

progression is our destination



CSAC EXCESS INSURANCE AUTHORITY | 2016 ANNUAL REPORT



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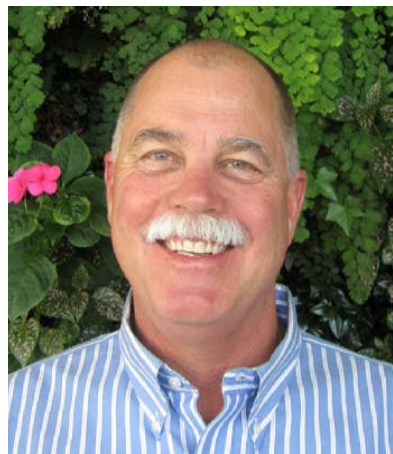
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# 2015/16 Year in Review

Greetings,

Progress can be slow and steady, or fast and furious. With the breadth of programs and services that the EIA has to offer, our year has been filled with both. "Progression is our Destination" is the theme of this year's annual report, and appropriately so.

As we began the year, a plan was in place to create a Member Services Department, and the work of this department has been progressive to say the least. Their focus is on serving our members. They have built awareness amongst the membership of the many services and programs that are available, leading to higher utilization of our programs. With a new brand and energy, the department created several value-add service offerings, such as legal advice, crisis incident management, soft tissue injury prevention programs, and more.



At the same time, we have taken great care and done our due diligence to create two additional departments: an Actuarial Department and a Data and Analytics Department. Together, these two departments enable staff to perform actuarial analysis for the growing and complex programs we have created. The departments work closely with each other to provide efficiencies in process, better information for underwriting, and a more thorough analysis of industry trends.

Additionally, as the result of the innovative thinking at our Spring Strategic Planning Retreat, there was much time spent on the creation of the Excess Insurance Organization (EIO), which is a single-parent captive insurance company administered by staff for the sole purpose of serving the EIA membership. All of these endeavors will support the members for years to come, embodying the spirit of our progression.

This is a year of change for our nation, with the results of the presidential election having the potential to change the landscape of our business, which is all a part of evolving with the risk management industry on a local, state, regional and national basis. However, no matter the challenges before us, we find pathways to progress.

I have been proud to work with an Executive Committee and Board that has worked thoughtfully, setting strategic objectives, asking "What if" instead of saying "No", and because of that mindset, have brought new ideas to fruition. I am appreciative of our dedicated staff and service partners that bring energy, perspective, and a tireless work ethic to carry out the strategic objectives of our Board and Committees.

Our members are creative, yet calculated. We conduct the analysis, evaluate, and evolve based on the market conditions before us. This year, we have put together the building blocks to progress into the future, continuing to be the innovative, market-leading, member-driven JPA that is our destination. I look forward to the coming year as we watch our new programs progress.

Regards,

Scott Schimke  
President, 2016

## 2015/16 Year in Review

This marked the EIA's 37th year providing exceptional risk coverage programs and risk management services to California's counties and public entities. The organization continued to progress and thrive. Significant accomplishments this year included, but are not limited to:

- Created the Excess Insurance Organization (EIO), a single-parent captive insurance company
- Established the Member Services Department
- Created an Actuarial Services Department and a Data and Analytics Department
- Retained 99% of members at renewal of the programs
- Continued growth in terms of program membership, breadth of coverage and service, and overall financial health
- Restructured the General Liability 2 Program
- Created an Equipment Maintenance Management Program (EMMP)
- Created new service programs for Crisis Incident Management, Soft Tissue Injury, Legal Advice, and began a pilot program for Body Worn Cameras
- Received awards from the Government Finance Officers Association for our Comprehensive Annual Financial Report, Popular Annual Report, and Distinguished Budget
- Made thousands of claim payments, reimbursing over \$124M to the members

The theme of this year's annual report is "Progression is our Destination," highlighting the continuous progress on our evolving programs and services. The Board of Directors has been focused on providing programs and services that deliver benefits for all members. The Executive Committee has spent a lot of time this past year on strategic initiatives, including the creation of the EIO captive to transfer corridor risk enhanced investments to provide a superior risk transfer mechanism; an Actuarial Services Department to provide continuous analysis of programs and services; and the implementation of both an IT strategic plan and establishment of the Member Services Department.



*2016 Executive Committee, from left to right: Lance Sposito, Richard Egan, Supervisor Peter W. Huebner, Scott Schimke, Roberta Allen, Ken Hernandez, Kim Greer, Anne Richey, Barbara Lubben, Kerry John Whitney, and James Brown.*

# EIA's Mission & Vision

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

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



The Executive Committee has adopted the following Service and Technology Vision Statements to provide guidance to the programs and supporting committees:

## Service Vision

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

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

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

## Technology Vision

The EIA will provide technology that is:

- Interactive
- Accessible
- User-friendly
- Dynamic

## Current Services

During the last year, the EIA launched the new Member Services Department, staffed by a Chief Member Services Officer and a Senior Member Services Specialist. Their progression is to build awareness of existing risk management, claims and loss prevention services, and investigate new opportunities to benefit our members. A *Menu of Services and Partner Programs* brochure was created in order to highlight the breadth of available offerings. Some of the services and benefits currently enjoyed by the members include:

- Financial subsidy programs for actuarial analyses, loss prevention, and risk management
- Wide variety of loss prevention and risk management training programs, provided on a regional basis, on-site for individual members, or through live or previously recorded internet-based sessions
- Extensive loss prevention platforms, including online training, automated system for monitoring employee driving records, flexible tools to monitor compliance, communication solutions for exchanging information, as well as risk identification and mitigation technologies
- Loss prevention consultation, program assessments, and facility inspections
- Crisis Incident Management Services
- Legal Advice Services and an updated Insurance Requirements in Contracts (IRIC) Manual Version 9.0
- Real and personal property appraisals
- Anytime access to coverage documents, certificates of insurance, subsidy balances, renewal applications, and property schedules via our refreshed website
- Extension of EIA's contracted services at reduced rates for actuarial studies, claims audits, and certificate of insurance management services
- Access to additional programs and services through the EIA's membership in the ISO ClaimSearch Program and Insurance Education Association
- Active presence with the state legislature, taking positions on those items that may impact EIA members



# Coverage Programs

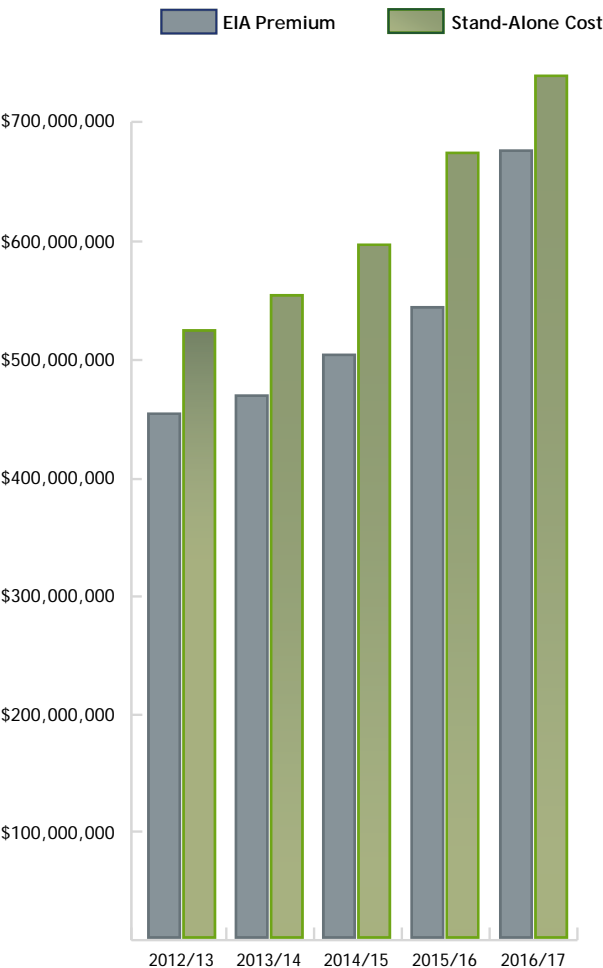
Since our beginning in 1979, the EIA continues to progress in various arenas, including providing financial, risk management and actuarial analysis to design and implement the best risk financing programs; providing structures that offer options to diverse entities with different risk tolerances; continually evaluating the programs based on market conditions and emerging risks; and re-designing or adding programs when necessary. Our destination is to progress and evolve, propelling us into the future. Each year, we move forward, building upon prior successes. We deploy new strategies to enhance the offerings to the membership. This process has ensured the members will continue to enjoy the benefits of low cost coverages and excellent supporting services.

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

They are designed to be flexible to meet members’ needs, yet also maintain structural soundness to be there long-term. The risk pooling concept allows the program structures to adapt to current insurance market conditions.

## Major Coverage Programs

Five Year Premium vs. Estimated Stand-Alone Cost



During hard market conditions, when insurance rates rise above the cost to actuarially fund the group’s exposures, the pools expand and less insurance is purchased. When insurance rates decrease to the point where it is more cost effective to purchase insurance, the pools contract and additional insurance is purchased. This flexibility is a perfect example of the adaptation required by the EIA to ensure costs are kept low and members are provided with the best possible coverage and service.

The EIA is able to leverage the purchasing power of its membership to secure more cost-effective coverage than members could obtain on their own. This strategy of leveraging volume has also benefited non-members because of the competitive role the EIA has assumed in the public sector insurance marketplace. Annually, the EIA compares the cost of its major programs to the estimated cost members would pay if purchasing similar coverage on their own. To the left is a chart showing the premium paid over the last 5 years by the EIA members and the premium that would have been paid by members individually. In just the past five years, the EIA has saved California’s counties and member public entities over \$440M.



The EIA has designed strong and stable programs for more than 37 years. “Progression is our Destination” is illustrative of the mindset that by continually analyzing and evaluating our programs and services based on internal needs and external conditions, we create solutions that are best for our members. We evolve and grow in a calculated manner, and with our growth, the EIA has built long-term relationships with its underwriters that foster our impressive reputation within the insurance marketplace.

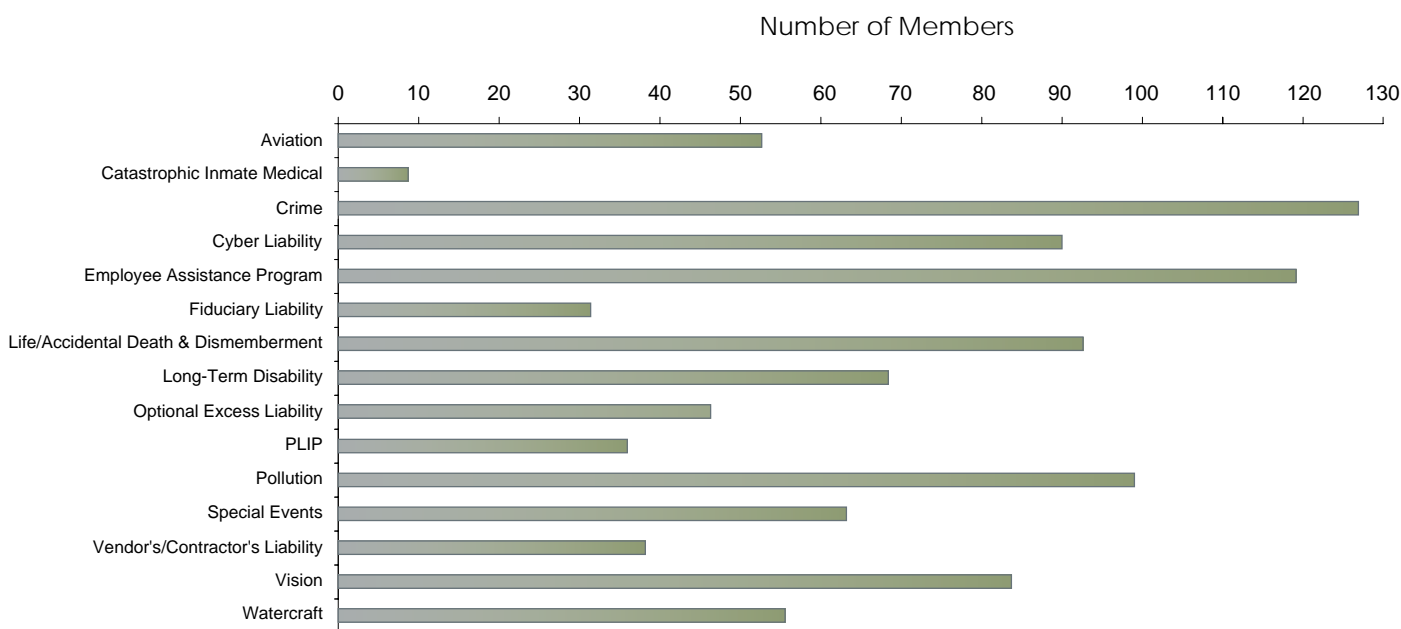
## Miscellaneous and Employee Benefits Programs

The members are continually evaluating whether its major coverage programs are addressing all the needs of the members. Where they may not, the EIA provides a variety of group purchase insurance programs to offer the members protection from other exposures. An Equipment Maintenance Management Program (EMMP) was added this year and is now accepting new participants. It has extremely competitive rates and added functionality compared to most equipment warranty programs. Additionally, in many cases, members are also provided options to reduce deductibles and purchase additional insurance limits.

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

The chart below illustrates the number of members participating in the Miscellaneous and Employee Benefit Programs for the current year.

## Miscellaneous Program Participation



# Primary Workers' Compensation

The Primary Workers' Compensation (PWC) Program was formed as a progression to the Excess Workers' Compensation (EWC) Program, offering those members the opportunity to secure first dollar coverage, instead of maintaining a self-insured retention. The PWC Program provides members with claims administration services, which is accomplished through a choice of 6 claims administrators, 2 of which were added this year. The Program also offers several cost containment programs, including a medical provider network, a 24/7 nurse triage service, and a return-to-work program.

The PWC Program pays for claims with a blending of pooling and insurance. The first \$10K of each claim is paid out of the Program's pool. The Program's insurer, part of the AmTrust Group, pays for the balance of the claim up to the \$125K attachment point to the EWC Program. Additionally, this year the Program transferred a \$5M corridor layer to our newly created captive insurance company, the EIO. This structure is illustrated on page 9.

The PWC Committee governs the 39 member Program, reviewing all matters pertaining to the Program, including program funding, coverage issues, claims, claims administration, program services, new member applications, and insurance renewals.

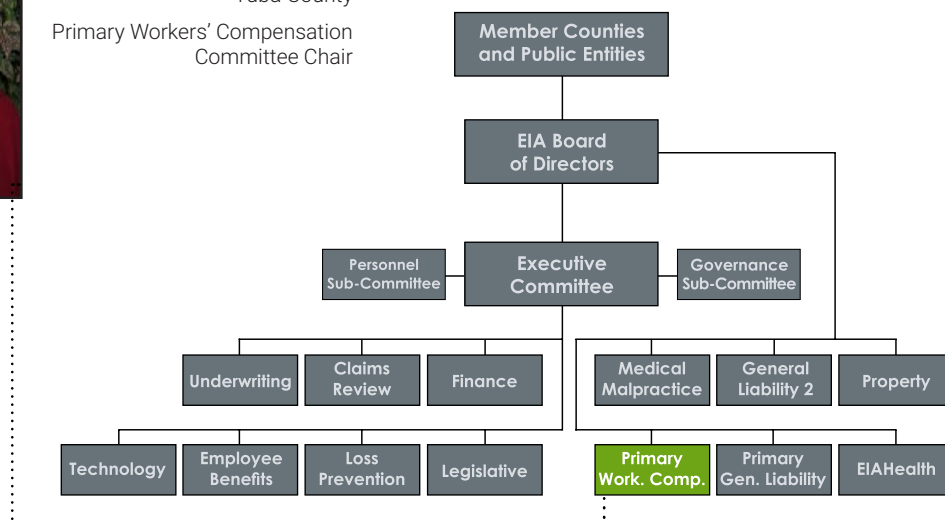
The funding of the Program's pooled layer is evaluated each year. In 2009, the Committee approved a transaction (loss portfolio transfer) to sell a portfolio of open claims to the insurance market. The decision to enter into this arrangement was not made lightly. The Committee spent a great deal of time balancing the pros and cons. Their conclusion was to proceed with an agreement that would allow the Program to retain control of the claims management and transfer the financial risk, along with a significant insurance premium, to ACE American Insurance Company. While transferring the future financial risk of those claims was important, another significant motivator was the ability to free up a substantial amount of money that would no longer be needed for contingencies. Since doing this transaction in 2007/08, the Committee has already returned \$48.8M to the Program members. This year, the Program returned \$2.3M to members, and has continued to progress.



