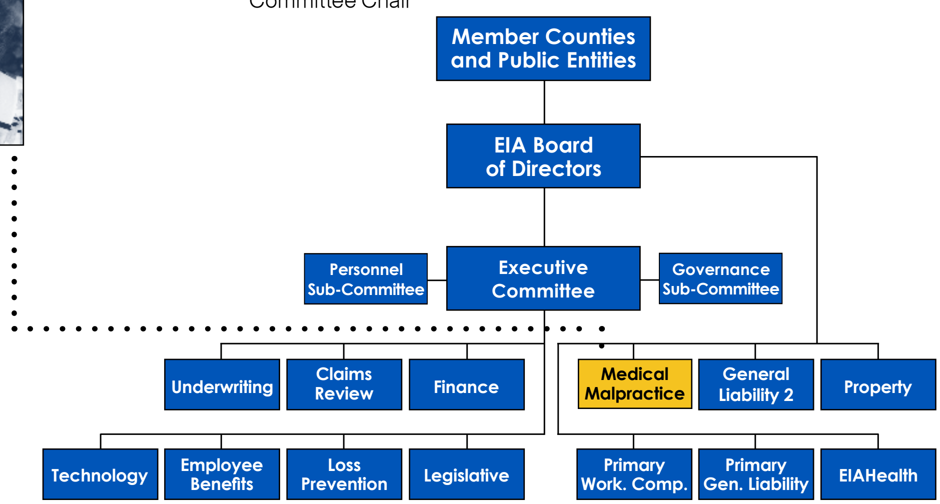
Beginning with the 2010/11 year, the Program's reinsurance agreement was converted from "claims-made" to an "occurrence" basis. This has allowed the Program to transfer its liability for tail claims in the reinsured layer to Lexington over the course of a three-year period. This elimination of the tail exposure will act like a "safe vault", increasing 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

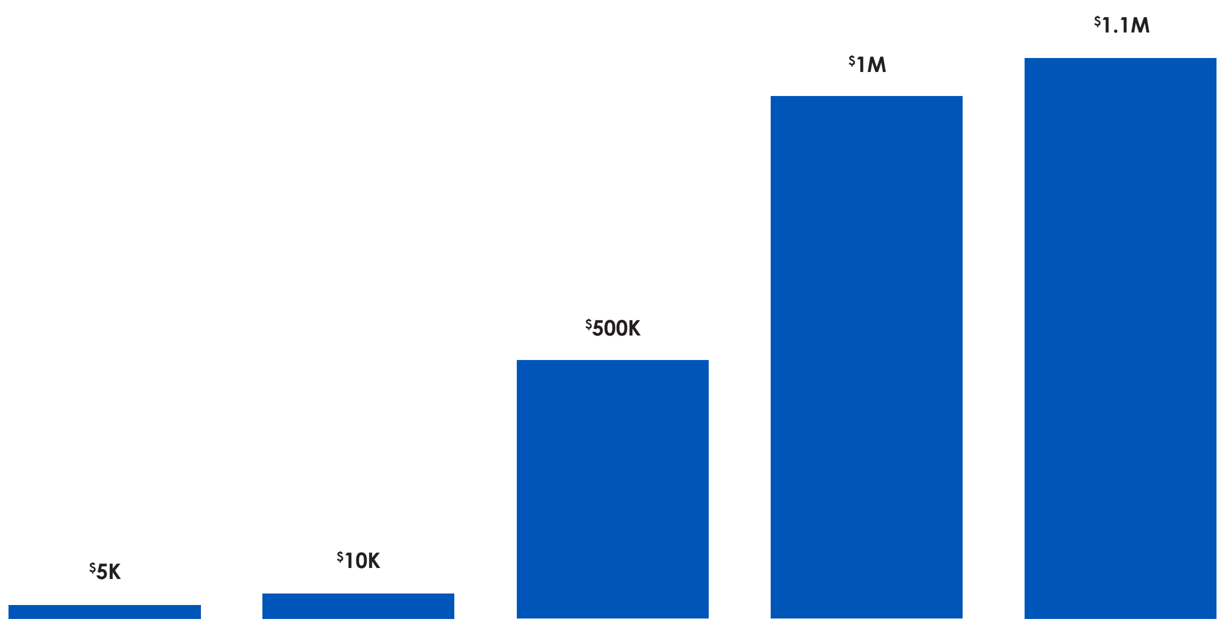


Medical Malpractice

2015/2016

$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

One of the EIA's newest architected programs is EIAHealth, yet it has already enjoyed a very successful history in its young 12 years. The 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.

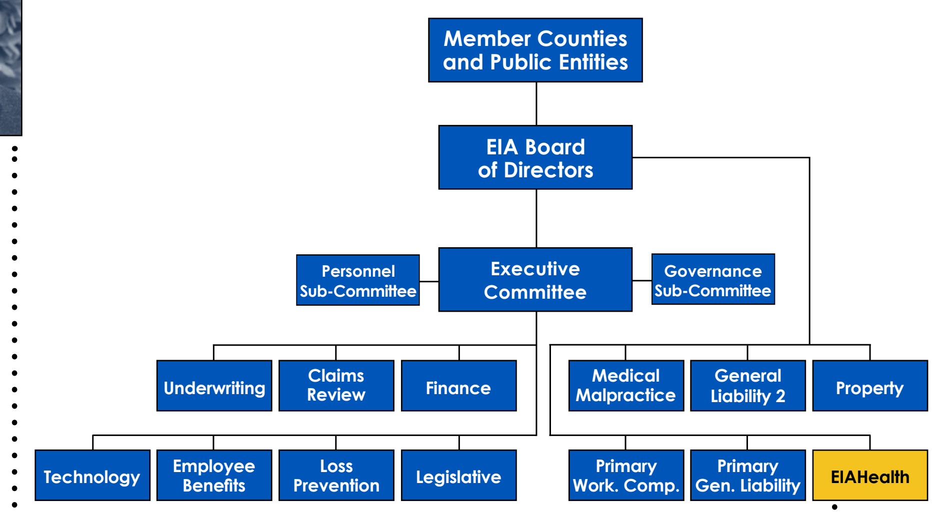
The EIAHealth Committee governs this Program. This Committee reviews all matters pertaining to the EIAHealth Program including program funding, new member applications, and program renewals.

