



CSAC Excess Insurance Authority

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# **Comprehensive Annual Financial Report**

**Fiscal Year Ended June 30, 2012**

**- California -**

**CSAC EXCESS INSURANCE AUTHORITY**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**EXECUTIVE COMMITTEE**

<b>Name</b>	<b>Office</b>	<b>Entity</b>
Scott Schimke	President	GSRMA
Barbara Lubben	Vice President	Alameda County
James Brown	CAO	Merced County
Jim Sessions	At-Large	Riverside County
Kristen McMenomey	Risk Manager	Mendocino County
Lance Sposito	At-Large	Santa Clara County
Larry Moss	Public Entity Rep.	EBRPD
Mark Marshall	At-Large	Colusa County
Maryellen Peters	At-Large	Placer County
Peggy Scroggins	Finance	Colusa County
Peter W. Huebner	Supervisor	Sierra County
Steve Underwood	Legal Counsel	CSAC EIA
Michael Fleming	Chief Executive Officer	
Gina Dean	Chief Operating Officer	

**Office Address**

75 Iron Point Circle, Suite 200  
Folsom, California 95630

Report Prepared By The  
**Finance Department**

Marianne Stuart, CPA, Chief Financial Officer  
Vicki Walter, CPA, Controller  
Trina Johnson, Accountant  
Deirdre Robinson, Accounting Technician  
Mercy Penales, Accounting Technician

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**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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## **INTRODUCTORY SECTION**



November 29, 2012

Members, Board of Directors  
CSAC Excess Insurance Authority

Ladies and Gentlemen:

The Comprehensive Annual Financial Report of the CSAC Excess Insurance Authority (the EIA or the Authority) for the year ended June 30, 2012, is hereby respectfully submitted. The Authority's finance department prepared this report. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the EIA. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the EIA, as measured by the financial activity of its various programs and policy periods, and that all disclosures necessary to enable the reader to gain the maximum understanding of the Authority's financial affairs have been included.

James Marta & Company, a firm of licensed Certified Public Accountants, has audited the Authority's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority, for the fiscal year ended June 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The auditor concluded, based upon audit, that there was a reasonable basis for rendering an unqualified opinion that the Authority's financial statements, for the fiscal year ended June 30, 2012, are fairly presented in conformity with Generally Accepted Accounting Principles. The independent auditor's report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report. The MD&A provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

75 Iron Point Circle, Suite 200 • Folsom, CA 95630 • 916.850.7300 • FAX 916.850.7800 • [www.csac-eia.org](http://www.csac-eia.org)

EXECUTIVE COMMITTEE:

Scott Schimke President GSRMA	Barbara Lubben Vice President Alameda County	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	Peter W. Huebner Sierra County
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## **CSAC EXCESS INSURANCE AUTHORITY PROFILE**

CSAC Excess Insurance Authority is a Joint Powers Authority (JPA) established under Article 1, Chapter 5, Division 7, Title I of the California Government Code (§ 6500 et seq.) in October 1979. The EIA operates programs for excess and primary workers' compensation, two excess liability programs, a primary liability program, a property program, a medical malpractice program, an employee health benefit program, a dental program and a miscellaneous program for other coverages. The EIA also provides support services for selected programs such as claims administration, risk management, claims audits, loss prevention and training and subsidies for actuarial studies and risk management services.

The EIA is governed by a 61 member Board of Directors. The Authority's Board of Directors elects from its membership a President, Vice President and nine members to serve as the Executive Committee. The day-to-day operations of the EIA are conducted by the Chief Executive Officer who is responsible for administration of policies set forth by the Joint Powers Agreement, Bylaws, Board of Directors and Executive Committee.

The EIA provides two classes of membership – county members (county entities maintaining their membership in the California State Association of Counties) and public entity members (any other public entity in California). The 61 member Board of Directors is comprised of representatives from each of the 54 county members appointed by their respective boards of supervisors, and seven public entity representatives (plus three alternates) elected by the public entity membership. The 11 member Executive Committee includes two seats specifically designated for public entity members of the Board of Directors.

The EIA's reporting entity includes all activities of the Board of Directors and staff considered part of, and controlled by, the EIA. This includes financial activities relating to all programs and insurance pools of the Authority.

## **EVOLUTION OF THE EIA**

From 1979 to 2001, membership in the EIA was limited to California counties. In June 2001, a sister JPA was created to allow non-county public agencies access to the EIA's programs. The California Public Entity Insurance Authority (CPEIA) was governed by elected members of the CPEIA and members of the EIA. Recognizing that membership and member contributions from the CPEIA had become a significant part of the organization, the EIA and CPEIA determined that there was a mutual desire to provide a greater voice and additional governance opportunities for the CPEIA membership. After two years of discussion and planning, the EIA's Joint Powers Agreement was amended in March 2006 to provide the restructured governance system, including the two classes of membership and voting representation for public entity members on the EIA Board of Directors and Executive Committee.

CPEIA members were required to become public entity members in order to maintain coverage in the Authority's programs. The EIA Board of Directors and the EIA Executive Committee expanded to include public entity representation in October 2006. CPEIA members were given until July 1, 2007 to execute the EIA Joint Powers Agreement to become an EIA public entity member. The CPEIA was subsequently terminated in June 2008 upon a vote of three-fourths of the CPEIA membership.

## **INSURANCE MARKET CONDITION AND OUTLOOK**

The EIA operates in an environment that is affected by the overall insurance market. The insurance market operates in cycles that tend to shift every few years. When rates are high and the competition is low, we are said to be in a hard market. When rates are low and competition is aggressive, we are in a soft insurance market. The market moves and turns based upon overall profitability. Profitability is generally affected by sustained periods of better or worse than expected losses, or in the short term, better or worse than expected catastrophic losses.

Past catastrophic events that had an impact on the insurance market include the World Trade Center attack on September 11, 2001, and the three hurricanes, Katrina, Rita, and Wilma, that hit the US Gulf Coast in the 2005 hurricane season. The hurricane events caused a significant hardening of the property catastrophic market (coastal wind, California earthquake, and flood), but did not significantly impact other lines of coverage. The September 11<sup>th</sup> event had a broader impact on all markets.

### Factors influencing a hard market:

In 2011, there were a number of major catastrophic disasters including earthquakes in Japan, Chile and New Zealand; flooding in Australia, an unusually high frequency of tornado activity in the US; and flooding in Thailand. The cumulative impact of these losses caused a "death by a thousand cuts" scenario and has created pressure on the property market to raise rates. The overall state of the economy is another factor to be concerned about. The global financial crisis that emerged in 2008 has not been resolved. The low interest rate environment that we are in also hurts profitability and puts pressure on companies to raise rates. A major insurer of excess workers' compensation coverage began pulling out of the excess WC market in 2011 because this line of coverage has been unprofitable. This reduced competition in the market has already produced a firming up of rates in the WC market.

### Factors influencing a soft market:

In spite of mounting losses and poor economic conditions, the insurance market remains well capitalized. Ultimately, it is market capitalization that creates the supply in the "supply and demand" free market system. Effective January 1, 2013, California reformed certain WC benefits including systemic reforms that are expected to reduce

overall costs by an estimated 5%. This will help to keep the WC market in California from hardening too much too fast and somewhat mitigate the reduction in competition.

Current market trends (October 2012):

We are expecting property rates that firmed up last year to remain firm in the near term. There is pressure on excess WC rates to go higher, but we are still seeing competitive deals being done in the market, so we expect only a slight firming up of rates. The outlook for both primary and excess liability and medical malpractice lines of coverage is stable at this point in time.

The financial situation surrounding American International Group (AIG) has been cause for concern. AIG received a well-publicized \$182B financial bailout from the federal government in September 2008 including a nearly 80% ownership share of AIG. The EIA has several long standing relationships with insurance companies that are part of the AIG family. Initial concerns over AIG's long term viability have subsided. In October 2010, AIG announced a plan to repay the remaining outstanding debt with assets from AIG and the proceeds from the sale of additional assets. Progress is being made in this regard as AIG continues to repay its loans and the federal government's share of ownership has been reduced to 21.5% as of September 2012.

## **EIA RESPONSE TO MARKET CONDITIONS**

To mitigate the impact of a hard market cycle, the EIA has entered into multi-year agreements, wherever possible. Such multi-year agreements limit the amount of increases in subsequent years and promote long term relationships with insurers. We also have the ability to assume more risk and purchase less reinsurance as rates destabilize. Due to hard market conditions that were very acute, our Excess Workers' Compensation and Excess Liability Programs were restructured on July 1, 2002, with the EIA retaining significantly more risk in our self-insured pools. In the EIA's Property Program, we have taken the additional step of pre-paying the primary coverage on a three-year basis.

To take advantage of softening rates, the EIA's strategy is to try to continue relationships with existing reinsurance partners under new terms that reflect current market conditions. We generally try to buy more reinsurance coverage, and self-insure less, when rates in the market are favorable. In the current soft market environment, the EIA has successfully reduced costs by purchasing insurance in the low layers of the Excess Workers' Compensation (EWC) Program, and full coverage above \$10k in the Primary Workers' Compensation (PWC) Program. Effective July 1, 2011, the EIA was able to purchase cost effective reinsurance for the EWC's \$4M excess of \$1M layer. As of October 1, 2010 the EIA's Medical Malpractice Program was able to buy occurrence-based coverage for the first time in ten years.

The Authority's programs have proven to be effective in both a hard and soft insurance market. We have seen that in a hard market, the cost to our members raises accordingly, competition decreases and the value of the Authority's programs, compared to the alternatives available, is even greater than it is in a soft market.

### **EXPOSURE TO INSURER INSOLVENCY**

During the 1999/00 policy period, one of our key insurance partners, Reliance Insurance, began developing financial problems. The EIA replaced Reliance as soon as practical, in some cases effecting mid-term cancellations. Reliance was placed into rehabilitation with the Pennsylvania Department of Insurance on May 29, 2001. On October 3, 2001, partially as a result of the September 11<sup>th</sup> terrorist attack, it was determined that further efforts to rehabilitate Reliance would not succeed and an order to liquidate was approved. As a result of the Reliance insolvency, the EIA and its members have potential exposure to uncollectible insurance/reinsurance in the Medical Malpractice, Primary General Liability, and Excess Workers' Compensation Programs. The EIA has filed proofs of loss with the Reliance estate and is actively pursuing reimbursement through the normal bankruptcy process.

During fiscal year 2001/02, the Board of Directors approved a \$10.8M supplemental assessment for the Medical Malpractice Program and a \$2.5M supplemental assessment for the Primary General Liability Program to fund the potential uncollectible insurance/reinsurance exposure. The final installment of the Medical Malpractice supplemental assessment was collected in the 2006/07 fiscal year, and the final amount was adjusted down to \$9.5M. The California Insurance Guaranty Association (CIGA) is expected to cover most of the Excess Workers' Compensation exposure to the Reliance insolvency. Legislation was passed in 2005 to clarify that coverage for our workers' compensation exposure is provided by CIGA, but limited to \$500k per claim. The amount of exposure not covered by CIGA is estimated to be \$5.2M.

### **MEMBERSHIP**

Total membership in the EIA stood at 295, as of June 30, 2012. In terms of county members, membership on June 30, 2012 included 54 small, medium and large counties. The 54 member counties represent more than a 93% market share of the 58 counties in the State of California. Membership has grown slowly and steadily during our 33-year history, both in the number of counties and the participation in EIA programs. County membership expanded from 53 to 54 during fiscal year 2003/04. In fiscal year 2008/09, one member county withdrew and another was added to remain at 54 member counties. As respects public entity members, membership consists of 211 individual cities, schools, or special districts, and 27 joint powers authorities consisting of pools of cities, schools, or special districts, for a total of 238 public entity members. The 295 county and public entity members collectively represent nearly 1,800 public entities. As of June

30, 2012, it is estimated that 64% of all cities in California were covered by the EIA, either as a direct member or through a member JPA.

Membership in the EIA's programs for non-county California public entities became available in July 2001. Initial growth in membership in the EIA's programs was phenomenal. Membership grew from just four public entity members in 2002, to 133 as of June 30, 2005 – producing an average annual total member growth rate of 76% for this period of time. The rate of growth in total membership from 2005 to 2009 has been very steady from 3% to 5%. In 2009/10 and 2010/11 the rate of member growth spiked to 14% and 16%, respectively, primarily due to the inception of the Dental Program. As of June 30, 2012, the growth rate has returned to about 4%.

County and public entity members actively participate in Authority policy making. Of our 54 member counties, 38 are active on one or more of the following committees: Claims Review, EIAHealth, Employee Benefits, Executive, Finance, General Liability II, Legislative, Loss Prevention, Medical Malpractice, Personnel Sub-Committee, Primary General Liability, Primary Workers' Compensation, Property, Technology and Underwriting. In addition, 35 different entities from the public entity membership currently participate in the governance of the EIA programs and services by serving on these committees.

## **SERVICES AND PROGRAMS**

The EIA has dramatically reduced member excess insurance costs by utilizing the combined purchasing power and financial size of the group. Non-members also have benefited by the competitive role the EIA has assumed in the public sector insurance marketplace.

EIA members have established nine major group coverage programs. These nine coverage programs are described in greater detail on the following pages and include Primary Workers' Compensation, Excess Workers' Compensation, Primary General Liability, General Liability I, General Liability II, Property, Medical Malpractice, EIAHealth and Dental.

In addition to the nine major coverage programs, the EIA sponsors group purchase insurance policies that are available to all California public entities – members and non-members. These Miscellaneous Programs cover exposures for cyber liability, watercraft, aviation liability, crime and faithful performance, pollution liability, catastrophic inmate medical, course of construction and owner controlled insurance. Members are also able to purchase group discounted excess limits, on an optional basis, for most of the major programs. The EIA sponsors employee benefits programs, such as the Employee Assistance Program, Vision, Long-Term Disability and Life & AD&D. The EIA and the California State Association of Counties jointly sponsor a Personal Lines Insurance



Program (PLIP) that offers homeowners, personal auto and various types of supplemental insurance to employees of participating members.

The EIA is recognized as a leader and pioneer in the JPA risk management community. The California Association of Joint Powers Authorities (CAJPA) has set forth rigorous accreditation standards as a model of how a well-run joint powers insurance authority should operate. The EIA has been continuously accredited by CAJPA since September 1989. The EIA has been awarded CAJPA's highest award - "Accreditation with Excellence".

The EIA has implemented numerous innovative risk management services designed to assist all members, to effectively administer self-insurance programs. Such services include claims audits, actuarial study subsidies, real and personal property appraisals, financial subsidies for risk management, and assistance with loss prevention activities including financial subsidies, resources and training. For the year ended June 30, 2012, member employees completed more than 177,000 online training courses through the EIA's loss prevention training platform. The EIA has implemented a "consortium" for members to meet federal regulations regarding drug and alcohol testing of certain classes of employees. The consortium now provides services to 63 public entities, covering more than 2,900 employees.

### **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 Program provides members with claims administration services, which is accomplished through six third party administrators, and offers several cost containment programs, including a Medical Provider Network and a Return to Work Program. The Program pays for claims with a blending of pooling and excess insurance. Since July 1, 2009, the structure of the PWC Program provides that the first \$10,000 of each claim is paid out of the Program's pool and the Program's excess insurer pays for the balance of the claim, up to \$125k.

For the block of program years from inception of the Program in 1997 through June 30, 2004, members pooled the entire risk from first dollar to \$125k and aggregate stop loss (ASL) protection was purchased from American Reinsurance Company on this pooled exposure. Outstanding member portfolios and the 2004/05 year for Butte County are also protected by this ASL coverage. As of June 30, 2012, the attachment point of the stop loss coverage had been exceeded by \$18.05M on a paid basis, and American Reinsurance is providing on-going reimbursement of claims under the agreement. The \$38.5M limit of coverage is expected to be fully paid out, and it is estimated that the EIA will ultimately pay \$9.2M that is above and beyond the American Reinsurance limit of liability.

During the Program years 2004 through 2009, the PWC Program also retained the pool exposure from first dollar to \$125k. Two separate ASL policies were purchased from Renaissance Reinsurance (2004 through 2006) and Imagine Insurance Company (2006 through 2009). Subsequently, Imagine Insurance, although solvent, ceased insurance operations to pursue other opportunities. The EIA and Imagine agreed to commute (retroactively cancel) the ASL coverage, in return for Imagine's payment to the EIA of \$1M. During the 2009/10 fiscal year, the EIA packaged the outstanding liabilities on the 2004 through 2009 years, and sold these liabilities to ACE American Insurance Company at a cost of \$91.6M. The resulting loss portfolio transfer had the effect of fixing the liabilities for this group of years, which in turn provided greater certainty for the overall funding of the remaining liabilities.

Since July 1, 2009, the PWC Program has successfully transferred all but the first \$10k of each claim to the commercial insurance market. This structure is made possible by the presence of an on-going soft market. The limited pool exposure is being conservatively funded at the 90% actuarial confidence level.

During the 2007/08 year, the PWC Committee declared the first in what is planned to be a series of dividends that was expected to total \$20 to 25M. Due to the favorable loss portfolio transfer that was completed in 2009/10, the Committee revised its dividend plans including dividends declared of \$7.5M in 2010/11 and another \$7.0M dividend in 2011/12, and the total projected dividends will be as much as \$42.5M (including \$30.5M already declared, and \$12M potential future dividends over the next two years).

## **EXCESS WORKERS' COMPENSATION**

The Excess Workers' Compensation (EWC) Program provides members with statutory coverage for workers' compensation and an employer's liability limit of \$5M, subject to the members' self-insured retentions ranging from \$125k to \$5M. 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 excess insurance in two layers to achieve statutory limits.

The EIA is always looking for opportunities to protect the pool exposure by purchasing reinsurance from the commercial market. From 2008 to 2010 the EIA reinsured 70% of losses in the layer up to \$1M. From 2010 to 2012, the EIA reinsured 80% of this layer and retained only 20% of the exposure. Also beginning in 2011, the pool exposure for the \$1M - \$5M layer was reinsured subject to a pool corridor deductible. Beginning in 2012 the reinsurance on the pool layer up to \$1M was restructured to provide reinsurance protection subject to a substantial corridor deductible. The \$1M - \$5M layer is still protected by reinsurance subject to a modest corridor deductible.

In 2003/04, the EWC Program declared a \$9M assessment to fund a pooled deficit. The EIA was not alone in facing a deficit as many other workers' compensation JPAs experienced a similar situation due to the nature of workers' compensation claims and the status of the system in California. While some JPAs took a less aggressive approach, the Program members took immediate corrective action. The Board of Directors evaluates the funding position of the EWC Program each year. The EWC Program has net assets of \$2.3M, as of June 30, 2012. This is a reduction of \$1.6M in net assets compared to June 30, 2011, primarily due to adverse development in the Program and a reduction in the discount assumption from 4.27% to a more realistic assumption of 4.0%. The Board has determined to fund the 2012/13 year at the 75% confidence level, without taking credit for favorable reinsurance placements in order to improve the Program's funding position.

### **PRIMARY GENERAL LIABILITY**

The Primary General Liability (PGL) Program provides General Liability I (GLI) Program members the opportunity to convert their \$100k GLI self-insured retention to a \$10k deductible. The Program then provides members with claims administration services, which is accomplished through two third party administrators. Under the Program's current structure, 100% of the pool's exposure (\$90k excess of \$10k deductibles) is reinsured with the commercial market.

The Program has had many structures over the years; prior to the current structure, the pool was protected by aggregate stop loss coverage, which was reinsured by Imagine Insurance Company. During the 2008/09 year, Imagine decided to get out of the insurance business and redeploy their capital in other ventures. Through mutual agreement, the coverage with Imagine was cancelled as of May 1, 2009, and a renewal program was put into place with ACE American Insurance Company beginning May 1, 2009 and continuing through the present year, 2012/13.

The Program has built up a healthy fund balance from prior years' operations. As of June 30, 2012, the PGL Program had \$3.1M in net assets. A commutation of the reinsurance agreement with Imagine for the 2004/09 period was approved in 2011/12. Imagine paid the PGL Program a commutation premium of \$2.2M, and in exchange, the PGL Program accepted liabilities estimated at \$1.58M. In 2011/12, the PGL Committee declared a dividend of \$480K for all members, another dividend of \$707K for those members that contributed to the 2001/02 supplemental assessment for the Reliance insolvency, and approved a \$270K reduction in administrative fees to come out of net assets. All of these transactions impacted the 2012/13 PGL renewal.



## **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.

The GLI Program encountered several changes on July 1, 2010. The Program's limits were increased from \$15M to \$25M. The Program's reinsurance carriers changed, but the structure remained the same. Lastly, the Program's Memorandum of Coverage (MOC) received a facelift, updating the terms and conditions, to make them more consistent with the other programs.

The Board of Directors evaluates the funding position of the GLI Program each year. As of June 30, 2012, net assets in the Program were \$35.1M. Based on the Program's healthy funding position, the Board has decided to reduce funding levels on a "go forward" basis by funding the 2009/10 year at the 80% confidence level, 2010/11 at the 75% confidence level, the 2011/12 year was funded at the 70% confidence level, and the 2012/13 year was funded at the 65% confidence level.

## **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 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 purchases reinsurance up to \$25M, inclusive of the members' retentions. From 2006 to 2011, an annually aggregated pool ranging from \$2.6M to \$9M (known as the Mega Fund) was in place for claims in excess of member retentions. As of July 1, 2011, the Mega Fund was eliminated; therefore, all risk above the members' retentions is fully reinsured.

As of July 1, 2010, the Program's limits were increased from \$15M to \$25M. The Program's reinsurance carriers changed and the Program's Memorandum of Coverage (MOC) received a facelift, updating the terms and conditions, making them more consistent with the other programs.

The GLII Program was specifically designed with the objective of offering larger members the advantages of the joint purchase of excess coverage, while maintaining

their ability to handle and fund their primary losses. The pooling of risk is intentionally minimized in this Program by purchasing stop loss coverage on the retained pool exposure. This allows members to fully fund the exposure with no risk of assessment. From July 1, 2003 to October 1, 2006, there was no pool exposure. The aggregate pool exposure for 2006/07 was \$2.6M, for 2007/08 it was \$6M, for 2008/09 it was \$8.1M, for 2009/10 it was \$8.7M, and for the 2010/11 year it was \$9M. As of July 1, 2011, the pool exposure (Mega Fund) has once again been eliminated.

Each member of the Program has a representative on the GLII Committee, which was established to administer and govern the 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 of the Property Program have \$300M in all risk limits per tower (plus another \$300M single limit), \$300M in flood limits per tower (plus another \$100M single aggregate limit), and have access to \$307.5M in earthquake coverage in one or more of five towers. The Program maintains a \$3M pool with reinsurance and excess insurance providing the balance of the limits. The pool exposure is protected by aggregate stop loss coverage at \$10M. The Program renews on March 31<sup>st</sup> of each year.

Because this is 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.

In order to provide and promote stability, the primary \$25M in limits is written on a three-year basis. The EIA has prepaid this three-year premium, on behalf of the members, so that members pay an annual premium plus a finance charge for the prepayment.

The Property Committee governs this Program. This Committee reviews all matters pertaining to the Property Program, including: coverage issues, claims, program services, new member applications and reinsurance and excess insurance renewals

## **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.

Effective October 1, 2010, the Program's reinsurance agreement was put on an occurrence basis. This will allow the Program to transfer its liability for tail claims in the reinsured layer to Lexington over the three-year period, October 1, 2010-13. This elimination of the tail exposure will put the Program in a very favorable position, at such time when the market begins to harden. 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 Medical Malpractice Committee governs this Program. This Committee reviews all matters pertaining to the Medical Malpractice Program, including: pool funding, coverage issues, claims, program services, new member applications and reinsurance renewals.

The Medical Malpractice Committee evaluates the funding position of the Program each year. Based on the Program's healthy funding position, the Committee decided to fund the 2010/11 through 2012/13 years at the 70% confidence level. This confidence level was a reduction from the 80% confidence level in 2009/10. The Committee also approved a \$2M dividend to be distributed in 2010/11 (declared in 2009/10) and another \$2M dividend declared and distributed in 2011/12. In addition, there was an increase in the cost to pay for occurrence coverage and to buy-out the tail provisions on the prior years' claims-made program (a conversion fee). The Committee approved payment of \$1.25M from the Program's net assets to reduce the members' cost to the equivalent of the claims-made alternative for the 2010/11 renewal, and another \$1.25M for the 2011/12 renewal, and an additional \$1.378M for the 2012/13 renewal. The Program year runs from October 1<sup>st</sup> through September 30<sup>th</sup>.

Net assets, at June 30, 2012 (before reduction for the conversion fee of \$1.378M), were \$5.1M.

## **EIAHEALTH**

The EIAHealth Program provides members an alternative to group health insurance plans using the concept of pooling to reduce insurance premiums through consolidating the fixed costs over a larger population. Members are able to create and maintain their own plan designs within the context of the pooling arrangement that provides much greater stability than a standalone program. In addition, small group programs are

available with predefined benefit options for public employers with less than 250 employees. HMO options are also available to members on an insured basis.

On July 1, 2006, the EIAHealth Program began a new partnership with Self Insured Schools of California (SISC). This relationship, and collaborative effort, not only gives the Program more stability, it also provides an opportunity for lower rates and savings in the fixed costs of the Program.

Through June 30, 2006, the EIAHealth Program operated as a self-insured pool. The process of running off the liabilities accumulated in the first three years of the Program (2003 through 2006) was completed during the 2009/10 fiscal year. The Program was conservatively funded so that members were able to declare an \$8M dividend in July 2007. After completion of the runoff, an additional \$1.645M dividend was declared. The Program still holds \$8M of those declared dividends until such time as the members request distribution. In the meantime, interest is credited to those funds at the rate earned by the Local Agency Investment Fund.

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. The Program year runs January 1<sup>st</sup> through December 31<sup>st</sup>.

## **DENTAL**

The Dental Program was launched in January 2010. 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. The Program has both January 1<sup>st</sup> and July 1<sup>st</sup> renewal dates for members.

## **INTERNAL ACCOUNTING STRUCTURE**

The Authority's accounting system is organized so that each program can be accounted for and evaluated independently. Policy periods are also accounted for separately for each program. The assets, liabilities, revenues and expenses of each year are reported on a full accrual basis. All transactions are accounted for in a governmental enterprise

fund. Separate program accounts are used to independently account for the ten insurance programs and the general administration and building operations.

Authority management is responsible for establishing and maintaining an internal control structure designed to ensure that assets are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Internal accounting controls are designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and that the evaluation of costs and benefits requires estimates and judgments by management.

All internal control decisions are made within the above framework. Management believes the EIA's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

#### Budgetary Control

Budgetary control is provided by verification of budgeted amounts prior to expenditures, and quarterly analysis of all account totals compared to budgeted amounts. Detailed reports of this budget to actual comparison are provided to the Board of Directors on a semi-annual basis.

#### Cash Management

The Authority has adopted an investment policy designed to achieve an optimum rate of return on available assets not required for current operating needs. An appropriate level of risk is maintained by purchasing securities that are liquid, marketable and of high quality. Adequate diversification is applied to prevent an undue amount of investment risk with any one institution. Specific securities have been purchased in compliance with § 53601 of the California Government Code, the legal authority for investments.

### **AWARDS & ACKNOWLEDGMENT**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to CSAC Excess Insurance Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2011. This was the eighteenth consecutive year that the Authority has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report 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 that our current comprehensive annual financial report continues to meet the Certificate of

Members, Board of Directors  
November 29, 2012

Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Authority is a member of the California Association of Joint Powers Authorities (CAJPA). CAJPA sponsors the nation's first risk management accreditation program. This program establishes a model of professional standards, which serves as a guideline for all risk management pools regardless of size, scope of operation or membership structure. The accreditation process entails a detailed examination of legal and operational documents, risk management, loss control and claims programs, and statutory compliance by an independent examiner. The Authority has received CAJPA's "Accreditation with Excellence," the highest form of accreditation. The accreditation was awarded for a three-year period ending March 28, 2013.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administrative departments and we thank them for their contribution.

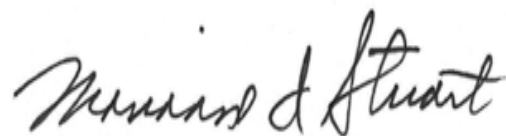
Our sincere appreciation is expressed to the members of the Authority's Finance Committee and Executive Committee for their support in maintaining the highest standards of professionalism in the management of the Authority's finances.

Our appreciation is also extended to each Board of Director Member and Alternate, and all committee members, for their commitment to the Authority.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Michael Fleming", with a large, stylized loop at the end.

Michael Fleming  
Chief Executive Officer

A handwritten signature in black ink, appearing to read "Marianne I. Stuart", written in a cursive style.

Marianne I. Stuart, CPA  
Chief Financial Officer



# EIA BOARD OF DIRECTORS AND ALTERNATES

Member County	Programs								Board Member	Alternate Board Member
	GLI	PGL	GLII	MM	Prop	EWC	PWC	Health		
Alameda County			X	X	X	X			Barbara Lubben, Director of Risk Management	Karen Caoile, Senior Risk & Insurance Analyst
Alpine County	X			X	X	X			Carol McElroy, Treasurer, Tax Collector, Auditor, Controller	Pamela Knorr, CAO/Interim Director of Health and Human Services
Amador County	X	X		X	X	X	X	X	Vacant	Diane Blanc, HR Director
Butte County	X			X	X	X			Steve Musselman, Risk Manager	Greg Iturria, Deputy Chief Administrative Officer
Calaveras County	X			X	X	X	X	X	Francine Osborn, Dir. Of HR/Risk Mgmt.	Vacant
Colusa County	X			X	X	X			Denise Carter, Board of Supervisors	Mark Marshall, Board of Supervisors
Contra Costa County			X	X	X	X			Sharon Hymes-Offord, Risk Manager	Mary Jo Castruccio, Assistant Risk Manager (Workers' Comp)
Del Norte County	X			X	X	X			Joseph Young, Personnel/Risk Manager	Vacant
El Dorado County			X	X	X	X		X	Randall Rafoth, Risk Manager	Kimberly Kerr, Assistant CAO
Fresno County	X				X	X			Greg Borboa, Personnel Services Manager	Devon Benbrook, Senior Personnel Analyst
Glenn County				X					John Viegas, Supervisor	Scott Schimke, Risk Manager
Humboldt County	X			X	X	X	X		Amy Nilsen, Deputy County Administrative Officer	Philip Smith-Hanes, CAO
Imperial County	X			X	X	X			Ralph Cordova, Jr., County Executive Officer	Brenda Olivas-Neujahr, Risk Management Analyst - Safety Administrator
Inyo County	X			X	X	X	X		Marlena Baker, Risk Manager	Kevin Carunchio, County Administrator
Kern County					X				Susan Orr, Risk Manager	Brad Aragon, Loss Prevention Specialist
Kings County	X			X	X	X			Deb West, Assistant CAO	Sande Huddleston, Risk Analyst II
Lake County	X	X			X	X	X	X	Anita Grant, County Counsel	Kathy Ferguson, Human Resources Director
Lassen County	X			X	X	X			Richard Egan, Treasurer/Tax Collector	Martin Nichols, County Administrative Officer
Madera County	X			X	X	X			Darin McCandless, Risk Management Analyst	Kevin Fries, Chief Assistant County Administrative Officer
Marin County				X					Karol Hosking, Risk Manager	Clarissa Daniel, Deputy County Administrator

# EIA BOARD OF DIRECTORS AND ALTERNATES

Member County	Programs								Board Member	Alternate Board Member
	GLI	PGL	GLII	MM	Prop	EWC	PWC	Health		
Mariposa County	X			X	X	X			Rick Benson, CAO	Mary Hodson, Deputy CAO
Mendocino County	X			X	X	X	X		Kristin McMenomey, General Service Director	Sue Goodrick, HR Manager - Benefits Administration
Merced County	X			X	X	X		X	James Brown, County Executive Officer	Brad Smith, Risk Management Director
Modoc County	X			X	X	X			Vacant	Darcy Locken, Assistant County Administrative Officer
Mono County	X			X	X	X			James Arkens, CAO & Dir. Of HR	Rita Sherman, Administrative Analyst
Monterey County					X	X			Steve Mauck, Risk Manager	Lucy Raney, Benefits Specialist
Napa County	X			X	X	X			Kerry John Whitney, Risk Manager	Suzanne Mason, Director of Human Resources
Nevada County	X			X	X	X	X		Rick Haffey, CEO	Peter Cheney, Risk Manager
Orange County					X				Tom Phillips, Risk Manager	Robert Franz, Chief Financial Officer
Placer County	X			X	X	X			Maryellen Peters, Deputy CEO	Ken Brown, Liability Manager
Plumas County	X			X	X	X			Robert Meacher, Supervisor	Patrick Bonnett, Assistant Risk Manager
Riverside County			X	X	X	X			Jim Sessions, Risk Manager	Michael Stock, Deputy HR Director
Sacramento County					X	X			Steve Page, Risk and Loss Control Division Manager	Paul Hight, Liability and Property Insurance Supervisor
San Benito County	X			X	X	X			Rich Inman, CAO	Jacki Credico, Management Analyst
San Diego County					X	X			Donald W. Turko, Director, Human Resources	Janice Mazone, Dep. Director/Risk Management
San Joaquin County			X	X	X	X			Tanya Moreno, San Joaquin County Safety and Risk Manager	Cynthia Clays, Director of Human Resources
San Luis Obispo County	X			X	X	X			Pamela Mitchell, Liability Analyst	Tami Douglas-Schatz, Human Resources Director
Santa Barbara County	X			X	X	X	X	X	Bob Nisbet, Director of General Services	Ray Aromatorio, Risk Manager
Santa Clara County			X	X	X	X			Lance Sposito, Director of Risk Management	Vacant
Santa Cruz County			X	X	X	X			Janet McKinley, Risk Manager	Leslie Scanagatta, Personnel Analyst



## EIA BOARD OF DIRECTORS AND ALTERNATES

Member County	Programs								Board Member	Alternate Board Member
	GLI	PGL	GLII	MM	Prop	EWC	PWC	Health		
Shasta County	X			X	X	X			Michelle Schafer, Director of Support Services	Jonathan Hill, Risk Management Analyst III
Sierra County	X			X	X	X			Van Maddox, Auditor/Treasurer/Tax Collector	Peter Huebner, Supervisor
Siskiyou County	X	X		X	X	X	X		Rose Ann Herrick, Assistant County Administrator	Michael Kobseff, Supervisor
Solano County	X	X		X	X	X			Bonnie Kolesar, Risk Manager	Georgia L. Cochran, Interim HR Director
Sonoma County	X			X	X	X			Marcia Chadbourne, Risk Manager	Wendy Macy, Director of Human Resources
Stanislaus County	X			X	X	X			Jody Hayes, Deputy Executive Officer	Peggy Huntsinger, Disability Manager
Sutter County	X			X	X	X	X		Marco Sandoval, Risk Manager	Karen Ropp, Personnel Director
Tehama County	X			X	X	X	X	X	Bill Goodwin, Chief Administrator	
Trinity County	X			X	X	X			Wendy Tyler, Deputy CAO	Shelly Pourian, Risk & Loss Prevention Manager
Tulare County	X		X	X	X	X			Robyn Henry, Risk Manager	Vacant
Tuolumne County	X	X		X	X	X			Bill Morse, Deputy Human Resources Manager	Ann Fremd, Senior Administrative Analyst
Ventura County					X				Chuck Pode, Risk Manager	Theresa Bucci, Risk Analyst
Yolo County				X					Jeff Tonks, Risk Manager	Dirk Brazil, Deputy County Administrator
Yuba County	X			X	X	X	X		Martha K. Wilson, Personnel Dir/Risk Mgr	Jill Abel, Deputy Human Resources Director

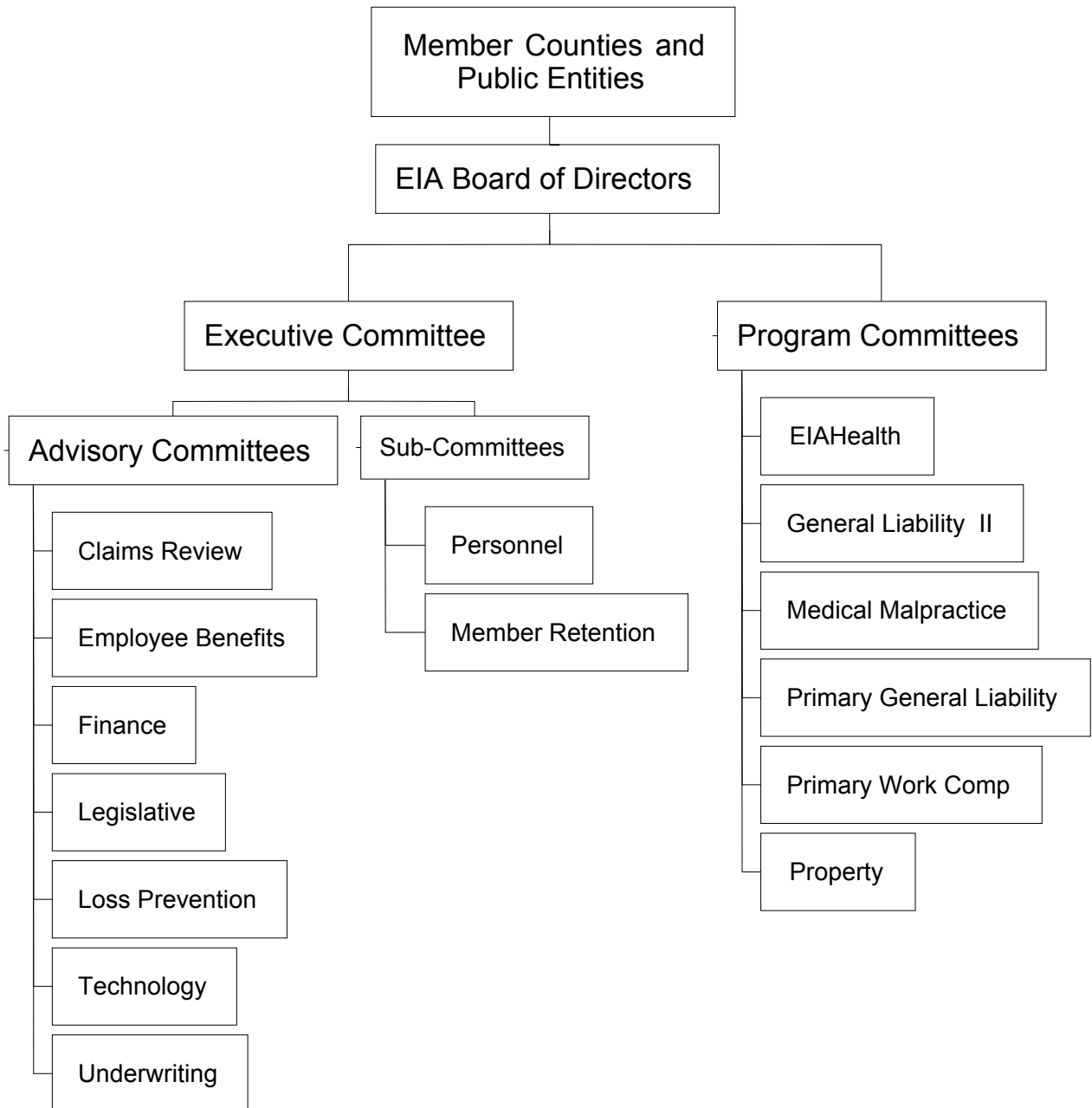
# EIA BOARD OF DIRECTORS AND ALTERNATES

## Public Entity Participation

Board Member	Designated Board Position/Representative
Teri Enos-Guerrero, Risk Manager, City of Chula Vista	At-large
Lynne Margolies, Risk Manager / Risk Management Division, City of Santa Rosa	At-large
Scott Schimke, Risk Manager, GSRMA	At-large
Thomas Vance, Risk Manager, ACCEL/City of Anaheim	At-large
Kimberly J. Greer, Risk Manager, City of Fairfield	City
Marlon Robbins, Risk Manager, Elk Grove Unified School District	School
Larry Moss, Risk Manager, EBRPD	Special District
Ashley Fenton, Manager, Insurance and Risk Services, San Diego Unified School District	Alternate
Deborah Grant, Claims and Risk Manager, City of Oakland	Alternate
Charles Mitchell, Risk Manager, California Fair Services Authority	Alternate



# CSAC Excess Insurance Authority Organization Chart



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

CSAC Excess Insurance  
Authority, California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Sandison*

President

*Jeffrey R. Enner*

Executive Director



CALIFORNIA ASSOCIATION OF  
JOINT POWERS AUTHORITIES

*It is the purpose of this organization to give professional recognition  
to properly qualified self-insurance pools.*

*THEREFORE, the Board of Directors of the  
California Association of Joint Powers Authorities,  
has conferred upon*

## **CSAC EXCESS INSURANCE AUTHORITY**

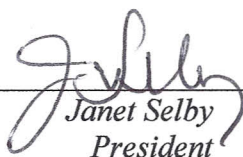
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### **CERTIFICATE OF ACCREDITATION WITH EXCELLENCE**

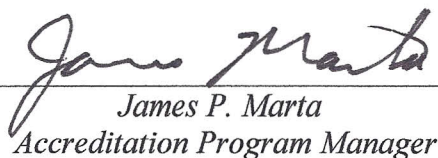
*having fulfilled the conditions of eligibility as prescribed by the Association for Accreditation.*



*Accreditation Period: March 28, 2010 – March 28, 2013*

  
Janet Selby  
President

  
Michael Fleming  
Chairman, Accreditation Committee

  
James P. Marta  
Accreditation Program Manager

## **FINANCIAL SECTION**



**James Marta & Company**  
***Certified Public Accountants***

***Accounting, Auditing, Consulting, and Tax***

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
CSAC Excess Insurance Authority  
Folsom, California

We have audited the accompanying Statement of Net Assets of CSAC Excess Insurance Authority (CSAC-EIA) as of June 30, 2012 and 2011, and the related Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows for the year then ended. These financial statements are the responsibility of CSAC-EIA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CSAC -EIA as of June 30, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

As further discussed in Note 4, claims liabilities for the Excess Workers' Compensation Program have been reported using a 4% discount rate while market interest rates have been yielding near 1% for newly invested funds. The estimate of claims is sensitive to this earnings assumption and may materially effect the financial position of the Authority depending on future investment yields. In addition, management discusses its plans for strengthening its net assets for the Excess Workers' Compensation Program Note 4 B.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2012 on our consideration of CSAC-EIA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accept in the United States of America require that the Management's Discussion and Analysis, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statement, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Reconciliation of Unpaid Claims Liabilities and the Schedule of Earned Premiums and Claims Development Information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in these schedules, except the Budget Highlights, on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements; and in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section and the Statistical Section, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. They have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

A handwritten signature in black ink that reads "James Marta & Company". The script is cursive and fluid, with the company name written in a single line.

James Marta & Company  
Certified Public Accountants

November 13, 2012



## Management's Discussion & Analysis

As management of the CSAC Excess Insurance Authority (the EIA or the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2012.

### Overview of the Financial Statements

The EIA reports as a government enterprise fund because its activities, the development and operation of public entity risk pools (Retained Risk), and group purchase of insurance (Transferred Risk) are paid for by its member users.

The Authority's basic financial statements are comprised of three components: 1) Authority-wide financial statements; 2) notes to the financial statements; and 3) fund financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The *Authority-wide financial statements* are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Net assets include the amount invested in capital assets, net of related debt.

The *Statement of Revenues, Expenses and Changes in Net Assets* presents information showing total revenues versus total expenses and how the Authority's Net Assets changed during the most recent fiscal year. All revenues and expenses are recognized as soon as the underlying event occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., claims incurred but not paid, unrealized market gains on investments, and earned but unused vacation leave).

The Authority-wide financial statements can be found on pages 49 through 53 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements, and can be found beginning on page 54 of this report.

**Fund financial statements.** The Authority operates one enterprise, proprietary fund to account for its ten risk management programs, general administration, and operation of the Authority's building. Each program has established its own set of accounts so that each program can be independently evaluated.

## Management's Discussion & Analysis

The following table shows the net asset balance in each fund:

Primary Workers' Compensation	\$ 38,500,423
Excess Workers' Compensation	2,331,547
Primary General Liability	3,110,471
General Liability I	35,159,759
General Liability II	32,212
Property	2,544,020
Medical Malpractice	5,125,883
EIAHealth	1,196,057
Dental Program	7,589,991
Miscellaneous Programs	2,201,508
Administration and Building	7,759,949
<b>Total Net Assets</b>	<b>\$ 105,551,820</b>

### **Financial Highlights**

#### **Authority-Wide Financial Analysis**

The Authority's assets exceeded liabilities by \$105.5 million as of June 30, 2012, and by \$104 million at June 30, 2011. Below is a condensed statement of net assets:

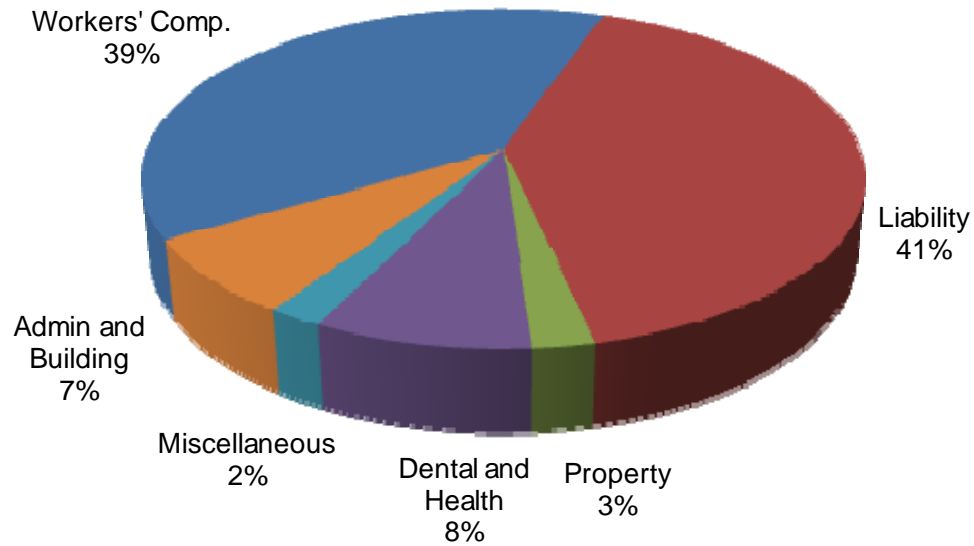
	June 30, 2012	%	June 30, 2011	%	June 30, 2010	%
Current Assets	\$343,635,991	60%	\$ 312,576,086	55%	\$ 315,472,521	58%
Noncurrent Assets	221,379,126	39%	242,081,530	43%	220,585,624	40%
Capital Assets	8,848,705	2%	9,181,260	2%	10,706,672	2%
Total Assets	573,863,822	100%	563,838,876	100%	546,764,817	100%
Current Liabilities	108,329,137	23%	97,435,058	21%	104,210,436	24%
Noncurrent Liabilities	359,982,865	77%	362,089,179	79%	324,196,776	76%
Total Liabilities	468,312,002	100%	459,524,237	100%	428,407,212	100%
Invested in Capital Assets	8,848,705	8%	9,181,260	9%	10,706,672	9%
Unrestricted Net Assets	96,703,115	92%	95,133,379	91%	107,650,933	91%
Total Net Assets	\$105,551,820	100%	\$ 104,314,639	100%	\$ 118,357,605	100%

### **Assets**

Net Assets increased \$1 million in 2011/12 compared to a decrease of \$14 million in 2010/11. We started the year with net assets of \$104 million. Our strong position in net assets in some programs allowed us to return dividends to our members of \$10 million, decreasing net assets by that amount. This compares to dividends returned in fiscal year 2010/11 of \$11.1 million. We had an overall increase in net assets, exclusive of the dividend payout of \$11.5 million. Our ending balance in net assets is \$105.5 million.

