CSAC Excess Insurance Authority Annual Report

Mission Statement

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

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

Who is the EIA?

- a member-directed risk sharing pool of counties and other public entities committed to providing risk coverage programs and risk management services
- recognized as a leader and pioneer in the JPA risk management community
- the first JPA in the State of California to receive the Government Finance Officers Associations' Certificate of Excellence in Financial Reporting (FYE 6/30/94 through FYE 6/30/07)
- achieved the California Association of Joint Powers Authority's highest designation, "Accreditation with Excellence" continuously since 1989
- earned the Association of Governmental Risk Pools recognition in 2007
- one of an estimated 150 joint powers insurance authorities currently operating in California

What does the EIA offer its members?

Most importantly, our Competitive Advantage

volume discounts
blending of self-insurance and insurance
responsiveness to members' needs
long-term relationships

Available Coverages

workers' compensation (primary and excess)
general and automobile liability (primary and excess)
employment practices liability
errors and omissions
property
medical malpractice
employee health and benefits
many other coverages for public entity exposures

Services

loss prevention
technology
legislative review and advocacy
many cost containment service programs

Resources

message board/inquiry forum
informational website
exclusive website area for member-specific information

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Letter to our Members

Dear Members,

Prior to the Revolutionary War, the colonies came under the jurisdiction of the King of England and the English Parliament. Colonial governors were appointed by the King and colonial assemblies were elected to deal with local matters. Before the initiation of the Revolutionary War, these colonies created the Articles of Confederation, followed by the Declaration of Independence, and, finally, the Constitution. The Constitution created a framework for small and large colonies to live together and share in an equitable balance of power.

These historical facts have a significant parallel to CSAC EIA's structure. We are not just small or large counties, cities, school districts or joint power authorities. We are CSAC EIA, created to self-govern and manage the funding of risks in the marketplace. Our creation as an organization is grounded on the premise that no entity has a greater or lesser degree of importance than the other.

The fluctuating capacity and costs in the insurance market bring to mind the words of Benjamin Franklin, "We must all hang together or we shall all hang separately." Nothing could be truer when held in the context of September 11, and hurricanes: Katrina, Rita, Wilma, Gustav and Ike.

Our self-governance creates a dynamic and unique working environment. The work performed by our Board of Directors and our committees increases our ability to learn and grow as professionals. It is a creative process which gives each of us the opportunity to reduce costs for our agencies through the exchange of ideas and in the purchasing power of CSAC EIA. It allows us to keep up with a constantly changing insurance environment, which is influenced by changes in our national economy.

Our membership is made up of risk managers of school districts, cities, and counties; county supervisors; county auditors and chief executive officers of joint power authorities. Our founding fathers, like those of our great nation, succeeded as a group because while they held different opinions they worked successfully in a collective effort for the greater good.

Sincerely,

Ron Harvey
President, CSAC Excess Insurance Authority

Organizational Profile

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

Since inception, the EIA has continued to thrive by providing members with exceptional value and service, as well as the opportunity to actively participate in an organization dedicated to the control of losses and cost-effective risk management solutions.

Providing high quality and efficient services is a top priority of the Board of Directors. Through the efforts of the members and our long-term partner and broker of record, Alliant Insurance Services, the EIA has created programs and services that are stable, secure and have the flexibility to meet the challenges of the dynamic insurance marketplace.

While the membership has enjoyed the fruits of its success over the past 29 years, they have continued to refine, restructure and improve the programs and services to ensure that the members' current and future needs will be met.

Annually, Business Insurance Magazine issues a list of the largest public entity risk pools. In the summer of 2008, the EIA was once again ranked as the largest property and casualty pool in the nation. In order to measure the effectiveness of its services and programs, the EIA participates in the California Association of Joint Powers Authorities (CAJPA) Accreditation Program. Since 1989, the EIA has been awarded their highest designation, "Accreditation with Excellence". In 2007, the EIA was also recognized by the Association of Governmental Risk Pools (AGRiP), a national pooling association. Both the CAJPA Accreditation and AGRiP recognition are indications of exceptional compliance with best management practices. Additionally, the EIA was the first JPA in the state to receive the Government Finance Officers Association's Certificate of Excellence in Financial Reporting (FYE 6/30/94 – 6/30/07). We are currently in the process of submitting information for the fiscal year ending June 30, 2008. These recognitions and achievements reinforce the valuable, effective, efficient and stable organization that the members have built for California's counties and, more recently, other public entities.

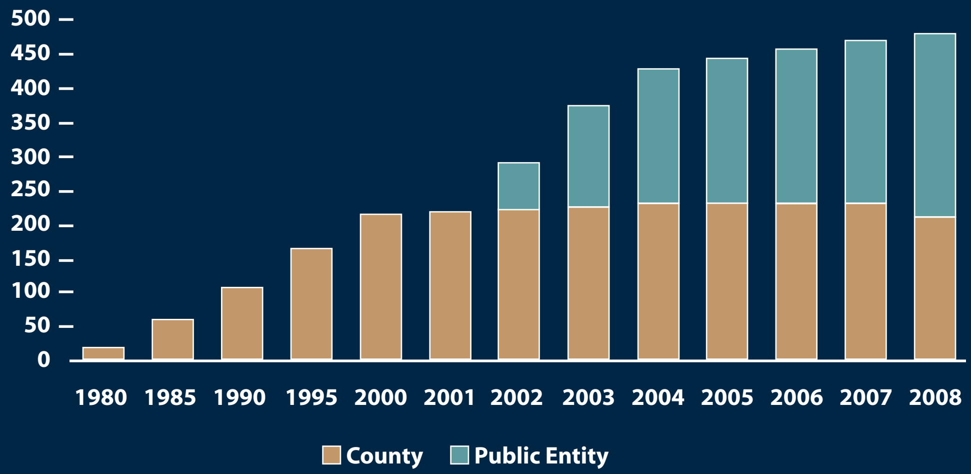
Organizational Profile - *cont.*

2008/09 Membership

Since 2001 when the California Public Entity Insurance Authority (CPEIA) was established as a "sister" JPA to allow other public entities throughout the state access to the EIA's Programs and services, the EIA has seen significant membership growth. Most of the growth occurred during 2001 to 2004 as a result of conditions in the insurance market. As depicted in the graph below, growth over the past couple of years has continued, but at a more steady and controlled pace. Membership is shown in terms of "member units" where each member in each of the programs is counted as one member unit.

Throughout the tremendous growth over the past several years, the EIA has continued to uphold the principles upon which it was established and that have made it so successful — mainly membership involvement and loyalty.

The EIA's 54 member counties represent a 93% market share of the 58 counties in the State. While the Public Entity membership currently consists of 166 organizations, including cities, school districts, special districts, and other JPAs, the actual number of public entities accessing the coverage and services of the EIA are in excess of 1,500. In fact, coverage is being provided, either directly or through a member JPA, to nearly 60% of the cities in California. While future growth within California is likely to continue at a slower pace, the need for high-quality, low-cost insurance programs remains strong by county-affiliated agencies and local government entities. A full membership listing, including program participation and current self-insured retention/deductible levels, is provided on pages 37 to 44.



Membership Involvement

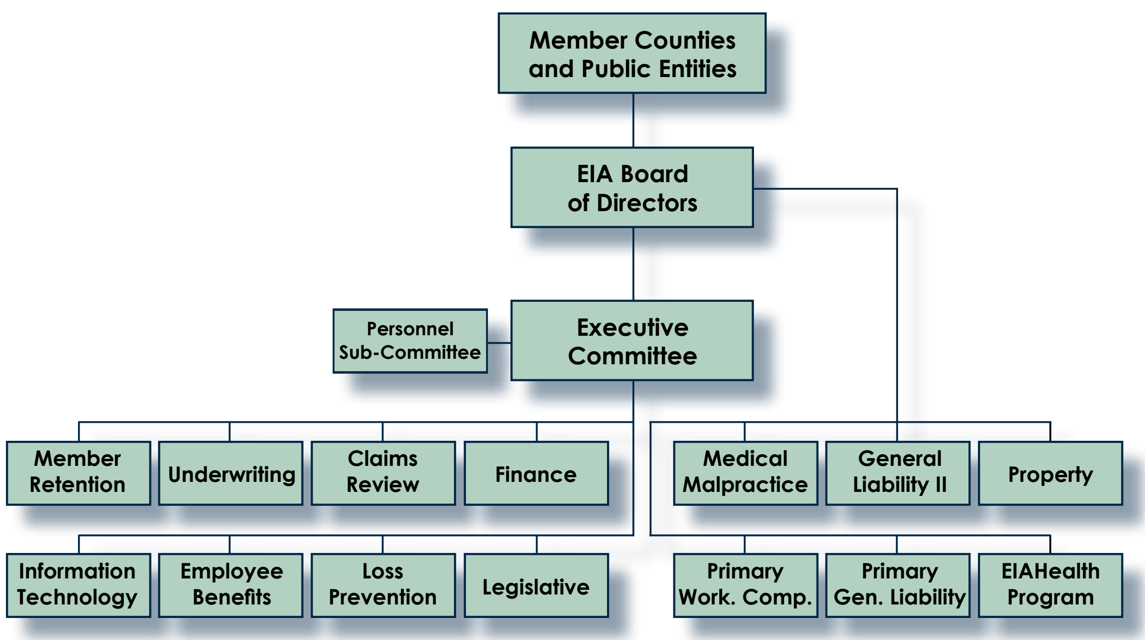
The EIA members generously provide their time, expertise and leadership by serving on the Board of Directors and through their involvement on one or more of the EIA's sixteen committees. The member's active participation in the development, oversight, and future direction of the EIA's programs and services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

Membership involvement is the hallmark of the EIA and the key to the success of the organization.

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

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

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



Member Programs & Services

Major Coverage Programs

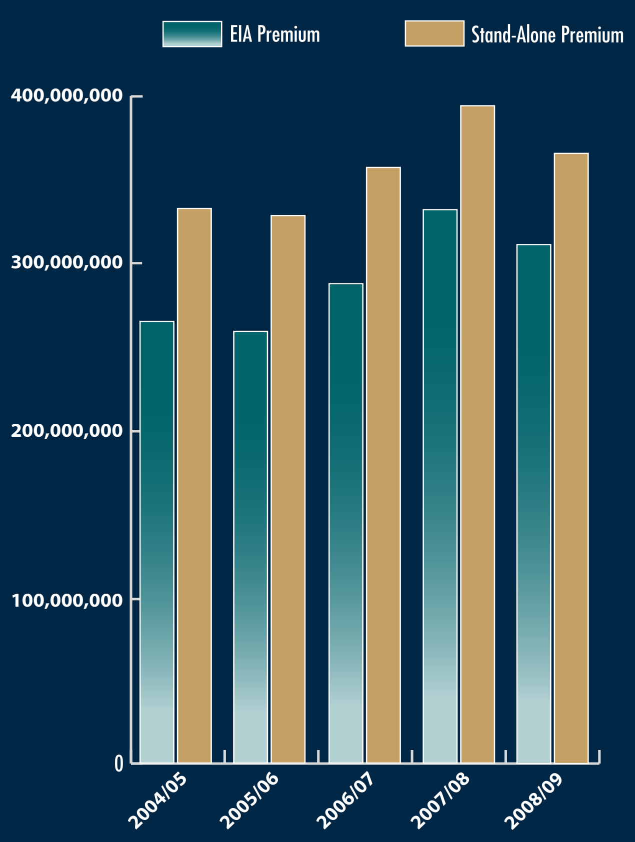
The EIA members have established eight major coverage programs. These programs are described in greater detail throughout this report. The EIA has dramatically reduced insurance costs for the members by leveraging the combined purchasing power and financial size of the group. All eight major programs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

The risk pooling concept allows the program structures to adapt to current insurance market conditions. During hard market conditions, when insurance rates raise above the cost to actuarially fund the group's exposures the pools expand and less insurance is purchased. When insurance rates decrease to the point where it is more cost effective to purchase insurance, the pools contract and additional insurance is purchased.

The EIA is able to leverage the purchasing power of its membership to secure more cost-effective coverage than members could on their own. This strategy of leveraging volume has also benefited non-members because of the competitive role the EIA has assumed in the public sector insurance marketplace. Annually, the EIA compares the cost of its major programs to the estimated cost members would pay if they were purchasing similar coverage on their own. To the left is a chart showing the premium paid over the last five years by the EIA members and the premium that is estimated would have been paid by members individually. In just the past 5 years, the EIA has saved California's counties and member public entities over $334 million.