EIAHealth Membership

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

Scott DeMoss

Merced County
EIAHealth Committee Chair



Dental

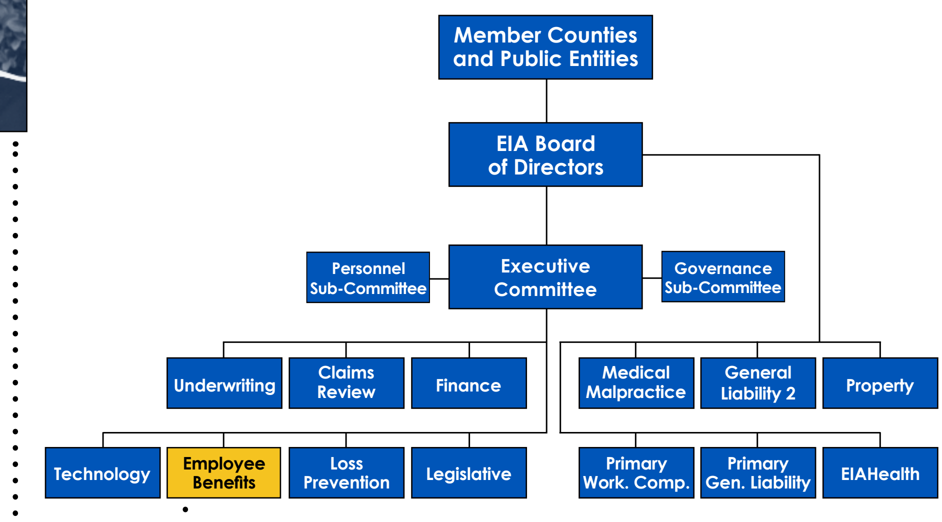
The Dental Program, another modern and more recently "constructed" program, was launched in January 2010 and has since experienced significant growth. This Program utilizes the pooling methodology to provide members with more predictable and stable dental rates year-over-year. The Program partners with 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.

Andreas Pyper

Santa Barbara County

Employee Benefits Committee Chair



Master Rolling Owner Controlled Insurance Program

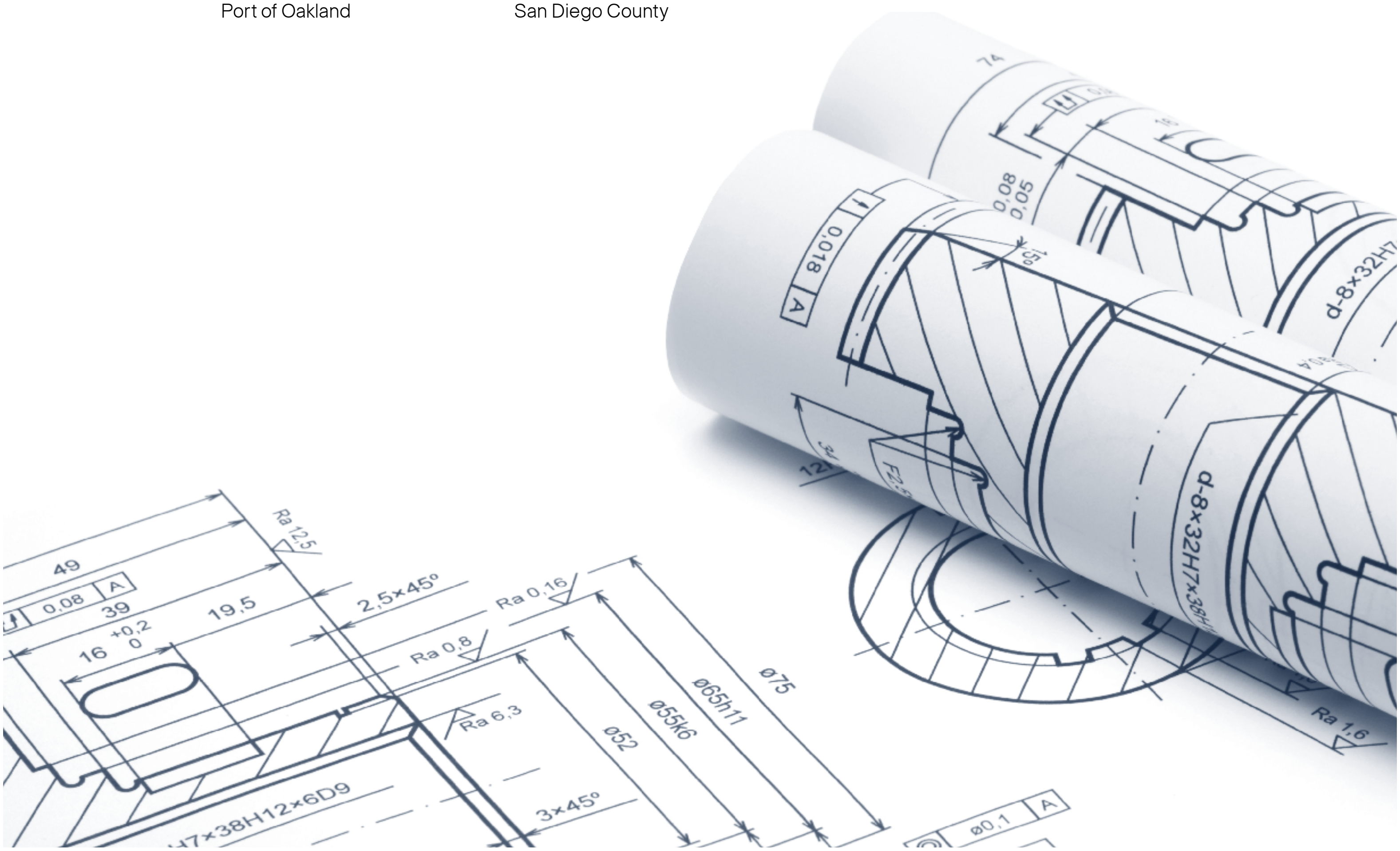
The Master Rolling Owner Controlled Insurance Program, or MR OCIP for short, enables members to purchase workers' compensation and general liability coverage for all eligible parties (owner, general contractor, and sub-contractors) working on their construction projects. These policies (also known as "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.

As the newest building in the EIA's "estate" of programs, MR OCIP was launched on January 1, 2013. The Program expanded significantly this past year, and currently has eight participating members. This Program is positioned to continue to experience significant growth, as 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 can provide members the opportunity to receive the benefits of a "wrap-up" on projects that otherwise wouldn't qualify because of their size.