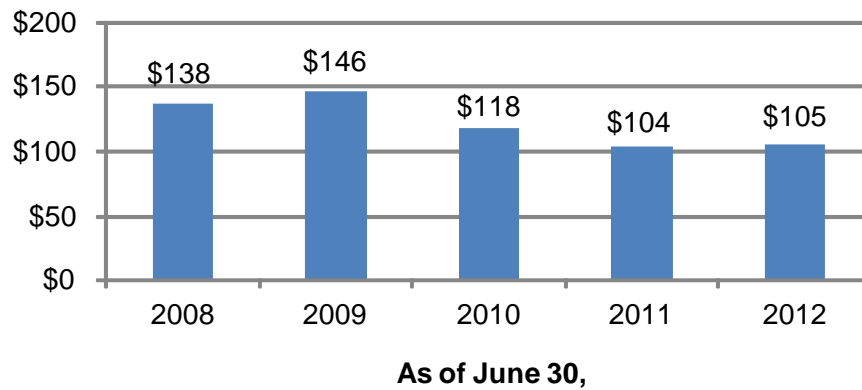
## Management's Discussion & Analysis

Our large pooled risk programs account for over 80% of our net assets as shown below.



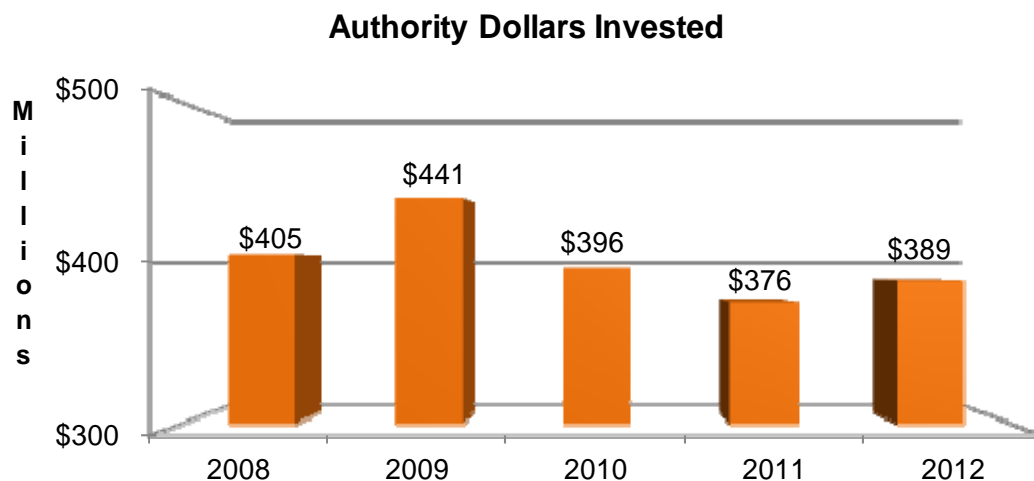
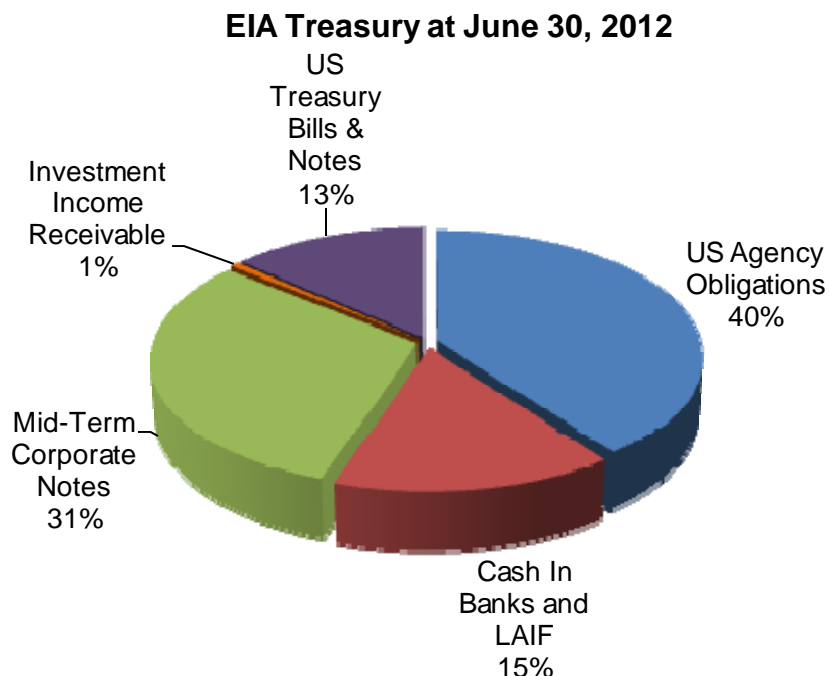
Our net asset balances over the past five years are illustrated as follows:

### Net Assets (in millions)



## Management's Discussion & Analysis

Over 75% of our assets consist of funds held for the payment of claims and are invested. The following chart shows the EIA's Treasury asset allocations for the year ended June 30, 2012:



At June 30, 2012, the fair value of our fixed income investments was \$389 million, compared to \$376 million a year ago and \$396 million two years ago. Market interest rates continued to slowly decline during fiscal year 2011/12. During fiscal year 2011/12, there was a net decline in fair value recognized of \$9 million, compared to a net decline in fair value in fiscal year 2010/11 of \$1 million. A \$250 thousand net decline in fair value was recognized in fiscal year 2009/10. The declines in fair market value are

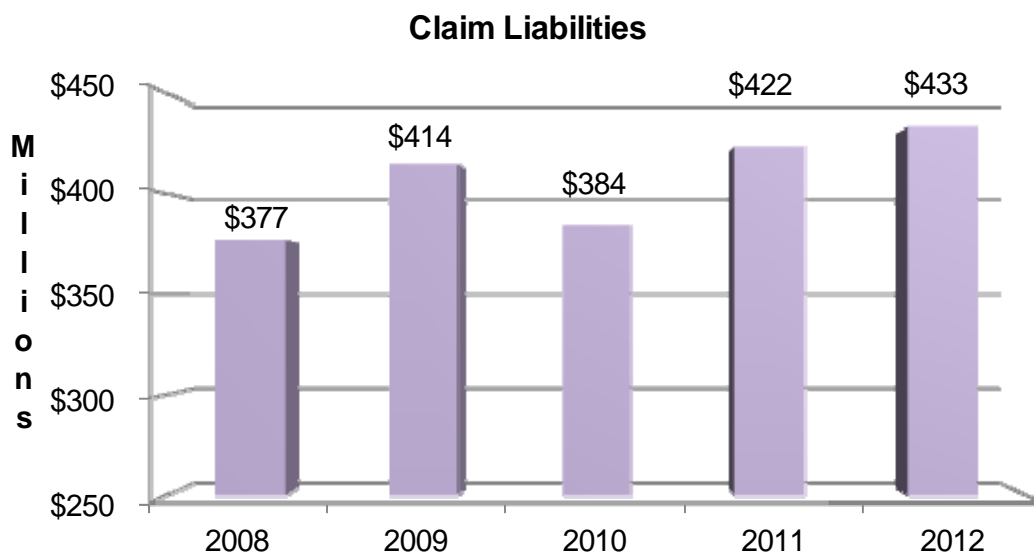
## Management's Discussion & Analysis

primarily being driven by the purchase of bonds at greater than stated value, which have a higher coupon rate. As the bond reaches the maturity or call date, market value declines to the face value of the bond at maturity, resulting in a market loss. The decline in market value and the interest earned are both considered at the time the investment is made.

### Liabilities

Claim liabilities increased \$11 million in 2011/12 compared to an increase of \$38 million in 2010/11 and a decrease of \$30 million in 2009/10. The Authority began the year with claim liabilities of \$422 million. During the year ended June 30, 2012, the Authority recognized a Provision for Claims of \$101 million and made payments on these claims in the amount of \$90 million. This left a claim liabilities balance of \$433 million. Our claim liabilities are discounted, meaning they are stated at the present value of the future stream of claim payments. The discount rate is based on what the EIA expects to earn on the funds set aside to pay claims. The rate of return on invested funds has been less than anticipated since the recent recession started in 2008. In fiscal year 2010/11, the EIA made significant adjustments to the discount rates. As a result, there was an addition of \$13.5 million to the claim liabilities in the EIA's major pooled programs: the Excess Workers' Compensation Program, General Liability I Program and the Medical Malpractice Program. In 2012, the EIA adjusted our discount rates lower to reflect the continued low interest rate environment.

Claim liability trends for the past five years were as follows:



## Target Equity

Each of the pooled programs establish Target Funding Guidelines, which determine the range of net assets to retain in the program in order to provide for the uncertainty of actuarial estimates, inconsistent or inaccurate reserving, and the possibility of catastrophic claims. The purpose of the guidelines is to assist members in making funding decisions. A range is determined by looking at various ratios; for instance Gross Premium to Equity, Equity to Pool retention, Outstanding Case Reserves to Equity, and Outstanding Ultimate Reserves to Equity. The table following shows the Target Equity Range for the pooled programs and program net assets (all in \$ millions):

Program	Target Equity Range		Program Equity at June 30, 2012
	Low	High	
Primary Workers Compensation	\$ 13	\$ 34	\$ 39
Excess Workers Compensation	\$ 29	\$ 58	\$ 2
Primary General Liability	\$ 0.4	\$ 2	\$ 3
General Liability I	\$ 14	\$ 33	\$ 35
Medical Malpractice	\$ 3	\$ 10	\$ 5

As the above chart shows, all programs, with the exception of Excess Workers' Compensation, are in their Target Equity Range. The Excess Workers' Compensation Program net equity is well below their Target Equity Range. First, there has been adverse loss development in the older years. Another factor driving the equity down has been the extremely low returns on invested assets, creating an investment gap between what we expected to earn on funds invested, and what we did earn. As a result, the EIA has lowered the discount rate on claim liabilities from 5% in 2008, to 4% in 2012, which increased liabilities and decreased equity. Please refer to footnote 4, (pages 66 and 67) for additional information on the discount rate. The Board has taken steps to increase the Program's equity including, raising the confidence level used to calculate pool premium, and transferring risk in the layer between the member's self-insured retention up to \$1 million from the 2008/09 fiscal year forward. In the 2011/12 policy year, we reinsured the \$1 million to \$5 million layer, subject to \$3.5 million corridor retention. The Board has approved the 2012/13 EWC program renewal which capped the Program's liability in the pooled excess of SIR up to \$5 million layer at \$28 million, while funding the pool layer at \$37.6 million, potentially adding \$9.6million to equity, but subject to loss development and interest earnings. The Board will continue to address the Program's Target Equity.

## Management's Discussion & Analysis

The following is a condensed Statement of Revenues, Expenses and Changes in Net Assets.

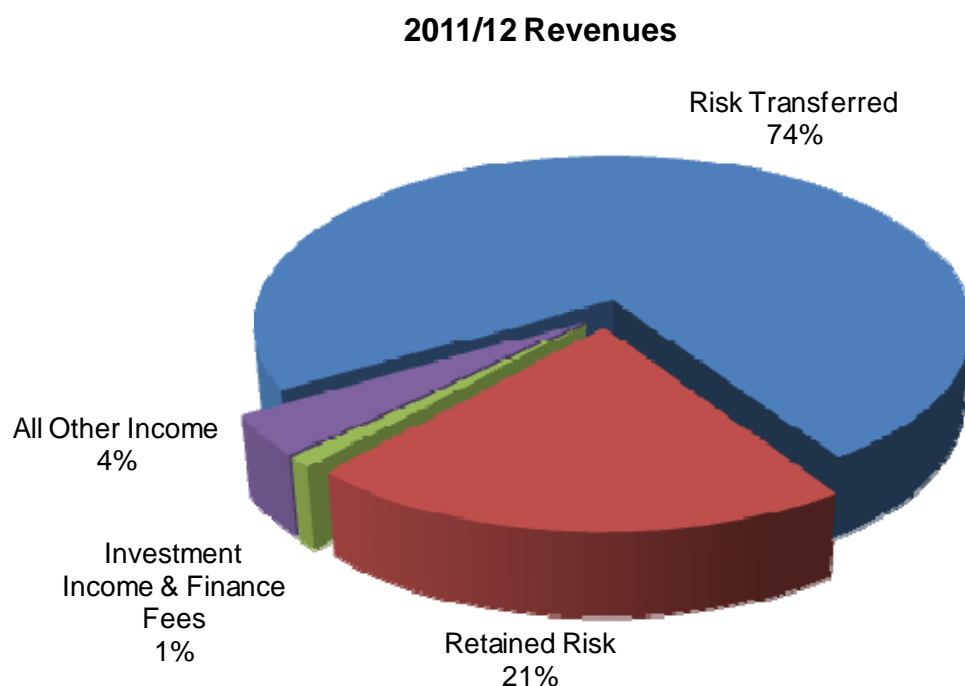
### CSAC Excess Insurance Authority's Statement of Revenues, Expenses and Changes in Net Assets

			%	
	June 30, 2012	June 30, 2011	Change	June 30, 2010
Operating Revenues:				
Premiums for Transferred Risk	\$374,220,717	\$316,271,011	18%	\$281,136,570
Broker Fees	7,085,654	6,459,876	10%	5,616,485
Contributions for Retained Risk	108,763,785	119,707,240	-9%	102,214,702
All Other Sources	19,803,632	12,472,639	59%	11,304,955
Total Operating Revenues	509,873,788	454,910,766	12%	400,272,712
Operating Expenses:				
Member Dividends	10,291,841	8,744,665	18%	11,488,482
Insurance Expense	372,467,736	314,135,445	19%	279,715,181
Broker Fees	7,053,183	6,459,283	9%	5,616,545
Provisions for Claims	101,501,141	124,443,282	-18%	117,204,060
Unallocated Loss Adjustment Expenses	(424,706)	1,127,804	-138%	9,376,859
Program Services	13,426,729	12,495,396	7%	10,674,436
Member Services and Subsidies	2,056,405	2,027,109	1%	2,210,316
General Administrative Services	7,266,482	7,300,103	0%	6,827,453
Depreciation	256,810	263,991	-3%	325,178
Total Operating Expenses	513,895,621	476,997,078	8%	443,438,510
Operating Income (Loss)	(4,021,833)	(22,086,312)	-82%	(43,165,798)
NonOperating Revenues (Expenses):				
Investment Income, Finance Fees & Sale of Bldg	5,134,621	10,276,004	-50%	15,758,005
Lease Income	506,259	474,620	7%	142,836
Financing & Investment Expenses	(31,067)	(39,222)	-21%	(21,412)
Building Operations and Depreciation	(350,799)	(349,985)	0%	(149,399)
Building Dividend	0	(2,318,071)		0
Total NonOperating Revenues (Expenses)	5,259,014	8,043,346	-35%	15,730,030
Changes in Net Assets	1,237,181	(14,042,966)		(27,435,768)
Net Assets:				
Beginning Balance, July 1	104,314,639	118,357,605		145,793,373
Ending Balance, June 30	\$105,551,820	\$104,314,639	1%	\$118,357,605

## Management's Discussion & Analysis

### Revenues

Total operating revenues were \$510 million during the fiscal year ending June 30, 2012, a 12% increase from the \$455 million recognized at June 30, 2011. The EIAHealth and Dental Programs added new members, increasing revenues by \$43 million and \$5 million, respectively. Investment income decreased \$4.6 million, or 48%, due to decreasing yield rates. The total revenue allocation is shown in the following chart:



New Members. Our programs continue to attract new members, particularly in the Employee Benefit programs. The Dental Program added eight new entities and the EIAHealth Program continued to add new members, to both their small group program and regular programs, contributing to the 18% overall increase in Premiums for Transferred Risk.

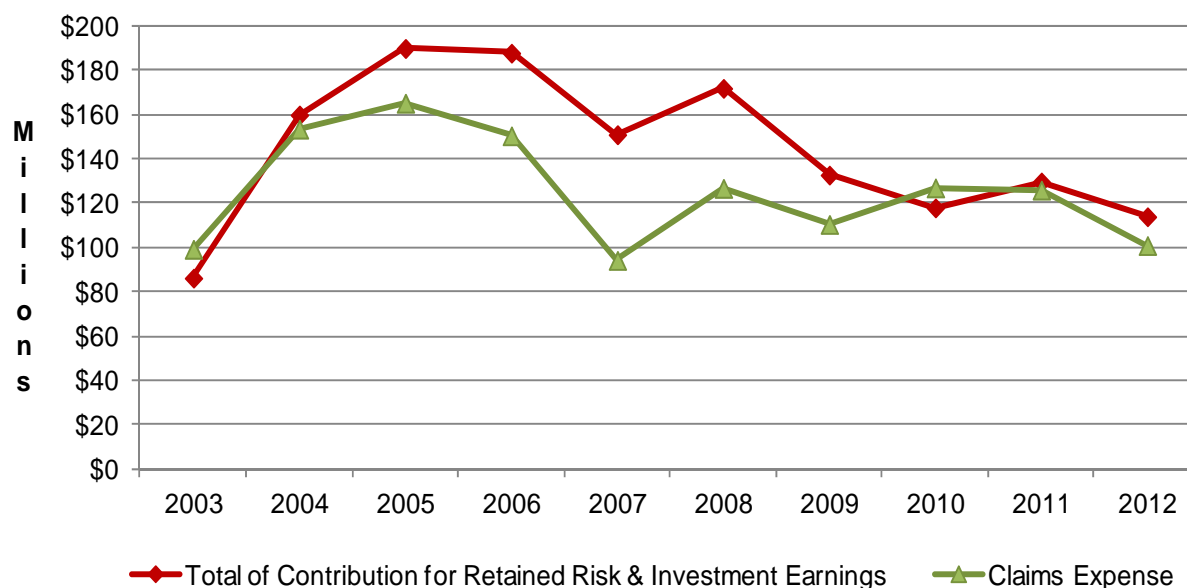
Premiums for Transferred Risk. Premiums for Transferred Risk increased 18% from \$316 million in 2010/11 to \$374 million in 2011/12. The insurance premium revenues and expenses are dependent on the cyclical insurance market. The last two years have been characterized by favorable market conditions. The EIA restructured the Workers' Compensation programs by purchasing quota share insurance in fiscal years 2009/10, 2010/11 and 2011/12. The EIA decreased the pool liability from 30% in 2009/10 to 20% in 2010/11 and 2011/12 in the \$125 thousand to \$1 million layer of the Excess Workers' Compensation (EWC) Program and continued with full coverage above \$10 thousand to \$125 thousand in the Primary Workers' Compensation (PWC) Program. In fiscal year 2011/12, the General Liability II (GLII) Program became fully insured, eliminating the corridor deductible layer structure of the previous four years.



## Management's Discussion & Analysis

Contributions for Retained Risk. The EIA's contributions for retained risk revenues were \$109 million, compared to \$120 million last year, a decrease of \$11 million, or 9%, in large part because of the elimination of the corridor deductible layer in the GLII Program. The contributions for retained risk, together with investment earnings, are used to finance the provision for claims. Retained Risk revenue increased \$5 million in the new Employee Benefits Dental Program as a result of member growth.

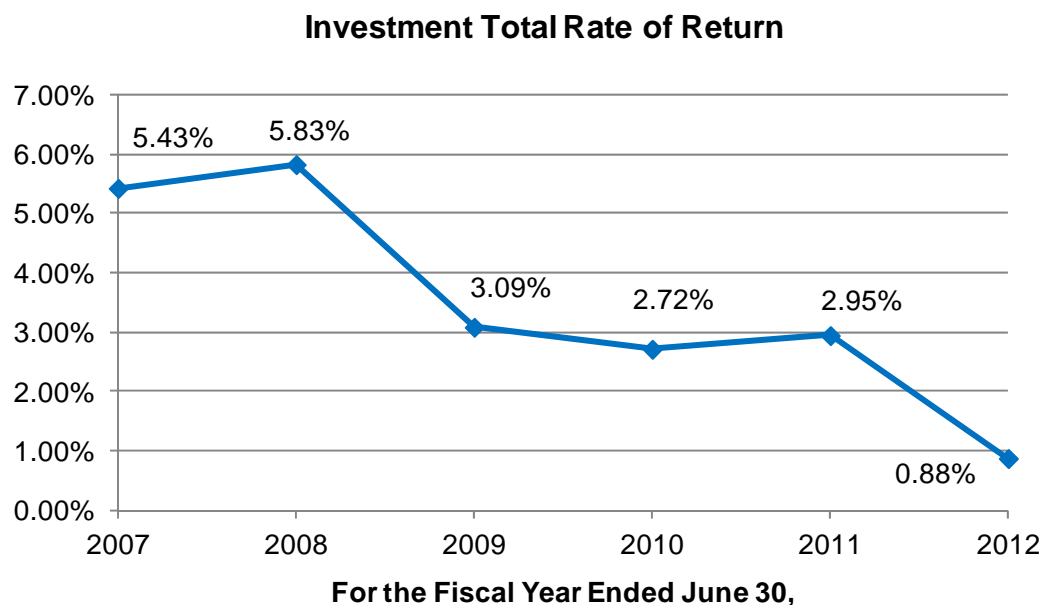
The following chart compares the revenues for retained risk and investment earnings (the red line) with the expense for the Provision for Claims (the green line) for the past ten years. The areas between the lines and bars represent the net increase or decrease from claim revenues and expenses. As the chart shows, with declining interest rates, as discussed earlier, our costs for claims in the past two fiscal years were about equal to our earnings and contributions.



Investment Income. Investment income decreased from \$9.7 million in 2010/11 to \$5.1 million in 2011/12. This decrease was due to the continued drop in interest rates from the global recession. The total rate of return on invested funds decreased from 2.95% to less than 1% reflecting the extremely low interest rate environment. The amount of funds invested increased to \$389 million from \$376 million in 2010/11, but were lower than the \$396 million invested in 2009/10. Although investment income is considered non-operating, it is a source of funding for claims and used in the calculation of premium needed to pay claims and claim liabilities.

## Management's Discussion & Analysis

The investment total rate of return for the previous six years is shown in the following chart:



Total operating revenues were \$510 million compared to \$455 and \$400 million in 2011 and 2010 respectively. Significant revenue items included:

- Premiums for Transferred Risk collected to purchase insurance increased by \$58 million or 18% with \$41 million of the increase attributable to new members in the EIAHealth Program, \$6 million due to higher premiums in the EWC Program and \$7 million due to fully insuring all the risk in the GLII Program. Premium rates for the other programs were virtually unchanged with collected premium reflecting changes in exposure bases, e.g., payroll, insured values, or lives.
- Contributions for Retained Risk, or resources collected to fund and share in the cost of claims, decreased by \$11 million. Although the self-funded Dental Program added contributions of \$7.5 million, this was offset by the GLII Program going fully insured and continued transfer of risk to carriers in the workers' compensation programs.
- Investment income decreased from \$9.7 million in 2010/11 to \$5.1 million in 2011/12, a decrease of nearly 50%. The decrease was due to falling interest rates, with maturing bonds and new funds being reinvested at lower yields. Our realized yield of 1.19% in fiscal 2012 was about half the 2011 yield of 2.42%.
- In July 2010, we completed the sale of the Gold Canal Building for \$1.7 million. As a result of the sale, the Board declared a building dividend of \$2.3 million to the member counties who provided funding when the building was purchased.

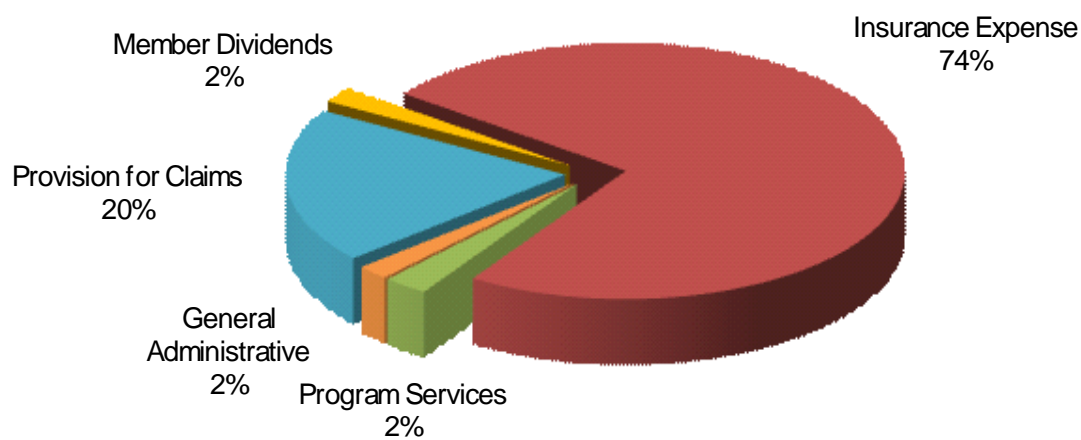
## Management's Discussion & Analysis

### Expenses

Total operating expenses increased \$37 million, or 8%, to \$514 million from fiscal year 2011 to fiscal year 2012. Last year's expenses of \$477 million increased \$34 million, or 8%, from fiscal year 2010's expenses of \$443 million.

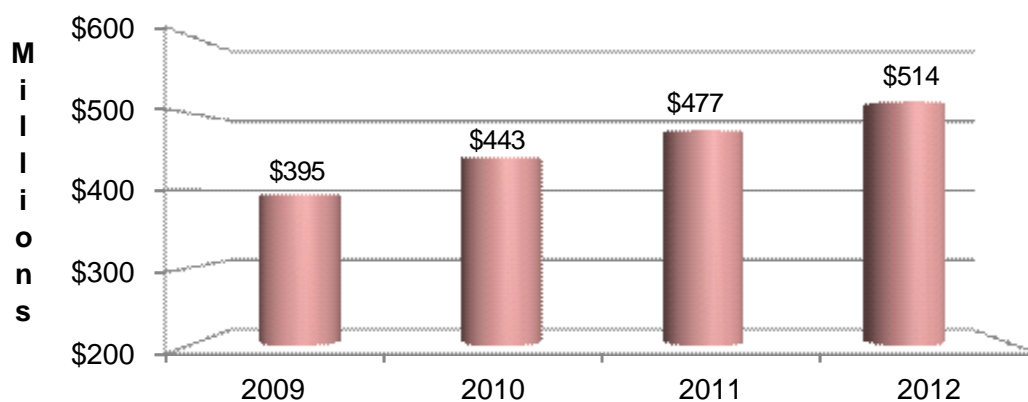
The total operating expense allocations are shown in the following chart:

**2011/12 Operating Expenses**



Operating expense trends for the past four years are illustrated in the following chart:

**Expenses**



## Management's Discussion & Analysis

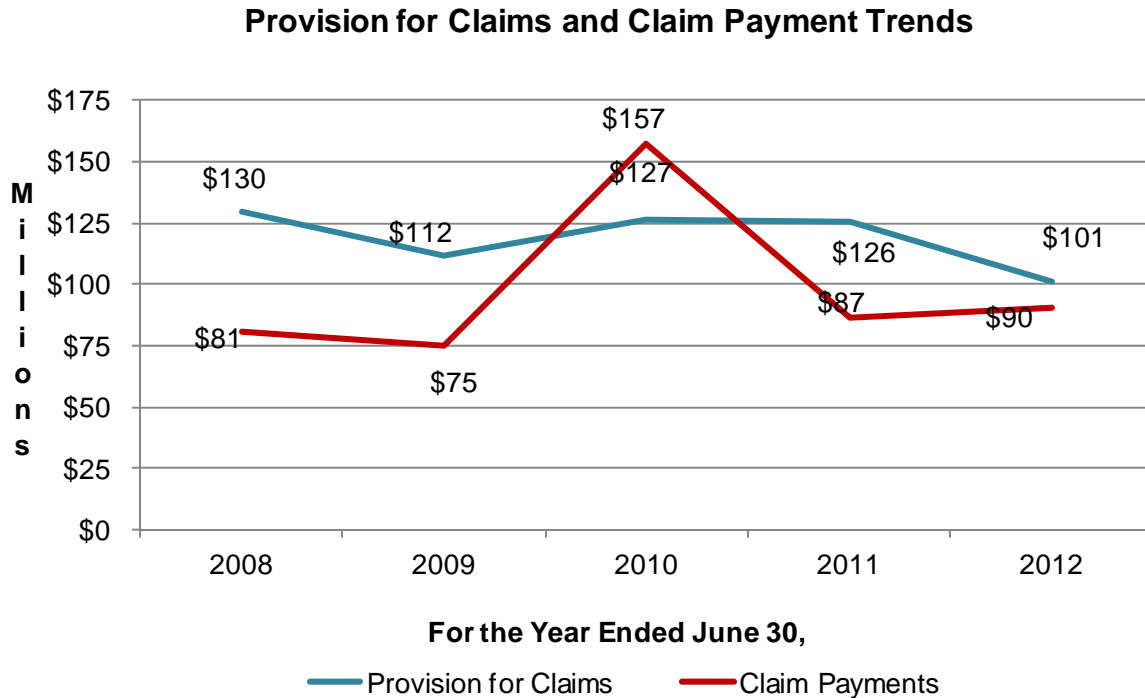
Significant expense items included:

- Member dividends included a \$7 million dividend to members of the PWC Program, \$1.2 million to Primary General Liability (PGL) Program members, and a \$2 million dividend to members of the Medical Malpractice Program. This compares to fiscal year 2010/11 dividend payments of \$7.5 million to PWC members, \$2.3 million to members who had an equity interest in the Gold Canal Building, which was sold in July 2010, and a \$1.2 million dividend to EIAHealth members.
- Transferred risk, or insurance expense, increased by \$58 million, mirroring the increase in premium for transferred risk.
- The Provision for Claims is a management estimate of the cost of pooled, or shared, claims. This estimate is based on a variety of actuarial and statistical techniques considering claims history, claim payment history and frequency, changes in the law, inflation, and other socio-economic factors. Because our claims are discounted to the present value, the effect of changes in the discount rate is included in the provision for claims. The overall provision for pooled, or shared, claims cost, both prior and current, decreased by \$23 million from 2010/11. This is due in large part to the large charge to claim liabilities taken in 2010/11 as a result of lowering the discount rates in the pooled programs. Although we again lowered the discount rate, this year the adjustments were around a quarter point and much less than last year. Additionally we did not have the loss development we have had in the last few years. The quota share arrangements in the EWC and PWC programs have made loss adjustments more predictable and less volatile for the 2008 year and forward.
- Each year we accrue a provision for current year claims, and also adjust the liability for prior year claims. A provision of \$83 million was recognized for fiscal year 2011/12 claims, compared to \$92 million in 2010/11 and \$77 million in 2009/10. A \$19 million provision was recognized for the claim development of prior year claims. Please refer to Footnote 4 for a complete reconciliation of the provision for claims.

Claim payments and patterns are significant factors in the estimation of the Provision for Claims. During fiscal year 2011/12, the EIA paid \$90 million in claims and claims adjustment expenses. In fiscal year 2010/11, the EIA paid out \$87 million, and in 2009/10 paid out \$157 million in claims and claims adjustment expenses. The 2009/10 amount was significantly greater because the PWC Program transferred all the pooled claim liability for a five-year period (from fiscal years 2004/05 through 2008/09) to Ace Indemnity for a payment of \$92 million.

## Management's Discussion & Analysis

The provision for claims and claim payment trends are shown in the following chart:



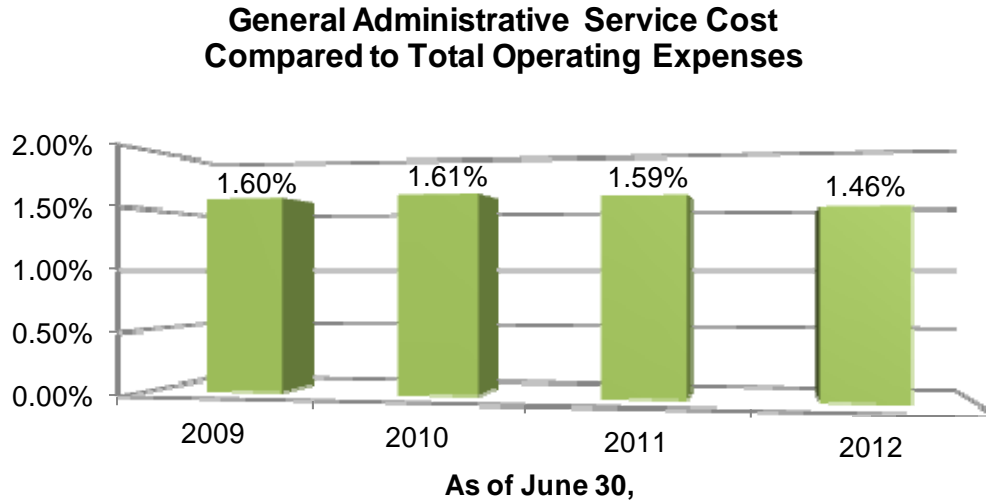
Program service expenses were \$13.4 million in 2011/12 and \$12.5 million in 2010/11, compared to \$11 million in 2009/10. Program services include claims and eligibility administration, claims audits, actuarial services, legal services, and other expenses necessary for the operation of each program.

- Membership in many EIA programs includes subsidies to enhance members risk management programs. The actuarial report subsidy provides \$2,000 for each Workers' Compensation, General Liability I, General Liability II, and Medical Malpractice studies.

All members of the property and casualty programs are eligible for a loss prevention subsidy of \$1,000 per program. In addition, county members are eligible for a separate Risk Management subsidy. A total of \$887 thousand was added to member subsidies in 2011/12 up slightly from the \$875 thousand in 2010/11 and \$790 thousand during fiscal year 2009/10. The Risk Management subsidy programs available to counties and member loss prevention subsidy balances have been combined at year end. A total of \$5.5 million of net assets is available to members to use for risk management purposes.

## Management's Discussion & Analysis

- The general administration cost remains at less than 2% of total expenses. This includes staff expenses, support and services, and the cost of three EIA board meetings and the meetings of 16 committees. The following chart shows the general administrative cost in relation to total expenses for the last four years:



The EIA offers a variety of loss prevention services for our members. The services offered include:

- 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
- Credential & events manager
- Risk analyzer
- Resource center
- Electronic pull notice program (EPN)

These services are offered to members at no or nominal cost.

In the past fiscal year, 5,497 employees from member agencies completed at least one of our instructor led training/education courses. Some of the topics covered included Office Ergonomics, Harassment Prevention for Supervisors, Heat Illness Prevention, Aerosol Transmissible Disease Standards, and Safe Confined Space Entry, Excavations for Public Entities, Insurance Requirements in Contracts, Defending Police Misconduct, Structured Settlements, and Workplace Violence.

Additionally, our members continued use of our internet training platform, Prevention Link, completing over 171,000 courses during the fiscal year.

## Management's Discussion & Analysis

There are currently 67 entities represented by approximately 3,300 employees in our Drug & Alcohol Monitoring Consortium. There are 156 agencies enrolled in the EPN service, representing over 49 thousand drivers.

### Capital Assets

In January 2010, the new office facility at 75 Iron Point Circle, Folsom, California was purchased at a cost of \$9.2 million. We moved into our new facility on January 22, 2010. The EIA invested \$413,333 in new furniture, equipment and software during fiscal year 2009/10, \$59,798 in 2010/11 and \$149,140 in 2011/12. The majority, \$336,700, of expenditures in 2009/10 was spent for new furniture and equipment for the Iron Point building and was within the approved budget. Other equipment investments include scheduled replacements and investments in new technology. Please refer to Footnote 5 (Capital Assets) for more detailed information.

### Economic Factors

The most significant economic factors that will affect the future of the Authority include the insurance market and the investment market. Although during the 2009/10 fiscal year, the country emerged from the recent most severe recession since the Great Depression. California is recovering more slowly than the rest of the country with state unemployment greater than the national average. Additionally, our members, both counties and other public entities, are experiencing severe revenue shortfalls and budget constraints. The Authority has been able to respond with viable risk coverage options and dividend returns.

We continue to operate in a period of historically low interest rates. We are investing in short term instruments, with the intention to invest for longer terms when rates return to more attractive levels.

The insurance market for workers' compensation and liability programs remains soft, allowing the Authority to insure risks at a cost below the actuarial estimate to pool the risk. However, underwriters are scrutinizing current and prior loss history more carefully, as investment returns on premium decline. This is both a challenge and opportunity for the Authority.

Each EIA program committee is carefully monitoring changes to the insurance market, investment market, and their target equity as they make funding decisions at renewal.

### Other Information

In addition to the basic financial statements and accompanying notes to the financial statements, this report also presents certain *Required Supplementary Information* reconciling EIA claim liabilities and claim development schedules.

Required supplementary information can be found beginning on page 86 of this report.

## Management's Discussion & Analysis

The combining and individual program statements for all EIA programs are presented immediately following the required supplementary information beginning on page 91 of this report.

**Conclusion.** This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the EIA's finances. Questions concerning any of the information should be addressed to the Chief Financial Officer, 75 Iron Point Circle, Suite 200, Folsom, California 95630.



**CSAC EXCESS INSURANCE AUTHORITY**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>ASSETS:</b>		
Current Assets:		
Cash	\$ 300	\$ 300
Cash in Banks	9,870,421	5,825,315
Cash in the EIA Treasury	70,823,337	75,099,674
<b>TOTAL CASH &amp; CASH EQUIVALENTS</b>	<u>80,694,058</u>	<u>80,925,289</u>
Investments	203,387,818	175,467,708
Accounts Receivable:		
Due from Members	14,819,415	13,980,470
Investment Income Receivable	2,858,667	2,761,445
Reinsurance Claims	5,762,632	6,967,465
Other Receivables	1,070	69,397
Prepaid Insurance and Expenses	36,112,331	32,404,312
<b>TOTAL CURRENT ASSETS</b>	<u>343,635,991</u>	<u>312,576,086</u>
Noncurrent Assets:		
Investments	185,779,126	200,833,767
Due from Members	-	5,047,763
Prepaid Insurance	35,600,000	36,200,000
Land and Buildings, Net	8,258,935	8,596,364
Furniture and Equipment, Net	506,703	483,486
Lease Acquisition Costs, Net	83,067	101,410
<b>TOTAL NONCURRENT ASSETS</b>	<u>230,227,831</u>	<u>251,262,790</u>
<b>TOTAL ASSETS</b>	<u>\$ 573,863,822</u>	<u>\$ 563,838,876</u>

The notes to the financial statements are an integral part of this statement.

**CSAC EXCESS INSURANCE AUTHORITY**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
Accounts Payable	\$ 3,630,609	\$ 5,267,341
Deposits from Insurance Companies	5,468,231	2,647,116
Due to Members	19,449,370	24,560,819
Deferred Income	5,666,189	3,987,024
Claim Liabilities	74,062,363	60,925,183
Compensated Absences	52,375	47,575
Other Post Employment Benefits	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<u>108,329,137</u>	<u>97,435,058</u>
Noncurrent Liabilities:		
Claim Liabilities		
Claims Reported	202,622,446	183,104,057
Claims Incurred But Not Reported	118,784,475	140,051,019
Unallocated Loss Adjustment		
Expense Payable	38,018,578	38,457,262
Compensated Absences	209,489	190,301
Other Post Employment Benefits	347,877	286,540
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>359,982,865</u>	<u>362,089,179</u>
<b>TOTAL LIABILITIES</b>	<u>468,312,002</u>	<u>459,524,237</u>
<b>NET ASSETS:</b>		
Invested in Capital Assets	8,848,705	9,181,260
Unrestricted	96,703,115	95,133,379
<b>TOTAL NET ASSETS</b>	<u>\$ 105,551,820</u>	<u>\$ 104,314,639</u>

The notes to the financial statements are an integral part of this statement.

**CSAC EXCESS INSURANCE AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>OPERATING REVENUES:</b>		
Premiums for Transferred Risk	\$ 374,220,717	\$ 316,271,011
Broker Fees	7,085,654	6,459,876
Contributions for Retained Risk	108,763,785	119,707,240
Dividend Income	75,314	41,971
Member Services	613,490	530,052
Administration Fees	11,487,622	10,155,392
Public Entity Fees	456,577	408,475
Program Development Fees	3,550	7,550
Other Income	7,167,079	1,329,199
<b>TOTAL OPERATING REVENUES</b>	<u>509,873,788</u>	<u>454,910,766</u>
<b>OPERATING EXPENSES:</b>		
Member Dividends	10,291,841	8,744,665
Insurance and Provision for Losses		
Transferred Risk and Insurance Expense	372,467,736	314,135,445
Broker Fees	7,053,183	6,459,283
Provision for Claims		
Current Year Claims	82,715,480	92,306,545
Prior Year Claims	18,785,661	32,136,737
Unallocated Loss Adjustment Expenses	(424,706)	1,127,804
Program Services	13,426,729	12,495,396
Member Services and Subsidies	2,056,405	2,027,109
General Administrative Services	7,118,673	7,150,235
Depreciation	256,810	263,991
Building Maintenance	147,809	149,868
<b>TOTAL OPERATING EXPENSES</b>	<u>513,895,621</u>	<u>476,997,078</u>
<b>OPERATING (LOSS)</b>	<u>(4,021,833)</u>	<u>(22,086,312)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Sale of Building	-	510,078
Member Building Dividend	-	(2,318,071)
Investment Income	5,076,981	9,673,870
Financing Fees	57,640	92,056
Lease Income	506,259	474,620
Building Maintenance	(125,912)	(123,960)
Building Depreciation	(224,887)	(226,025)
Investment Expense	(31,067)	(39,222)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>5,259,014</u>	<u>8,043,346</u>
<b>CHANGES IN NET ASSETS</b>	1,237,181	(14,042,966)
<b>NET ASSETS:</b>		
Net Assets, Beginning of Year	<u>104,314,639</u>	<u>118,357,605</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 105,551,820</u></u>	<u><u>\$ 104,314,639</u></u>

The notes to the financial statements are an integral part of this statement.

**CSAC EXCESS INSURANCE AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from Members	\$ 507,877,480	\$ 452,110,460
Receipts from Others	4,064,104	4,851,897
Dividends Paid	(10,932,950)	(9,098,540)
Claims Paid	(90,126,094)	(86,714,138)
Insurance Purchased	(363,980,853)	(308,592,820)
Payments to Suppliers	(33,898,363)	(33,384,136)
Payments to Employees	<u>(5,606,622)</u>	<u>(5,792,238)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>7,396,702</u>	<u>13,380,485</u>
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES:</b>		
Sale of Building, Furniture and Equipment	-	1,605,271
Building Dividend	-	(2,318,071)
Purchase of Capital Assets	<u>(149,142)</u>	<u>(59,798)</u>
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(149,142)</u>	<u>(772,598)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Lease Receipts	506,259	474,620
Operating Lease Disbursements	(125,912)	(123,960)
Purchase of Securities	(305,721,238)	(279,324,641)
Sales of Securities	283,981,520	298,458,536
Cash from Investment Earnings	13,854,007	11,771,083
Cash from Finance Fees	57,640	88,260
Investment Expenses	<u>(31,067)</u>	<u>(39,222)</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(7,478,791)</u>	<u>31,304,676</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(231,231)	43,912,563
<b>CASH &amp; EQUIVALENTS: BEGINNING OF YEAR</b>	<u>80,925,289</u>	<u>37,012,726</u>
<b>END OF YEAR</b>	<u><u>\$ 80,694,058</u></u>	<u><u>\$ 80,925,289</u></u>

The notes to the financial statements are an integral part of this statement.

**CSAC EXCESS INSURANCE AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Loss	\$ (4,021,833)	\$ (22,086,312)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	256,810	263,991
Changes in Assets and Liabilities		
Accounts and Other Receivables, Net	5,481,978	4,931,720
Prepaid Insurance and Expenses	(3,108,017)	(845,939)
Accounts and Other Payables	(3,865,729)	(5,495,218)
Deferred Income	1,679,165	(2,246,814)
Claim Liabilities	11,389,024	37,735,961
Unallocated Loss Adjustment Expense Payable	(438,684)	1,120,987
Other Liabilities	23,988	2,109
	<hr/>	<hr/>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b><u><u>\$ 7,396,702</u></u></b>	<b><u><u>\$ 13,380,485</u></u></b>
<b>NONCASH INVESTING, CAPITAL &amp; FINANCING ACTIVITIES</b>		
Changes in unrealized gains (loss) on investments	<u><u>\$ (8,874,249)</u></u>	<u><u>\$ (1,059,536)</u></u>

The notes to the financial statements are an integral part of this statement.

**CSAC EXCESS INSURANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

1. Organization and Significant Accounting Policies

The accounting policies of the CSAC Excess Insurance Authority (the EIA or the Authority) conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies.

A. Organization and Reporting Entity

The CSAC Excess Insurance Authority is a Joint Powers Authority (JPA) organized in accordance with Article 1, Chapter 5, Division 7, Title I of the California Government Code. The purpose of the entity is to develop and fund insurance programs for member counties and other public entities. The Authority operates public entity risk pools for workers' compensation, employee benefits, comprehensive liability, property, medical malpractice, and pool purchases of excess insurance and services for members.

The Authority is under the control and direction of the Board of Directors, consisting of representatives of the member counties and other public entities. For purposes of control and daily management, the Authority annually elects an Executive Committee consisting of a President, Vice President, and nine Directors. The immediate Past President and legal advisor are non-voting (advisory) members of the Executive Committee. The Executive Committee has appointed a Chief Executive Officer.

B. Membership

There are two classes of membership, county members and public entity members. Each member has adopted the Joint Powers Agreement and has been approved by the Board of Directors.

County membership is available to California counties whose supervisors are members of the California State Association of Counties (CSAC). Currently, there are 54 member counties. Each county member is entitled to appoint one representative to the Board of Directors. County members have nine positions on the Executive Committee.

Public entity membership is open to any other California public entity. Public entity members have seven voting seats (and three alternates) on the Board of Directors. Two seats on the Executive Committee are designated for public entity members.

The following number of members participated in Authority programs, as of June 30, 2012 and 2011:

	2012	2011
Primary Workers' Compensation	41	42
Excess Workers' Compensation	166	165
Primary General Liability	29	29
General Liability I	103	101
General Liability II	11	11
Property	82	81
Medical Malpractice	50	48
EIAHealth	24	18
Dental	122	114

**CSAC EXCESS INSURANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

1. Organization and Significant Accounting Policies (continued)

B. Membership (continued)

Members are assessed a contribution for each program in which they participate. Members may be subject to additional supplemental assessments, if it is determined that contributions are insufficient. The pool considers anticipated investment income in determining if a premium deficiency exists.

If it is determined that excess contributions are available, a dividend may be declared. Each member shall be eligible for a portion of the dividend, as determined by the Board of Directors.

Members may withdraw from the Authority only at the end of a policy period and only if a 60 day written advance notice is given. The Authority may cancel a membership at any time, upon two-thirds vote of the Board of Directors and with 60 days written notice. Upon withdrawal or cancellation, a member shall remain liable for additional assessments for the program periods in which they have participated. Withdrawn or canceled members are generally not eligible for future dividends, based on the conditions set forth in the Joint Powers Agreement.

C. Significant Accounting Policies

Basis of Presentation and Accounting

The accounts of the Authority are organized on the basis of governmental fund accounting. The Authority operates a single enterprise fund, which is considered a separate accounting entity. An enterprise fund is used to account for governmental activities where the intent is that the cost of providing goods or services is financed primarily through user charges. The Authority's operations consist of ten insurance programs, a general administration program and a building program for the office facility it owns. Each program has established separate program accounts to independently evaluate each program on its own. Each program is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues and expenses.

