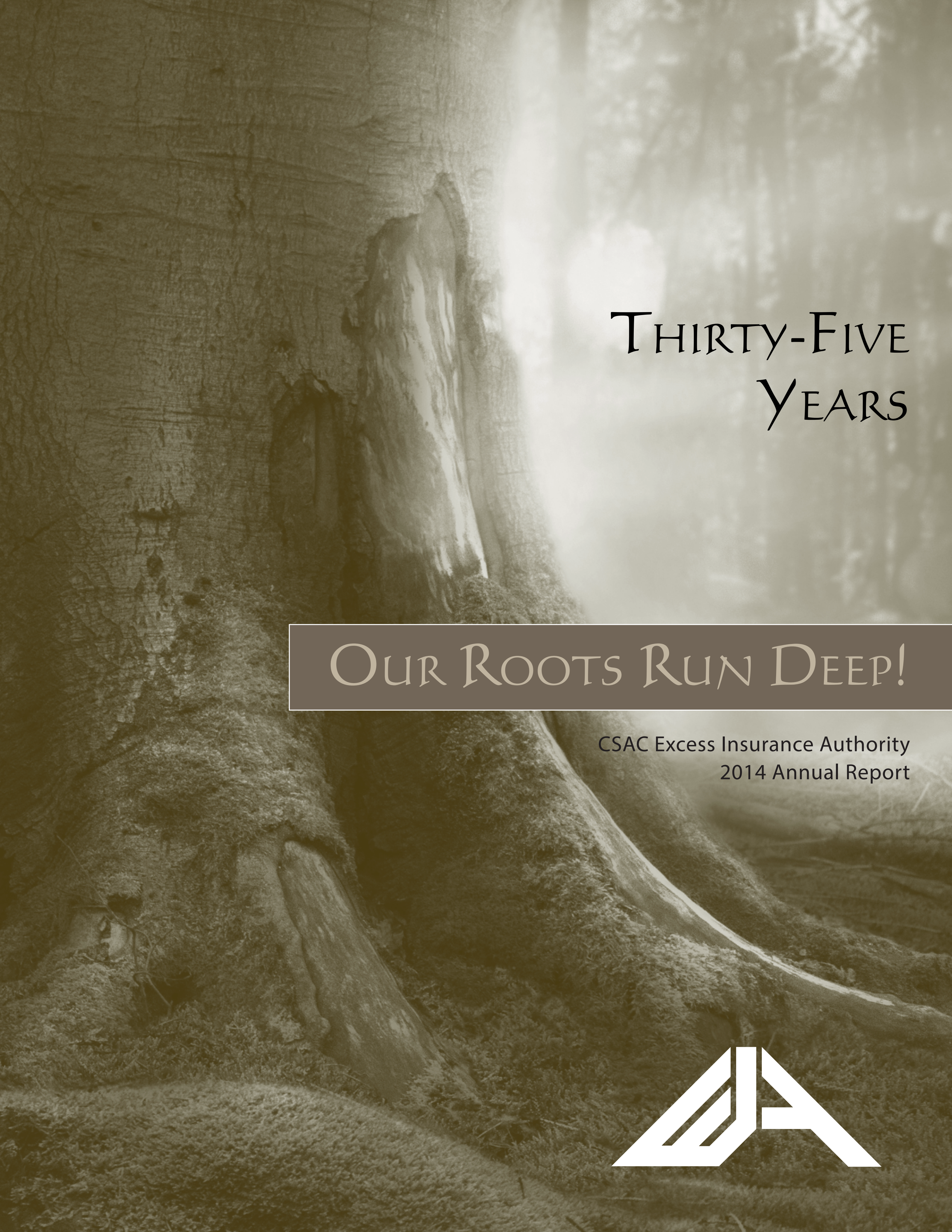

Thirty-Five Years

Our Roots Run Deep!

CSAC Excess Insurance Authority
2014 Annual Report

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2013/14 Year in Review

Dear Members:

Our roots do indeed run deep. High in the White Mountains of Inyo County you will find the beautifully twisted Bristlecone Pines, the oldest known living thing. In Riverside County, out in the high desert, lives the Joshua Tree; a stalwart and firm cacti tree. From Santa Cruz to Humboldt Counties the mighty and tall redwoods hug the coast. On the east side of Fresno County stand the behemoth Sequoias. North to south, east to west, California plants and trees are examples of tenacity, of adaptation, and longevity. They have survived fires, droughts, disease, and environmental challenges. They have found new places to regenerate. They thrive in otherwise inhospitable environments. They are, in a sense, not unlike the EIA and its membership.

I count myself as a senior participant with the EIA, first as a county member, then as a public entity member, for over 20 years. The roots of my membership run deep because as I recognize that, like the unique forests that we have in California, the EIA too is unique. The roots of the EIA that started with Greg Trout in 1979 have spread magnificently and as strong as a Sequoia. This year, Mike Fleming celebrated his 30th year with the EIA, Gina Dean and Charles Williams celebrated 14 years, and Alliant has been our partner for 30 years. Past Presidents Marcia Chadbourne, Charlie Mitchell and Peggy Scroggins have participated for a total of 71 years! All counties who began with the EIA back then are still here, as are the numerous public entities that have joined over the last twelve years. These are indeed deep and still spreading roots that support something unique and rewarding for us as members.

We Californians are facing a severe drought, as our rooted friends in the mountains, deserts, and foothills. We have been here before in various scenarios of disasters, starting with the inability to obtain coverage in the 1970s. We have grown from a standard pool of traditional risks to not only the largest pool in the country, but more importantly, the most innovative.

This innovation comes from deep within those roots. It is the decisions, the inventiveness, the openness, and involvement that starts with you as an individual member joining a committee, with staff committed to the longevity of the membership, and the Board of Directors hearing and feeling the sound of growth in their decisions.

Just as those stalwart trees reign over the landscape and make where we live something special, so does the EIA provide us something special as a leader; an organization that once had roots in traditional casualty and property now provides health coverage, extensive loss control services, and other support to our entities. When we look at those trees, we are proud to stand beside something that has weathered so well. When we look at the EIA, we should be equally as proud for that which we have all created.

Larry Moss
President, 2014

2013/14 Year in Review

This marked the EIA's 35th year providing exceptional risk coverage programs and risk management services to California's counties and public agencies. This most recent year was one of the most successful in the organization's history. The EIA enjoyed many significant accomplishments this year, including but not limited to:

- The EIA retained 99% of members at renewal of the programs
- Participation increased at important events by offering such events in both Northern and Southern California locations
- Awards were received from the Government Finance Officers Association for our Comprehensive Annual Financial Report, Popular Annual Report, and Distinguished Budget
- Alliant's brokerage contract was renewed following a comprehensive review by all program committees and the Executive Committee
- A new schools-focused area of the website was introduced
- Standardized codes were developed and communicated to the members for general liability claims (EIAGL Standard)
- A new claims management system was implemented for the EIA and the Medical Malpractice claims administrator
- Approximately 2,000 claims payments were made, reimbursing over $137M to the members
- An evaluation began to determine whether the EIA should offer more hands-on support and instructional risk management services

The theme of this year's annual report celebrates our 35 year history, noting "Our Roots Run Deep". Like roots of a tree, our membership is diverse. Some are large and have more resources than others. Some are small with only a few employees and a limited risk management budget. Most are somewhere in between. A high priority for the Board of Directors has been for the EIA to provide programs and services that deliver benefits for all members. The Executive Committee has spent a lot of time on this issue over the past year. Not only has the extent of services been the topic at several Executive Committee meetings (how far should our roots reach), it was also the main topic at their annual strategic planning retreat. Over the next year, the Executive Committee will engage a consultant to evaluate the members' service needs, assess staffing requirements, and develop an implementation plan.

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.

In May 2014, the Executive Committee adopted the following service and technology vision statements to provide guidance to the program 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, and
- Dynamic.

Current Services

While the EIA is discussing expansion of services, there are already a number of risk management and loss prevention programs designed to assist members in supporting and "fertilizing" their insurance and self-insurance programs. 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 internet-based sessions
- Extensive loss prevention platform including: web-based training, automated system for 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
- Online, 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 the EIA's membership in the ISO Claims Search Program and Insurance Education Association
- Active presence with the state legislature, taking positions on those items that may impact EIA members
- On-demand, 24/7 access to webinars via customized platform accessible only by EIA members and their employees

Coverage Programs

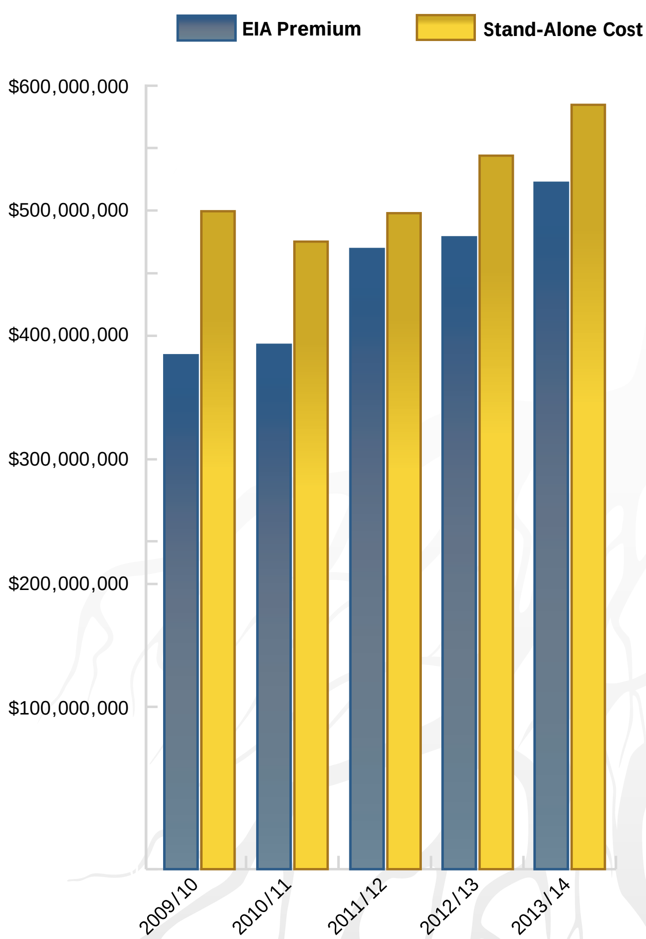
One could say that the roots of the EIA lie in the coverage programs that have been developed since the organization was formed in 1979. Since then, 10 major coverage programs have been established. These programs are described in greater detail throughout this report. The common "fiber" between the 10 major programs is that they each blend some level of pooled risk and purchased insurance.