MR OCIP Membership

- City of Oakland
- Kern County
- Port of Oakland
- Placer County
- Riverside County
- San Diego County
- San Mateo County Schools Insurance Group
- Tuolumne County



Financial Letter

November 1, 2015

Board of Directors
CSAC Excess Insurance Authority

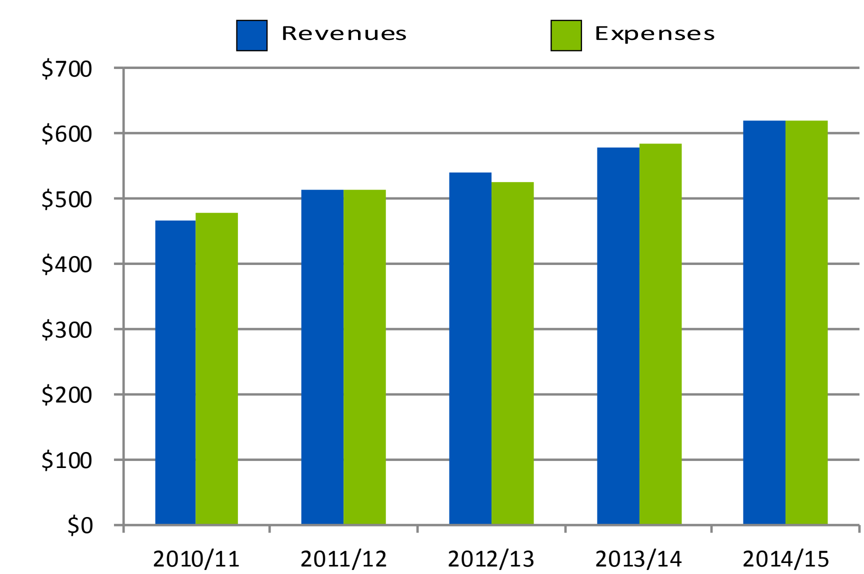
The EIA is continually constructing and deconstructing its programs to better meet the needs of its members. In addition to program information, we include an overview of the EIA's financial condition, and highlights of the financial activity for the fiscal year ended June 30, 2015. Included are comparative financial statements for the years ended June 30, 2015 and 2014, including the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position, which conform to Generally Accepted Accounting Principles (GAAP). 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, 2014 was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). 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

Net Position is defined as the difference between Total Assets and Total Liabilities. The EIA started the year with a net position of $113.3 million. We adjusted our net position coming into the year down by $2.5 million to reflect the change in accounting for pensions required by the Governmental Accounting Standards Board. This adjustment reflects the beginning Net Pension Liability of the EIA.

Net income before dividends was $6.2 million. We declared another $4 million dividend in our Primary Workers' Compensation Program, $450 thousand in our Primary General Liability Program and $255 thousand of no claim bonuses in other programs. Our ending balance in net position at June 30, 2015 is $112.4 million, down slightly from our $113.3 million in fiscal 2014.

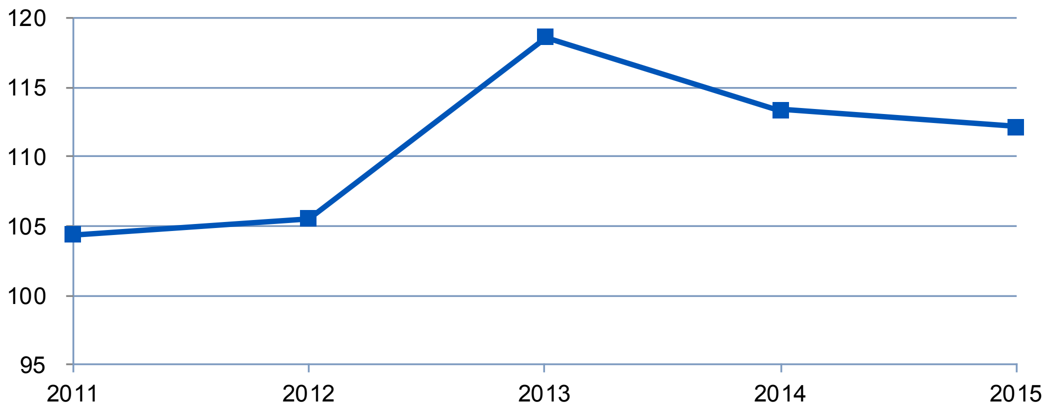


Financial Letter
continued

The following chart shows how Revenues and Expenses 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. Claim liabilities increased from $439.8 million to $463.7 partly because of growth, including the addition of the California State University Risk Management Authority (CSURMA), January 1, 2015, in our Excess Workers Compensation (EWC) Program. Because of this new member, we were able to construct a new Educational Tower within the EWC Program and add a new insurance carrier to our program. Claims Liabilities also increased because we added a $7 million dollar self-funded aggregate layer to our excess liability program for large cities and counties and assumed we would have claims of $7 million in that layer.

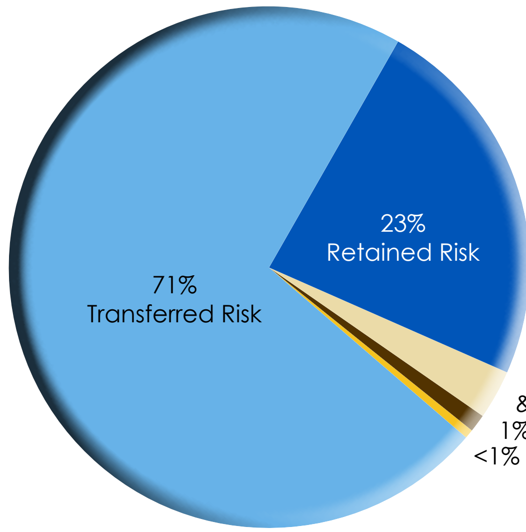
The target equity range is what the EIA considers as desirable equity that should be on hand as reserve for loss development. The governing committees for each program use this information to determine how much premium to collect at renewal, and whether to declare a dividend. The chart below shows the target equity range for each program, and the Net Position of those programs at June 30, 2015.

	Target Equity Range (in Millions)		Program Net Position (in Millions)
Program	Low	High	at June 30, 2015
Primary Workers' Compensation	$30	$44	$26
Excess Workers' Compensation	$30	$67	$4
Primary General Liability	$0.07	$2	$2
General Liability I	$16	$35	$39
Medical Malpractice	$5	$10	$6

Financial Letter
continued

Revenues

Total revenues were $621 million during 2015, a 7% increase from the $580 million in 2014. Both premium and pool revenue is up partly due to rising payrolls which is the exposure base for many programs, and the addition of CSURMA. Insurance rates for both excess workers' compensation and excess liability programs were up. However rates were lower in our Property and Dental programs. We also increased the pool contributions rate for our EWC Program to try and increase equity. However this increase was offset by greater than expected claim development.



Investment Income

Investment income, at $6.2 million, was slightly less than fiscal 2014. We have more treasury assets to invest, but greater volatility in the market led to some unrealized losses that are included in investment income. We expect earnings to continue to rise very gradually as interest rates recover.

Expenses

The EIA continued to purchase insurance to cover risks when that option was more cost effective than pooling the risk. In 2015 insurance related expense was $444 million up from $423 million in 2014, matching the growth in revenues. Purchased insurance was 72% of all expenses, while claim costs accounted for 22%. Dividends, Program Services, and Administrative Costs made up the remaining 6% of expenses

Loss Prevention Expenses

The Authority offers a wide range of 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
- Subsidy program to fund risk management services
- Driver monitoring program

Financial Letter
continued

New Initiatives

In March we completed the initial phase of the Primary Workers Compensation claims consolidation into our claims management information system (CMIS) and integration with our Excess Program. Our IT department is also offering a CMIS service to our members which has really taken off with 12 member entities signed up to participate. This effort continues our work in standardizing reporting and consolidating data which has been on multiple platforms.