Jill Abel

Yuba County

Primary Workers' Compensation  
Committee Chair



# Primary Workers' Compensation Membership

2016/2017

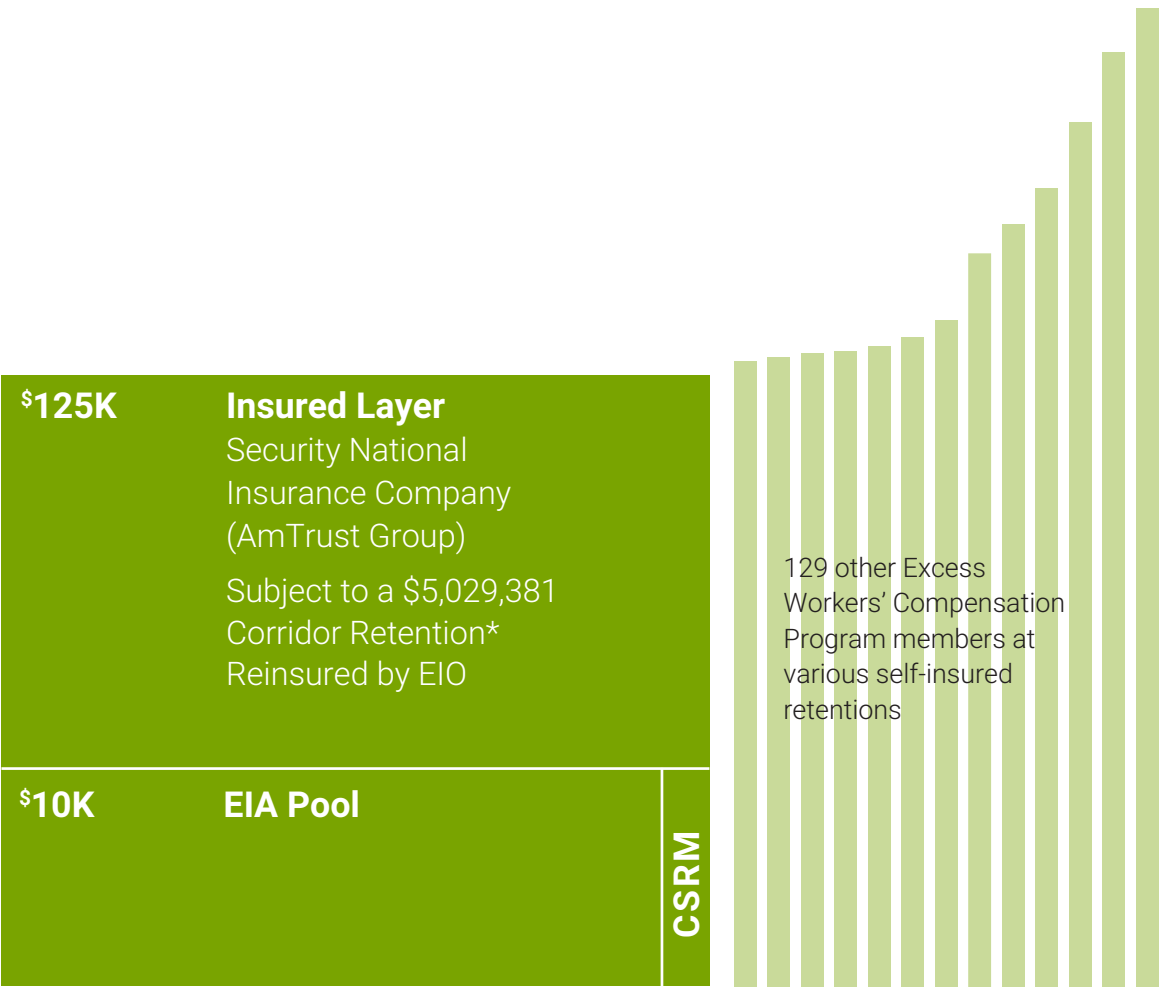
Amador County  
Amador Transit  
Calaveras County  
Central Sierra Child Support  
City of Belmont  
City of Carmel By The Sea  
City of El Cajon  
City of Hemet  
City of Lancaster  
City of Rancho Cordova  
City of South Pasadena  
CSAC EIA  
CSRM  
Evergreen Elementary  
School District  
First Five Contra Costa Children  
and Families Commission  
Gold Coast Transit District  
Humboldt County  
Humboldt Transit Authority  
Huntington Beach Union  
High School District

Inyo County  
Kings County Area Public  
Transit Agency  
Kings Waste & Recycling Authority  
Lake County  
Mendocino County  
Morongo Basin Transit Authority  
Mt. Diablo USD  
Nevada County  
Sacramento County Contracts  
San Luis Obispo RTA  
Santa Barbara County  
SCFAIG  
SIRMA  
Siskiyou County  
South County Area Transit  
Tahoe Transportation District  
Tehama County  
Town of Colma  
West San Gabriel WC JPA  
Yuba County

# Primary Workers' Compensation

2016/2017

## Statutory — Excess Workers' Compensation Program



\* The Corridor Retention will be adjusted at the end of the year.

# Excess Workers' Compensation

The EWC Program was the first EIA coverage program offered to the members in 1979. Today, the EWC Program provides 170 members with statutory coverage, subject to the members' self-insured retention, ranging from \$125K to \$5M. The structure of the Program is illustrated on page 11. While the structure remains the same since last year's creation of the education tower, some components have progressed. To provide equitable rates to the membership, the Executive Committee recommended and the Board approved, a new rate structure for public entity members with low or high safety payroll. Additionally, a Crisis Incident Management Policy was created, allowing members \$50K of coverage for situation assessment and crisis management communications. Last, but not least, we entered into a new partnership this year with Liberty Insurance Corporation, who is now providing excess insurance to statutory limits excess of \$50M in the core tower.

Like most markets, the insurance market is cyclical and insurance companies attempt to balance profits and market share. There will also be times when the Program can leverage its volume to secure insurance at a cost that is less than it would be for the combined group to self-insure. Current market conditions give the Program the opportunity to transfer a significant amount of risk. Wesco Insurance Company, part of the AmTrust Group, is currently reinsuring the pool once the corridor retentions are exhausted. This gives additional predictability in determining the costs and helps to grow the Program's overall funding position. Additionally, the Program transferred over \$10M in corridor risk in the Education Tower, and over \$22M in corridor risk from the Core Tower, to our newly created captive insurance company, the EIO.

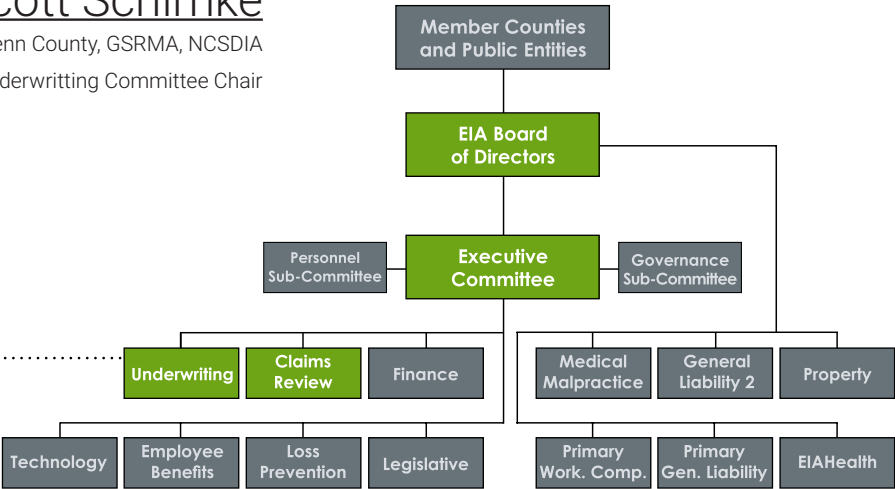
The Board of Directors strives for each program to have a healthy funding position, and at the same time, balances the need to keep premium costs to the members low, and to ensure the Program is not retaining more funding than it needs. For the past few years, the EWC Program has been working towards increasing its overall funding position. This year, a commutation was executed, bringing substantial cash back into the Program and increasing the Program's overall funding position. The funding level is very carefully monitored by the Board and governing committees, and decisions to increase funding levels are continually evaluated to ensure the EWC Program will continue as one of our largest and strongest programs for the EIA members.

The Board of Directors governs the EWC Program, with recommendations being made by the Executive, Underwriting, and Claims Review Committees. The Board has delegated a significant amount of authority to the Underwriting and Claims Review Committees to handle the day-to-day business of the Program. More details on the Claims Review Committee can be found on page 14.



**Scott Schimke**

Glenn County, GSRMA, NCSDIA  
Underwriting Committee Chair



# Excess Workers' Compensation Membership

2016/2017

## \$125,000

Amador County  
Amador Transit  
Butte County  
Calaveras County  
Casitas Municipal Water District  
Central Sierra Child Support  
City of Belmont  
City of Calexico  
City of Carmel By The Sea  
City of Del Mar  
City of El Cajon  
City of Hemet  
City of Imperial Beach  
City of Lancaster  
City of Lemon Grove  
City of Los Alamitos  
City of Rancho Cordova  
City of Solana Beach  
City of South Pasadena  
CSAC EIA  
CSRM  
Evergreen Elem. School District  
First Five Contra Costa Children  
and Families Commission  
First Five Sacramento Comm.  
Gold Coast Transit  
Humboldt County  
Humboldt Transit Authority  
Huntington Beach Union  
High School District  
Inyo County  
Irvine Ranch Water District  
Kings County Area Public  
Transit Agency  
Kings Waste & Recycling Auth.  
Lake County  
Madera County  
Mendocino County  
Morongo Basin Transit Authority  
Mt. Diablo USD  
Nevada County  
PASIS San Diego:  
Alpine Fire Protection District  
Bonita/Sunnyside Fire District  
Lakeside Fire Protection District  
Sacramento County Contracts  
San Luis Obispo Regional Transit  
Santa Barbara County  
SCFAIG  
SIRMA  
Siskiyou County  
Solano County  
South County Area Transit  
Tahoe Transportation District  
Tehama County  
Town of Colma  
Tulare County  
West San Gabriel WCJPA  
Yuba County

## \$150,000

City of Ridgecrest

## \$200,000

NCSDIA

## \$250,000

Berkeley Unified School District  
Central County Fire Department  
City of Bell  
City of Hanford  
City of Los Altos  
Lake Elsinore Unified School Dist.  
MBASIA  
San Luis Obispo County  
Shasta County  
University of CA, Hastings  
College of Law

## \$300,000

Alpine County  
Campbell Union School District  
City of Beaumont  
City of Lompoc  
City of Moreno Valley  
City of Napa  
City of San Clemente  
Colusa County  
Del Norte County  
El Dorado County  
GSRMA  
Imperial County  
Kings County  
Lassen County  
Mariposa County  
Merced County  
Modoc County  
Mono County  
PASIS – San Diego:  
City of San Marcos  
No. Co. Fire District  
Rancho Santa Fe Fire District  
San Miguel Fire District  
Placer County  
Plumas County  
San Benito County  
Santa Clara Co. Office of Edu.  
Sierra County  
Sonoma County  
Sutter County  
Trinity County  
Tuolumne County

## \$350,000

BAHARMA  
CAPRI  
City of Daly City  
City of Redwood City  
East Bay Regional Park District  
Monterey Salinas Transit  
Napa County  
Redondo Beach USD  
Santa Cruz Metro Transit District

## \$400,000

ACCEL: City of Monterey  
City of El Monte  
City of Rialto  
Monterey County

## \$500,000

ACCEL:  
City of Bakersfield  
City of Modesto  
City of Palo Alto  
City of Santa Cruz  
CSURMA: AORMA  
City of Burlingame  
City of Concord  
City of Covina  
City of Cupertino  
City of Escondido  
City of Fremont  
City of Hawthorne  
City of Millbrae  
City of National City  
City of Newport Beach  
City of Oceanside  
City of Santa Clara  
City of Santa Rosa  
City of South San Francisco  
City of Stockton  
City of Sunnyvale  
City of Whittier  
CFSA  
Community Development  
Commission of L.A. County  
Fresno County  
Golden Empire Transit District  
Kern County Hospital Authority  
MPA  
NCCSIF  
San Joaquin County  
Santa Barbara Metro Transit  
Santa Cruz County  
Stanislaus County  
YCPARMIA

## \$750,000

ACCEL:  
City of Mountain View  
City of Ontario  
City of Santa Barbara  
City of Santa Monica  
City of Downey  
City of Fairfield  
City of Hayward  
City of Oakland  
City of Redding  
City of Richmond  
City of San Bruno  
City of Simi Valley  
Contra Costa County  
Riverside Transit Agency  
Turlock Irrigation District

## \$1,000,000

ACCEL:  
City of Anaheim  
City of Chula Vista  
City of Corona  
City of Fontana  
City of Garden Grove  
BICEP:  
City of Huntington Beach  
City of Oxnard  
City of San Bernardino  
City of San Buenaventura  
City of Santa Ana  
City of West Covina  
City of Montebello  
City of Pomona  
Omnitrans  
Orange Co. Sanitation District

## \$1,500,000

SDRMA

## \$2,000,000

Alameda Health System  
City of Fresno  
City of Sacramento  
City of Torrance  
Orange County Fire Authority  
Riverside County  
San Bernardino County  
San Diego County

## \$2,500,000

CSURMA: Campuses

## \$3,000,000

Alameda County  
Sacramento County

## \$4,000,000

Santa Clara County

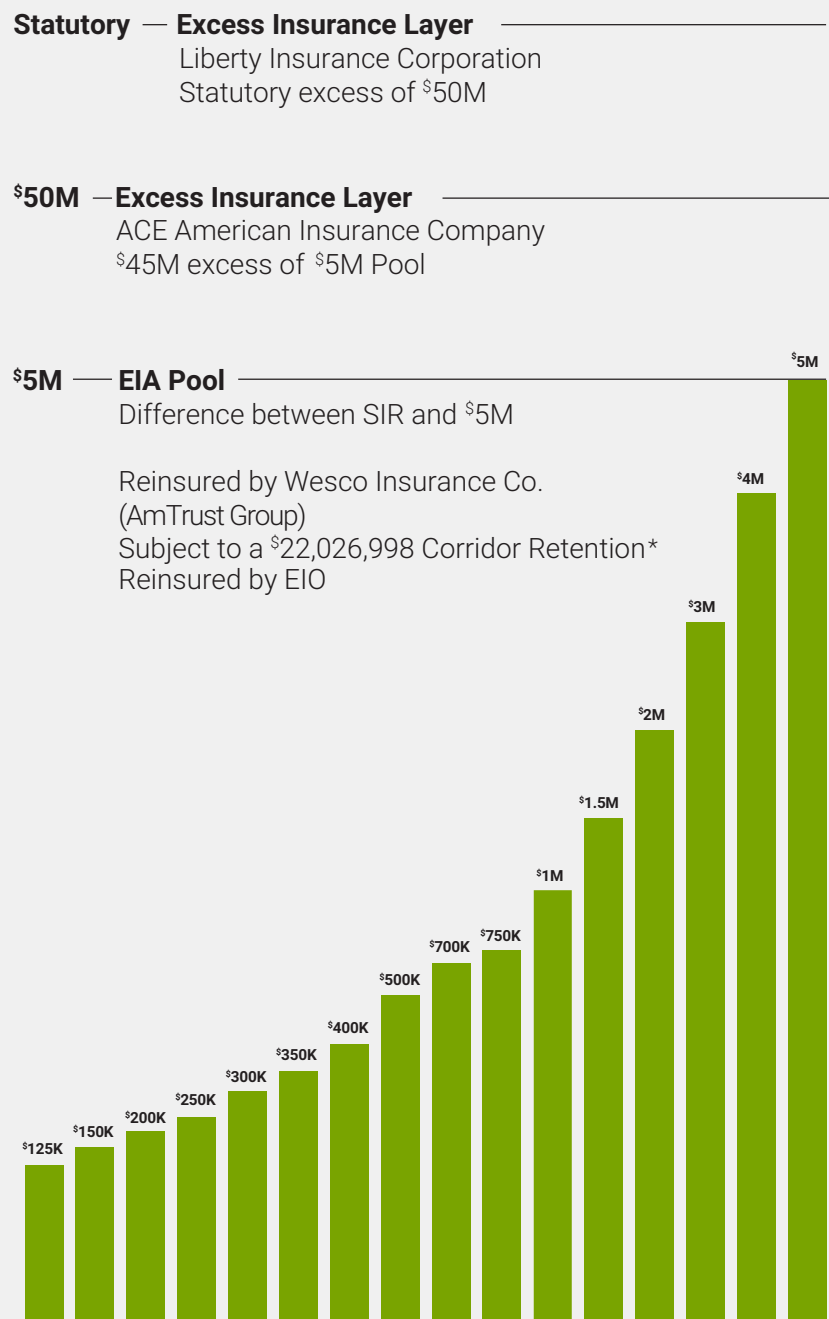
## \$5,000,000

LAWCX

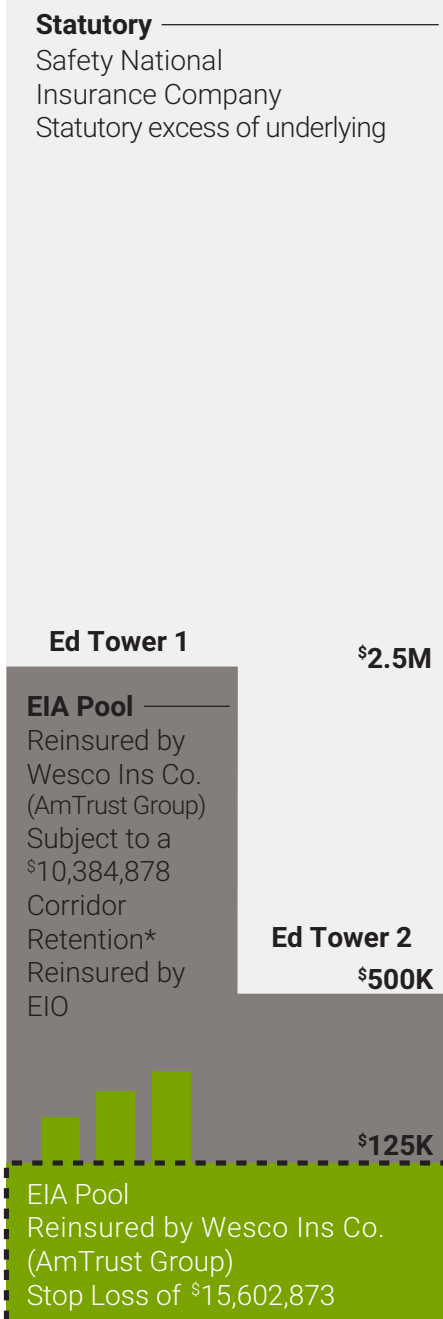
# Excess Workers' Compensation

2016/2017

## Core Tower



## Educational Tower



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

# Primary General Liability

The Primary General Liability (PGL) Program is another adjoining program, similar to the PWC/EWC model, which was created out of a desire to provide members the opportunity to convert their self-insured retention to a \$10K deductible. For smaller members, the Program has served to protect them from the financial instability that can come with maintaining a self-insured retention. This support has been significant for the members in terms of managing their cash-flows and budgets.