Major Coverage Programs

Five Year Cumulative Premium vs.
Estimated Stand-Alone Cost



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

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

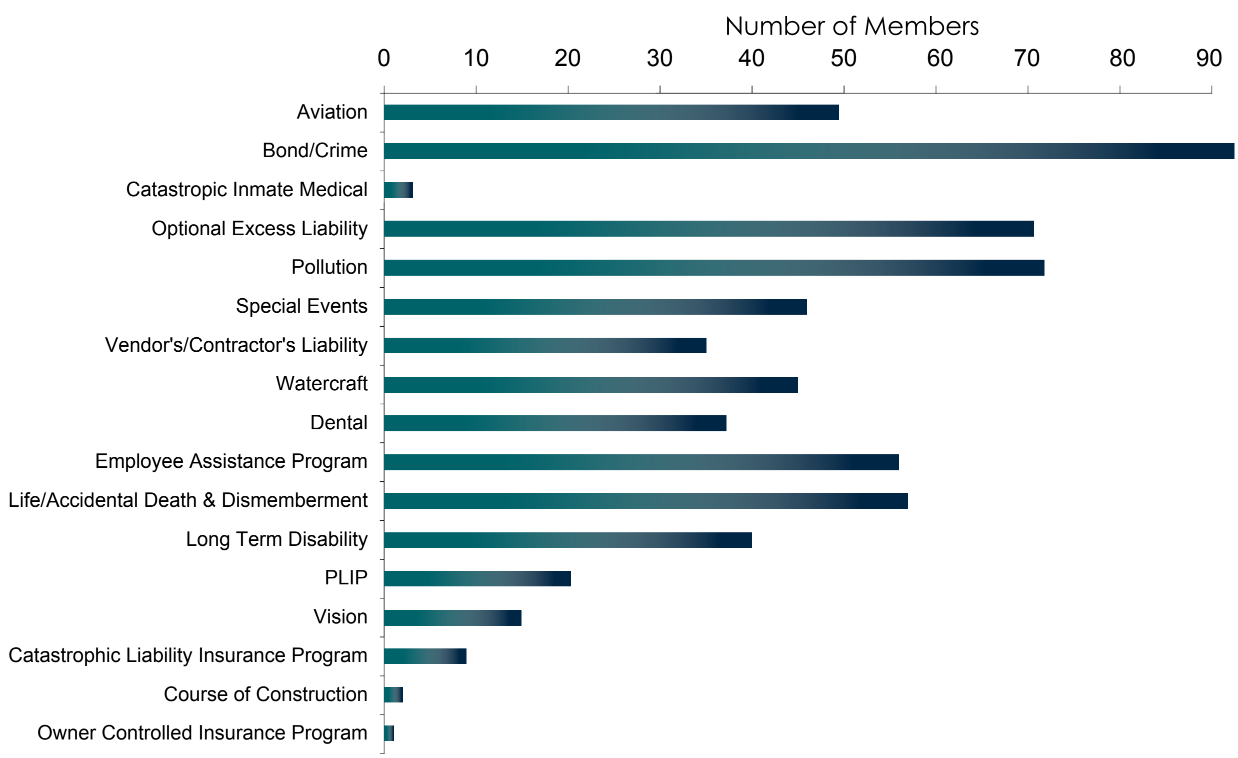
Miscellaneous Employee Benefits Programs

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

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

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

2008/2009 Miscellaneous Program Participation



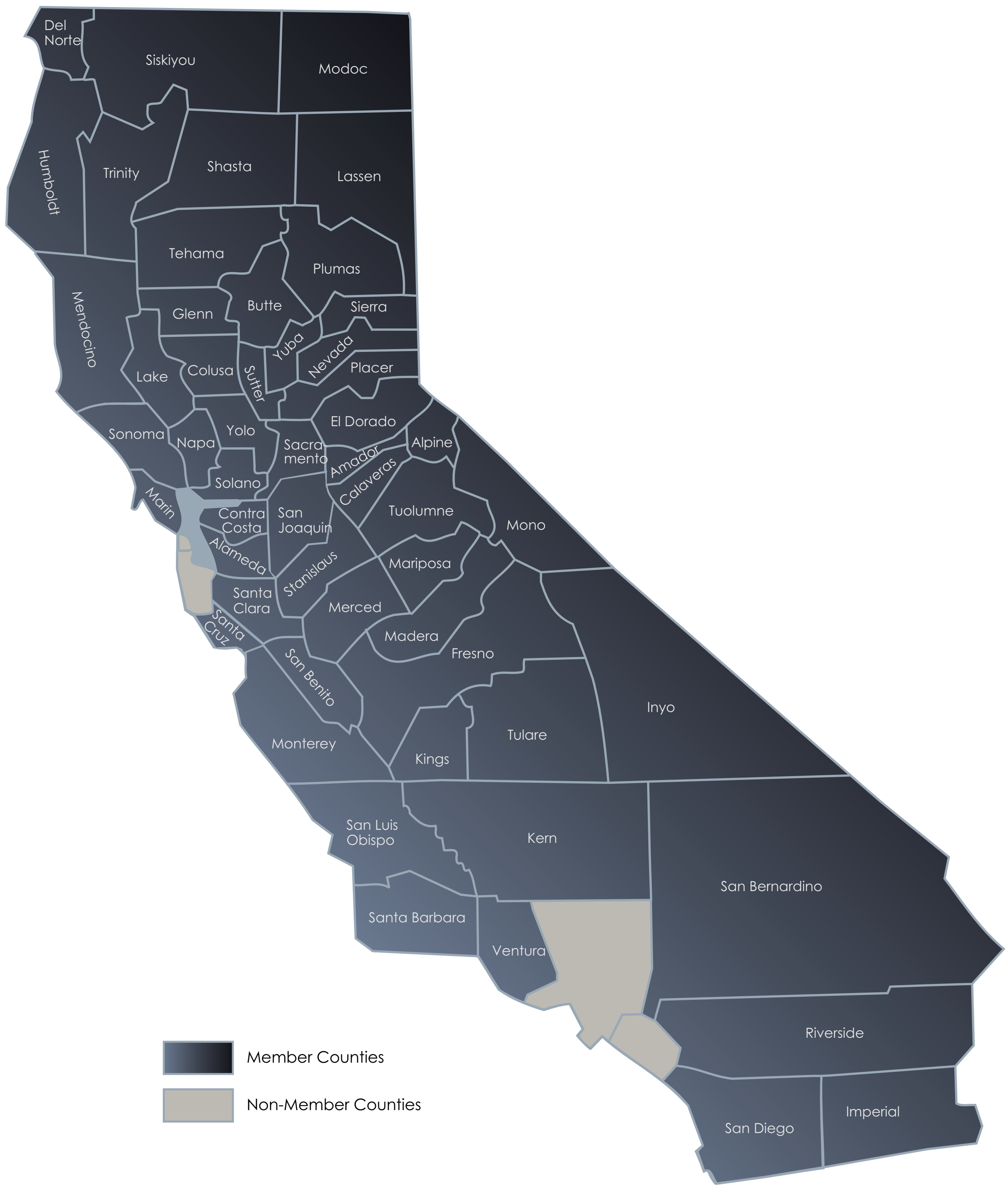
Member Programs & Services *- cont.*

Member Services

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

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

EIA's 54 Member Counties



Primary Workers' Compensation

By blending self-insurance mechanisms with insurance products, the PWC Program has successfully created a low-cost alternative to self-insurance.

The Primary Workers' Compensation (PWC) Program became operational on July 1, 1997. This unique program was initially conceived to address competitive pressures from the insurance industry as insurers were offering very attractive rates to public entities on a short-term basis, but without addressing their long-term needs.

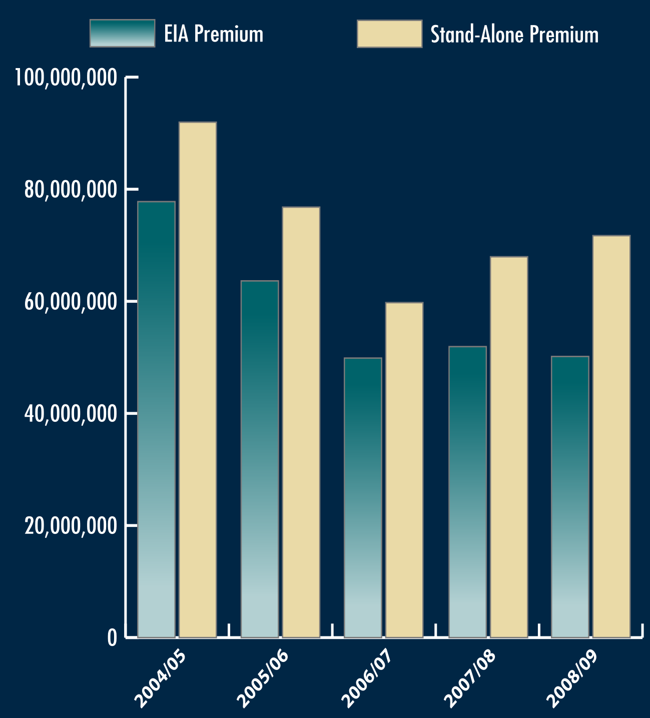
The EIA members created the PWC Program to address both the short-term and long-term needs of members by forming a partnership with the insurance industry. The Program includes a self-funded pool, from the first dollar of loss up to $125,000 per occurrence, and is based on the concept of a pool protected by aggregate stop loss reinsurance. Coverage in the Program is broad and provides for seamless transition to the Excess Workers' Compensation Program for claims in excess of the PWC Program's $125,000 limit, as depicted in the exhibit on the following page.

The aggregate stop loss feature of the PWC Program is unique in today's workers' compensation market, and would likely be unavailable or prohibitively expensive if it was being developed in the current insurance environment. In 2006, the Program entered into a, multi-year partnership with Imagine Insurance Company. This partnership will ensure the members continue to receive the long-term benefits of low-cost coverage and rate stability within this full-service Program.

Program premiums are based on the actuarially determined expected cost for each member and include a rate smoothing mechanism to provide rate stability from year to year. To the left is a chart illustrating the over $73.4 million in savings that members have realized when compared to the actual funding recommendations of the actuary at the 85% confidence level for the past 5 years. During the 2008/2009 year alone, we estimate the members have saved $22.4 million by participating in the PWC Program.

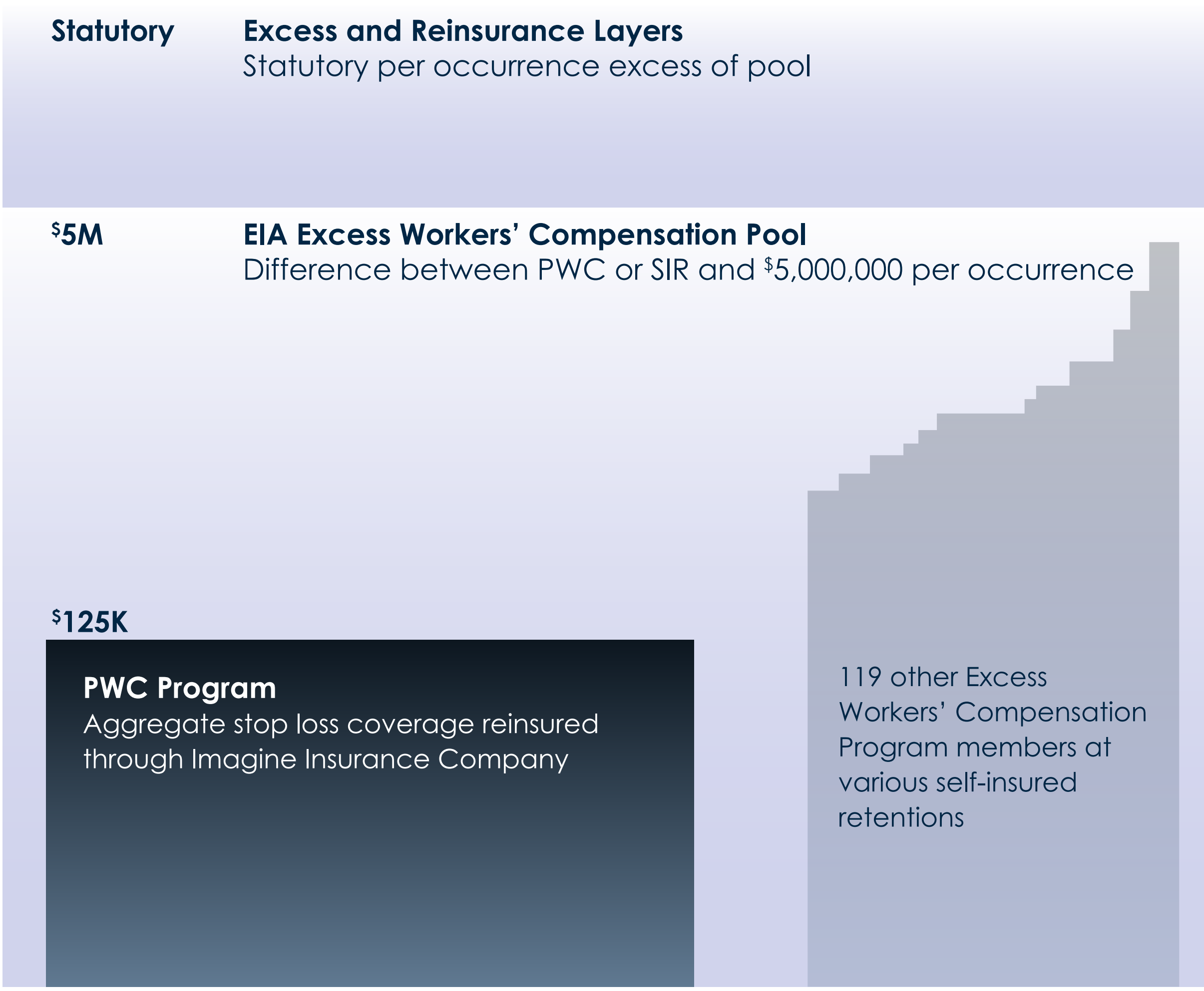
Primary Workers' Compensation

Five Year Cumulative Premium vs.
Estimated Stand-Alone Cost



The Program members' active involvement in the PWC Committee, which oversees the administration of the Program, has been a key component to the Program's enduring success. Together, the members have developed innovative service programs designed to meet the needs of the individual members, while reducing the overall costs for the entire group at the same time. Most recently, programs have been implemented to: facilitate early return to work by injured employees, provide a mechanism for early reporting of work-related injuries, and better manage medical treatment.

Primary Workers' Compensation 2008/2009



Excess Workers' Compensation

The first EIA Program established was the Excess Workers' Compensation (EWC) Program in November 1979. Since its formation, the EWC Program has been restructured many times to provide the members with the best coverage at the lowest possible cost.

Following the events of 9/11, purchasing high levels of excess insurance was cost-prohibitive or in some cases the coverage was non-existent. As the insurance market has settled over the past couple of years, the EIA has leveraged its relationships and premium volume in order to secure as much coverage as possible. This year, the EIA was able to expand coverage in the EWC Program to provide statutory limits without raising rates to the members. This was a significant achievement that would not be possible without the relationships and reputation that the EIA has established in the marketplace.