Our new Master Rolling Owner Controlled Insurance Program, which provides wrap-up coverage for our member governments and its contractors has added the first few "under $100 million projects", with more in the pipeline. This is in addition to existing over $100 million projects that started in 2013.

Our financial statements follow. With the help of its people, members, staff, business and insurance partners, the EIA continues to accomplish its mission of providing Competitive, Available, Responsive, Equitable and Stable risk financing to its members

Respectfully submitted,

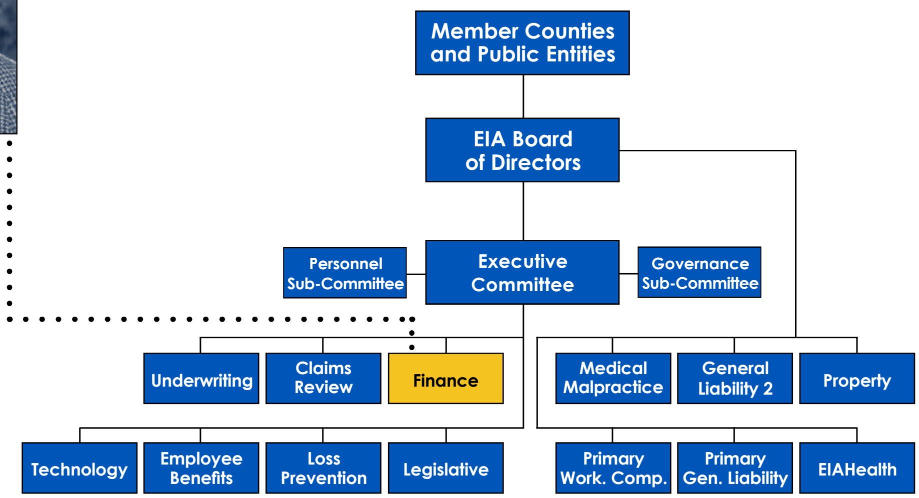
Marianne I. Stuart
Chief Financial Officer

Michael D. Fleming
Chief Executive Officer
Secretary/Treasurer

Barbara Lubben

Alameda County

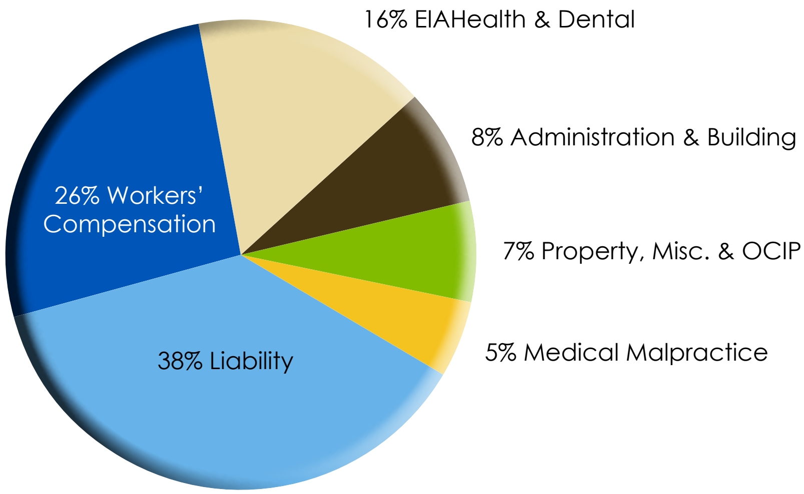
Finance Committee Chair



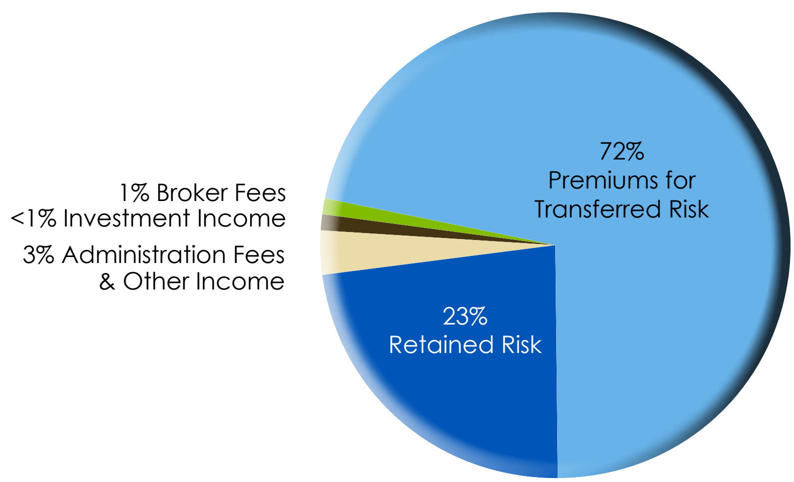
Financial Profile

Financial results in Brief 2014/2015

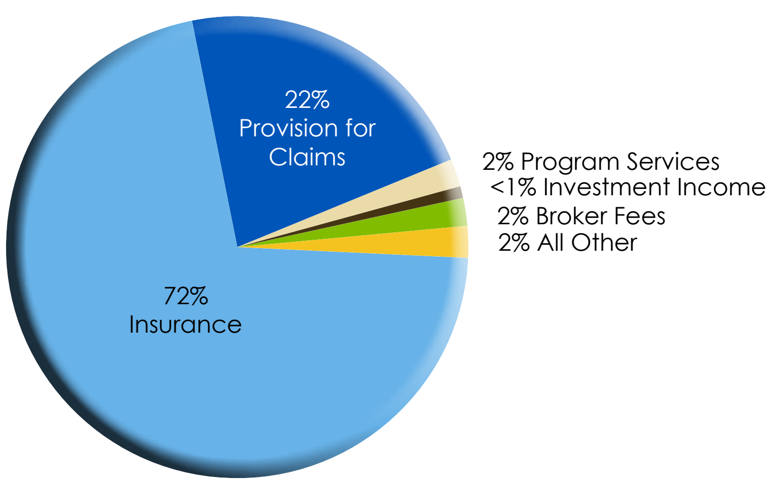
Net Position by Program



Revenues



Expenses



Financial Profile

continued

Statement of Net Position, June 30, 2015 and 2014

		June 30, 2015	June 30, 2014
Assets:			
Cash and Cash Equivalents		29,289,516	69,805,654
Investments		486,494,567	385,127,511
Receivables		22,470,541	40,095,370
Prepaid Expenses		95,650,618	89,121,772
Land, Buildings and Equipment (Net)		9,043,933	8,414,447
	Total Assets	642,949,175	592,564,754
Liabilities:			
Accounts Payable and Due to Members		29,002,692	29,055,139
Unearned Income and Other Liabilities		34,949,305	10,378,595
Pension Liabilities		2,839,643	0
Claim Liabilities		463,749,847	439,821,540
	Total Liabilities	530,542,530	479,255,274
Net Position:			
Invested in Capital Assets		9,043,933	8,414,447
Unrestricted		103,362,712	104,914,554
	Total Net Position	$112,406,645	$113,329,001