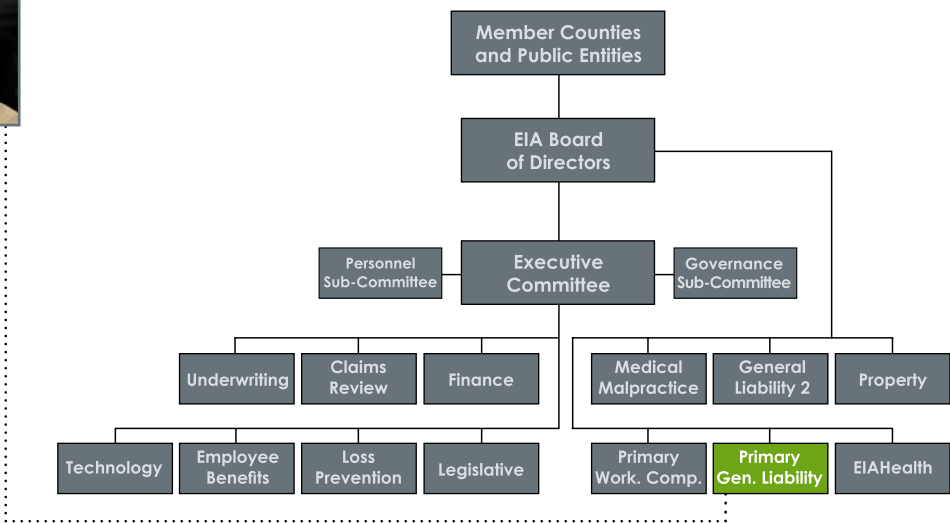
In addition to coverage at a lower level, the PGL Program also provides members with claims administration services, which in the past was served by 2 claims administrators; however, this year added another partner to give members another service provider option to consider. Under the Program’s current structure, there is no pooling. Instead, the Program’s limit is provided through a reinsurance arrangement with Berkley Insurance Company. This structure is depicted graphically on page 13.

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

Transferring the risk to an insurance company has helped accomplish the PGL members’ low risk tolerance goals for the Program: keep costs reasonable, maintain stability, and ensure the members have the ability to control their claims disposition. The PGL Committee has demonstrated that they are flexible, and will react to changes in the insurance environment, when necessary. The 22 members have enjoyed a very successful program for more than 15 years, and this success is expected to progress for many years to come.



**Paul Hight**  
Sacramento County Contracts  
Primary General Liability  
Committee Chair





# Primary General Liability Membership

2016/2017

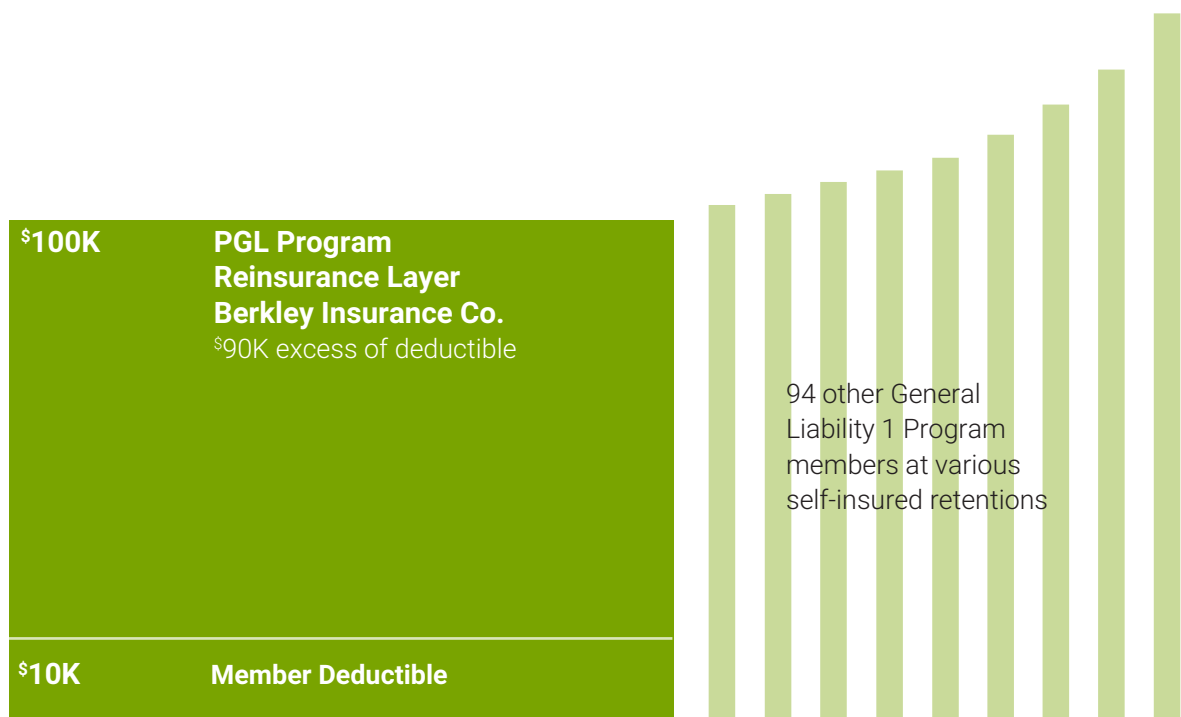
Amador County  
California Mental Health  
Services Authority  
Central Sierra Child  
Support Agency  
City of Carmel by The Sea  
City of Rancho Cordova  
Contra Costa IHSS Public Authority  
Del Norte IHSS Public Authority  
Housing Authority of  
the County of Riverside  
Humboldt IHSS Public Authority  
Imperial IHSS Public Authority  
Kern IHSS Public Authority

Lake County  
Madera IHSS Public Authority  
Riverside IHSS Public Authority  
Sacramento County Contracts  
San Bernardino IHSS Public Auth.  
San Diego IHSS Public Authority  
Shasta IHSS Public Authority  
Siskiyou County  
Solano County  
Sutter IHSS Public Authority  
Tuolumne County

# Primary General Liability

2016/2017

**\$25M** — **General Liability 1 Program** —



# General Liability 1

The General Liability 1 (GL1) Program provides members with coverage for third party liabilities (including general, automobile, employment practices, and errors and omissions). The 114 members of GL1 enjoy \$25M in coverage limits, subject to the members’ self-insured retention which can range from \$100K to \$1M (retentions as low as \$25K have been provided on an exception basis). Members are able to manage their own claims because they maintain self-insured retentions in this Program, either through a third party administrator or their own claims staff. The Program funds a \$5M pool and purchases \$20M in reinsurance to achieve the \$25M limit. There is also a separate program for optional excess insurance if members desire a higher limit. This year, the Program implemented a Crisis Incident Management Policy that allows members access to \$50K of coverage for situation assessment and crisis management communications. The structure of the Program is illustrated on page 15.

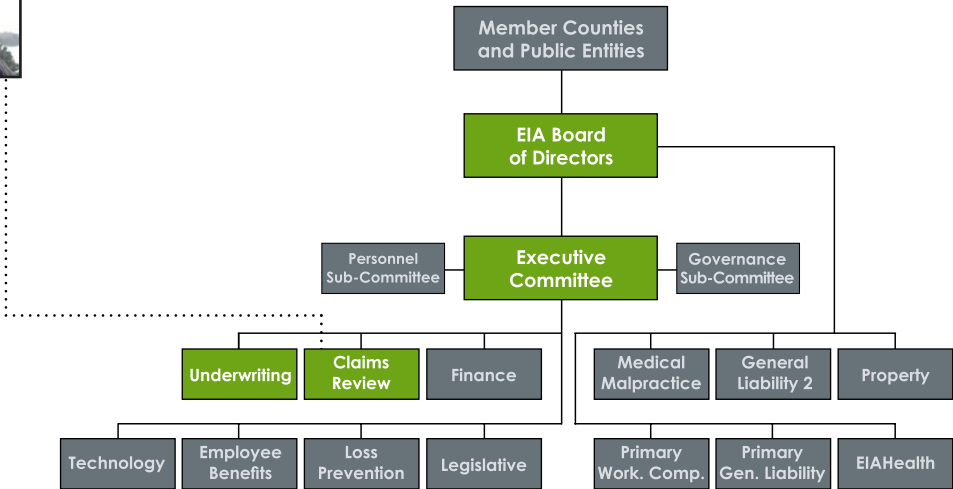
Within the public liability arena, there are many coverage issues to consider. The Program’s coverage document is frequently reviewed, and the decisions to grant coverage or exclude risks must be made carefully. The Program has a growing and diverse membership, and the Board and Committees must ensure to consider the needs and desires of all members. At the same time, these groups must also consider the potential risk for unanticipated claims to the Program. This ongoing evaluation of providing coverage, while protecting the Program’s assets, is reviewed on a regular basis. In this evaluation, the Program declared a dividend of \$3M to its members this year, and transferred \$5M in corridor risk to our newly created captive insurance company, the EIO.

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

The Claims Review Committee reviews GL1 and EWC claims. They have full authority to authorize settlements and take action regarding claims services, such as cost containment solutions, and claims audit services.



**Kerry John Whitney**  
Napa County  
Claims Review Committee Chair



# General Liability 1 Membership

2016/2017

## **\$25,000**

Council of San Benito Co. Govts.  
East San Gabriel Valley ROP  
Marin County Transit District  
Military Dept. of the State of CA

## **\$50,000**

Capitol Area Development Auth.  
City of Elk Grove  
The Sports and Open Space  
Auth. of the City of Santa Clara  
WSGL&P JPA

## **\$100,000**

Alpine County  
Amador County  
CA Mental Health Services Auth.  
Butte County  
Calaveras County  
Central Sierra Child Support Ag.  
City of Carmel By The Sea  
City of Del Mar  
City of Hanford  
City of Imperial Beach  
City of Lemon Grove  
City of Lompoc  
City of Los Alamitos  
City of Rancho Cordova  
City of Ridgecrest  
City of Solana Beach  
City of South Pasadena  
Colusa County  
Contra Costa IHSS Public Auth.  
CSAC EIA  
Del Norte County  
Del Norte IHSS Public Authority  
GSRMA JPA Administration  
Housing Authority of the  
County of Riverside  
Humboldt County  
Imperial IHSS Public Authority  
Inyo County  
Irvine Ranch Water District

Kern IHSS Public Authority  
Lake County  
Lassen County  
Madera County  
Madera IHSS Public Authority  
Merced County  
Merced IHSS Public Authority  
Modoc County  
Mono County  
Nevada County  
Pasadena Unified School District  
Plumas County  
Riverside IHSS Public Authority  
Sacramento County Contracts  
SAFCA  
San Benito County  
San Benito IHSS  
San Bernardino IHSS Public Auth.  
San Diego IHSS Public Authority  
San Jose Unified School District  
Shasta IHSS Public Authority  
Sierra County  
Siskiyou County  
Solano County  
Solano Transportation Authority  
Sutter County  
Sutter IHSS Public Authority  
Tehama County  
Torrance Unified School District  
Trindel Insurance Fund  
Trinity County  
Tuolumne County  
Yuba County

## **\$150,000**

City of Napa  
City of Santee  
City of Vista  
Mariposa County  
Mendocino County  
San Diego Unified School District

## **\$200,000**

Imperial County

## **\$250,000**

City of Belmont  
City of Calexico  
City of Coronado  
City of El Cajon  
City of Encinitas  
City of Hemet  
City of Lancaster  
City of National City  
GSRMA  
Mt. Diablo USD  
San Luis Obispo County  
SBASIA  
Shasta County  
SMCSIG  
Stanislaus County  
Tulare County

## **\$300,000**

Napa County

## **\$500,000**

City of Chula Vista  
City of Concord  
City of Corona  
City of Covina  
City of Escondido  
City of Newport Beach  
City of Oceanside  
East Bay Regional Park District  
Kings County  
San Bernardino Co. Depts.  
Santa Barbara County

## **\$750,000**

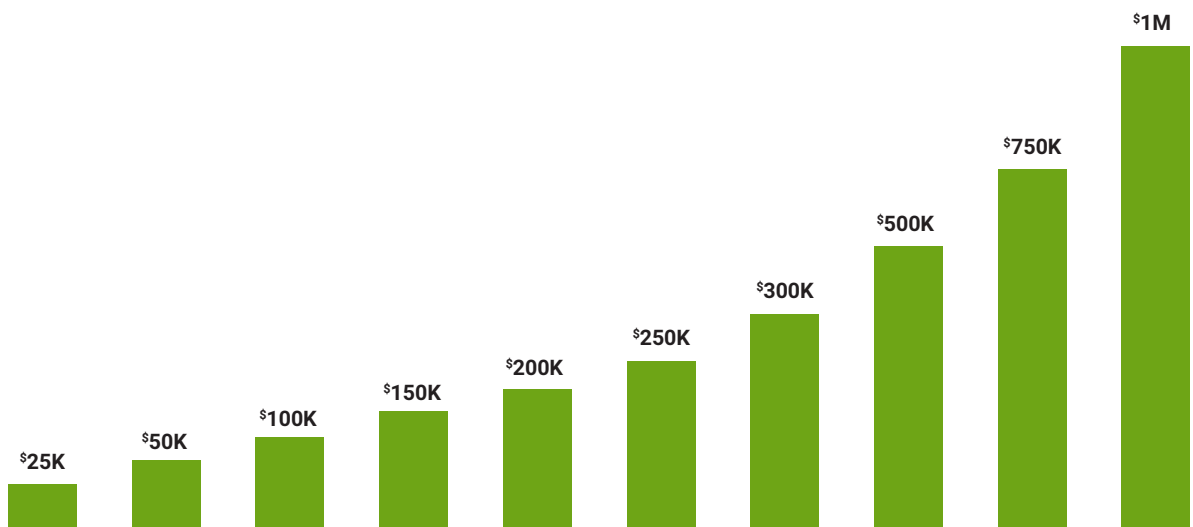
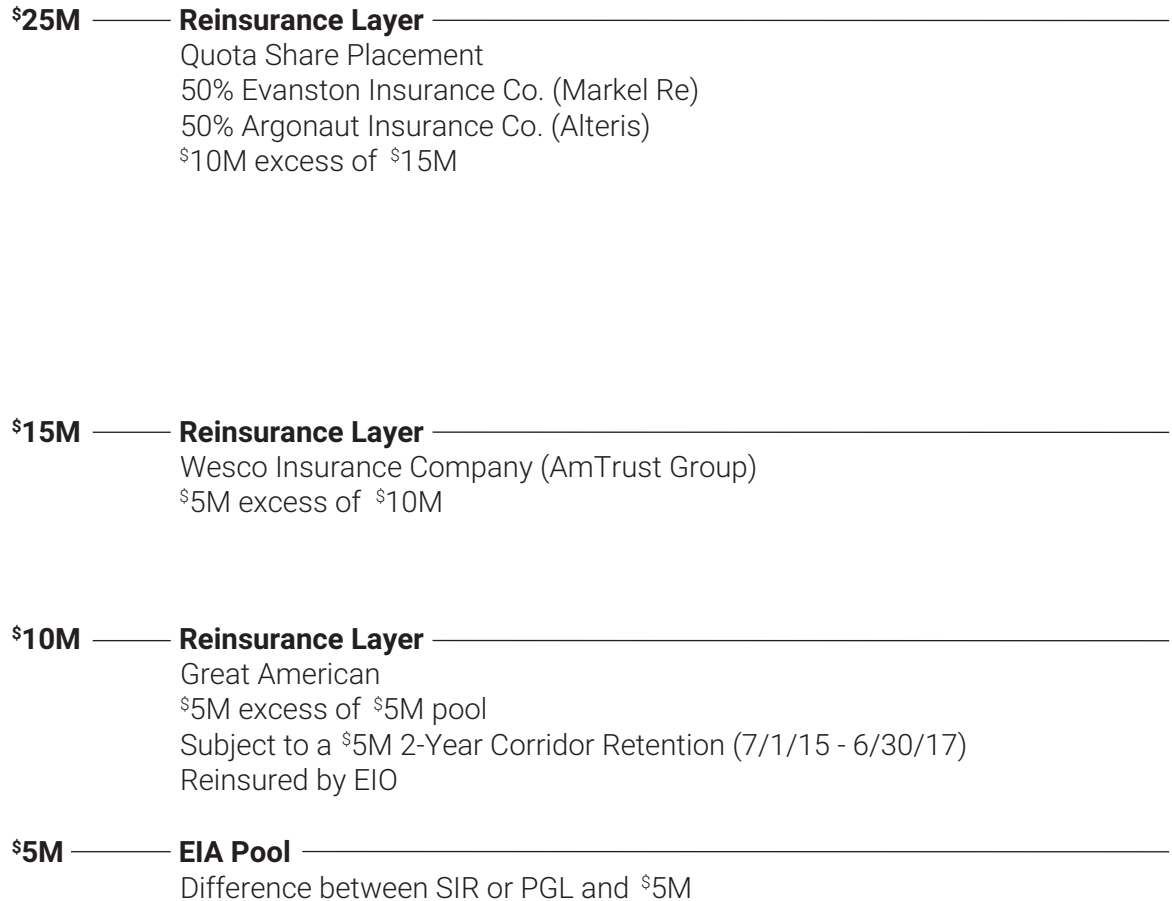
Fresno County

## **\$1,000,000**

CAPRI  
City of Carlsbad  
City of Fontana  
City of Pomona  
City of Simi Valley  
PARSAC  
PERMA  
Placer County  
Schools Excess Liability Fund  
Sonoma County

# General Liability 1

2016/2017



\*35 GL1 Program members purchase additional limits through the Optional Excess Liability Program

# General Liability 2

The General Liability 2 (GL2) Program has been an EIA offering for more than two decades. The Program provides 15 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. Some members also have individual corridor deductibles.