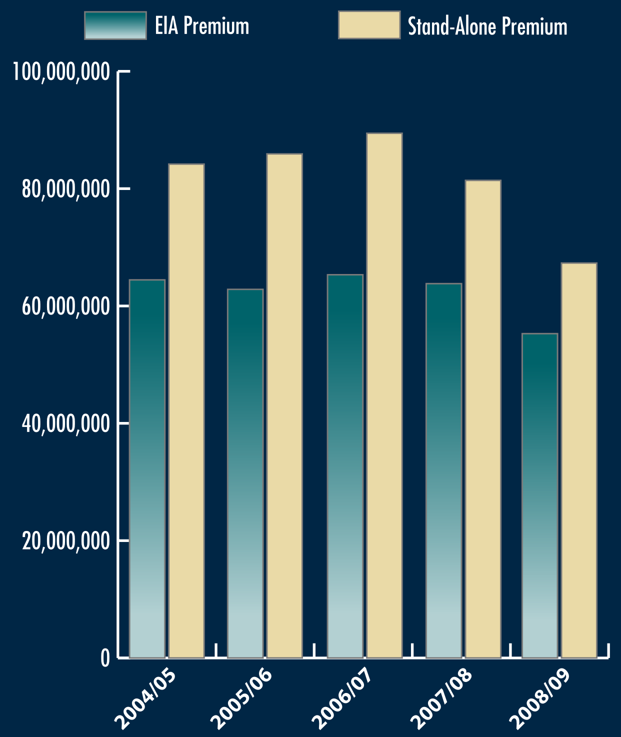
In 2003/04, the EWC Program declared an assessment to fund a pool deficit. The EIA was not alone in facing a deficit, as many other workers' compensation JPAs experienced a similar situation due to the nature of workers' compensation claims and the status of the system in California. While some JPAs took a less aggressive approach, the EWC Program members took immediate corrective action.

Now, just a few years later, we have determined that declaration of the assessment has improved the overall funding position of the EWC Program, and we are in a healthy financial position with net assets well within our target range.

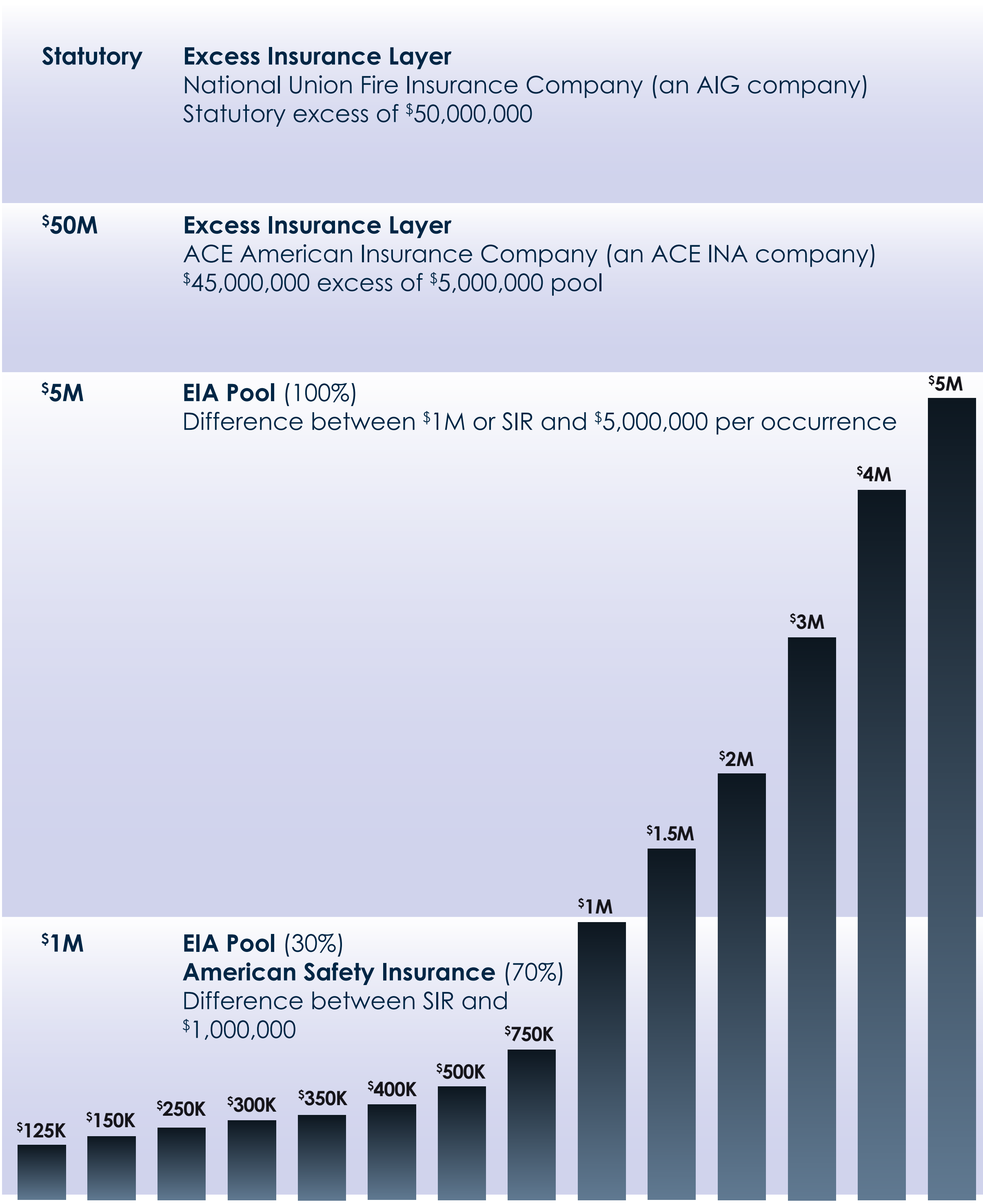
Today, because of the continual restructuring and significant volume, the EWC Program has the financial strength and flexibility to react and withstand market conditions. Therefore, members are assured they will receive the best possible coverage at the lowest cost for many years to come. Below is a chart illustrating the $91 million savings members have achieved by participating in the EWC Program over the past 5 years alone.

Excess Workers' Compensation

Five Year Cumulative Premium vs.
Estimated Stand-Alone Cost



Excess Workers' Compensation 2008/2009



Primary General Liability

The Primary General Liability (PGL) Program became operational on July 1, 1998, with 3 charter members. Through this Program, members of the General Liability I Program are able to eliminate their self-insured retention and purchase primary, low-deductible coverage. Because the Program is considered a "primary" program, the EIA assumes responsibility for the claims administration and provides a duty to defend members for potentially covered claims. Coverage is broad and provides a seamless transition to the General Liability I Program.

Similar to other EIA programs, the PGL Program structure has changed over the years to adjust to market fluctuations while continuing to meet the members' needs. Currently, the PGL Program reinsures its full limits through agreement with Imagine Insurance Company. Premiums are actuarially developed based on each member's own loss experience and are equivalent to funding at the 80% confidence level. However, members receive protection equivalent to funding at a 95% confidence level as a result of the Program's reinsurance coverage.

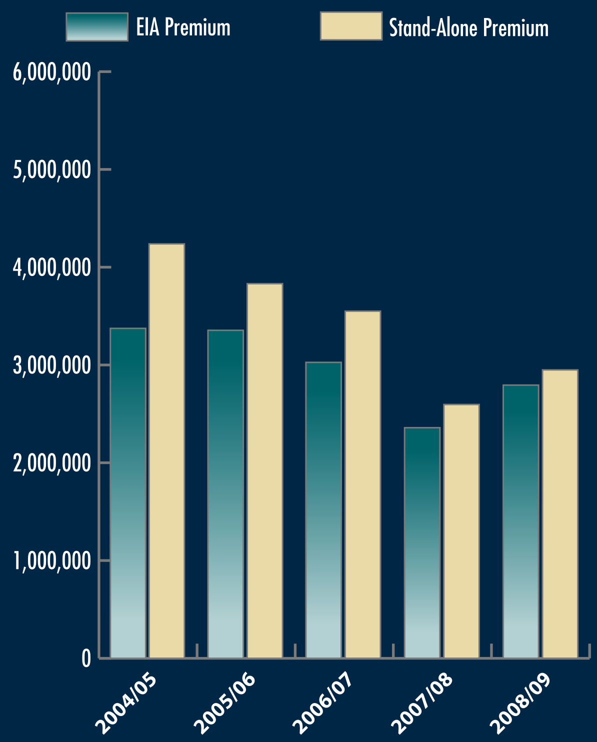
Last year the PGL Committee, which is responsible for deciding all matters related to the Program, secured an extension of the partnership with Imagine Insurance Company for the next 5 years.

The current structure and the long-term commitment with our reinsurance partner are further examples of how volume and long term relationships have produced additional security, stability and reduced pricing for the members.

The chart below indicates the $1.9 million in savings that members have realized for the past 5 years when compared to what it would cost to purchase similar coverage and services in the marketplace.

Primary General Liabiltiy

Five Year Cumulative Premium vs.
Estimated Stand-Alone Cost



Primary General Liability 2008/2009

$100M — **Catastrophic Liability Insurance Program**
$15,000,000 to $65,000,000 excess of underlying
(if applicable)

$35M — **Optional Excess Liability Program**
$5,000,000 to $20,000,000 excess of underlying
(if applicable)

$15M — **Excess and Reinsurance Layers**
$10,000,000 excess of $5,000,000 pool

$5M — **EIA General Liability I Pool**
Difference between PGL or SIR and $5,000,000

$100K

PGL Program reinsured through Imagine Insurance Company
$90,000 excess of deductible

$10,000 deductible

64 other General Liability I Program members at various self-Insured retentions

General Liability I

Launched in 1980 as a joint-purchase insurance program, the General Liability I (GLI) Program has evolved into one of the largest and most successful municipal pooling programs in the United States.

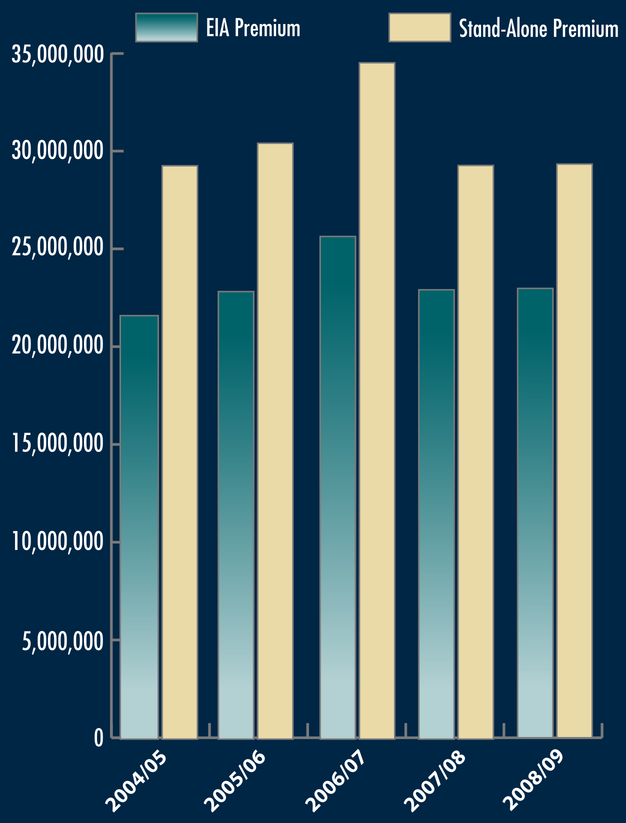
Today, like the Excess Workers' Compensation Program, the GLI Program utilizes a combination of pooling and purchasing of excess coverage which has given the members the ability to respond to changing market conditions.

The GLI Program is able to enjoy the combined benefits of self-funding and catastrophic protection through the joint purchase of reinsurance. Due to our long-standing relationship with Insurance Company of the State of Pennsylvania (an AIG company) on this, as well as other EIA programs, the GLI Program was successfully renewed on July 1, 2008 with a flat premium. Additionally this year, due to the Program's favorable funding position, we were able to return a dividend of $2 million to members.

The chart below illustrates the savings members have achieved through participation in the GLI Program compared to what it would have cost for similar coverage and services in the open market. In just the past 5 years, this savings is estimated at an amazing $34.2 million.

