

CSAC Excess Insurance Authority Proposed Restructure of CPEIA / EIA

Pro's and Con's

The following is a list of Pro's and Con's of the proposed restructure that was developed at the Executive Committee and Committee Chairs retreat on April 7-8, 2005. In publishing this list, we felt it would be helpful to organize the Pro's and Con's into two categories: Pro's and Con's of the Restructure, and Pro's and Con's of the Relationship. The Pro's/Con's of the Relationship speak to the advantages/disadvantages of pooling risk between counties and CPEIA members and are already present under the current structure and are not materially different under the terms of the restructure.

P R O ' s

Pro's of Restructure

- **Business Reason:** By keeping CPEIA members it increases the likelihood of financial and premium stability.
- Increased stability – not having to deal with 2 different governing structures and less likely the CPEIA members will leave; being a part of an organization can encourage loyalty.
- Higher level of county control – right now with 1 vote all CPEIA members can leave.
- Governing structure easier to understand and explain.
- Administrative simplification with cost savings.
- To attain diversity at Board and Executive Committee levels is good – corporate America has “outsiders” on their Boards.
- Strengthen organization – committees become stronger by adding members with risk management expertise.
- Strong message to JPA world that EIA responds to its members needs and meets the market needs.
- Increase collective intelligence – bringing the brain power, knowledge, and experience of CPEIA into EIA.
- Defined path forward.
- Culmination of the original 2000 retreat idea of serving members – it's the natural evolution of the idea.
- Re-enforce EIA culture of trust, participation, connection, support; we are more than a market for insurance.
- Counties and non-counties have the same needs and both are looking for ways to meet all these needs. The re-structure can do this and benefit the counties.
- If we don't take this action someone else will. It is beneficial for us to take the lead.
- Good partners are requesting it.
- Compatibility with EIA mission statement.
- It's a fair thing to do.

Pro's of the Relationship

- Increased risk taking ability (Greater ability to pool risk).
- Supports future growth.
- Market leverage.
- With a more stable membership there's an increase in confidence in the actuarial assumptions.
- With a bigger membership base EIA can increase and improve services.
- Can keep more dollars because there is less of a need to buy insurance.
- Unity – create a feeling of one program; shared coverage and programs.

C O N ' s

Con's of the Restructure:

- **Core Issue:** The re-structure will define the dependency on non-county volume thereby causing a priority shift within EIA from counties to non-counties.
- May not prevent individual CPEIA members from leaving; this is one of the significant reasons to take action.
- Perception of loss of control
- Potential change in culture; unknown factors when bringing in non-counties.
- Fear of the unknown; if we give up something now, what might we have to give up in the future?
- Diluting the “county voice” in the EIA Board room.
- Fear of EIA take over by non-counties.
- Has to go to the Boards of Supervisors.

Con's of the Relationship

- Bigger is not necessarily better; is there limitations if pooled premiums grow too big – can the pool be placed in the market?
- With more members there's an increased exposure to risk.