Just like a tree that needs to adapt to environmental conditions, so do the EIA's programs. The risk pooling concept allows the program structures to adapt to current insurance market conditions. 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 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 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 $300 million.

Major Coverage Programs

Five Year Cumulative Premium vs. Estimated Stand-Alone Cost



The EIA's roots run deep in many ways. This phrase is illustrative of the EIA's long-term relationship with its underwriters and very impressive reputation in the insurance marketplace. 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.

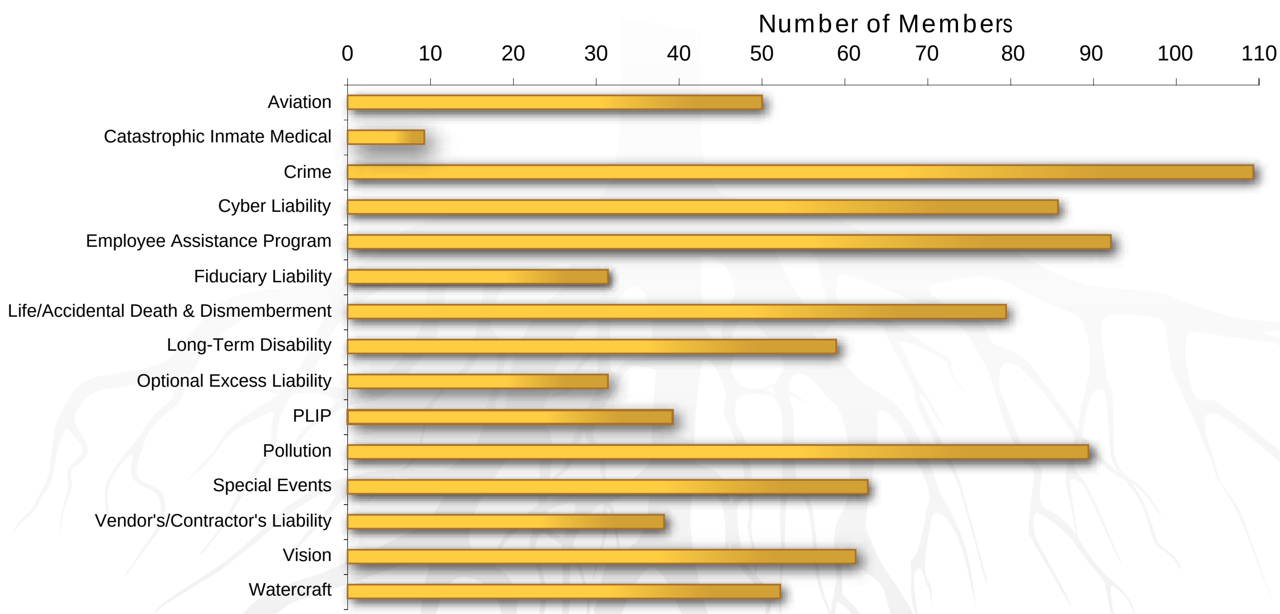
Miscellaneous and Employee Benefits Programs

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. 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 Program is underwritten by Liberty Mutual, who is known for their high-quality customer and claims services. To complement the PLIP Program, 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 "branch" from 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 five claims administrators, and offers several cost containment programs including a medical provider network, an injury reporting service, and a return-to-work program.

The PWC Program pays for claims with a blending of pooling and insurance. The first $10,000 of each claim is paid out of the Program's pool and the Program's insurer, part of the AmTrust Group, pays for the balance of the claim up to the $125,000 attachment point to the EWC Program. This structure is depicted graphically on page 9. Beginning 7/1/14, an accomodation was made for the Program's largest member, SCSRM, to allow them to retain the first $10k of each claim (shooting off a root of their own).

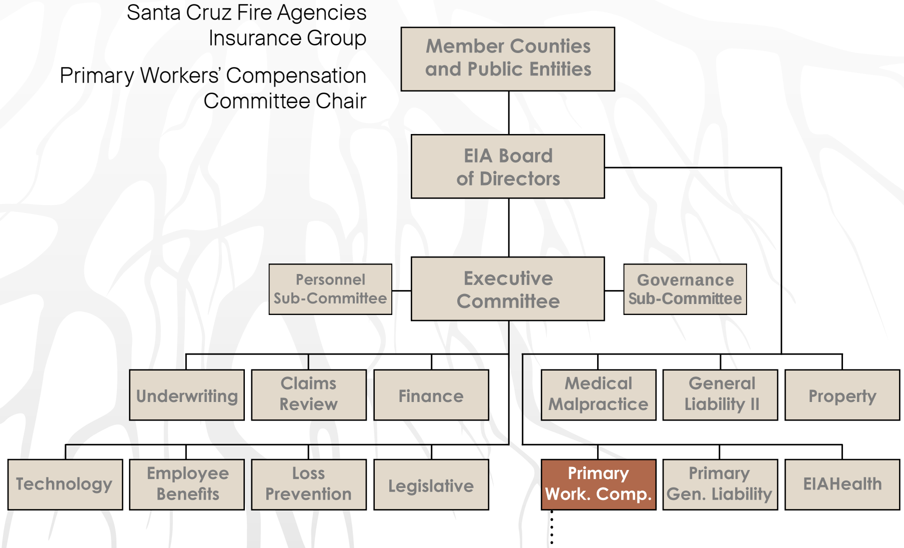
The PWC Committee governs the Program, reviewing all matters pertaining to the Program including program funding, coverage issues, claims, claims administration, program services, new member applications and insurance renewals.

The funding of the Program's pooled layer is evaluated each year. In 2009/10, 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, the Committee has already returned $34 million to the Program members. The Program continues to "thrive" and additional distributions are anticipated in the next few years as well.

John Scott

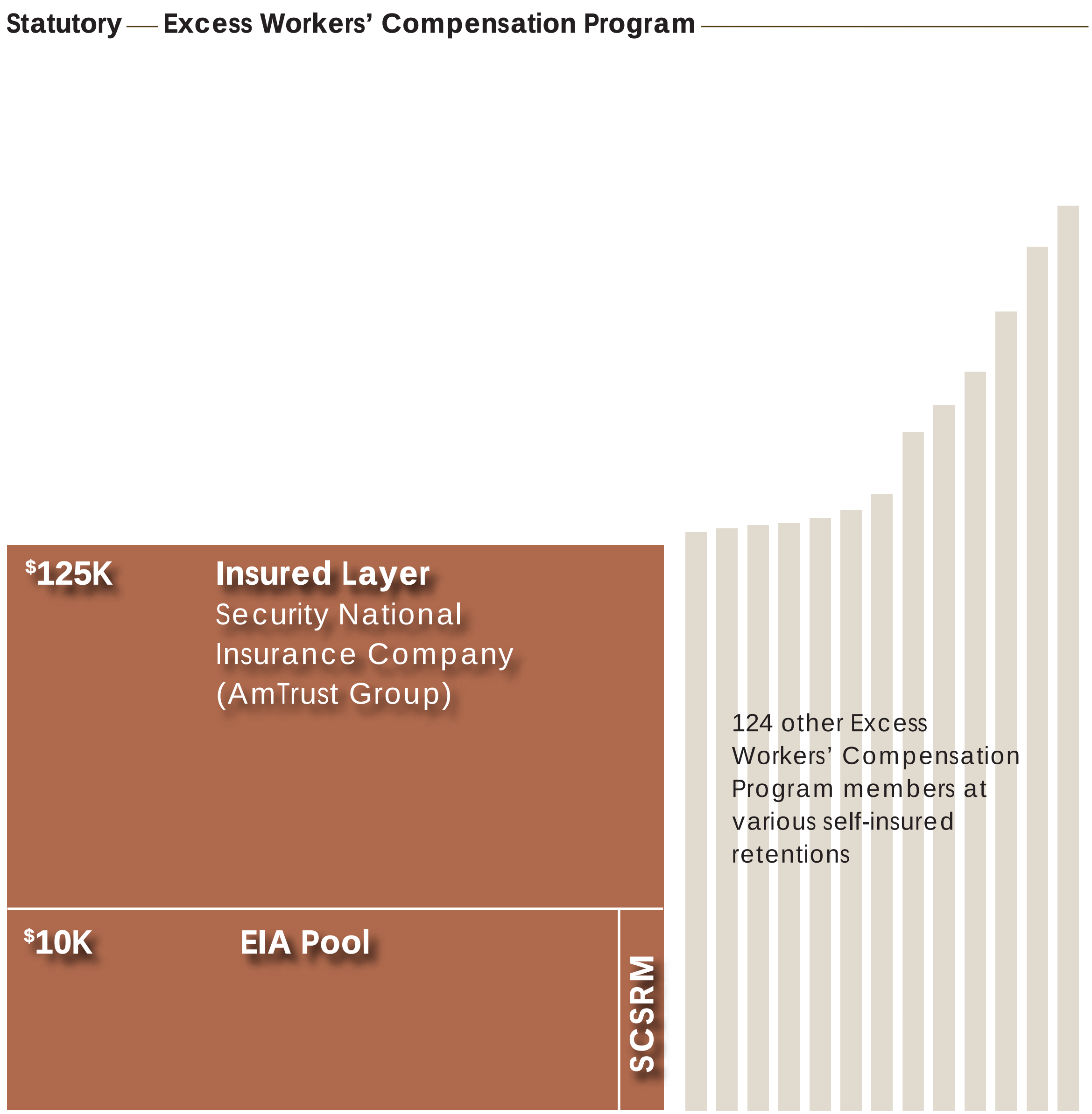
Santa Cruz Fire Agencies Insurance Group

Primary Workers' Compensation Committee Chair



Primary Workers' Compensation

2014/2015



Excess Workers' Compensation

The EWC Program was the sapling that got the EIA rooted for success. It was the first EIA program, offering coverage to members beginning in 1979. Today the EWC Program, one of the most magnificent trees in our forest, provides members with statutory coverage, subject to the members' self-insured retention ranging from $125,000 to $5,000,000. The structure of the Program is depicted graphically on page 11.