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. As a governmental entity, the Authority follows the accounting standard hierarchy established by the GASB. However, since the Authority operates proprietary activities, which are usually thought to be business-type activities (enterprise fund accounting), applicable statements and interpretations of the Financial Accounting Standards Board (FASB) issued before November 30, 1989 may apply, unless they conflict with or contradict GASB pronouncements. The Authority has elected not to apply FASB pronouncements issued after November 30, 1989.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The accounting records are maintained using the economic resources measurement focus and the accrual basis of accounting. Member premium revenues are recognized over the contract period, in proportion to the risk protection provided. All other revenue is recognized when earned. Major revenue accrual entries include member premium receivable and investment income receivable in the EIA Treasury. Expenses are recognized when goods or services are received, or in the case of claims, when the insured event occurs. Major expense accrual entries include liabilities for reported claims and liabilities for claims incurred but not reported.

**CSAC EXCESS INSURANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

1. Organization and Significant Accounting Policies (continued)

C. Significant Accounting Policies (continued)

Reclassifications

Certain reclassifications have been made to prior year balances to conform to classifications used in the current year.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers cash in banks and deposits in the State of California Local Agency Investment Fund to be cash equivalents.

Investments

Investments are recorded in the EIA Treasury (Note 3) at fair value. Investment income is recorded as earned.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Non-current Due from Members was a long term note between the Authority and Tuolumne County; the terms and conditions of which were authorized at the March 2008 Board meeting. The note was executed on April 15, 2008 and funded on February 11, 2009. The terms of the note were as follows: due in 5 years with simple interest due based on the Authority's inter-fund borrowing rate each year. Tuolumne County paid the remaining balance plus accrued interest in fiscal year 2011/12. Interest income on the note for the fiscal years ending June 30, 2012 and 2011 was \$35,788 and \$126,079, respectively. The June 30, 2012 and 2011 accounts receivable portfolio was as follows:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Current Receivables:		
Due from Members		
Premiums	\$ 14,558,537	\$ 13,929,820
Other Member Receivables	260,878	50,650
Total Due from Members	<u>14,819,415</u>	<u>13,980,470</u>
Investment Income Receivable	2,858,667	2,761,445
Re-Insurance Claims	5,762,632	6,967,465
Other Receivables	1,070	69,397
Total Current Receivables	<u>23,441,784</u>	<u>23,778,777</u>
Non-current Receivables:		
Due from Members	-	5,047,763
Total Non-current Receivables	-	5,047,763
TOTAL RECEIVABLES	<u>\$ 23,441,784</u>	<u>\$ 28,826,540</u>



**CSAC EXCESS INSURANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

1. Organization and Significant Accounting Policies (continued)

C. Significant Accounting Policies (continued)

Interest on investments is recorded in the year the interest is earned, and is considered 100% collectible. The June 30, 2012 and June 30, 2011 balances in the other receivable accounts are considered 100% collectible.

Prepaid Expenses

Expenditures for insurance and other services that extend to future accounting periods have been recorded as prepaid expenses.

Capital Assets

Capital assets include furniture, equipment, software, tenant improvements, building and amortizable lease acquisition costs with an individual cost of \$500 or more. Capital assets are recorded at cost. Expenditures for maintenance and repairs are reflected in current earnings as incurred. Upon sale or retirement of an asset, its cost and related accumulated depreciation are removed from the account balances and charged to current earnings.

Depreciation for office furniture, equipment and software is computed using the straight-line method and an estimated useful life of three to seven years. Depreciation for the office building and tenant improvements is computed using the straight-line method, either over the lease term or the useful life of the component units, as appropriate, with the period ranging from three to sixty years. Lease acquisition costs are amortized over the term of the lease.

Deferred Income

Deferred income includes payments from members for insurance premium or contributions for retained risk received, but not earned until a subsequent accounting period.

Unallocated Loss Adjustment Expenses Payable

Unallocated loss adjustment expenses include costs that cannot be specifically associated with particular claims, but are related to claims paid or the process of claims settlement.

A provision for unallocated loss adjustment expenses has been recognized based on an identification of future unallocated expenses, then determining the relationship between these costs and claim liabilities.

	June 30, 2012	June 30, 2011
Primary Workers' Compensation	\$ 23,487,517	\$ 23,562,790
Excess Workers' Compensation	10,336,064	10,732,360
Primary General Liability	157,840	283,694
General Liability I	2,086,998	1,990,903
General Liability II	409,397	352,571
Property	14,451	78,618
Medical Malpractice	1,526,311	1,456,326
Totals	<u>\$ 38,018,578</u>	<u>\$ 38,457,262</u>

**CSAC EXCESS INSURANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

1. Organization and Significant Accounting Policies (continued)

C. Significant Accounting Policies (continued)

Compensated Absences

The Authority's vacation policy provides for a limited accumulation of earned vacation leave, with such leave being fully vested when earned. A liability for \$261,864 for vacation pay has been computed and recorded, based on the unused days multiplied by the current daily rates of pay. At June 30, 2012, the current portion of the liability is \$52,375 and the balance of \$209,489 is considered long term.

	Fiscal Year Ended	
	June 30, 2012	June 30, 2011
Beginning Balance	\$ 237,876	\$ 235,767
Increases	252,634	256,086
Decreases	(228,646)	(253,977)
Ending Balance	<u>\$ 261,864</u>	<u>\$ 237,876</u>
Current Portion	<u>\$ 52,375</u>	<u>\$ 47,575</u>
Long Term Portion	<u>\$ 209,489</u>	<u>\$ 190,301</u>

The Authority's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave, accumulated at the time of retirement, may be used in the determination of length of service for retirement benefit purposes. Since the Authority has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Pensions

The provision for pension cost is recorded on an accrual basis, and the Authority's policy is to fund pension costs as they accrue. Refer to Note 7 for pension details.

Classification of Revenues

The Authority has classified its revenue as either operating or non-operating revenues. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement 34 including investment income. Revenues and expenses are classified according to the following criteria:

- Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as insurance premiums, assessments for insured events, administration fees and public entity fees.
- Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions and other revenue sources described in GASB Statement 34, such as investment income and finance charges.

**CSAC EXCESS INSURANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

1. Organization and Significant Accounting Policies (continued)

C. Significant Accounting Policies (continued)

Premiums for Transferred Risk and Contributions for Retained Risk

EIA programs blend the purchase of insurance with risk sharing pools. Premiums for transferred risk are resources collected to purchase commercial insurance. Contributions for retained risk are collected to fund our risk sharing pools and share in the cost of claims. Both premiums for transferred risk and contributions for retained risk are collected in advance and recognized as revenues in the period for which insurance protection is provided. If the Authority's Board of Directors determines that the insurance funds for a program are insufficient to pay losses, fund known estimated losses and fund estimated losses, which have been incurred but not reported, the Authority may impose a supplemental assessment on all participating members. Supplemental assessments are recognized as income in the period assessed. Workers' compensation program contributions for retained risk are based on estimated payrolls and are adjusted in the subsequent fiscal year, based on actual payroll data.

Provision for Claims

The Authority's programs include both arrangements in which the members combine resources to purchase commercial insurance products and risk sharing pools, where members pool risks and funds and share in the cost of losses. Some programs include elements of both; losses up to a certain amount are pooled, and the Authority purchases excess or reinsurance for losses not covered in the pooled layer. The provision for claims expense represents the pools' expense for claim costs and allocated claims adjustment expenses.

Excess Insurance and Reinsurance

The Authority uses excess insurance and reinsurance agreements to reduce its exposure to large losses on all types of insured events. Excess insurance covers claims in excess of each pool's retention layer. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Authority as direct insurer of the risk reinsured. The Authority does not report reinsured risk as a liability, unless it is probable that those risks will not be recovered from reinsurance. The amount of settlements did not exceed insurance coverage in each of the past three years.

Services

Services donated by many officers and directors are important to the activities of the Authority. The financial statements do not recognize the value of these donated services, since there is no basis for measuring and valuing these services.

Income Taxes

The Authority is a political subdivision of the State of California, and is not liable for federal or state income taxes. The Authority is liable for certain payroll taxes.

**CSAC EXCESS INSURANCE AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

1. Organization and Significant Accounting Policies (continued)

C. Significant Accounting Policies (continued)

Management Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date, and revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term are described elsewhere in this report.

Net Assets

Net assets represent the investment of capital assets of \$8,765,638, net of accumulated depreciation, and unrestricted net assets of \$96,786,182 as of June 30, 2012, for a total of \$105,551,820. The net assets as of June 30, 2011 were \$104,314,639. The net assets balances are available for future operations or distribution. Managerial plans have identified specific purposes for \$44,585,108 as of June 30, 2012, and \$37,322,809 as of June 30, 2011. These specific plans are as follows:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Net Assets Designated by Managerial Plans:		
Reserved for PWC TPA Conversion Project	\$ 920,509	\$ 900,623
Excess Workers' Compensation Available for Claims	2,241,729	3,804,967
General Liability I Available for Claims	35,115,046	30,337,577
Property Risk Management Services	188,410	124,815
Designated for Risk Management Dividend	466,577	408,475
General Administration		
Risk Management Subsidies*	5,459,617	1,553,132
Self Insurance Retention (SIR)	193,220	193,220
Total Net Assets Designated by Managerial Plans	<u>44,585,108</u>	<u>37,322,809</u>
Other Net Assets:		
Invested in Capital Assets, Net of Related Debt	8,765,638	9,181,260
Unrestricted Net Assets	52,201,074	57,810,570
Total Unrestricted Net Assets	<u>60,966,712</u>	<u>66,991,830</u>
Total Net Assets	<u><u>\$ 105,551,820</u></u>	<u><u>\$ 104,314,639</u></u>

\*The amount designated for Risk Management Subsidies has increased significantly due to a reclassification of amounts formerly classified as liabilities due to members. The Board took action in 2012 to limit the use of funds added to premiums as loss prevention subsidies to risk management activities. Since the member no longer has a right to these funds unless used for risk management activities, these amounts no longer are a liability of the authority and have been added to revenue as other income.

**CSAC EXCESS INSURANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

2. Cash

A. Petty Cash

The Authority maintains a petty cash account of \$300.

B. Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2012 and 2011 are reported at fair value and consist of the following:

	June 30, 2012	June 30, 2011
Petty Cash	\$ 300	\$ 300
Cash in Banks		
Primary Workers' Compensation Checking	9,251,390	4,491,658
Primary General Liability Checking	441,228	1,258,028
Iron Point Checking	177,803	75,629
	<u>9,870,421</u>	<u>5,825,315</u>
Cash in EIA Treasury		
Cash in Bank, General Checking	3,027,097	3,041,868
Treasury Money Market	17,906,013	25,226,377
State of California, Local Agency Investment Fund	<u>49,890,227</u>	<u>46,831,429</u>
Total Cash in EIA Treasury	<u>70,823,337</u>	<u>75,099,674</u>
Total Cash and Cash Equivalents	<u>\$ 80,694,058</u>	<u>\$ 80,925,289</u>

C. Custodial Credit Risk

The carrying amount of the Authority's total cash in banks was \$12,897,518 at June 30, 2012, and \$8,867,183 at June 30, 2011. The bank balance was \$19,755,035 at June 30, 2012 and \$13,142,377 at June 30, 2011, and was fully insured by the Federal Deposit Insurance Corporation (FDIC). California law requires depository banks to hold collateral equal to 110% of government funds on deposit. Our investment policy does not address custodial credit risk.

D. Authority Treasury

The Authority pools cash resources of its various programs in order to facilitate the management of cash. Cash available to a particular program is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities, as part of the Authority's investments.

**CSAC EXCESS INSURANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

2. Cash (continued)

D. Authority Treasury (continued)

Authority treasury accounts were comprised of the following:

	June 30, 2012	June 30, 2011
Cash In Banks	\$ 20,933,110	\$ 28,268,246
Cash in State of California		
Local Agency Investment Fund	49,890,227	46,831,429
Investments	389,166,944	376,301,475
Investment Income Receivable	2,858,667	2,761,445
Note Receivable	0	5,047,763
Total Treasury Assets	<u>\$ 462,848,948</u>	<u>\$ 459,210,358</u>

	June 30, 2012	June 30, 2011
Primary Workers' Compensation	\$ 69,977,889	\$ 82,590,125
Excess Workers' Compensation	265,122,497	260,595,396
Primary General Liability	4,023,094	3,264,942
General Liability I	123,860,505	110,984,377
General Liability II	17,981,402	24,894,434
Property	(67,375,041)	(72,706,668)
Medical Malpractice	27,382,305	31,955,091
Miscellaneous Programs	3,906,390	(42,118)
EIAHealth	9,206,123	8,927,516
Dental	9,376,907	10,276,280
General Administration	7,721,592	7,246,318
Building Fund	(8,334,715)	(8,775,335)
Total Treasury Balances	<u>\$ 462,848,948</u>	<u>\$ 459,210,358</u>

3. Investments

The Authority's investment policy is designed to achieve an optimum rate of return on available assets not required for current operating needs. Section 53601 of the California Government Code provides the legal authority for investments. An appropriate level of risk shall be maintained by purchasing securities that are liquid, marketable and high quality. Adequate diversification shall be applied to prevent an undue amount of investment risk with any one institution. The classes of investment that most adequately meet the above mentioned criteria shall be allowed for purchase. They are issues of the United States Government, federal agencies (GNMA, FNMA, FHLB, FFCB, and FHLMC), negotiable certificates of deposit, bankers' acceptances, commercial paper and medium-term notes. While not as liquid or marketable as prior mentioned securities, repurchase agreements and time certificates of deposit are also allowable investments. The Authority may also deposit investment funds with the State of California Local Agency Investment Fund.

**CSAC EXCESS INSURANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

3. Investments (continued)

The EIA investment policy places a limit on the purchase of debt of any federal government agency of 30% of available funds (book values of securities in the portfolio plus cash and cash equivalents). Purchases of medium-term notes (corporate notes) are limited to 30% of available funds and a minimum rating of A by a nationally recognized rating service (Moody's, Standard and Poor's or Fitch). Purchases of notes from an individual issuer are limited to a maximum of 5% of available funds. Purchases of commercial paper are limited to 25% of available funds, and must be assigned the highest rating offered by Moody's (MIG-1) or Standard and Poor's (SP-1). Any debt, other than commercial paper, must also be assigned a Moody's or Standard and Poor's rating of A or better. Purchases from an individual issuer are limited to 5% of available funds. All restrictions are applicable at the time of purchase.

A. Investment Credit Risk

The investments in the Authority Treasury at June 30, 2012 and 2011 are summarized below. The credit quality rating used is Standard and Poor's, a nationally recognized rating agency.

Investments	Credit Quality Rating	June 30, 2012		June 30, 2011	
		Fair Value	%	Fair Value	%
U.S. Treasury Notes	AA+	\$ 62,318,964	16%	\$ 45,517,458	12%
U.S. Agencies	AA+	184,199,565	47%	232,370,710	62%
Corporate Mid Term Notes	AAA to A+	116,497,733	30%	63,200,419	17%
Corporate Mid Term Notes	A	26,143,250	7%	31,159,450	8%
Corporate Mid Term Notes	BBB-	-	0%	4,045,000	1%
Stock	NA	7,432	0%	8,438	0%
Total Investments		\$ 389,166,944	100%	\$ 376,301,475	100%

B. Investment Interest Rate Risk

The Authority's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments are generally limited to five years maturity, or less. Investments maturing over five years must be approved by the Authority's Finance Committee. Maturities of investments held at June 30, 2012 consist of the following:

	<u>Investment Maturities</u>			Time to Maturity
	Fair Value	Less than 1 Year	One to Five Years	
U.S. Treasuries	\$ 62,318,964	\$ 15,147,660	\$ 47,171,304	1.68
U.S. Agencies	184,199,565	100,430,995	83,768,570	1.21
Corporate Mid Term Notes	142,640,983	87,801,731	54,839,252	1.00
Stock	7,432	7,432	N/A	N/A
Totals	\$ 389,166,944	\$ 203,387,818	\$ 185,779,126	1.21

**CSAC EXCESS INSURANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

3. Investments (continued)

B. Investment Interest Rate Risk (continued)

The Authority recognizes all investments at fair value in accordance with GASB Statement 31. Fair value equals estimated market values obtained from FT Interactive Data's pricing system, a leading provider of financial information to global markets. The calculation of realized gains and losses is independent of the calculation of the change in the fair value of investments. Realized gains and losses of the current period include unrealized amounts from prior periods. Investment income includes \$8,874,249 of unrealized loss for the year ended June 30, 2012. In the year ended June 30, 2011, \$1,059,536 of unrealized loss was recognized.

The calculation of unrealized losses is shown in the following tables:

	June 30, 2012	June 30, 2011
Fair Value at June 30,	\$ 389,166,944	\$ 376,301,475
Add: Proceeds of Investments Disposed Of	283,981,521	298,458,539
Less: Cost of Investments Purchased	(305,721,239)	(279,324,642)
Less Fair Value at July 1	(376,301,475)	(396,494,908)
<b>Change in Fair Value</b>	<b>\$ (8,874,249)</b>	<b>\$ (1,059,536)</b>

	Beginning Fair Value At July 1, 2011	Purchases	Dispositions	Subtotal	Ending Fair Value At June 30, 2012	Change in Fair Value
U.S. Treasuries	\$ 45,517,458	\$ 41,635,156	\$ 24,059,766	\$ 63,092,848	\$ 62,318,964	\$ (773,884)
U.S. Agencies	232,370,711	124,742,924	169,775,000	\$ 187,338,635	184,199,565	(3,139,070)
Corporate MTNs	98,404,868	97,351,720	48,155,316	\$ 147,601,272	142,640,983	(4,960,289)
Commercial Paper	-	41,991,438	41,991,438	\$ -	-	-
Stock	8,438	-	-	\$ 8,438	7,432	(1,006)
<b>Totals</b>	<b>\$ 376,301,475</b>	<b>\$ 305,721,238</b>	<b>\$ 283,981,520</b>	<b>\$ 398,041,193</b>	<b>\$ 389,166,944</b>	<b>\$ (8,874,249)</b>



**CSAC EXCESS INSURANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

3. Investments (continued)

C. Concentration of Credit Risk

The Authority's investment policy places limits on the amount that may be invested in any one issuer. The limits are applied at the time the investment decision is made. These limits are summarized as follows:

	Limit per Institution	Limit per type of Investment
Treasury Notes and Bills	100%	100%
U.S. Agencies	30%	100%
Commercial Paper	5%	25%
Bankers' Acceptances	5%	40%
Corporate Mid Term Notes	10%	30%
Time Certificates of Deposit	5%	50%
Municipal Bonds	varies by state	30%
Repurchase Agreements		
30 days or less	10%	100%
Greater than 30 days	5%	100%

Investments with one institution that represent five percent or more of the total investment portfolio are listed below. Investments issued or explicitly guaranteed by the U.S. government and investments with the State of California's Local Agency Investment Fund (LAIF) have been excluded.

Issuer	Number of Securities	Fair Value	Percentage of Total Portfolio
Federal Farm Credit Bank	6	\$ 65,515,760	16.83%
Federal National Mtg Assn	5	\$ 50,483,540	12.97%
Federal Home Loan Bank	4	\$ 41,253,020	10.60%
GE Cap Corp	2	\$ 25,387,705	6.52%
Wells Fargo & Co	2	\$ 20,948,660	5.38%

D. California's Local Agency Investment Fund (LAIF)

The Authority may also invest in the State of California's LAIF, administered by the State Treasurer. California law restricts the Treasurer to investments in the following categories: U.S. Government securities, securities of federally sponsored agencies, domestic corporate bonds, interest bearing time deposits in California banks and savings and loan associations, prime-rated commercial paper, repurchase and reverse repurchase agreements, security loans, bankers acceptances, negotiable certificates of deposit and loans to various bond funds. LAIF investments are audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office, 915 Capitol Mall, Sacramento, California 95814. The Pooled Money Investment Board has established policies, goals and objectives to make certain that their goal of safety, liquidity, and yield are not jeopardized and that prudent management prevails. LAIF has a continuing audit process throughout the year. The State Controller's Office, as well as an in-house audit process involving three separate divisions, audits all investments on a daily basis.

**CSAC EXCESS INSURANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
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3. Investments (continued)

D. California's Local Agency Investment Fund (LAIF) (continued)

The total carrying cost of LAIF's pooled money investment account at June 30, 2012, is \$60,514,457,551. The fair value is estimated at \$60,588,263,603, or 1.001219643% of cost. The average maturity of LAIF investments is 268 days at June 30, 2012.

The Authority's balance in LAIF at June 30, 2012, was \$49,890,227, and is recognized at LAIF's cost. LAIF's cost approximates the fair value of the Authority's shares. The Authority's balance in LAIF at June 30, 2011, was \$46,831,429, and was also valued at LAIF's cost. LAIF is not rated by the investment rating firms.

4. Claim Liabilities

The Authority establishes claim liabilities based on estimates of the ultimate cost of claims (including claims adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time in which such cost must be estimated, varies depending on the coverage involved. Because actual claims cost depends on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques. Claim liability estimates reflect recent settlements, claims frequency and other economic and social factors. A provision for inflation in the calculation of estimated future claims cost is implicit in the calculation because reliance is placed both on actual historic data that reflects past inflation, and on other factors that are considered to be approximate modifiers of past experience. Adjustments to claim liabilities are charged, or credited, to expense in the period in which they are made.

The Authority's Board of Directors (Board) elected to establish claim liabilities in some programs at a level which includes investment income on monies set aside to pay claims, that is, on a discounted basis. Total claim liabilities at June 30, 2012 of \$574,278,238 have been presented at the net present value of \$433,487,862. At June 30, 2011, claim liabilities of \$560,072,973 are presented at their present value of \$422,537,521, discounted based on the estimated investment income yield.

The Board establishes the discount rate and funding for the Excess Workers' Compensation Program and the General Liability I Program, and the program Committees establish the discount rate and funding for the Primary Workers' Compensation, Primary General Liability, and Medical Malpractice Programs.

Annually, the Board and committees evaluate the discount rate to be used for pool funding and for the actuarial valuation of claim liabilities. This is of particular importance for the Excess Workers' Compensation Program, the General Liability I Program and the Medical Malpractice Programs. In these programs, claim liabilities are paid off over a longer period of time and we have changed the discount rate infrequently. However, our investments are yielding less than the discount rate, and have been since the recession began in 2008, and now it appears investment yields will not recover to previous levels in the short-term. Because of the extremely low yield on our investments, we had our actuary conduct an analysis of the payout patterns on these claims and evaluate the sensitivity of the discount rate. At June 30, 2011, we lowered the discount rate in the Excess Workers' Compensation Program to 4.27%, down from 5%; in the General Liability I Program to 2.74%, down from 4%; and in the Medical Malpractice Program to 1.92%, down from 4%. The rates vary because they are impacted both by earnings and by the payout pattern on the claims. After announcements from the Federal Reserve Bank in late 2011, we again evaluated how long it might take interest rates to recover and again lowered the discount rate on our claim liabilities another quarter point on the Excess Workers' Compensation Program to 4%, on the General Liability I Program to 2.25%, and on the Medical Malpractice Program to 1.75%.

**CSAC EXCESS INSURANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

4. Claim Liabilities (continued)

The Excess Workers' Compensation Program has an extremely long payout period due to the nature of the claims. This is an "excess" program, meaning coverage sits on top of a member's self-insured retention, which can vary from \$125 thousand up to \$5 million. Much of the liability arises as a result of a future medical award, or disability award, that extends for the life of the injured worker, who may collect benefits for over 30 years. The total funds available to pay those claims earn interest for years, and because of the size of the program, a change in the discount rate results in a change in the liability of millions. The following chart shows the sensitivity of claim liabilities to the discount rate selected and the resulting effect on net assets.

Discount Effect on Claim Liabilities in the EWC Program				
Discount Rate Selected	4%	3%	2%	1%
Claim Liabilities	254,731,443	277,852,901	304,671,036	336,097,254
Net Asset Balance	2,331,547	(20,789,911)	(47,608,046)	(79,034,264)

In the Primary Workers' Compensation Program, we only retain the first \$10 thousand of liability for the years 2009/10 forward. Since this is paid relatively quickly, the claims for these years are not discounted. Claim liabilities that are for years 2003/04 and prior, are discounted at 4%, because we retained the entire \$125 thousand, or more of Program liability. The claims for the period 2004/05 to 2008/09 are fully insured.

The discount rate for each program is as follows:

<u>Program</u>	<u>Discount rate</u>
Primary Workers' Compensation	0% 2009/10 forward
Primary Workers' Compensation	4% 2003/04 and prior
Excess Workers' Compensation	4.00%
General Liability I	2.25%
General Liability II	no discount
Property	no discount
Medical Malpractice	1.75%
Dental	no discount

A summary of the claim liabilities by program is as follows:

	June 30, 2012	June 30, 2011
Primary Workers' Compensation	\$ 39,795,595	\$ 35,670,993
Excess Workers' Compensation	254,731,443	256,818,432
Primary General Liability	1,246,894	289,605
General Liability I	87,833,205	80,417,817
General Liability II	17,060,410	23,792,363
Property	9,797,472	1,783,464
Medical Malpractice	20,782,555	21,019,735
Dental	2,240,288	2,745,112
Total Claim Liabilities	<u>\$ 433,487,862</u>	<u>\$ 422,537,521</u>

**CSAC EXCESS INSURANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

4. Claim Liabilities (continued)

The following represents changes in those aggregate liabilities for the Authority for the past two years:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Unpaid claims and claim adjustment expenses at the beginning of the fiscal year	\$ 422,537,521	\$ 383,680,573
Incurring claims and claim adjustment expenses:		
Provision for Retained Risk of the current fiscal year	82,290,774	93,434,349
Increase in Provision for Retained Risk of prior fiscal years	18,785,661	32,136,737
Total incurred claims and claim adjustment expenses	<u>523,613,956</u>	<u>509,251,659</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	27,492,705	31,194,458
Claims and claim adjustment expenses attributable to insured events of the prior fiscal years	62,633,389	55,519,680
Total Payments	<u>90,126,094</u>	<u>86,714,138</u>
Total Unpaid claims and claim adjustment expenses at the end of the fiscal year	<u>\$ 433,487,862</u>	<u>\$ 422,537,521</u>
Reported Claims	\$ 276,684,809	\$ 244,029,240
Incurred But Not Reported Claims	118,784,475	140,051,019
Unallocated Loss Adjustment Expenses	38,018,578	38,457,262
Total Claim Liabilities	<u>\$ 433,487,862</u>	<u>\$ 422,537,521</u>
Current Claim Liabilities	74,062,363	\$ 60,925,183
Non-current Claim Liabilities	359,425,499	361,612,338
Total Claim Liabilities	<u>\$ 433,487,862</u>	<u>\$ 422,537,521</u>

**CSAC EXCESS INSURANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

4. Claim Liabilities (continued)

A. Primary Workers' Compensation

The Primary Workers' Compensation (PWC) Program was established on July 1, 1997. PWC is a full service program including claims administration. The Program blends pooling of workers' compensation claims with purchasing of insurance. The Program covers workers' compensation claims up to \$125 thousand per occurrence. Claims in excess of \$125 thousand are the responsibility of the Authority's Excess Workers' Compensation Program.

The PWC Program has an aggregate stop loss policy in place with Munich American Risk Partners for the years 1997 to 2004, as well as portfolio transfers that took place for claims prior to July 1, 1997. Workers' compensation portfolio claims incurred by the Santa Cruz County Fire Agencies Insurance Group prior to June 30, 2002, are not covered by any reinsured aggregate stop loss. The estimated ultimate claim cost has exceeded the aggregate stop loss limit. The discounted liability, above the aggregate stop loss limit, is \$3,795,711.

In March 2010, the Authority completed a Loss Portfolio Transfer to ACE Insurance Company of the claim liabilities for the July 2004 through June 2009 years. The transfer price was \$91,600,000. The Authority will continue to administer the claims and is responsible for the Unallocated Loss Adjustment Expense on a go forward basis for those claim years, but ACE is responsible for all claim payments.

For the 2009/10 through 2011/12 policy years, the Authority purchased insurance from CastlePoint for claim liabilities in excess of \$10 thousand (per claim) up to \$125 thousand. At June 30, 2012, the outstanding PWC claim liability was as follows:

Claim Period	Estimated Ultimate Claim Cost	Claims Paid	Discount Amount	Ceded Liability	Net Claim Liability
July 1, 1997 to June 30, 2004					
Munich American Risk Partners to attachment point	\$260,355,527	\$260,355,527	\$ -	\$ -	\$ -
Reinsured layer	38,500,000	18,049,723	-	20,450,277	-
Above reinsured layer	8,834,576	-	5,038,865	-	3,795,711
Santa Cruz Fire Portfolio	9,696,218	9,418,090	-	-	278,128
Castlepoint National Insurance Company					
2009/10 policy year	11,868,000	9,127,073	2,740,927	-	2,740,927
2010/11 policy year	12,700,000	10,080,439	2,619,561	-	2,619,561
2011/12 policy year	12,862,000	5,988,249	6,873,751	-	6,873,751
Total PWC Claim Liabilities	\$354,816,321	\$313,019,101	\$17,273,104	\$ 20,450,277	\$16,308,078

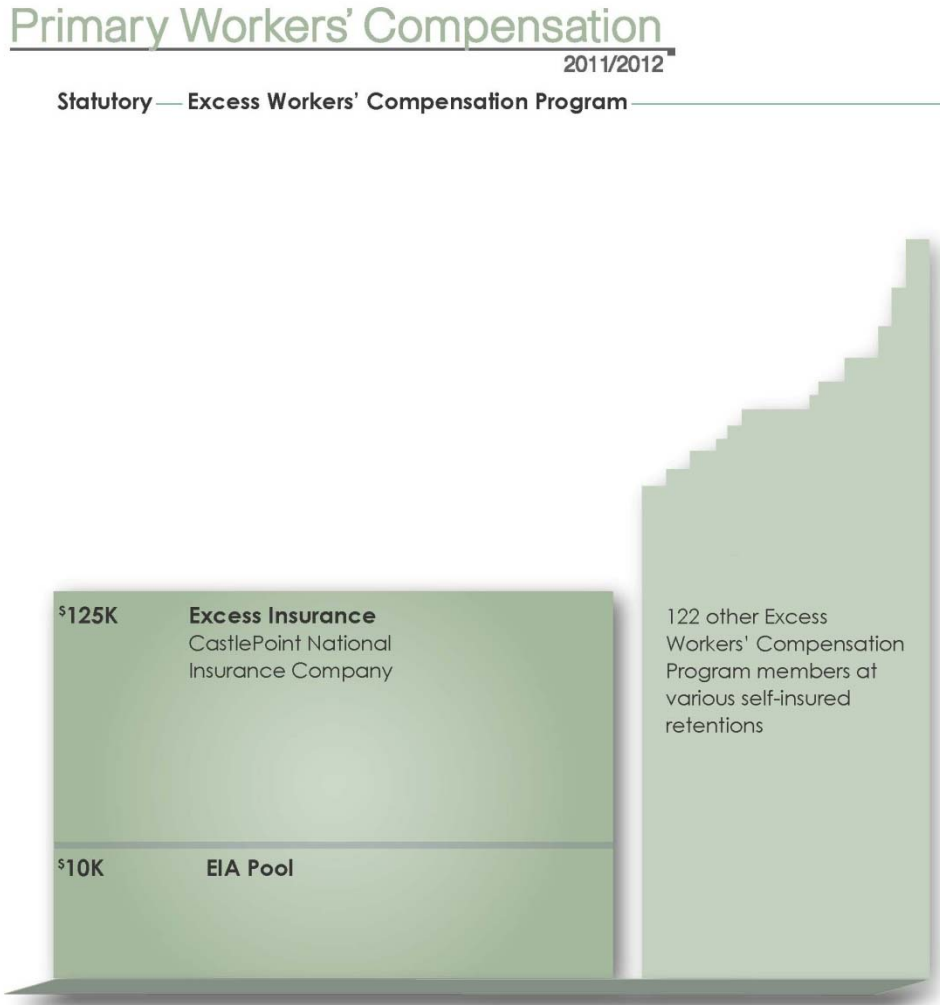
The net PWC claim liability of \$16,308,078 is reported on the balance sheet as \$10 million (which is considered to be short-term payable in one year or less) and \$6,308,078 as long-term liabilities. Unallocated Loss Adjustment Expense was \$23,487,517, for a total claim liability of \$39,795,595.

**CSAC EXCESS INSURANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
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4. Claim Liabilities (continued)

A. Primary Workers' Compensation (continued)

The chart below shows the current structure of the Program.



**CSAC EXCESS INSURANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

4. Claim Liabilities (continued)

B. Excess Workers' Compensation

The Excess Workers' Compensation (EWC) Program was first established by the EIA in 1979. In recent years, the Authority had retained responsibility for the payment of workers' compensation claims in excess of each member's self-insured retention (SIR) up to \$5M. On July 1, 2008, the structure of the Program changed with the EIA ceding 70% of the liability for the layer from the member's SIR to \$1M to American Safety Casualty Insurance Company, with the EIA retaining 30% of that layer. Beginning July 1, 2010, the EIA began ceding 80% of the liability to CastlePoint National Insurance Company, with the EIA retaining 20%. Members' SIRs vary between \$125K and \$5M and are approved by the Underwriting Committee.

The Authority's coverage responsibility has varied from 1979 to present, as follows:

- |                                       |   |
|---------------------------------------|---|
| • November 1, 1979 to October 5, 1993 | SIR to \$500K   |
| • October 6, 1993 to January 1, 1995  | SIR to \$750K   |
| • January 1, 1995 to June 30, 2002    | SIR to \$300K   |
| • July 1, 2002 to June 30, 2008       | SIR to \$5M   |
| • July 1, 2008 to June 30, 2010       | SIR to \$1M - 30%-EIA; 70% - American Safety Casualty Insurance Company |
| • July 1, 2010 to June 30, 2012       | SIR to \$1M - 20%-EIA; 80% - CastlePoint National Insurance Company     |
| • July 1, 2008 to June 30, 2011       | 100% from \$1M to \$5M above the SIR                                    |
| • July 1, 2011 to June 30, 2012       | \$3.5M aggregate deductible in the \$1M to \$5M layer                   |

The net assets in the EWC Program have declined from a high of \$39 million in 2008/09 to \$2.3 million in the current year, due to both adverse loss development and less than expected earnings on the money set aside to pay claims. The Board has established the target equity (assets greater than liabilities) range for the Program, between \$28.9 million and \$57.8 million. To support that goal, the Underwriting Committee has made the following recommendations, which were adopted by the Board, to address the risk of adverse loss development. First, starting in 2008/09 and continuing to 2009/10, 70% of the first million dollar layer of the pool was reinsured. The percent of reinsurance increased to 80% for the 2010/11 and 2011/12 year. This transfer of risk significantly reduces the effect of adverse loss development in this insured layer. In the 2011/12 year, we capped the pool's exposure in the \$4 million excess of \$1 million layer at \$3.5 million, further decreasing the pool exposure to adverse loss development and interest rate sensitivity, and rates were raised an average of 11%. For the 2012/13 renewal, base rates were increased, the confidence level was increased to 75%, and the discount rate was lowered to 4% resulting in an overall increase in rate to the members of 11.9%. Further, coverage was placed in the SIR to \$5 million layer effectively limiting our exposure to \$28 million, while collecting premium of \$37.6 million, creating a \$9.6 million potential increase in equity.

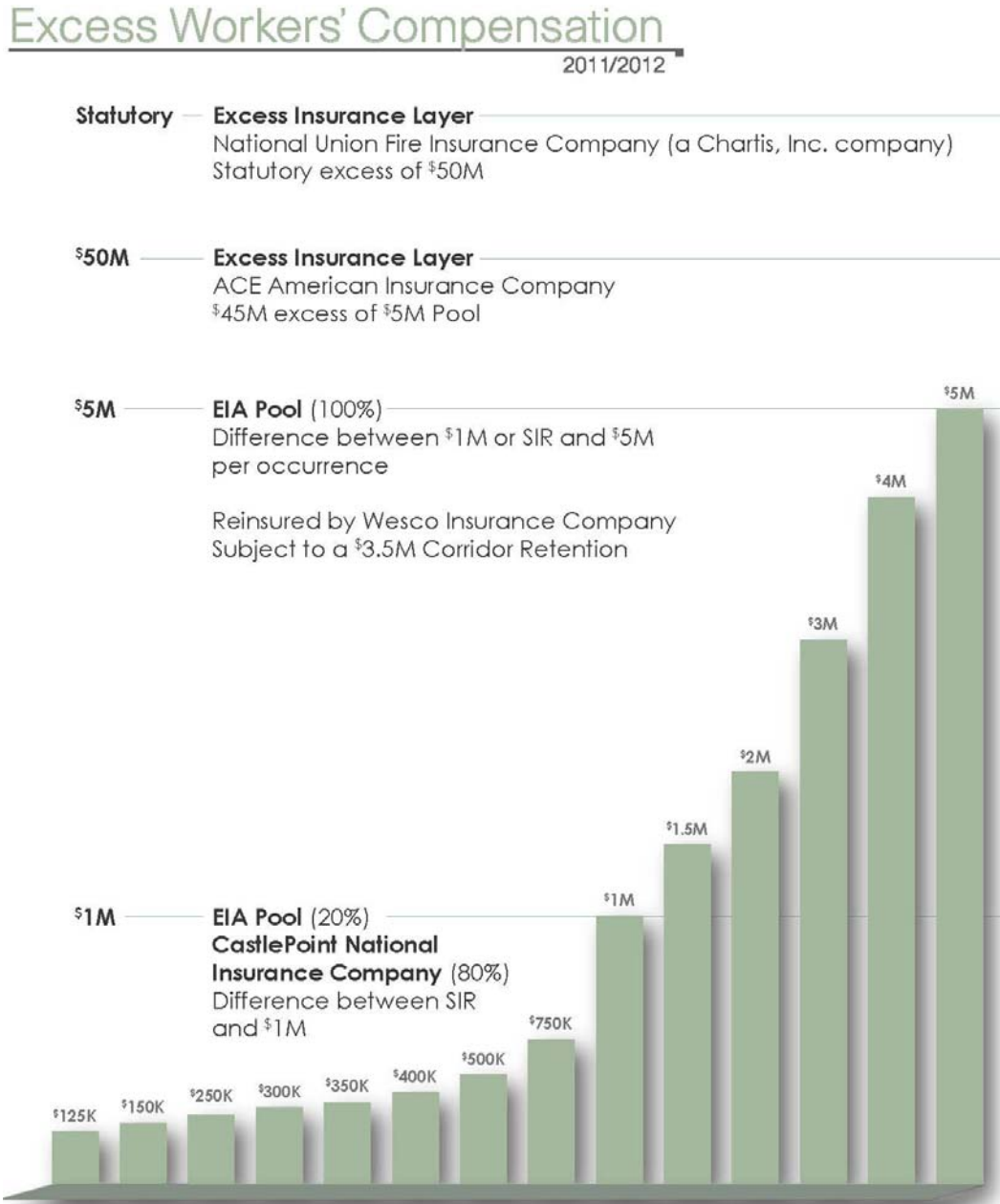
The decline in interest rates since the beginning of the recession in 2008 has been unprecedented. The Underwriting Committee will continue to closely watch interest rates going forward and address the discount rate applied to claim liabilities and in setting pool premiums on a go forward basis. The Board also has the option to increase pool funding by declaring a supplemental assessment, should the need arise.

**CSAC EXCESS INSURANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
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4. Claim Liabilities (continued)

B. Excess Workers' Compensation (continued)

The chart below shows the current structure of the Program.





**CSAC EXCESS INSURANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

4. Claim Liabilities (continued)

C. Primary General Liability

The Primary General Liability (PGL) Program was established in 1998. Each member of the PGL Program has a \$10K deductible per claim. Claim costs above the \$10K deductible, and below the \$100K limit, are the responsibility of the Authority's PGL Program. Coverage in the primary layer is written to follow the form of the General Liability I Program. Effective July 1, 2004, coverage was underwritten by the Authority and reinsured by Imagine Insurance Company, Limited (Imagine) through April 30, 2010, at which time the policy with Imagine was cancelled and coverage was bound with ACE Insurance Company. In fiscal year 2011/12, the Authority negotiated a commutation with Imagine. Imagine paid the Authority \$2.2 million to take back the claim liabilities, which is included as other revenue on the financial statements. Since the PGL Committee wanted a conservative estimate of liabilities so they could evaluate the program equity for declaration of a dividend, these claims are not discounted. The chart below shows the current structure of the Program.



**CSAC EXCESS INSURANCE AUTHORITY  
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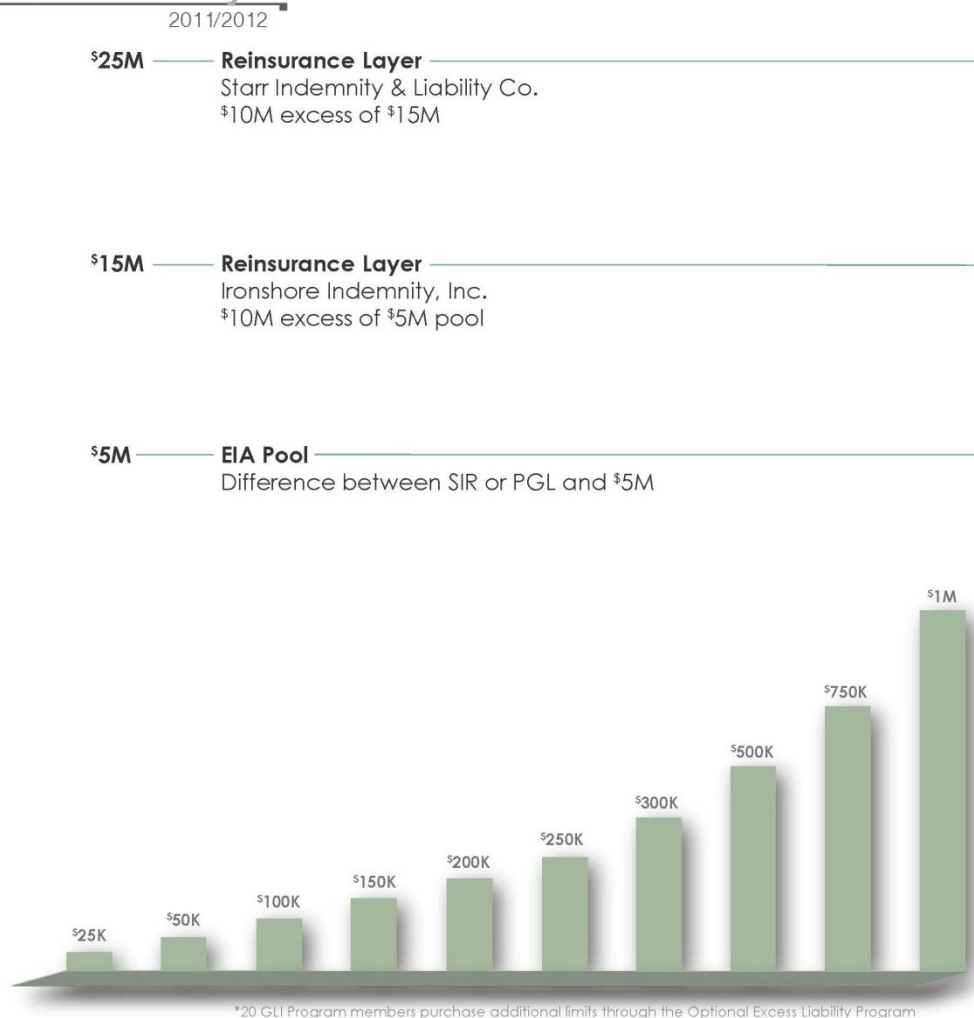
4. Claim Liabilities (continued)

D. General Liability I

The Authority's General Liability I (GLI) Program began pooling risk on July 1, 1985. The GLI Program combines risk retention, risk pooling and the purchase of excess reinsurance. Each member maintains an SIR between \$25K and \$1M. The Authority retains responsibility for claims in excess of each member's SIR. Claim liabilities are recognized based on the actuarial estimate of the expected ultimate claim cost, discounted at 2.25%. Reinsurance has been purchased for claims in excess of the pool limits. Additional coverage can be added by purchasing optional excess liability insurance, which is available as part of the Miscellaneous Liability Programs. For the 2011/12 fiscal year, the Authority retained the risk of \$5M (inclusive of the members' SIR) and purchased reinsurance from \$5M up to \$25M.

The chart below shows the current structure of the Program.