Financial Profile

Continued

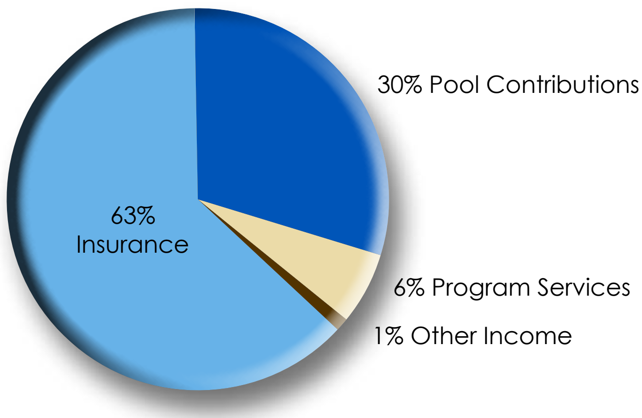
Statement of Revenues, Expenses & Changes in Net Position
For the Fiscal Years Ended June 30, 2015 and 2014

	June 30, 2015	June 30, 2014
Revenues:		
Premiums for Transferred Risk	$443,008,816	$423,229,776
Broker Fees	8,775,741	8,342,982
Contributions for Retained Risk	143,354,781	124,089,007
Dividend Income	241,593	215,008
Investment Income, net	6,159,321	6,227,796
Member Services	1,111,493	865,314
Administration Fees	16,107,839	14,400,637
Public Entity Fees	604,556	552,493
Other Income	1,878,251	2,284,488
Total Revenues	621,242,391	580,207,501
Expenses:		
Member Dividends	$4,703,871	$6,179,489
Insurance and Provision for Losses:	-	-
Insurance Expense	444,479,808	422,937,089
Broker Fees	8,559,724	8,079,636
Provision for Insured Events	135,224,386	122,157,339
Unallocated Loss Adjustment Expenses	2,119,213	2,332,280
Program Services	12,005,843	12,134,125
Member Services and Subsidies	2,852,087	2,358,826
General Administrative Services	8,870,057	8,412,166
Depreciation and Building Maintenance	888,371	902,946
Total Expenses	619,703,360	585,493,896
Changes in Net Position	1,539,031	(5,286,395)
Net Position:		
Net Position, Beginning of Year	113,329,001	118,615,396
Cumulative effect of change in accounting principle - pension	(2,461,387)	
Net Position, End of Year	$112,406,645	$113,329,001