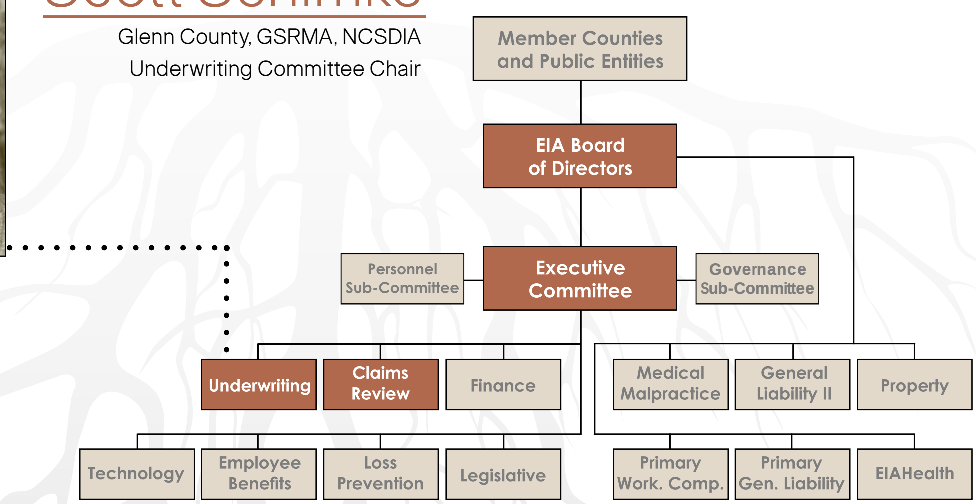
Like most markets, the insurance market is cyclical and the insurance companies will attempt to balance profits and market share. There will also be times when the Program can leverage its volume to secure insurance at a cost that is less than it would be for the combined group to self-insure. Current market conditions give the Program the opportunity to transfer a significant amount of risk. Wesco Insurance Company, part of the AmTrust Group, is currently providing coverage above a corridor deductible. This gives the Program additional predictability in determining the costs for the Program. It has also helped to grow the Program's overall funding position.

The Board of Directors strives for each of its Programs to have a healthy funding position, but 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. Due to a "stunted" investment climate and "decaying" loss development, the funding position of the Program has not yet reached the Board's goals. The funding level is very carefully monitored by the Board and committees, and decisions to increase funding levels are continually evaluated to ensure the EWC will continue as one of our largest and strongest, deeply rooted, 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

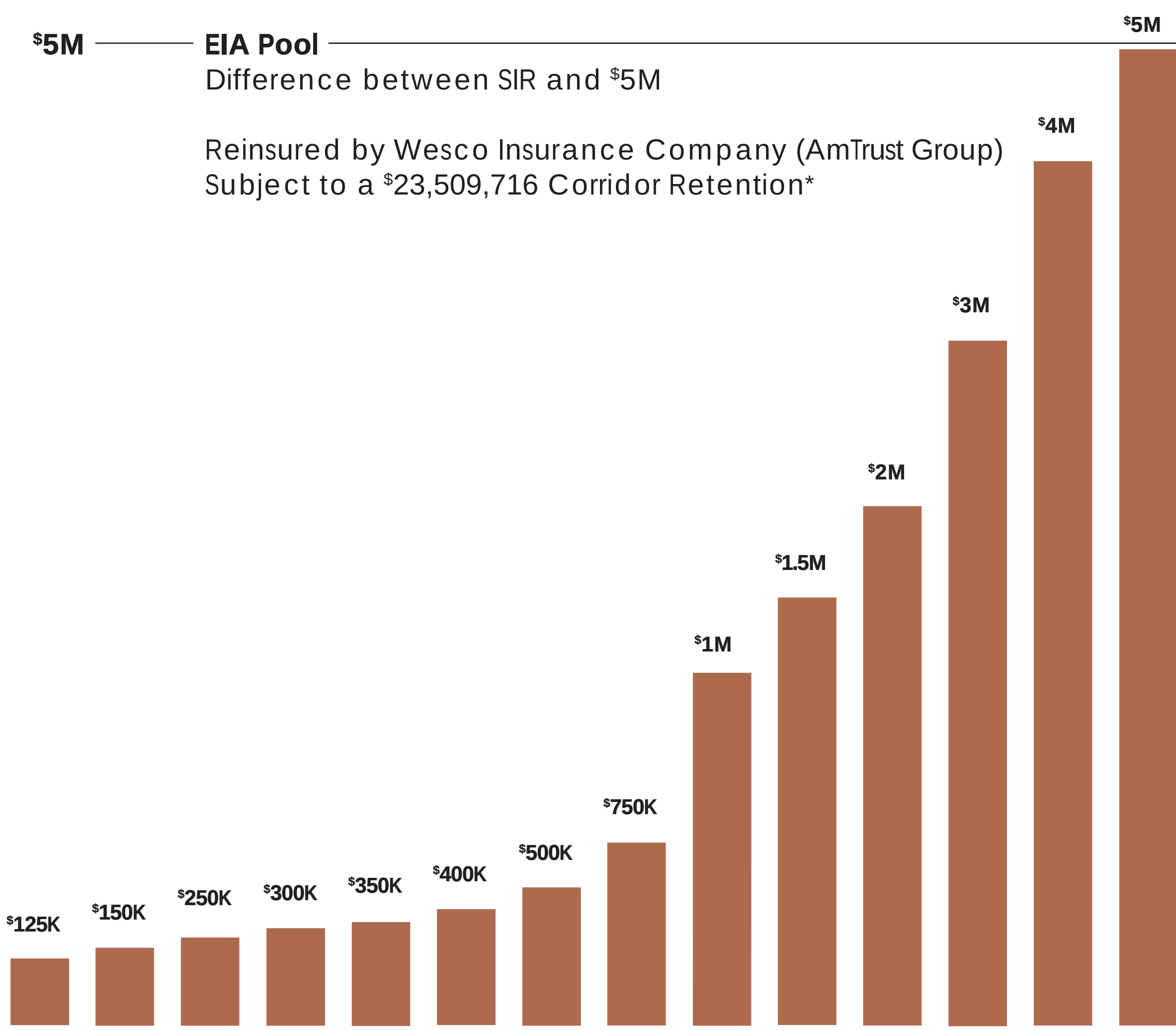
2014/2015

Statutory — **Excess Insurance Layer**
National Union Fire Insurance Company (an AIG Company)
Statutory excess of $50M

$50M — **Excess Insurance Layer**
ACE American Insurance Company
$45M excess of $5M Pool

$5M — **EIA Pool**
Difference between SIR and $5M

Reinsured by Wesco Insurance Company (AmTrust Group)
Subject to a $23,509,716 Corridor Retention*



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

Primary General Liability

The Primary General Liability (PGL) Program is another "blossom", growing out of a desire to provide members the opportunity to convert their self-insured retention to a $10,000 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 is accomplished through a choice of two claims administrators. 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.

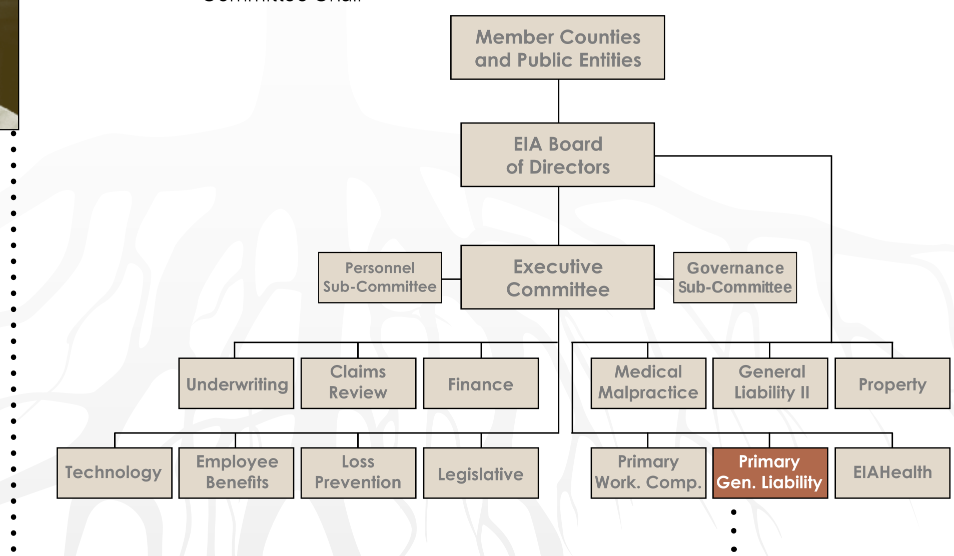
The PGL Committee governs this Program. They review all matters pertaining to the Program including coverage issues, claims, program services, new member applications and reinsurance renewals.

Transferring the risk to an insurance company has helped accomplish the PGL members' 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 they are flexible and will react to changes in the insurance environment, when necessary. Together, the members have nurtured this well-cultivated and very successful Program for more than 15 years, and this success is expected to carry on for many years to come.