### General Liability I

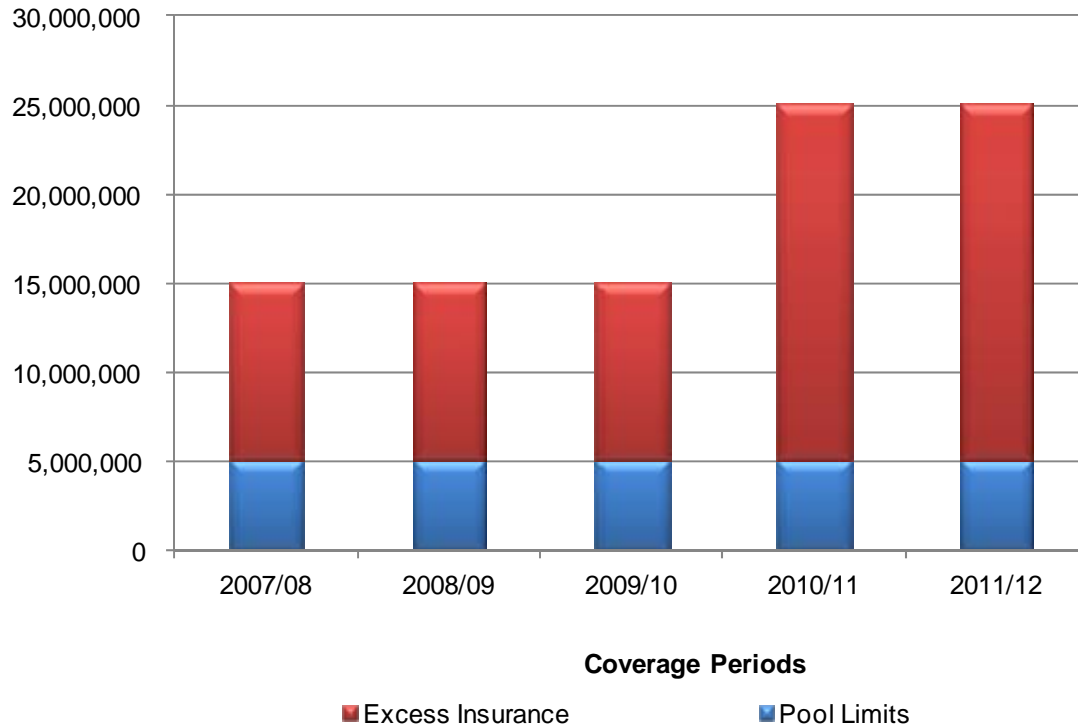


**CSAC EXCESS INSURANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
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4. Claim Liabilities (continued)

D. General Liability I (continued)

The Program limits for the past five years are illustrated in the following chart:



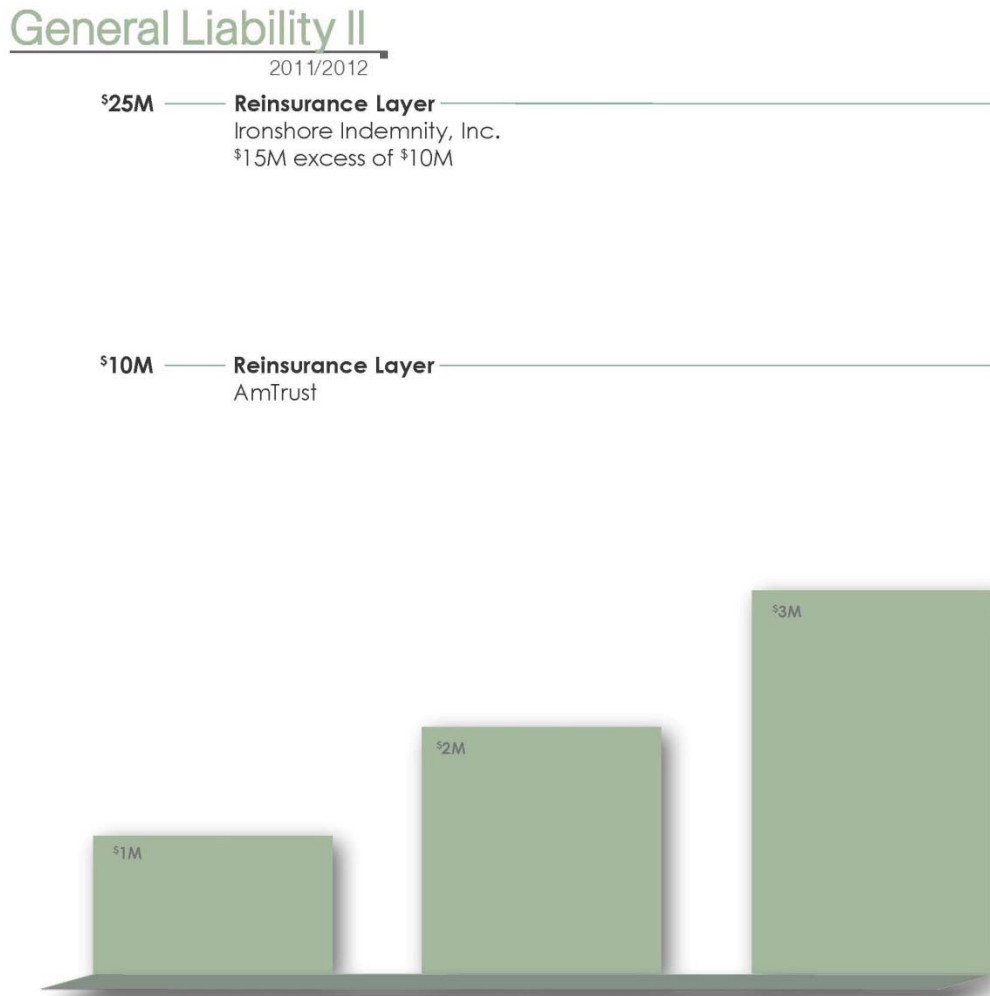
**CSAC EXCESS INSURANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
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4. Claim Liabilities (continued)

E. General Liability II

The General Liability II (GLII) Program was designed to meet the liability insurance needs of the larger members. The Program began February 15, 1991. Each member is responsible for their self-insured retention (SIR) ranging from \$1M to \$3M for fiscal year 2011/12. The 2011/12 policy year was written on a fully insured basis. For the policy year 2010/11, claims in excess of the member's SIR were covered by a combination of a corridor deductible, and reinsurance up to \$25 million. The corridor deductible for the year ended June 30, 2011 was \$8,578,800. Optional excess insurance was available to increase coverage in excess of the GLII Program limits of \$25M.

The chart below shows the current structure of the Program.



**CSAC EXCESS INSURANCE AUTHORITY  
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4. Claim Liabilities (continued)

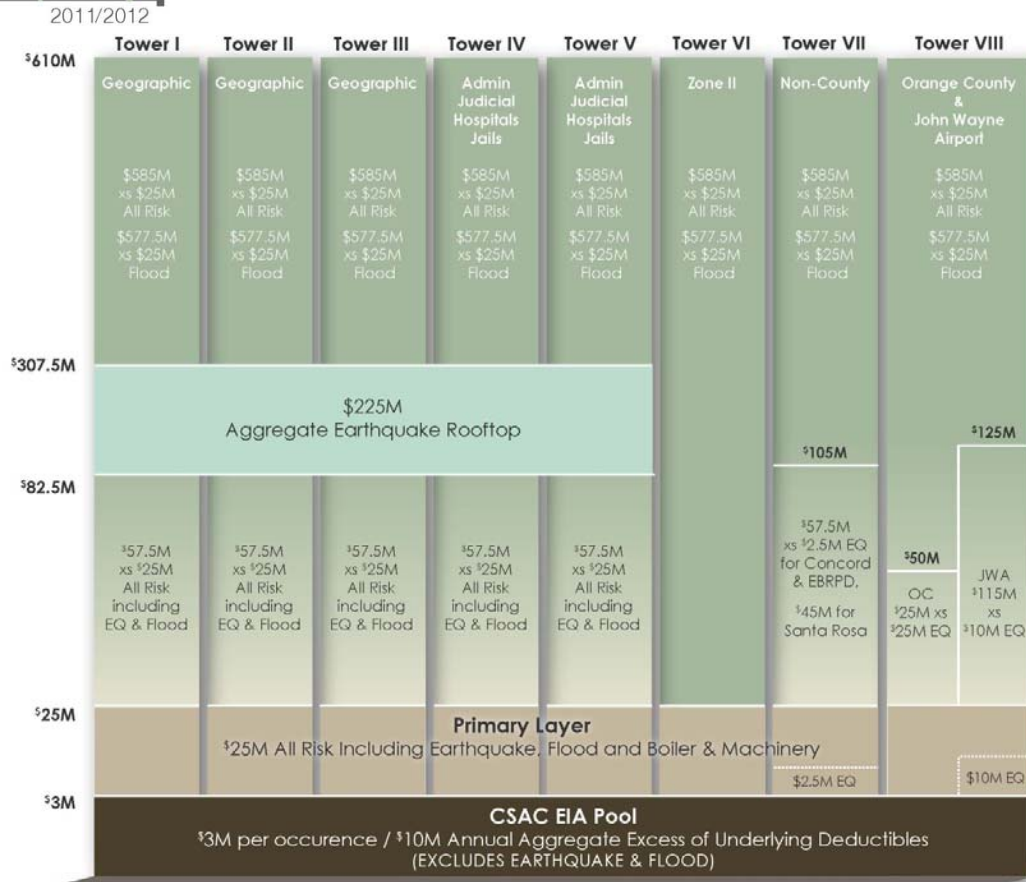
F. Property

The Authority's Property Program was established to allow members to group purchase primary and excess property insurance. The coverage provides all risk, flood, boiler and machinery and earthquake limits. Members are responsible for deductibles ranging from \$5K to \$150K. There are other unique deductible requirements for specific types of claims including a 5% deductible applicable to earthquake claims. Optional coverage is available for contractor's equipment, auto physical damage and fine arts.

The primary portion of the Property Program requires a three-year pre-payment of the premium. This prepaid insurance was financed, without creating budgetary hardships on members, by using the returned premiums from the canceled policies and resources from the EIA Treasury. Members are billed each July for the coverage period April 1<sup>st</sup> to March 31<sup>st</sup>. Premiums for the period April 1, 2012, to June 30, 2012, have been recognized as a receivable due from members. At each annual renewal, the Property Program has been re-written, adding another year. In March 2012, the primary insurance policy was cancelled and rewritten for a three-year term, with pool limits of \$3M per claim and \$10M aggregate. Excess insurance provides coverage for flood, earthquake and other catastrophic events with various limits. For purposes of excess coverage including flood and earthquake, member property is divided amongst eight placements of "towers" to spread exposures around the State.

The structure of the Property Program is as follows:

**Property**



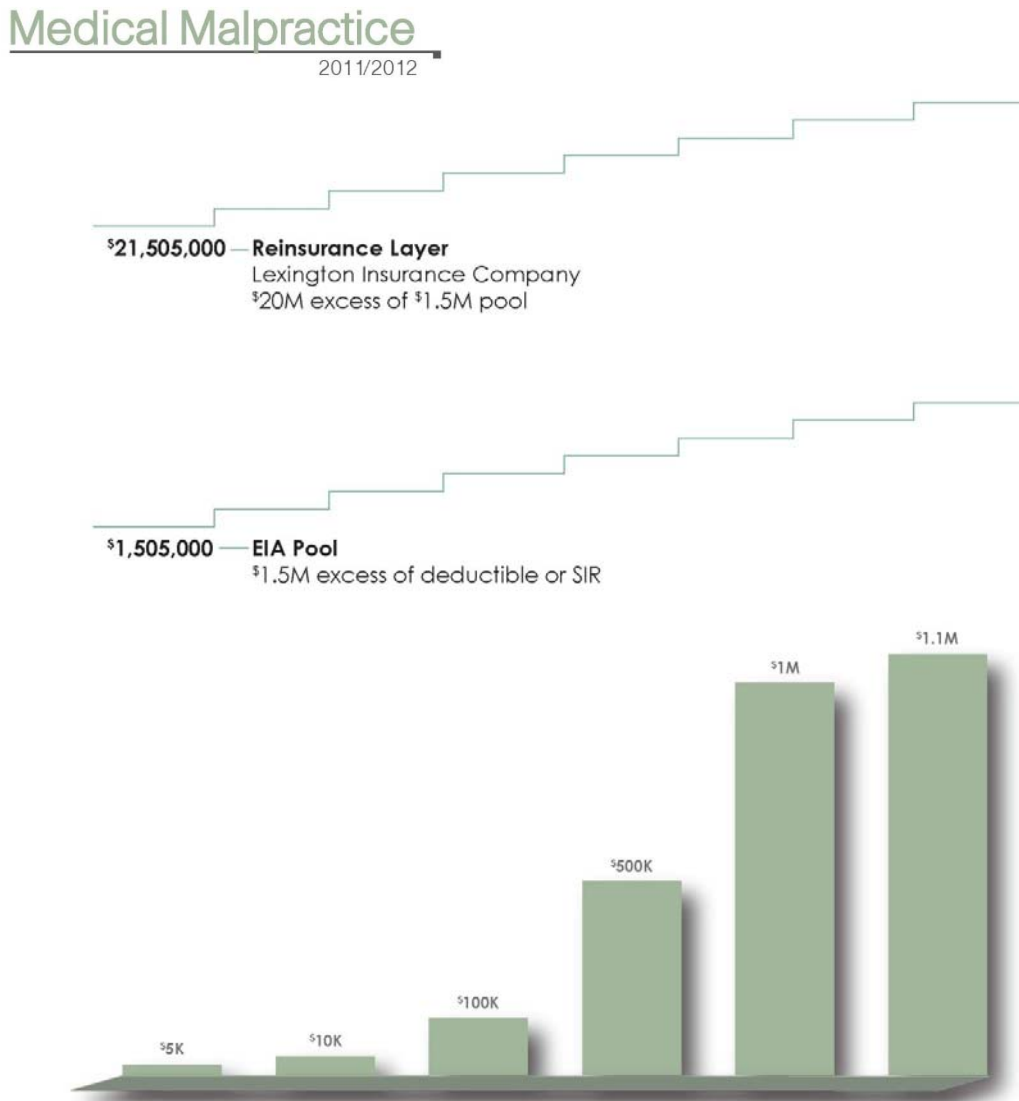
**CSAC EXCESS INSURANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
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4. Claim Liabilities (continued)

G. Medical Malpractice

The Medical Malpractice Program was established June 1, 1988 to provide medical malpractice, general liability, and blanket contract health coverage to public health facilities. The Program provides coverage to members with exposures ranging from large acute care hospitals to small public and mental health clinics. The Program is divided into two groups for underwriting purposes – Program I for larger members with self-insured retentions, and Program II for smaller members with deductibles.

The Program structure is illustrated in the following chart:



**CSAC EXCESS INSURANCE AUTHORITY  
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4. Claim Liabilities (continued)

G. Medical Malpractice (continued)

Like the General Liability I Program, the Medical Malpractice Program combines risk retention, risk pooling and the purchase of excess insurance. Medical Malpractice Program I members have a range of self-insured retention options from \$50K to \$1.1M, which are approved by the Medical Malpractice Committee. Medical Malpractice Program II members can elect deductibles from \$5K to \$10K.

The pooled layer is \$1.5 million excess of each member's deductible or retention. The pool was formed on a "claims-made" basis. On October 1, 2010, Lexington Insurance Company replaced ACE Company for the excess layer with limits of \$25M on an "occurrence" basis. The excess layers were previously on a "claims-made" basis, but were changed to an "occurrence" basis with the October 1, 2010 renewal.

H. EIAHealth

The EIAHealth Program was launched on July 1, 2003, with participation from three members, and has now grown to a total of 24 members. At July 1, 2006, the EIA entered into a partnership with Self-Insured Schools of California (SISC) and discontinued their pooled plan. There are no claim liabilities associated with the discontinued plan. The structure of the SISC partnership allows each member to select their limit of coverage with unlimited coverage. As this is a fully insured plan up to the limits of coverage, there is no residual liability that accrues to the EIA, nor is there any EIA equity.

I. Dental

On January 1, 2010, the Authority offered a new, pooled Dental plan that can accommodate various member driven plan designs. Claim liabilities are very predictable based on capped benefits. The claim liability at June 30, 2012 of \$2,240,288 is undiscounted and is considered short term.

5. Capital Assets

Capital assets include land, buildings, tenant improvements, furniture, equipment and software assets. Capital assets are defined as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year.

In January of 2010, the Authority completed the acquisition of the building at 75 Iron Point Circle, with furniture and equipment being purchased for the new office. Additionally, one entire floor was held for lease, and tenant improvements were placed in service for the leased space. From February 2010 until July 30, 2010, the Gold Canal Building was not occupied by the EIA and was listed as for sale or lease. All of the office modules were also left in the building and included in the offering. The building and the office modules were sold on July 30, 2010 for a sale price of \$1.7 million with a net gain of \$508,029. A Building Dividend of \$2,318,071 was declared at the October 1, 2010 Board meeting, and paid in December 2010.

**CSAC EXCESS INSURANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
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5. Capital Assets (continued)

A capital asset summary of the land, buildings and equipment is presented below:

	<u>June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2012</u>
Land	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
Depreciable Assets:				
Buildings and Tenant Improvements	8,088,280	-	-	8,088,280
Furniture and Equipment	1,120,100	48,041	-	1,168,141
Software	276,592	101,099	-	377,691
Lease Acquisition Costs	127,291	-	-	127,291
Total Depreciable Assets	9,612,263	149,140	-	9,761,403
Less Accumulated Depreciation	(1,431,003)	(481,695)	-	(1,912,698)
Net Depreciable Assets	8,181,260	(332,555)	-	7,848,705
Net Land, Buildings and Equipment	\$ 9,181,260	\$ (332,555)	\$ -	\$ 8,848,705

Depreciation of furniture, equipment and software is reported as an operating expense in the General Administration Fund. Depreciation for the building and tenant improvements is reported in the Building Funds. Total accumulated depreciation is reported as follows:

	<u>Balance at June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2012</u>
Accumulated Depreciation Detail				
Buildings and Tenant Improvements	\$ (491,917)	\$ (337,428)	\$ -	(829,345)
Furniture and Equipment	(663,735)	(114,973)		(778,708)
Software	(249,470)	(10,951)		(260,421)
Lease Acquisition Costs	(25,881)	(18,343)		(44,224)
Total	\$ (1,431,003)	\$ (481,695)	\$ -	\$ (1,912,698)

The Authority has not incurred any interest cost that is required to be capitalized in accordance with FASB-34 or FASB-62.

Depreciation is calculated using the straight-line method. The useful life for major classes of capital assets is as follows:

	<u>Useful Life</u>
Buildings	40-60 years
Excess Insurance Authority Tenant Improvements	10-25 years
Tenant Improvements of Leased Space (over term of lease)	5-11 years
Furniture	7 years
Copiers and Telephone Equipment	5 years
Computers	3 years
Software	3-6 years



**CSAC EXCESS INSURANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

6. Operating Leases

The Authority has leased 94% of the first floor, of its two story building, at 75 Iron Point Circle. The Authority occupies the entire second floor. Leases with various commercial tenants have been executed for periods of 5 to 10 years, with some of the shorter leases having additional options to extend, but none exceeding 10 years. The cost of tenant improvements for the space under lease is \$962,529, with accumulated depreciation of \$372,092. The cost of the building and improvements under lease is \$3,659,389, with accumulated depreciation of \$505,905. The following is the schedule of lease revenue receivable under these operating leases:

Anticipated Operating Lease Revenues for fiscal year ending June 30,

2013	\$	500,682
2014		511,015
2015		495,785
2016		244,963
2017 to 2020		450,358
		<hr/>
Total Lease Revenues	\$	2,202,803
		<hr/>

7. Pension Plan

Qualified employees are covered under the Miscellaneous Plan of the Authority; a cost sharing multiple-employer defined benefit pension plan maintained by the California Public Employees Retirement System (CalPERS), an agency of the State of California.

A. Plan Description and Provisions

The Authority contributes to CalPERS. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. In the 2% at age 55 plan, a member becomes eligible for service retirement upon attainment of age 50, with at least five years of credited service. The service retirement benefit calculated for service earned by this group of employees is a monthly allowance equal to the product of the years of service, final compensation and benefit factor. The benefit factor (1.426%-2.418%) depends on the member's age at retirement and is 2% at 55 years. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. State statute and Authority policy establish benefits provisions and all other requirements. Copies of CalPERS' annual financial report may be obtained from their executive office, 400 Q Street, Sacramento, California 95814.

B. Funding Policy

Participants are required to contribute 7% of their annual covered salary. The Authority makes the contribution required of certain EIA employees on their behalf for their account. The Authority is required to contribute at an actuarially determined rate. The Authority's contribution rates, on covered payroll for all employees, are 10.559% for the 2007/08 year; 10.830% for the 2008/09 year; 10.892% for 2009/10; 11.185% for 2010/11 and 11.208% for the 2011/12 year. The contribution requirements of plan members and the Authority are established, and may be amended, by CalPERS.

**CSAC EXCESS INSURANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

7. Pension Plan (continued)

C. Annual Pension Cost

For 2011/12, the Authority's annual pension cost of \$574,084 for CalPERS was equal to the Authority's required and actual contributions. The required contribution was determined as part of the June 30, 2010 actuarial valuation, and adjusted in August 2011 to reflect the payoff of the side fund in June, 2011. A summary of principal assumptions and methods used to determine the annual required contribution is shown below.

Valuation Date	June 30, 2010
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll, Closed
Average Remaining Period	18 years, as of the Valuation Date
Asset Valuation Method	15 years, Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (Net of administrative expenses)
Projected Salary Increases	3.00% to 14.45% depending on age, service and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%.
Post-retirement Benefit Increases	4% annually adjusted, not to exceed the cumulative change in the Consumer Price Index since the date of retirement

Additionally, in 2010/11 the Authority paid off the balance in its side fund of \$271,991 in lieu of paying annual installments, including interest, at 7.5%. The total retirement expense for 2010/11 was \$821,473. The total retirement expense for 2011/12 was \$574,084.

The Miscellaneous Plan of the Authority had less than 100 active members as of the June 30, 2010 actuarial valuation. As a result, Authority members are required to participate in a larger risk pool, the miscellaneous 2% at 55 Risk Pool.

Unfunded liabilities are amortized at a level percent of pay over a closed 20 year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 10% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

The CalPERS Miscellaneous 2% at age 55 Risk Pool Plan has an unfunded liability of \$362,656,828 as of June 30, 2010, which is the most recent available actuarial report. This liability will be amortized through higher employer pension rates, applied over a 30 year period, as determined by CalPERS. Trend Information for CalPERS Miscellaneous 2% at age 55 Risk Pool is listed below:

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008/09	\$ 464,570	100%	0
2009/10	\$ 510,486	100%	0
2010/11	\$ 549,482	100%	0
2011/12	\$ 574,084	100%	0

**CSAC EXCESS INSURANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

7. Pension Plan (continued)

C. Annual Pension Cost (continued)

The required schedule of funding progress, immediately following the notes to the financial statements, presents information about whether the actuarial value of plan assets is increasing, or decreasing, over time.

8. Other Postemployment Benefits (OPEB)

A. Plan Description

The Authority's defined benefit postemployment healthcare plan, CSAC Excess Insurance Authority Postemployment Healthcare Plan (CSAC EIA OPEB), provides limited medical benefits for retired employees and their beneficiaries. CSAC EIA OPEB is affiliated with the California Public Employees Retirement System (CalPERS) health care program. The Authority contributes these benefits to the agent multiple-employer defined benefit postemployment healthcare plan administered by CalPERS Health Services Division. Retired employees and their beneficiaries must continue their participation in a CalPERS Health care program to access CSAC EIA OPEB benefits.

CalPERS issues a publicly available financial report that includes financial statements and required supplementary information. Copies of CalPERS' annual financial report may be obtained from their executive office, 400 Q Street, Sacramento, California 95814.

The Public Employees' Medical and Hospital Care Act of the State of California assigns the authority to establish and amend benefit provisions to the CalPERS Board of Directors. The postemployment health care benefit rates per month, per retiree, have been established by the CalPERS Board of Directors as shown below. Retirees, or their beneficiaries, are responsible for the remaining balance of their monthly health care cost.

Calendar Year 2011	\$108.00 per month
Calendar Year 2012	\$112.00 per month
Calendar Year 2013	\$115.00 per month
Thereafter	Adjusted by the CalPERS Board to reflect changes in the medical care component of the CPI

B. Funding Policy

The Authority is contractually required to contribute, at the rates assessed by CalPERS, as shown above. The Authority's accounting policy requires that the unfunded net OPEB obligation be recognized as a liability of the General Administration Program, in accordance with GASB Statement 45. For the year ended June 30, 2012, the Authority's annual OPEB expense was \$70,742 and was equal to the Annual Required Contribution (ARC), adjusted by interest, on the net OPEB obligation and reduced by expense paid in the current year and other required adjustments. The 2011 OPEB expense was \$66,649.

**CSAC EXCESS INSURANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

8. Other Postemployment Benefits (OPEB) (continued)

B. Funding Policy (continued)

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal years ended 2010, 2011 and 2012 were as follows:

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 94,719	7.11%	\$ 228,633
June 30, 2011	\$ 66,649	13.12%	\$ 286,540
June 30, 2012	\$ 70,742	13.29%	\$ 347,877

The annual required contribution for the fiscal year ended June 30, 2012, and the current net OPEB obligation as of June 30, 2012, was as follows:

Annual Required Contribution	
Normal Cost	\$ 45,174
Amortization of UAAL (30 Years)	28,286
Interest to June 30, 2012 and ARC Adjustment	3,306
Total Annual Required Contribution (ARC)	<u>76,766</u>
Interest on Net OPEB Obligation at beginning of year	12,894
ARC Adjustment for current fiscal year	(18,918)
Less Net Employer Contribution	(9,405)
Balance forward from 2011	286,540
Current Net OPEB Obligation	<u><u>\$ 347,877</u></u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, immediately following the notes to the financial statements (in the Required Supplemental Information section), presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

C. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members), and include the types of benefits provided at the time of each valuation and historical pattern of sharing of benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2010 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9% initially, reduced by decrements to an ultimate rate of 4.5% after eight years. Both rates include a 3.25% inflation assumption. The actuarial value of CSAC EIA OPEB's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2012 was 25 years.

**CSAC EXCESS INSURANCE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

9. Reliance Contingent Receivable

The Authority has purchased insurance, and re-insurance, policies with Reliance Insurance Company. On May 29, 2001, Reliance was taken over by the State of Pennsylvania Insurance Department and is in the process of being liquidated. The State of Pennsylvania Department of Insurance was appointed as the liquidator. The Authority had coverage with Reliance for three of its programs; Excess Workers' Compensation (EWC), Primary General Liability (PGL), and Medical Malpractice. The Authority has hired legal counsel and is pursuing its claims in liquidation for the PGL and Medical Malpractice Programs. In addition, the Board of Directors took action to fund any claims that would have been paid by Reliance for these programs through supplemental assessments; therefore, there is no unfunded contingent liability for these programs.

The Authority estimates that the ultimate cost of workers' compensation claims for 1996/97 (insured by Reliance Insurance Company), which are not covered by the California Insurance Guarantee Association (CIGA), is \$2.6 million and is included in claims liabilities.

The Authority estimated that the ultimate cost of PGL claims for years 1998 to 2000 (covered by re-insurance contracts with Reliance) to be \$2,078,977. The Board of Directors approved a supplemental assessment of \$2,024,452, payable over five years (2002 - 2007), to ensure that PGL claims were paid on a timely basis. The Authority has paid claims due from the Reliance re-insurance contracts totaling \$2,066,980. Management believes that these claims should be classified in Class B. A provision of \$2,066,980 has been set aside for uncollectible re-insurance claims. At 2012, there were no claims open in the 1998-2000 Reliance years, so the PGL Program Committee authorized a return dividend of \$707,055, the balance of the assessment and interest thereon to those members that paid the assessment.

The Authority estimated that the ultimate cost of Medical Malpractice claims for years 1988 to 2000 (insured by Reliance and re-insurance contracts) to be \$14,660,898. The Board of Directors approved an adjusted supplemental assessment of \$8,641,737, payable over five years, to insure that Medical Malpractice claims were paid on a timely basis. The Authority has paid claims due from the Reliance re-insurance contracts totaling \$9,342,708. As of June 30, 2012, there were no outstanding reserves for the Reliance years.

10. Subsequent Events

The Authority's management evaluated its 2011/12 financial statements for subsequent events through November 13, 2012, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

## **REQUIRED SUPPLEMENTAL INFORMATION**

**CSAC Excess Insurance Authority  
Required Supplementary Information  
Schedule of Funding Progress**

**Schedule of Funding Progress – California Public Employees’ Retirement System**

The Miscellaneous Plan of the CSAC Excess Insurance Authority is a cost sharing multiple-employer defined benefit plan maintained by the California Employees’ Retirement System (CalPERS), an agency of the State of California.

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a percent of Payroll
June 30, 2008	\$ 2,780,280,768	\$ 2,547,323,278	\$ 232,957,490	91.6%	\$ 688,606,681	33.8%
June 30, 2009	3,104,798,222	2,758,511,101	346,287,121	88.9%	742,981,488	46.6%
June 30, 2010	3,309,064,934	2,946,408,106	362,656,828	89.0%	748,401,357	48.5%

**Schedule of Funding Progress – Other Postemployment Benefits (OPEB):**

Refer to footnote 8A for a description of the Plan.

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded AAL	Funded Ratio	Covered Payroll	Unfunded AAL (UAAL) as a % of Covered Payroll
July 1, 2007	\$ 313,888	\$ -	\$ 313,888	0.00%	\$ 2,663,492	11.78%
July 1, 2010	393,045	-	393,045	0.00%	3,793,952	10.36%

**CSAC EXCESS INSURANCE AUTHORITY**  
**RECONCILIATION OF UNPAID CLAIMS LIABILITIES**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	Primary Workers' Compensation	Excess Workers' Compensation	Primary General Liability	General Liability I	General Liability II	Property	Medical Malpractice	Dental	Total June 30, 2012	Total June 30, 2011
Unpaid Claims and Claim Adjustment Expenses at the										
A. Beginning of the Fiscal Year	\$ 35,670,993	\$ 256,818,432	\$ 289,605	\$ 80,417,817	\$ 23,792,363	\$ 1,783,464	\$ 21,019,735	\$ 2,745,112	\$ 422,537,521	\$ 383,680,573
Incurred Claims and Claim Adjustment Expenses:										
Provision for Claims										
for the Current Fiscal Year	12,862,000	8,699,676	(125,854)	22,389,502	56,826	9,758,305	5,188,335	23,453,293	82,282,083	93,344,408
Increases (Decreases) in the Provision for Claims of Prior Fiscal Years	1,465,338	13,526,986	1,577,920	(144,333)	357,577	-	2,010,864	-	18,794,352	32,226,678
B. Total Incurred	14,327,338	22,226,662	1,452,066	22,245,169	414,403	9,758,305	7,199,199	23,453,293	101,076,435	125,571,086
Payments:										
Claims and Claim Adjustment Expenses Attributable to Insured Events of the:										
Current Fiscal Year	5,988,250	23,688	-	241,064	-	-	26,698	21,213,005	27,492,705	31,194,458
Prior Fiscal Years	4,214,486	24,289,963	494,777	14,588,717	7,146,356	1,744,297	7,409,681	2,745,112	62,633,389	55,519,680
C. Total Payments	10,202,736	24,313,651	494,777	14,829,781	7,146,356	1,744,297	7,436,379	23,958,117	90,126,094	86,714,138
Total Unpaid Claims and Claim Claim Adjustment Expenses at										
D. End of the Fiscal Year (A+B-C)	\$ 39,795,595	\$ 254,731,443	\$ 1,246,894	\$ 87,833,205	\$ 17,060,410	\$ 9,797,472	\$ 20,782,555	\$ 2,240,288	\$ 433,487,862	\$ 422,537,521
Claims Reported	\$ 12,007,606	\$ 185,910,983	\$ 1,089,054	\$ 47,953,426	\$ 8,200,000	\$ 9,783,021	\$ 9,500,431	\$ 2,240,288	\$ 276,684,809	\$ 244,029,240
Claims Incurred But Not Reported	4,300,472	58,484,396	-	37,792,781	8,451,013	-	9,755,813	-	118,784,475	140,051,019
Unallocated Loss Adjustment Expenses	23,487,517	10,336,064	157,840	2,086,998	409,397	14,451	1,526,311	-	38,018,578	38,457,262
Total Claim Liabilities	\$ 39,795,595	\$ 254,731,443	\$ 1,246,894	\$ 87,833,205	\$ 17,060,410	\$ 9,797,472	\$ 20,782,555	\$ 2,240,288	\$ 433,487,862	\$ 422,537,521
Current Claim Liabilities	\$ 10,000,000	\$ 22,000,000	\$ 1,089,054	\$ 16,000,000	\$ 8,200,000	\$ 9,783,021	\$ 4,750,000	\$ 2,240,288	\$ 74,062,363	\$ 60,925,183
Noncurrent Claim Liabilities	29,795,595	232,731,443	157,840	71,833,205	8,860,410	14,451	16,032,555	-	359,425,499	361,612,338
Total Claim Liabilities	\$ 39,795,595	\$ 254,731,443	\$ 1,246,894	\$ 87,833,205	\$ 17,060,410	\$ 9,797,472	\$ 20,782,555	\$ 2,240,288	\$ 433,487,862	\$ 422,537,521



**CSAC EXCESS INSURANCE AUTHORITY  
REQUIRED SUPPLEMENTAL INFORMATION  
ALL PROGRAMS  
NOTES TO EARNED PREMIUMS AND CLAIMS DEVELOPMENT INFORMATION  
FOR THE TEN-YEAR PERIOD ENDED JUNE 30, 2012**

The following schedule illustrates how the Fund's earned premiums (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Fund as of the end of each of the last 10 years. The rows of the schedule are defined as follows:

1. This line shows the total of each fiscal year's earned premium, revenues ceded to reinsurers and stop-loss policies, and investment revenues. The total revenues are net of dividends returned to members.
2. This line shows the liability for unallocated loss adjustment expenses not allocated to individual claims.
3. This line shows the Fund's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event occurred that triggered coverage under the contract (called policy year).
4. This section of rows shows the cumulative amounts paid as of the end of each successive year for each policy year.
5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each policy year.
6. This section of rows shows how each policy year's incurred claims increased or decreased as of the end of each successive year. These annual reestimations result from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known.
7. This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought.

As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

The columns of the schedule show data for successive policy years.

**CSAC EXCESS INSURANCE AUTHORITY**  
**ALL PROGRAMS**  
**SCHEDULE OF EARNED PREMIUM AND CLAIMS DEVELOPMENT**  
**FOR THE TEN YEAR PERIOD ENDED JUNE 30, 2012**

<b>POLICY YEAR</b>	<b>June 30, 2003</b>	<b>June 30, 2004</b>	<b>June 30, 2005</b>	<b>June 30, 2006</b>	<b>June 30, 2007</b>	<b>June 30, 2008</b>	<b>June 30, 2009</b>	<b>June 30, 2010</b>	<b>June 30, 2011</b>	<b>June 30, 2012</b>
Earned Premiums	\$ 123,996,541	\$ 207,486,445	\$ 243,938,309	\$ 263,782,083	\$ 203,916,939	\$ 228,191,188	\$ 205,457,419	\$ 219,499,107	\$ 243,653,484	\$ 253,120,470
Less Ceded	(45,574,968)	(62,517,204)	(65,913,774)	(74,567,750)	(80,536,010)	(85,715,084)	(90,750,025)	(118,671,863)	(124,032,299)	(141,390,942)
Supplemental Assessments	2,713,433	5,081,313	-	-	-	-	-	-	-	-
Dividends Declared	(2,361,455)	(3,701,417)	(15,250,000)	(26,140,018)	-	-	-	-	-	-
Interest	9,083,188	21,380,715	28,569,761	21,773,820	17,417,565	16,697,755	8,243,062	5,850,197	2,090,527	699,537
1. Total Revenues Available For Payment of Claims	87,856,739	167,729,852	191,344,296	184,848,135	140,798,494	159,173,859	122,950,456	106,677,441	121,711,712	112,429,065
2. Unallocated Loss Adjustment Expense	7,150,262	10,585,432	5,739,748	5,086,838	5,483,509	6,126,823	6,508,459	6,159,668	10,834,121	8,607,775
3. Estimated Incurred Claims Less Ceded Claims	128,319,825 (42,395,188)	197,090,372 (58,331,400)	201,165,819 (56,694,885)	217,987,994 (64,288,638)	161,784,420 (71,783,172)	191,108,563 (78,219,476)	167,389,233 (82,716,802)	176,543,597 (113,217,423)	201,894,132 (118,226,513)	214,455,334 (135,485,683)
Net Incurred Claims and Expenses, End of Policy Year	85,924,637	138,758,972	144,470,934	153,699,356	90,001,248	112,889,087	84,672,431	63,326,174	83,667,619	78,969,651
4. Cumulative Paid Claims as of:										
End of the Policy Year	8,036,314	34,371,296	36,761,975	44,005,375	9,187,924	11,956,063	7,844,284	10,742,041	22,910,691	27,492,705
One Year Later	28,872,656	54,819,191	54,029,329	60,907,745	25,085,043	35,294,585	31,740,599	23,775,301	32,697,758	-
Two Years Later	43,070,252	64,797,025	71,300,081	76,131,247	39,839,014	76,638,605	36,081,133	28,979,209	-	-
Three Years Later	62,684,641	74,566,993	83,148,814	86,322,756	81,433,490	91,033,594	56,503,539	-	-	-
Four Years Later	66,879,828	87,010,245	87,957,626	104,682,472	87,914,156	100,573,280	-	-	-	-
Five Years Later	71,880,044	94,309,560	106,818,739	109,858,845	93,783,550	-	-	-	-	-
Six Years Later	76,105,851	100,628,554	108,819,289	115,983,068	-	-	-	-	-	-
Seven Years Later	82,013,807	126,355,339	112,455,649	-	-	-	-	-	-	-
Eight Years Later	86,870,592	129,122,510	-	-	-	-	-	-	-	-
Nine Years Later	90,431,895	-	-	-	-	-	-	-	-	-
5. Reestimated Ceded Claims and Expenses	12,528,129	144,310,069	49,784,202	55,047,298	17,623,917	49,849,646	25,206,201	9,916,798	43,895,110	2,880,807
6. Reestimated Incurred Claims and Expenses										
End of the Policy Year	79,235,856	132,307,272	143,368,596	141,907,271	86,935,972	108,856,409	82,784,262	67,948,559	84,470,196	82,715,481
One Year Later	83,509,645	134,072,134	137,714,340	137,894,002	94,776,602	116,612,623	86,840,489	63,531,812	93,524,567	-
Two Years Later	84,794,286	134,792,879	127,828,597	137,941,424	96,090,069	123,144,107	90,406,036	77,969,647	-	-
Three Years Later	95,941,286	136,567,660	123,293,150	143,340,917	121,586,773	134,586,152	103,809,213	-	-	-
Four Years Later	97,599,471	143,143,532	122,668,052	143,328,684	121,087,951	135,006,373	-	-	-	-
Five Years Later	100,885,849	148,659,000	132,857,552	143,594,199	123,221,028	-	-	-	-	-
Six Years Later	106,418,035	147,175,289	131,017,300	144,606,926	-	-	-	-	-	-
Seven Years Later	107,940,155	154,677,400	131,953,576	-	-	-	-	-	-	-
Eight Years Later	114,472,293	156,004,294	-	-	-	-	-	-	-	-
Nine Years Later	115,193,927	-	-	-	-	-	-	-	-	-
7. Increase (Decrease) in Estimated Incurred Claims and Expense from End of the Policy Year	\$ 29,269,290	\$ 17,245,322	\$ (12,517,358)	\$ (9,092,430)	\$ 33,219,780	\$ 22,117,286	\$ 19,136,782	\$ 14,643,473	\$ 9,856,948	\$ 3,745,830

## **SUPPLEMENTAL INFORMATION**

## **COMBINING FINANCIAL SCHEDULES**

**CSAC EXCESS INSURANCE AUTHORITY  
COMBINING SCHEDULE OF NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

ASSETS:	Primary Workers' Compensation	Excess Workers' Compensation	Primary General Liability	General Liability I	General Liability II	Property	Medical Malpractice	EIAHealth	Dental Program	Miscellaneous Programs	General Administration	Iron Point Building	Elimination of Inter-Program Transactions	Totals June 30, 2012
<b>Current Assets:</b>														
Petty Cash Fund	-	-	-	-	-	-	-	-	-	-	300	-	-	300
Cash in Banks	9,251,390	-	441,228	-	-	-	-	-	-	-	-	177,803	-	9,870,421
Cash, EIA Treasury	9,202,465	34,865,021	529,058	16,288,316	2,364,650	-	3,600,919	1,210,654	1,233,113	513,711	1,015,430	-	-	70,823,337
<b>Total Cash &amp; Equivalents</b>	<b>18,453,855</b>	<b>34,865,021</b>	<b>970,286</b>	<b>16,288,316</b>	<b>2,364,650</b>	<b>-</b>	<b>3,600,919</b>	<b>1,210,654</b>	<b>1,233,113</b>	<b>513,711</b>	<b>1,015,730</b>	<b>177,803</b>	<b>-</b>	<b>80,694,058</b>
<b>Investments</b>	<b>26,427,296</b>	<b>100,124,064</b>	<b>1,519,330</b>	<b>46,776,178</b>	<b>6,790,714</b>	<b>-</b>	<b>10,340,985</b>	<b>3,476,712</b>	<b>3,541,208</b>	<b>1,475,256</b>	<b>2,916,075</b>	<b>-</b>	<b>-</b>	<b>203,387,818</b>
<b>Accounts Receivable</b>														
Due From Members	710,927	621,012	200,535	1,094	-	12,603,843	16,289	-	453,372	168,289	44,054	-	-	14,819,415
Investment Income	371,442	1,407,268	21,355	657,452	95,445	-	145,345	48,866	49,773	20,735	40,986	-	-	2,858,667
Re-Insurance Claims	1,497,650	3,794,179	435,353	-	35,450	-	-	-	-	-	-	-	-	5,762,632
Other Receivables	-	-	-	-	-	-	-	-	-	519	551	-	-	1,070
Due From Other Funds	14,356,097	15,853,589	1,094,045	7,406,514	1,075,238	-	1,637,386	550,501	560,713	233,591	461,730	-	(43,229,404)	-
Prepaid Insurance and Expenses	-	-	-	-	-	32,451,604	1,472,689	-	-	2,175,870	12,168	-	-	36,112,331
<b>Total Current Assets</b>	<b>61,817,267</b>	<b>156,665,133</b>	<b>4,240,904</b>	<b>71,129,554</b>	<b>10,361,497</b>	<b>45,055,447</b>	<b>17,213,613</b>	<b>5,286,733</b>	<b>5,838,179</b>	<b>4,587,971</b>	<b>4,491,294</b>	<b>177,803</b>	<b>(43,229,404)</b>	<b>343,635,991</b>
<b>Noncurrent Assets:</b>														
<b>Investments</b>	<b>24,139,302</b>	<b>91,455,630</b>	<b>1,387,791</b>	<b>42,726,440</b>	<b>6,202,795</b>	<b>-</b>	<b>9,445,694</b>	<b>3,175,709</b>	<b>3,234,622</b>	<b>1,347,533</b>	<b>2,663,610</b>	<b>-</b>	<b>-</b>	<b>185,779,126</b>
<b>Accounts Receivable</b>														
Due from Members	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due From Other Funds	5,652,901	21,416,924	324,991	10,005,605	1,452,560	-	2,211,977	743,682	757,478	315,563	623,760	-	(43,505,441)	-
Prepaid Insurance	-	-	-	-	-	35,600,000	-	-	-	-	-	-	-	35,600,000
<b>Capital and Intangible Assets</b>														
Land and Buildings (Net)	-	-	-	-	-	-	-	-	-	-	-	8,258,935	-	8,258,935
Office Furniture and Equipment (Net)	-	-	-	-	-	-	-	-	-	-	506,703	-	-	506,703
Lease Acquisition Costs (Net)	-	-	-	-	-	-	-	-	-	-	-	83,067	-	83,067
<b>Total Noncurrent Assets</b>	<b>29,792,203</b>	<b>112,872,554</b>	<b>1,712,782</b>	<b>52,732,045</b>	<b>7,655,355</b>	<b>35,600,000</b>	<b>11,657,671</b>	<b>3,919,391</b>	<b>3,992,100</b>	<b>1,663,096</b>	<b>3,794,073</b>	<b>8,342,002</b>	<b>(43,505,441)</b>	<b>230,227,831</b>
<b>Total Assets</b>	<b>91,609,470</b>	<b>269,537,687</b>	<b>5,953,686</b>	<b>123,861,599</b>	<b>18,016,852</b>	<b>80,655,447</b>	<b>28,871,284</b>	<b>9,206,124</b>	<b>9,830,279</b>	<b>6,251,067</b>	<b>8,285,367</b>	<b>8,519,805</b>	<b>(86,734,845)</b>	<b>573,863,822</b>

**CSAC EXCESS INSURANCE AUTHORITY  
COMBINING SCHEDULE OF NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Primary Workers' Compensation	Excess Workers' Compensation	Primary General Liability	General Liability I	General Liability II	Property	Medical Malpractice	EIAHealth	Dental Program	Miscellaneous Programs	General Administration	Iron Point Building	Elimination of Inter-Program Transactions	Totals June 30, 2012
<b>LIABILITIES:</b>														
Current Liabilities:														
Accounts Payable	714,373	60,373	64,886	15,160	868,319	-	55,343	5,042	-	1,788,077	59,036	-	-	3,630,609
Deposits from Insurance Companies	4,968,231	500,000	-	-	-	-	-	-	-	-	-	-	-	5,468,231
Due to Other Funds	-	10,171,614	-	853,475	-	31,775,041	-	-	-	-	-	-	(42,800,130)	-
Due To Members	7,619,719	1,710,919	1,501,119	-	-	557,250	-	8,005,025	-	55,338	-	-	-	19,449,370
Deferred Income	11,129	31,791	30,316	-	55,911	381,664	2,907,503	-	-	2,206,144	-	41,731	-	5,666,189
Claim Liabilities	10,000,000	22,000,000	1,089,054	16,000,000	8,200,000	9,783,021	4,750,000	-	2,240,288	-	-	-	-	74,062,363
Compensated Absences	-	-	-	-	-	-	-	-	-	-	52,375	-	-	52,375
Other Post Employment Benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>23,313,452</b>	<b>34,474,697</b>	<b>2,685,375</b>	<b>16,868,635</b>	<b>9,124,230</b>	<b>42,496,976</b>	<b>7,712,846</b>	<b>8,010,067</b>	<b>2,240,288</b>	<b>4,049,559</b>	<b>111,411</b>	<b>41,731</b>	<b>(42,800,130)</b>	<b>108,329,137</b>
<b>Noncurrent Liabilities:</b>														
Due to Other Funds	-	-	-	-	-	35,600,000	-	-	-	-	-	8,334,715	(43,934,715)	-
Claim Liabilities:														
Claims Reported	2,007,606	163,910,983	-	31,953,426	-	-	4,750,431	-	-	-	-	-	-	202,622,446
Claims Incurred But Not Reported	4,300,472	58,484,396	-	37,792,781	8,451,013	-	9,755,813	-	-	-	-	-	-	118,784,475
Unallocated Loss Adjustment Expense Payable	23,487,517	10,336,064	157,840	2,086,998	409,397	14,451	1,526,311	-	-	-	-	-	-	38,018,578
Compensated Absences	-	-	-	-	-	-	-	-	-	-	209,489	-	-	209,489
Other Post Employment Benefits	-	-	-	-	-	-	-	-	-	-	347,877	-	-	347,877
<b>Total Noncurrent Liabilities</b>	<b>29,795,595</b>	<b>232,731,443</b>	<b>157,840</b>	<b>71,833,205</b>	<b>8,860,410</b>	<b>35,614,451</b>	<b>16,032,555</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>557,366</b>	<b>8,334,715</b>	<b>(43,934,715)</b>	<b>359,982,865</b>
<b>Total Liabilities</b>	<b>53,109,047</b>	<b>267,206,140</b>	<b>2,843,215</b>	<b>88,701,840</b>	<b>17,984,640</b>	<b>78,111,427</b>	<b>23,745,401</b>	<b>8,010,067</b>	<b>2,240,288</b>	<b>4,049,559</b>	<b>668,777</b>	<b>8,376,446</b>	<b>(86,734,845)</b>	<b>468,312,002</b>
<b>NET ASSETS:</b>														
Investment in Capital Assets	-	-	-	-	-	-	-	-	-	-	506,703	8,342,002	-	8,848,705
Unrestricted	38,500,423	2,331,547	3,110,471	35,159,759	32,212	2,544,020	5,125,883	1,196,057	7,589,991	2,201,508	7,109,887	(8,198,643)	-	96,703,115
<b>Total Net Assets</b>	<b>38,500,423</b>	<b>2,331,547</b>	<b>3,110,471</b>	<b>35,159,759</b>	<b>32,212</b>	<b>2,544,020</b>	<b>5,125,883</b>	<b>1,196,057</b>	<b>7,589,991</b>	<b>2,201,508</b>	<b>7,616,590</b>	<b>143,359</b>	<b>-</b>	<b>105,551,820</b>