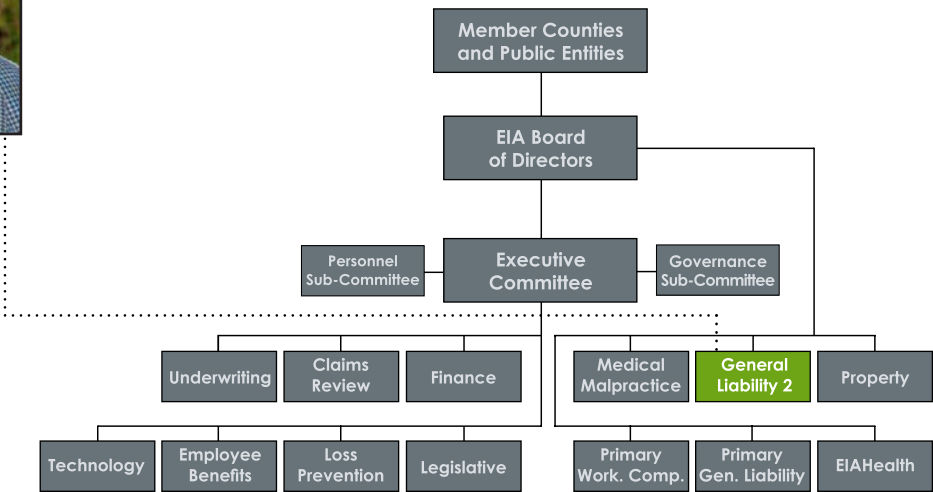
The Program has had a challenging loss history because of complex liability issues, and supporting this Program has never been more important. The members banded together to work through difficult renewals, premium increases and the addition of individual member corridor deductibles, as well as (in some cases) higher self-insured retentions. They have also worked together to make changes to ensure the Program is attractive to the insurance market, such as the addition of the Crisis Incident Management Policy. The GL2 Program has generally maintained long-term relationships with its reinsurance partners, thus giving the Program the ability to negotiate implementation of changes over a number of years. However, this year the Program did make a few moves to disseminate the risk. The Program currently has 3 reinsurance layers, with QBE and Munich Re providing coverage above the group corridor retention up to \$10M; Markel, Great American, and Brit each take a share of the next \$10M layer; and, Markel and ANV Group share in providing the upper \$5M layer of the Program. Also, the Program has transferred the risk for the \$17.8M corridor retention to our newly created captive insurance company, the EIO. This structure is illustrated on page 17.

The GL2 Committee governs this Program. They review all matters pertaining to the GL2 Program, including insurance placements, coverage issues, claims administration, program services, and new member applications. Another important aspect of the Program that the Committee is involved with is the allocation of premium amongst the members. This is a progressive initiative for the Committee, ensuring the premiums are equitably distributed amongst the members.



**Barbara Lubben**

Alameda County  
General Liability 2 Committee Chair



## General Liability 2 Membership

2016/2017

<b>\$1,000,000</b>	<b>IMCD</b>
--------------------	-------------

Alameda County	Nil
Contra Costa County	Nil
El Dorado County	Nil
ERMAC	\$250,000
City of Montebello	\$500,000
San Joaquin County	Nil
Santa Cruz County	Nil
Tulare County	Nil

<b>\$2,000,000</b>	<b>IMCD</b>
--------------------	-------------

City of Sacramento	\$1,000,000
Sacramento County	Nil
Santa Clara County	\$500,000

<b>\$3,000,000</b>	<b>IMCD</b>
--------------------	-------------

City of Oakland	Nil
City of San Diego	\$2,000,000
San Bernardino County	Nil

<b>\$3,500,000</b>	<b>IMCD</b>
--------------------	-------------

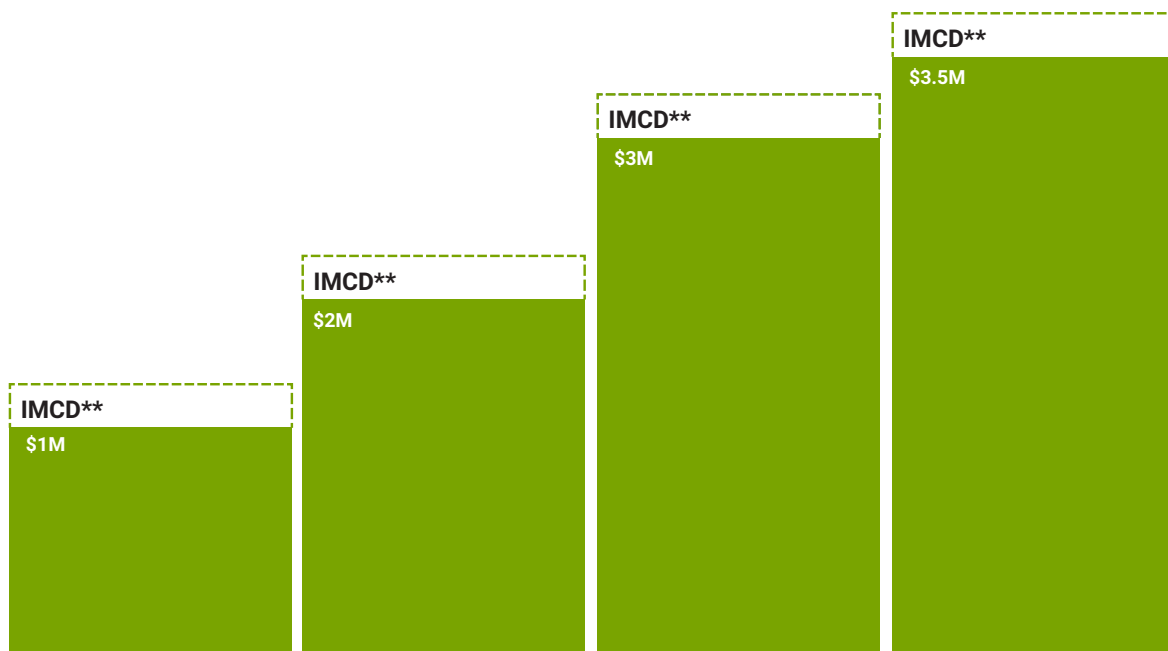
Riverside County	\$2,000,000
------------------	-------------

Individual Member Corridor Deductibles (IMCD) are aggregated deductibles retained by members and must be exhausted before reinsurance layers apply.

## General Liability 2

2016/2017

<b>\$25M</b>	<b>Reinsurance Layer</b> Quota Share Placement 50% Evanston Insurance Co. (Markel Re)/50% ANV Group \$5M excess of \$20M
<b>\$20M</b>	<b>Reinsurance Layer</b> Quota Share Placement 45% Evanston Insurance Co. (Markel Re) 30% Great American 25% Brit Insurance \$10M excess of \$10M
<b>\$10M</b>	<b>Reinsurance Layer</b> QBE and Munich Re Subject to a \$17,801,550 Corridor Retention Reinsured by EIO



\* 11 GL2 Program members purchase additional limits through the Optional Excess Liability Program

\*\*Individual Member Corridor Deductible (IMCD) where applicable.



# Property

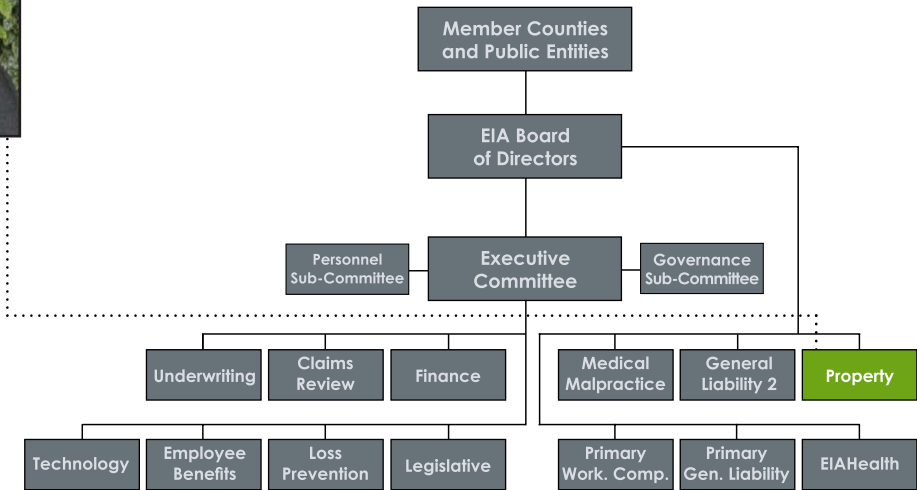
The Property Program is a perfect example of our theme this year. It is progressive, creative, works through tough renewals, and partners with underwriters to create a well-funded destination and home for our 97 members who participate in this Program. The Property Program progresses with time to ensure that the Program continues to thrive and provide the best protection for the members at the lowest possible cost for many years to come. Additionally, as a new benefit to members, the program implemented a Crisis Incident Management Policy, providing members \$50K of coverage for situation assessment and crisis management communications.

Each year, the Property Committee works hard to balance the members’ desire for coverage, need for protection, as well as their budget constraints. There is only so much insurance capacity available in the marketplace, in particular as respects earthquake coverage. This year, however, we were able to decrease the earthquake deductible from 5% to 2%, a great member benefit found only in the EIA Program. Ideally, we would like to buy additional limits, but at some point, purchasing additional coverage becomes cost-prohibitive or simply unavailable. To address these issues, the Property Program has implemented a unique structure with “Towers” to spread risk both geographically and categorically. This spread of risk allows the Program to access higher limits at reduced costs. Members have \$600M in all risk and \$550M in flood limits. Plus, members that purchase earthquake coverage have access to \$515M in earthquake coverage in 1 or more of 5 towers. The Program maintains a \$3M pool, with reinsurance and insurance providing the balance of the limits. The pool exposure is limited to \$10M for the year, and upon exhaustion of the pool’s aggregate, the primary reinsurer, Lexington, pays for losses excess of the members’ deductibles. This year, the Program transferred the \$10M corridor risk exposure to our newly created captive insurance company, the EIO.

The Property Committee governs this Program. They review all matters pertaining to the Program, including insurance placements, coverage issues, property appraisals, other program services, and new member applications.



Lance Sposito  
Santa Clara County  
Property Committee Chair



# Property Membership

2016/2017

## \$5,000

Amador County  
Butte County  
Calaveras County  
Central Sierra Child Support Ag.  
City of Bakersfield  
City of Calexico  
City of Coronado  
City of Del Mar  
City of Elk Grove  
City of Encinitas  
City of Hemet  
City of Imperial Beach  
City of Lemon Grove  
City of Napa  
City of National City  
City of Oceanside  
City of Rancho Cordova  
City of Ridgecrest  
City of Solana Beach  
City of Santee  
City of South Pasadena  
City of Vista  
CSAC EIA  
GSRMA  
Humboldt County  
Imperial County  
Inyo County  
Kings County  
Lake County  
Madera County  
Mariposa County  
Merced County  
Mountain Comm. Healthcare Dist.  
Napa County  
Placer County  
Santa Cruz County  
Solano County  
Sonoma County Employees'  
Retirement Association  
Sutter County  
Tehama County  
Tuolumne County  
Yuba County

## \$10,000

City of Carmel By The Sea  
City of Chula Vista  
City of Concord  
City of Escondido  
City of Oakland  
Housing Authority of the  
County of Riverside  
Mendocino County  
Orange County  
Plumas County  
San Luis Obispo County  
Santa Barbara County  
Santa Clara County Vector  
Control District  
Siskiyou County  
Stanislaus County  
Tulare County  
Ventura County

## \$25,000

Alpine County  
City of Covina  
City of San Diego  
City of Santa Rosa  
Colusa County  
Del Norte County  
East Bay Regional Park District  
El Dorado County  
Fresno County  
Irvine Ranch Water District  
Lassen County  
Modoc County  
Mono County  
Monterey County  
Nevada County  
San Benito County  
San Bernardino County  
San Diego Housing Commission  
San Diego Metro Transit System  
San Joaquin County  
Shasta County  
Sierra County  
Trinity County  
YCPARMIA

## \$50,000

Alameda County  
Alameda Health System  
Contra Costa County  
Kern County  
Kern County Hospital Authority  
Pasadena Unified School District  
Riverside County  
Sacramento County  
San Diego County  
Santa Clara County  
Santa Clara County Library JPA  
Sonoma County  
West San Gabriel Prop & Liab JPA

## \$75,000

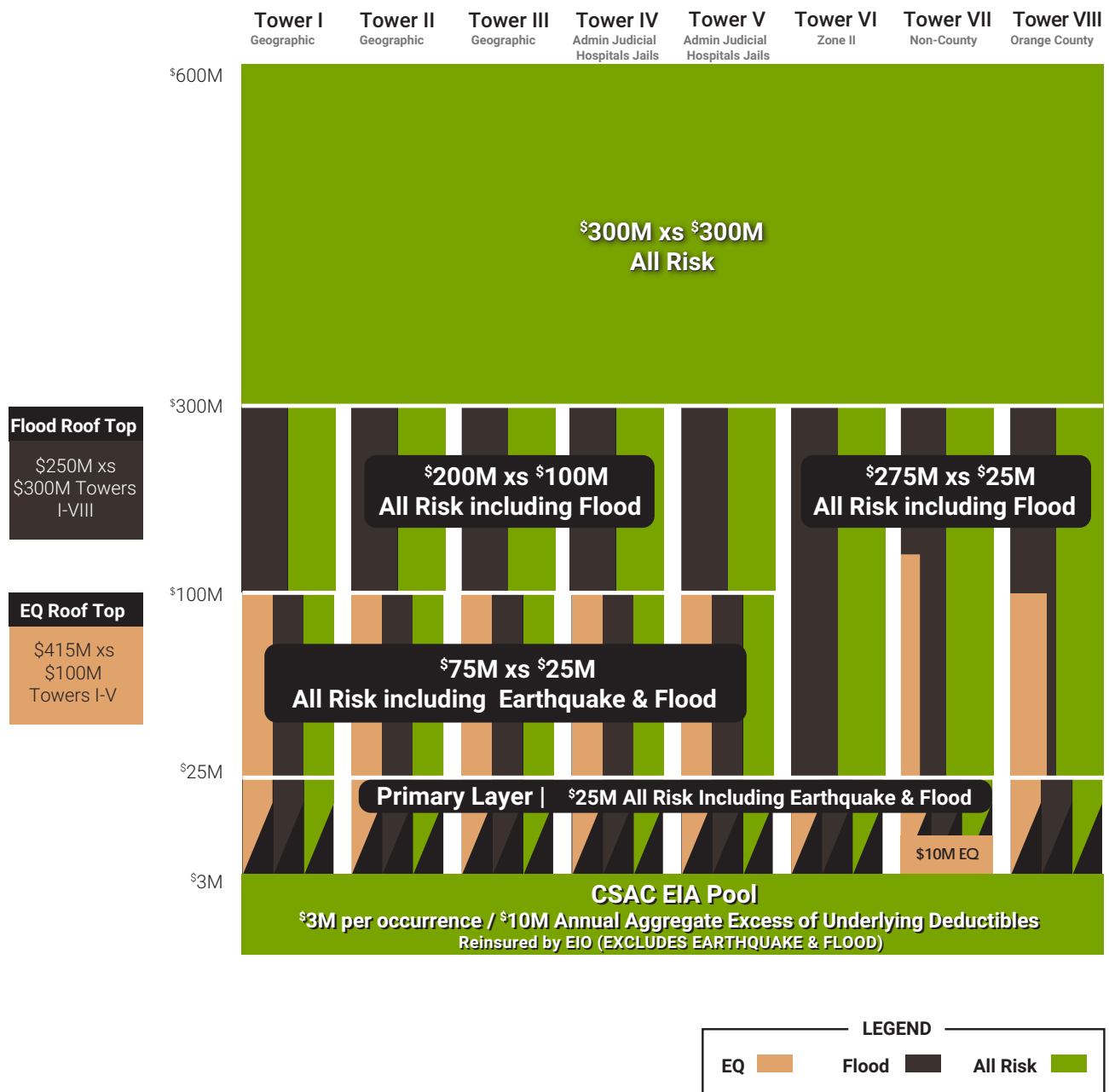
Campbell Union  
High School District

## \$100,000

CSRM  
Mt. Diablo USD

# Property

2016/2017



Not shown graphically is the Catastrophic Risk pool, designed to buy down member deductibles for Flood and EQ.