Paul Hight

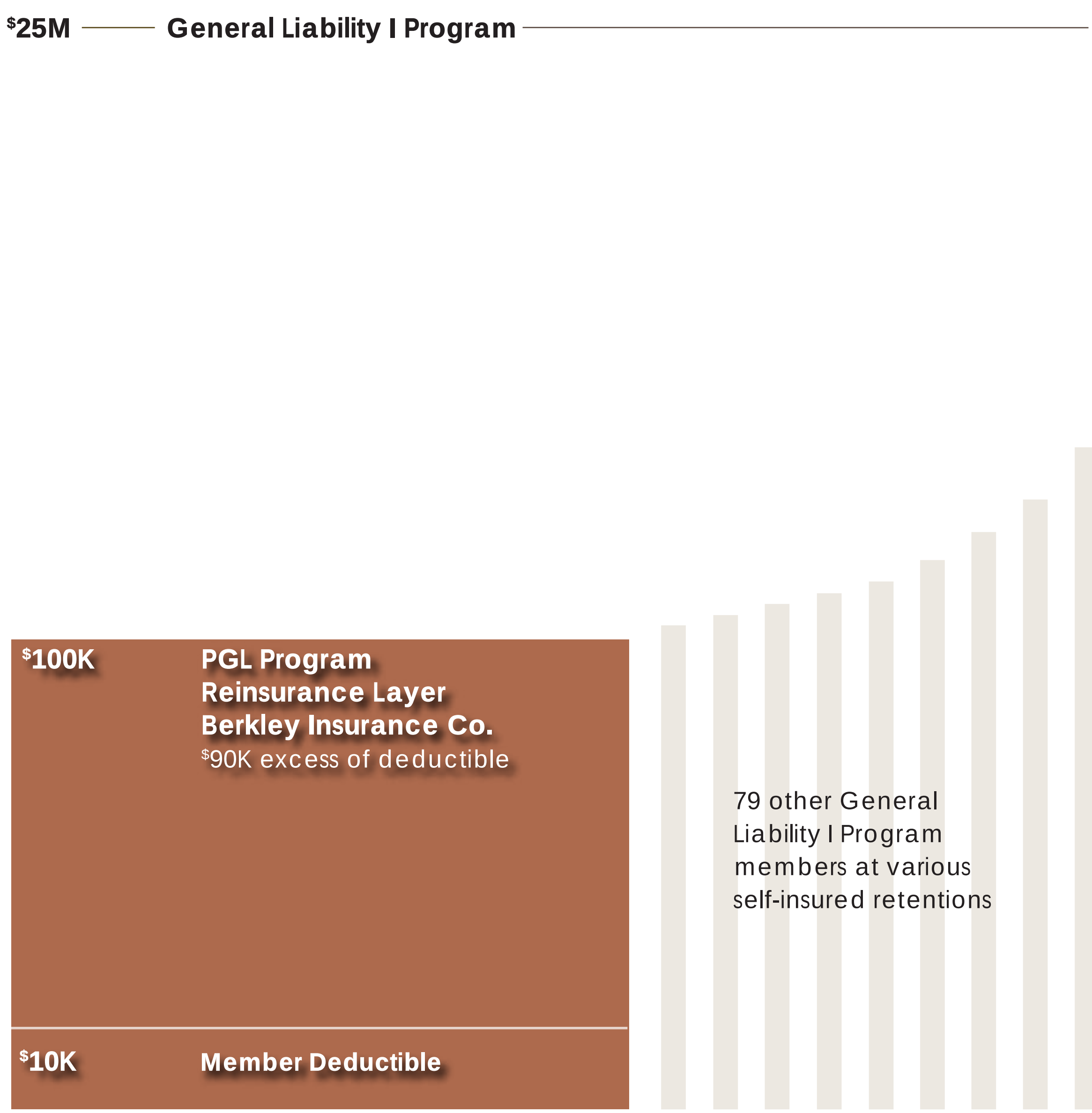
Sacramento County Contracts

Primary General Liability
Committee Chair



Primary General Liability

2014/2015



General Liability I

Another of the EIA's first seedlings, the General Liability I (GLI) Program provides members with coverage for third party liabilities (including general, automobile, employment practices and errors and omissions). Like a canopy of protection, $25,000,000 in coverage limits is provided, subject to the members' self-insured retention which can range from $100,000 to $1,000,000 (retentions as low as $25,000 have been provided on an exception basis). Because members maintain self-insured retentions in this Program, they are able to manage their own claims, either through a third party of their choice or with their own claims staff. The Program funds a $5,000,000 pool and purchases $20,000,000 in reinsurance to achieve the $25,000,000 limit. This structure is depicted graphically 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 diverse membership, and the Board and committees must ensure the needs and desires of all members are considered. 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 the "root" of what the EIA does on a regular basis.

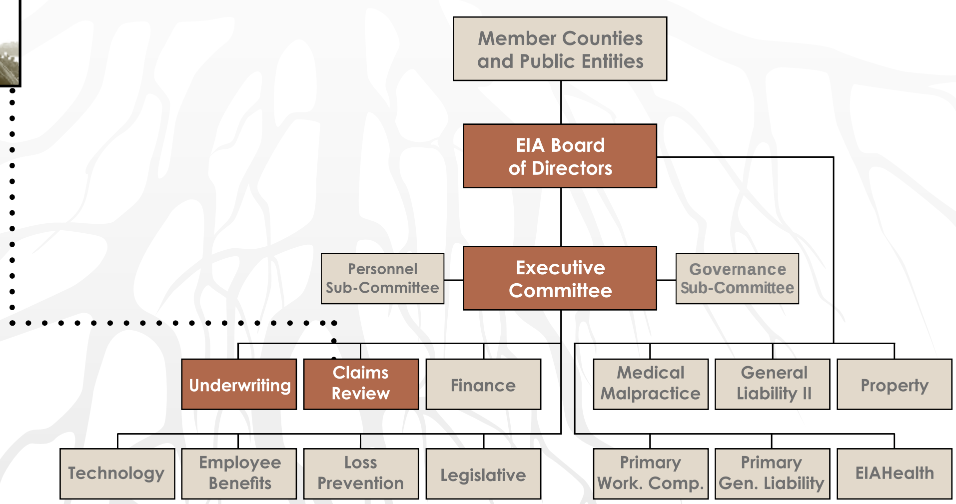
Like the EWC Program, the GLI Program is governed by the Board of Directors, with recommendations being made by the Executive, Underwriting and Claims Review Committees. The Board has delegated a significant amount of authority to the Underwriting and Claims Review Committees to handle the day-to-day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

The Claims Review Committee reviews GLI 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



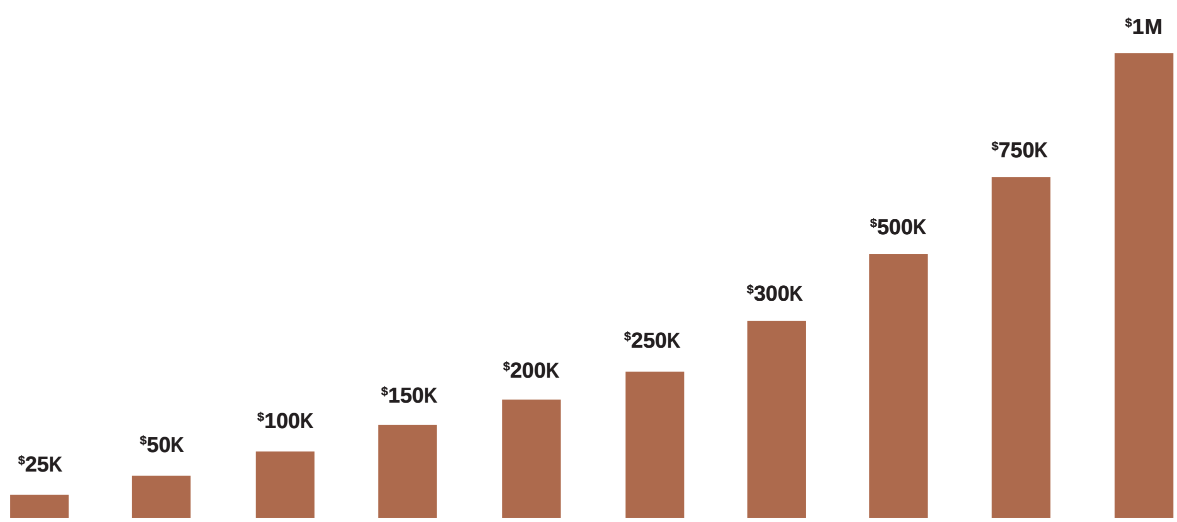
General Liability I

2014/2015

$25M — **Reinsurance Layer**
Starr Indemnity & Liability Co.
$10M excess of $15M

$15M — **Reinsurance Layer**
Ironshore Indemnity, Inc.
$10M excess of $5M pool

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



*15 GLI Program members purchase additional limits through the Optional Excess Liability Program

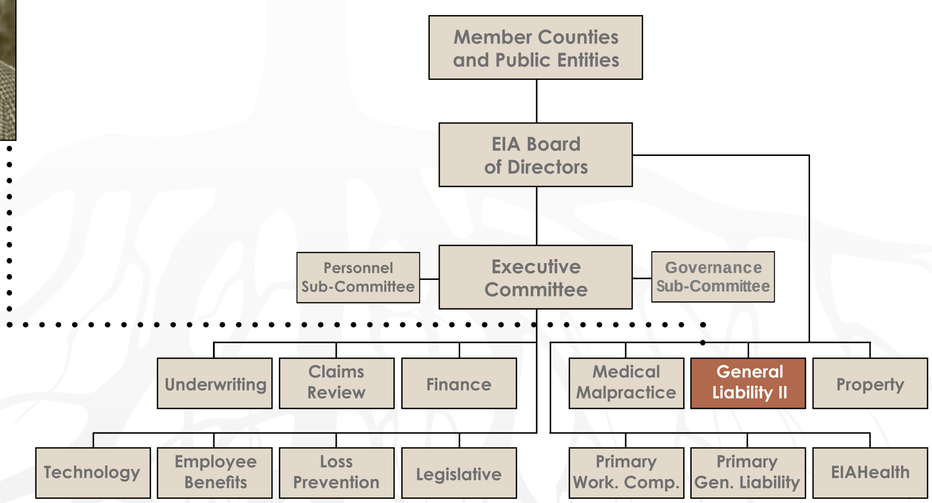
General Liability II

The General Liability II (GLII) Program has been firmly planted in insurance offerings of the EIA for more than two decades. The Program provides members with coverage for third party liabilities (general, automobile, employment practices and errors and omissions), up to a limit of $25,000,000 subject to the members' self-insured retentions, which range from $1,000,000 to $3,000,000.