General Liabiltiy I

Five Year Cumulative Premium vs.
Estimated Stand-Alone Cost



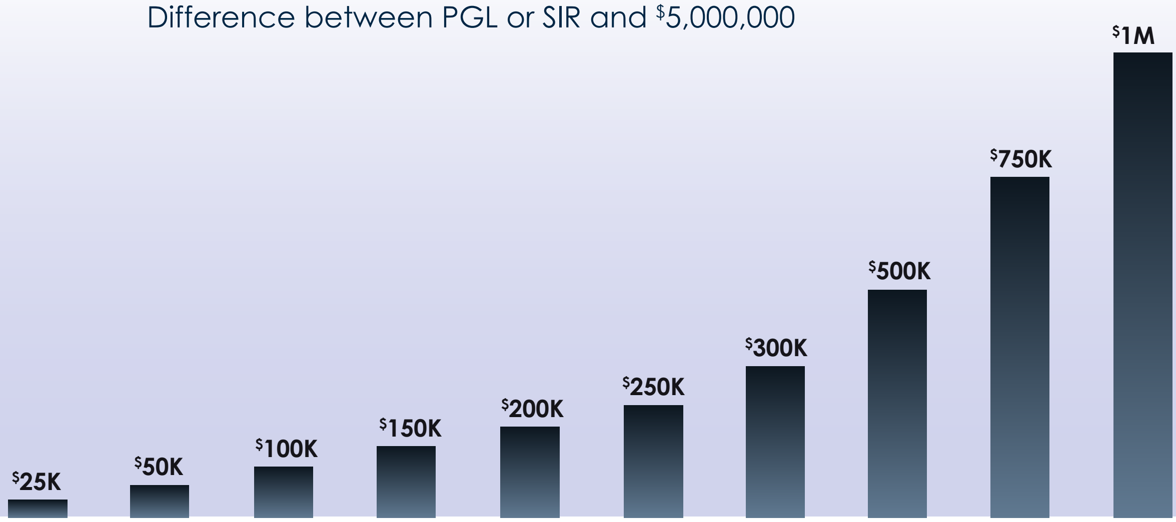
General Liability I 2008/2009

$100M **Catastrophic Liability Insurance Program****
$15,000,000 to $65,000,000 excess of underlying
(if applicable)

$35M **Optional Excess Liability Program***
$5,000,000 to $20,000,000 excess of underlying
(if applicable)

$15M **Reinsurance and Excess Insurance Layers**
Insurance Company of the State of Pennsyvania (an AIG company)
$10,000,000 excess of $5,000,000 pool

$5M **EIA Pool**
Difference between PGL or SIR and $5,000,000



*60 GLI Program members purchase additional limits through the Optional Excess Liability Program
**6 GLI Program members purchase additional limits through the Catastrophic Liability Insurance Program

General Liability II

The General Liability II (GLII) Program was established on February 15, 1991. This Program provides general liability, auto liability, errors and omissions and employment practices liability coverage on a broad manuscript form. One of the unique features is the supplemental coverages that are incorporated into the Program. Excess Workers' Compensation coverage is provided above the members' underlying coverage and excess Medical Malpractice coverage is provided above $10 million.

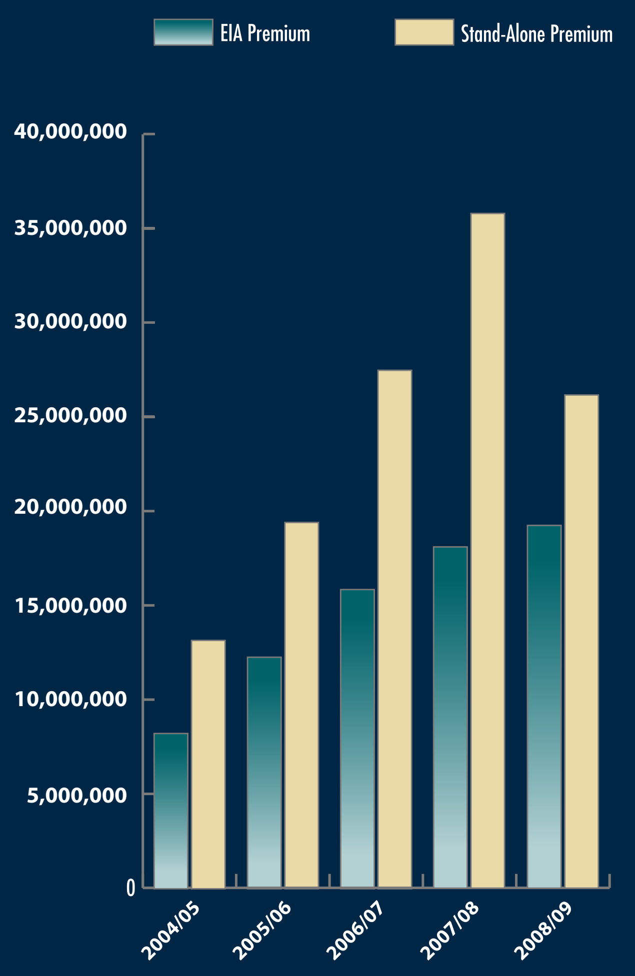
Coverage in GLII is nearly identical to the EIA's GLI Program. However, GLII was specifically designed with the objective of offering larger members the advantages of the joint purchase of excess coverage while maintaining their ability to handle and fund their primary losses.

Members of the GLII Program have enjoyed the benefits of a long-term relationship with AIG going back to the inception of the Program.

This year's renewal was challenged by the Program's loss experience. Due to the Program's long-standing relationship with Insurance Company of the State of Pennsylvania (an AIG company), the Program was successfully renewed on July 1, 2008; however, premiums increased and some new coverage terms were added, particularly with regard to claims.

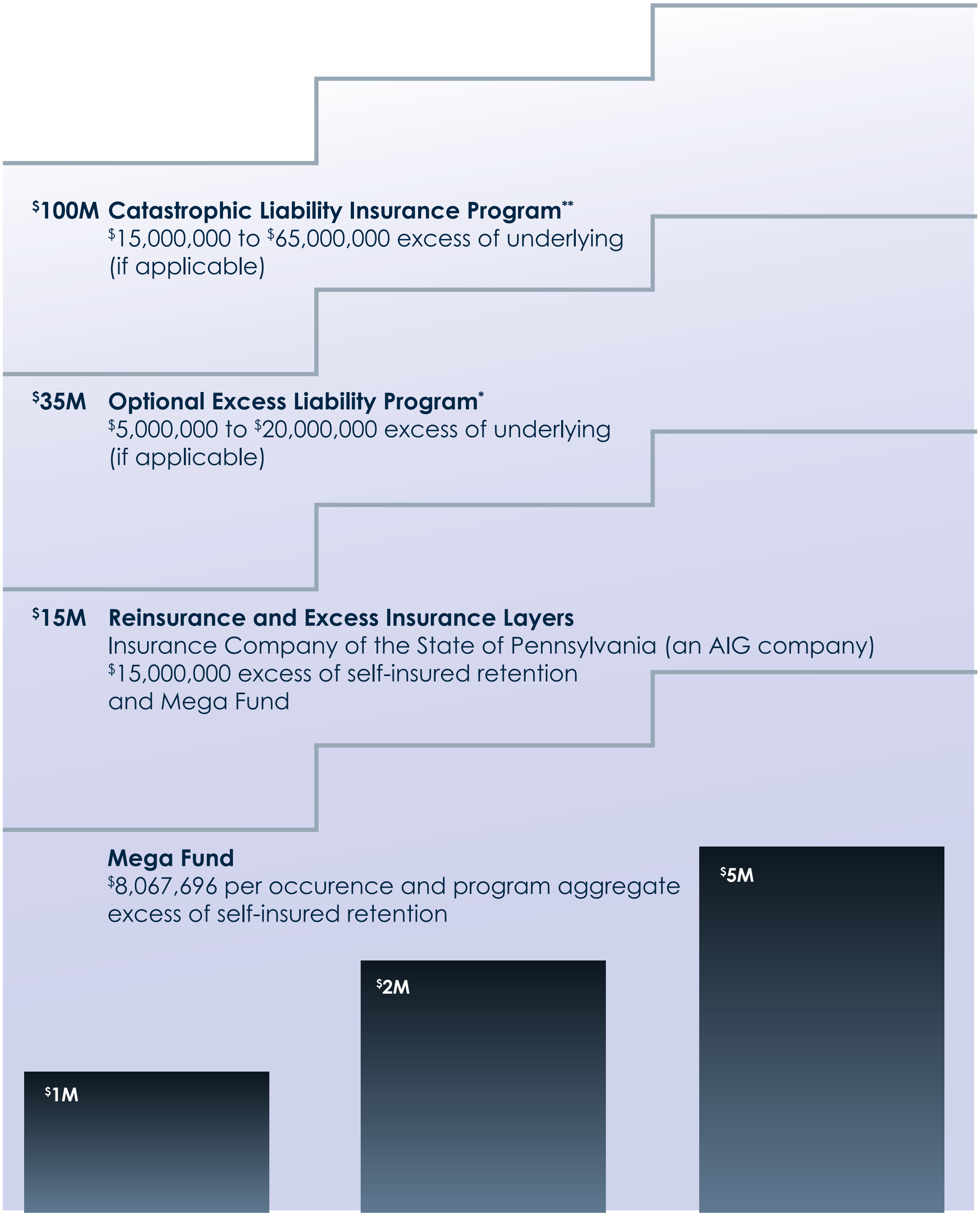
General Liabiltiy II

Five Year Cumulative Premium vs.
Estimated Stand-Alone Cost



The GLII Program is governed by the GLII Committee which is comprised of a representative from each participating county and one public entity representative. Through the members' commitment and involvement, the GLII Program will continue to provide a cost-effective program designed to meet the needs of the members. The graph to the left depicts the cost savings, approximately $36.6 million, the members have realized through participation in the GLII Program over the past 5 years.

General Liability II 2008/2009



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

**3 GLII Program members purchase additional limits through the Catastrophic Liability Insurance Program

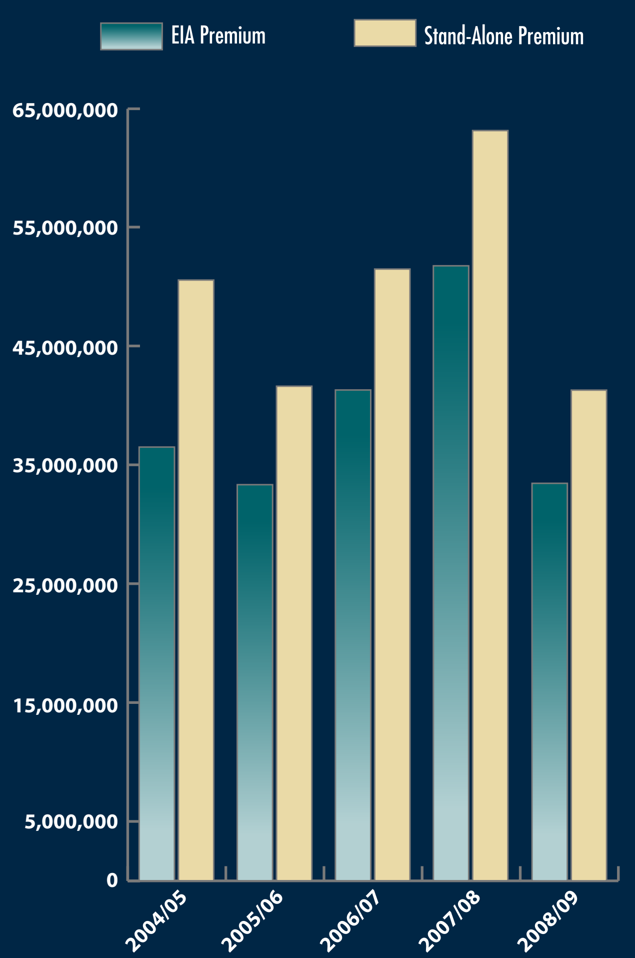
Property

Now in its 24th year, the Property Program is a highly successful program featuring limits to $600 million per tower for all-risk coverage on buildings and contents and $365 million for earthquake coverage. With 77 members, including 51 member counties, the Property Program is one of the EIA's most popular programs.

The Property Program must always be proactively adjusted to meet both increasing demand for coverage as well as the dynamic insurance marketplace. The volume and success of the Program has led to creative solutions in solving the difficult problems associated with earthquake coverage. The Program is currently structured with an aggregated pool, above which excess layers of coverage are placed and exposure is allocated amongst separate "towers" to diversify the risk geographically. Based on market conditions and capacity, the number of towers has grown from the original two, to a high of eight, and finally decreased to the current seven in 2003. In addition to the excess towers, the EIA has expanded and contracted the pooled layer of coverage, which has ranged from zero to $3 million per occurrence. The current pool is $3 million per occurrence, limited to an aggregate of $10 million for all claims for the 2008/09 year. This year, the Program was able to secure second event earthquake coverage. This purchase will allow the Program to reinstate its earthquake limits in the event of a limit exhausting earthquake. The benefit of long-term relationships with insurers and underwriters is most apparent in this Program. Following the devastating hurricane season of 2005 and its enormous impact on insurers world-wide, the market hardened almost overnight. For those without historical relationships with insurers or underwriters, coverage in some cases was not available. As one of the world's largest buyers of insurance protection for California earthquake exposures, the EIA's long-term relationship with Lexington Insurance and the excess markets served the members well. The EIA was not immune to rate increases or restrictions in coverage, but the members fared far better through the EIA than they would have on their own. With the Property Committee's leadership and support of the members, the EIA's Property Program will continue to endure insurance market swings to fulfill the mission of providing the best coverage at the most affordable price well into the future.