**CSAC EXCESS INSURANCE AUTHORITY**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Primary Workers' Compensation	Excess Workers' Compensation	Primary General Liability	General Liability I	General Liability II	Property	Medical Malpractice	EIAHealth	Dental Program	Miscellaneous Programs	General Administration	Iron Point Building	Elimination of Inter-Program Transactions	Totals June 30, 2012
<b>OPERATING REVENUES:</b>														
Premiums for Transferred Risk	30,139,420	38,549,543	2,035,654	3,745,830	18,075,370	40,497,951	5,905,259	215,682,129	-	19,589,561	-	-	-	374,220,717
Broker Fees	1,180,894	1,946,947	61,251	577,778	258,004	-	2,823	2,159,399	898,558	-	-	-	-	7,085,654
Contributions for Retained Risk	22,821,295	17,757,677	-	25,802,112	-	9,822,473	4,269,518	-	28,290,710	-	-	-	-	108,763,785
Dividend Income	-	-	-	-	-	64,141	-	-	-	11,173	-	-	-	75,314
Member Services	-	-	-	-	-	-	-	-	-	-	613,490	-	-	613,490
Administration Fees	2,306,208	4,335,992	347,144	1,412,347	1,072,509	605,795	849,013	558,614	-	-	-	-	-	11,487,622
Public Entity Fees	148,808	157,416	2,905	44,714	32,212	70,380	142	-	-	-	-	-	-	456,577
Program Development Fees	-	-	350	1,500	-	-	1,700	-	-	-	-	-	-	3,550
Other Income	5,521	-	2,225,000	-	408,258	-	-	621,145	-	-	3,907,155	-	-	7,167,079
<b>Total Operating Revenues</b>	<b>56,602,146</b>	<b>62,747,575</b>	<b>4,672,304</b>	<b>31,584,281</b>	<b>19,846,353</b>	<b>51,060,740</b>	<b>11,028,455</b>	<b>219,021,287</b>	<b>29,189,268</b>	<b>19,600,734</b>	<b>4,520,645</b>	<b>-</b>	<b>-</b>	<b>509,873,788</b>
	56,602,146								29,189,268					
<b>OPERATING EXPENSES:</b>														
Member Dividends	7,000,000	-	1,187,055	-	-	64,141	2,000,000	29,472	-	11,173	-	-	-	10,291,841
Transferred Risk & Insurance Exp	30,197,453	38,635,206	2,035,654	3,594,508	17,867,779	40,690,278	5,899,063	213,969,630	-	19,578,165	-	-	-	372,467,736
Broker Fees	1,176,111	1,942,522	60,675	555,091	258,004	-	2,823	2,159,399	898,558	-	-	-	-	7,053,183
Provision for Claims:														
Current Year Claims	12,862,000	9,095,972	-	22,293,407	-	9,822,473	5,188,335	-	23,453,293	-	-	-	-	82,715,480
Prior Year Claims	1,540,611	13,526,986	1,577,920	(144,333)	357,577	-	1,926,900	-	-	-	-	-	-	18,785,661
Unallocated Loss Adjustment Expenses	(75,273)	(396,296)	(125,854)	96,095	56,826	(64,168)	83,964	-	-	-	-	-	-	(424,706)
Program Services	7,861,038	760,191	67,833	197,544	510,719	25,225	359,935	1,750,205	1,894,039	-	-	-	-	13,426,729
Member Services & Subsidies	-	-	-	-	-	-	-	-	-	-	2,056,405	-	-	2,056,405
General Administrative Services	-	-	-	-	-	-	-	-	-	-	7,118,673	-	-	7,118,673
Depreciation	-	-	-	-	-	-	-	-	-	-	125,925	130,885	-	256,810
Building Maintenance	-	-	-	-	-	-	-	-	-	-	-	147,809	-	147,809
<b>Total Operating Expenses</b>	<b>60,561,940</b>	<b>63,564,581</b>	<b>4,803,283</b>	<b>26,592,312</b>	<b>19,050,905</b>	<b>50,537,949</b>	<b>15,461,020</b>	<b>217,908,706</b>	<b>26,245,890</b>	<b>19,589,338</b>	<b>9,301,003</b>	<b>278,694</b>	<b>-</b>	<b>513,895,621</b>

**CSAC EXCESS INSURANCE AUTHORITY**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Primary Workers' Compensation	Excess Workers' Compensation	Primary General Liability	General Liability I	General Liability II	Property	Medical Malpractice	EIAHealth	Dental Program	Miscellaneous Programs	General Administration	Iron Point Building	Elimination of Inter-Program Transactions	Totals June 30, 2012
<b>OPERATING TRANSFERS IN (OUT):</b>														
Administration	-	-	-	-	-	-	-	-	-	-	7,249,582	-	(7,249,582)	-
Transfer In	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer Out	(1,335,811)	(2,483,071)	(524,152)	(1,025,694)	(818,097)	(302,710)	(323,581)	(343,640)	(53,116)	(39,710)	-	-	7,249,582	-
Loss Prevention Training	-	-	-	-	-	-	-	-	-	-	2,221,183	-	(2,221,183)	-
Transfer In	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer Out	(577,256)	(688,891)	(106,868)	(359,655)	(162,581)	(197,963)	(80,347)	(42,502)	(5,120)	-	-	-	2,221,183	-
Rent Transfers	-	-	-	-	-	-	-	-	-	-	(429,275)	429,275	-	-
Total Operating Transfers	(1,913,067)	(3,171,962)	(631,020)	(1,385,349)	(980,678)	(500,673)	(403,928)	(386,142)	(58,236)	(39,710)	9,041,490	429,275	-	-
<b>Operating Income (Loss)</b>	<b>(5,872,861)</b>	<b>(3,988,968)</b>	<b>(761,999)</b>	<b>3,606,620</b>	<b>(185,230)</b>	<b>22,118</b>	<b>(4,836,493)</b>	<b>726,439</b>	<b>2,885,142</b>	<b>(28,314)</b>	<b>4,261,132</b>	<b>150,581</b>	<b>-</b>	<b>(4,021,833)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>														
Sale of Building	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Member Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment Income	876,115	2,357,697	33,952	1,170,972	183,288	-	284,068	84,807	79,629	35,577	95,599	-	(124,723)	5,076,981
Financing Fees	39,304	14,373	-	-	-	499,136	-	-	-	-	-	-	(495,173)	57,640
Lease Income	-	-	-	-	-	-	-	-	-	-	-	506,259	-	506,259
Building Maintenance	-	-	-	-	-	-	-	-	-	-	-	(125,912)	-	(125,912)
Depreciation and Amortization	-	-	-	-	-	-	-	-	-	-	-	(224,887)	-	(224,887)
Investment Expenses	-	-	-	-	-	-	-	-	-	-	(31,067)	-	-	(31,067)
Financing Expenses	-	-	-	-	-	(495,173)	-	-	-	-	-	(124,723)	619,896	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>915,419</b>	<b>2,372,070</b>	<b>33,952</b>	<b>1,170,972</b>	<b>183,288</b>	<b>3,963</b>	<b>284,068</b>	<b>84,807</b>	<b>79,629</b>	<b>35,577</b>	<b>64,532</b>	<b>30,737</b>	<b>-</b>	<b>5,259,014</b>
<b>Changes in Net Assets</b>	<b>(4,957,442)</b>	<b>(1,616,898)</b>	<b>(728,047)</b>	<b>4,777,592</b>	<b>(1,942)</b>	<b>26,081</b>	<b>(4,552,425)</b>	<b>811,246</b>	<b>2,964,771</b>	<b>7,263</b>	<b>4,325,664</b>	<b>181,318</b>	<b>-</b>	<b>1,237,181</b>
<b>Net Assets:</b>														
Beginning of Year	43,457,865	3,948,445	3,838,518	30,382,167	34,154	2,517,939	9,678,308	384,811	4,625,220	2,194,245	3,290,926	(37,959)	-	104,314,639
<b>End of Year</b>	<b>38,500,423</b>	<b>2,331,547</b>	<b>3,110,471</b>	<b>35,159,759</b>	<b>32,212</b>	<b>2,544,020</b>	<b>5,125,883</b>	<b>1,196,057</b>	<b>7,589,991</b>	<b>2,201,508</b>	<b>7,616,590</b>	<b>143,359</b>	<b>-</b>	<b>105,551,820</b>

**CSAC EXCESS INSURANCE AUTHORITY  
COMBINING SCHEDULE OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Primary Workers' Compensation	Excess Workers' Compensation	Primary General Liability	General Liability I	General Liability II	Property	Medical Malpractice	EIAHealth	Dental Program	Miscellaneous Programs	General Administration	Iron Point Building	Elimination of Inter-Program Transactions	Totals June 30, 2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>														
Receipts from Members	55,784,269	65,183,324	3,776,649	32,498,534	19,726,396	50,618,119	11,529,133	217,947,300	29,729,576	20,598,893	485,287	-	-	507,877,480
Receipts from Others	1,656,592	(1,802,376)	2,338,007	-	1,627,150	-	21,218	-	64,517	11,173	142,119	5,704	-	4,064,104
Dividends Paid	(7,641,109)	-	(1,187,055)	-	-	(64,141)	(2,000,000)	(29,472)	-	(11,173)	-	-	-	(10,932,950)
Claims Paid	(10,202,736)	(24,313,651)	(494,777)	(14,829,781)	(7,146,356)	(1,744,297)	(7,436,379)	-	(23,958,117)	-	-	-	-	(90,126,094)
Insurance Purchased	(30,197,453)	(38,635,206)	(2,035,654)	(3,594,508)	(17,867,779)	(42,920,893)	(5,890,839)	(202,324,052)	-	(20,514,469)	-	-	-	(363,980,853)
Payments to Suppliers	(5,383,144)	(2,772,732)	(982,120)	(793,850)	(2,222,663)	(60,450)	(377,758)	(14,930,495)	(2,792,597)	-	(3,434,745)	(147,809)	-	(33,898,363)
Payments to Employees	-	-	-	-	-	-	-	-	-	-	(5,606,622)	-	-	(5,606,622)
Internal Activities	(2,982,307)	2,529,929	(891,520)	(1,877,670)	244,746	(5,832,301)	564,436	(334,363)	(415,805)	(42,294)	9,048,494	(11,345)	-	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>1,034,112</b>	<b>189,288</b>	<b>523,530</b>	<b>11,402,725</b>	<b>(5,638,506)</b>	<b>(3,963)</b>	<b>(3,590,189)</b>	<b>328,918</b>	<b>2,627,574</b>	<b>42,130</b>	<b>634,533</b>	<b>(153,450)</b>	<b>-</b>	<b>7,396,702</b>
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES:</b>														
Sale of Bldg, Furniture & Equip	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Building Dividend	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchases of Capital Assets	-	-	-	-	-	-	-	-	-	-	(149,142)	-	-	(149,142)
<b>NET CASH (USED) BY CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(149,142)</b>	<b>-</b>	<b>-</b>	<b>(149,142)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>														
Lease Receipts	-	-	-	-	-	-	-	-	-	-	-	506,259	-	506,259
Operating Lease Disbursements	-	-	-	-	-	-	-	-	-	-	-	(125,912)	-	(125,912)
Purchase of Securities	(39,374,413)	(146,021,547)	(3,073,656)	(77,651,607)	(5,989,051)	-	(13,542,976)	(5,214,641)	(6,825,177)	(2,108,675)	(5,919,495)	-	-	(305,721,238)
Sales of Securities	39,724,944	136,832,963	1,835,285	63,932,070	10,007,064	-	15,509,442	4,630,258	4,347,544	1,942,475	5,219,475	-	-	283,981,520
Cash from Investment Earnings	2,128,812	6,596,210	82,616	3,082,144	527,690	-	786,573	226,225	198,253	95,483	254,724	-	(124,723)	13,854,007
Cash from Finance Fees	39,304	14,373	-	-	-	499,136	-	-	-	-	-	-	(495,173)	57,640
Finance Fees Paid	-	-	-	-	-	(495,173)	-	-	-	-	-	-	495,173	-
Investment Expenses	-	-	-	-	-	-	-	-	-	-	(31,067)	(124,723)	124,723	(31,067)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>2,518,647</b>	<b>(2,578,001)</b>	<b>(1,155,755)</b>	<b>(10,637,393)</b>	<b>4,545,703</b>	<b>3,963</b>	<b>2,753,039</b>	<b>(358,158)</b>	<b>(2,279,380)</b>	<b>(70,717)</b>	<b>(476,363)</b>	<b>255,624</b>	<b>-</b>	<b>(7,478,791)</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>3,552,759</b>	<b>(2,388,713)</b>	<b>(632,225)</b>	<b>765,332</b>	<b>(1,092,803)</b>	<b>-</b>	<b>(837,150)</b>	<b>(29,240)</b>	<b>348,194</b>	<b>(28,587)</b>	<b>9,028</b>	<b>102,174</b>	<b>-</b>	<b>(231,231)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>14,901,096</b>	<b>37,253,734</b>	<b>1,602,511</b>	<b>15,522,984</b>	<b>3,457,453</b>	<b>-</b>	<b>4,438,069</b>	<b>1,239,894</b>	<b>884,919</b>	<b>542,298</b>	<b>1,006,702</b>	<b>75,629</b>	<b>-</b>	<b>80,925,289</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>18,453,855</b>	<b>34,865,021</b>	<b>970,286</b>	<b>16,288,316</b>	<b>2,364,650</b>	<b>-</b>	<b>3,600,919</b>	<b>1,210,654</b>	<b>1,233,113</b>	<b>513,711</b>	<b>1,015,730</b>	<b>177,803</b>	<b>-</b>	<b>80,694,058</b>



**CSAC EXCESS INSURANCE AUTHORITY  
COMBINING SCHEDULE OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

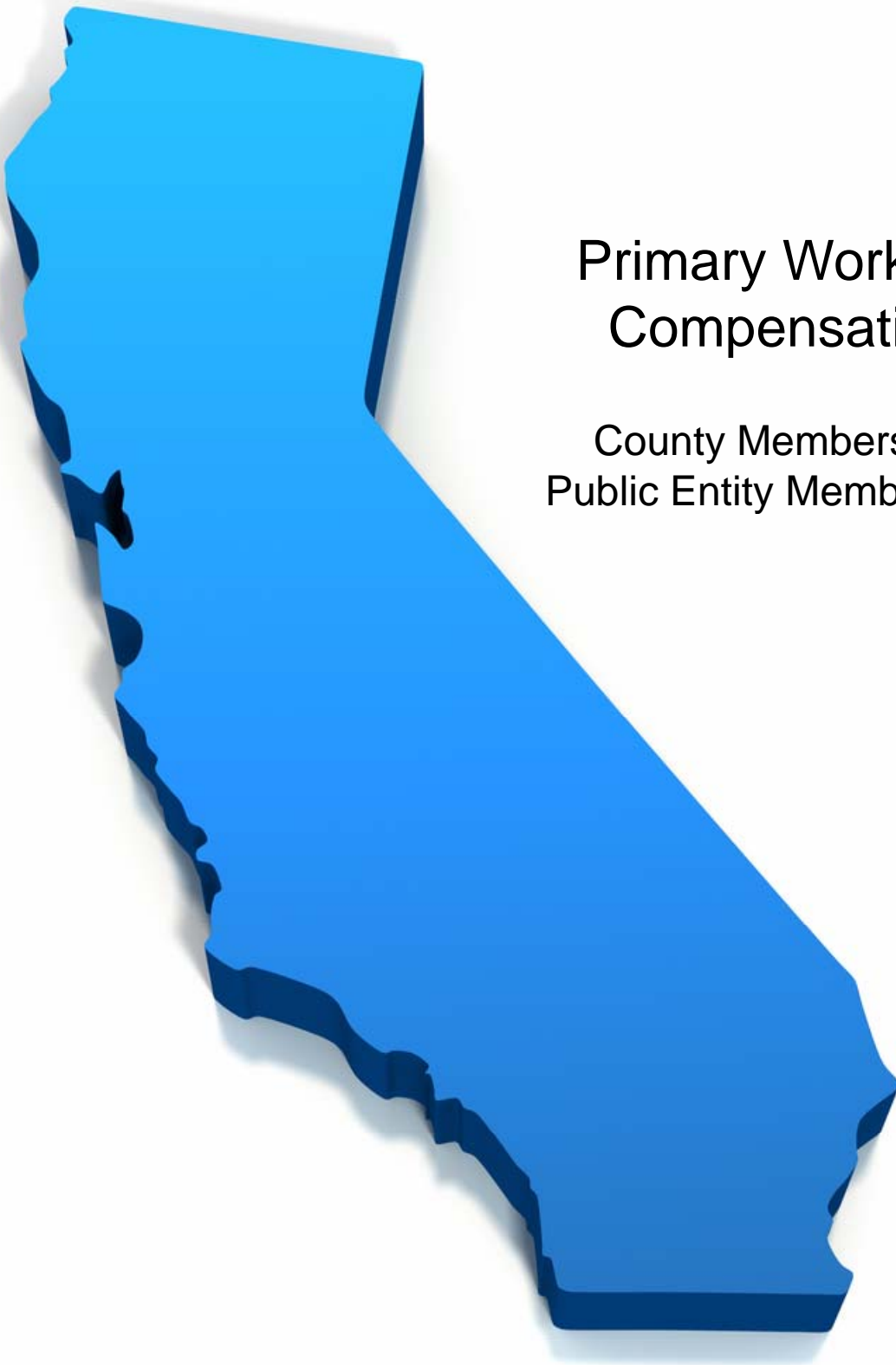
	Primary Workers' Compensation	Excess Workers' Compensation	Primary General Liability	General Liability I	General Liability II	Property	Medical Malpractice	EIAHealth	Dental Program	Miscellaneous Programs	General Administration	Iron Point Building	Elimination of Inter-Program Transactions	Totals June 30, 2012
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>														
Operating Income (Loss)	(5,872,861)	(3,988,968)	(761,999)	3,606,620	(185,230)	22,118	(4,836,493)	726,439	2,885,142	(28,314)	4,261,132	150,581	-	(4,021,833)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:														
Depreciation	-	-	-	-	-	-	-	-	-	-	125,925	130,885	-	256,810
Changes in Assets and Liabilities														
Accts & Other Receivables, net	1,679,589	628,449	208,829	1,042,413	1,451,282	(649,568)	318,388	85,126	604,825	39,098	73,547	-	-	5,481,978
Due From or To Other Funds	(1,069,240)	5,701,891	(260,500)	(492,321)	1,225,424	(5,331,628)	968,364	51,779	(357,569)	(2,584)	7,004	(440,620)	-	-
Prepaid Insurance and Exps	-	-	-	-	-	(2,230,615)	8,224	-	-	(892,340)	6,714	-	-	(3,108,017)
Accounts and Other Payables	2,160,893	(96,886)	349,596	(169,375)	(1,453,940)	(206,919)	(15,484)	(534,426)	-	(35,411)	(3,863,777)	-	-	(3,865,729)
Deferred Income	11,129	31,791	30,316	-	55,911	378,641	203,992	-	-	961,681	-	5,704	-	1,679,165
Claim Liabilities	4,199,875	(1,690,693)	1,083,142	7,319,293	(6,788,779)	8,078,175	(307,165)	-	(504,824)	-	-	-	-	11,389,024
Unallocated Loss Adjustment Expense Payable	(75,273)	(396,296)	(125,854)	96,095	56,826	(64,167)	69,985	-	-	-	-	-	-	(438,684)
Other Liabilities	-	-	-	-	-	-	-	-	-	-	23,988	-	-	23,988
Capital Assets Net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>1,034,112</b>	<b>189,288</b>	<b>523,530</b>	<b>11,402,725</b>	<b>(5,638,506)</b>	<b>(3,963)</b>	<b>(3,590,189)</b>	<b>328,918</b>	<b>2,627,574</b>	<b>42,130</b>	<b>634,533</b>	<b>(153,450)</b>	<b>-</b>	<b>7,396,702</b>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>														
Changes in unrealized gains (loss) on investments	(1,241,380)	(4,275,946)	(57,352)	(1,997,838)	(312,715)	-	(484,661)	(144,693)	(135,858)	(60,701)	(163,105)	-	-	(8,874,249)

**CSAC Excess Insurance Authority**  
**Budget Highlights**  
**For the Year Ended June 30, 2012**

	Original Budget	Final Budget	Actual Results	Variance (%)	Variance (\$)
<b>Revenues:</b>					
Premiums for Transferred Risk	\$ 403,391,446	\$ 403,391,446	\$ 374,220,717	-7%	\$ (29,170,729)
Dividend Income	-	-	75,314		75,314
Broker Fees	6,873,797	6,873,797	7,085,654	3%	211,857
Contributions for Retained Risk	127,268,360	127,268,360	108,763,785	-15%	(18,504,575)
Public Entity Fees	431,229	431,229	456,577	6%	25,348
Investment Income	8,033,641	8,033,641	5,076,981	-37%	(2,956,660)
Financing Fees	64,060	64,060	57,640	-10%	(6,420)
Administration Fees	11,116,805	11,116,805	11,487,622	3%	370,817
Program Development Fees	-	-	3,550		3,550
Member Services	633,337	633,337	613,490	-3%	(19,847)
Tenant Income	522,260	522,260	506,259	-3%	(16,001)
Other Income	213,692	2,413,692	7,167,079	197%	4,753,387
<b>Total Revenues</b>	<b>558,548,627</b>	<b>560,748,627</b>	<b>515,514,668</b>	<b>-8%</b>	<b>(45,233,959)</b>
<b>Expenses:</b>					
Member Dividends	7,040,000	9,040,000	10,291,841	-14%	(1,251,841)
Insurance Expense	389,364,146	389,364,146	372,467,736	4%	16,896,410
Broker Fees	6,873,797	6,873,797	7,053,183	-3%	(179,386)
Provision for Claims	114,469,473	116,369,473	101,501,141	13%	14,868,332
Unallocated Loss Adjustment Expenses	811,584	811,584	(424,706)	152%	1,236,290
Program Services	27,024,382	27,024,382	13,426,729	50%	13,597,653
Member Services and Subsidies	2,187,914	2,187,914	2,056,405	6%	131,509
General Administrative Expense	7,720,906	7,720,906	7,149,740	7%	571,166
Building Operation Expense	286,809	286,809	273,721	5%	13,088
Depreciation	504,924	504,924	481,697	5%	23,227
Delegated to Committees	340,000	340,000	-	100%	340,000
Appropriation for Contingencies	75,000	75,000	-	100%	75,000
<b>Total Expenses</b>	<b>556,698,935</b>	<b>560,598,935</b>	<b>514,277,487</b>	<b>8%</b>	<b>46,321,448</b>
<b>Total Income (Loss)</b>	<b>1,849,692</b>	<b>149,692</b>	<b>1,237,181</b>		<b>1,087,489</b>
<b>Change in Net Assets</b>	<b>1,849,692</b>	<b>149,692</b>	<b>1,237,181</b>		<b>\$ 1,087,489</b>
<b>Beginning Net Assets Balance, July 1</b>	<b>107,351,815</b>	<b>104,314,639</b>	<b>104,314,639</b>		
<b>Ending Net Assets Balance, June 30</b>	<b>\$ 109,201,507</b>	<b>\$ 104,464,331</b>	<b>\$ 105,551,820</b>		

For purposes of Actual to Budget comparison the above budgets do not include the \$50 million budgeted for both revenue and expense in the Member Growth category. New member revenue and expense is included in the appropriate revenue and expense category.

## **PRIMARY WORKERS' COMPENSATION**



## Primary Workers' Compensation

County Members: 12  
Public Entity Members: 29

**CSAC EXCESS INSURANCE AUTHORITY  
PRIMARY WORKERS' COMPENSATION PROGRAM  
SCHEDULE OF NET ASSETS  
JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>ASSETS:</b>		
Current Assets:		
Cash in Banks	\$ 9,251,390	\$ 4,491,658
Cash, EIA Treasury	<u>9,202,465</u>	<u>10,409,438</u>
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	18,453,855	14,901,096
Investments	26,427,296	24,321,281
Accounts Receivable		
Due from Members	710,927	34,262
Investment Income Receivable	371,442	382,759
Reinsurance Claims	1,497,650	3,154,242
Due from Other Funds	<u>14,356,097</u>	<u>13,015,136</u>
<b>TOTAL CURRENT ASSETS</b>	<u>61,817,267</u>	<u>55,808,776</u>
Noncurrent Assets:		
Investments	24,139,302	27,837,228
Due from Members	-	699,662
Due from Other Funds	<u>5,652,901</u>	<u>5,924,622</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>29,792,203</u>	<u>34,461,512</u>
<b>TOTAL ASSETS</b>	<u>91,609,470</u>	<u>90,270,288</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
Accounts Payable	714,373	706,483
Due to Other Funds	-	-
Dividends Payable to Members	7,000,000	7,641,109
Other Due to Members	619,719	1,471,722
Deposits from Insurance Companies	4,968,231	1,322,116
Deferred Income from Members	11,129	-
Workers' Compensation Claims	<u>10,000,000</u>	<u>2,028,952</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>23,313,452</u>	<u>13,170,382</u>
Noncurrent Liabilities:		
Workers' Compensation Claims Liabilities		
Claims Reported	2,007,606	8,558,190
Claims Incurred But Not Reported	4,300,472	1,521,061
Unallocated Loss Adjustment Expense Payable	<u>23,487,517</u>	<u>23,562,790</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>29,795,595</u>	<u>33,642,041</u>
<b>TOTAL LIABILITIES</b>	<u>53,109,047</u>	<u>46,812,423</u>
<b>NET ASSETS:</b>		
Unrestricted	<u>38,500,423</u>	<u>43,457,865</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 38,500,423</u>	<u>\$ 43,457,865</u>

**CSAC EXCESS INSURANCE AUTHORITY  
PRIMARY WORKERS' COMPENSATION PROGRAM  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>OPERATING REVENUES:</b>		
Premiums for Transferred Risk	\$ 30,139,420	\$ 28,980,392
Broker Fees	1,180,894	1,127,726
Contributions for Retained Risk		
Loss Reserve Contributions	15,451,243	16,320,248
ULAE Contributions	8,084,865	8,541,862
Prior Year Payroll Audits	(714,813)	(578,986)
Administration Fees	2,306,208	1,736,164
Public Entity Fees	148,808	139,456
Development Fees	-	800
Other Income	5,521	356,037
	<hr/>	<hr/>
<b>TOTAL OPERATING REVENUES</b>	<b>56,602,146</b>	<b>56,623,699</b>
	<hr/>	<hr/>
<b>OPERATING EXPENSES:</b>		
Pool Dividends to Members	7,000,000	7,500,000
Primary Workers' Compensation Insurance Premiums	30,197,453	28,915,506
Broker Fees	1,176,111	1,127,725
Provision for Claims		
Current Year Claims	12,862,000	12,640,346
Prior Years' Claims	1,540,611	(266,352)
Provision for Unallocated Loss Adjustment Expenses	(75,273)	629,909
Program Services		
Claims Administration Services	6,587,867	6,297,970
Actuarial and Consulting Services	155,300	124,186
Claims Audits	93,600	45,900
Managed Care Program Review	84,016	81,000
Bank Fees and Services	34,327	49,120
Web Based Claims System	105,114	14,520
Dept. of Industrial Relations Assessment	800,814	774,334
	<hr/>	<hr/>
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 60,561,940</b>	<b>\$ 57,934,164</b>
	<hr/>	<hr/>

**CSAC EXCESS INSURANCE AUTHORITY  
PRIMARY WORKERS' COMPENSATION PROGRAM  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>OPERATING TRANSFERS IN OR (OUT):</b>		
Operating Transfer in for TPA Conversion	\$ -	\$ 815,143
Operating Transfer Out for General Administration	(1,335,811)	(1,190,973)
Operating Transfer Out for Loss Prevention	<u>(577,256)</u>	<u>(457,571)</u>
<b>TOTAL OPERATING TRANSFERS</b>	<u>(1,913,067)</u>	<u>(833,401)</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(5,872,861)</u>	<u>(2,143,866)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment Income	876,115	1,814,757
Member Financing Fees	39,304	58,620
Investment Expense	<u>-</u>	<u>(463)</u>
<b>TOTAL NONOPERATING REVENUE (EXPENSES)</b>	<u>915,419</u>	<u>1,872,914</u>
<b>CHANGES IN NET ASSETS</b>	(4,957,442)	(270,952)
Net Assets, Beginning of Year	<u>43,457,865</u>	<u>43,728,817</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 38,500,423</u></u>	<u><u>\$ 43,457,865</u></u>

**CSAC EXCESS INSURANCE AUTHORITY  
PRIMARY WORKERS' COMPENSATION PROGRAM  
SCHEDULE OF CASH FLOWS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from Members	\$ 55,784,269	\$ 57,684,597
Receipts from Others	1,656,592	4,116,142
Dividends Paid	(7,641,109)	(7,853,875)
Claims Paid	(10,202,736)	(9,793,464)
Insurance Purchased	(30,197,453)	(28,915,506)
Payments to Suppliers	(5,383,144)	(9,591,931)
Internal Activities	(2,982,307)	(1,960,569)
	<hr/>	<hr/>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>1,034,112</b>	<b>3,685,394</b>
	<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Securities	(39,374,413)	(52,653,634)
Sales of Securities	39,724,944	54,643,582
Cash from Investment Earnings	2,128,812	2,146,549
Finance Fees from Members	39,304	58,620
Investment Expenses	-	(463)
	<hr/>	<hr/>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>2,518,647</b>	<b>4,194,654</b>
	<hr/>	<hr/>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>3,552,759</b>	<b>7,880,048</b>
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS: BEGINNING OF YEAR</b>	<b>14,901,096</b>	<b>7,021,048</b>
	<hr/>	<hr/>
<b>END OF YEAR</b>	<b>\$ 18,453,855</b>	<b>\$ 14,901,096</b>
	<hr/>	<hr/>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating Income (Loss)	\$ (5,872,861)	\$ (2,143,866)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Changes in Assets and Liabilities		
Accounts Receivable, Net	1,679,589	4,496,538
Due From or To Other Funds	(1,069,240)	(1,127,168)
Deferred Income	11,129	(12,924)
Accounts and Other Payables	2,160,893	(737,625)
Claim Liabilities	4,199,875	2,580,530
Unallocated Loss Adjustment Expense Payable	(75,273)	629,909
	<hr/>	<hr/>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 1,034,112</b>	<b>\$ 3,685,394</b>
	<hr/>	<hr/>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Changes in unrealized gains (loss) on investments	<b>\$ (1,241,380)</b>	<b>\$ (194,371)</b>
	<hr/>	<hr/>



**CSAC EXCESS INSURANCE AUTHORITY  
PRIMARY WORKERS' COMPENSATION PROGRAM  
RECONCILIATION OF UNPAID CLAIMS LIABILITIES  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

The schedule below presents the changes in claims liabilities for the past year.

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
A. Unpaid claims and claim adjustment expenses at the beginning of the fiscal year	<u>\$ 35,670,993</u>	<u>\$ 32,460,554</u>
Incurred claims and claim adjustment expenses:		
Provision for claims		
current fiscal year	12,862,000	13,270,255
Increase (Decrease) in the provision for claims of prior fiscal years	<u>1,465,338</u>	<u>(266,352)</u>
B. Total incurred claims and claim adjustment expenses	<u>14,327,338</u>	<u>13,003,903</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	5,988,250	6,304,731
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>4,214,486</u>	<u>3,488,733</u>
C. Total Payments	<u>10,202,736</u>	<u>9,793,464</u>
D. Total unpaid claims and claim adjustment expenses at the end of the fiscal year (A+B-C)	<u>\$ 39,795,595</u>	<u>\$ 35,670,993</u>
Current Claim Liabilities	\$ 10,000,000	\$ 2,028,952
Noncurrent Claim Liabilities	<u>29,795,595</u>	<u>33,642,041</u>
Total Claim Liabilities	<u>\$ 39,795,595</u>	<u>\$ 35,670,993</u>

**CSAC EXCESS INSURANCE AUTHORITY  
PRIMARY WORKERS' COMPENSATION PROGRAM FUND  
NOTES TO EARNED PREMIUMS AND CLAIMS DEVELOPMENT INFORMATION  
FOR THE TEN-YEAR PERIOD ENDED JUNE 30, 2012**

The following schedule illustrates how the Fund's earned premiums (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Fund as of the end of each of the last 10 years. The rows of the schedule are defined as follows:

1. This line shows the total of each fiscal year's earned premium, revenues ceded to reinsurers and stop-loss policies, and investment revenues. The total revenues are net of dividends returned to members.
2. This line shows the liability for unallocated loss adjustment expenses not allocated to individual claims.
3. This line shows the Fund's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event occurred that triggered coverage under the contract (called policy year).
4. This section of rows shows the cumulative amounts paid as of the end of each successive year for each policy year.
5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each policy year.
6. This section of rows shows how each policy year's incurred claims increased or decreased as of the end of each successive year. These annual reestimations result from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known.
7. This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought.

As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

The columns of the schedule show data for successive policy years.

**CSAC EXCESS INSURANCE AUTHORITY**  
**PRIMARY WORKERS' COMPENSATION PROGRAM**  
**SCHEDULE OF EARNED PREMIUM AND CLAIMS DEVELOPMENT**  
**FOR THE TEN YEAR PERIOD ENDED JUNE 30, 2012**

<b>POLICY YEAR</b>	<b>June 30, 2003</b>	<b>June 30, 2004</b>	<b>June 30, 2005</b>	<b>June 30, 2006</b>	<b>June 30, 2007</b>	<b>June 30, 2008</b>	<b>June 30, 2009</b>	<b>June 30, 2010</b>	<b>June 30, 2011</b>	<b>June 30, 2012</b>
Earned Premiums	\$ 44,184,744	\$ 62,631,010	\$ 67,015,031	\$ 58,793,345	\$ 46,235,265	\$ 47,629,119	\$ 48,372,518	\$ 45,039,062	\$ 53,048,120	\$ 54,860,361
Less Ceded								(24,951,328)	(28,900,823)	(31,324,253)
Supplemental Assessments	-	5,081,313	-	-	-	-	-	-	-	-
Dividends Declared	-	-	(15,250,000)	(15,250,000)	-	-	-	-	-	-
Interest	5,115,541	11,052,597	13,094,793	7,362,426	5,307,593	5,955,628	3,160,153	725,670	547,297	201,437
1. Total Revenues Available For Payment of Claims	49,300,285	78,764,920	64,859,824	50,905,771	51,542,858	53,584,747	51,532,671	20,813,404	24,694,594	23,737,545
2. Unallocated Loss Adjustment Expense	6,133,824	7,076,647	2,463,908	1,360,735	4,206,776	4,522,162	4,706,982	4,692,391	9,035,843	7,311,369
3. Estimated Incurred Claims	44,563,909	59,447,726	55,759,580	47,249,432	36,652,243	39,052,710	34,751,511	37,331,810	42,327,515	44,186,253
Less Ceded Claims	-	-	-	-	-	-	-	(24,951,328)	(28,900,823)	(31,324,253)
Net Incurred Claims and Expenses, End of Policy Year	44,563,909	59,447,726	55,759,580	47,249,432	36,652,243	39,052,710	34,751,511	12,380,482	13,426,692	12,862,000
4. Cumulative Paid Claims as of:										
End of the Policy Year	7,087,678	7,288,589	5,560,880	5,254,915	7,190,327	7,806,978	7,763,711	5,301,114	6,304,731	5,988,250
One Year Later	21,566,401	18,650,767	14,312,455	13,398,470	16,927,377	18,499,334	26,216,412	8,672,943	10,080,439	
Two Years Later	30,644,135	26,019,973	19,787,870	17,722,081	22,224,475	48,919,481	26,216,412	9,127,073		
Three Years Later	36,155,569	30,570,838	23,558,130	20,127,711	55,165,957	48,919,481	26,216,412			
Four Years Later	38,688,802	35,097,633	25,789,387	31,909,840	55,165,957	48,919,481				
Five Years Later	41,500,367	36,729,106	38,239,843	31,909,840	55,165,957					
Six Years Later	42,773,814	38,507,433	38,239,843	31,909,840						
Seven Years Later	44,391,863	61,551,841	38,239,843							
Eight Years Later	46,602,613	61,551,841								
Nine Years Later	46,602,613									
5. Reestimated Ceded Claims and Expenses	-	-	-	-	-	-	-	-	-	-
6. Reestimated Incurred Claims and Expenses										
End of the Policy Year	44,563,909	59,447,726	55,759,580	50,364,408	36,652,243	39,052,710	34,751,511	11,268,365	12,299,892	12,862,000
One Year Later	45,854,549	58,033,953	50,600,336	31,220,564	40,968,782	44,407,005	26,216,412	10,203,556	12,700,000	
Two Years Later	45,294,018	61,551,841	37,082,786	30,304,725	39,855,170	48,919,481	26,216,412	11,868,000		
Three Years Later	46,602,613	61,551,841	33,355,157	29,652,293	55,165,957	48,919,481	26,216,412			
Four Years Later	46,602,613	61,551,841	33,160,320	31,909,840	55,165,957	48,919,481				
Five Years Later	46,602,613	61,551,841	38,239,843	31,909,840	55,165,957					
Six Years Later	46,602,613	61,551,841	38,239,843	31,909,840						
Seven Years Later	46,602,613	61,551,841	38,239,843							
Eight Years Later	46,602,613	61,551,841								
Nine Years Later	46,602,613									
7. Increase (Decrease) in Estimated Incurred Claims and Expense from End of the Policy Year	\$ 2,038,704	\$ 2,104,115	\$ (17,519,737)	\$ (15,339,592)	\$ 18,513,714	\$ 9,866,771	\$ (8,535,099)	\$ (512,482)	\$ (726,692)	\$ -

## **EXCESS WORKERS' COMPENSATION**



## Excess Workers' Compensation

County Members: 50  
Public Entity Members: 116

**CSAC EXCESS INSURANCE AUTHORITY  
EXCESS WORKERS' COMPENSATION PROGRAM  
SCHEDULE OF NET ASSETS  
JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>ASSETS:</b>		
Current Assets:		
Cash, EIA Treasury	\$ 34,865,021	\$ 37,253,734
<b>TOTAL CASH &amp; CASH EQUIVALENTS</b>	34,865,021	37,253,734
Investments	100,124,064	87,042,020
Accounts Receivable		
Due from Members	621,012	547,857
Investment Income Receivable	1,407,268	1,369,835
Reinsurance Claims	3,794,179	1,991,803
Due from Other Funds	15,853,589	19,237,341
<b>TOTAL CURRENT ASSETS</b>	156,665,133	147,442,590
Noncurrent Assets:		
Investments	91,455,630	99,625,036
Due from Members	-	2,503,980
Due from Other Funds	21,416,924	21,203,286
<b>TOTAL NONCURRENT ASSETS</b>	112,872,554	123,332,302
<b>TOTAL ASSETS</b>	269,537,687	270,774,892
<b>LIABILITIES:</b>		
Current Liabilities:		
Accounts Payable	60,373	130,392
Deposits from Insurance Companies	500,000	500,000
Due to Members	1,710,919	1,737,786
Deferred Income from Members	31,791	-
Due to Other Funds	10,171,614	7,639,837
Workers' Compensation Claims	22,000,000	21,990,362
<b>TOTAL CURRENT LIABILITIES</b>	34,474,697	31,998,377
Noncurrent Liabilities:		
Workers' Compensation Claims Liabilities		
Claims Reported	163,910,983	146,310,209
Claims Incurred But Not Reported	58,484,396	77,785,501
Unallocated Loss Adjustment Expense Payable	10,336,064	10,732,360
<b>TOTAL NONCURRENT LIABILITIES</b>	232,731,443	234,828,070
<b>TOTAL LIABILITIES</b>	267,206,140	266,826,447
<b>NET ASSETS:</b>		
Unrestricted	2,331,547	3,948,445
<b>TOTAL NET ASSETS</b>	\$ 2,331,547	\$ 3,948,445

**CSAC EXCESS INSURANCE AUTHORITY  
EXCESS WORKERS' COMPENSATION PROGRAM  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>OPERATING REVENUES:</b>		
Premiums for Transferred Risk	\$ 38,549,543	\$ 32,487,081
Broker Fees	1,946,947	1,796,832
Contributions for Retained Risk	17,757,677	19,334,071
Administration Fees	4,335,992	3,772,264
Public Entity Fees	157,416	143,478
Development Fees	-	1,400
<b>TOTAL OPERATING REVENUES</b>	<u>62,747,575</u>	<u>57,535,126</u>
<b>OPERATING EXPENSES:</b>		
Excess Workers' Compensation Insurance Premiums	38,635,206	32,480,385
Broker Fees	1,942,522	1,796,303
Provision for Claims		
Current Year Claims	9,095,972	17,415,738
Prior Years' Claims	13,526,986	27,243,605
Provision for Unallocated Loss Adjustment Expenses	(396,296)	50,000
Program Services		
Actuarial and Legal Services	312,888	303,168
Claims Audits	447,303	516,900
<b>TOTAL OPERATING EXPENSES</b>	<u>63,564,581</u>	<u>79,806,099</u>
<b>OPERATING TRANSFERS IN OR (OUT):</b>		
Operating Transfer Out for General Administration	(2,483,071)	(2,400,458)
Operating Transfer Out for Loss Prevention	(688,891)	(777,900)
<b>TOTAL OPERATING TRANSFERS</b>	<u>(3,171,962)</u>	<u>(3,178,358)</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(3,988,968)</u>	<u>(25,449,331)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment Income	2,357,697	4,406,346
Member Finance Fees	14,373	22,932
Investment Expense	-	(1,577)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>2,372,070</u>	<u>4,427,701</u>
<b>CHANGES IN NET ASSETS</b>	<u>(1,616,898)</u>	<u>(21,021,630)</u>
Net Assets, Beginning of Year	<u>3,948,445</u>	<u>24,970,075</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 2,331,547</u></u>	<u><u>\$ 3,948,445</u></u>

**CSAC EXCESS INSURANCE AUTHORITY  
EXCESS WORKERS' COMPENSATION PROGRAM  
SCHEDULE OF CASH FLOWS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from Members	\$ 65,183,324	\$ 59,586,731
Receipts from Others	(1,802,376)	404,059
Claims Paid	(24,313,651)	(16,022,869)
Insurance Purchased	(38,635,206)	(32,480,385)
Payments to Suppliers	(2,772,732)	(2,185,459)
Internal Activities	<u>2,529,929</u>	<u>(6,405,689)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>189,288</u>	<u>2,896,388</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Securities	(146,021,547)	(120,709,112)
Sales of Securities	136,832,963	132,678,088
Cash from Investment Earnings	6,596,210	5,414,357
Finance Fees from Members	14,373	22,932
Investment Expenses	<u>-</u>	<u>(1,577)</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(2,578,001)</u>	<u>17,404,688</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(2,388,713)	20,301,076
<b>CASH AND CASH EQUIVALENTS: BEGINNING OF YEAR</b>	<u>37,253,734</u>	<u>16,952,658</u>
<b>END OF YEAR</b>	<u><u>\$ 34,865,021</u></u>	<u><u>\$ 37,253,734</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating Income (Loss)	\$ (3,988,968)	\$ (25,449,331)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Changes in Assets and Liabilities		
Accounts Receivable, Net	628,449	1,544,490
Due From or To Other Funds	5,701,891	(3,227,330)
Accounts and Other Payables	(96,886)	1,358,565
Deferred Income	31,791	(16,480)
Claim Liabilities	(1,690,693)	28,636,474
Unallocated Loss Adjustment Expense Payable	<u>(396,296)</u>	<u>50,000</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>\$ 189,288</u></u>	<u><u>\$ 2,896,388</u></u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>		
Changes in unrealized gains (loss) on investments	<u><u>\$ (4,275,946)</u></u>	<u><u>\$ (471,946)</u></u>



**CSAC EXCESS INSURANCE AUTHORITY  
EXCESS WORKERS' COMPENSATION PROGRAM  
RECONCILIATION OF UNPAID CLAIMS LIABILITIES  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

The schedule below presents the changes in claims liabilities for the past two years.

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
A. Unpaid claims and claim adjustment expenses at the beginning of the fiscal year	<u>\$ 256,818,432</u>	<u>\$ 228,131,958</u>
Incurred claims and claim adjustment expenses:		
Provision for claims		
current fiscal year	8,699,676	17,465,738
Increase (Decrease) in the provision for claims of prior fiscal years	<u>13,526,986</u>	<u>27,243,605</u>
B. Total incurred claims and claim adjustment expenses	<u>22,226,662</u>	<u>44,709,343</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	23,688	43,862
Claims and claim adjustment expenses attributable to insured events of prior fiscal years:	<u>24,289,963</u>	<u>15,979,007</u>
C. Total Payments	<u>24,313,651</u>	<u>16,022,869</u>
D. Total unpaid claims and claim adjustment expenses at the end of the fiscal year (A+B-C)	<u>\$ (2,086,989)</u>	<u>\$ 256,818,432</u>
Current Claim Liabilities	\$ 22,000,000	\$ 21,990,362
Noncurrent Claim Liabilities	232,731,443	234,828,070
Total Claim Liabilities	<u>\$ 254,731,443</u>	<u>\$ 256,818,432</u>

**CSAC EXCESS INSURANCE AUTHORITY  
EXCESS WORKERS' COMPENSATION PROGRAM FUND  
NOTES TO EARNED PREMIUMS AND CLAIMS DEVELOPMENT INFORMATION  
FOR THE TEN-YEAR PERIOD ENDED JUNE 30, 2012**

The following schedule illustrates how the Fund's earned premiums (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Fund as of the end of each of the last 10 years. The rows of the schedule are defined as follows:

1. This line shows the total of each fiscal year's earned premium, revenues ceded to reinsurers and stop-loss policies, and investment revenues. The total revenues are net of dividends returned to members.
2. This line shows the liability for unallocated loss adjustment expenses not allocated to individual claims.
3. This line shows the Fund's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event occurred that triggered coverage under the contract (called policy year).
4. This section of rows shows the cumulative amounts paid as of the end of each successive year for each policy year.
5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each policy year.
6. This section of rows shows how each policy year's incurred claims increased or decreased as of the end of each successive year. These annual reestimations result from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known.
7. This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought.

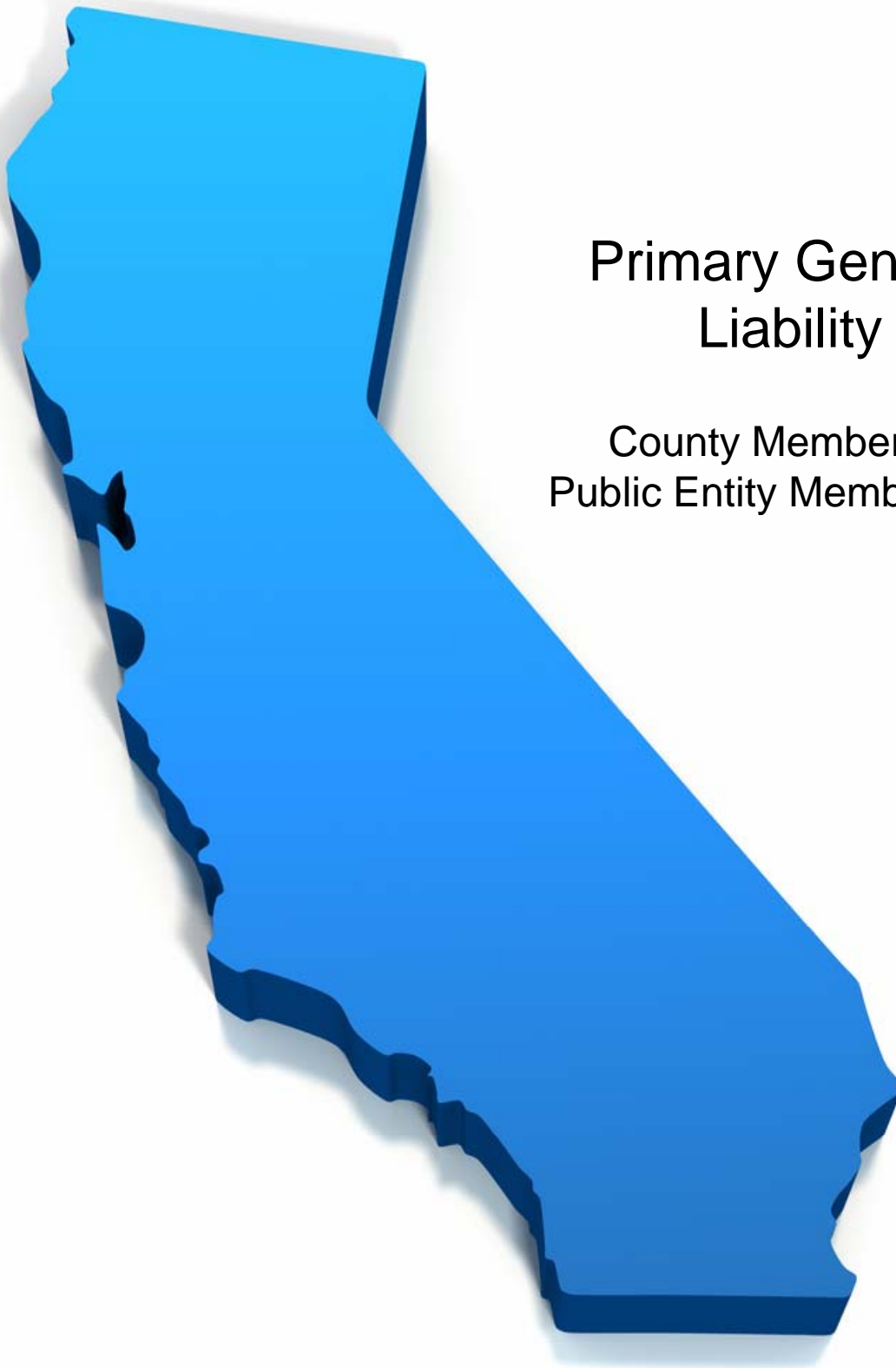
As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

The columns of the schedule show data for successive policy years.