Because of a challenging loss history, the roots of the Program have been more important than ever. The members stuck together to work through tough renewals and premium increases. They have also worked together to make changes to ensure the Program is attractive to the insurance market. The GLII 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. The Program currently has three reinsurance placements, with AmTrust providing coverage above the corridor retention up to $10,000,000, Ironshore and Evanston each taking 50% of the next $10,000,000 million layer, and Evanston Insurance Company providing the upper $5,000,000 layer of the Program. This structure is depicted graphically on page 17.

The GLII Committee governs this Program. They review all matters pertaining to the GLII 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 key area for the Committee in terms of firmly rooting the membership in the Program and ensuring the premiums are equitably distributed amongst the members.

Barbara Lubben
Alameda County
General Liability II Committee Chair



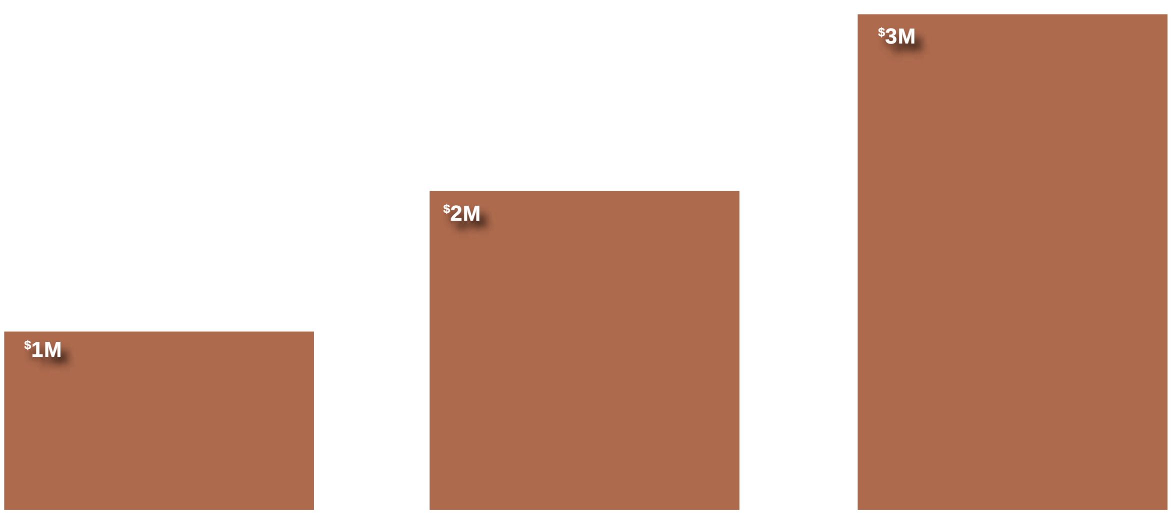
General Liability II

2014/2015

$25M — **Reinsurance Layer**
Evanston Insurance Co. (Markel Re)
$5M excess of $20M

$20M — **Reinsurance Layer**
Quota Share Placement
50% Ironshore Indemnity, Inc.
50% Evanston Insurance Co. (Markel Re)
$10M excess of $10M

$10M — **Reinsurance Layer**
Wesco Insurance Company
(AmTrust Group)
Placed through ANML
Subject to a $7,000,000 Corridor Retention



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

Property

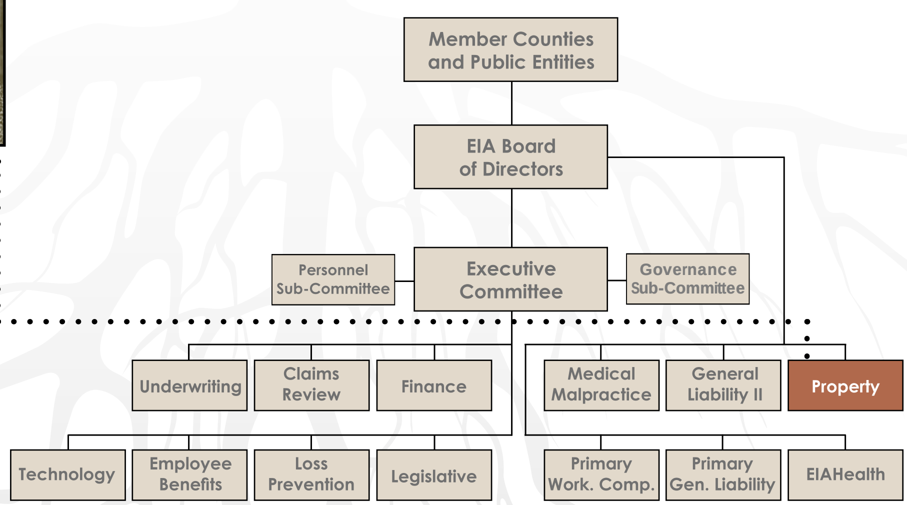
The Property Program is a perfect example of the benefits that come from creativity, tenacity to work through tough renewals, longevity of membership commitments and partnerships with underwriters, and patience for the Program to grow in scope over time. The Program itself is much like a tree, in that segments are divided, grafted, and interwoven (we refer to this as building "Towers" and "Rooftop Layers"), 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.

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. Ideally, we would like to buy more, 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 $600 million in all risk and $400 million in flood limits. Plus, members that purchase earthquake coverage have access to $300 million in earthquake coverage in one or more of five towers. The Program maintains a $3 million pool, with reinsurance and insurance providing the balance of the limits. The pool exposure is limited to $10 million for the year, and upon exhaustion of the pool's aggregate, the primary reinsurer, Lexington, pays for losses excess of the members' deductibles. Begining 3/31/14, the Pool is covering the critical flood zone exposures up to a maximum of $5M per occurrence.

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.

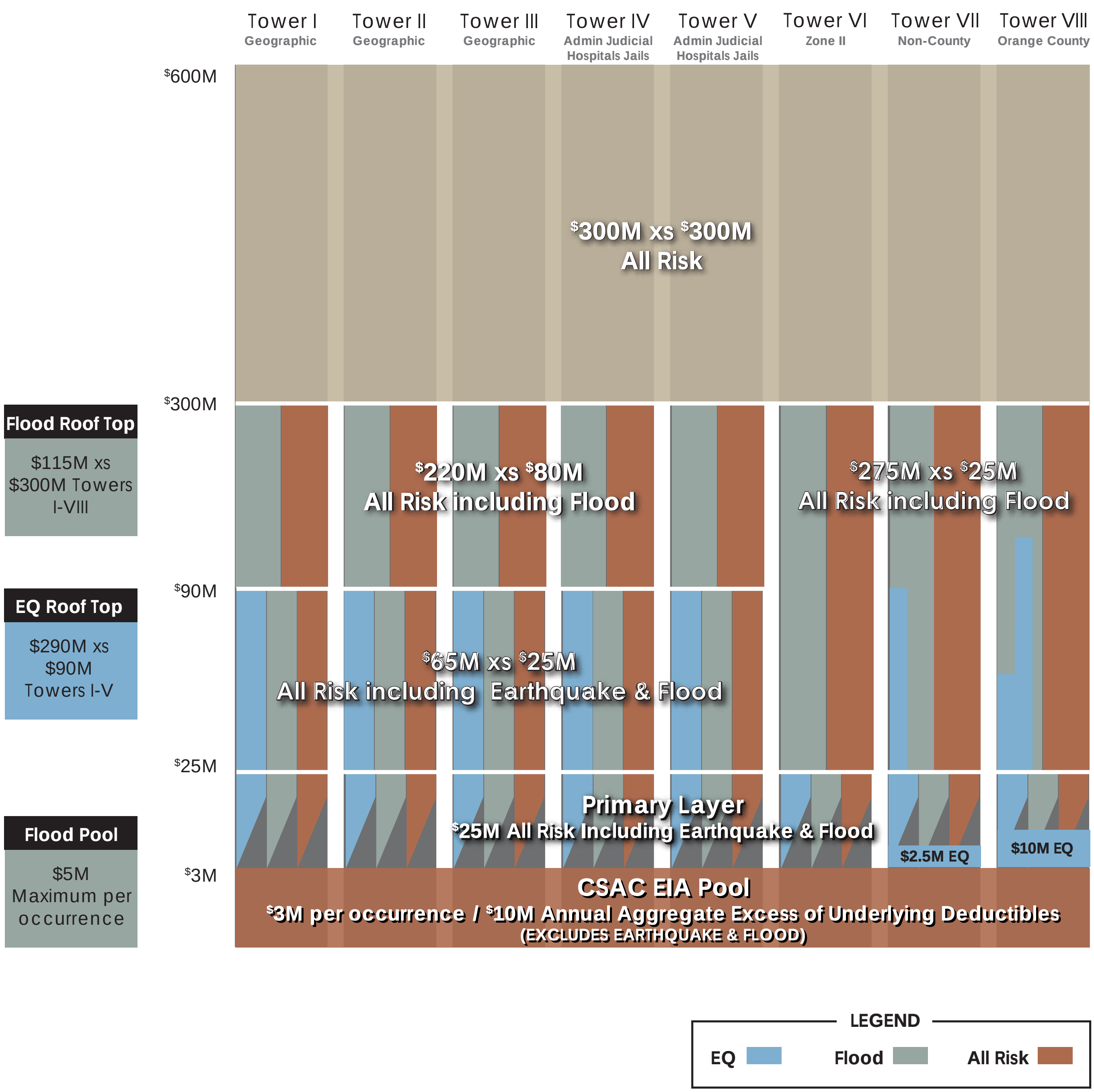
Lance Sposito

Santa Clara County
Property Committee Chair



Property

2014/2015



Medical Malpractice

The Medical Malpractice Program has grown and taken different shapes over the years, while providing members with coverage for medical professional services and limited general liability exposures at established healthcare facilities. The Program offers limits of $21,500,000, in addition to the members' deductible or self-insured retention, which range from $5,000 to $1,100,000. For members who maintain a deductible, claims administration is provided by the Program's claims administrator, Risk Management Services. 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 $1,500,000 pool and purchases $20,000,000 of reinsurance to fulfill the limits. This structure is depicted graphically on page 21.