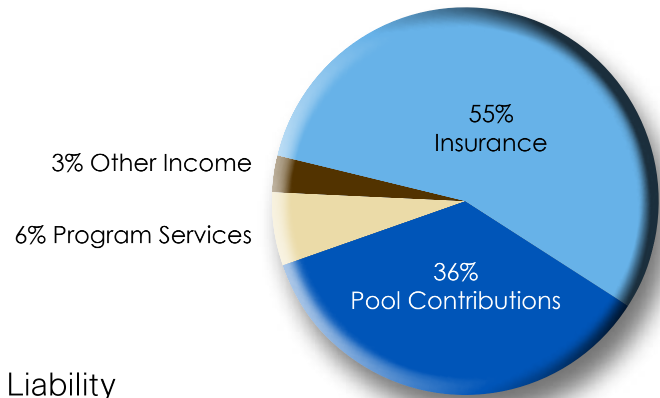
Financial Profile

Operating Results by Program

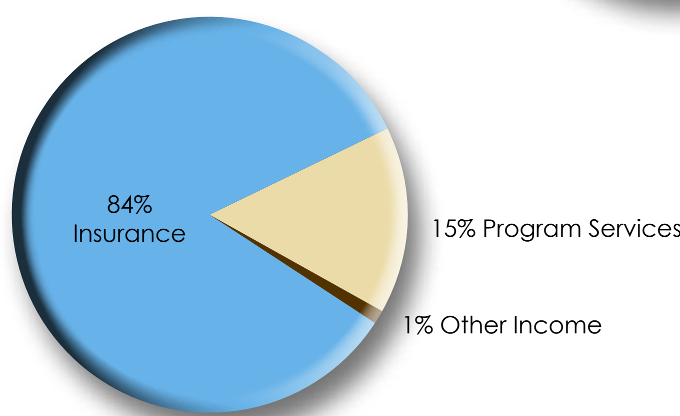
Primary Workers' Compensation



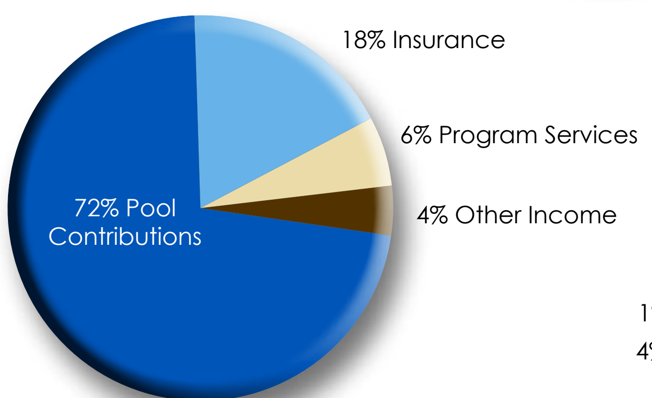
Excess Workers' Compensation



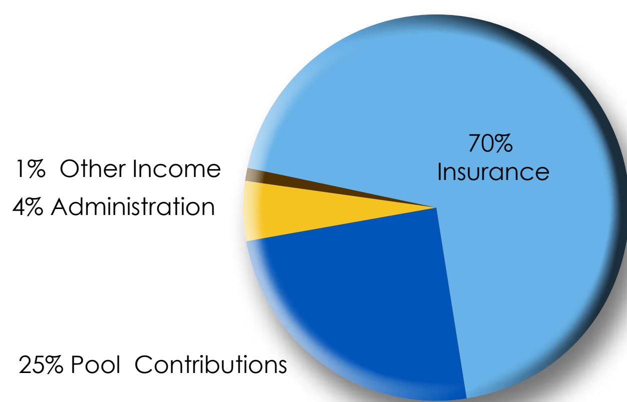
Primary General Liability



General Liability 1



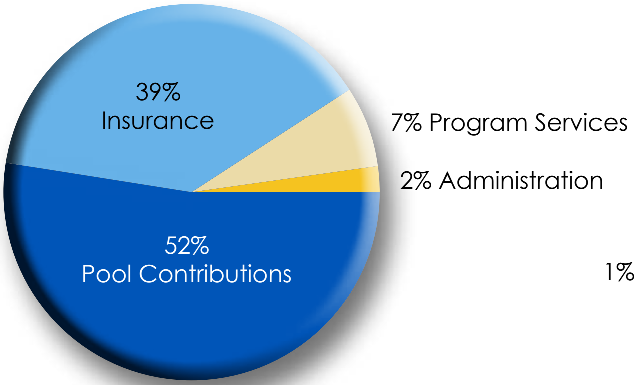
General Liability 2



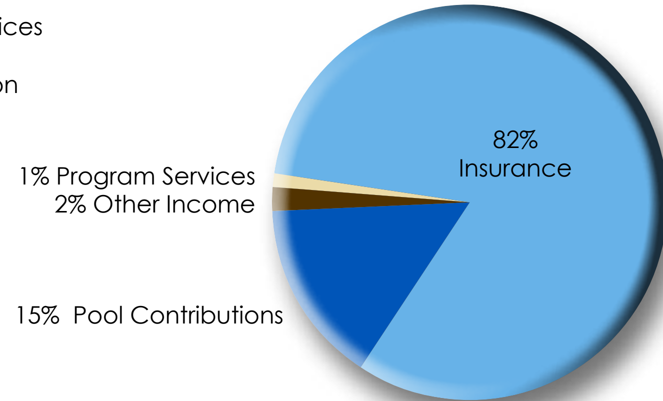
Financial Profile

Operating Results by Program

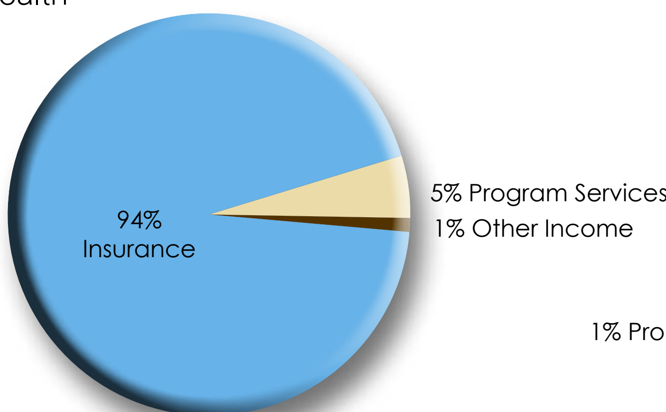
Medical Malpractice



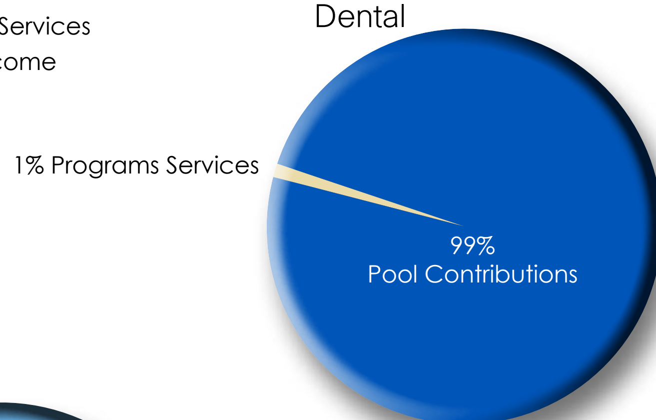
Property



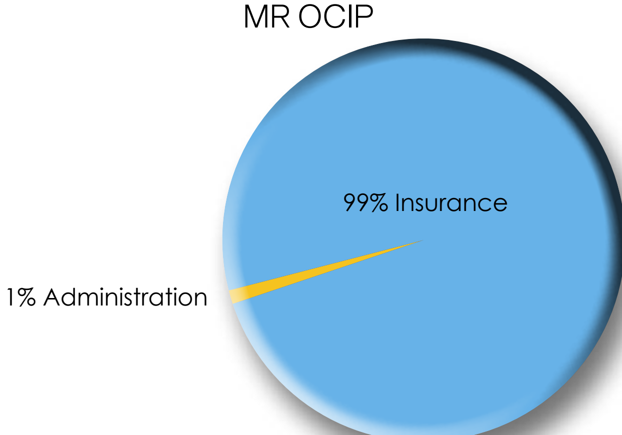
EIAHealth



Dental



MR OCIP



About the EIA

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.

Over the past 36 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.

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.

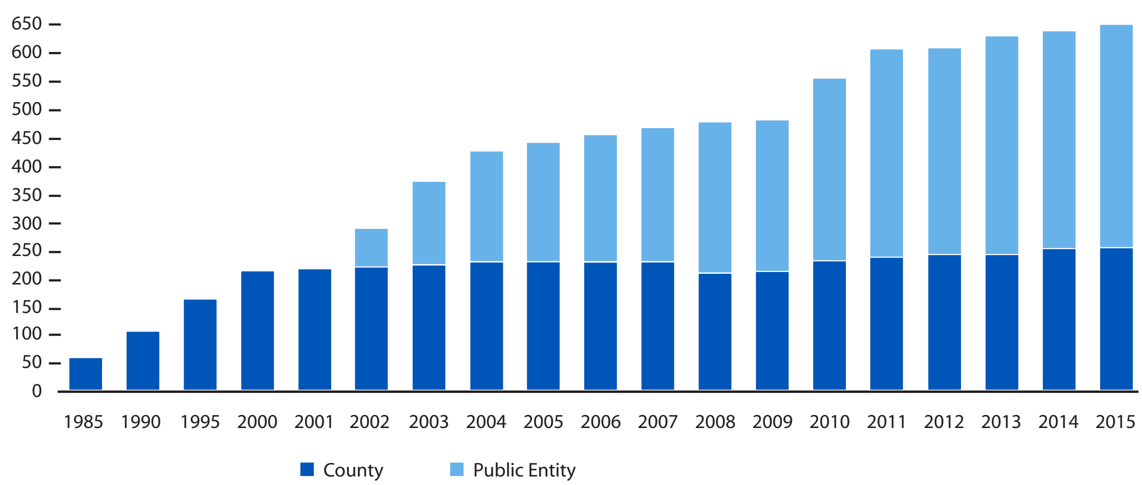
While the membership has enjoyed the rewards of their success over the past 36 years, they have continued to refine, restructure, and improve the programs and services to ensure that the members' current and future needs will be met. At the same time, efforts are continually made to keep costs as low 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 – 6/30/14). We are currently in the process of submitting information for the fiscal year ending June 30, 2015. These recognitions and achievements reinforce the valuable, effective, efficient, and stable organization that the members have built for California's counties and public entities.