# Medical Malpractice

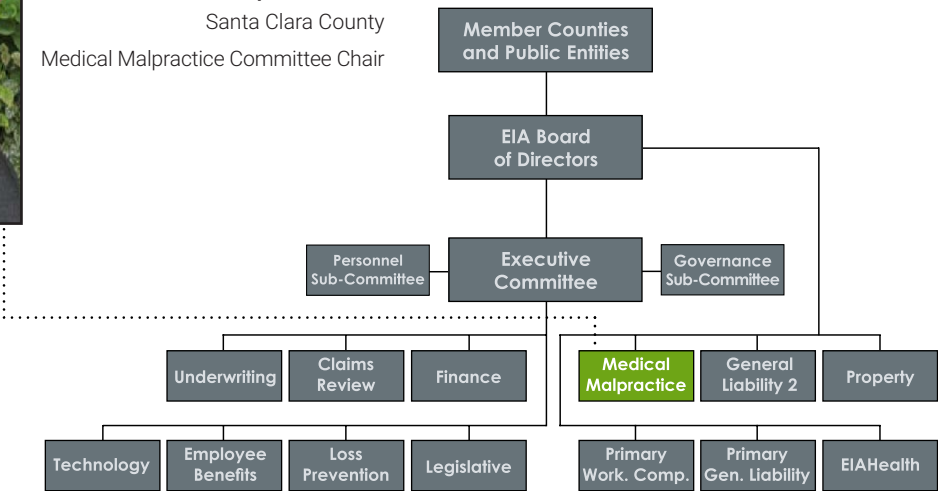
The Medical Malpractice Program provides 53 members with coverage for medical professional services and limited general liability exposures at established healthcare facilities. The Program offers limits of \$21.5M, in addition to the members’ deductible or self-insured retention, which range from \$5K to \$1.1M. For members who maintain a deductible, claims administration is provided by the Program’s claims administrator, Risk Management Services (RMS). Members who maintain a self-insured retention are able to manage their claims, either through a claims administrator, or with their own claims staff. The Program funds a \$1.5M pool and purchases \$20M of reinsurance to fulfill the limits. Additionally, the Program implemented a Crisis Incident Management Policy providing members \$50K of coverage for situation assessment and crisis management communications. This structure is depicted graphically on page 21.

Beginning with the 2010/11 year, the Program’s reinsurance agreement was converted from “claims-made” to an “occurrence” basis. This has allowed the Program to transfer its liability for tail claims in the reinsured layer to Lexington over the course of a 3 year period. This elimination of the tail exposure is a progressive tactic, increasing the stability of the Program, and ultimately, helps members save money when the professional insurance market begins to show signs of change. At the same time, the members have elected to fund the pool exposure on a claims-made basis in order to take advantage of the risk financing benefits of lower costs, along with greater predictability and stability.

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



**Lance Sposito**  
Santa Clara County  
Medical Malpractice Committee Chair



# Medical Malpractice Membership

2016/2017

## **\$5,000**

Alpine County  
Calaveras County  
City of Anaheim  
City of Berkeley  
City of Fremont  
Colusa County  
Del Norte County  
Kings County  
Lassen County  
Los Angeles USD  
Mariposa County  
Mendocino County  
Merced County  
Modoc County  
Mono County  
Placer County  
San Diego Unified  
School District  
Santa Barbara County  
Sierra County  
Siskiyou County  
Solano County  
Sonoma County  
Stanislaus County  
Sutter County  
Tehama County  
Trinity County

## **\$10,000**

Alameda County  
Amador County  
Butte County  
El Dorado County  
Glenn County  
Humboldt County  
Imperial County  
Inyo County  
Madera County  
Marin County  
Napa County  
Nevada County  
Plumas County  
San Benito County  
San Luis Obispo County  
Santa Cruz County  
Shasta County  
Tulare County  
Tuolumne County  
Yolo County  
Yuba County

## **\$500,000**

Contra Costa County  
Santa Clara County

## **\$1,000,000**

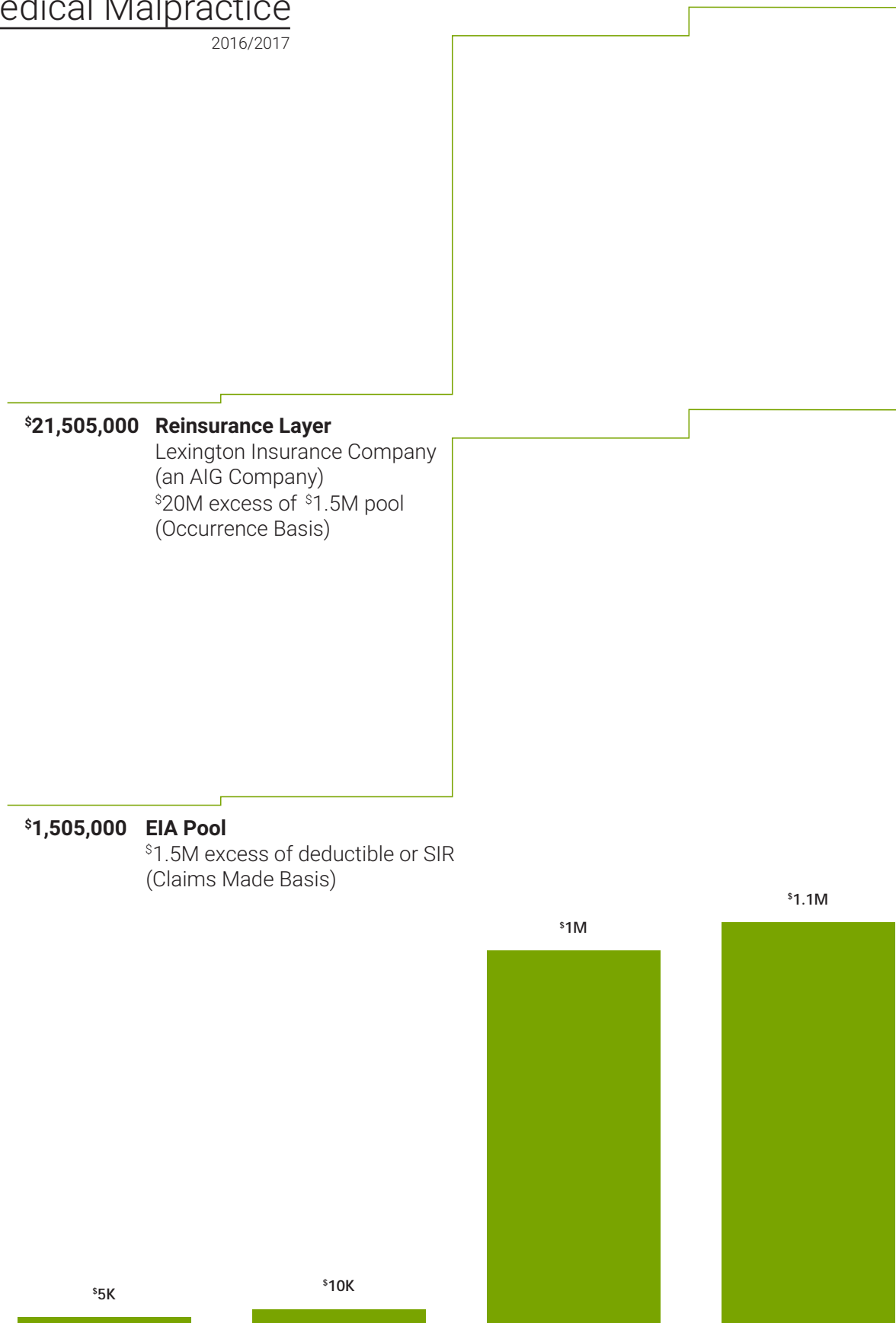
San Joaquin County

## **\$1,100,000**

Riverside County

# Medical Malpractice

2016/2017



# EIAHealth

One of the EIA’s newest areas of progression is EIAHealth, and it has already enjoyed a very successful history in its young 13 years. As the second largest public sector healthcare purchasing program in California, EIAHealth now includes more than 18,000 employee lives. The Program provides members an alternative to group health insurance plans using the concept of pooling to reduce insurance premiums through consolidating the fixed costs over a larger population. Members are able to create and maintain their own plan designs within the context of the pooling arrangement, which provides much greater stability than a stand-alone program. In addition, small group programs are available with pre-defined benefit options for public employers with less than 250 employees.

The EIAHealth Program partners with Self Insured Schools of California (SISC) and offers a combined risk pool covering more than 400 agencies and 300,000 covered members. This relationship has increased program stability and created the second largest healthcare purchasing coalition in the state of California.

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

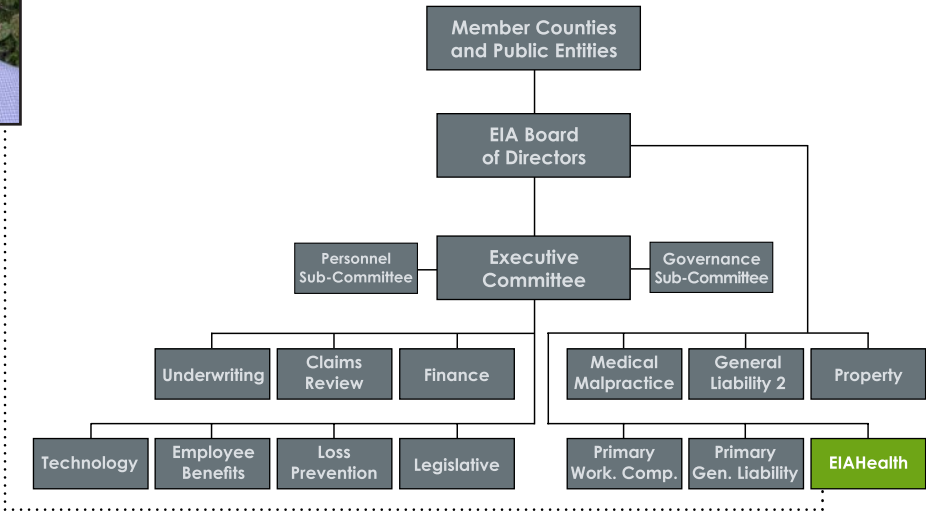
## EIAHealth Membership

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



### Scott De Moss

Merced County  
EIAHealth Committee Chair



# Dental Membership

2016/2017

Alpine County  
Amador County  
Bay Area Air Quality Mgmt. Dist.  
Calaveras County  
California State Legislature  
Catalina Island Medical Center  
Central Contra Costa Sanitary District  
Central Sierra Child Support Agency  
City of Alameda  
City of Atascadero  
City of Atwater  
City of Buena Park  
City of Calabasas  
City of Capitola  
City of Chico  
City of Claremont  
City of Concord  
City of Costa Mesa  
City of Cypress  
City of El Centro  
City of Escalon  
City of Folsom  
City of Fremont  
City of Galt  
City of Goleta  
City of Hayward  
City of Huntington Beach  
City of Lone  
City of Live Oak  
City of Livermore  
City of Maywood  
City of Menlo Park  
City of Merced  
City of Mill Valley  
City of Mission Viejo  
City of Murrieta  
City of Needles  
City of Novato  
City of Oceanside  
City of Oroville  
City of Pacifica  
City of Paso Robles  
City of Perris  
City of Pleasanton  
City of Port Hueneme  
City of Rancho Cordova  
City of Rancho Santa Margarita  
City of Redding  
City of Richmond  
City of Roseville  
City of San Bernardino

City of San Jacinto  
City of San Leandro  
City of San Ramon  
City of Santa Rosa  
City of Solana Beach  
City of South San Francisco  
City of Stanton  
City of Sunnyvale  
City of Twentynine Palms  
City of Vacaville  
City of Visalia  
City of Walnut Creek  
City of Watsonville  
City of West Covina  
City of West Sacramento  
Coachella Valley Assoc. of Govts.  
Colusa County  
CSAC EIA  
Dublin San Ramon Services District  
El Dorado County  
Gold Coast Transit  
Great Basin Unified Air  
Pollution Control District  
GSRMA  
Hi-Desert Memorial Healthcare Dist.  
Humboldt County  
Inland Empire Health Plan  
Inland Empire Utilities Agency  
Inyo County  
Lake County  
Lassen County  
Mariposa County  
Merced County  
Modoc County  
Mono County  
Morongo Basin Transit Authority  
Napa County  
Napa Sanitation District  
Nevada County  
Office of Community Investment  
and Infrastructure (OCII)  
Orange County Sanitation District  
Orange County Trans. Authority  
Otay Water District  
Palo Verde Valley Healthcare  
District Hospital  
PARSAC  
PERMA  
Pleasant Hill Recreation  
and Park District  
Placer County

Placer County Water Agency  
Plumas County  
Port of Oakland  
San Benito County  
San Joaquin County  
San Luis Obispo County  
Santa Barbara County  
Santa Cruz County  
Santa Cruz Metro Transit District  
SDRMA  
Shasta County  
Sierra County  
Solano County  
Sonoma-Marín Area  
Transit Authority  
Stanislaus County  
Superior Court of California:  
County of Alpine  
County of Amador  
County of Butte  
County of Calaveras  
County of Colusa  
County of Contra Costa  
County of Del Norte  
County of El Dorado  
County of Lake  
County of Lassen  
County of Merced  
County of Orange  
County of San Benito  
County of San Luis Obispo  
County of Santa Barbara  
County of Santa Cruz  
County of Shasta  
County of Sonoma  
County of Stanislaus  
County of Tuolumne  
County of Yolo  
County of Yuba  
Tehama County  
Town of Yountville  
Transportation Corridor Agency  
Trindel Insurance Fund  
Trinity County  
Tuolumne County  
Turlock Irrigation District  
Western Riverside Council of Govts.  
Yolo County  
Yuba County



# Dental

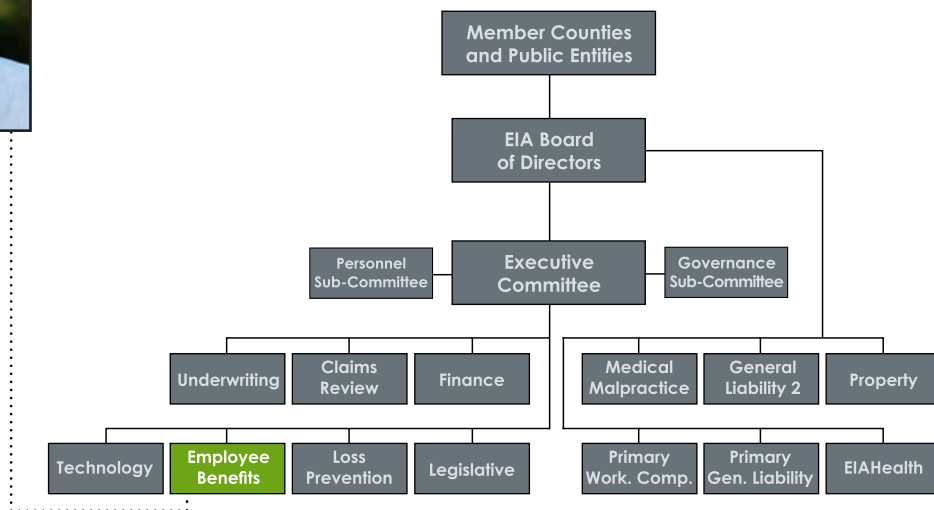
The Dental Program, another progression into employee benefits, was launched in January 2010, and has grown to cover 148 agencies, covering 76,000 employee lives. This Program utilizes the pooling methodology to provide members with more predictable and stable dental rates year-over-year. The Program 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, Life/Accidental Death and Dismemberment (AD&D), Short Term Disability (STD), Long Term Disability (LTD), and Employee Assistance Program (EAP)). This Committee reviews all matters pertaining to the Dental Program, including program funding, new member applications and program renewals.