**CSAC EXCESS INSURANCE AUTHORITY  
EXCESS WORKERS' COMPENSATION PROGRAM  
SCHEDULE OF EARNED PREMIUM AND CLAIMS DEVELOPMENT  
FOR THE TEN YEAR PERIOD ENDED JUNE 30, 2012**

<b>POLICY YEAR</b>	<b>June 30, 2003</b>	<b>June 30, 2004</b>	<b>June 30, 2005</b>	<b>June 30, 2006</b>	<b>June 30, 2007</b>	<b>June 30, 2008</b>	<b>June 30, 2009</b>	<b>June 30, 2010</b>	<b>June 30, 2011</b>	<b>June 30, 2012</b>
Earned Premiums	\$ 20,301,297	\$ 47,496,770	\$ 59,989,589	\$ 61,714,023	\$ 63,726,804	\$ 62,477,689	\$ 52,184,473	\$ 48,146,826	\$ 52,750,329	\$ 58,753,600
Less Ceded	(5,349,557)	(16,752,829)	(16,316,467)	(19,925,812)	(20,451,452)	(22,040,208)	(32,694,500)	(29,508,521)	(33,932,092)	(39,806,627)
Supplemental Assessments	2,713,433	-	-	-	-	-	-	-	-	-
Dividends Declared	-	-	-	-	-	-	-	-	-	-
Interest	4,377,852	8,292,508	11,721,357	9,603,861	8,032,817	5,567,716	1,621,953	1,166,831	503,096	169,556
1. Total Revenues Available For Payment of Claims	22,043,025	39,036,449	55,394,479	51,392,072	51,308,169	46,005,197	21,111,926	19,805,136	19,321,333	19,116,529
2. Unallocated Loss Adjustment Expense	1,004,940	1,084,111	817,561	989,358	1,144,960	1,240,476	915,899	734,451	724,586	368,357
3. Estimated Incurred Claims	22,003,557	44,089,829	44,540,467	46,912,468	48,038,272	51,656,148	46,380,300	45,844,808	51,347,831	48,902,599
Less Ceded Claims	(5,349,557)	(16,752,829)	(16,316,467)	(19,925,812)	(20,451,452)	(22,040,208)	(32,694,500)	(29,508,521)	(33,932,092)	(39,806,627)
Net Incurred Claims and Expenses, End of Policy Year	16,654,000	27,337,000	28,224,000	26,986,656	27,586,820	29,615,940	13,685,800	16,336,287	17,415,739	9,095,972
4. Cumulative Paid Claims as of:										
End of the Policy Year	54,646	-	-	61,440	-	-	80,573	-	43,862	23,688
One Year Later	655,371	385,425	19,472	968,776	1,500,771	149,378	253,852	106,437	230,188	
Two Years Later	1,803,465	700,942	457,787	1,895,972	2,930,749	2,329,306	662,838	515,533		
Three Years Later	3,276,993	2,198,087	964,894	3,603,057	4,609,582	3,806,626	5,131,474			
Four Years Later	4,309,081	4,351,637	1,921,891	4,551,854	8,091,482	5,996,177				
Five Years Later	6,116,499	6,881,447	2,636,394	6,186,031	10,871,389					
Six Years Later	8,809,377	10,073,192	3,505,972	7,667,321						
Seven Years Later	12,942,074	12,642,204	4,855,041							
Eight Years Later	15,402,429	15,459,582								
Nine Years Later	18,669,453									
5. Reestimated Ceded Claims and Expenses	-	-	-	-	-	-	1,612,041	-	-	-
6. Reestimated Incurred Claims and Expenses										
End of the Policy Year	17,751,000	27,337,000	28,224,000	26,986,656	27,586,820	29,615,940	13,685,800	14,575,340	17,415,739	9,095,972
One Year Later	19,909,000	26,032,000	25,617,052	32,672,718	29,842,070	28,351,050	20,519,114	16,902,842	18,075,962	
Two Years Later	19,492,000	22,832,428	23,426,328	36,060,675	28,871,552	32,207,743	25,050,003	18,604,330		
Three Years Later	21,787,653	24,988,811	24,021,574	34,774,900	37,566,684	34,698,516	27,689,168			
Four Years Later	23,154,850	29,097,621	23,567,651	33,303,388	36,058,769	36,547,866				
Five Years Later	27,446,755	33,344,532	25,591,580	31,067,050	39,070,613					
Six Years Later	34,673,487	31,641,103	23,606,300	32,034,227						
Seven Years Later	36,375,325	40,828,892	24,990,758							
Eight Years Later	42,760,559	42,160,167								
Nine Years Later	43,420,130									
7. Increase (Decrease) in Estimated Incurred Claims and Expense from End of the Policy Year	\$ 26,766,130	\$ 14,823,167	\$ (3,233,242)	\$ 5,047,571	\$ 11,483,793	\$ 6,931,926	\$ 14,003,368	\$ 2,268,043	\$ 660,223	\$ -

## **PRIMARY GENERAL LIABILITY**



## Primary General Liability

County Members: 5  
Public Entity Members: 24

**CSAC EXCESS INSURANCE AUTHORITY  
PRIMARY GENERAL LIABILITY PROGRAM  
SCHEDULE OF NET ASSETS  
JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>ASSETS:</b>		
Current Assets:		
Cash in Banks	\$ 441,228	\$ 1,258,028
Cash, EIA Treasury	<u>529,058</u>	<u>344,483</u>
<b>TOTAL CASH &amp; CASH EQUIVALENTS</b>	970,286	1,602,511
Investments	1,519,330	804,873
Accounts Receivable		
Due From Members	200,535	273,203
Investment Income Receivable	21,355	12,667
Reinsurance Claims	435,353	548,360
Due from Other Funds	<u>1,094,045</u>	<u>962,470</u>
<b>TOTAL CURRENT ASSETS</b>	<u>4,240,904</u>	<u>4,204,084</u>
Noncurrent Assets:		
Investments	1,387,791	921,228
Due from Members	-	23,154
Due from Other Funds	<u>324,991</u>	<u>196,066</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>1,712,782</u>	<u>1,140,448</u>
<b>TOTAL ASSETS</b>	<u>5,953,686</u>	<u>5,344,532</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
Accounts Payable	64,886	93,498
Deferred Income	30,316	-
Due to Members	1,021,119	297,911
Dividends Payable to Members	480,000	-
Deposits from Insurance Companies	-	825,000
Claim Liabilities	<u>1,089,054</u>	<u>5,911</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>2,685,375</u>	<u>1,222,320</u>
Noncurrent Liabilities:		
Claims Liabilities		
Unallocated Loss Adjustment Expense Payable	<u>157,840</u>	<u>283,694</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>157,840</u>	<u>283,694</u>
<b>TOTAL LIABILITIES</b>	<u>2,843,215</u>	<u>1,506,014</u>
<b>NET ASSETS:</b>		
Unrestricted	<u>3,110,471</u>	<u>3,838,518</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$ 3,110,471</u></u>	<u><u>\$ 3,838,518</u></u>

**CSAC EXCESS INSURANCE AUTHORITY  
PRIMARY GENERAL LIABILITY PROGRAM  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>OPERATING REVENUES:</b>		
Premiums For Transferred Risk	\$ 2,035,654	\$ 1,888,464
Broker Fees	61,251	35,697
Administration Fees	347,144	394,957
Public Entity Fees	2,905	2,629
Development Fees	350	-
Commutation of Claims and Other Income	2,225,000	1,250
<b>TOTAL OPERATING REVENUES</b>	<u>4,672,304</u>	<u>2,322,997</u>
<b>OPERATING EXPENSES:</b>		
Dividends to Members and Return of Prior Assessment to Members	1,187,055	-
Primary Liability Insurance Premiums	2,035,654	1,888,464
Broker Fees	60,675	35,697
Provision for Claims		
Prior Years' Claims	1,577,920	16,284
Provision for Unallocated Loss Adjustment Expenses	(125,854)	51,503
Program Services		
Actuarial Services	59,479	24,465
Claims Audits	5,000	1,324
Bank Services and Fees	3,354	4,990
<b>TOTAL OPERATING EXPENSES</b>	<u>4,803,283</u>	<u>2,022,727</u>
<b>OPERATING TRANSFERS IN OR (OUT):</b>		
Operating Transfer Out for General Administration	(524,152)	(365,835)
Operating Transfer Out for Loss Prevention	(106,868)	(86,849)
<b>TOTAL OPERATING TRANSFERS</b>	<u>(631,020)</u>	<u>(452,684)</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(761,999)</u>	<u>(152,414)</u>
<b>NONOPERATING REVENUE (EXPENSES):</b>		
Investment Income	33,952	74,814
Investment Expense	-	(15)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>33,952</u>	<u>74,799</u>
<b>CHANGES IN NET ASSETS</b>	<u>(728,047)</u>	<u>(77,615)</u>
Total Net Assets, Beginning of Year	<u>3,838,518</u>	<u>3,916,133</u>
<b>TOTAL NET ASSETS, END OF YEAR</b>	<u><u>\$ 3,110,471</u></u>	<u><u>\$ 3,838,518</u></u>

**CSAC EXCESS INSURANCE AUTHORITY  
PRIMARY GENERAL LIABILITY PROGRAM  
SCHEDULE OF CASH FLOWS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from Members	\$ 3,776,649	\$ 2,273,428
Receipts from Others	2,338,007	174,088
Dividends Paid	(1,187,055)	-
Claims Paid	(494,777)	(59,813)
Insurance Purchased	(2,035,654)	(1,888,464)
Payments to Suppliers	(982,120)	(68,767)
Internal Activities	(891,520)	(517,496)
	<hr/>	<hr/>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>523,530</b>	<b>(87,024)</b>
	<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Securities	(3,073,656)	(1,609,972)
Sales of Securities	1,835,285	2,229,870
Cash from Investment Earnings	82,616	92,611
Finance Fees from Members	-	-
Investment Expenses	-	(15)
	<hr/>	<hr/>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(1,155,755)</b>	<b>712,494</b>
	<hr/>	<hr/>
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(632,225)</b>	<b>625,470</b>
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS: BEGINNING OF YEAR</b>	<b>1,602,511</b>	<b>977,041</b>
	<hr/>	<hr/>
<b>END OF YEAR</b>	<b>\$ 970,286</b>	<b>\$ 1,602,511</b>
	<hr/>	<hr/>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating Income (Loss)	\$ (761,999)	\$ (152,414)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Changes in Assets and Liabilities		
Accounts Receivable, Net	208,829	83,064
Due From or To Other Funds	(260,500)	(64,812)
Accounts and Other Payables	349,596	60,491
Deferred Income	30,316	(21,327)
Claim Liabilities	1,083,142	(43,529)
Unallocated Loss Adjustment Expense Payable	(125,854)	51,503
	<hr/>	<hr/>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 523,530</b>	<b>\$ (87,024)</b>
	<hr/>	<hr/>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Changes in unrealized gains (loss) on investments	<b>\$ (57,352)</b>	<b>\$ (7,932)</b>
	<hr/>	<hr/>



**CSAC EXCESS INSURANCE AUTHORITY  
PRIMARY GENERAL LIABILITY PROGRAM  
RECONCILIATION OF UNPAID CLAIMS LIABILITIES  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

The schedule below presents the changes in claims liabilities for the past year.

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
A. Unpaid claims and claim adjustment expenses at the beginning of the fiscal year	<u>\$ 289,605</u>	<u>\$ 281,631</u>
Incurring claims and claim adjustment expenses:		
Provision for claims of the current fiscal year	(125,854)	51,503
Increase (Decrease) in the provision for claims of prior fiscal years	<u>1,577,920</u>	<u>16,284</u>
B. Total incurred claims and claim adjustment expenses	<u>1,452,066</u>	<u>67,787</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>494,777</u>	<u>59,813</u>
C. Total Payments	<u>494,777</u>	<u>59,813</u>
D. Total unpaid claims and claim adjustment expenses at the end of the fiscal year (A+B-C)	<u><u>\$ 1,246,894</u></u>	<u><u>\$ 289,605</u></u>
Current Claim Liabilities	\$ 1,089,054	\$ 5,911
Noncurrent Claim Liabilities	157,840	283,694
Total Claim Liabilities	<u><u>\$ 1,246,894</u></u>	<u><u>\$ 289,605</u></u>

**CSAC EXCESS INSURANCE AUTHORITY  
PRIMARY GENERAL LIABILITY PROGRAM FUND  
NOTES TO EARNED PREMIUMS AND CLAIMS DEVELOPMENT INFORMATION  
FOR THE TEN-YEAR PERIOD ENDED JUNE 30, 2012**

The following schedule illustrates how the Fund's earned premiums (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Fund as of the end of each of the last 10 years. The rows of the schedule are defined as follows:

1. This line shows the total of each fiscal year's earned premium, revenues ceded to reinsurers and stop-loss policies, and investment revenues. The total revenues are net of dividends returned to members.
2. This line shows the liability for unallocated loss adjustment expenses not allocated to individual claims.
3. This line shows the Fund's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event occurred that triggered coverage under the contract (called policy year).
4. This section of rows shows the cumulative amounts paid as of the end of each successive year for each policy year.
5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each policy year.
6. This section of rows shows how each policy year's incurred claims increased or decreased as of the end of each successive year. These annual reestimations result from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known.
7. This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought.

As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

The columns of the schedule show data for successive policy years.

**CSAC EXCESS INSURANCE AUTHORITY  
PRIMARY GENERAL LIABILITY PROGRAM  
SCHEDULE OF EARNED PREMIUM CLAIMS DEVELOPMENT  
FOR THE TEN YEAR PERIOD ENDED JUNE 30, 2012**

POLICY YEAR	June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012
Insurance Premiums	\$ 3,167,165	\$ 3,142,062	\$ 3,673,214	\$ 3,390,100	\$ 2,910,577	\$ 3,300,530	\$ 3,880,521	\$ 2,127,964	\$ 1,888,464	\$ 2,035,654
Less Ceded	(1,526,359)	(1,600,717)	(3,014,070)	(2,642,496)	(2,478,758)	(2,368,037)	(2,627,972)	(2,127,964)	(1,888,464)	(2,035,652)
Supplemental Assessments	-	-	-	-	-	-	-	-	-	-
Dividends Declared	(613,493)	-	-	-	-	-	-	-	-	-
Interest	28,991	42,058	117,253	89,881	94,806	170,133	52,437	103,416	60,342	26,646
1. Total Revenues Available For Payment of Claims	1,056,304	1,583,403	776,397	837,485	526,625	1,102,626	1,304,986	103,416	60,342	26,648
2. Unallocated Loss Adjustment Expense	-	-	11,274	20,689	19,378	28,895	77,604	-	-	155,393
3. Estimated Incurred Claims	3,169,443	2,914,717	1,859,380	1,865,386	1,944,886	2,674,081	1,262,000	2,127,964	1,888,464	2,035,652
Less Ceded Claims	(1,524,578)	(1,600,717)	(1,768,050)	(1,695,818)	(1,772,790)	(2,311,638)	(478,055)	(2,127,964)	(1,888,464)	(2,035,652)
Net Incurred Claims and Expenses, End of Policy Year	1,644,865	1,314,000	91,330	169,568	172,096	362,443	783,945	-	-	-
4. Cumulative Paid Claims as of:										
End of the Policy Year	7,870	20,968	-	-	-	-	-	-	-	-
One Year Later	69,919	268,118	-	-	-	-	-	-	-	-
Two Years Later	542,915	781,086	-	-	-	-	-	-	-	-
Three Years Later	780,181	1,080,064	-	-	-	-	726,551	-	-	-
Four Years Later	844,814	1,244,756	-	-	-	2,474,714	-	-	-	-
Five Years Later	875,043	1,346,903	-	-	1,811,186	-	-	-	-	-
Six Years Later	863,907	1,431,043	-	1,722,638	-	-	-	-	-	-
Seven Years Later	890,197	1,433,188	1,781,591	-	-	-	-	-	-	-
Eight Years Later	947,866	1,430,675	-	-	-	-	-	-	-	-
Nine Years Later	947,382	-	-	-	-	-	-	-	-	-
5. Reestimated Ceded Claims and Expenses	-	-	1,768,050	1,882,823	1,865,636	2,912,201	1,257,418	1,953,946	468,099	-
6. Reestimated Incurred Claims and Expenses										
End of the Policy Year	1,644,865	1,314,000	-	-	-	-	-	-	-	-
One Year Later	937,690	1,482,818	-	-	-	-	-	-	-	-
Two Years Later	1,403,015	1,332,996	-	-	-	-	-	-	-	-
Three Years Later	1,639,776	1,252,564	-	-	-	-	783,945	-	-	-
Four Years Later	987,614	1,383,356	-	-	-	362,443	-	-	-	-
Five Years Later	977,143	2,451,906	-	-	172,096	-	-	-	-	-
Six Years Later	917,007	2,451,906	-	169,568	-	-	-	-	-	-
Seven Years Later	917,007	1,433,188	91,330	-	-	-	-	-	-	-
Eight Years Later	947,866	1,430,675	-	-	-	-	-	-	-	-
Nine Years Later	947,382	-	-	-	-	-	-	-	-	-
7. Increase (Decrease) in Estimated Incurred Claims and Expense from End of the Policy Year	\$ (697,483)	\$ 116,675	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8. Net Assets	108,922	152,728	673,793	647,228	335,151	711,288	443,437	103,416	60,342	(128,745)

## **GENERAL LIABILITY I**



## General Liability I

County Members: 39  
Public Entity Members: 64

**CSAC EXCESS INSURANCE AUTHORITY  
GENERAL LIABILITY I PROGRAM  
SCHEDULE OF NET ASSETS  
JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>ASSETS:</b>		
Current Assets:		
Cash, EIA Treasury	\$ 16,288,316	\$ 15,522,984
<b>TOTAL CASH &amp; CASH EQUIVALENTS</b>	16,288,316	15,522,984
Investments	46,776,178	36,268,897
Accounts Receivable		
Due from Members	1,094	142
Investment Income Receivable	657,452	570,786
Due From Other Funds	7,406,514	8,015,866
<b>TOTAL CURRENT ASSETS</b>	71,129,554	60,378,675
Noncurrent Assets:		
Investments	42,726,440	41,512,022
Due from Members	-	1,043,365
Due From Other Funds	10,005,605	8,835,041
<b>TOTAL NONCURRENT ASSETS</b>	52,732,045	51,390,428
<b>TOTAL ASSETS</b>	123,861,599	111,769,103
<b>LIABILITIES:</b>		
Current Liabilities:		
Accounts Payable	15,160	56,375
Due to Other Funds	853,475	784,584
Due to Members	-	128,160
Claims Liabilities	16,000,000	19,500,000
<b>TOTAL CURRENT LIABILITIES</b>	16,868,635	20,469,119
Noncurrent Liabilities:		
Claims Liabilities		
Claims Reported	31,953,426	23,485,227
Claims Incurred But Not Reported	37,792,781	35,441,687
Unallocated Loss Adjustment Expense Payable	2,086,998	1,990,903
<b>TOTAL NONCURRENT LIABILITIES</b>	71,833,205	60,917,817
<b>TOTAL LIABILITIES</b>	88,701,840	81,386,936
<b>NET ASSETS:</b>		
Unrestricted	35,159,759	30,382,167
<b>TOTAL NET ASSETS</b>	\$ 35,159,759	\$ 30,382,167

**CSAC EXCESS INSURANCE AUTHORITY  
GENERAL LIABILITY I PROGRAM  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>OPERATING REVENUES:</b>		
Premiums for Transferred Risk	\$ 3,745,830	\$ 2,742,959
Broker Fees	577,778	604,396
Contributions for Retained Risk	25,802,112	29,204,279
Administration Fees	1,412,347	1,305,844
Public Entity Fees	44,714	44,590
Development Fees	1,500	3,000
<b>TOTAL OPERATING REVENUES</b>	<u>31,584,281</u>	<u>33,905,068</u>
<b>OPERATING EXPENSES:</b>		
Excess Liability Insurance Premiums	3,594,508	2,742,322
Broker Fees	555,091	604,333
Provision for Claims		
Current Year Claims	22,293,407	20,293,283
Prior Years' Claims	(144,333)	2,781,821
Provision for Unallocated Loss Adjustment Expenses	96,095	251,116
Program Services		
Actuarial and Consulting Services	121,467	112,125
Legal Expenses	37,144	47,249
Claims Audits	38,933	29,982
<b>TOTAL OPERATING EXPENSES</b>	<u>26,592,312</u>	<u>26,862,231</u>
<b>OPERATING TRANSFERS IN OR (OUT):</b>		
Operating Transfer Out for General Administration	(1,025,694)	(950,112)
Operating Transfer Out for Loss Prevention	(359,655)	(365,077)
<b>TOTAL OPERATING TRANSFERS</b>	<u>(1,385,349)</u>	<u>(1,315,189)</u>
<b>OPERATING INCOME (LOSS)</b>	<u>3,606,620</u>	<u>5,727,648</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment Income	1,170,972	2,064,833
Investment Expense	-	(688)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>1,170,972</u>	<u>2,064,145</u>
<b>CHANGES IN NET ASSETS</b>	4,777,592	7,791,793
Net Assets, Beginning of Year	<u>30,382,167</u>	<u>22,590,374</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 35,159,759</u></u>	<u><u>\$ 30,382,167</u></u>

**CSAC EXCESS INSURANCE AUTHORITY  
GENERAL LIABILITY I PROGRAM  
SCHEDULE OF CASH FLOWS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from Members	\$ 32,498,534	\$ 34,170,017
Claims Paid	(14,829,781)	(18,977,119)
Insurance Purchased	(3,594,508)	(2,742,322)
Payments to Suppliers	(793,850)	(739,368)
Internal Activities	<u>(1,877,670)</u>	<u>(3,718,937)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>11,402,725</u>	<u>7,992,271</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Securities	(77,651,607)	(63,609,333)
Sales of Securities	63,932,070	62,173,539
Cash from Investment Earnings	3,082,144	2,448,110
Investment Expenses	<u>-</u>	<u>(688)</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(10,637,393)</u>	<u>1,011,628</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	765,332	9,003,899
<b>CASH AND CASH EQUIVALENTS: BEGINNING OF YEAR</b>	<u>15,522,984</u>	<u>6,519,085</u>
<b>END OF YEAR</b>	<u><u>\$ 16,288,316</u></u>	<u><u>\$ 15,522,984</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating Income (Loss)	\$ 3,606,620	\$ 5,727,648
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Changes in Assets and Liabilities		
Accounts Receivable, Net	1,042,413	236,076
Due From or To Other Funds	(492,321)	(2,403,748)
Accounts and Other Payables	(169,375)	101,708
Deferred Income	-	(18,514)
Claim Liabilities	7,319,293	4,097,985
Unallocated Loss Adjustment Expense Payable	<u>96,095</u>	<u>251,116</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>\$ 11,402,725</u></u>	<u><u>\$ 7,992,271</u></u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Changes in unrealized gains (loss) on investments	<u><u>\$ (1,997,838)</u></u>	<u><u>\$ (221,156)</u></u>



**CSAC EXCESS INSURANCE AUTHORITY  
GENERAL LIABILITY I PROGRAM  
RECONCILIATION OF UNPAID CLAIMS LIABILITIES  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

The schedule below presents the changes in claims liabilities for the past two years.

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
A. Unpaid claims and claim adjustment expenses at the beginning of the fiscal year	<u>\$ 80,417,817</u>	<u>\$ 76,068,716</u>
Incurred claims and claim adjustment expenses:		
Provision for claims of the current fiscal year	22,389,502	20,544,399
Increase (Decrease) in the provision for claims of prior fiscal years	<u>(144,333)</u>	<u>2,781,821</u>
B. Total incurred claims and claim adjustment expenses	<u>22,245,169</u>	<u>23,326,220</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	241,064	-
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>14,588,717</u>	<u>18,977,119</u>
C. Total Payments	<u>14,829,781</u>	<u>18,977,119</u>
D. Total unpaid claims and claim adjustment expenses at the end of the fiscal year (A+B-C)	<u>\$ 87,833,205</u>	<u>\$ 80,417,817</u>
Current Claim Liabilities	\$ 16,000,000	\$ 19,500,000
Noncurrent Claim Liabilities	71,833,205	60,917,817
Total Claim Liabilities	<u>\$ 87,833,205</u>	<u>\$ 80,417,817</u>

**CSAC EXCESS INSURANCE AUTHORITY  
GENERAL LIABILITY I PROGRAM FUND  
NOTES TO EARNED PREMIUMS AND CLAIMS DEVELOPMENT INFORMATION  
FOR THE TEN-YEAR PERIOD ENDED JUNE 30, 2012**

The following schedule illustrates how the Fund's earned premiums (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Fund as of the end of each of the last 10 years. The rows of the schedule are defined as follows:

1. This line shows the total of each fiscal year's earned premium, revenues ceded to reinsurers and stop-loss policies, and investment revenues. The total revenues are net of dividends returned to members.
2. This line shows the liability for unallocated loss adjustment expenses not allocated to individual claims.
3. This line shows the Fund's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event occurred that triggered coverage under the contract (called policy year).
4. This section of rows shows the cumulative amounts paid as of the end of each successive year for each policy year.
5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each policy year.
6. This section of rows shows how each policy year's incurred claims increased or decreased as of the end of each successive year. These annual reestimations result from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known.
7. This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought.

As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

The columns of the schedule show data for successive policy years.

**CSAC EXCESS INSURANCE AUTHORITY  
GENERAL LIABILITY I PROGRAM  
SCHEDULE OF EARNED PREMIUM AND CLAIMS DEVELOPMENT  
FOR THE TEN YEAR PERIOD ENDED JUNE 30, 2012**

<b>POLICY YEAR</b>	<b>June 30, 2003</b>	<b>June 30, 2004</b>	<b>June 30, 2005</b>	<b>Sept. 30 2006</b>	<b>June 30, 2007</b>	<b>June 30, 2008</b>	<b>June 30, 2009</b>	<b>June 30, 2010</b>	<b>June 30, 2011</b>	<b>June 30, 2012</b>
Earned Premiums	\$ 9,189,078	\$ 15,909,273	\$ 20,697,278	\$ 27,739,091	\$ 18,831,951	\$ 26,940,406	\$ 30,993,979	\$ 32,772,965	\$ 31,958,996	\$ 29,597,496
Less Ceded	(489,686)	(1,452,279)	(1,774,144)	(1,970,174)	(2,510,249)	(2,052,476)	(2,013,394)	(2,381,428)	(2,742,959)	(3,745,830)
Supplemental Assessments	-	-	-	-	-	-	-	-	-	-
Dividends Declared	-	-	-	-	-	-	-	-	-	-
Interest	(1,337,575)	677,545	4,103,943	3,827,373	2,598,180	3,555,302	2,956,286	2,271,411	835,014	244,430
1. Total Revenues Available For Payment of Claims	7,361,817	15,134,539	23,027,077	29,596,290	18,919,882	28,443,232	31,936,871	32,662,948	30,051,051	26,096,096
2. Unallocated Loss Adjustment Expense	4,241	2,503	23,873	137,815	43,546	127,066	320,362	381,310	506,142	531,448
3. Estimated Incurred Claims	16,694,697	19,801,579	16,324,292	31,329,567	14,464,385	23,429,414	23,001,488	18,211,819	21,106,865	22,293,408
Less Ceded Claims	(489,686)	(1,452,279)	(1,774,144)	(1,970,174)	(2,510,249)	(2,052,476)	(2,013,394)	(2,381,428)	(2,742,959)	(3,745,830)
Net Incurred Claims and Expenses, End of Policy Year	16,205,011	18,349,300	14,550,148	29,359,393	11,954,136	21,376,938	20,988,094	15,830,391	18,363,906	18,547,578
4. Cumulative Paid Claims as of:										
End of the Policy Year	-	3,425,000	-	253,756	-	2,847	-	653,593	-	241,064
One Year Later	2,747,567	6,361,720	258,039	1,988,739	39,758	2,899,925	172,455	348,252	104,565	
Two Years Later	4,357,425	7,413,913	1,465,760	9,206,329	5,524,791	7,975,068	4,894,740	2,389,423		
Three Years Later	15,194,598	10,069,682	6,380,972	15,039,833	8,404,439	15,431,317	9,708,129			
Four Years Later	15,582,821	15,667,897	8,000,860	20,656,595	11,379,531	18,156,840				
Five Years Later	15,882,996	18,523,052	13,697,014	22,690,663	12,657,464					
Six Years Later	16,150,292	19,659,826	14,827,986	25,610,958						
Seven Years Later	16,276,826	19,681,951	15,333,686							
Eight Years Later	16,402,961	19,697,724								
Nine Years Later	16,697,724									
5. Reestimated Ceded Claims and Expenses	1,366,074	-	-	6,103,536	29,119	-	-	1,250,000	150,000	-
6. Reestimated Incurred Claims and Expenses										
End of the Policy Year	8,419,230	11,897,600	13,539,140	14,621,900	9,060,956	17,706,703	19,883,870	23,325,840	20,293,283	22,293,408
One Year Later	9,551,651	15,484,484	12,571,700	22,854,487	10,508,940	19,125,703	25,729,463	17,577,212	21,106,865	
Two Years Later	11,028,083	16,605,871	13,477,743	21,048,207	11,739,972	17,506,533	21,620,740	18,211,819		
Three Years Later	17,922,144	16,673,500	12,223,383	28,697,653	13,803,748	25,395,916	23,001,488			
Four Years Later	18,702,034	19,917,950	12,051,845	28,822,601	15,616,582	23,429,414				
Five Years Later	17,915,343	20,277,321	15,366,909	31,330,377	14,464,385					
Six Years Later	16,419,864	20,364,548	16,281,190	31,329,567						
Seven Years Later	16,349,327	19,781,944	16,324,292							
Eight Years Later	16,529,920	19,801,579								
Nine Years Later	16,694,697									
7. Increase (Decrease) in Estimated Incurred Claims and Expense from End of the Policy Year	\$ 489,686	\$ 1,452,279	\$ 1,774,144	\$ 1,970,174	\$ 2,510,249	\$ 2,052,476	\$ 2,013,394	\$ 2,381,428	\$ 2,742,959	\$ 3,745,830
8. Net Assets	\$ (9,337,121)	\$ (4,669,543)	\$ 6,678,912	\$ (1,871,092)	\$ 4,411,951	\$ 4,886,752	\$ 8,615,021	\$ 14,069,819	\$ 8,438,044	\$ 3,271,240

## **GENERAL LIABILITY II**



## General Liability II

County Members: 8

Public Entity Members: 3

**CSAC EXCESS INSURANCE AUTHORITY  
GENERAL LIABILITY II PROGRAM  
SCHEDULE OF NET ASSETS  
JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>ASSETS:</b>		
Current Assets:		
Cash, EIA Treasury	<u>\$ 2,364,650</u>	<u>\$ 3,457,453</u>
<b>TOTAL CASH &amp; CASH EQUIVALENTS</b>	2,364,650	3,457,453
Investments	6,790,714	8,078,215
Accounts Receivable		
Investment Income Receivable	95,445	127,132
Reinsurance Claims	35,450	1,254,342
Due from Other Funds	<u>1,075,238</u>	<u>1,785,383</u>
<b>TOTAL CURRENT ASSETS</b>	<u>10,361,497</u>	<u>14,702,525</u>
Noncurrent Assets:		
Investments	6,202,795	9,246,022
Due from Members	-	232,390
Due from Other Funds	<u>1,452,560</u>	<u>1,967,839</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>7,655,355</u>	<u>11,446,251</u>
<b>TOTAL ASSETS</b>	<u>18,016,852</u>	<u>26,148,776</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
Accounts Payable	868,319	2,322,259
Deferred Income From Members	55,911	-
Claim Liabilities	<u>8,200,000</u>	<u>8,200,000</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>9,124,230</u>	<u>10,522,259</u>
Noncurrent Liabilities:		
Claim Liabilities		
Claims Reported	-	-
Claims Incurred But Not Reported	8,451,013	15,239,792
Unallocated Loss Adjustment Expense Payable	<u>409,397</u>	<u>352,571</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>8,860,410</u>	<u>15,592,363</u>
<b>TOTAL LIABILITIES</b>	<u>17,984,640</u>	<u>26,114,622</u>
<b>NET ASSETS:</b>		
Unrestricted	<u>32,212</u>	<u>34,154</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$ 32,212</u></u>	<u><u>\$ 34,154</u></u>

**CSAC EXCESS INSURANCE AUTHORITY  
GENERAL LIABILITY II PROGRAM  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>OPERATING REVENUES:</b>		
Premiums for Transferred Risk	\$ 18,075,370	\$ 11,346,921
Broker Fees	258,004	269,812
Contributions for Retained Risk	-	8,578,800
Administration Fees	1,072,509	1,110,959
Public Entity Fees	32,212	34,154
Other Income	408,258	448,805
<b>TOTAL OPERATING REVENUES</b>	<u>19,846,353</u>	<u>21,789,451</u>
<b>OPERATING EXPENSES:</b>		
General Liability II Insurance Premiums	17,867,779	11,197,222
Broker Fees	258,004	269,812
Provision for Claims		
Current Year Claims	-	8,578,800
Prior Years' Claims	357,577	815,182
Provision for Unallocated Loss Adjustment Expenses	56,826	44,913
Program Services		
Consulting and Legal Services	482,969	536,420
Actuarial Studies	18,000	14,000
Claim Audits	9,750	2,879
<b>TOTAL OPERATING EXPENSES</b>	<u>19,050,905</u>	<u>21,459,228</u>
<b>OPERATING TRANSFERS IN OR (OUT):</b>		
Operating Transfer Out for General Administration	(818,097)	(821,166)
Operating Transfer Out for Loss Prevention	(162,581)	(216,118)
<b>TOTAL OPERATING TRANSFERS</b>	<u>(980,678)</u>	<u>(1,037,284)</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(185,230)</u>	<u>(707,061)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment Income	183,288	447,573
Investment Expense	-	(143)
<b>TOTAL NONOPERATING REVENUE (EXPENSES)</b>	<u>183,288</u>	<u>447,430</u>
<b>CHANGES IN NET ASSETS</b>	<u>(1,942)</u>	<u>(259,631)</u>
Net Assets, Beginning of Year	<u>34,154</u>	<u>293,785</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 32,212</u></u>	<u><u>\$ 34,154</u></u>

**CSAC EXCESS INSURANCE AUTHORITY  
GENERAL LIABILITY II PROGRAM  
SCHEDULE OF CASH FLOWS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from Members	\$ 19,726,396	\$ 21,368,253
Receipts from Others	1,627,150	(133,760)
Claims Paid	(7,146,356)	(3,673,716)
Insurance Purchased	(17,867,779)	(11,197,222)
Payments to Suppliers	(2,222,663)	(1,051,465)
Internal Activities	<u>244,746</u>	<u>(1,881,623)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>(5,638,506)</u>	<u>3,430,467</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Securities	(5,989,051)	(15,291,499)
Sales of Securities	10,007,064	13,476,727
Cash from Investment Earnings	527,690	517,297
Investment Expenses	<u>-</u>	<u>(143)</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>4,545,703</u>	<u>(1,297,618)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,092,803)	2,132,849
<b>CASH AND CASH EQUIVALENTS: BEGINNING OF YEAR</b>	<u>3,457,453</u>	<u>1,324,604</u>
<b>END OF YEAR</b>	<u><u>\$ 2,364,650</u></u>	<u><u>\$ 3,457,453</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating Income (Loss)	\$ (185,230)	\$ (707,061)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Changes in Assets and Liabilities		
Accounts Receivable, Net	1,451,282	(554,958)
Due From Other Funds	1,225,424	(844,339)
Accounts and Other Payables	(1,453,940)	(228,354)
Deferred income	55,911	-
Claim Liabilities	(6,788,779)	5,720,266
Unallocated Loss Adjustment Expense Payable	<u>56,826</u>	<u>44,913</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>\$ (5,638,506)</u></u>	<u><u>\$ 3,430,467</u></u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Changes in unrealized (loss) gains on investments	<u><u>\$ (312,715)</u></u>	<u><u>\$ (47,938)</u></u>



**CSAC EXCESS INSURANCE AUTHORITY  
GENERAL LIABILITY II PROGRAM  
RECONCILIATION OF UNPAID CLAIMS LIABILITIES  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

The schedule below presents the changes in claims liabilities for the past two years.

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
A. Unpaid claims and claim adjustment expenses at the beginning of the fiscal year	<u>\$ 23,792,363</u>	<u>\$ 18,027,184</u>
Incurred claims and claim adjustment expenses:		
Provision for claims of the current fiscal year	56,826	8,623,713
Increase (Decrease) in the provision for claims of prior fiscal years	<u>357,577</u>	<u>815,182</u>
B. Total incurred claims and claim adjustment expenses	<u>414,403</u>	<u>9,438,895</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>7,146,356</u>	<u>3,673,716</u>
C. Total Payments	<u>7,146,356</u>	<u>3,673,716</u>
D. Total unpaid claims and claim adjustment expenses at the end of the fiscal year (A+B-C)	<u><u>\$ 17,060,410</u></u>	<u><u>\$ 23,792,363</u></u>
Current Claim Liabilities	\$ 8,200,000	\$ 8,200,000
Noncurrent Claim Liabilities	8,860,410	15,592,363
Total Claim Liabilities	<u><u>\$ 17,060,410</u></u>	<u><u>\$ 23,792,363</u></u>

**CSAC EXCESS INSURANCE AUTHORITY  
GENERAL LIABILITY II PROGRAM FUND  
NOTES TO EARNED PREMIUMS AND CLAIMS DEVELOPMENT INFORMATION  
FOR THE TEN-YEAR PERIOD ENDED JUNE 30, 2012**

The following schedule illustrates how the Fund's earned premiums (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Fund as of the end of each of the last 10 years. The rows of the schedule are defined as follows:

1. This line shows the total of each fiscal year's earned premium, revenues ceded to reinsurers and stop-loss policies, and investment revenues. The total revenues are net of dividends returned to members.
2. This line shows the liability for unallocated loss adjustment expenses not allocated to individual claims.
3. This line shows the Fund's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event occurred that triggered coverage under the contract (called policy year).
4. This section of rows shows the cumulative amounts paid as of the end of each successive year for each policy year.
5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each policy year.
6. This section of rows shows how each policy year's incurred claims increased or decreased as of the end of each successive year. These annual reestimations result from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known.
7. This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought.

As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

The columns of the schedule show data for successive policy years.

**CSAC EXCESS INSURANCE AUTHORITY  
GENERAL LIABILITY II PROGRAM  
SCHEDULE OF EARNED PREMIUM AND CLAIMS DEVELOPMENT  
FOR THE TEN YEAR PERIOD ENDED JUNE 30, 2012**

<b>POLICY YEAR</b>	<b>June 30, 2003</b>	<b>June 30, 2004</b>	<b>June 30, 2005</b>	<b>June 30, 2006</b>	<b>June 30, 2007</b>	<b>June 30, 2008</b>	<b>June 30, 2009</b>	<b>June 30, 2010</b>	<b>June 30, 2011</b>	<b>June 30, 2012</b>
Earned Premiums	\$ 6,132,703	\$ 7,921,698	\$ 8,008,500	\$ 12,065,869	\$ 13,353,917	\$ 17,300,000	\$ 18,463,239	\$ 21,085,943	\$ 19,925,721	\$ 18,075,370
Less Ceded	(6,132,703)	(7,921,698)	(8,008,500)	(12,065,869)	(10,745,015)	(11,300,000)	(10,395,543)	(14,186,489)	(11,346,921)	(18,075,370)
Supplemental Assessments	-	-	-	-	-	-	-	-	-	-
Dividends Declared	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	1,172,759	-	-
<b>1. Total Revenues Available For Payment of Claims</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,608,902</b>	<b>6,000,000</b>	<b>8,067,696</b>	<b>8,072,213</b>	<b>8,578,800</b>	<b>-</b>
<b>2. Unallocated Loss Adjustment Expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>116,761</b>	<b>111,652</b>	<b>124,158</b>	<b>56,826</b>
<b>3. Estimated Incurred Claims Less Ceded Claims Net Incurred Claims and Expenses, End of Policy Year</b>	<b>6,132,703 (6,132,703)</b>	<b>7,921,698 (7,921,698)</b>	<b>8,008,500 (8,008,500)</b>	<b>12,065,869 (12,065,869)</b>	<b>13,353,916 (10,745,014)</b>	<b>17,300,000 (11,300,000)</b>	<b>18,463,239 (10,395,543)</b>	<b>21,085,943 (14,186,489)</b>	<b>19,925,721 (11,346,921)</b>	<b>18,075,370 (18,075,370)</b>
<b>4. Cumulative Paid Claims as of:</b>										
End of the Policy Year	-	-	-	-	-	-	-	-	-	-
One Year Later	-	-	-	-	9,445	897,884	-	-	-	-
Two Years Later	-	-	-	-	16,095	3,247,624	921,340	-	-	-
Three Years Later	-	-	-	-	2,608,902	6,000,000	8,067,696	-	-	-
Four Years Later	-	-	-	-	2,608,903	6,000,000	-	-	-	-
Five Years Later	-	-	-	-	2,608,903	-	-	-	-	-
Six Years Later	-	-	-	-	-	-	-	-	-	-
Seven Years Later	-	-	-	-	-	-	-	-	-	-
Eight Years Later	-	-	-	-	-	-	-	-	-	-
Nine Years Later	-	-	-	-	-	-	-	-	-	-
<b>5. Reestimated Ceded Claims and Expenses</b>	<b>4,824,127</b>	<b>118,039,110</b>	<b>31,298,834</b>	<b>29,212,631</b>	<b>5,112,953</b>	<b>21,023,037</b>	<b>7,047,382</b>	<b>4,425,000</b>	<b>-</b>	<b>1,050,000</b>
<b>6. Reestimated Incurred Claims and Expenses</b>										
End of the Policy Year	-	-	-	-	2,608,902	6,000,000	8,067,696	6,899,454	8,578,800	-
One Year Later	-	-	-	-	2,608,902	6,000,000	8,067,696	7,834,960	8,578,800	-
Two Years Later	-	-	-	-	2,608,902	6,000,000	8,067,696	8,072,213	-	-
Three Years Later	-	-	-	-	2,608,902	6,000,000	8,067,696	-	-	-
Four Years Later	-	-	-	-	2,608,902	6,000,000	-	-	-	-
Five Years Later	-	-	-	-	2,608,902	-	-	-	-	-
Six Years Later	-	-	-	-	-	-	-	-	-	-
Seven Years Later	-	-	-	-	-	-	-	-	-	-
Eight Years Later	-	-	-	-	-	-	-	-	-	-
Nine Years Later	-	-	-	-	-	-	-	-	-	-
<b>7. Increase (Decrease) in Estimated Incurred Claims and Expense from End of the Policy Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,172,759</b>	<b>\$ -</b>	<b>\$ -</b>

## PROPERTY



## Property

County Members: 53  
Public Entity Members: 29

**CSAC EXCESS INSURANCE AUTHORITY  
PROPERTY PROGRAM  
SCHEDULE OF NET ASSETS  
JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>ASSETS:</b>		
Current Assets:		
Cash, EIA Treasury	\$ -	\$ -
<b>TOTAL CASH &amp; CASH EQUIVALENTS</b>	-	-
Accounts Receivable		
Due from Members	12,603,843	11,954,275
Prepaid Insurance	32,451,604	29,620,989
<b>TOTAL CURRENT ASSETS</b>	45,055,447	41,575,264
Noncurrent Assets:		
Prepaid Insurance	35,600,000	36,200,000
<b>TOTAL NONCURRENT ASSETS</b>	35,600,000	36,200,000
<b>TOTAL ASSETS</b>	80,655,447	77,775,264
<b>LIABILITIES:</b>		
Current Liabilities:		
Accounts Payable	-	35,225
Due to Other Funds	31,775,041	38,681,150
Due to Members	557,250	728,944
Deferred Income	381,664	3,023
Claim Liabilities		
Aggregate Deductible Pool	9,783,021	1,704,846
<b>TOTAL CURRENT LIABILITIES</b>	42,496,976	41,153,188
Noncurrent Liabilities:		
Due to Other Funds	35,600,000	34,025,519
Claim Liabilities		
Aggregate Deductible Pool	-	-
Unallocated Loss Adjustment		
Expense Payable	14,451	78,618
<b>TOTAL NONCURRENT LIABILITIES</b>	35,614,451	34,104,137
<b>TOTAL LIABILITIES</b>	78,111,427	75,257,325
<b>NET ASSETS:</b>		
Unrestricted	2,544,020	2,517,939
<b>TOTAL NET ASSETS</b>	\$ 2,544,020	\$ 2,517,939

**CSAC EXCESS INSURANCE AUTHORITY  
PROPERTY PROGRAM  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>OPERATING REVENUES:</b>		
Premiums for Transferred Risk	\$ 40,497,951	\$ 39,415,254
Broker Fees	-	15,000
Reinsurance Dividends	64,141	41,971
Contributions for Retained Risk	9,822,473	9,555,083
Administration Fees	605,795	483,010
Public Entity Fees	70,380	44,116
Program Development Fees	-	1,500
Other Income	-	56,600
<b>TOTAL OPERATING REVENUES</b>	<u>51,060,740</u>	<u>49,612,534</u>
<b>OPERATING EXPENSES:</b>		
Dividends to Members	64,141	41,971
Property Insurance Premiums	40,690,278	39,023,415
Broker Fees	-	15,000
Provision for Claims		
Aggregate Deductible Pool	9,822,473	9,555,083
Provision for Unallocated Loss Adjustment Expenses	(64,168)	10,422
Program Services		
Property Appraisals and Consulting	25,225	115,070
<b>TOTAL OPERATING EXPENSES</b>	<u>50,537,949</u>	<u>48,760,961</u>
<b>OPERATING TRANSFERS IN OR (OUT):</b>		
Operating Transfer Out for General Administration	(302,710)	(244,819)
Operating Transfer Out for Loss Prevention	(197,963)	(194,142)
<b>TOTAL OPERATING TRANSFERS</b>	<u>(500,673)</u>	<u>(438,961)</u>
<b>OPERATING INCOME (LOSS)</b>	<u>22,118</u>	<u>412,612</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment Income	-	-
Financing Fees	499,136	808,319
Investment Expense	-	(193)
Financing Expense	(495,173)	(801,156)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>3,963</u>	<u>6,970</u>
<b>CHANGES IN NET ASSETS</b>	<u>26,081</u>	<u>419,582</u>
Net Assets, Beginning of Year	<u>2,517,939</u>	<u>2,098,357</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 2,544,020</u></u>	<u><u>\$ 2,517,939</u></u>

**CSAC EXCESS INSURANCE AUTHORITY  
PROPERTY PROGRAM  
SCHEDULE OF CASH FLOWS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from Members	\$ 50,618,119	\$ 48,543,459
Receipts from Others	-	-
Dividends Paid	(64,141)	(41,971)
Claims Paid	(1,744,297)	(14,529,729)
Insurance Purchased	(42,920,893)	(41,825,540)
Payments to Suppliers	(60,450)	(103,350)
Internal Activities	<u>(5,832,301)</u>	<u>7,950,161</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>(3,963)</u>	<u>(6,970)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Financing Fees	499,136	808,319
Financing Expenses	(495,173)	(801,156)
Investment Expenses	<u>-</u>	<u>(193)</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>3,963</u>	<u>6,970</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	-	-
<b>CASH AND CASH EQUIVALENTS: BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>
<b>END OF YEAR</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating Income (Loss)	\$ 22,118	\$ 412,612
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Changes in Assets and Liabilities		
Accounts Receivable, Net	(649,568)	(731,656)
Due To Other Funds	(5,331,628)	8,389,122
Prepaid Insurance	(2,230,615)	(2,802,125)
Accounts and Other Payables	(206,919)	(311,653)
Deferred Income	378,641	954
Claim Liabilities	8,078,175	(4,974,645)
Unallocated Loss Adjustment Expense Payable	<u>(64,167)</u>	<u>10,421</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>\$ (3,963)</u></u>	<u><u>\$ (6,970)</u></u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Changes in unrealized gains (loss) on investments	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>



**CSAC EXCESS INSURANCE AUTHORITY  
PROPERTY PROGRAM  
RECONCILIATION OF UNPAID CLAIMS LIABILITIES  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

The schedule below presents the changes in claims liabilities for the past two years.