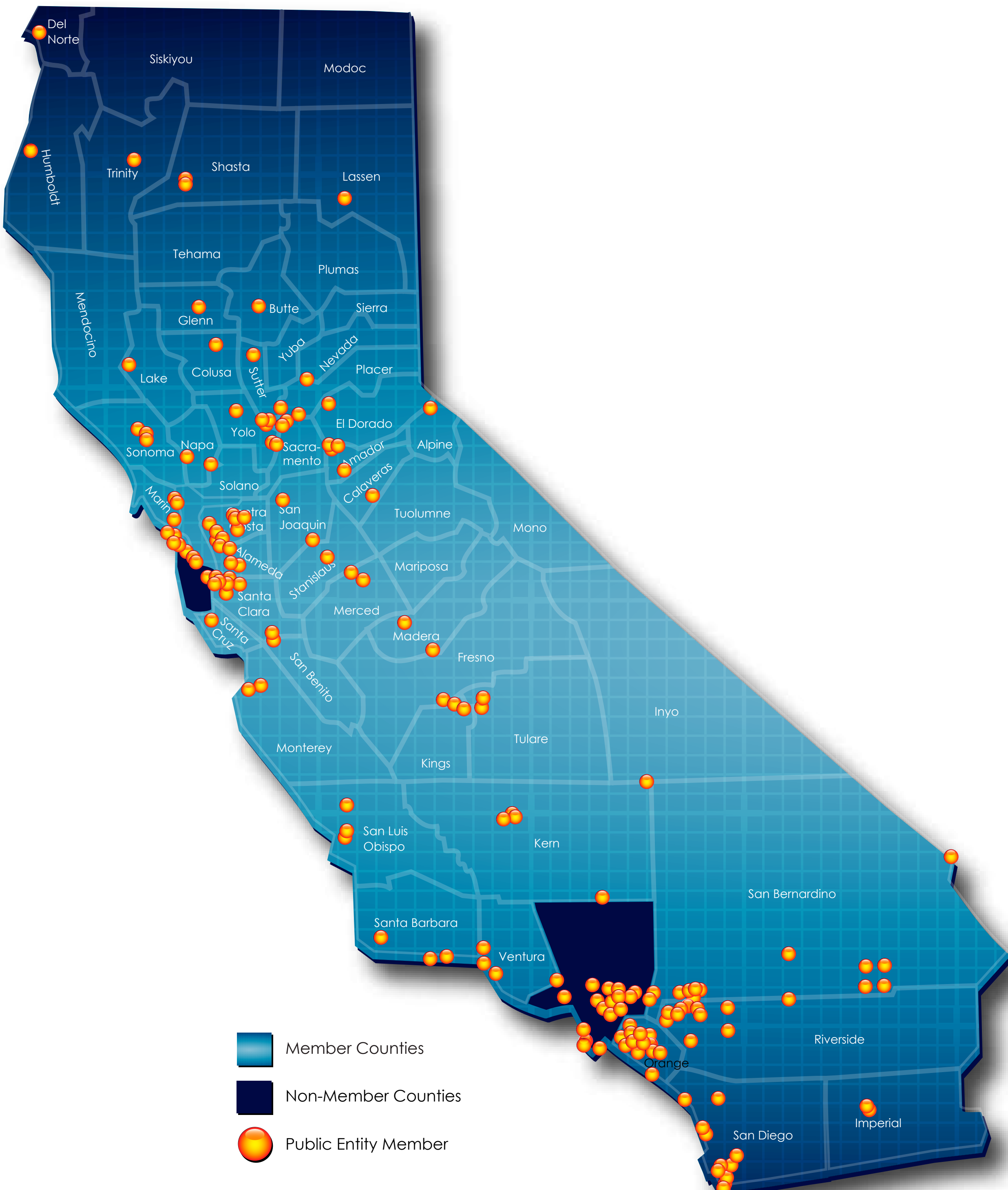
Membership

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 five years is due, in large part, to the formation of the Dental Program. This Program launched on January 1, 2010 and currently has 146 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 55 member counties represent a 95% market share of the 58 counties in the state. While the public entity membership currently consists of 254 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 more than 1,900. 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.



CSAC EIA's Members



Membership Involvement

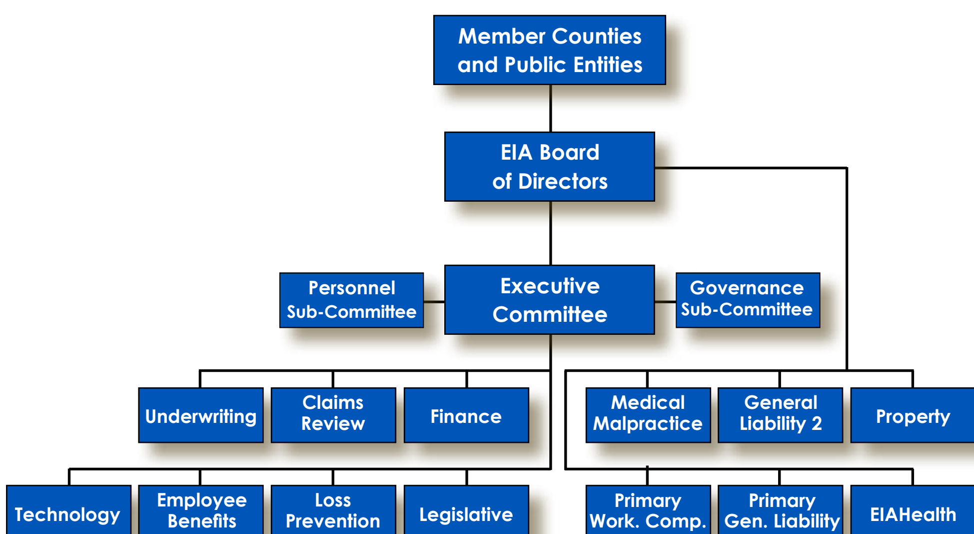
Our mission statement starts by prefacing that the EIA "is a member-directed risk sharing pool…". Membership involvement has always been the hallmark of the EIA and the key to the success of the organization. The EIA members generously provide their time, expertise, and leadership by serving on the Board of Directors and through their involvement on one or more of the EIA's 17 committees. As such, more than 120 individuals are currently participating in the governance of the organization. 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.

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.

Below is an organizational chart depicting the governance structure of the EIA. The Board of Directors is comprised of 62 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.