Andreas Pyper

Santa Barbara County  
Employee Benefits Committee Chair



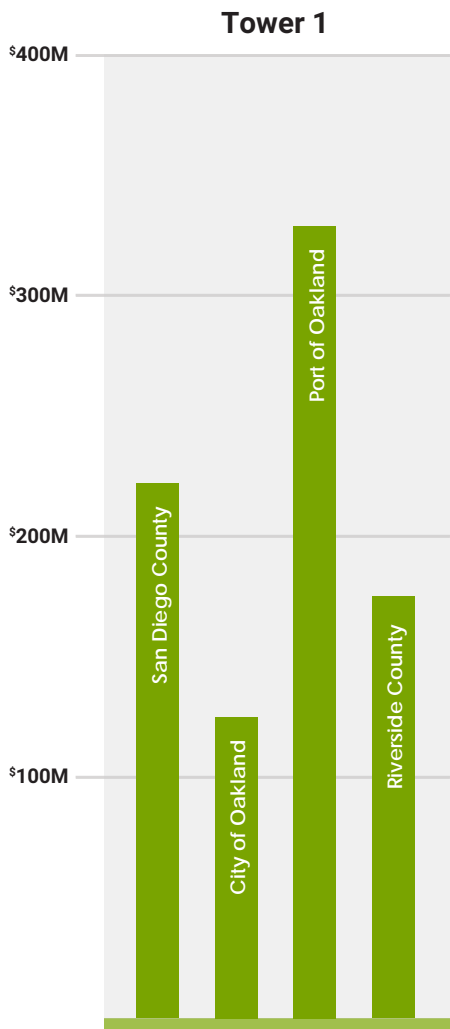
# Master Rolling Owner Controlled Insurance Program

The Master Rolling Owner Controlled Insurance Program, or MR OCIP for short, enables members to purchase workers’ compensation and general liability coverage for all eligible parties (owner, general contractor, and sub-contractors) working on their construction projects. These policies (also known as “wrap-ups”) are widely used on public sector construction projects and capital improvement programs. They offer cost savings, better coverage, more control, and higher limits of insurance than a traditional approach to construction insurance. It is truly a progressive alternative to traditional insurance.

As the newest EIA program, MR OCIP was launched on January 1, 2013. The Program continues to grow, and currently has 12 participating members and more than \$1B in construction values. This Program is positioned to experience significant growth, as the economy strengthens and members continue to evaluate the cost savings and enhanced coverage that is provided by the Program.

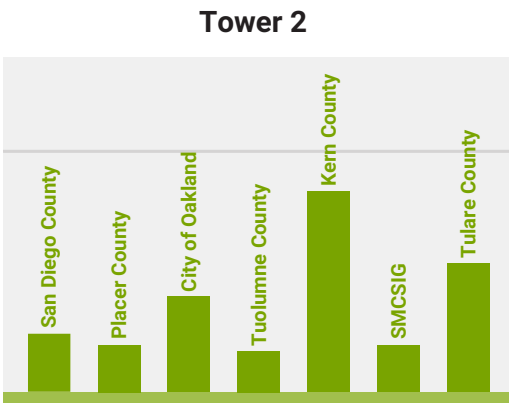
Historically, OCIPs were only cost effective for construction projects of at least \$100M. The EIA, however, has leveraged its pooling power to combine smaller projects of the members into one Program. Now, construction projects valued at as little as \$10M can provide members the opportunity to receive the benefits of a “wrap-up” on projects that otherwise would not qualify because of their size.

## MR OCIP Current Projects



## Membership

- City of Oakland
- Coast Community College District
- Kern County
- Merced County
- Placer County
- Port of Oakland
- Riverside County
- San Diego County
- San Mateo County Schools Insurance Group (SMCSIG)
- Santa Barbara County
- Tulare County
- Tuolumne County



# Financial Letter

November 1, 2016

Board of Directors  
CSAC Excess Insurance Authority

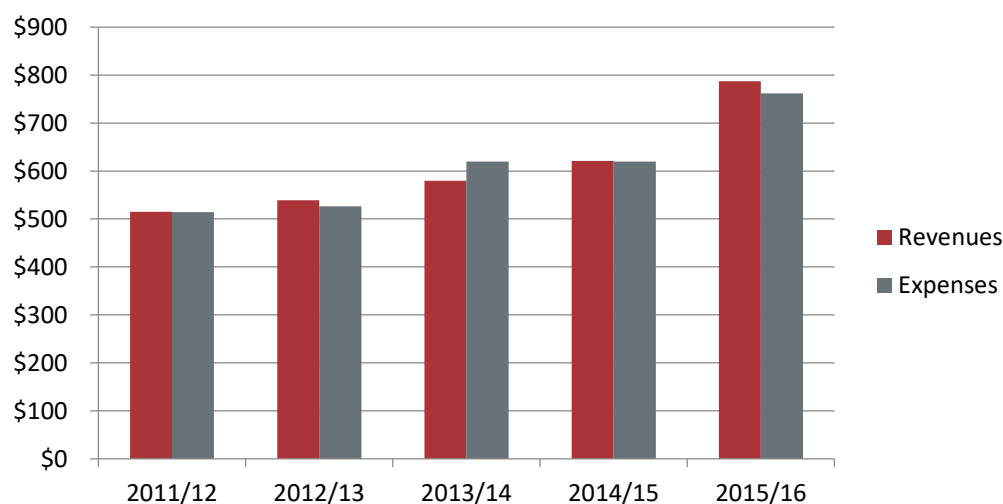
The EIA is continually progressing and changing its programs to better meet the needs of its members. This report contains easy-to-read information on EIA's programs, an overview of the EIA's financial condition, and highlights of the financial activity for the fiscal year ended June 30, 2016. Included are comparative financial statements for the years ended June 30, 2016 and 2015, including the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position, which conform to Generally Accepted Accounting Principles (GAAP). This information is derived from our Comprehensive Annual Financial Report (CAFR). The CAFR contains more detailed information and can be found on our website at [www.csac-eia.org](http://www.csac-eia.org). Our CAFR for fiscal year ending June 30, 2015 was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our CAFR continues to conform to the Certificate of Achievement program requirements and will be submitting our CAFR for the current year to the GFOA.

Financial Highlights:

## Net Position

Net Position is defined as the difference between Total Assets and Total Liabilities. The EIA started the year with a net position of \$112.4M. Net income before dividends was \$30.8M. We declared a \$2.3M dividend in our Primary Workers' Compensation Program, a \$3M dividend in the GL1 Program and \$250K of no claims bonuses in our other programs. Our ending balance in net position at June 30, 2016 is \$137.7M, up \$25.3M from fiscal 2015.

The increase in net position was largely driven by a buyback of claim liabilities in the Excess Workers' Compensation (EWC) Program for the fiscal years 1998 to 2004. This was partially offset by the lowering of the discount rate on claim liabilities in the Primary and Excess Workers' Compensation Programs.



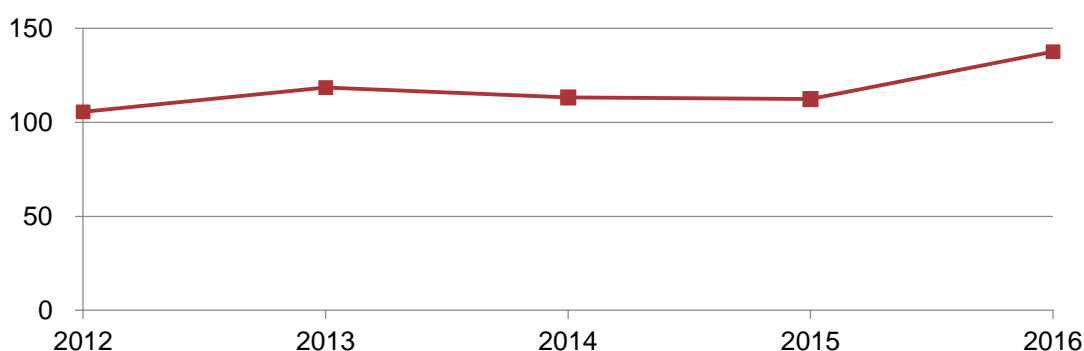
# Financial Letter

continued

The following chart shows how Revenues and Expenses have changed over time.

## Net Position Trend

(in millions)



## Claim Liabilities

After net position, claim liabilities are the most significant line item on our statements. Claim liabilities are shown discounted, that is at their net present value, taking into account investment earnings over time. Claim liabilities increased from \$463.7M to \$562.5M partly because of a claims commutation in the EWC Program, where the reinsurer paid the EIA to assume \$81.2M in undiscounted claim liabilities in its layer for the 1997 - 2004 claim years. There was growth in the programs and increases in the self-funded aggregate layers in both the Workers' Compensation and General Liability Programs.

The target equity range is what the EIA considers as desirable equity that should be on hand as reserve for loss development. The governing committees for each program use this information to determine how much premium to collect at renewal, and whether to declare a dividend. The chart below shows the target equity range for each program, and the Net Position of those programs at June 30, 2016.

Program	Target Equity Range (in millions)		Program Net Position (in millions)
	Low	High	at June 30, 2016
Primary Workers' Compensation	\$4.7	\$38.8	\$23.1
Excess Workers' Compensation	\$30	\$75	\$26.8
Primary General Liability	\$0.04	\$1.2	\$1.4
General Liability 1	\$18.4	\$34.8	\$38.3
Medical Malpractice	\$3.2	\$10.5	\$6.1

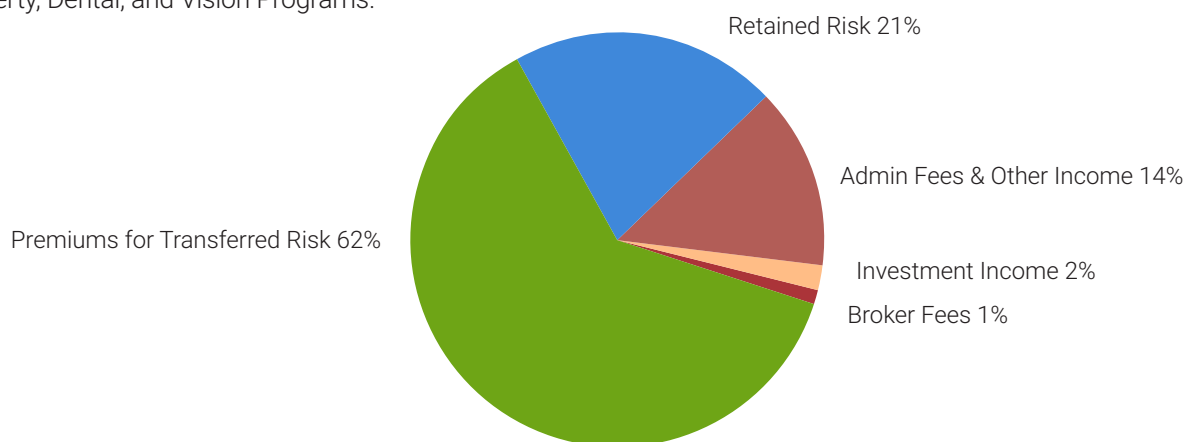
The net position in the EWC Program increased from \$3.9M at June 30, 2015 to \$26.8M at June 30, 2016 due to the buyback of claims liabilities, as mentioned earlier. The net position in this Program is now just below the low end of the target equity range.

# Financial Letter

continued

## Revenues

Total revenues were \$787M during 2016, a 27% increase from the \$621M in 2015. Half of the increase is attributable to the claims commutation in the EWC Program as mentioned earlier. Both premium and pool revenues are up, partly due to rising payrolls, which is the exposure base for many programs. Insurance rates increased for the Excess Workers' Compensation, General Liability 1 and 2, Medical Malpractice, and EIAHealth Programs. There were flat rate renewals or rate decreases in the Primary Workers' Compensation, Primary General Liability, Property, Dental, and Vision Programs.



## Investment Income

Investment income was \$13.8M for fiscal 2016; more than double that of fiscal 2015. We have more treasury assets to invest and some unrealized gains are included in investment income. We expect earnings to continue to rise very gradually as interest rates recover.

## Expenses

The EIA continued to purchase insurance to cover risks when that option was more cost effective than pooling the risk. In 2016, insurance related expense was \$497M, up from \$444M in 2015, matching the growth in revenues. Purchased insurance was 65% of all expenses, while claim costs accounted for 29%. Dividends, Program Services, and Administrative Costs made up the remaining 6% of expenses.

## Member Services

We established a new Member Services Department, incorporating the prior Loss Prevention Department. The Authority offers a wide range of risk management services, including:

- On-site and telephonic consultation
- Video and printed resource material acquisition and distribution
- Regional, on-site and web-based training programs
- Facility inspections
- Hazard and exposure assessments with realistic solutions
- Drug and Alcohol Monitoring Consortium
- Policy/program evaluation and development
- Subsidy program to fund risk management services
- Driver monitoring program

We are in the process of re-evaluating and expanding services to members, including a Crisis Incident Management service.

# Financial Letter

continued

## New and On-going Initiatives

In fiscal 2016, we completed the conversion of our largest Primary Workers' Compensation third party administrator into our Claims Management Information System (CMIS). In addition, significant progress was made in the conversion of 2 other third party administrators. Our IT department also offers a CMIS service to our members, and 11 member entities have installed the CMIS system using this service. This effort continues our work in standardizing reporting and consolidating data, which has been on multiple platforms.

We began development on a benchmarking service that will enhance our understanding of claims trends and enable us to craft more focused loss prevention programs, as well as more effectively price member premiums. We also began work on an automated assessment tool, which will enable members to identify areas of risk and make changes as needed to mitigate losses.

We formalized a long-term Strategic Information Technology Plan and also worked on evaluating and updating the look, feel, and capabilities of the EIA's website.

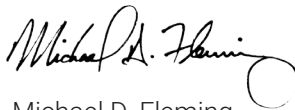
Our Master Rolling Owner Controlled Insurance Program, which provides wrap-up coverage for our member governments and its contractors, added several new projects, which resulted in revenues more than doubling from fiscal 2015 to fiscal 2016.

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

Respectfully submitted,



Marianne I. Stuart  
Chief Financial Officer

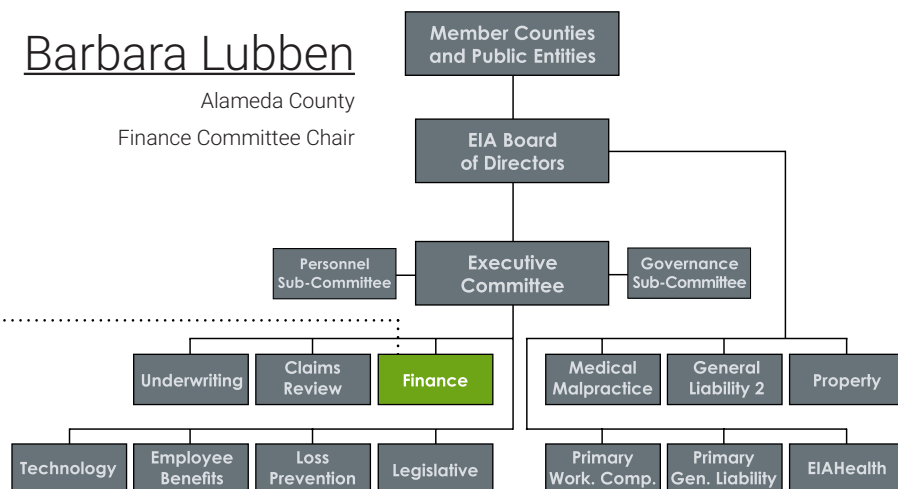


Michael D. Fleming  
Chief Executive Officer



### Barbara Lubben

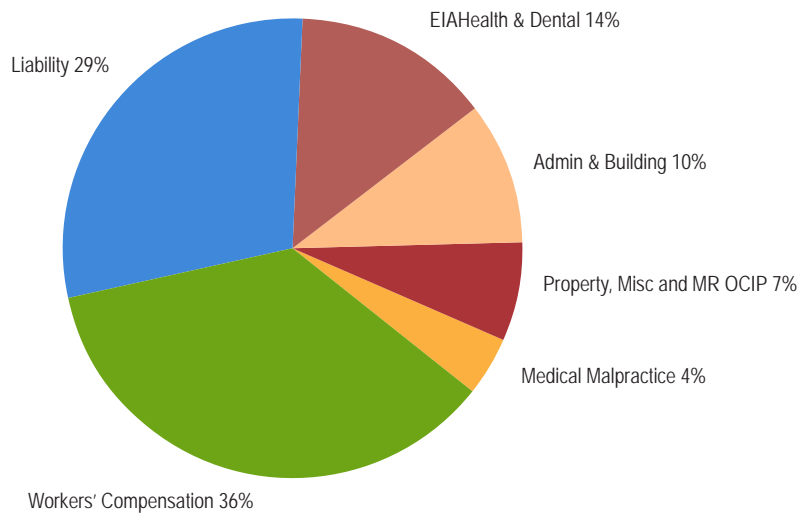
Alameda County  
Finance Committee Chair