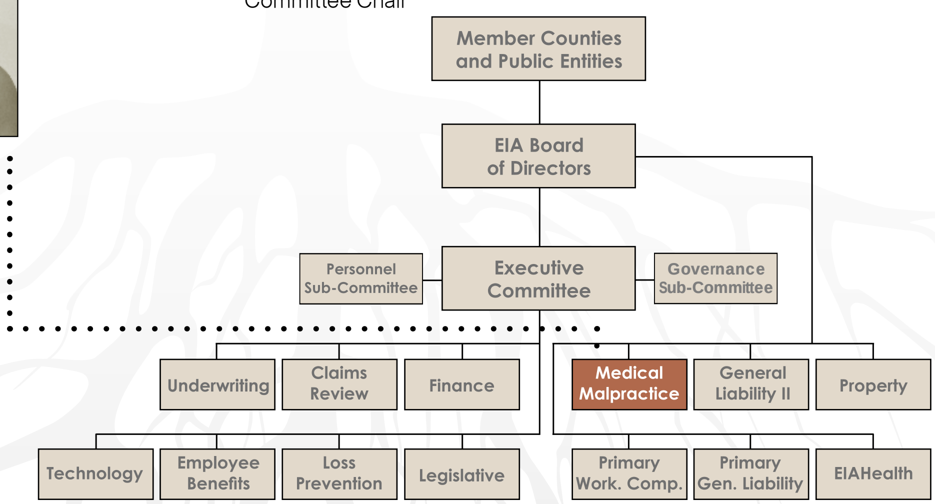
Beginning with the 2010/11 year, the Program's reinsurance agreement was converted from "claims-made" to an "occurrence" basis. This has allowed the Program to transfer its liability for tail claims in the reinsured layer to Lexington over the course of a three year period. This elimination of the tail exposure will act like a sturdy trunk, increasing the stability of the Program, and ultimately help the 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 cost and 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.

Karen Caoile

Alameda County

Medical Malpractice
Committee Chair

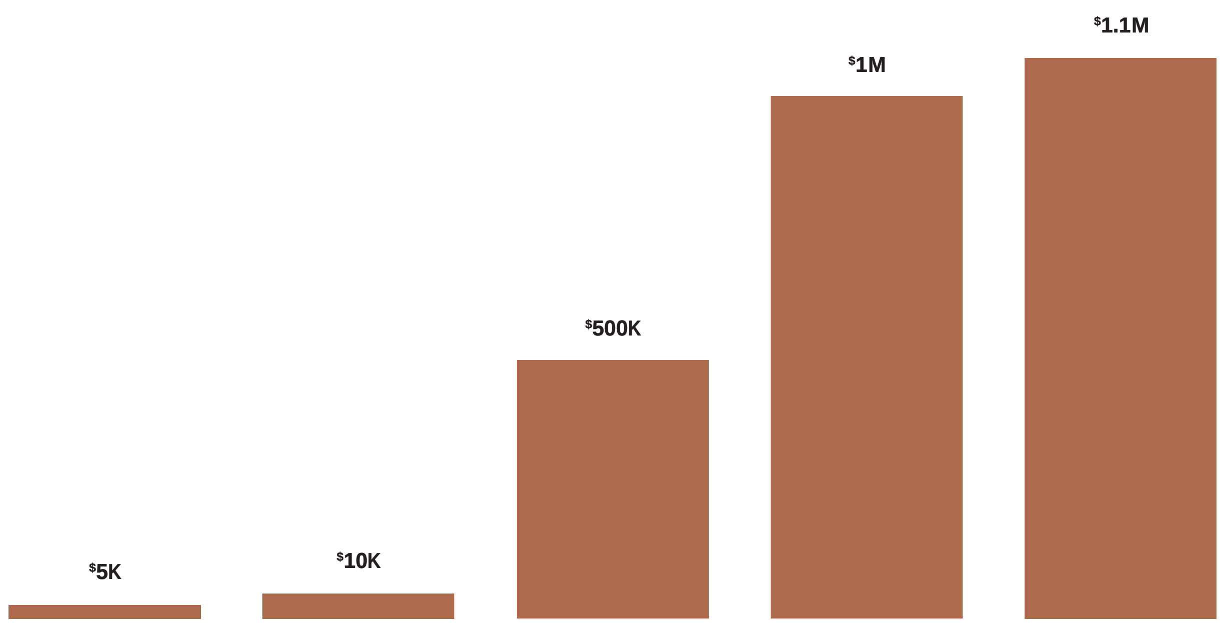


Medical Malpractice

2014/2015

$21,505,000 **Reinsurance Layer**
Lexington Insurance Company (an AIG Company)
$20M excess of $1.5M pool
(Occurrence Basis)

$1,505,000 **EIA Pool**
$1.5M excess of deductible or SIR
(Claims Made Basis)



EIAHealth

One of the EIA's youngest offshoots is the EIAHealth program, yet it has already enjoyed a very successful history in its young 11 years. 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, much like the graft of a branch onto a sturdy stock. 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) for the pooling of PPO type indemnity plans. In addition, HMO options are available to members on an insured basis. This relationship gives the Program more stability and lower rates.

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.

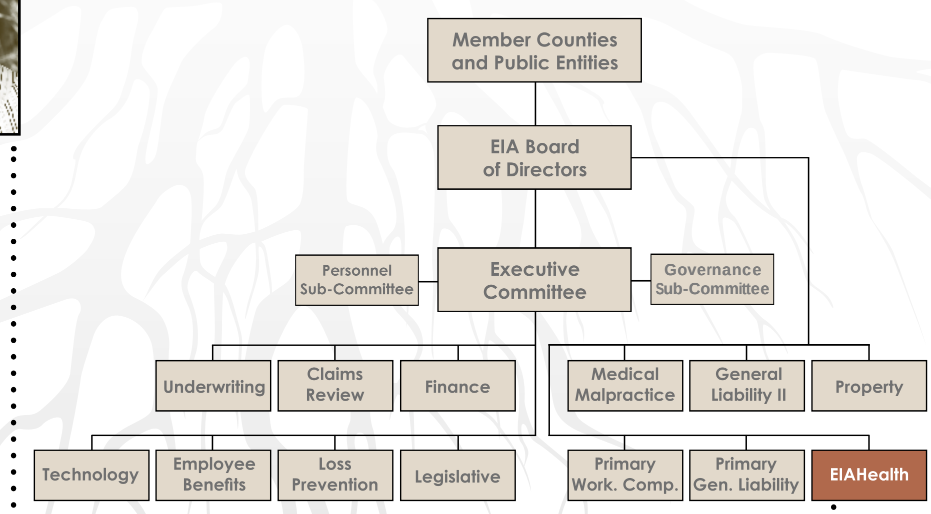
EIAHealth Membership

Amador County
Calaveras County
City of Chico
City of Huntington Beach
City of Irvine
City of Merced
City of Redding
City of Santa Rosa
City of Visalia
City of Watsonville
City of Yuba City
El Dorado County
GSRMA (small group)
Hi-Desert Memorial Healthcare District
Lake County
Mendocino Coast Hospital District
Merced County
Santa Barbara County
SDRMA (small group)
Superior Court of California, County of Santa Barbara
Tehama County
Turlock Irrigation District

Sheri DeMaagd

City of Redding

EIAHealth Committee Chair



Dental

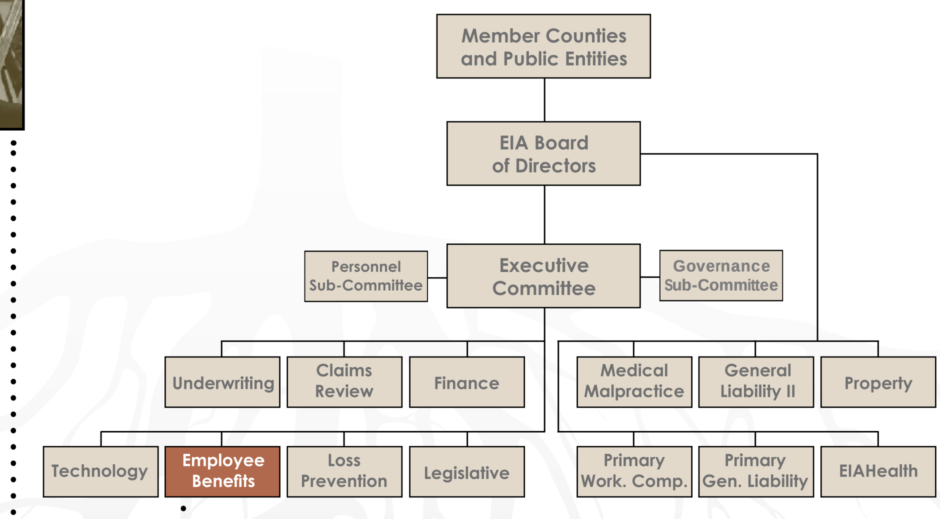
The Dental Program, another strong Program with newer roots, was launched in January 2010 and has since experienced significant growth. This Program utilizes the pooling methodology to provide members with more predictable and stable dental rates year over year. The Program partners with Delta Dental to provide administrative services including claims administration and access to the Delta Dental network of providers. The administrative fees in the Program are also some of the lowest offered by Delta Dental of California.