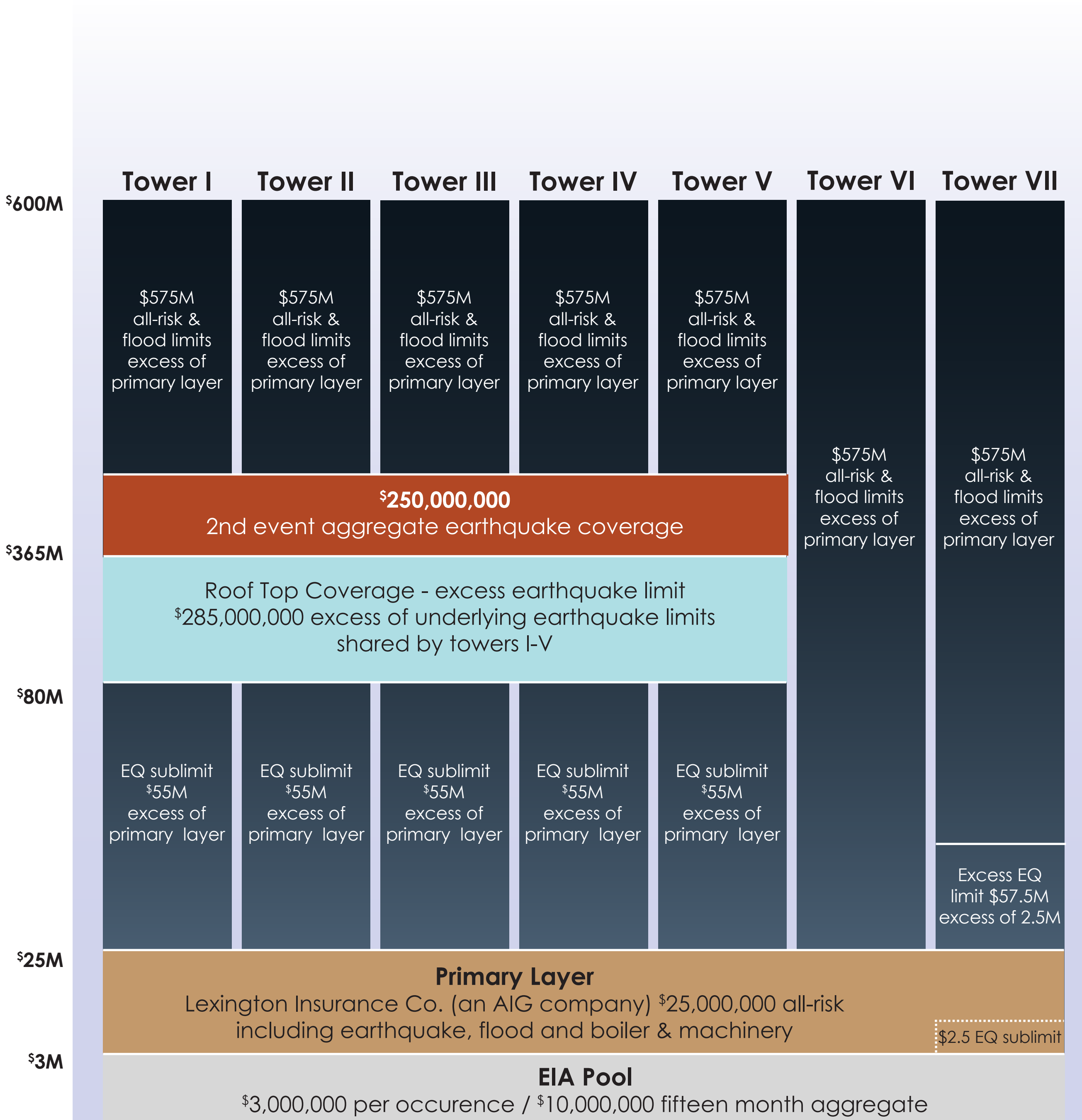
Property

Five Year Cumulative Premium vs. Estimated Stand-Alone Cost



The unique structure of the Property Program and its risk sharing features have afforded members higher loss limits, reduced costs, and produced coverage stability. In just the past 5 years, it is estimated that the members have saved $52.5 million, as illustrated in the chart to the left.

Property 2008/2009



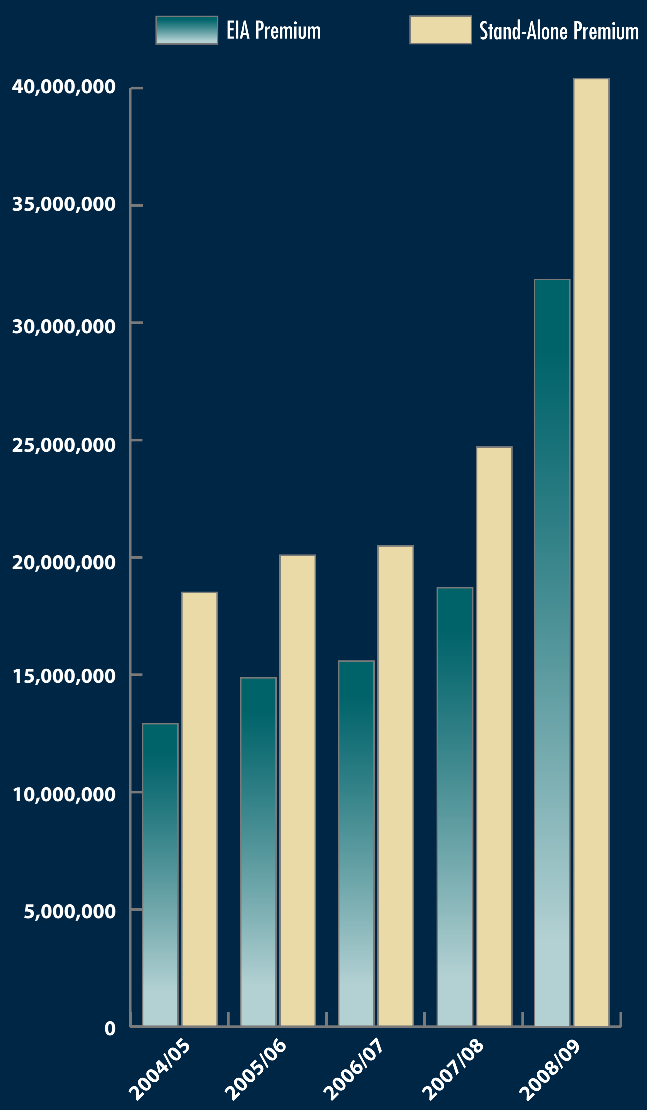
Medical Malpractice

The Medical Malpractice Program was established on June 1, 1988. The Program has since grown to provide coverage to 45 counties and two cities, with exposures ranging from large acute care hospitals to small public health clinics. This unique Program is divided into two groups for underwriting purposes — Program I for members with self-insured retentions and Program II for members with deductibles. The two programs share a common pooling layer designed for potential dividends, risk sharing, and program flexibility.

The Program provides medical malpractice, general liability, and blanket contract health professional coverage at all health facilities. Its flexibility is most evident in the broad coverage form used and its unique structure. The Program has been reinsured with Lexington Insurance Company (an AIG company) through a series of multi-year agreements since 2000. This year, the Program's limits were increased by $10,000,000 per occurrence. This excess layer was placed with Illinois Union Insurance Company (an ACE INA company).

Medical Malpractice

Five Year Cumulative Premium vs.
Estimated Stand-Alone Cost



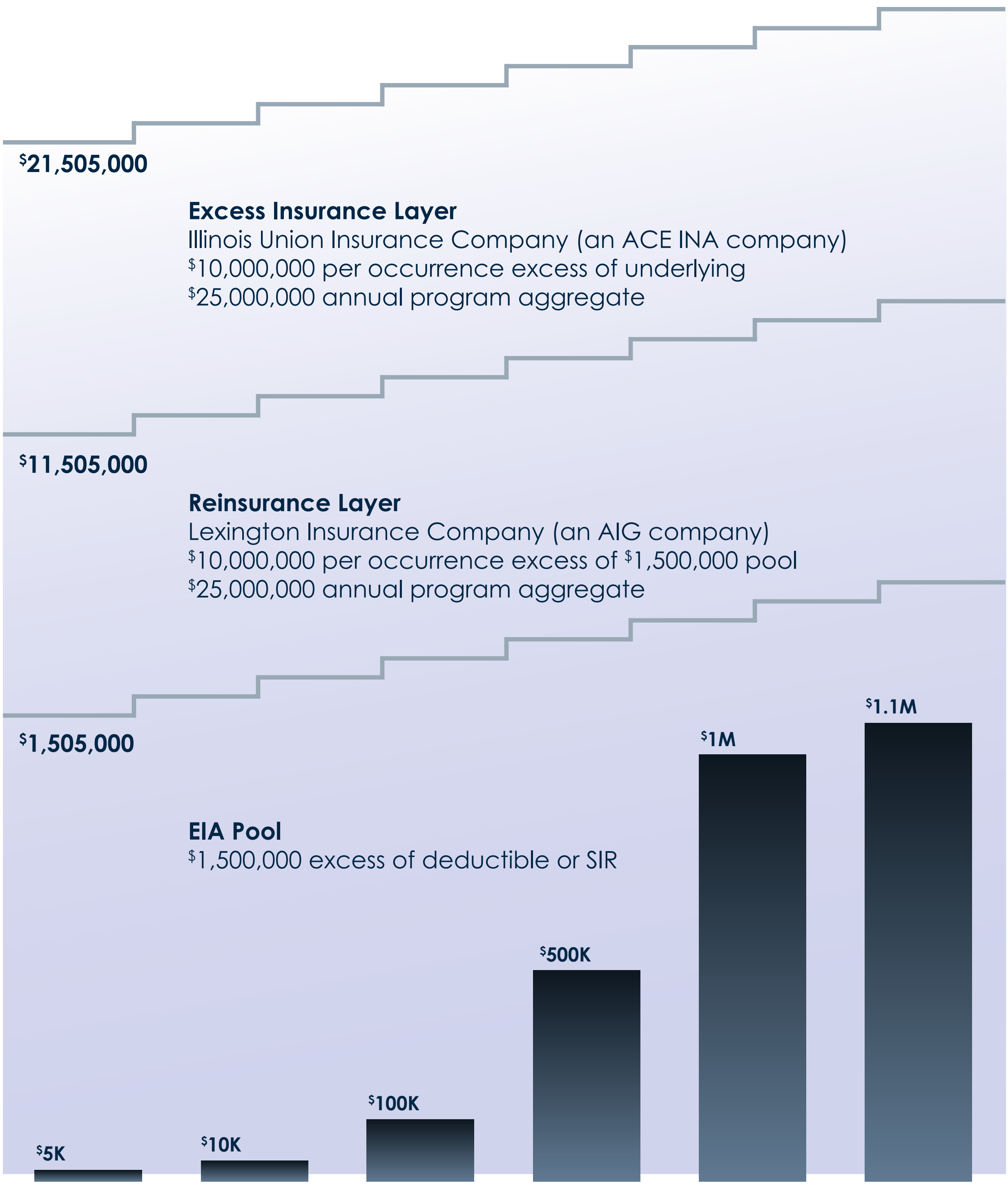
The EIA continues to utilize Risk Management Services, Inc. (RMS) to provide claims monitoring and risk management services to Program I members and primary claims adjusting and risk management services to Program II members. RMS also provides significant loss prevention medical malpractice services to members. The superior level of service and value to the members is an important piece that has contributed to the success of the Medical Malpractice Program.

The Program's success has also been linked to its ability to remain competitive and flexible.

As the members' responsibilities and mechanisms for providing health care services to the public change, so too will the Medical Malpractice Program in order to meet the challenge of dealing with changing exposures at the lowest possible cost.

The chart to the left illustrates the low cost of coverage in the Program compared to the costs the members would have paid on their own. Over the past 5 years, the estimated savings are an amazing $28 million.

Medical Malpractice 2008/2009



EIAHealth

The EIAHealth Program is the EIA's newest major program. Launched in July 2003 with participation from three counties, the Program was developed as an alternative to group health insurance plans using the concepts of pooling to reduce insurance premiums through consolidating the fixed costs over a larger population. The success of the Program is evident in its growth in the first 5 years of the Program's existence, increasing membership to 5 counties, 6 cities, and 2 joint powers authorities.

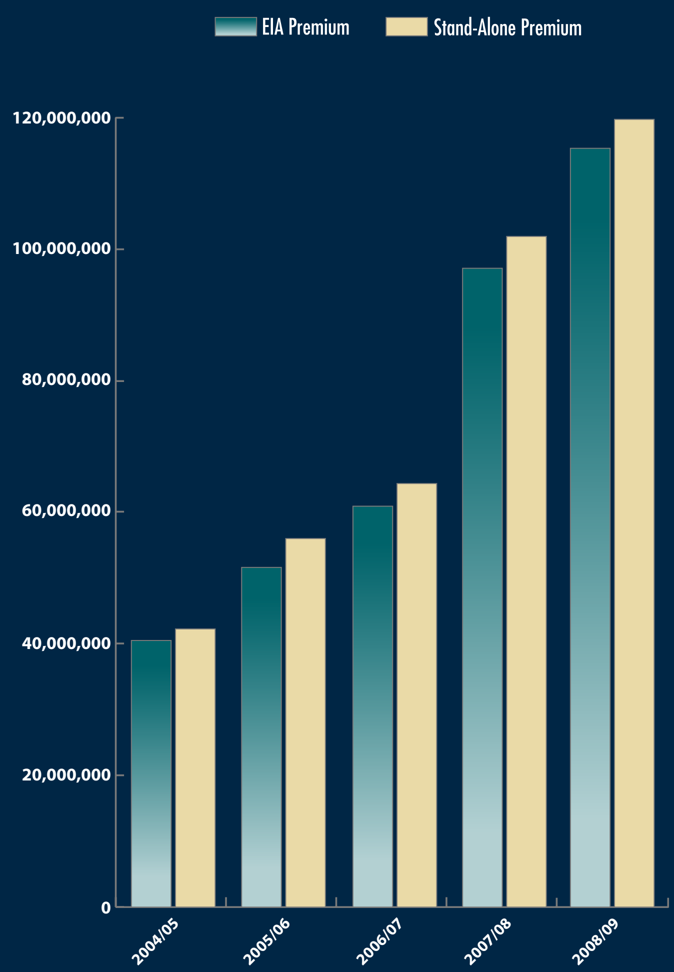
The EIAHealth Program gives members the ability to either duplicate their in-force benefit plans within the pooled structure or select from a large list of available plans within the Program at competitive rates.

Members have more control of plan design and plan structure than offered by CalPERS or other trusts, and greater opportunity for financial stability than is available on a stand-alone basis.