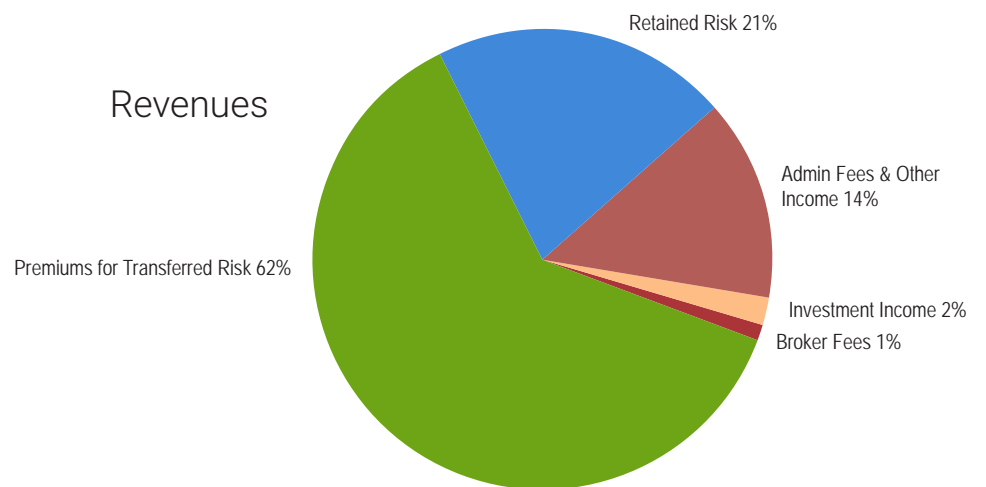
# Financial Profile

Financial results in brief 2015/2016

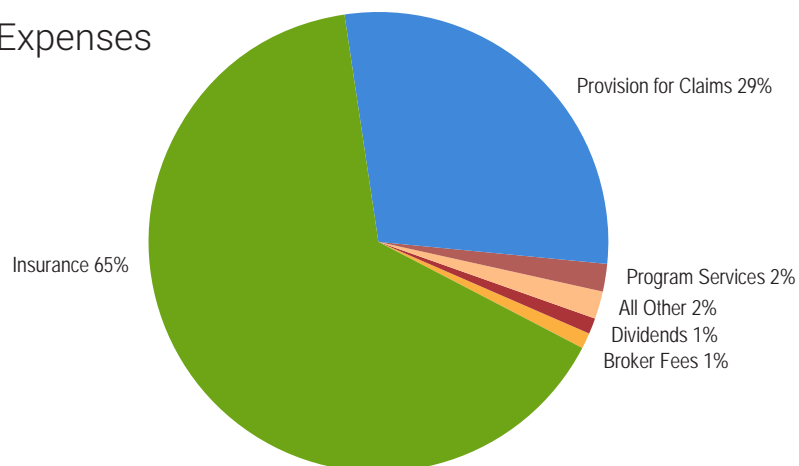
## Net Position by Program



## Revenues



## Expenses



# Financial Profile

continued

## Statement of Net Position, June 30, 2016 and 2015

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Assets:		
Cash and Cash Equivalents	\$ 39,521,430	\$ 29,289,516
Investments	571,598,427	486,494,567
Receivables	26,517,743	22,470,541
Prepaid Expenses and Deferred Outflows of Resources	94,770,870	95,650,618
Land, Buildings and Equipment (Net)	<u>9,578,879</u>	<u>9,043,933</u>
Total Assets and Deferred Outflows of Resources	<u>741,987,349</u>	<u>642,949,175</u>
Liabilities:		
Accounts Payable, Due to Members and Deposits from Carriers	28,503,002	28,727,578
Unearned Income and Other Liabilities	9,821,051	35,225,462
Pension Liabilities	3,469,004	2,839,643
Claim Liabilities	<u>562,521,675</u>	<u>463,749,847</u>
Total Liabilities and Deferred Inflows of Resources	<u>604,314,732</u>	<u>530,542,530</u>
Net Position:		
Invested in Capital Assets	9,578,879	9,043,933
Unrestricted	<u>128,093,738</u>	<u>103,362,712</u>
Total Net Position	<u>\$ 137,672,617</u>	<u>\$ 112,406,645</u>



# Financial Profile

continued

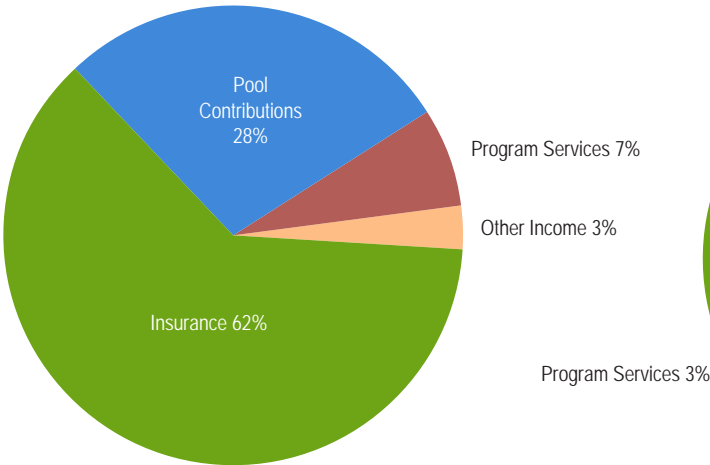
## Statement of Revenues, Expenses & Changes in Net Position For the Fiscal Years Ended June 30, 2016 and 2015

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Revenues:		
Premiums for Transferred Risk	\$493,749,250	\$443,008,816
Broker Fees	9,385,697	8,775,741
Contributions for Retained Risk	163,031,197	143,354,781
Dividend Income	232,389	241,593
Investment Income, net	13,786,527	6,159,321
Member Services	747,513	1,111,493
Administration Fees	18,830,010	16,107,839
Public Entity Fees	655,463	604,556
Development Fees	-	-
Other Income	<u>86,854,558</u>	<u>1,878,251</u>
Total Revenues	<u>787,272,604</u>	<u>621,242,391</u>
Expenses:		
Member Dividends	\$ 5,554,624	\$ 4,703,871
Stabilization Funds Distributed	477,716	-
Insurance and Provision for Losses:		
Insurance Expense	496,527,761	444,479,808
Broker Fees	9,125,742	8,559,724
Provision for Insured Events	213,524,014	135,224,386
Unallocated Loss Adjustment Expenses	9,400,117	2,119,213
Program Services	13,744,756	12,005,843
Member Services and Subsidies	2,963,429	2,852,087
General Administrative Services	9,574,758	8,870,057
Depreciation and Building Maintenance	<u>1,113,715</u>	<u>888,371</u>
Total Expenses	<u>762,006,632</u>	<u>619,703,360</u>
Changes in Net Position	<u>25,265,972</u>	<u>1,539,031</u>
Net Position:		
Net Position, Beginning of Year	<u>112,406,645</u>	<u>113,329,001</u>
Cumulative Effect of Change in Accounting Principle - Pension	-	(2,461,387)
Net Position, End of Year	<u>\$137,672,617</u>	<u>\$112,406,645</u>

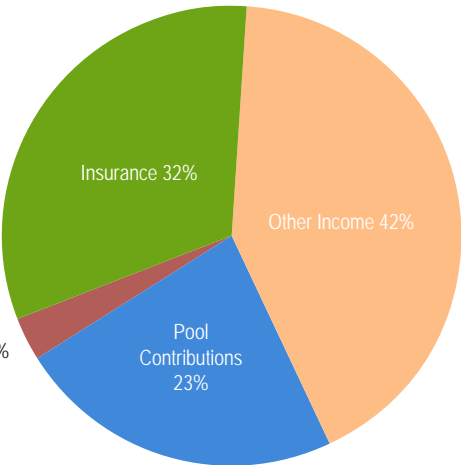
# Financial Profile

Operating Results by Program

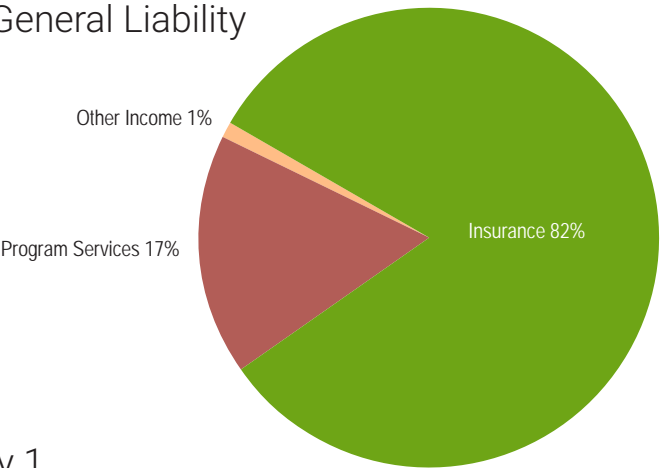
## Primary Workers' Compensation



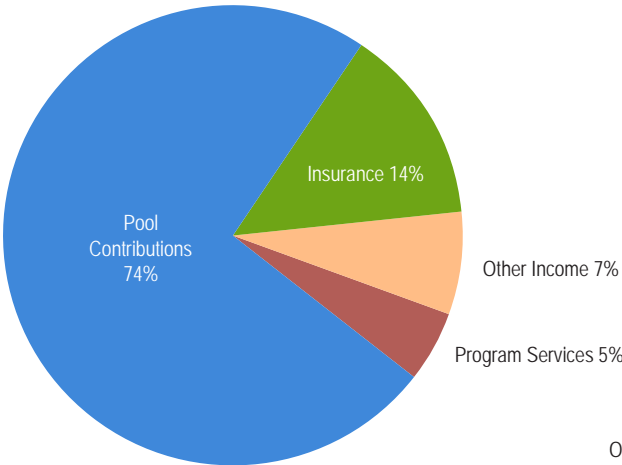
## Excess Workers' Compensation



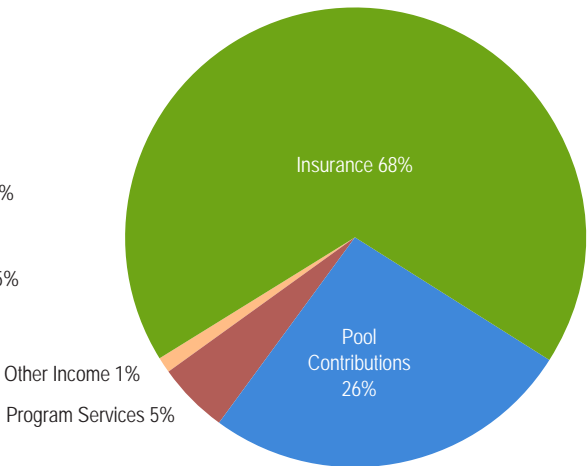
## Primary General Liability



## General Liability 1



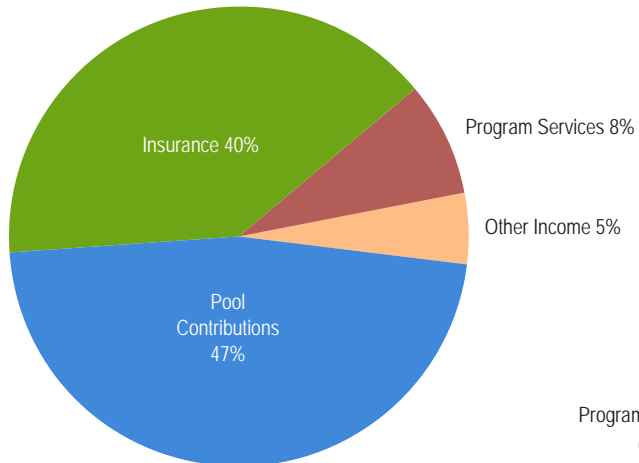
## General Liability 2



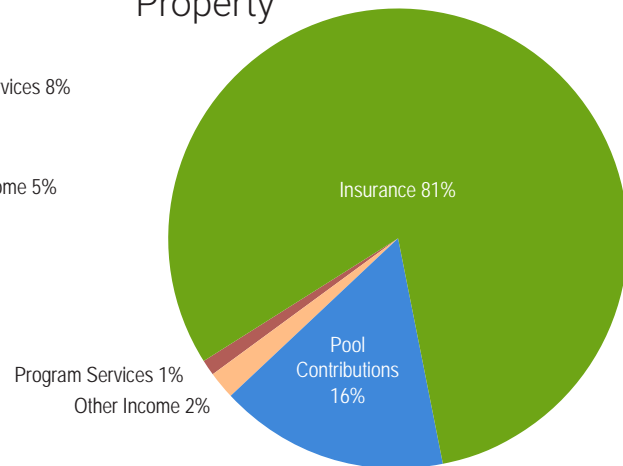
# Financial Profile

Operating Results by Program

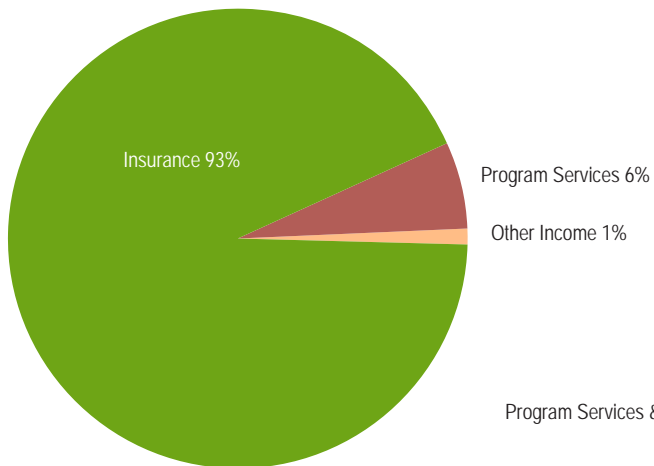
## Medical Malpractice



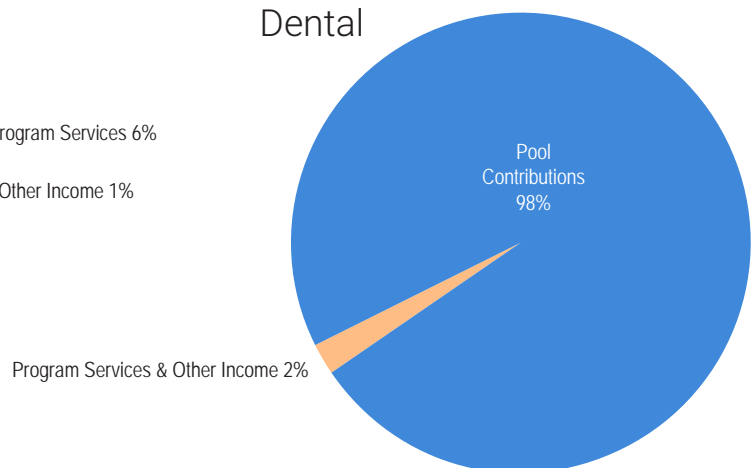
## Property



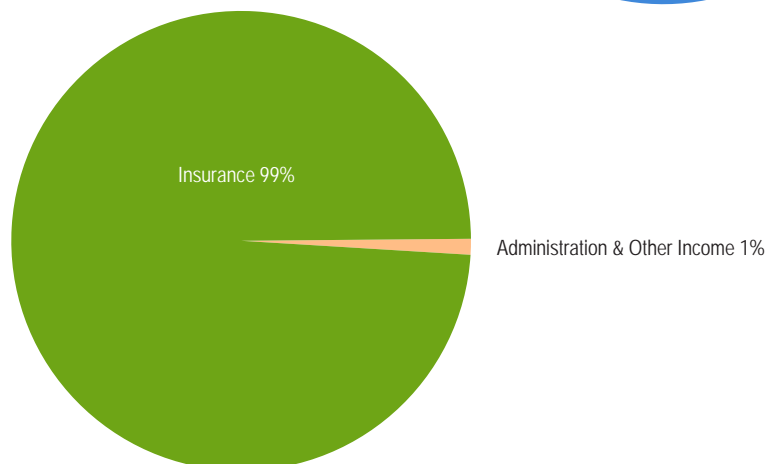
## EIAHealth



## Dental



## MR OCIP



## About the EIA

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

Over the past 37 years, the organization has grown substantially in terms of membership, programs, and services. During that entire time, the EIA has helped public entities and local communities preserve their resources by reducing their cost of risk and insurance. The EIA has continued to thrive by providing members with exceptional value and service, as well as the opportunity to actively participate in an organization dedicated to the control of losses and cost effective risk management solutions.

A high priority for the Board of Directors and the committees is to ensure the EIA is providing high-quality, cost-effective, and efficient services to the members. To accomplish that goal this year, our progression included adding a Member Services Department, paving the way for an Actuarial Department to begin operating in the 2016/17 year. Through the efforts of the members, the EIA has created programs and services that are stable, secure, and have the flexibility to meet the challenges of the dynamic insurance marketplace and economic turbulence. Progress is also evidenced with the formation of the Excess Insurance Organization (EIO), a single - parent captive insurance company, which began operations on July 1, 2016.

While the membership has enjoyed the rewards of their success over the past 37 years, they have continued to refine, restructure, and improve the programs and services to ensure that the members' current and future needs will be met. At the same time, efforts are continually made to keep costs as low as possible for members.

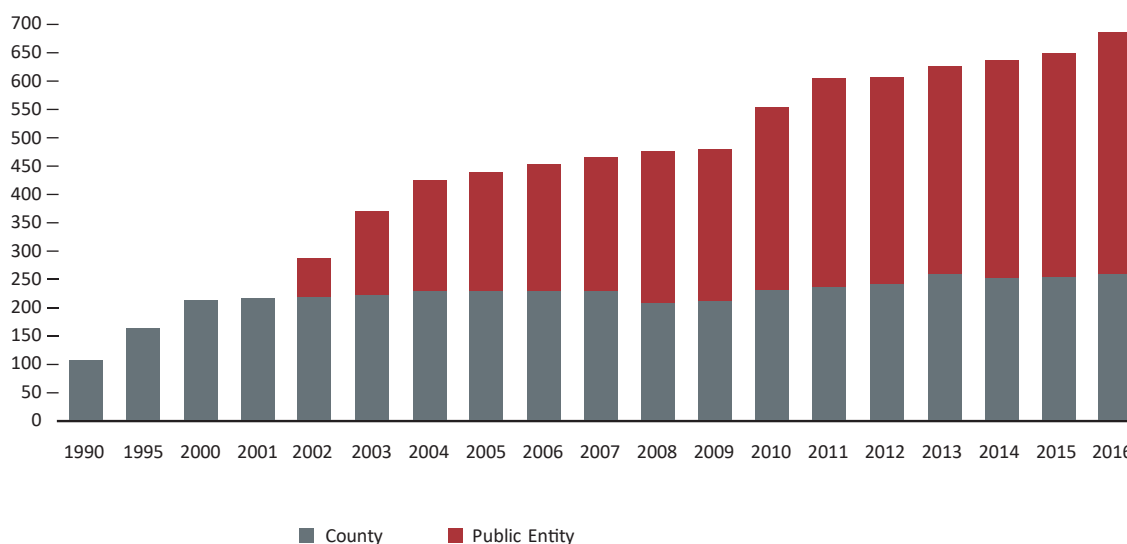
In order to measure the effectiveness of its services and programs, the EIA participates in the California Association of Joint Powers Authorities (CAJPA) Accreditation Program. Since 1989, the EIA has been awarded their highest designation, "Accreditation with Excellence" which was again awarded this year. Since 2007, the EIA has also been recognized by the Association of Governmental Risk Pools (AGRiP), a national pooling association, and we are in the middle of the renewal application process now. 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 - 6/30/15) and was again awarded the Certificate this year. These recognitions and achievements reinforce the valuable, effective, efficient, and stable organization that the members have built for California's counties and public entities.