The Employee Benefits Committee governs the Dental Program as well as other miscellaneous employee benefit programs (i.e. Vision, EAP, Life and LTD). This Committee reviews all matters pertaining to the Dental Program including Program funding, new member applications and Program renewals.

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.

As the newest major program of the EIA, MR OCIP was launched on January 1, 2013. The Program currently has three participating members: the County of San Diego, City of Oakland and the Port of Oakland. Tuolumne County just recently joined and will be enrolling its first project shortly. This Program is positioned to spread its roots, as there are several others evaluating the cost savings and enhanced coverage that is provided by the Program.

Historically, OCIPs were only cost effective for construction projects of at least $100,000,000. The EIA leveraged its pooling power to combine smaller projects of the members into one Program. Now, construction projects as little as $10,000,000 can provide members the opportunity to receive the benefits of a “wrap-up” on projects that otherwise wouldn’t qualify because of their size.

Financial Letter

November 1, 2014

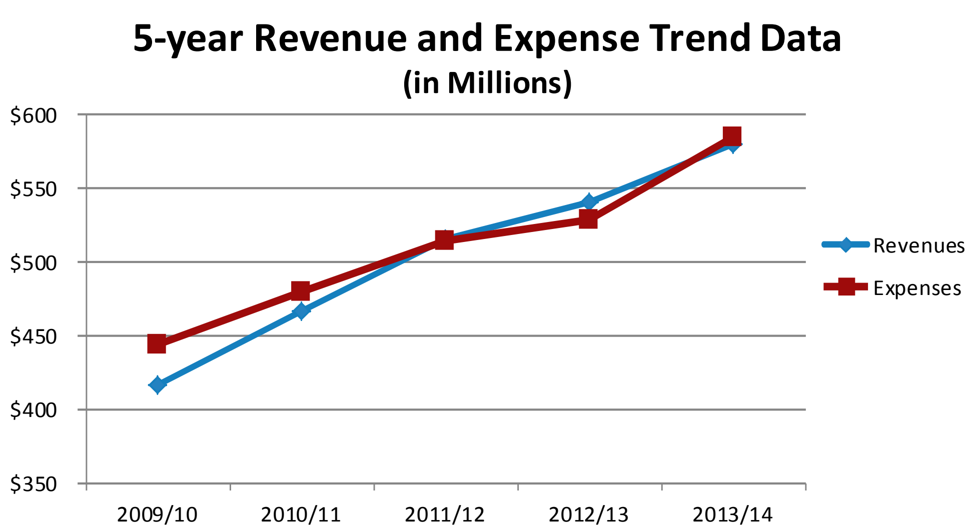
Board of Directors
CSAC Excess Insurance Authority

This report is intended to provide those interested in our financial position and performance with an easy to read overview of the EIA's financial condition, and highlights the financial activity for the fiscal year ended June 30, 2014. Included in this report are comparative financial statements for the years ended June 30, 2014 and 2013, including the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position. 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. Our CAFR for fiscal year ending June 30, 2013 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:

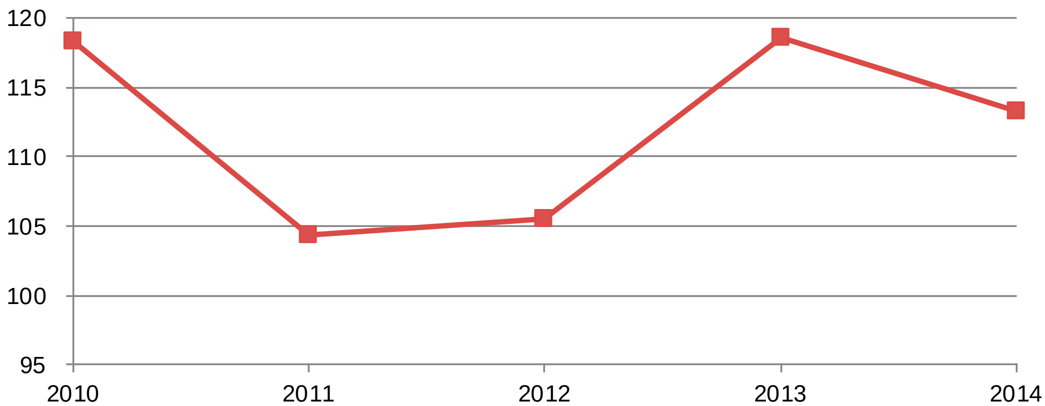
Net Position (formerly called Net Assets)

Net Position is defined as the difference between Total Assets and Total Liabilities. The EIA started the year with a net position of $118.6 million. Net income, not including dividends, was $ 893 thousand. Our strong position in some programs allowed us to return dividends to our members totaling $6.2 million, decreasing net position by that amount, resulting in an overall net loss of $5.3 million. Our ending balance in net position at June 30, 2014 is $113.3 million. The following chart shows how our operating results and position has changed over time.



Financial Letter
continued

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 $427.8 million to $439.8 million, primarily because of adverse loss development in the Workers' Compensation and General Liability I programs.

The target equity range is what the EIA considers as necessary assets that should be on hand as reserve for loss development. The chart below shows the target equity range for each program, and the equity of those programs at June 30, 2014.

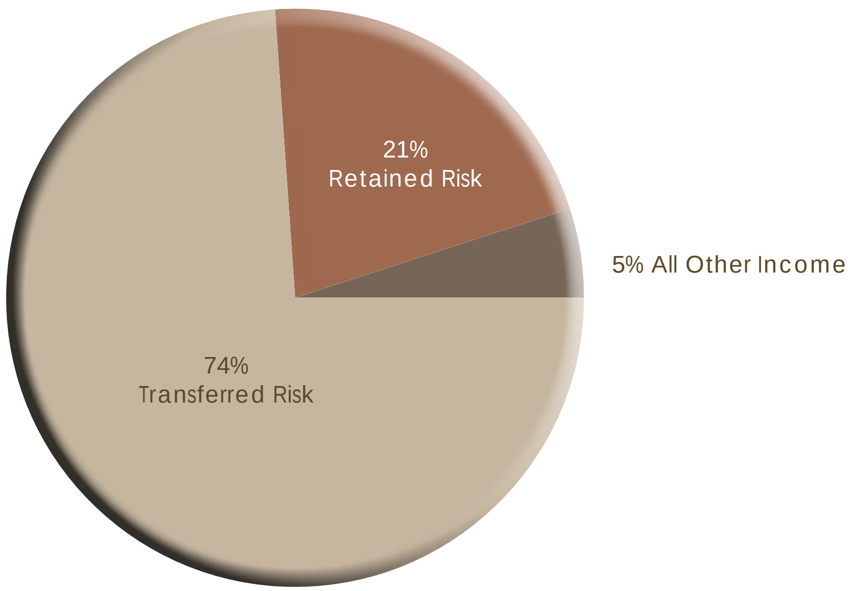
	Target Equity Range (in Millions)		Program Net Position (in Millions)
Program	Low	High	at June 30, 2014
Primary Workers' Compensation	$13	$35	$29
Excess Workers' Compensation	$30	$61	$10
Primary General Liability	$0.2	$2	$2
General Liability I	$12	$35	$35
Medical Malpractice	$6	$10	$6

Financial Letter

continued

Revenues

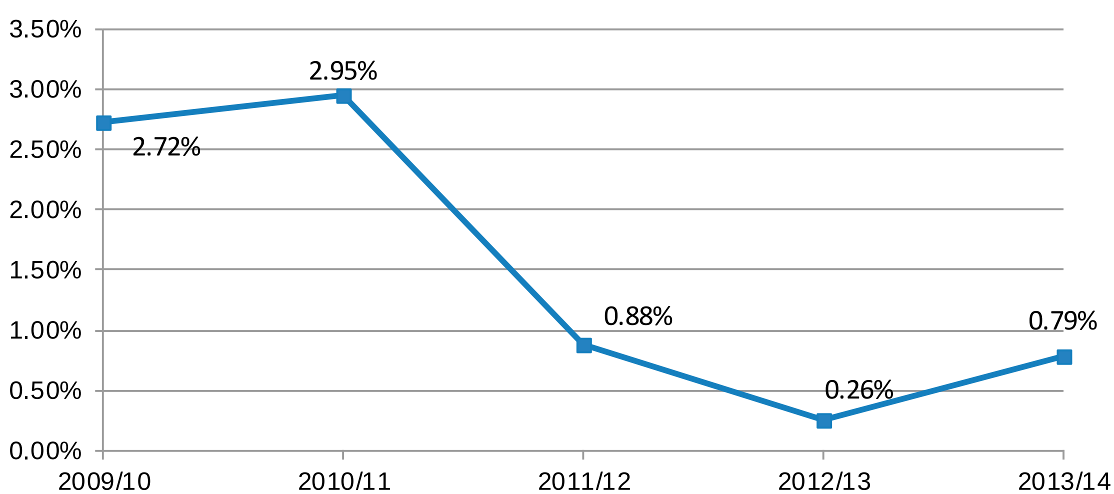
Total operating revenues were $580 million during 2014, a 7% increase from the $544 million in 2013.



Revenues are evenly divided between Property and Casualty programs and Employee Benefit programs.