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
A. Unpaid claims and claim adjustment expenses at the beginning of the fiscal year	<u>\$ 1,783,464</u>	<u>\$ 6,747,688</u>
Incurred claims and claim adjustment expenses:		
Provision for claims of the current fiscal year	<u>9,758,305</u>	<u>9,565,505</u>
B. Total incurred claims and claim adjustment expenses	<u>9,758,305</u>	<u>9,565,505</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	-	7,850,238
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>1,744,297</u>	<u>6,679,491</u>
C. Total Payments	<u>1,744,297</u>	<u>14,529,729</u>
D. Total unpaid claims and claim adjustment expenses at the end of the fiscal year (A+B-C)	<u><u>\$ 9,797,472</u></u>	<u><u>\$ 1,783,464</u></u>
Current Claim Liabilities	\$ 9,783,021	\$ 1,704,846
Noncurrent Claim Liabilities	14,451	78,618
Total Claim Liabilities	<u><u>\$ 9,797,472</u></u>	<u><u>\$ 1,783,464</u></u>

**CSAC EXCESS INSURANCE AUTHORITY  
PROPERTY PROGRAM FUND  
NOTES TO EARNED PREMIUMS AND CLAIMS DEVELOPMENT INFORMATION  
FOR THE TEN-YEAR PERIOD ENDED JUNE 30, 2012**

The following schedule illustrates how the Fund's earned premiums (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Fund as of the end of each of the last 10 years. The rows of the schedule are defined as follows:

1. This line shows the total of each fiscal year's earned premium, revenues ceded to reinsurers and stop-loss policies, and investment revenues. The total revenues are net of dividends returned to members.
2. This line shows the liability for unallocated loss adjustment expenses not allocated to individual claims.
3. This line shows the Fund's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event occurred that triggered coverage under the contract (called policy year).
4. This section of rows shows the cumulative amounts paid as of the end of each successive year for each policy year.
5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each policy year.
6. This section of rows shows how each policy year's incurred claims increased or decreased as of the end of each successive year. These annual reestimations result from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known.
7. This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought.

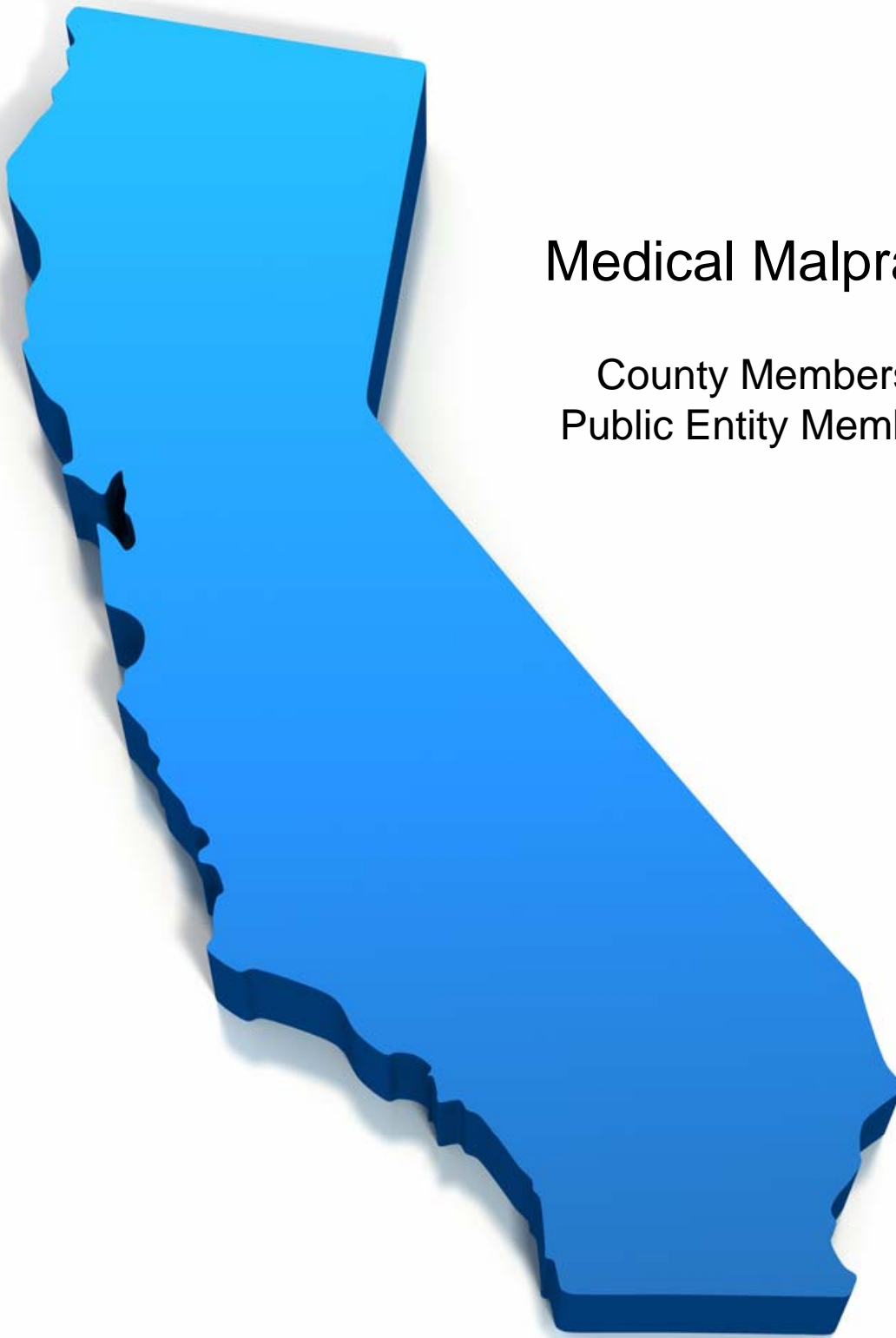
As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

The columns of the schedule show data for successive policy years.

**CSAC EXCESS INSURANCE AUTHORITY  
PROPERTY PROGRAM  
SCHEDULE OF EARNED PREMIUM AND CLAIMS DEVELOPMENT  
FOR THE TEN YEAR PERIOD ENDED JUNE 30, 2012**

<b>POLICY YEAR</b>	<b>June 30, 2003</b>	<b>June 30, 2004</b>	<b>June 30, 2005</b>	<b>June 30, 2006</b>	<b>June 30, 2007</b>	<b>June 30, 2008</b>	<b>June 30, 2009</b>	<b>June 30, 2010</b>	<b>June 30, 2011</b>	<b>June 30, 2012</b>
Earned Premiums	\$ 32,819,969	\$ 33,368,974	\$ 36,208,713	\$ 35,652,060	\$ 42,921,015	\$ 53,388,051	\$ 39,389,017	\$ 50,550,830	\$ 48,970,337	\$ 50,320,424
Less Ceded	(28,898,664)	(30,603,877)	(28,827,724)	(28,630,965)	(36,303,667)	(40,515,154)	(37,135,310)	(40,061,693)	(39,415,254)	(40,497,951)
Supplemental Assessments	-	-	-	-	-	-	-	-	-	-
Dividends Declared	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
<b>1. Total Revenues Available For Payment of Claims</b>	<b>3,921,305</b>	<b>2,765,097</b>	<b>7,380,989</b>	<b>7,021,095</b>	<b>6,617,348</b>	<b>12,872,897</b>	<b>2,253,707</b>	<b>10,489,137</b>	<b>9,555,083</b>	<b>9,822,473</b>
<b>2. Unallocated Loss Adjustment Expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>78,618</b>	<b>(64,168)</b>
<b>3. Estimated Incurred Claims Less Ceded Claims</b>	<b>32,732,062</b>	<b>33,446,708</b>	<b>36,194,683</b>	<b>35,632,642</b>	<b>42,892,848</b>	<b>53,339,625</b>	<b>39,149,125</b>	<b>41,565,797</b>	<b>41,474,441</b>	<b>50,320,424</b>
<b>Net Incurred Claims and Expenses, End of Policy Year</b>	<b>3,833,398</b>	<b>2,842,831</b>	<b>7,366,959</b>	<b>7,001,677</b>	<b>6,589,181</b>	<b>12,824,471</b>	<b>2,013,815</b>	<b>1,504,104</b>	<b>2,059,187</b>	<b>9,822,473</b>
<b>4. Cumulative Paid Claims as of:</b>										
End of the Policy Year	886,120	679,281	1,479,675	4,491,799	1,997,597	4,114,386	-	-	354,341	-
One Year Later	3,833,398	2,842,831	3,699,503	7,001,677	6,589,181	12,770,820	4,949,559	9,000,000	2,098,639	
Two Years Later	3,833,398	2,842,831	6,678,309	7,001,411	6,589,181	13,847,744	2,013,815	10,489,137		
Three Years Later	3,833,398	2,842,831	7,366,959	7,001,411	6,589,181	12,824,471	2,013,815			
Four Years Later	3,833,398	2,842,831	7,366,959	7,001,411	6,589,181	12,824,471				
Five Years Later	3,833,398	2,842,831	7,366,959	7,001,677	6,589,181					
Six Years Later	3,833,398	2,842,831	7,366,959	7,001,677						
Seven Years Later	3,833,398	2,842,831	7,366,959							
Eight Years Later	3,833,398	2,842,831								
Nine Years Later	3,833,398									
<b>5. Reestimated Ceded Claims and Expenses</b>	<b>6,337,928</b>	<b>24,859,499</b>	<b>6,385,963</b>	<b>12,991,722</b>	<b>4,481,217</b>	<b>22,045,052</b>	<b>9,389,360</b>	<b>2,287,852</b>	<b>43,277,011</b>	<b>1,830,807</b>
<b>6. Reestimated Incurred Claims and Expenses</b>										
End of the Policy Year	3,833,398	2,842,831	7,366,959	7,001,677	6,589,181	12,824,471	2,013,815	1,504,104	2,059,187	9,822,473
One Year Later	3,833,398	2,842,831	7,366,959	7,001,677	6,589,181	12,824,471	2,013,815	1,504,104	9,000,000	
Two Years Later	3,833,398	2,842,831	7,366,959	7,001,677	6,588,915	12,824,471	2,013,815	10,000,000		
Three Years Later	3,833,398	2,842,831	7,366,959	7,001,677	6,588,915	12,824,471	10,000,000			
Four Years Later	3,833,398	2,842,831	7,366,959	7,001,677	6,589,181	12,824,471				
Five Years Later	3,833,398	2,842,831	7,366,959	7,001,677	6,589,181					
Six Years Later	3,833,398	2,842,831	7,366,959	7,001,677						
Seven Years Later	3,833,398	2,842,831	7,366,959							
Eight Years Later	3,833,398	2,842,831								
Nine Years Later	3,833,398									
<b>7. Increase (Decrease) in Estimated Incurred Claims and Expense from End of the Policy Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,986,185</b>	<b>\$ 8,495,896</b>	<b>\$ 6,940,813</b>	<b>\$ -</b>

## **MEDICAL MALPRACTICE**



## Medical Malpractice

County Members: 46  
Public Entity Members: 4

**CSAC EXCESS INSURANCE AUTHORITY  
MEDICAL MALPRACTICE PROGRAM  
SCHEDULE OF NET ASSETS  
JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>ASSETS:</b>		
Current Assets:		
Cash, EIA Treasury	\$ 3,600,919	\$ 4,438,069
<b>TOTAL CASH &amp; CASH EQUIVALENTS</b>	3,600,919	4,438,069
Investments	10,340,985	10,369,390
Accounts Receivable		
Due from Members	16,289	15,158
Investment Income Receivable	145,345	163,190
Reinsurance Receivable	-	18,718
Due from Others	-	2,500
Due from Other Funds	1,637,386	2,291,761
Prepaid Insurance	1,472,689	1,480,913
<b>TOTAL CURRENT ASSETS</b>	<u>17,213,613</u>	<u>18,779,699</u>
Noncurrent Assets:		
Investments	9,445,694	11,868,415
Due from Members	-	298,301
Due from Other Funds	2,211,977	2,525,966
<b>TOTAL NONCURRENT ASSETS</b>	<u>11,657,671</u>	<u>14,692,682</u>
<b>TOTAL ASSETS</b>	<u>28,871,284</u>	<u>33,472,381</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
Accounts Payable	55,343	70,343
Due to Members	-	484
Deferred Income	2,907,503	2,703,511
Claim Liabilities	4,750,000	4,750,000
<b>TOTAL CURRENT LIABILITIES</b>	<u>7,712,846</u>	<u>7,524,338</u>
Noncurrent Liabilities:		
Claims Liabilities		
Claims Reported	4,750,431	4,750,431
Claims Incurred But Not Reported	9,755,813	10,062,978
Unallocated Loss Adjustment Expense Payables	1,526,311	1,456,326
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>16,032,555</u>	<u>16,269,735</u>
<b>TOTAL LIABILITIES</b>	<u>23,745,401</u>	<u>23,794,073</u>
<b>NET ASSETS:</b>		
Unrestricted	5,125,883	9,678,308
<b>TOTAL NET ASSETS</b>	<u>\$ 5,125,883</u>	<u>\$ 9,678,308</u>

**CSAC EXCESS INSURANCE AUTHORITY  
MEDICAL MALPRACTICE PROGRAM  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>OPERATING REVENUES:</b>		
Premiums for Transferred Risk	\$ 5,905,259	\$ 5,805,786
Broker Fees	2,823	1,039
Contributions for Retained Risk	4,269,518	5,486,719
Administration Fees	849,013	754,327
Public Entity Fees	142	52
Development Fees	1,700	850
<b>TOTAL OPERATING REVENUES</b>	<u>11,028,455</u>	<u>12,048,773</u>
<b>OPERATING EXPENSES:</b>		
Pool Dividends to Members	2,000,000	-
Medical Malpractice Insurance Premiums	5,899,063	5,805,428
Broker Fees	2,823	1,039
Provision for Claims		
Current Year Claims	5,188,335	4,921,729
Prior Years' Claims	1,926,900	1,546,197
Provision for Unallocated Loss Adjustment Expenses	83,964	89,941
Program Services:		
Actuarial and Consulting Services	31,315	57,903
Claim Administration Services	311,368	320,856
Loss Prevention Training	17,252	20,682
<b>TOTAL OPERATING EXPENSES</b>	<u>15,461,020</u>	<u>12,763,775</u>
<b>OPERATING TRANSFERS IN OR (OUT):</b>		
Operating Transfer Out for General Administration	(323,581)	(326,901)
Operating Transfer Out for Loss Prevention	(80,347)	(89,174)
<b>TOTAL OPERATING TRANSFERS</b>	<u>(403,928)</u>	<u>(416,075)</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(4,836,493)</u>	<u>(1,131,077)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment Income	284,068	588,989
Investment Expense	-	(189)
<b>TOTAL NONOPERATING REVENUE (EXPENSE)</b>	<u>284,068</u>	<u>588,800</u>
<b>CHANGES IN NET ASSETS</b>	<u>(4,552,425)</u>	<u>(542,277)</u>
Total Net Assets, Beginning of Year	<u>9,678,308</u>	<u>10,220,585</u>
<b>TOTAL NET ASSETS, END OF YEAR</b>	<u><u>\$ 5,125,883</u></u>	<u><u>\$ 9,678,308</u></u>

**CSAC EXCESS INSURANCE AUTHORITY  
MEDICAL MALPRACTICE PROGRAM  
SCHEDULE OF CASH FLOWS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from Members	\$ 11,529,133	\$ 9,497,455
Receipts from Others	21,218	(15,884)
Dividends Paid	(2,000,000)	-
Claims Paid	(7,436,379)	(6,713,106)
Insurance Purchased	(5,890,839)	(5,923,654)
Payments to Suppliers	(377,758)	(450,709)
Internal Activities	564,436	(114,766)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>(3,590,189)</u>	<u>(3,720,664)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Securities	(13,542,976)	(12,657,913)
Sales of Securities	15,509,442	17,734,855
Cash from Investment Earnings	786,573	750,949
Investment Expenses	-	(189)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>2,753,039</u>	<u>5,827,702</u>
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(837,150)	2,107,038
<b>CASH AND CASH EQUIVALENTS: BEGINNING OF YEAR</b>	<u>4,438,069</u>	<u>2,331,031</u>
<b>END OF YEAR</b>	<u><u>\$ 3,600,919</u></u>	<u><u>\$ 4,438,069</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating Income (Loss)	\$ (4,836,493)	\$ (1,131,077)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Changes in Assets and Liabilities		
Accounts Receivable, Net	318,388	128,198
Due From or To Other Funds	968,364	301,309
Prepaid Insurance	8,224	(118,226)
Accounts and Other Payables	(15,484)	(2,267,528)
Deferred Income	203,992	(478,101)
Claim Liabilities	(307,165)	(238,364)
Unallocated Loss Adjustment Expense Payable	69,985	83,125
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>\$ (3,590,189)</u></u>	<u><u>\$ (3,720,664)</u></u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Changes in unrealized gains (loss) on investments	<u><u>\$ (484,661)</u></u>	<u><u>\$ (63,084)</u></u>



**CSAC EXCESS INSURANCE AUTHORITY  
MEDICAL MALPRACTICE PROGRAM  
RECONCILIATION OF UNPAID CLAIMS LIABILITIES  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

The schedule below presents the changes in claims liabilities for the past two years.

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
A. Unpaid claims and claim adjustment expenses at the beginning of the fiscal year	<u>\$ 21,019,735</u>	<u>\$ 21,174,974</u>
Incurred claims and claim adjustment expenses:		
Provision for claims of the current fiscal year	5,188,335	4,921,729
Increase (Decrease) in the provision for claims of prior fiscal years	<u>2,010,864</u>	<u>1,636,138</u>
B. Total incurred claims and claim adjustment expenses	<u>7,199,199</u>	<u>6,557,867</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	26,698	51,305
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>7,409,681</u>	<u>6,661,801</u>
C. Total Payments	<u>7,436,379</u>	<u>6,713,106</u>
D. Total unpaid claims and claim adjustment expenses at the end of the fiscal year (A+B-C)	<u><u>\$ 20,782,555</u></u>	<u><u>\$ 21,019,735</u></u>
Current Claim Liabilities	\$ 4,750,000	\$ 4,750,000
Noncurrent Claim Liabilities	16,032,555	16,269,735
Total Claim Liabilities	<u><u>\$ 20,782,555</u></u>	<u><u>\$ 21,019,735</u></u>

**CSAC EXCESS INSURANCE AUTHORITY  
MEDICAL MALPRACTICE PROGRAM FUND  
NOTES TO EARNED PREMIUMS AND CLAIMS DEVELOPMENT INFORMATION  
FOR THE TEN-YEAR PERIOD ENDED JUNE 30, 2012**

The following schedule illustrates how the Fund's earned premiums (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Fund as of the end of each of the last 10 years. The rows of the schedule are defined as follows:

1. This line shows the total of each fiscal year's earned premium, revenues ceded to reinsurers and stop-loss policies, and investment revenues. The total revenues are net of dividends returned to members.
2. This line shows the liability for unallocated loss adjustment expenses not allocated to individual claims.
3. This line shows the Fund's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event occurred that triggered coverage under the contract (called policy year).
4. This section of rows shows the cumulative amounts paid as of the end of each successive year for each policy year.
5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each policy year.
6. This section of rows shows how each policy year's incurred claims increased or decreased as of the end of each successive year. These annual reestimations result from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known.
7. This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought.

As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

The columns of the schedule show data for successive policy years.

**CSAC EXCESS INSURANCE AUTHORITY  
MEDICAL MALPRACTICE PROGRAM  
SCHEDULE OF EARNED PREMIUM AND CLAIMS DEVELOPMENT  
FOR THE TEN YEAR PERIOD ENDED JUNE 30, 2012**

<b>POLICY YEAR</b>	<b>June 30, 2003</b>	<b>June 30, 2004</b>	<b>June 30, 2005</b>	<b>June 30, 2006</b>	<b>June 30, 2007</b>	<b>June 30, 2008</b>	<b>June 30, 2009</b>	<b>June 30, 2010</b>	<b>June 30, 2011</b>	<b>June 30, 2012</b>
Earned Premiums	8,201,585	8,720,289	11,327,515	13,426,219	15,937,410	17,155,393	12,173,672	12,532,734	11,846,353	11,636,142
Less Ceded	(3,177,999)	(3,419,312)	(6,750,488)	(8,004,074)	(8,046,869)	(7,439,209)	(5,883,306)	(5,454,440)	(5,805,786)	(5,905,259)
Supplemental Assessments	-	-	-	-	-	-	-	-	-	-
Dividends Declared	(1,747,962)	(3,701,417)	-	-	-	-	-	-	-	-
Interest	898,379	1,316,007	(467,585)	890,279	1,384,169	1,448,976	452,233	410,110	144,778	57,468
<b>1. Total Revenues Available For Payment of Claims</b>	<b>4,174,003</b>	<b>2,915,567</b>	<b>4,109,442</b>	<b>6,312,424</b>	<b>9,274,710</b>	<b>11,165,160</b>	<b>6,742,599</b>	<b>7,488,404</b>	<b>6,185,345</b>	<b>5,788,351</b>
<b>2. Unallocated Loss Adjustment Expense</b>	<b>7,257</b>	<b>2,812</b>	<b>40,049</b>	<b>14,963</b>	<b>68,849</b>	<b>208,224</b>	<b>370,851</b>	<b>239,864</b>	<b>364,774</b>	<b>248,550</b>
<b>3. Estimated Incurred Claims Less Ceded Claims</b>	<b>3,023,454</b>	<b>3,034,336</b>	<b>4,084,610</b>	<b>3,613,550</b>	<b>4,437,870</b>	<b>3,656,585</b>	<b>4,381,570</b>	<b>4,824,102</b>	<b>4,921,729</b>	<b>5,188,335</b>
<b>Net Incurred Claims and Expenses, End of Policy Year</b>	<b>3,023,454</b>	<b>3,034,336</b>	<b>4,084,610</b>	<b>3,613,550</b>	<b>4,437,870</b>	<b>3,656,585</b>	<b>4,381,570</b>	<b>4,824,102</b>	<b>4,921,729</b>	<b>5,188,335</b>
<b>4. Cumulative Paid Claims as of:</b>										
End of the Policy Year	-	-	15,637	74,862	-	31,852	-	23,848	51,305	26,698
One Year Later	-	50,367	1,345,553	507,297	18,511	77,244	148,321	96,315	1,282,361	
Two Years Later	1,888,914	604,501	8,516,048	3,110,402	2,553,723	319,382	1,371,988	906,689		
Three Years Later	3,443,902	1,371,712	10,483,552	3,355,692	4,055,429	4,051,699	4,639,462			
Four Years Later	3,620,912	1,371,712	10,484,222	3,367,720	4,079,102	6,201,597				
Five Years Later	3,671,741	1,552,442	10,484,222	4,875,582	4,079,470					
Six Years Later	3,675,063	1,680,450	10,484,222	4,875,582						
Seven Years Later	3,679,449	1,769,545	10,484,222							
Eight Years Later	3,681,325	1,706,078								
Nine Years Later	3,681,325									
<b>5. Reestimated Ceded Claims and Expenses</b>	<b>-</b>	<b>-</b>	<b>8,353,599</b>	<b>2,597,454</b>	<b>6,134,992</b>	<b>3,869,356</b>	<b>5,900,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>6. Reestimated Incurred Claims and Expenses</b>										
End of the Policy Year	3,023,454	3,034,336	4,084,610	3,613,550	4,437,870	3,656,585	4,381,570	4,824,102	4,921,729	5,188,335
One Year Later	3,423,357	3,762,269	7,163,986	4,346,863	4,258,727	5,904,394	4,293,989	3,957,784	5,161,374	
Two Years Later	3,743,772	3,193,133	12,080,474	6,131,088	6,425,558	5,685,879	7,437,370	5,661,931		
Three Years Later	4,155,702	2,824,334	11,931,770	5,819,342	5,852,567	6,747,768	8,050,504			
Four Years Later	4,318,962	1,916,154	12,126,970	5,108,908	5,048,560	6,922,698				
Five Years Later	4,110,597	1,756,790	11,897,954	5,102,985	5,149,894					
Six Years Later	3,971,666	1,889,281	11,128,701	4,979,777						
Seven Years Later	3,862,485	1,804,925	10,546,087							
Eight Years Later	3,797,937	1,783,422								
Nine Years Later	3,695,707									
<b>7. Increase (Decrease) in Estimated Incurred Claims and Expense from End of the Policy Year</b>	<b>\$ 672,253</b>	<b>\$ (1,250,914)</b>	<b>\$ 6,461,477</b>	<b>\$ 1,366,227</b>	<b>\$ 712,024</b>	<b>\$ 3,266,113</b>	<b>\$ 3,668,934</b>	<b>\$ 837,829</b>	<b>\$ 239,645</b>	<b>\$ -</b>
<b>8. Net Assets for the Claim Year</b>	<b>\$ 471,039</b>	<b>\$ 1,129,333</b>	<b>\$ (6,476,694)</b>	<b>\$ 1,317,684</b>	<b>\$ 4,055,967</b>	<b>\$ 4,034,238</b>	<b>\$ (1,678,756)</b>	<b>\$ 1,586,609</b>	<b>\$ 659,197</b>	<b>\$ 351,466</b>

**EIAHEALTH**



## EIAHealth

County Members: 8  
Public Entity Members: 16

**CSAC EXCESS INSURANCE AUTHORITY  
EIAHEALTH PROGRAM  
SCHEDULE OF NET ASSETS  
JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>ASSETS:</b>		
Current Assets:		
Cash, EIA Treasury	\$ 1,210,654	\$ 1,239,894
<b>TOTAL CASH &amp; CASH EQUIVALENTS</b>	1,210,654	1,239,894
Investments	3,476,712	2,896,969
Accounts Receivable		
Investment Income Receivable	48,866	45,591
Other Receivables	-	1,788
Due from Other Funds	550,501	640,265
<b>TOTAL CURRENT ASSETS</b>	5,286,733	4,824,507
Noncurrent Assets:		
Investments	3,175,709	3,315,762
Due from Members	-	83,338
Due from Other Funds	743,682	705,697
<b>TOTAL NONCURRENT ASSETS</b>	3,919,391	4,104,797
<b>TOTAL ASSETS</b>	9,206,124	8,929,304
<b>LIABILITIES:</b>		
Current Liabilities:		
Accounts Payable	5,042	3,288
Due to Members	8,005,025	8,541,205
<b>TOTAL CURRENT LIABILITIES</b>	8,010,067	8,544,493
<b>TOTAL LIABILITIES</b>	8,010,067	8,544,493
<b>NET ASSETS:</b>		
Unrestricted	1,196,057	384,811
<b>TOTAL NET ASSETS</b>	\$ 1,196,057	\$ 384,811

**CSAC EXCESS INSURANCE AUTHORITY  
EIAHEALTH PROGRAM  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>OPERATING REVENUES:</b>		
Premiums for Transferred Risk	\$ 202,325,840	\$ 161,430,825
Broker Fees	2,159,399	1,873,560
Administration Fees	558,614	597,867
Program Services		
TPA Claims Administration Fees	11,643,187	10,316,725
Eligibility Administration Fees	1,713,102	1,507,996
Other Income	621,145	207,171
<b>TOTAL OPERATING REVENUES</b>	<u>219,021,287</u>	<u>175,934,144</u>
<b>OPERATING EXPENSES:</b>		
Pool Dividends to Members	29,472	1,202,694
EIAHealth Insurance Premiums	202,325,840	161,430,825
EIAHealth Broker Fees	2,159,399	1,873,560
Program Services, EIAHealth Program		
Claims Administration	11,643,790	10,313,743
Eligibility Administration	1,713,102	1,507,996
Actuarial Consulting Services	26,563	18,938
EIAHealth Seminar	10,540	8,932
<b>TOTAL OPERATING EXPENSES</b>	<u>217,908,706</u>	<u>176,356,688</u>
<b>OPERATING TRANSFERS IN OR (OUT):</b>		
Operating Transfer Out for General Administration	(343,640)	(517,921)
Operating Transfer Out for Loss Prevention	(42,502)	(50,148)
<b>TOTAL OPERATING TRANSFERS</b>	<u>(386,142)</u>	<u>(568,069)</u>
<b>OPERATING INCOME (LOSS)</b>	<u>726,439</u>	<u>(990,613)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment Income	84,807	205,495
Investment Expense	-	(64)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>84,807</u>	<u>205,431</u>
<b>CHANGES IN NET ASSETS</b>	811,246	(785,182)
Net Assets, Beginning of Year	384,811	1,169,993
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 1,196,057</u></u>	<u><u>\$ 384,811</u></u>

**CSAC EXCESS INSURANCE AUTHORITY  
EIAHEALTH PROGRAM  
SCHEDULE OF CASH FLOWS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from Members	\$ 217,947,300	\$ 175,084,329
Receipts from Others	-	-
Dividends Paid	(29,472)	(1,202,694)
Claims Paid	-	-
Insurance Purchased	(202,324,052)	(165,362,151)
Payments to Suppliers	(14,930,495)	(13,515,998)
Internal Activities	(334,363)	157,997
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>328,918</u>	<u>(4,838,517)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Securities	(5,214,641)	(1,340,635)
Sales of Securities	4,630,258	6,187,591
Cash from Investment Earnings	226,225	287,990
Investment Expenses	-	(64)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(358,158)</u>	<u>5,134,882</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(29,240)	296,365
<b>CASH AND CASH EQUIVALENTS: BEGINNING OF YEAR</b>	<u>1,239,894</u>	<u>943,529</u>
<b>END OF YEAR</b>	<u><u>\$ 1,210,654</u></u>	<u><u>\$ 1,239,894</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating Income (Loss)	\$ 726,439	\$ (990,613)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Changes in Assets and Liabilities		
Accounts Receivable, Net	85,126	102,246
Due From or To Other Funds	51,779	726,066
Accounts and Other Payables	1,754	(3,931,712)
Dividends Payable	(536,180)	(744,504)
Deferred Income	-	-
Claim Liabilities	-	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>\$ 328,918</u></u>	<u><u>\$ (4,838,517)</u></u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Changes in unrealized (loss) gains on investments	<u><u>\$ (144,693)</u></u>	<u><u>\$ (22,010)</u></u>



**CSAC EXCESS INSURANCE AUTHORITY  
EIAHEALTH PROGRAM FUND  
NOTES TO EARNED PREMIUMS AND CLAIMS DEVELOPMENT INFORMATION  
FOR THE TEN-YEAR PERIOD ENDED JUNE 30, 2012**

The following schedule illustrates how the Fund's earned premiums (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Fund as of the end of each of the last 10 years. The rows of the schedule are defined as follows:

1. This line shows the total of each fiscal year's earned premium, revenues ceded to reinsurers and stop-loss policies, and investment revenues. The total revenues are net of dividends returned to members.
2. This line shows the liability for unallocated loss adjustment expenses not allocated to individual claims.
3. This line shows the Fund's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event occurred that triggered coverage under the contract (called policy year).
4. This section of rows shows the cumulative amounts paid as of the end of each successive year for each policy year.
5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each policy year.
6. This section of rows shows how each policy year's incurred claims increased or decreased as of the end of each successive year. These annual reestimations result from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known.
7. This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought.

As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

The columns of the schedule show data for successive policy years.

**CSAC EXCESS INSURANCE AUTHORITY  
EIAHEALTH PROGRAM  
SCHEDULE OF EARNED PREMIUM AND CLAIMS DEVELOPMENT  
FOR THE TEN YEAR PERIOD ENDED JUNE 30, 2012**

<b>POLICY YEAR</b>	<b>June 30, 2003</b>	<b>June 30, 2004</b>	<b>June 30, 2005</b>	<b>June 30, 2006</b>	<b>June 30, 2007</b>	<b>June 30, 2008</b>	<b>June 30, 2009</b>	<b>June 30, 2010</b>	<b>June 30, 2011</b>	<b>June 30, 2012</b>
Earned Premiums		\$ 28,296,369	\$ 37,018,469	\$ 51,001,376						
Less Ceded		(766,492)	(1,222,381)	(1,328,360)						
Supplemental Assessments		-	-	-	-	-	-	-	-	-
Dividends Declared				(10,890,018)				-	-	-
Interest										
1. Total Revenues Available For Payment of Claims	-	27,529,877	35,796,088	38,782,998	-	-	-	-	-	-
2. Unallocated Loss Adjustment Expense	-	2,419,359	2,383,083	2,563,278	-	-	-	-	-	-
3. Estimated Incurred Claims Less Ceded Claims		26,433,779	34,394,307	39,319,080						
Net Incurred Claims and Expenses, End of Policy Year	-	26,433,779	34,394,307	39,319,080	-	-	-	-	-	-
4. Cumulative Paid Claims as of:										
End of the Policy Year	-	22,957,458	29,705,783	33,868,603	-	-	-	-	-	-
One Year Later	-	26,259,963	34,394,307	37,042,786	-	-	-			
Two Years Later	-	26,433,779	34,394,307	37,195,052	-	-				
Three Years Later	-	26,433,779	34,394,307	37,195,052	-					
Four Years Later	-	26,433,779	34,394,307	37,195,052						
Five Years Later	-	26,433,779	34,394,307	37,195,052						
Six Years Later	-	26,433,779	34,394,307	37,195,052						
Seven Years Later	-	26,433,779	34,394,307							
Eight Years Later		26,433,779								
Nine Years Later										
5. Reestimated Ceded Claims and Expenses	-	1,411,460	1,977,756	2,259,132						
6. Reestimated Incurred Claims and Expenses										
End of the Policy Year		26,433,779	34,394,307	39,319,080	-	-	-	-	-	-
One Year Later		26,433,779	34,394,307	39,797,693	-	-				
Two Years Later		26,433,779	34,394,307	37,395,052	-					
Three Years Later		26,433,779	34,394,307	37,395,052						
Four Years Later		26,433,779	34,394,307	37,182,270						
Five Years Later		26,433,779	34,394,307	37,182,270						
Six Years Later		26,433,779	34,394,307	37,182,270						
Seven Years Later		26,433,779	34,394,307							
Eight Years Later		26,433,779								
Nine Years Later										
7. Increase (Decrease) in Estimated Incurred Claims and Expense from End of the Policy Year	\$ -	\$ -	\$ -	\$ (2,136,810)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

## DENTAL



## Dental

County Members: 28  
Public Entity Members: 94

**CSAC EXCESS INSURANCE AUTHORITY  
DENTAL PROGRAM  
SCHEDULE OF NET ASSETS  
JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>ASSETS:</b>		
Current Assets:		
Cash, EIA Treasury	\$ 1,233,113	\$ 884,919
<b>TOTAL CASH &amp; CASH EQUIVALENTS</b>	1,233,113	884,919
Investments	3,541,208	2,067,581
Accounts Receivable		
Due from Members	453,372	934,201
Investment Income Receivable	49,773	32,539
Other Receivables	-	64,517
Due from Other Funds	560,713	456,960
<b>TOTAL CURRENT ASSETS</b>	5,838,179	4,440,717
Noncurrent Assets:		
Investments	3,234,622	2,366,474
Due from Members	-	59,479
Due from Other Funds	757,478	503,662
<b>TOTAL NONCURRENT ASSETS</b>	3,992,100	2,929,615
<b>TOTAL ASSETS</b>	9,830,279	7,370,332
<b>LIABILITIES:</b>		
Current Liabilities:		
Accounts Payable	-	-
Dental Claim Liabilities	2,240,288	2,745,112
<b>TOTAL CURRENT LIABILITIES</b>	2,240,288	2,745,112
<b>TOTAL LIABILITIES</b>	2,240,288	2,745,112
<b>NET ASSETS:</b>		
Unrestricted	7,589,991	4,625,220
<b>TOTAL NET ASSETS</b>	\$ 7,589,991	\$ 4,625,220

**CSAC EXCESS INSURANCE AUTHORITY  
DENTAL PROGRAM  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>OPERATING REVENUES:</b>		
Contribution for Retained Risk	\$ 27,841,423	\$ 20,356,118
Stabilization Fund Revenue	314,243	2,909,046
Eligibility Admin Fee Revenue	135,044	-
Broker Fees	898,558	735,814
<b>TOTAL OPERATING REVENUES</b>	<u>29,189,268</u>	<u>24,000,978</u>
<b>OPERATING EXPENSES:</b>		
Provision for Claims, Current Year	23,453,293	18,901,566
Broker Fees	898,558	735,814
Claims Administration Fees	1,894,039	1,464,352
Other Program Services	-	135
<b>TOTAL OPERATING EXPENSES</b>	<u>26,245,890</u>	<u>21,101,867</u>
<b>OPERATING TRANSFERS IN OR (OUT):</b>		
Operating Transfer Out for General Administration	(53,116)	(34,150)
Operating Transfer Out for Loss Prevention	(5,120)	(6,298)
<b>TOTAL OPERATING TRANSFERS</b>	<u>(58,236)</u>	<u>(40,448)</u>
<b>OPERATING INCOME (LOSS)</b>	<u>2,885,142</u>	<u>2,858,663</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment Income	79,629	41,448
Investment Expense	-	(48)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>79,629</u>	<u>41,400</u>
<b>CHANGES IN NET ASSETS</b>	<u>2,964,771</u>	<u>2,900,063</u>
Net Assets, Beginning of Year	<u>4,625,220</u>	<u>1,725,157</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 7,589,991</u></u>	<u><u>\$ 4,625,220</u></u>

**CSAC EXCESS INSURANCE AUTHORITY  
DENTAL PROGRAM  
SCHEDULE OF CASH FLOWS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from Members	\$ 29,729,576	\$ 23,114,649
Receipts from Others	64,517	59,303
Dividends Paid	-	-
Claims Paid	(23,958,117)	(16,944,322)
Insurance Purchased	-	-
Payments to Suppliers	(2,792,597)	(2,200,301)
Internal Activities	(415,805)	(668,186)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>2,627,574</u>	<u>3,361,143</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Securities	(6,825,177)	(3,906,177)
Sales of Securities	4,347,544	1,227,474
Cash from Investment Earnings	198,253	50,895
Investment Expenses	-	-
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(2,279,380)</u>	<u>(2,627,808)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	348,194	733,335
<b>CASH AND CASH EQUIVALENTS: BEGINNING OF YEAR</b>	<u>884,919</u>	<u>151,584</u>
<b>END OF YEAR</b>	<u><u>\$ 1,233,113</u></u>	<u><u>\$ 884,919</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating Income (Loss)	\$ 2,885,142	\$ 2,858,663
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Changes in Assets and Liabilities		
Accounts Receivable, Net	604,825	(827,026)
Due From or To Other Funds	(357,569)	(627,738)
Accounts and Other Payables	-	-
Claim Liabilities	(504,824)	1,957,244
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>\$ 2,627,574</u></u>	<u><u>\$ 3,361,143</u></u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Changes in unrealized (loss) gains on investments	<u><u>\$ (135,858)</u></u>	<u><u>\$ (4,439)</u></u>

**CSAC EXCESS INSURANCE AUTHORITY  
DENTAL PROGRAM  
RECONCILIATION OF UNPAID CLAIMS LIABILITIES  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
A. Unpaid claims and claim adjustment expenses at the beginning of the fiscal year	<u>\$ 2,745,112</u>	<u>\$ 787,868</u>
Incurred claims and claim adjustment expenses:		
Provision for claims of the current fiscal year	<u>23,453,293</u>	<u>18,901,566</u>
B. Total incurred claims and claim adjustment expenses	<u>23,453,293</u>	<u>18,901,566</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	21,213,005	16,944,322
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>2,745,112</u>	<u>-</u>
C. Total Payments	<u>23,958,117</u>	<u>16,944,322</u>
D. Total unpaid claims and claim adjustment expenses at the end of the fiscal year (A+B-C)	<u><u>\$ 2,240,288</u></u>	<u><u>\$ 2,745,112</u></u>
Current Claim Liabilities	<u>\$ 2,240,288</u>	<u>\$ 2,745,112</u>
Total Claim Liabilities	<u><u>\$ 2,240,288</u></u>	<u><u>\$ 2,745,112</u></u>



**CSAC EXCESS INSURANCE AUTHORITY  
DENTAL PROGRAM FUND  
NOTES TO EARNED PREMIUMS AND CLAIMS DEVELOPMENT INFORMATION  
FOR THE TEN-YEAR PERIOD ENDED JUNE 30, 2012**

The following schedule illustrates how the Fund's earned premiums (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Fund as of the end of each of the last 10 years. The rows of the schedule are defined as follows:

1. This line shows the total of each fiscal year's earned premium, revenues ceded to reinsurers and stop-loss policies, and investment revenues. The total revenues are net of dividends returned to members.
2. This line shows the liability for unallocated loss adjustment expenses not allocated to individual claims.
3. This line shows the Fund's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event occurred that triggered coverage under the contract (called policy year).
4. This section of rows shows the cumulative amounts paid as of the end of each successive year for each policy year.
5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each policy year.
6. This section of rows shows how each policy year's incurred claims increased or decreased as of the end of each successive year. These annual reestimations result from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known.
7. This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought.

As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

The columns of the schedule show data for successive policy years.

