



CSAC Excess Insurance Authority Inter-Fund Borrowing Policy

PURPOSE. The purpose of this policy statement is to provide authority for the borrowing of funds invested in the EIA Treasury. The EIA's goal is to provide maximum flexibility of payment terms to its members in a prudent manner such that equity between Programs and among members is preserved.

BORROWING DEFINED. For purposes of this policy, borrowing is defined as any situation where funds are advanced on behalf of a program prior to collecting this obligation from the membership of the program, or any situation where the payment terms of obligations of the members are different.

EIA TREASURY. The EIA Treasury is a pooled investment of all of the funds of the EIA. While there is a separate accounting for each major program of the EIA, all funds for all programs are pooled and invested through the EIA Treasury.

NEED TO BORROW FUNDS. Situations may arise from time to time where it is necessary for a Program to temporarily have a deficit, in which case funds may be "borrowed" from the Treasury. An example is in the rare situation of a reinsurer or excess insurer insolvency. In order to provide convenient payment terms and better serve the needs of the membership, the EIA allows members to pay obligations over time as well. Examples include installment payments of premium during the year and payment of multi-year premiums (e.g. Property and Crime/Bond) on an annual basis when the EIA has pre-paid the multi-year obligation.

FINANCE CHARGES. When borrowing occurs on a program basis, borrowed funds are repaid to the Treasury including a "finance charge" based upon the actual earnings of the Treasury and the average daily balance of funds borrowed. When a member borrows funds, the finance rate is equal to the short-term investment assumption for the corresponding fiscal year. Each fiscal year the Board of Directors shall review and approve a short-term investment rate based upon the projected yield of the EIA Treasury for the fiscal year.

AUTHORITY TO BORROW FUNDS. By adoption of this policy, the EIA Board of Directors has explicitly approved the borrowing of funds from the EIA Treasury by any EIA Program, as the need may arise. Authority is also granted to allow members to borrow from the EIA Treasury for any obligation to the EIA including contributions for premiums or assessments.

EFFECT OF WITHDRAWAL. Upon the withdrawal of any member from the EIA or a program of the EIA, as the case may be, any funds borrowed shall be immediately due and payable, including applicable finance charges.

DELEGATION OF AUTHORITY TO EXECUTIVE COMMITTEE. The Board of Directors hereby delegates authority to the Executive Committee to approve any other situations not specifically covered by this policy involving the loaning of funds from the EIA Treasury to members, subject to the following conditions and upon the making of specific findings that:

- The loan must be for a specific purpose consistent with the mission of the EIA and related to a program(s) of the EIA, which purpose and program must be specifically identified.
- The purpose of the borrowed funds must be for the payment of covered or potentially covered claims in a program of the EIA; such claim[s], program[s] and potential coverage issues must be specifically identified.
- The Executive Committee shall advise the Board of Directors of any loans approved pursuant to this provision at the next Board of Directors meeting following the approval.