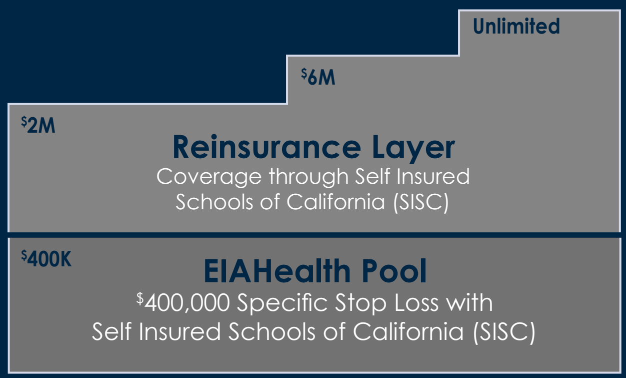
The risk-sharing concepts used in developing the EIAHealth Program are relatively new to employee benefits programs. Increased volume in terms of number of members and covered lives is key to providing a greater level of predictability and stability. The EIAHealth Program has formed a partnership with Self Insured Schools of California (SISC). This relationship and collaborative effort not only gives the Program more stability, it has also provided an opportunity for lower rates and savings in the fixed costs of the Program. In addition, the partnership also provides the ability to expand the offering of coverages to include HMO benefits to members in the urban areas. While the savings resulting from the partnership with SISC are just beginning to materialize, members have saved almost $15.8 million by participating in the Program since its inception. This savings is illustrated in the graph to the left.

EIAHealth

Five Year Cumulative Premium vs.
Estimated Stand-Alone Cost



EIAHealth Program 2008/2009



EIA Leadership

2008 Executive Committee

President
Ron Harvey, Contra Costa County

Vice President
Supervisor Peter W. Huebner, Sierra County

Members
Peggy Scroggins, Colusa County
Larry Moss, East Bay Regional Park District
Scott Schimke, Golden State Risk Mgt. Authority
Ron Grassi, Imperial County
Kristin McMenomey, Mendocino County
James Brown, Merced County
Jim Sessions, Riverside County
Lance Sposito, Santa Clara County
Marcia Chadbourne, Sonoma County
David L. Dolenar, Stanislaus County

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

2009 Executive Committee

President
Supervisor Peter W. Huebner, Sierra County

Vice President
Lance Sposito, Santa Clara County

Members
Peggy Scroggins, Colusa County
Ron Harvey, Contra Costa County
Larry Moss, East Bay Regional Park District
Scott Schimke, Golden State Risk Mgt. Authority
Ron Grassi, Imperial County
James Brown, Merced County
Supervisor Robert Meacher, Plumas County
Jim Sessions, Riverside County
David L. Dolenar, Stanislaus County

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

Director Emeritus
Supervisor Dick Mudd, 2000-Present

Legal Counsel
Stephen Underwood, Santa Barbara County

Senior Management
Robert Adams, Chief Financial Officer
Laura Turlington, Chief Information Officer
Dan Calabrese, Chief Investment Officer
Michael Fleming, Chief Executive Officer
Jack Blyskal, Chief Claims Officer
Gina Dean, Chief Operating Officer

Financial Letter

October 24, 2008

Board of Directors:

We have prepared basic financial statements for the year ended June 30, 2008. Once again, we are very pleased to report that your organization continues to be financially strong. Our independent auditors have issued their unqualified opinion that our financial statements present fairly our financial position and results of operations and cash flows.

We have included in this report excerpts from the Excess Insurance Authority's Comprehensive Annual Financial Report (CAFR) for the years ended June 30, 2008 and 2007, including the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets. Following the financial statements is a graphical display by program of our 2007/2008 expenses. Please refer to the full CAFR, which include the complete financial statements, footnotes and required supplemental information for more complete information on the EIA's financial position.

The statements include comparative balances from the award winning Comprehensive Annual Financial Report for June 30, 2007. CSAC Excess Insurance Authority received the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting. This certificate is the highest form of recognition for excellence in local government financial reporting and represents a significant accomplishment by the EIA. The certificate is awarded to CAFRs that conform to program standards and generally accepted accounting principles. The certificate is valid for a period of one year. We believe that our CAFR continues to conform to the Certificate of Achievement program requirements and are submitting our 2008 CAFR to the GFOA.

Total assets grew to $540 million, a 16% or $73 million increase over 2007. The asset growth was necessary to provide for the additional member claim liabilities retained by the EIA. We began the year with claim liabilities of $328 million; we added $130 million for new claims and development of existing claims; we made claim payments of $81 million; leaving an ending claim liability balance of $377 million, a 15% increase over 2007. Our net asset balance of $138 million represents a 24% increase or $26 million over 2007. Our target net asset range is $134 million to $176 million. Total revenue of $408 million represents a 20% increase over 2007. Premium rates approved by the Board of Directors for all major programs were set with the intent to improve our financial position. Revenues include $30 million from our investments. Investment income includes $2.8 million of market gains which have been subsequently lost due to the national economic crisis. Expenses increased by 33% to $381 million. Primary and excess workers' compensation claim costs increased while general liability and medical malpractice claim costs were less than expected. Future rates and budgets adopted by the Board of Directors are designed to continue this positive trend to strengthen our financial position.

Financial Letter- *cont.*

We have highlighted the revenue and expenses in the graphs on the following pages. Favorable Primary Workers' Compensation claim experience allowed the PWC Committee to return a $4 million dividend to members, while still increasing net assets by $6.5 million. Excess Workers' Compensation claims costs increased 16%. Our actuaries have reduced the cost savings estimated from the recent legislative reforms. Despite these cost increases, Excess Workers' Compensation net assets increased by $4.7 million to $38.8 million. General Liability I claims decreased by 13% to help increase this program's net assets to $20.2 million, an increase of $11.3 million. Medical Malpractice claims also decreased by 63% to help increase this program's net assets to $8 million, an increase of $6.7 million. Membership growth in the EIAHealth Program increased revenues by $45 million or 49%. Favorable claims experience allowed the EIAHealth Committee to a approve an $8.7 million dividend to the members. The EIA continues to assist members with risk management and loss prevention services and subsidies. These expenses increased by 22% to $588 thousand. $2.4 million has been allocated for additional risk management and loss prevention subsidies to help members reduce the cost of claims. Under your leadership, we have created an extremely efficient and cost-effective organization.

Respectfully submitted,

Robert C Adams

Robert C. Adams
Chief Financial Officer

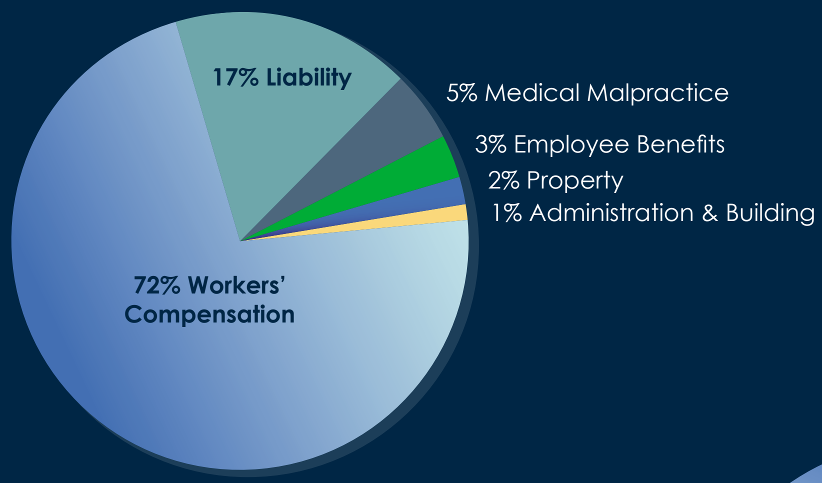
Michael D. Fleming

Michael D. Fleming
Chief Executive Officer
Secretary/Treasurer

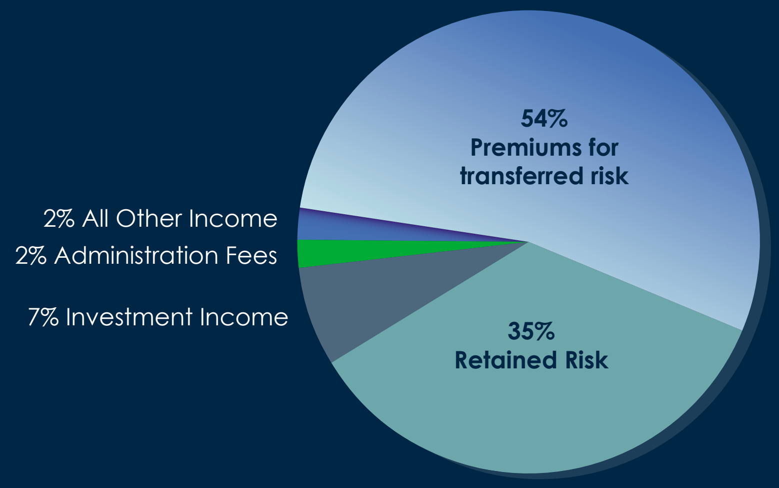
Financial Profile

Financial Results in Brief 2007/2008

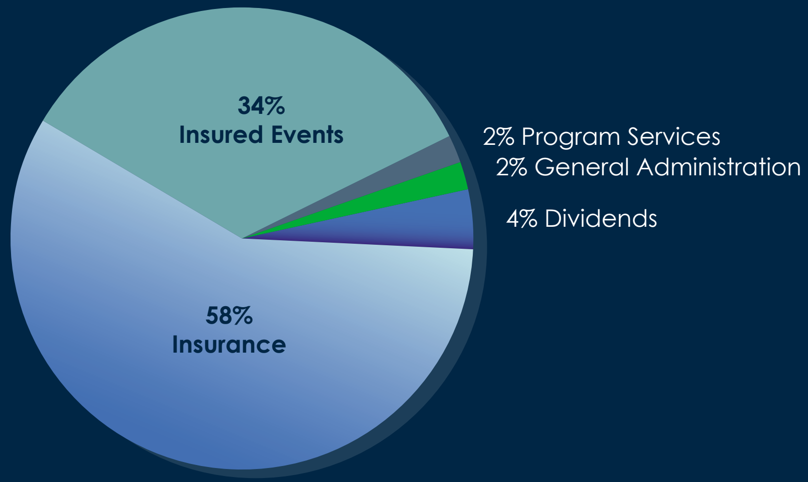
Total Assets by Program



Revenues



Expenses



CSAC EIA Statement of Net Assets, June 30, 2007 & 2008

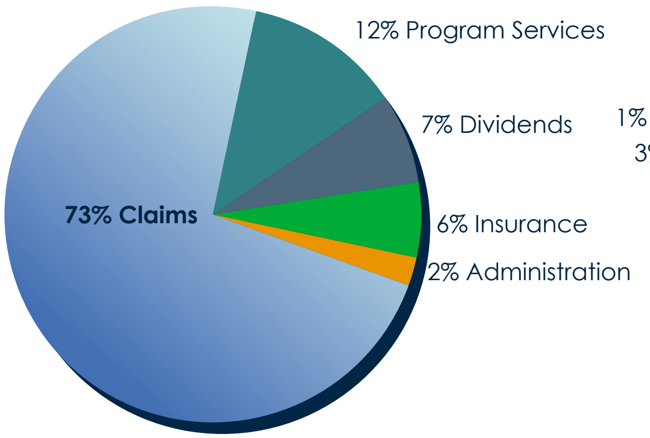
	June 30, 2008	June 30, 2007
Assets:		
Cash	$300	$300
Cash in Banks	5,454,554	5,079,054
Cash in the EIA Treasury	41,314,791	31,070,120
Total Cash & Cash Equivalents	46,769,645	36,149,474
Investments	404,917,215	336,108,508
Accounts Receivable		
Due from Members	18,105,861	14,864,504
Investment Income Receivable	4,201,712	4,428,001
Insurance Claims	9,900,194	4,331,233
Other Receivables	119,644	1,416,935
Prepaid Insurance	54,295,920	68,025,717
Land, Buildings and Equipment (Net)	1,608,877	1,735,344
Total Assets	**539,919,068**	**467,059,716**
Liabilities:		
Accounts Payable	3,830,531	8,716,157
Due to Members	15,823,513	2,025,367
Deferred Income	5,204,179	16,946,455
Claim Liabilities	350,661,426	304,532,343
Unallocated Loss Adjustment Expense Payable	26,461,103	23,609,733
Compensated Absences	157,242	125,524
Other Post Employment Benefits	70,256	-
Total Liabilities	**402,208,250**	**355,955,579**
Net Assets:		
Invested in Capital Assets	1,608,877	1,735,344
Unrestricted	136,101,941	109,368,793
Total Net Assets	**$137,710,818**	**$111,104,137**

CSAC-EIA Statement of Revenues, Expenses & Changes in Net Assets
For the Fiscal Years Ended June 30, 2008 and 2007

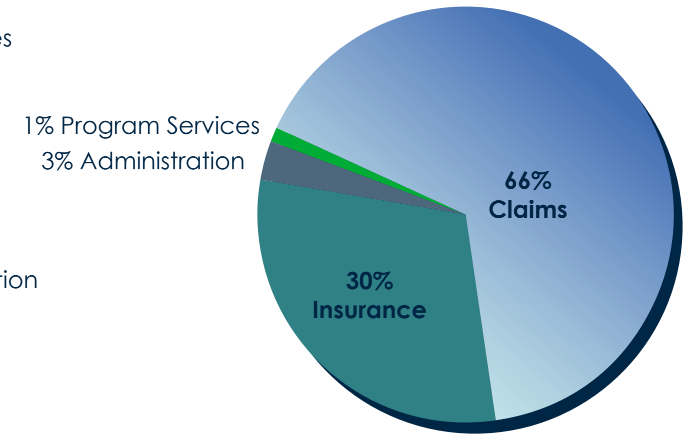
	June 30, 2008	June 30, 2007
Revenues:		
Premiums for Transferred Risk	$220,902,418	$173,975,051
Contributions for Retained Risk	141,698,901	127,674,773
Broker Fees	5,165,546	4,580,817
Dividend Income	232,604	90,614
Investment Income	29,924,931	23,141,373
Financing Charges	256,509	201,202
Member Services	343,927	364,496
Administration Fees	8,340,306	8,108,616
Public Entity Fees	596,548	490,997
Development Fees	7,250	9,800
Other Income	221,866	843,635
Total Revenues	**407,690,806**	**339,481,374**
Expenses:		
Member Dividend Expenses	14,953,741	90,580
Insurance and Provision for Losses:		
Insurance Expense	214,718,407	172,398,005
Broker Fees	5,166,381	4,585,935
Provision for Insured Events	126,800,379	89,400,074
Unallocated Loss Adjustment Expenses	2,851,370	4,882,061
Program Services	10,375,092	9,287,690
Member Services & Subsidies	588,184	482,559
General Administrative Services	5,376,195	4,760,032
Depreciation	254,376	245,779
Total Expenses	**381,084,125**	**286,132,715**
Changes in Net Assets	**26,606,681**	**53,348,659**
Net Assets:		
Net Assets, Beginning of Year	111,104,137	57,755,478
Net Assets, End of Year	**$137,710,818**	**$111,104,137**