**CSAC EXCESS INSURANCE AUTHORITY  
DENTAL PROGRAM  
SCHEDULE OF EARNED PREMIUM AND CLAIMS DEVELOPMENT  
FOR THE TEN YEAR PERIOD ENDED JUNE 30, 2012**

<b>POLICY YEAR</b>	<b>June 30, 2003</b>	<b>June 30, 2004</b>	<b>June 30, 2005</b>	<b>June 30, 2006</b>	<b>June 30, 2007</b>	<b>June 30, 2008</b>	<b>June 30, 2009</b>	<b>June 30, 2010</b>	<b>June 30, 2011</b>	<b>June 30, 2012</b>
Earned Premiums								\$ 7,242,783	\$ 23,265,164	\$ 27,841,423
Less Ceded								-	-	-
Supplemental Assessments										
Dividends Declared								-	-	-
Interest								-	-	-
1. Total Revenues Available For Payment of Claims	-	-	-	-	-	-	-	7,242,783	23,265,164	27,841,423
2. Unallocated Loss Adjustment Expense								-	-	-
3. Estimated Incurred Claims								5,551,354	18,901,566	23,453,293
Less Ceded Claims								-	-	-
Net Incurred Claims and Expenses, End of Policy Year	-	-	-	-	-	-	-	5,551,354	18,901,566	23,453,293
4. Cumulative Paid Claims as of:										
End of the Policy Year	-	-	-	-	-	-	-	4,763,486	16,156,452	21,213,005
One Year Later	-	-	-	-	-	-	-	5,551,354	18,901,566	
Two Years Later	-	-	-	-	-	-		5,551,354		
Three Years Later	-	-	-	-	-					
Four Years Later	-	-	-	-						
Five Years Later	-	-	-							
Six Years Later	-	-								
Seven Years Later	-									
Eight Years Later										
Nine Years Later										
5. Reestimated Ceded Claims and Expenses	-	-	-	-	-	-	-	-	-	-
6. Reestimated Incurred Claims and Expenses										
End of the Policy Year								5,551,354	18,901,566	23,453,293
One Year Later								5,551,354	18,901,566	
Two Years Later								5,551,354		
Three Years Later										
Four Years Later										
Five Years Later										
Six Years Later										
Seven Years Later										
Eight Years Later										
Nine Years Later										
7. Increase (Decrease) in Estimated Incurred Claims and Expense from End of the Policy Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

## **MISCELLANEOUS PROGRAMS**

**CSAC EXCESS INSURANCE AUTHORITY  
MISCELLANEOUS PROGRAMS  
SCHEDULE OF NET ASSETS  
JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>ASSETS:</b>		
Current Assets:		
Cash, EIA Treasury	\$ 513,711	\$ 542,298
<b>TOTAL CASH &amp; CASH EQUIVALENTS</b>	<u>513,711</u>	<u>542,298</u>
Investments	1,475,256	1,267,060
Accounts Receivable		
Due From Members	168,289	170,864
Investment Income Receivable	20,735	19,940
Other Receivables	519	592
Due from Other Funds	233,591	280,036
Prepaid Insurance	<u>2,175,870</u>	<u>1,283,530</u>
<b>TOTAL CURRENT ASSETS</b>	<u>4,587,971</u>	<u>3,564,320</u>
Noncurrent Assets:		
Investments	1,347,533	1,450,230
Due from Members	-	36,450
Due from Other Funds	315,563	308,652
Prepaid Insurance	<u>-</u>	<u>-</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>1,663,096</u>	<u>1,795,332</u>
<b>TOTAL ASSETS</b>	<u>6,251,067</u>	<u>5,359,652</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
Accounts Payable	1,788,077	1,832,114
Due to Other Funds	-	42,118
Due to Members	55,338	46,712
Deferred Income	<u>2,206,144</u>	<u>1,244,463</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>4,049,559</u>	<u>3,165,407</u>
<b>TOTAL LIABILITIES</b>	<u>4,049,559</u>	<u>3,165,407</u>
<b>NET ASSETS:</b>		
Unrestricted	<u>2,201,508</u>	<u>2,194,245</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 2,201,508</u>	<u>\$ 2,194,245</u>

**CSAC EXCESS INSURANCE AUTHORITY  
MISCELLANEOUS PROGRAMS  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>OPERATING REVENUES:</b>		
Dividends	\$ 11,173	\$ -
Premiums For Transferred Risk:		
Optional Excess Liability Insurance	2,655,060	2,040,250
Aviation Insurance	1,506,387	1,770,465
Catastrophic Liability Insurance	-	336,120
Watercraft Insurance	162,939	159,564
Course of Construction Insurance	612,992	141,437
Crime and Honesty Bonds	868,735	813,712
Pollution Liability	876,329	884,926
Inmate Medical Insurance	83,831	90,486
Owner Controlled Insurance Program	524,352	1,185,479
Employee Assistance Program	1,361,059	1,341,029
Vision Insurance	140,355	855,664
Life, Long-Term Disability and ADD Insurance	10,675,072	10,484,819
Other Miscellaneous Programs	122,450	244,657
Other Income	-	29,526
	<hr/>	<hr/>
<b>TOTAL OPERATING REVENUES</b>	19,600,734	20,378,134
	<hr/>	<hr/>
<b>OPERATING EXPENSES:</b>		
Member Dividends, Watercraft	11,173	-
Insurance Premiums:		
Optional Excess Liability Insurance	2,655,063	2,040,243
Aviation Insurance	1,506,386	1,770,466
Catastrophic Liability Insurance	-	336,119
Watercraft Insurance	162,935	156,655
Course of Construction Insurance	612,992	141,437
Crime and Honesty Bonds	868,735	813,709
Pollution Liability	876,365	884,926
Inmate Medical Insurance	83,831	90,486
Owner Controlled Insurance Program	524,352	1,185,478
Employee Assistance Program	1,349,631	1,333,477
Vision Insurance	140,355	855,664
Life, Long-Term Disability and ADD Insurance	10,675,072	10,484,819
Other Miscellaneous Programs	122,448	244,656
	<hr/>	<hr/>
<b>TOTAL OPERATING EXPENSES</b>	19,589,338	20,338,135
	<hr/>	<hr/>
<b>OPERATING TRANSFERS IN OR (OUT):</b>		
Operating Transfer Out for General Administration	(39,710)	(128,678)
	<hr/>	<hr/>
<b>TOTAL OPERATING TRANSFERS</b>	(39,710)	(128,678)
	<hr/>	<hr/>
<b>OPERATING INCOME (LOSS)</b>	(28,314)	(88,679)
	<hr/>	<hr/>

**CSAC EXCESS INSURANCE AUTHORITY  
MISCELLANEOUS PROGRAMS  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

**NONOPERATING REVENUES (EXPENSES):**

Investment Income	35,577	113,508
Member Finance Fees	-	3,341
Investment Expense	-	(1)
Financing Expense	-	(3,796)

**TOTAL NONOPERATING  
REVENUES (EXPENSES)**

	35,577	113,052
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**CHANGES IN NET ASSETS**

	7,263	24,373
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Net Assets, Beginning of Year

	2,194,245	2,169,872
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**NET ASSETS, END OF YEAR**

	\$ 2,201,508	\$ 2,194,245
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**CSAC EXCESS INSURANCE AUTHORITY  
MISCELLANEOUS PROGRAMS  
SCHEDULE OF CASH FLOWS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from Members	\$ 20,598,893	\$ 17,280,880
Insurance Purchased	(20,514,469)	(16,501,872)
Receipts from Others	11,173	-
Dividends Paid	(11,173)	-
Internal Activities	(42,294)	(760,215)
	<hr/>	<hr/>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	42,130	18,793
	<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Securities	(2,108,675)	(3,271,906)
Sales of Securities	1,942,475	3,417,803
Financing Fees	-	3,341
Financing Charges	-	(3,796)
Cash from Investment Earnings	95,483	133,248
Investment Expenses	-	(1)
	<hr/>	<hr/>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	(70,717)	278,689
	<hr/>	<hr/>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(28,587)	297,482
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS: BEGINNING OF YEAR</b>	542,298	244,816
	<hr/>	<hr/>
<b>END OF YEAR</b>	\$ 513,711	\$ 542,298
	<hr/>	<hr/>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ (28,314)	\$ (88,679)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Changes in Assets and Liabilities		
Accounts Receivable, Net	39,098	393,246
Due From or To Other Funds	(2,584)	(631,537)
Prepaid Insurance	(892,340)	2,064,115
Accounts and Other Payables	(35,411)	(41,223)
Deferred Income	961,681	(1,677,129)
	<hr/>	<hr/>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	\$ 42,130	\$ 18,793
	<hr/>	<hr/>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Changes in unrealized gains (loss) on investments	\$ (60,701)	\$ (12,157)
	<hr/>	<hr/>

## **GENERAL ADMINISTRATION**



**CSAC EXCESS INSURANCE AUTHORITY  
GENERAL ADMINISTRATION  
SCHEDULE OF NET ASSETS  
JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>ASSETS:</b>		
Current Assets:		
Petty Cash Fund	\$ 300	\$ 300
Cash, EIA Treasury	1,015,430	1,006,402
<b>TOTAL CASH &amp; CASH EQUIVALENTS</b>	1,015,730	1,006,702
Investments	2,916,075	2,351,422
Accounts Receivable		
Due from Members	44,054	50,508
Investment Income Receivable	40,986	37,006
Other Receivables	551	-
Due from Other Funds	461,730	519,693
Prepaid Expenses	12,168	18,880
<b>TOTAL CURRENT ASSETS</b>	4,491,294	3,984,211
Noncurrent Assets:		
Investments	2,663,610	2,691,349
Due from Members	-	67,644
Due from Other Funds	623,760	572,802
Capital Assets:		
Office Furniture and Equipment	1,168,141	1,120,100
Computer Software	377,691	276,591
Less Accumulated Depreciation, Furniture & Equipment	(1,039,129)	(913,205)
<b>TOTAL NONCURRENT ASSETS</b>	3,794,073	3,815,281
<b>TOTAL ASSETS</b>	8,285,367	7,799,492
<b>LIABILITIES:</b>		
Current Liabilities:		
Accounts Payable	59,036	17,364
Due to Members	-	3,966,786
Compensated Absences	52,375	47,575
<b>TOTAL CURRENT LIABILITIES</b>	111,411	4,031,725
Noncurrent Liabilities:		
Compensated Absences	209,489	190,301
Other Post Employment Benefits	347,877	286,540
<b>TOTAL NONCURRENT LIABILITIES</b>	557,366	476,841
<b>TOTAL LIABILITIES</b>	668,777	4,508,566
<b>NET ASSETS:</b>		
Invested in Capital Assets, Net of Related Debt	506,703	483,486
Unrestricted	7,109,887	2,807,440
<b>TOTAL NET ASSETS</b>	\$ 7,616,590	\$ 3,290,926

**CSAC EXCESS INSURANCE AUTHORITY  
GENERAL ADMINISTRATION  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>OPERATING REVENUES:</b>		
Member Services		
Claims Information Systems	\$ 97,210	\$ 53,938
EIA Drug and Alcohol Monitoring Consortium	6,800	6,650
DMV Pull Notice Fees	29,900	21,200
Loss Prevention Seminars and Target Safety Platform Fees	348,223	357,140
Insurance Certificate Tracking Service	131,357	91,124
Other Income		
Investment Management Fees	20,000	25,000
Personal Lines Insurance Program Income	81,545	81,553
Shared Cost Agreements	28,903	90,079
Other Income	3,776,707	33,178
<b>TOTAL REVENUES</b>	<u>4,520,645</u>	<u>759,862</u>
<b>EXPENSES:</b>		
Salaries and Benefits	5,691,948	5,852,254
Staff Support	586,814	562,069
Services and Supplies	839,911	735,912
Member Services	1,339,243	1,326,469
Subsidies	717,162	700,640
Depreciation	125,925	134,245
<b>TOTAL EXPENSES</b>	<u>9,301,003</u>	<u>9,311,589</u>
<b>OPERATING TRANSFERS IN OR (OUT):</b>		
Operating Transfers In from		
Excess Workers' Compensation	3,171,962	3,178,358
Primary Workers' Compensation	1,913,067	1,648,544
Dental	58,236	165,055
EIAHealth	386,142	568,069
General Liability I	1,385,349	1,315,189
Primary General Liability	631,020	452,684
General Liability II	980,678	1,037,284
Miscellaneous Programs	39,710	4,071
Property Insurance	500,673	438,961
Medical Malpractice	403,928	416,075
Building Funds	-	5,672
Operating Transfer Out to		
PWC Conversion	-	(815,143)
Building Fund	(429,275)	(429,274)
<b>TOTAL OPERATING TRANSFERS</b>	<u>9,041,490</u>	<u>7,985,545</u>
<b>OPERATING INCOME (LOSS)</b>	<u>4,261,132</u>	<u>(566,182)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment Income	95,599	135,406
Investment Expenses	(31,067)	(35,787)
<b>TOTAL NONOPERATING REVENUE (EXPENSES)</b>	<u>64,532</u>	<u>99,619</u>
<b>CHANGES IN NET ASSETS</b>	<u>4,325,664</u>	<u>(466,563)</u>
Total Net Assets, Beginning of Year	<u>3,290,926</u>	<u>3,757,489</u>
<b>TOTAL NET ASSETS, END OF YEAR</b>	<u><u>\$ 7,616,590</u></u>	<u><u>\$ 3,290,926</u></u>

**CSAC EXCESS INSURANCE AUTHORITY  
GENERAL ADMINISTRATION  
SCHEDULE OF CASH FLOWS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from Members	\$ 485,287	\$ 1,780,484
Receipts from Others	142,119	229,810
Payments to Suppliers	(3,434,745)	(3,354,977)
Payments to Employees	(5,606,622)	(5,792,238)
Internal Activities	9,048,494	7,805,295
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>634,533</u>	<u>668,374</u>
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES:</b>		
Purchase of Furniture and Equipment	(149,142)	(59,798)
Sale of Furniture and Equipment	-	57,673
<b>NET CASH PROVIDED (USED) BY CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>	<u>(149,142)</u>	<u>(2,125)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Securities	(5,919,495)	(4,274,450)
Sales of Securities	5,219,475	4,077,171
Cash from Investment Earnings	254,724	159,424
Investment Expenses	(31,067)	(35,787)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(476,363)</u>	<u>(73,642)</u>
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	9,028	592,607
<b>CASH AND CASH EQUIVALENTS: BEGINNING OF YEAR</b>	<u>1,006,702</u>	<u>414,095</u>
<b>END OF YEAR</b>	<u><u>\$ 1,015,730</u></u>	<u><u>\$ 1,006,702</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating Income (Loss)	\$ 4,261,132	\$ (566,182)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	125,925	134,245
Changes in Assets and Liabilities		
Accounts Receivable, Net	73,547	20,071
Due From or To Other Funds	7,004	(180,251)
Prepaid Insurance and Expenses	6,714	4,062
Accounts and Other Payables	(3,863,777)	1,254,320
Compensated Absences	23,988	2,109
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>\$ 634,533</u></u>	<u><u>\$ 668,374</u></u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Changes in unrealized gains (loss) on investments	<u><u>\$ (163,105)</u></u>	<u><u>\$ (14,503)</u></u>

## **BUILDING**

**CSAC EXCESS INSURANCE AUTHORITY  
IRON POINT BUILDING PROGRAM  
SCHEDULE OF NET ASSETS  
JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>ASSETS:</b>		
Current Assets:		
Cash in Bank	\$ 177,803	\$ 75,629
<b>TOTAL CASH &amp; CASH EQUIVALENTS</b>	<u>177,803</u>	<u>75,629</u>
Other Receivables	<u>-</u>	<u>-</u>
<b>TOTAL CURRENT ASSETS</b>	<u>177,803</u>	<u>75,629</u>
Noncurrent Assets:		
Capital Assets		
Land	1,000,000	1,000,000
Building	5,738,000	5,738,000
Less Accumulated Depreciation, Building	(284,708)	(170,825)
Tenant Improvements	2,350,280	2,350,281
Less Accumulated Depreciation, Tenant Improvements	(544,637)	(321,092)
Lease Acquisition Costs	127,291	127,291
Less accumulated Amortization	<u>(44,224)</u>	<u>(25,881)</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>8,342,002</u>	<u>8,697,774</u>
<b>TOTAL ASSETS</b>	<u>8,519,805</u>	<u>8,773,403</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
Accounts Payable	-	-
Due to Other Funds	-	-
Mortgage Payable to Other Funds		57,221
Deferred Lease Income	5,704	-
Security Deposits	<u>36,027</u>	<u>36,027</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>41,731</u>	<u>93,248</u>
Noncurrent Liabilities:		
Mortgage Payable to Other Funds	<u>8,334,715</u>	<u>8,718,114</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>8,334,715</u>	<u>8,718,114</u>
<b>TOTAL LIABILITIES</b>	<u>8,376,446</u>	<u>8,811,362</u>
<b>NET ASSETS:</b>		
Invested in Capital Assets	8,342,002	8,697,774
Unrestricted	<u>(8,198,643)</u>	<u>(8,735,733)</u>
<b>NET ASSETS</b>	<u>\$ 143,359</u>	<u>\$ (37,959)</u>

**CSAC EXCESS INSURANCE AUTHORITY  
IRON POINT BUILDING PROGRAM  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>EXPENSES:</b>		
Building Maintenance and Operating Expense	\$ 147,809	\$ 145,519
Depreciation	130,885	129,746
<b>TOTAL EXPENSES</b>	<u>278,694</u>	<u>275,265</u>
<b>OPERATING TRANSFERS IN OR (OUT):</b>		
Operating Transfer In from the General		
Administration Fund for Office Rents	429,275	429,274
Investment Fee	-	(5,672)
<b>TOTAL OPERATING TRANSFERS</b>	<u>429,275</u>	<u>423,602</u>
<b>OPERATING INCOME(LOSS)</b>	150,581	148,337
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Lease Income	506,259	474,620
Building Maintenance and Operating Expense	(125,912)	(123,960)
Building Depreciation	(206,544)	(207,682)
Amortization of Lease Commissions	(18,343)	(18,343)
Interest Expense	(124,723)	(217,803)
Investment Expense	-	(53)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>30,737</u>	<u>(93,221)</u>
<b>CHANGES IN NET ASSETS</b>	<u>181,318</u>	<u>55,116</u>
Total Net Assets, Beginning of the Year	<u>(37,959)</u>	<u>(93,075)</u>
<b>NET ASSETS END OF YEAR</b>	<u><u>\$ 143,359</u></u>	<u><u>\$ (37,959)</u></u>

**CSAC EXCESS INSURANCE AUTHORITY  
IRON POINT BUILDING PROGRAM  
SCHEDULE OF CASH FLOWS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Internal Activities	\$ (11,345)	\$ 3,472
Receipts from Others	5,704	8,258
Payments to Suppliers	<u>(147,809)</u>	<u>(151,796)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>(153,450)</u>	<u>(140,066)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Lease Receipts	506,259	474,620
Operating Lease Disbursements	(125,912)	(123,960)
Investment Expenses	<u>(124,723)</u>	<u>(217,856)</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>255,624</u>	<u>132,804</u>
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES:</b>		
Purchase/Sale of Building and Other Capital Assets	<u>-</u>	<u>-</u>
<b>NET CASH PROVIDED (USED) BY CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>	<u>-</u>	<u>-</u>
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>102,174</u>	<u>(7,262)</u>
<b>CASH AND CASH EQUIVALENTS: BEGINNING OF YEAR</b>	<u>75,629</u>	<u>82,891</u>
<b>END OF YEAR</b>	<u><u>\$ 177,803</u></u>	<u><u>\$ 75,629</u></u>
<b>RECONCILIATION OF INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating Income (Loss)	\$ 150,581	\$ 148,337
Adjustments to reconcile operating income (loss) to net cash provided (used) by building fund activities		
Depreciation	130,885	129,746
Changes in Assets and Liabilities		
Other Receivables	-	31,551
Due From or To Other Funds	(440,620)	(420,130)
Accounts Payable	-	(6,277)
Deferred Lease Income	<u>5,704</u>	<u>(23,293)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>\$ (153,450)</u></u>	<u><u>\$ (140,066)</u></u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Changes in unrealized gains (loss) on investments	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**CSAC EXCESS INSURANCE AUTHORITY  
GOLD CANAL BUILDING PROGRAM  
SCHEDULE OF NET ASSETS  
JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>ASSETS:</b>		
Current Assets:		
Cash, EIA Treasury	\$ -	\$ -
<b>TOTAL CASH &amp; CASH EQUIVALENTS</b>	-	-
Investments	-	-
Accounts Receivable		
Investment Income Receivable	-	-
Prepaid Insurance	-	-
Due from Other Funds	-	-
<b>TOTAL CURRENT ASSETS</b>	-	-
Noncurrent Assets:		
Investments	-	-
Due from Members	-	-
Due from Other Funds	-	-
Capital Assets		
Land	-	-
Building	-	-
Less Accumulated Depreciation, Building	-	-
Roof	-	-
Less Accumulated Depreciation, Roof	-	-
Parking Lot	-	-
Less Accumulated Depreciation, Parking Lot	-	-
Tenant Improvements	-	-
Less Accumulated Depreciation, Tenant Improvements	-	-
<b>TOTAL NONCURRENT ASSETS</b>	-	-
<b>TOTAL ASSETS</b>	-	-
<b>LIABILITIES:</b>		
Current Liabilities:		
Accounts Payable	-	-
<b>TOTAL CURRENT LIABILITIES</b>	-	-
<b>NET ASSETS:</b>		
Invested in Capital Assets, Net of Related Debt	-	-
Unrestricted	-	-
<b>NET ASSETS</b>	\$ -	\$ -



**CSAC EXCESS INSURANCE AUTHORITY  
GOLD CANAL BUILDING PROGRAM  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>EXPENSES:</b>		
Operating Expenses	\$ -	\$ 4,349
Building Maintenance	-	-
Ownership Expenses	-	-
Depreciation	-	-
	<hr/>	<hr/>
<b>TOTAL EXPENSES</b>	-	4,349
	<hr/>	<hr/>
<b>OPERATING TRANSFERS:</b>		
Operating Transfer Out for General Administration	-	-
Operating Transfer In from the General Administration Fund for Office Rents	-	-
	<hr/>	<hr/>
<b>TOTAL OPERATING TRANSFERS</b>	-	-
	<hr/>	<hr/>
<b>OPERATING INCOME (LOSS)</b>	-	(4,349)
	<hr/>	<hr/>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Sale of Building Net of Basis	-	510,078
Investment Income	-	2,300
Investment Expenses	-	-
Building Dividend	-	(2,318,071)
	<hr/>	<hr/>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	-	(1,805,693)
	<hr/>	<hr/>
<b>CHANGES IN NET ASSETS</b>	-	(1,810,042)
	<hr/>	<hr/>
Net Assets, Beginning of the Year	-	1,810,042
	<hr/>	<hr/>
<b>NET ASSETS, END OF THE YEAR</b>	\$ -	\$ -
	<hr/> <hr/>	<hr/> <hr/>

**CSAC EXCESS INSURANCE AUTHORITY  
GOLD CANAL BUILDING PROGRAM  
SCHEDULE OF CASH FLOWS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Others	\$ -	\$ 9,881
Internal Activities	-	110,555
Payments to Suppliers	-	459
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>-</u>	<u>120,895</u>
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES:</b>		
Sale of Building	-	1,547,598
Building Dividend	-	(2,318,071)
<b>NET CASH PROVIDED (USED) BY CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>	<u>-</u>	<u>(770,473)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Securities	-	-
Sales of Securities	-	591,274
Cash from Investment Earnings	-	7,960
Investment Expenses	-	-
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>-</u>	<u>599,234</u>
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	-	(50,344)
<b>CASH AND CASH EQUIVALENTS: BEGINNING OF YEAR</b>	<u>-</u>	<u>50,344</u>
<b>END OF YEAR</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating Income (Loss)	\$ -	\$ (4,349)
Adjustments to reconcile operating income (loss) to net cash provided (used) by building fund activities		
Depreciation	-	-
Changes in Assets and Liabilities		
Accounts Receivable	-	9,881
Prepaid Insurance	-	6,235
Due From or To Other Funds	-	110,555
Accounts Payables	-	(1,427)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>\$ -</u></u>	<u><u>\$ 120,895</u></u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Changes in unrealized gains (loss) on investments	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

## **STATISTICAL SECTION**

## STATISTICAL SECTION

This part of the CSAC Excess Insurance Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

### Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time. They show how revenues and expenses have developed over years. They show how our Net Assets have increased, then fallen and increased again.

	<u>Page</u>
Schedule of Net Assets.....	189
Schedule of Revenues, Expenses and Changes in Net Assets .....	190
History of Dividends Returned to Members.....	191

### Demographic and Economic Information

These schedules offer demographic and economic information indicators to help the reader understand the environment within which the Authority's financial activities take place. The number of Workers' Compensation, General Liability I, Property, and Medical Malpractice claims is an indicator of the Provision for Claims. Payrolls for Workers' Compensation and General Liability I, together with claims experience are an indicator for premium revenues. Property values are indicators for Property premiums.

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Economic Statistics .....	192
Number of Claims .....	193
EIAHealth Employees and Lives Covered .....	194
Covered Payrolls .....	195
Property Values.....	195

### Operating Information

These schedules contain information regarding Authority employees by department, member participation by program, and the growth of office space.

	<u>Page</u>
Operating Indicators and Statistics .....	196

Schedules showing trends for property tax rates and revenues along with corresponding assessed valuations are not presented since the Authority does not levy such taxes.

Schedules showing bonded debt and related legal debt ratios are also not applicable.

**CSAC EXCESS INSURANCE AUTHORITY**  
**SCHEDULE OF NET ASSETS**  
**FOR THE 10-YEAR PERIOD ENDING JUNE 30, 2012**

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Assets</b>										
Current Assets	\$ 95,512,525	\$ 81,458,198	\$ 134,626,941	\$ 193,088,437	\$ 235,454,127	\$ 228,316,329	\$ 324,629,000	\$ 315,472,521	\$ 312,575,944	\$ 343,635,991
Noncurrent Assets	64,067,524	128,702,921	171,021,751	180,826,688	231,605,589	311,602,739	264,853,912	231,292,296	251,262,932	230,227,831
Total Assets	159,580,049	210,161,119	305,648,692	373,915,125	467,059,716	539,919,068	589,482,912	546,764,817	563,838,876	573,863,822
<b>Liabilities</b>										
Current Liabilities	61,842,223	76,011,436	90,466,729	93,068,800	104,301,153	111,509,290	117,108,618	104,210,436	97,435,058	108,329,137
Noncurrent Liabilities	93,380,151	129,089,805	189,508,614	223,090,847	251,654,426	290,698,960	326,580,921	324,196,776	362,089,179	359,982,865
Total Liabilities	155,222,374	205,101,241	279,975,343	316,159,647	355,955,579	402,208,250	443,689,539	428,407,212	459,524,237	468,312,002
<b>Net Assets</b>										
Invested in Capital Assets	1,061,280	1,079,883	1,085,656	1,805,625	1,735,344	1,608,877	1,495,191	10,706,672	9,181,260	8,848,705
Unrestricted	3,296,395	3,979,995	24,587,693	55,949,853	109,368,793	136,101,941	144,298,182	107,650,933	95,133,379	96,703,115
Total Net Assets	\$ 4,357,675	\$ 5,059,878	\$ 25,673,349	\$ 57,755,478	\$ 111,104,137	\$ 137,710,818	\$ 145,793,373	\$ 118,357,605	\$ 104,314,639	\$ 105,551,820

**CSAC EXCESS INSURANCE AUTHORITY**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**FOR THE 10-YEAR PERIOD ENDING JUNE 30, 2012**

	2003	2004	2005	2006	Fiscal Year Ended June 30,		2009	2010	2011	2012
					2007	2008				
<b>REVENUES:</b>										
Premiums for Risk Transferred	\$60,114,183	\$79,810,939	\$83,091,904	\$92,045,037	\$173,975,051	\$220,902,418	\$254,320,478	\$281,136,570	\$316,271,011	\$374,220,717
Supplemental Assessments	0	8,292,552	4,194,000	0	0	0	0	0	0	0
Broker Fees	957,936	2,515,219	3,305,346	3,361,874	4,580,817	5,165,546	5,297,432	5,616,485	6,459,876	7,085,654
Contributions for Retained Risk	81,017,406	147,708,469	179,045,793	176,631,382	127,674,773	141,698,901	115,099,254	102,214,702	119,707,240	108,763,785
Dividend Income	1,753,020	0	2,300,878	0	90,614	232,604	140,745	201,158	41,971	75,314
Member Services	658,766	129,954	247,667	445,121	364,496	343,927	359,000	263,004	530,052	613,490
Administrative Fees	3,052,586	4,118,495	6,773,423	6,274,898	8,108,616	8,340,306	8,685,053	9,963,197	10,155,392	11,487,622
Public Entity Fees	131,186	355,370	430,093	436,457	490,997	596,548	504,933	398,951	408,475	456,577
Program Development Fees	47,801	40,750	82,157	16,837	9,800	7,250	11,650	4,200	7,550	3550
Other Income	227,365	484,633	1,067,035	1,698,569	843,635	221,866	1,359,005	617,281	2,313,897	7,673,338
Investment Income	5,324,912	3,945,423	6,683,646	10,977,040	23,342,575	30,181,440	17,746,130	15,758,005	9,726,704	5,103,554
Total Revenues	153,285,161	247,401,804	287,221,942	291,887,215	339,481,374	407,690,806	403,523,680	416,173,553	465,622,168	515,483,601
<b>EXPENSES:</b>										
Dividends	2,270,853	0	1,799,998	103,462	90,580	14,953,741	6,413,485	11,488,482	11,062,736	10,291,841
Insurance Expense	60,666,216	82,053,236	85,384,796	89,500,002	172,398,005	214,718,407	246,829,609	271,385,012	303,821,702	372,467,736
Broker Fees				3,769,564	4,585,935	5,166,381	5,297,219	5,616,545	6,459,283	7,053,183
Provision for Insured Claims	99,224,543	151,237,661	163,395,025	143,708,198	89,400,074	126,800,379	110,454,729	117,204,060	124,443,282	101,501,141
Unallocated Loss Expenses	32,418	2,249,137	1,763,656	6,796,235	4,882,061	2,851,370	1,522,169	9,376,859	1,127,804	(424,706.00)
Program Services	4,021,727	8,531,903	10,364,856	11,167,253	9,287,690	10,374,736	15,520,612	19,004,605	22,809,139	13,426,729
Member Services and Subsidies	551,584				482,559	588,184	3,070,751	2,210,316	2,027,109	2,056,405
General Administration	1,939,873	2,404,911	3,626,201	4,451,349	4,760,032	5,376,551	6,087,504	6,781,774	7,150,235	7,118,673
Building Operating Expenses	73,047	80,384	92,294	95,342				124,242	408,073	273,723
Depreciation	139,258	142,369	181,645	213,681	245,779	254,376	245,047	417,426	355,771	481,695
Total Expenses	168,919,519	246,699,601	266,608,471	259,805,086	286,132,715	381,084,125	395,441,125	443,609,321	479,665,134	514,246,420
Revenues In Excess (Deficit) of Expenses	(15,634,358)	702,203	20,613,471	32,082,129	53,348,659	26,606,681	8,082,555	(27,435,768)	(14,042,966)	1,237,181
<b>NET ASSETS:</b>										
Beginning Net Assets	19,992,033	4,357,675	5,059,878	25,673,349	57,755,478	111,104,137	137,710,818	145,793,373	118,357,605	104,314,639
Ending Net Assets	\$4,357,675	\$5,059,878	\$25,673,349	\$57,755,478	\$111,104,137	\$137,710,818	\$145,793,373	\$118,357,605	\$104,314,639	\$105,551,820

**CSAC EXCESS INSURANCE AUTHORITY  
HISTORY OF DIVIDENDS RETURNED TO MEMBERS  
FOR THE 10-YEAR PERIOD ENDING JUNE 30, 2012**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Excess Workers' Compensation										
Pool Dividends	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reinsurance	-	-	-	-	-	-	-	-	-	-
Primary Workers' Compensation	-	-	-	-	-	4,000,000	4,000,000	8,000,000	7,500,000	7,000,000
Employee Benefits										
EIAHealth Program	-	-	-	-	-	8,721,137	172,740	1,287,324	1,202,694	29,472
CA Health Alliance	-	-	-	-	-	-	-	-	-	-
General Liability I Program										
Pool Dividend	2,270,853	-	1,799,998	103,462	-	2,000,000	2,100,000	-	-	-
Reinsurance	-	-	-	-	-	-	-	-	-	-
Coverage Replacement	-	-	-	-	-	-	-	-	-	-
Primary General Liability	-	-	-	-	-	-	-	-	-	1,187,055
General Liability II Program									-	
Mega Fund	-	-	-	-	-	-	-	-	-	-
Reinsurance	-	-	-	-	-	-	-	-	-	-
Miscellaneous Programs	-	-	-	-	35,222	134,506	140,745	102,066	-	11,173
Property	-	-	-	-	55,358	98,098	-	99,092	41,971	64,141
Medical Malpractice								2,000,000	-	2,000,000
Mega Fund	-	-	-	-	-	-	-	-	-	-
Reinsurance	-	-	-	-	-	-	-	-	-	-
Pool 2	-	-	-	-	-	-	-	-	-	-
Building Fund	-	-	-	-	-	-	-	-	2,318,071	-
<b>Total</b>	<b>\$ 2,270,853</b>	<b>\$ -</b>	<b>\$ 1,799,998</b>	<b>\$ 103,462</b>	<b>\$ 90,580</b>	<b>\$ 14,953,741</b>	<b>\$ 6,413,485</b>	<b>\$ 11,488,482</b>	<b>\$ 11,062,736</b>	<b>\$ 10,291,841</b>

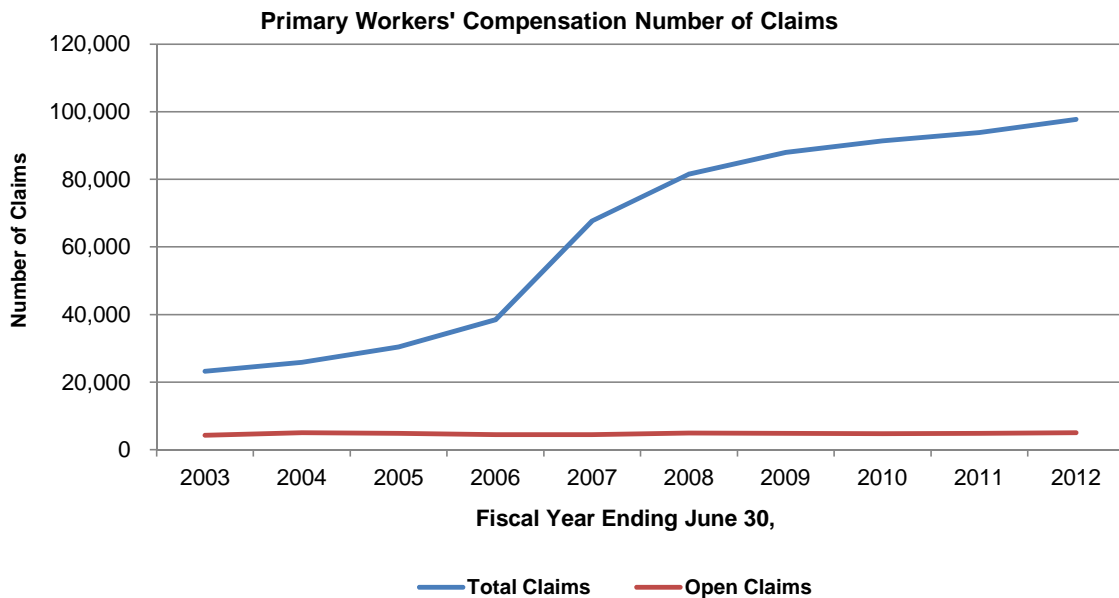
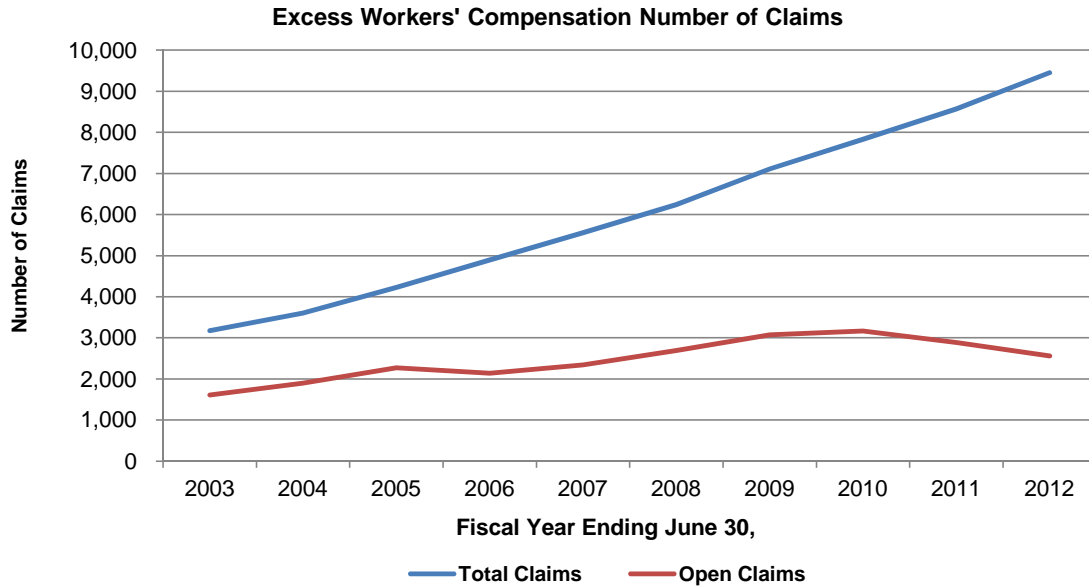
**CSAC EXCESS INSURANCE AUTHORITY  
ECONOMIC STATISTICS  
FOR THE 10-YEAR PERIOD ENDING JUNE 30, 2012**

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Excess Workers' Compensation</b>										
Total Number of Claims	3,172	3,606	4,224	4,893	5,556	6,241	7,110	7,829	8,569	9,453
Open Claims	1,611	1,896	2,268	2,136	2,342	2,693	3,073	3,165	2,884	2,561
Covered Payroll	\$ 11,487,145,406	\$ 16,413,451,722	\$ 17,666,726,390	\$ 18,880,122,499	\$ 19,963,647,283	\$ 21,233,785,218	\$ 21,185,756,039	\$ 21,271,835,420	\$ 21,247,944,019	\$ 20,727,171,214
<b>Primary Workers' Compensation</b>										
Total Number of Claims	23,210	25,892	30,427	38,507	67,672	81,486	87,972	91,403	93,795	98,618
Open Claims	4,319	5,082	4,825	4,505	4,520	4,952	4,860	4,787	4,907	5,212
Covered Payroll	\$ 1,700,352,201	\$ 2,137,221,267	\$ 2,066,741,701	\$ 1,929,065,067	\$ 2,284,268,813	\$ 2,830,424,192	\$ 2,939,832,664	\$ 2,714,848,814	\$ 2,923,194,417	\$ 2,919,336,198
<b>EIAHealth</b>										
Number of Participating Members	-	4	5	6	10	13	12	14	18	24
Number of Employees Covered	-	4,412	5,054	5,728	10,874	12,201	11,963	15,943	17,342	19,071
Number of Lives Covered	-	11,030	12,635	14,320	27,185	30,503	29,908	39,857	43,354	47,991
<b>General Liability I</b>										
Total Number of Claims	3,144	3,212	3,256	3,358	3,541	3,720	4,029	4,336	4,575	4,803
Open Claims	338	249	280	264	309	284	443	457	458	437
Covered Payroll	\$2,077,559,218	\$2,420,260,318	\$3,156,930,780	\$ 3,110,975,094	\$ 3,172,369,141	\$ 3,339,173,108	\$ 3,703,780,006	\$ 4,297,349,507	\$ 4,059,376,736	\$ 5,281,330,317
<b>Property</b>										
Total Number of EIA Claims	305	358	409	513	661	705	869	1,133	1,039	1,740
Open EIA Claims	40	37	73	97	96	46	114	130	24	95
Total Number of Excess Claims	591	765	817	725	763	896	923	1,001	1,113	1,135
Open Excess Claims	68	70	39	28	38	106	67	73	127	80
Total Property Values	\$ 25,117,805,382	\$ 28,258,154,605	\$ 30,477,306,076	\$ 30,664,157,372	\$ 34,095,145,828	\$ 37,738,459,718	\$ 41,168,435,680	\$ 45,817,222,183	\$ 49,489,556,840	\$ 51,904,952,869

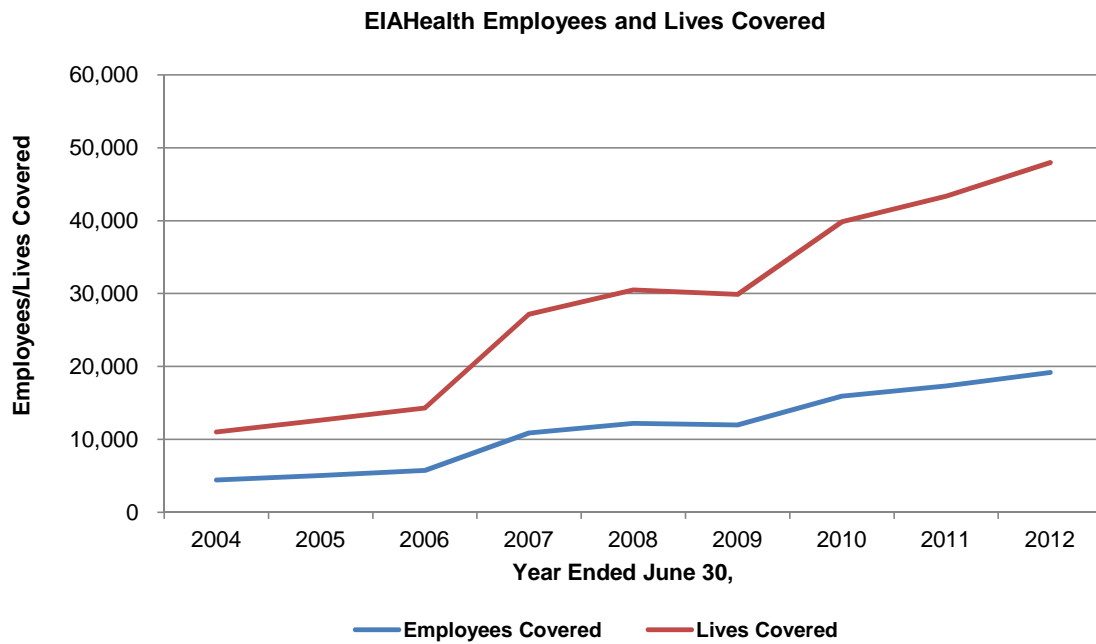
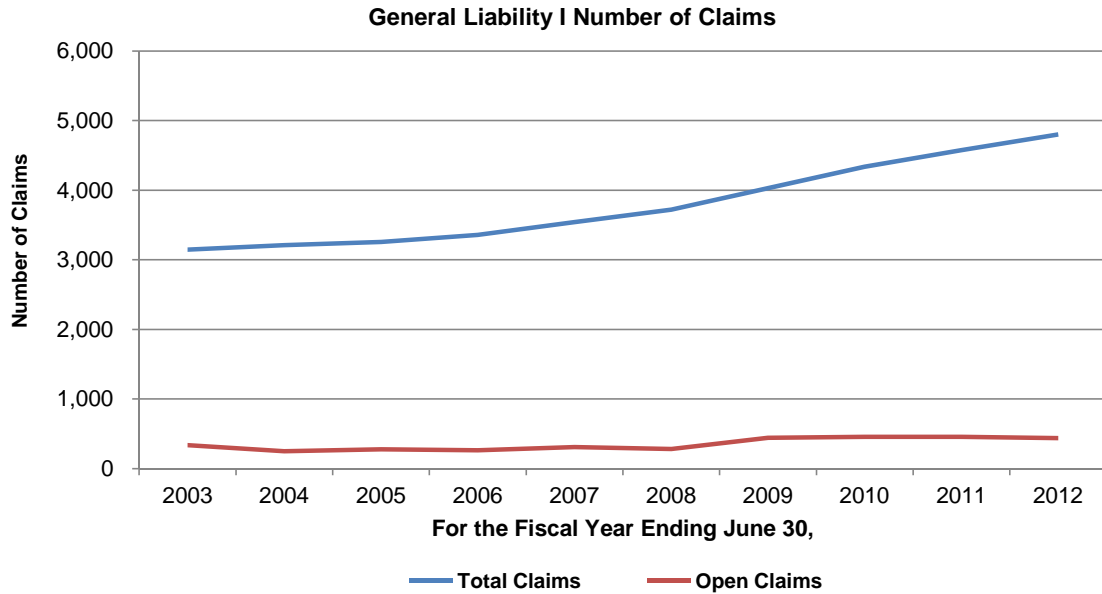


**CSAC EXCESS INSURANCE AUTHORITY  
ECONOMIC INDICATORS AND INFORMATION  
JUNE 30, 2012**

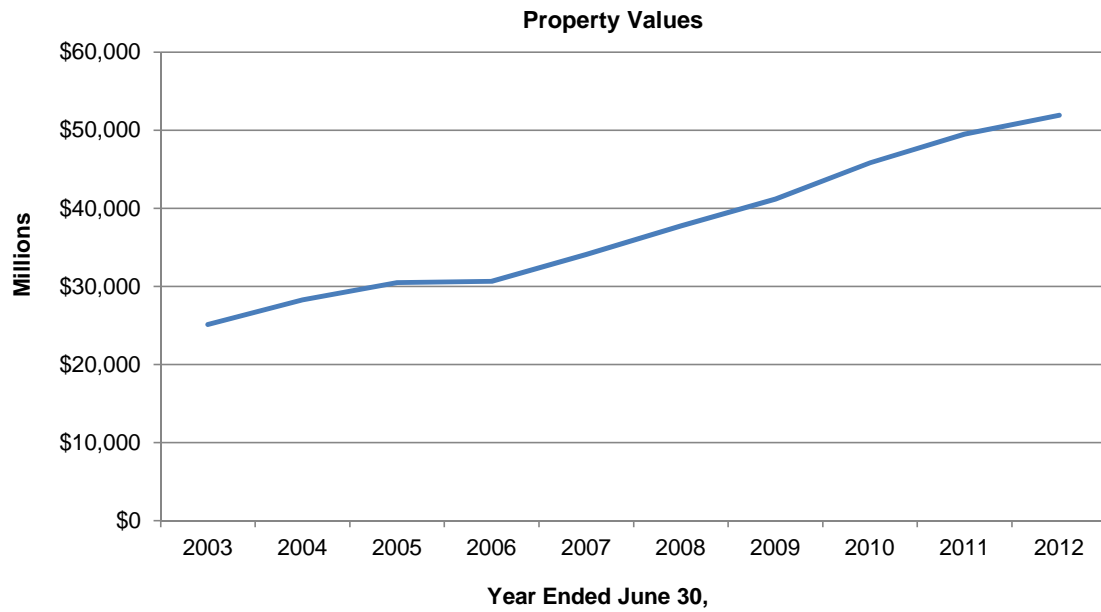
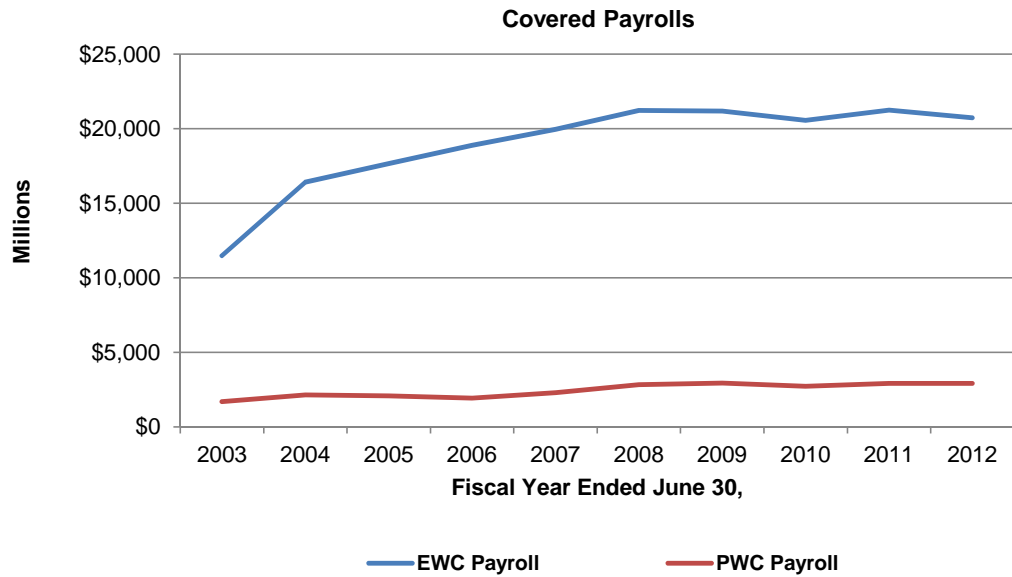
The best economic indicator of the financial stability for the CSAC Excess Insurance Authority is the estimation of incurred claims expense (line 6) and claims paid (line 3) reported in the Schedule of Claim Development and Earned Assessments in the Required Supplemental Information section of the CAFR's Financial Section. Other relevant economic and demographic information would include trends for the number of claims, covered payrolls, property values, and EIA Health employees and lives covered as shown on the following charts.



**CSAC EXCESS INSURANCE AUTHORITY  
ECONOMIC INDICATORS AND INFORMATION  
JUNE 30, 2012**



CSAC EXCESS INSURANCE AUTHORITY  
ECONOMIC INDICATORS AND INFORMATION  
JUNE 30, 2012



**CSAC EXCESS INSURANCE AUTHORITY  
OPERATING INDICATORS AND STATISTICS  
FOR THE TEN-YEAR PERIOD ENDING JUNE 30, 2012**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Full-time Equivalent Employees as of June 30</b>	18	22	29	31	39	43	46	48	51	53
<b>Number of Retirees</b>	1	1	2	3	3	3	3	3	4	4
<b>Square footage of Office Space</b>	6,923	8,078	9,533	13,324	13,324	13,324	13,324	24,448	25,000	25,000
<b>Member Units</b>										
Primary Workers' Compensation	29	36	42	41	43	45	40	40	42	41
Excess Workers' Compensation	77	125	140	148	159	157	161	161	164	166
Primary General Liability	18	29	31	30	30	31	30	30	29	29
General Liability I	67	83	87	87	88	89	94	97	101	103
General Liability II	15	15	15	17	16	16	13	12	11	11
Property	65	68	71	72	72	73	78	78	81	82
Medical Malpractice	45	46	46	46	47	48	49	49	48	50
EIAHealth	0	4	5	6	10	13	12	15	18	24
Employee Benefits	34	40	49	57	87	92	92	115	119	122
<b>Total Member Units</b>	<b>350</b>	<b>446</b>	<b>486</b>	<b>504</b>	<b>552</b>	<b>564</b>	<b>569</b>	<b>597</b>	<b>613</b>	<b>628</b>
<b>Member Counties</b>	<b>53</b>	<b>54</b>	<b>54</b>	<b>54</b>	<b>54</b>	<b>54</b>	<b>55</b>	<b>54</b>	<b>54</b>	<b>54</b>
<b>Member Public Entities</b>	<b>95</b>	<b>128</b>	<b>142</b>	<b>144</b>	<b>144</b>	<b>142</b>	<b>166</b>	<b>196</b>	<b>289</b>	<b>247</b>
<b>Total Members</b>	<b>148</b>	<b>182</b>	<b>196</b>	<b>198</b>	<b>198</b>	<b>196</b>	<b>221</b>	<b>250</b>	<b>343</b>	<b>301</b>