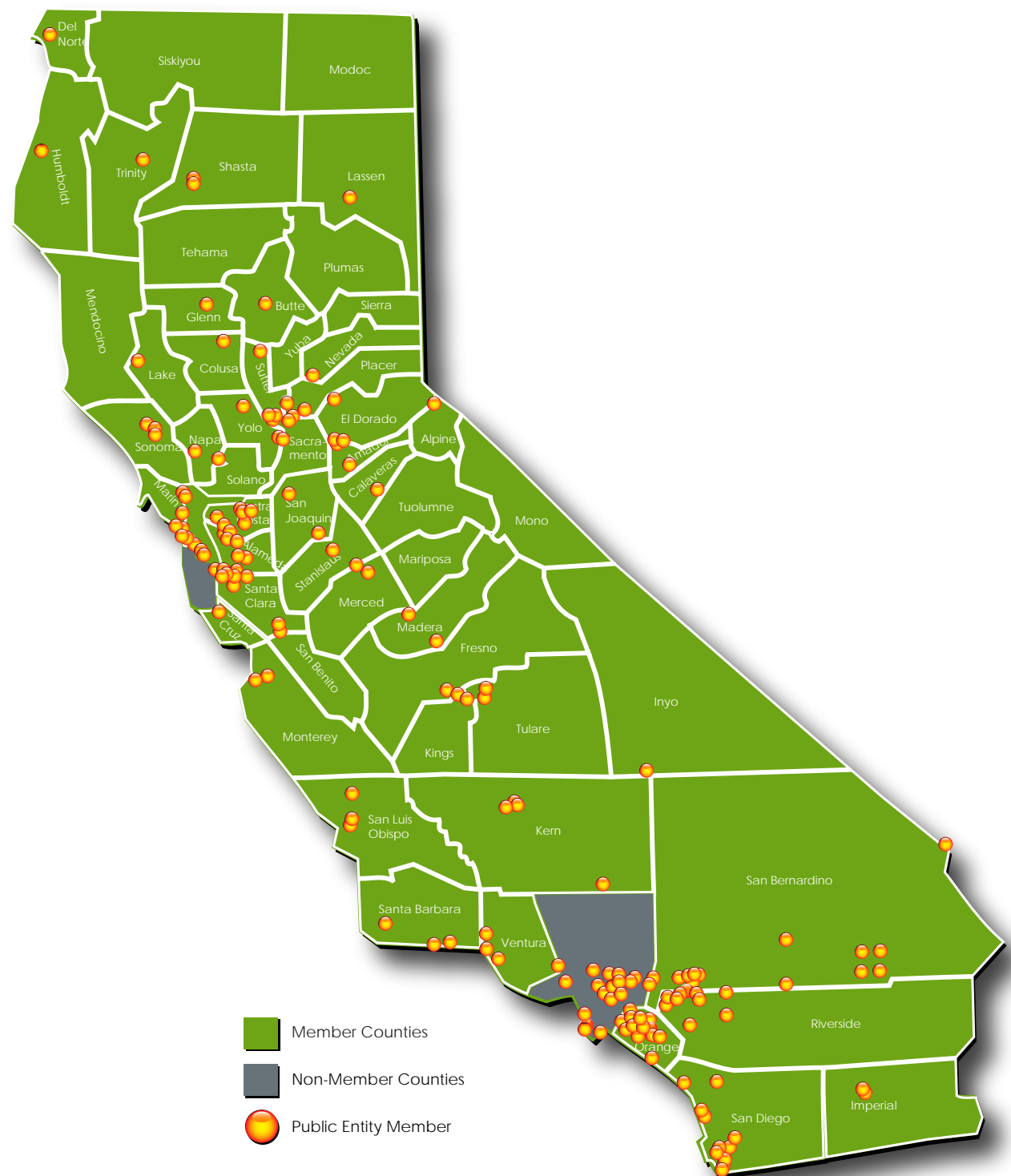
# Membership

Since the early 2000s, when non-county public entities throughout the state were given the opportunity to access the EIA's programs and services, the EIA has seen significant membership growth. Most of the growth occurred during 2001 to 2004 as a result of conditions in the insurance market. As depicted in the graph below, growth over the past 5 years has continued, but at a more steady and controlled pace. Growth over the last 6 years is due, in large part, to the formation of the Dental Program. This Program launched on January 1, 2010 and currently has 148 members spanning 76,000 public entity employees enrolled. In the graph below, membership is shown in terms of "member units", where each member in each of the programs is counted as one member unit.

The EIA's 55 member counties represent a 95% market share of the 58 counties in the state. While the public entity membership currently consists of 268 organizations, including cities, school districts, special districts, and other JPAs, the actual number of public entities accessing the coverage and services of the EIA is more than 1,900. In fact, coverage is being provided, either directly or through a member JPA, to 65% of the cities in California. While future growth within California is likely to continue at a slower pace, the need for high-quality, low-cost insurance programs remain strong by county-affiliated agencies and local governmental entities.



# CSAC EIA's Members



# Membership Involvement

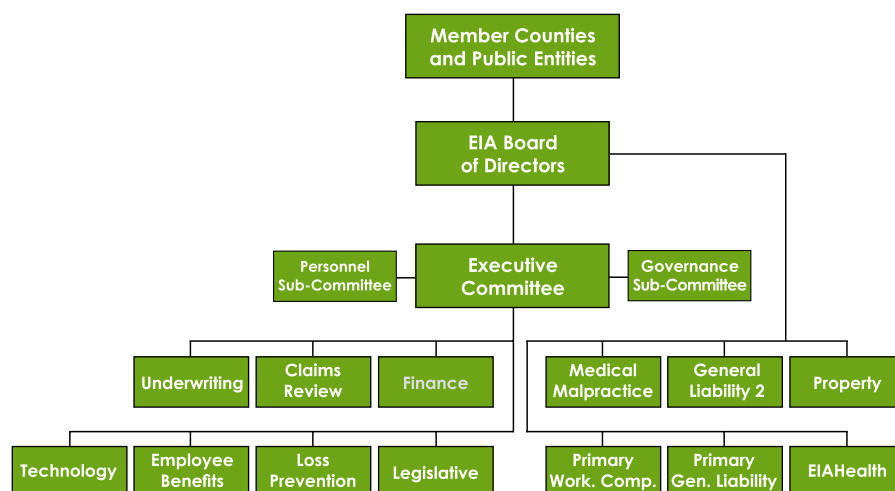
Our mission statement starts by prefacing that the EIA “is a member-directed risk sharing pool...”. Membership involvement has always been the hallmark of the EIA and the key to the success of the organization. The EIA members generously provide their time, expertise, and leadership by serving on the Board of Directors and through their involvement on one or more of the EIA’s 16 committees. As such, more than 120 individuals are currently participating in the governance of the organization. The EIA is fortunate to have such a substantial number of people driving the decisions that keep the organization progressing to further destinations.

Not only does the EIA have a high number of members contributing to the success of the organization, the expertise and knowledge that they bring is amongst the best in the business. We have participation by members of Boards of Supervisors, County Administrative Officers, Risk Managers, Auditors, and many other professionals offering their expertise. The EIA is truly appreciative of all the time and effort the members contribute to the organization. The organization would not be as great without them.

The EIA has made member involvement one of its highest priorities because it is a critical component of our success. Strategies have been implemented to ensure member involvement and active participation – which leads to member loyalty continuing at a high level.

Below is an organizational chart depicting the governance structure of the EIA. The Board of Directors is comprised of 62 members; 1 representative from each member county and 7 members elected by the public entity membership. The Executive Committee consists of 11 members elected by the Board of Directors. Each year, the EIA solicits interest from the members to serve on the various committees. Appointments are then made by the Executive Committee from members’ participation in the specific coverage program, or based upon an individual’s background or expertise.

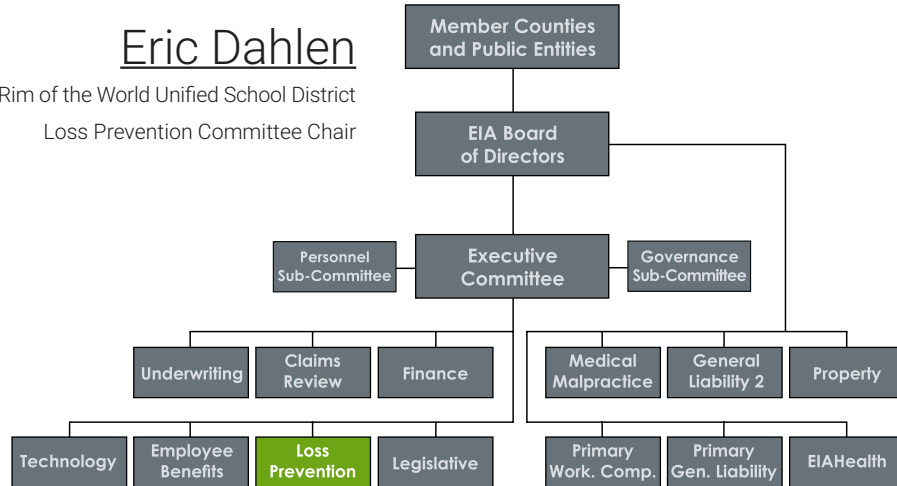
Several of the governing committees are depicted on the preceding pages of this report. In addition, the EIA also has a Loss Prevention Committee, Legislative Committee, and a Technology Committee. The Loss Prevention Committee is responsible for determining the loss prevention services and resources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





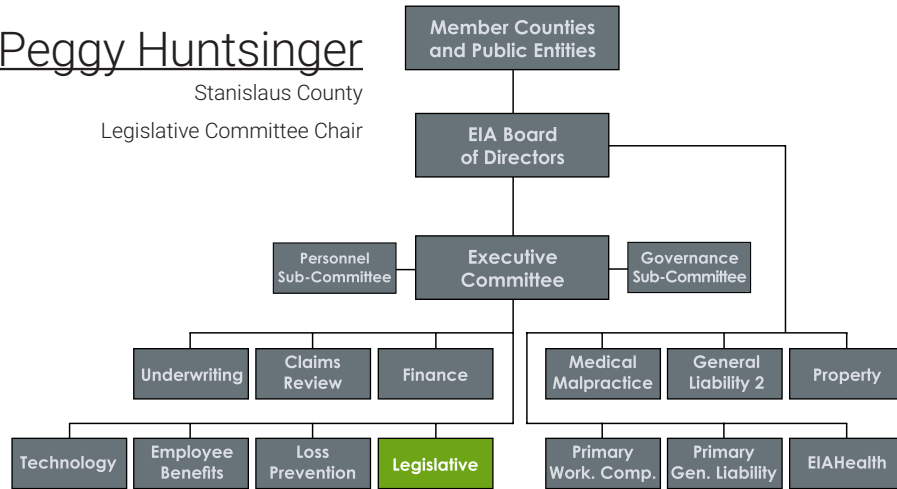
## Eric Dahlen

Rim of the World Unified School District  
Loss Prevention Committee Chair



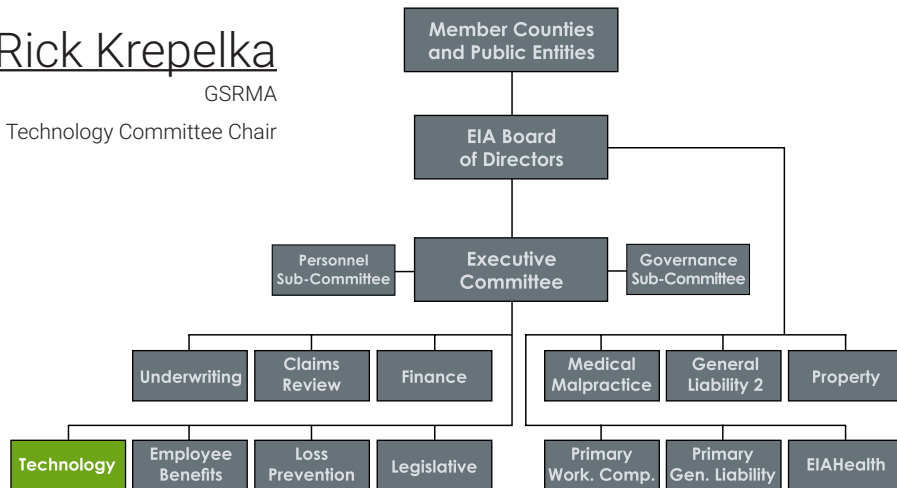
## Peggy Huntsinger

Stanislaus County  
Legislative Committee Chair



## Rick Krepelka

GSRMA  
Technology Committee Chair





# EIA Leadership

## 2016 Executive Committee

### President

Scott Schimke, Golden State Risk Mgmt. Authority

### Vice President

James Brown, Merced County

### Members

Ann Richey, ACCEL/City of Ontario

Barbara Lubben, Alameda County

Richard Egan, Lassen County

Kerry John Whitney, Napa County

Roberta Allen, Plumas County

Kimberly Greer, City of Richmond

Ken Hernandez, San Bernardino County

Lance Sposito, Santa Clara County

Supervisor Peter W. Huebner, Sierra County

### Presidents

Supervisor Barbara Crowley, Tehama Co. 1980-1982

Charles Mitchell, Santa Barbara Co. 1985-1986

James L. Gale, Kings County, 1987

John Crane, Calaveras County, 1988

Gail Braun, Sonoma County, 1988-1989

Ronald Whipp, Santa Cruz County, 1990

Norman Phelps, Shasta County, 1991

Charles Graham, Sutter County, 1992

John Larkin, Trinity County, 1993

Arthur Giumini, San Luis Obispo County, 1994

Don Blackhurst, Santa Clara County, 1995

Marcia Chadbourne, Solano County, 1996

J. Terry Roberts, Fresno County, 1983-84 & 1998

Robert Kessinger, Colusa County, 1999

Brent Harrington, Calaveras County, 2000

Kimberly Kerr, Humboldt County, 2001-2002

Richard Robinson, Tehama County, 1997 & 2003

Charles Nares, San Diego County, 2004

David L. Dolenar, Stanislaus County, 2005

Peggy Scroggins, Colusa County, 2006

Marcia Chadbourne, Sonoma County, 2007

Ron Harvey, Contra Costa County, 2008

Supervisor Peter W. Huebner, Sierra County, 2009

Lance Sposito, Santa Clara County, 2010

Barbara Lubben, Alameda County, 2013

Larry Moss, EBRPD, 2014

Jim Sessions, Riverside County, 2011 & 2015

Scott Schimke, Golden State Risk Mgmt. Auth., 2012 & 2016

James Brown, Merced County, 2017

## 2017 Executive Committee

### President

James Brown, Merced County

### Vice President

Barbara Lubben, Alameda County

### Members

Ann Richey, ACCEL/City of Ontario

Scott Schimke, Golden State Risk Mgmt. Authority

Richard Egan, Lassen County

Kerry John Whitney, Napa County

Roberta Allen, Plumas County

Kimberly Greer, City of Richmond

Ken Hernandez, San Bernardino County

Lance Sposito, Santa Clara County

Supervisor Peter W. Huebner, Sierra County

### Chief Executive Officers

Gregory L. Trout, 1980-1985

Vincent W. Pisani, 1985-1992

Michael D. Fleming, 1992-Present

### Director Emeritus

Supervisor Dick Mudd, 2000-Present

### Legal Counsel

Stephen Underwood



### Senior Management

Rick Brush, Chief Member Services Officer

Gina Dean, Chief Operating Officer

Michael Pott, Chief Claims Officer

Michael D. Fleming, Chief Executive Officer

George Reynolds, Chief Information Officer

Marianne Stuart, Chief Financial Officer

John Alltop, Chief Actuary

*The Board of Directors of the  
Association of Governmental Risk Pools  
Is Pleased to Grant Recognition to*

**CSAC – EIA**

*Such Recognition is Granted  
Only After a Rigorous Review of  
Documentation Submitted to  
Show Compliance with the  
**AGRiP Advisory Standards**  
2013-2016*



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California**

For its Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**



Executive Director/CEO







CSAC Exces Insurance Authority  
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[www.csac-eia.org](http://www.csac-eia.org)