2007/2008 Operating Results by Program

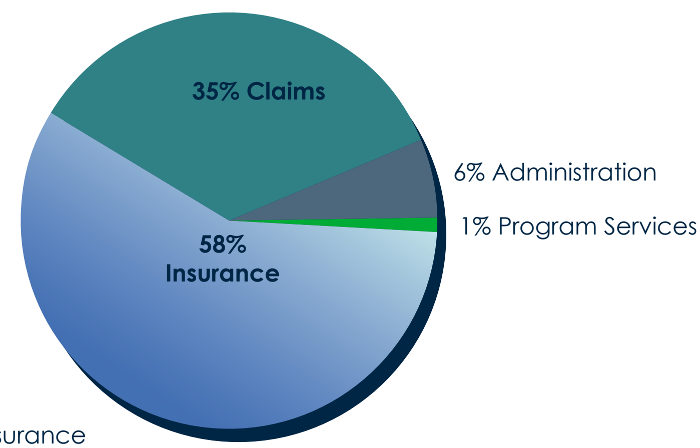
Primary Workers' Compensation



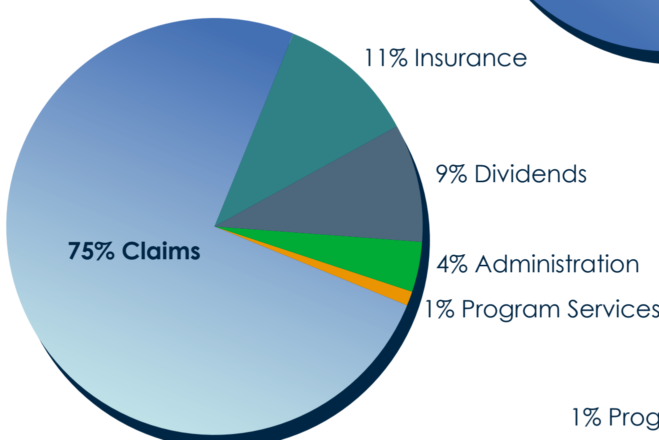
Excess Workers' Compensation



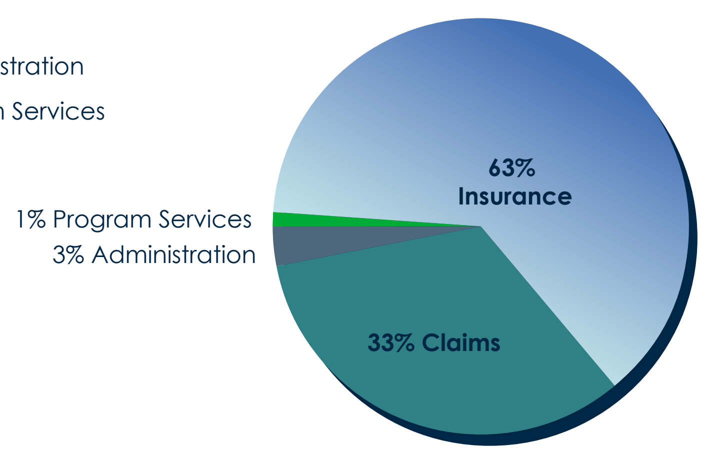
Primary Liability



General Liability I



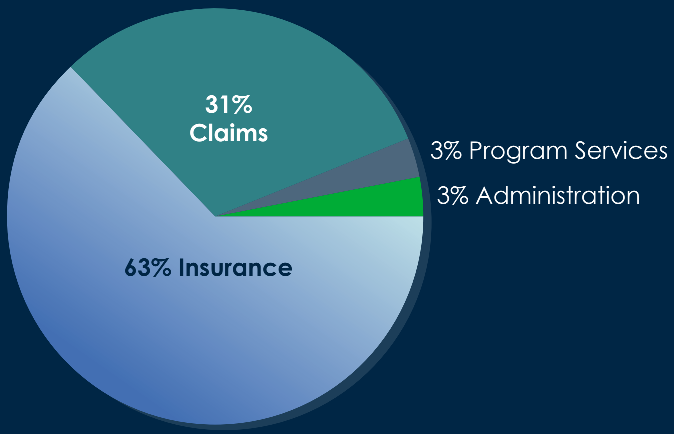
General Liability II



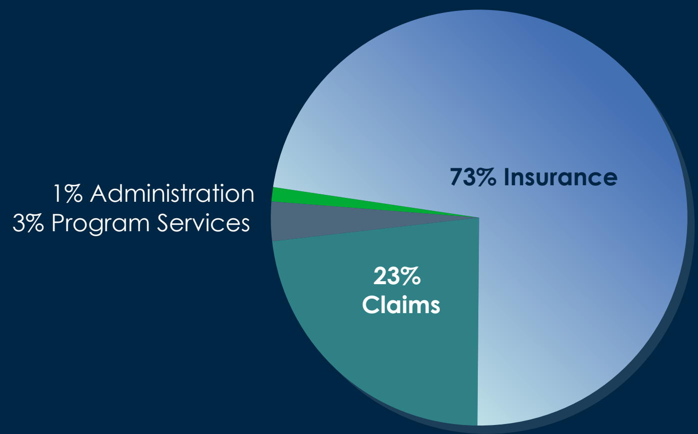
Financial Profile - *cont.*

2007/2008 Operating Results by Program

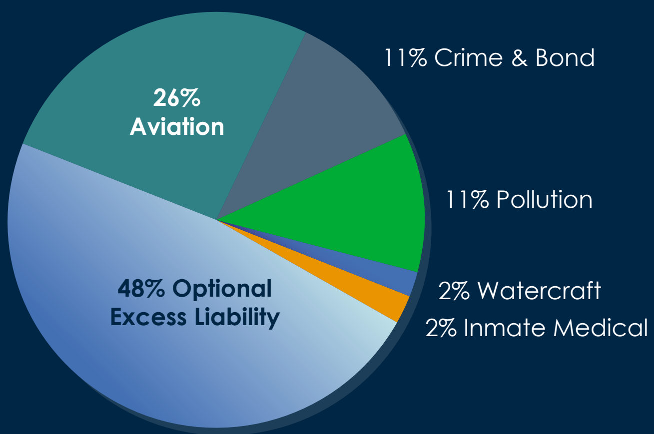
Medical Malpractice



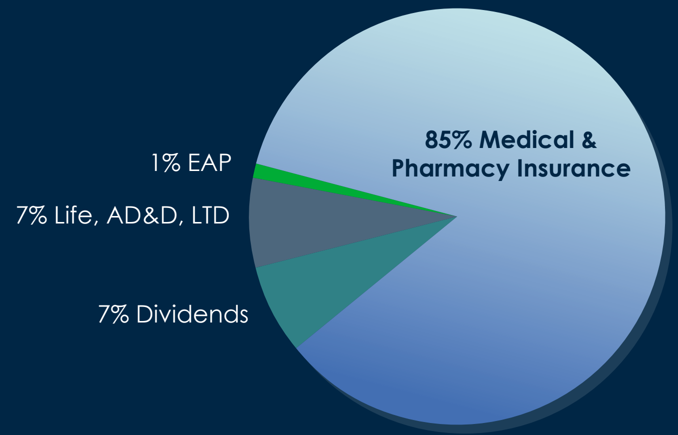
Property



Miscellaneous



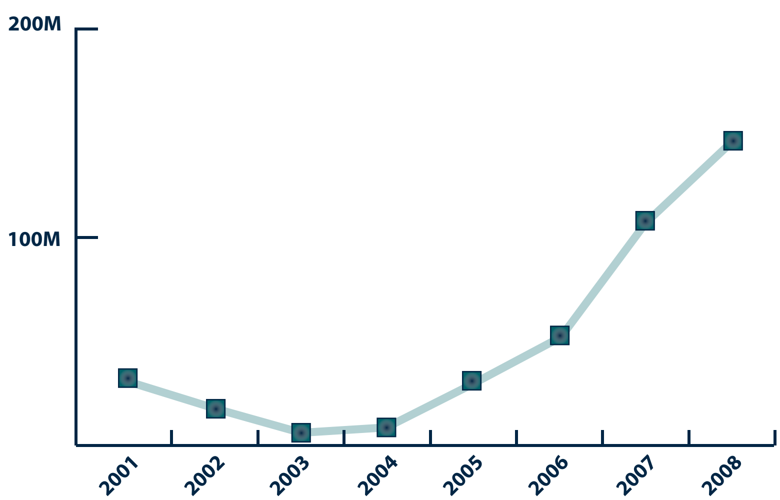
Employee Benefits



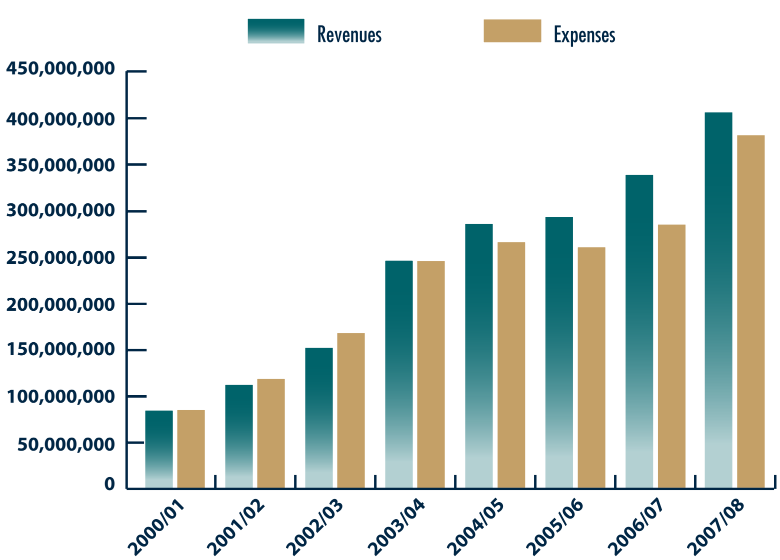
Financial Trends

The Statement of Net Assets presents information on all the CSAC Excess Insurance Authority's assets and liabilities, with the difference between the two reported as "Net Assets". Over time, increases or decreases in net assets may serve as a useful indicator of whether our financial position is improving or deteriorating. As of June 30, 2008 net assets have grown to $138 million. The following chart shows how Net Assets have grown from a 10 year low of $4.4 million to $138 million. Net Assets increase when total revenues exceed expenses. The next chart shows revenue and expense trends over the past eight years. From 2000 to 2003 escalating workers' compensation claim cost caused expenses to exceed revenues resulting in a net assets decline to a low of $4.4 million. Rate changes, loss prevention subsidies and training, and the medical provider network initiatives approved by our Board of Directors together with workers' compensation legislative reforms have all helped to reverse that trend. For the past five years, revenues have exceeded expenses improving our net asset balance to $138 million.

Net Assets



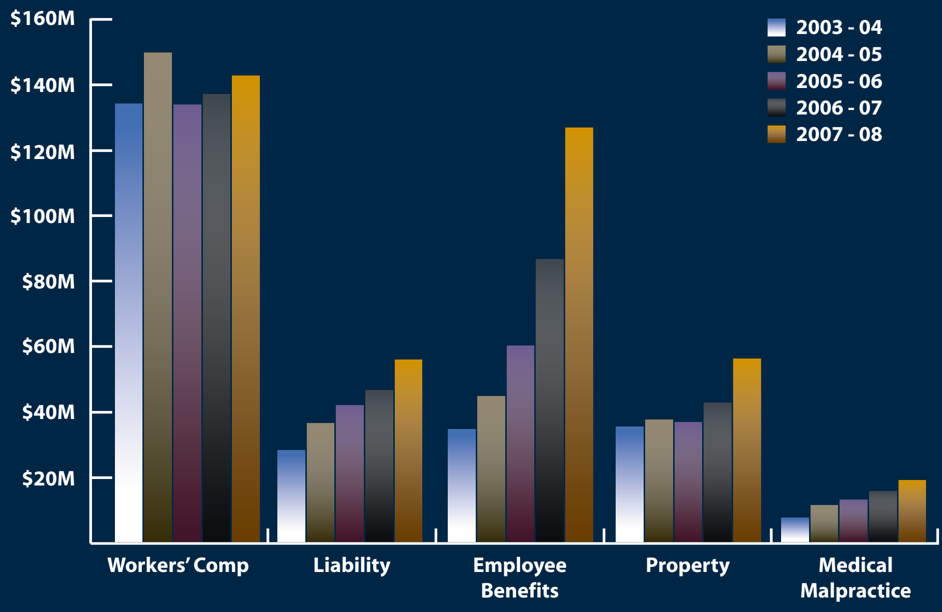
Total Revenues vs Expenses



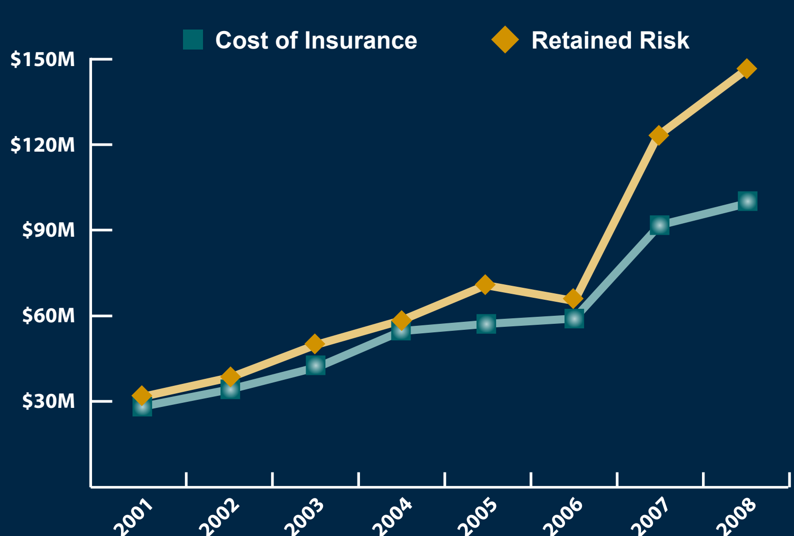
Financial Trends - *cont.*

The above chart shows a steady increase in revenues. The following chart show that this growth was across all major programs. Our Workers' Compensation programs have been our largest programs. The EIAHealth program has been our fastest growing program. Workers' compensation payroll for fiscal year 2008 increased by 6%. During the past 10 years, covered payrolls have increased 470%. In 1999, covered property values were $15.2 billion. Fiscal year 2008 property values were $38 billion, an 11% increase over 2007 and a 10 year increase of 148%. The EIAHealth program's cost of insurance has increased from $71 million in 2007 to $108 million in 2008. Other EIA programs have also recognized substantial growth.