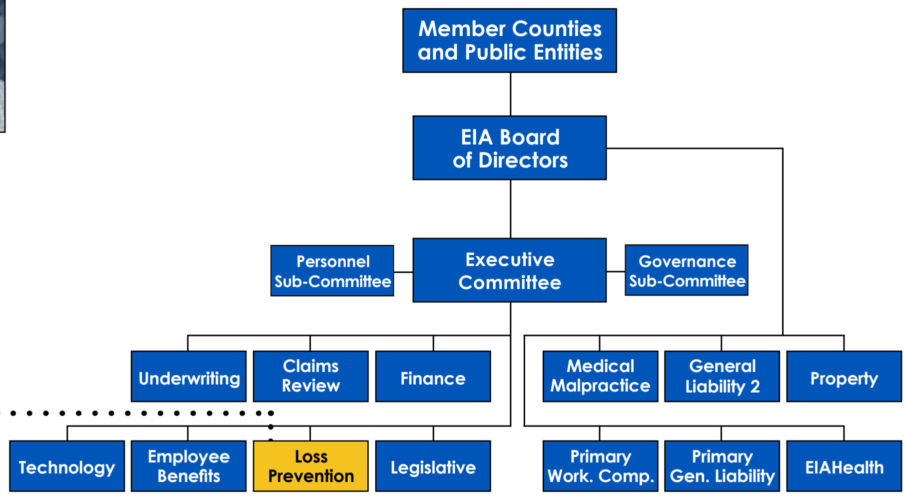
Several of the governing committees are depicted on the preceding pages of this report. In addition, the EIA also has a Loss Prevention Committee, Legislative Committee and a Technology Committee. The Loss Prevention Committee is responsible for determining the loss prevention services and resources that are offered to EIA members, generally based on past loss trends and demands of the membership. The Legislative Committee follows state, and sometimes federal, legislation and regulations that could affect the EIA programs and the members. They primarily focus on legislation and regulations that affect public entities in the areas of workers' compensation, tort liability, health benefits, and workplace safety. Finally, the Technology Committee oversees the EIA's technology resources such as the website and claims management system. The Committee is also responsible for determining technology related services that are offered to the members.



Steve Weston

Butte County

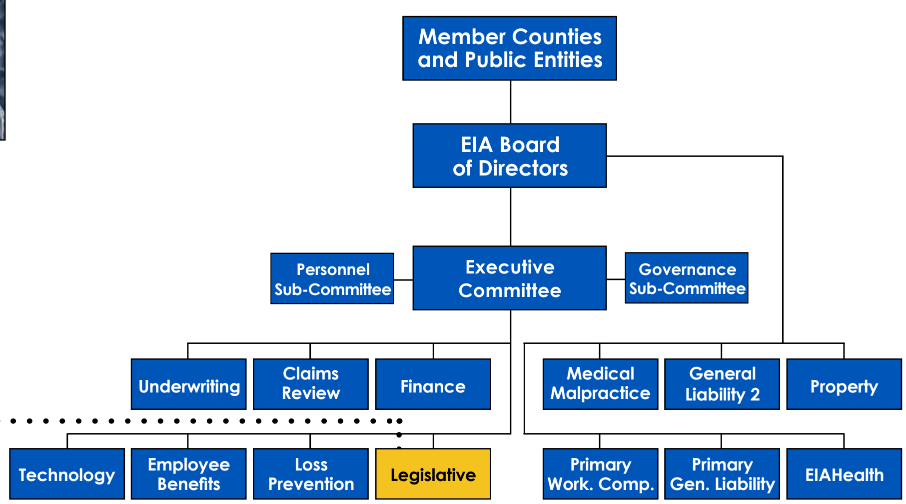
Loss Prevention Committee Chair



Peggy Huntsinger

Stanislaus County

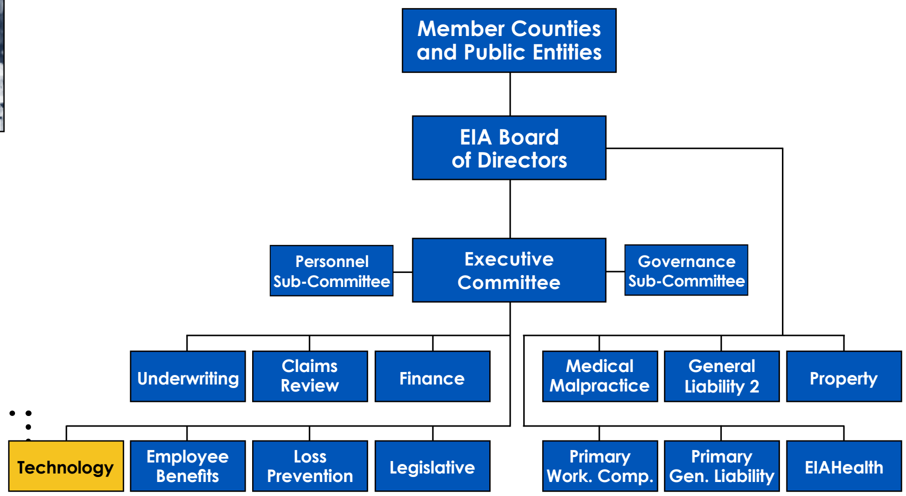
Legislative Committee Chair



Karen Caoile

Alameda County

Technology Committee Chair



EIA Leadership

2015 Executive Committee

President
Jim Sessions, Riverside County

Vice President
Scott Schimke, Golden State Risk Mgmt. Authority

Members
Barbara Lubben, Alameda County
Teri Enos-Guerrero, City of Chula Vista
James Brown, Merced County
John Kerry Whitney, Napa County
Roberta Allen, Plumas County
Kim Greer, City of Richmond
Ken Hernandez, San Bernardino County
Lance Sposito, Santa Clara County
Supervisor Peter W. Huebner, Sierra County

Presidents
Supervisor Barbara Crowley, Tehama Co. 1980-1982
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
J. Terry Roberts, Fresno County, 1983-84 & 1998
Robert Kessinger, Colusa County, 1999
Brent Harrington, Calaveras County, 2000
Kimberly Kerr, Humboldt County, 2001-2002
Richard Robinson, Tehama County, 1997 & 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
Barbara Lubben, Alameda County, 2013
Larry Moss, EBRPD, 2014
Jim Sessions, Riverside County, 2011 & 2015
Scott Schimke, Golden State Risk Mgmt. Auth., 2012 & 2016

2016 Executive Committee

President
Scott Schimke, Golden State Risk Mgmt. Authority

Vice President
James Brown, Merced County

Members
Ann Richey, ACCEL/City of Ontario
Barbara Lubben, Alameda County
Teri Enos-Guerrero, City of Chula Vista
John Kerry Whitney, Napa County
Richard Egan, Lassen County
Roberta Allen, Plumas County
Ken Hernandez, San Bernardino 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
Gina Dean, Chief Operating Officer
Michael Pott, Chief Claims Officer
Michael Fleming, Chief Executive Officer
George Reynolds, Chief Information Officer
Marianne Stuart, Chief Financial Officer

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

agrip
ASSOCIATION OF
GOVERNMENTAL RISK POOLS

California Association of Joint Powers Authorities

Accredited with Excellence

1989-2016

Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

CSAC Excess Insurance Authority

California

For its Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

CSAC Excess Insurance Authority
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www.csac-eia.org