Revenues by Program



Cost of Insurance vs. Retained Risk



The EIA's programs combine the purchase of insurance with the retention of risk when it is cost effective to do so. The following chart shows the cost of insurance and the provisions set aside for pooled claims in our property and casualty programs.

CSAC EIA County Membership and Self-Insured Retentions/Deductibles

Organization Name	PWC	EWC	PGL	GLI	GLII	Property	Med Mal	Health
Alameda County		3,000,000			1,000,000	50,000	100,000	
Alpine County		125,000		100,000		25,000	5,000	
Amador County	0	125,000	10,000	100,000		5,000	10,000	0
Butte County		125,000		100,000		5,000	10,000	
Calaveras County	0	125,000		100,000		5,000	5,000	0
Colusa County		125,000		100,000		25,000	5,000	
Contra Costa County		750,000			1,000,000	50,000	500,000	
Del Norte County		125,000		100,000		25,000	5,000	
El Dorado County		300,000			1,000,000	25,000	10,000	
Fresno County		500,000		750,000		25,000		
Glenn County							10,000	
Humboldt County	0	125,000		150,000		5,000	10,000	
Imperial County		300,000		200,000		5,000	10,000	
Inyo County	0	125,000		100,000		5,000	10,000	
Kern County						50,000		
Kings County		300,000		500,000		5,000	5,000	
Lake County	0	125,000	10,000	100,000		5,000		
Lassen County		125,000		100,000		25,000		
Madera County		125,000		100,000		5,000	10,000	
Marin County							100,000	
Mariposa County		300,000		100,000		5,000	5,000	
Mendocino County	0	125,000		150,000		10,000	5,000	
Merced County		300,000		100,000		5,000	5,000	0
Modoc County		125,000		100,000		25,000	5,000	
Mono County		125,000		100,000		25,000	5,000	
Monterey County		400,000				25,000		
Napa County		350,000		300,000		5,000	10,000	

CSAC EIA County Membership and Self-Insured Retentions/Deductibles *- cont.*

Organization Name	PWC	EWC	PGL	GLI	GLII	Property	Med Mal	Health
Nevada County	0	125,000		100,000		25,000	10,000	
Placer County		300,000			1,000,000	5,000	5,000	
Plumas County		125,000		100,000		10,000	10,000	
Riverside County		2,000,000			1,000,000	50,000	1,100,000	
Sacramento County		2,000,000				50,000		
San Benito County		125,000		100,000		25,000	10,000	
San Bernardino County					2,000,000			
San Diego County		3,000,000				50,000		
San Joaquin County		500,000			1,000,000	25,000	1,000,000	
San Luis Obispo County		250,000		250,000		10,000	10,000	
Santa Barbara County		500,000		500,000		10,000	500,000	
Santa Clara County		4,000,000			2,000,000	50,000	500,000	
Santa Cruz County		500,000			1,000,000	5,000	10,000	
Shasta County		250,000		250,000		25,000	10,000	
Sierra County		125,000		100,000		25,000	5,000	
Siskiyou County	0	125,000	10,000	100,000		10,000	5,000	
Solano County		125,000	10,000	100,000		5,000	5,000	
Sonoma County		300,000		1,000,000		50,000	5,000	
Stanislaus County		500,000		250,000		10,000	500,000	
Sutter County	0	125,000		100,000		5,000	5,000	
Tehama County	0	125,000		100,000		5,000	5,000	0
Trinity County		125,000		100,000		25,000	5,000	
Tulare County		125,000		250,000	1,000,000	10,000	10,000	0
Tuolumne County		300,000	10,000	100,000		5,000	10,000	
Ventura County						10,000		
Yolo County						25,000	10,000	
Yuba County	0	125,000		100,000		5,000	10,000	
Total	**11**	**48**	**5**	**37**	**9**	**51**	**45**	**5**

CSAC EIA Public Entity Membership and Self-Insured Retentions/Deductibles

Organization Name	PWC	EWC	PGL	GLI	GLII	Property	Med Mal	Health
ACCEL		various						
Alameda County Medical Center		2,000,000						
Amador Regional Transit System	0	125,000						
Anaheim City School District	0	125,000						
Anaheim Union High School District				50,000				
Antelope Valley Healthcare District		1,000,000						
BAHARMA		500,000						
Berkeley USD		250,000						
BICEP		various						
Burbank Redevelopment Agency			10,000	100,000				
CADA				50,000				
California Fair Services Authority		500,000						
Campbell Union High School District		250,000		100,000		75,000		
Campbell Union School District	0	125,000						
CAPRI		500,000						
Casitas Municipal Water District		125,000						
Central Sierra Child Support Agency	0	125,000	10,000	100,000		5,000		
City of Bakersfield						5,000		
City of Bell		750,000						
City of Belmont	0	125,000						
City of Burbank		2,000,000						
City of Burlingame		500,000						
City of Carmel By The Sea	0	125,000	10,000	100,000		10,000		
City of Chula Vista		1,000,000						
City of Concord		500,000		500,000		10,000		
City of Corona		1,000,000						
City of Covina		500,000		500,000		25,000		
City of Cupertino		500,000						
City of Daly City		350,000						

CSAC EIA Public Entity Membership and Self-Insured Retentions/Deductibles *- cont.*

Organization Name	PWC	EWC	PGL	GLI	GLII	Property	Med Mal	Health
City of Del Mar		125,000						
City of Downey		750,000						
City of El Cajon	0	125,000		250,000				
City of El Monte		400,000						
City of Elk Grove				50,000		5,000		
City of Escondido		500,000						
City of Fairfield		750,000						
City of Fontana		1,000,000						
City of Fremont		500,000					5,000	
City of Fresno		2,000,000						
City of Garden Grove		1,000,000						
City of Hawthorne		500,000						
City of Hemet	0	125,000		250,000		5,000		
City of Imperial Beach		125,000						
City of Irvine								0
City of Laguna Hills		125,000						
City of Lancaster	0	125,000						
City of Lemon Grove		125,000						
City of Lompoc		300,000		100,000				
City of Long Beach		4,000,000						
City of Merced								0
City of Millbrae		300,000						
City of Montebello		1,000,000						
City of Moreno Valley		300,000						
City of Napa		300,000		150,000		5,000		
City of National City		500,000						
City of Oakland		750,000		50,000	2,000,000	10,000	10,000	
City of Oceanside		500,000						
City of Pomona		1,000,000						

CSAC EIA Public Entity Membership and Self-Insured Retentions/Deductibles - *cont.*

Organization Name	PWC	EWC	PGL	GLI	GLII	Property	Med Mal	Health
City of Rancho Cordova	0	125,000	10,000	100,000		5,000		
City of Redwood City		350,000						
City of Rialto		400,000						
City of Ridgecrest		150,000		100,000		5,000		
City of Sacramento		2,000,000						
City of San Buenaventura		500,000						
City of San Clemente		300,000						
City of San Diego					5,000,000	25,000		
City of Santa Clara		500,000						
City of Santa Rosa		500,000						0
City of Simi Valley		500,000						
City of Solana Beach		125,000						
City of South San Francisco		500,000						
City of Stockton		500,000						
City of Sunnyvale		500,000						
City of Torrance		2,000,000						
City of Visalia								0
City of Whittier		500,000						
City of Yuba City								0
Community Development Commission of Los Angeles County		500,000						
Contra Costa County IHSS Public Authority			10,000	100,000				
Corona Norco USD						150,000		
Council of San Benito County Governments				25,000				
CSAC EIA	0	125,000		100,000				
Del Norte IHSS Public Authority			10,000	100,000				
East San Gabriel Valley ROP				25,000				
EBRPD				500,000		25,000		
Elk Grove Unified School District		500,000						

CSAC EIA Public Entity Membership and Self-Insured Retentions/Deductibles - *cont.*

Organization Name	PWC	EWC	PGL	GLI	GLII	Property	Med Mal	Health
ERMAC					1,000,000			
Evergreen Elementary School District	0	125,000			1,000,000			
First Five Contra Costa Children and Families Commission	0	125,000						
First Five Sacramento Commission		125,000						
Gold Coast Transit	0	125,000						
Golden Empire Transit District		500,000						
GSRMA		200,000		250,000		5,000		0
GSRMA JPA				100,000				
Housing Authority of the County of Riverside			10,000	100,000		10,000		
Humboldt IHSS Public Authority			10,000					
Huntington Beach Union High School District	0	125,000						
Imperial County IHSS Public Authority			10,000	100,000				
Irvine Ranch Water District		125,000		100,000				
Kern Health Systems				50,000				
Kern IHSS			10,000	100,000				
Kings County Area Public Transit Agency	0	125,000						
Kings Waste and Recycling Authority	0	125,000						
Lake Elsinore Unified School District		250,000						
LAWCX		5,000,000						
Madera IHSS Public Authority			10,000	100,000				
Marin County Transit District				25,000				
Marin IHSS	0	125,000	10,000	100,000				
Merced IHSS			10,000	100,000				
Military Dept. of the State of California				25,000				
Monterey Salinas Transit		350,000						
Morongo Basin Transit Authority	0	125,000						
Mountain Communities Healthcare District						5,000		
Mt. Diablo USD	0	125,000				100,000		
Municipal Pooling Authority		500,000						

CSAC EIA Public Entity Membership and Self-Insured Retentions/Deductibles - *cont.*

Organization Name	PWC	EWC	PGL	GLI	GLII	Property	Med Mal	Health
NCCSIF		500,000						
NCSDIA		200,000						
Omnitrans		1,000,000						
Orange County Fire Authority		2,000,000						
Orange County Sanitation District		500,000						
PASIS - San Bernardino		300,000						
PASIS - San Diego		500,000						
PERMA				1,000,000				
Riverside IHSS			10,000	100,000				
Riverside Transit Agency		750,000						
Sacramento County Contracts	0	125,000	10,000	100,000				
Sacramento County IHSS Public Authority	0	125,000	10,000	100,000				
Sacramento Metropolitan Cable Television Commission	0	125,000						
SAFCA				100,000				
San Benito IHSS				100,000				
San Bernardino Departments			10,000	100,000				
San Bernardino IHSS Public Authority			10,000	100,000				
San Diego County IHSS Public Authority			10,000	100,000				
San Diego Housing Commission						25,000		
San Diego Metro Transit System						25,000		
San Diego Unified School District				150,000				
San Joaquin IHSS Public Authority			10,000	100,000				
San Jose Unified School District				100,000		100,000		
San Mateo County Schools Insurance Group				250,000				
Santa Barbara Metropolitan Transit District		500,000						
Santa Clara County Vector Control District						10,000		
Santa Clara Sport & Open Space Authority				50,000				

CSAC EIA Public Entity Membership and Self-Insured Retentions/Deductibles - *cont.*

Organization Name	PWC	EWC	PGL	GLI	GLII	Property	Med Mal	Health
Santa Cruz County Fire Agencies Insurance Group	0	125,000						
Santa Cruz Metro Transit District		350,000						
SCSRM	0	125,000				100,000		
SDRMA		350,000						0
Shasta IHSS Public Authority			10,000	100,000				
SIRMA	0	125,000						
Solano Transportation Authority				100,000				
Sonoma County as Respects the Fair			10,000	100,000				
Sonoma County ERA						5,000		
South County Area Transit	0	125,000						
Sutter Butte Flood Control Agency JPA				100,000				
Sutter IHSS Public Authority			10,000	100,000				
Torrance USD				100,000				
Town of Colma	0	125,000						
Trindel Insurance Fund				100,000				
Tulare IHSS Public Authority			10,000	100,000				
Turlock Irrigation District		750,000						
University of CA, Hastings College of Law		125,000						
Van Horn Regional Treatment Facility			10,000	100,000				
West San Gabriel Liability and Property JPA				50,000		50,000		
West San Gabriel WC JPA	0	125,000						
Yolo PARMIA		500,000						
Total	**29**	**111**	**25**	**57**	**3**	**26**	**2**	**8**

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Executive Director