Investment Income

Investment income picked up with an increase of $4.4 million, to $6.2 million compared to $1.8 million in 2013. We expect earnings to continue to rise very gradually as interest rates recover. Our holdings will mature on average in just under 18 months, so the EIA can take advantage of higher interest rates as the market turns.



Financial Letter
continued

Expenses

The EIA continued to purchase insurance to cover risks when that option was more cost effective than pooling the risk. In 2014, insurance related expense was $420 million up from $386 million in 2013, matching the growth in revenues. Insurance purchased insurance was 72% of all expenses, while claim costs accounted for 21%. Dividends, Program Services, and Administrative Costs made up the remaining 7% of expenses.

Loss Prevention Expenses

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

New Initiatives

Three large construction projects were insured with our new Master Rolling Owner Controlled Insurance Program, which provides "wrap-up" coverage for our member governments and its contractors. We completed the first phase of our new claims system conversion mid-year, and continue to work on subsequent phases including making our claims IT platform available to lease to members. We are also continuing the work to bring our Primary Workers' Compensation program onto our claims IT platform and integrated with our Excess Workers' Compensation program. Staff is exploring expanding our Risk Management Services further, and the Board approved adding staff to our claims and loss prevention departments. We developed a mentor program to identify and develop internal staff for our next generation of leaders.

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,

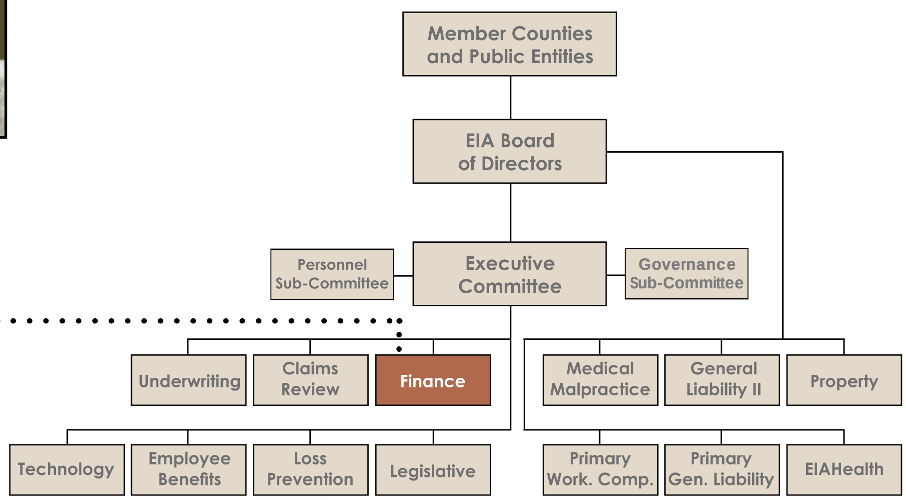
Marianne I. Stuart
Chief Financial Officer

Michael D. Fleming
Chief Executive Officer
Secretary/Treasurer

Greg Iturria

Butte County

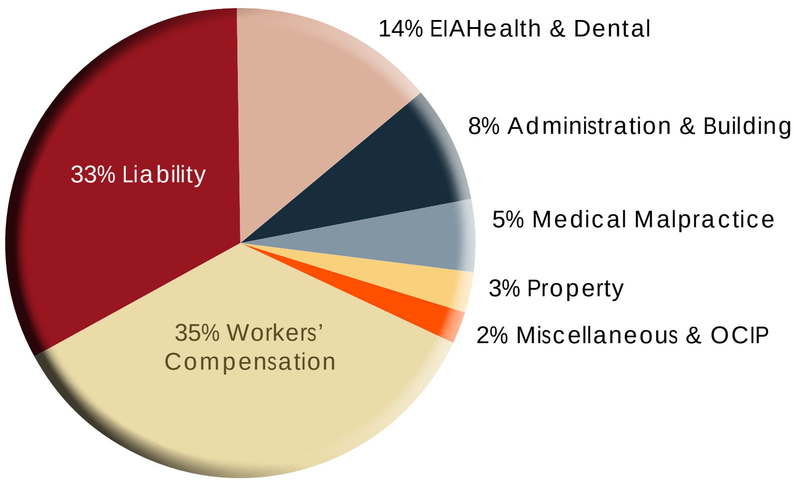
Finance Committee Chair



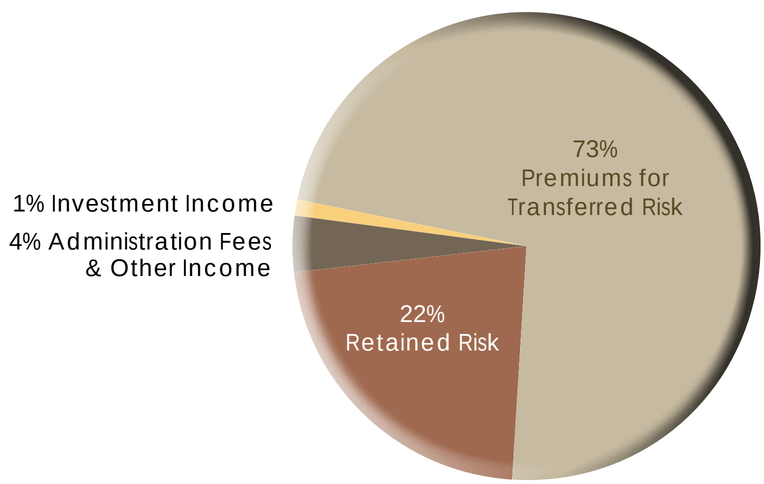
Financial Profile

Financial results in Brief 2013/2014

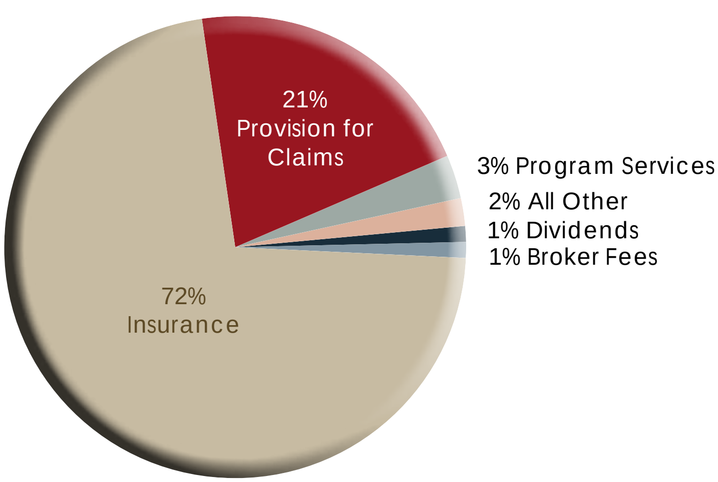
Net Position by Program



Revenues



Expenses



Financial Profile

continued

Statement of Net Position, June 30, 2014 and 2013

	June 30, 2014	June 30, 2013
Assets:		
Cash and Cash Equivalents	69,805,654	44,753,932
Investments	385,127,511	435,093,753
Receivables	40,095,370	21,391,186
Prepaid Expenses	89,141,293	78,236,146
Land, Buildings and Equipment (Net)	8,414,447	8,677,508
Total Assets	592,584,275	588,152,525
Liabilities:		
Accounts Payable and Due to Members	29,055,139	32,079,700
Unearned Income and Other Liabilities	10,378,595	9,611,207
Claim Liabilities	439,821,540	427,846,222
Total Liabilities	479,255,274	469,537,129
Net Position:		
Invested in Capital Assets	8,414,447	8,677,508
Unrestricted	104,914,554	109,937,888
Total Net Position	$113,329,001	$118,615,396

Financial Profile

Continued

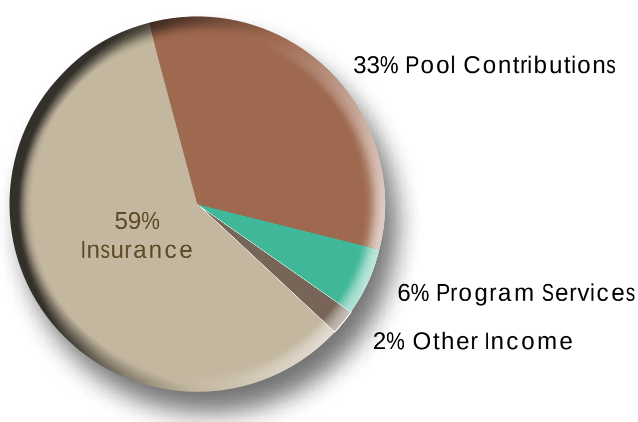
Statement of Revenues, Expenses & Changes in Net Position
For the Fiscal Years Ended June 30, 2014 and 2013

	June 30, 2014	June 30, 2013
Revenues:		
Premiums for Transferred Risk	$423,229,776	$386,895,589
Broker Fees	8,342,982	7,382,605
Contributions for Retained Risk	124,089,007	129,253,959
Dividend Income	215,008	213,606
Investment Income	6,227,796	1,782,998
Member Services	865,314	640,078
Administration Fees	14,400,637	12,617,685
Public Entity Fees	552,493	480,351
Other Income	2,284,488	1,991,075
Total Revenues	580,207,501	541,257,946
Expenses:		
Member Dividends	$6,179,489	$10,281,301
Insurance and Provision for Losses:	-	-
Insurance Expense	422,937,089	386,146,940
Broker Fees	8,079,636	7,384,093
Provision for Insured Events	122,157,339	99,860,765
Unallocated Loss Adjustment Expenses	2,332,280	18,714
Program Services	12,134,125	13,831,864
Member Services and Subsidies	2,358,826	2,192,839
General Administrative Services	8,412,166	7,702,622
Depreciation and Building Maintenance	902,946	775,232
Total Expenses	585,493,896	528,194,370
Changes in Net Position	(5,286,395)	13,063,576
Net Position:		
Net Position, Beginning of Year	118,615,396	105,551,820
Net Position, End of Year	$113,329,001	$118,615,396

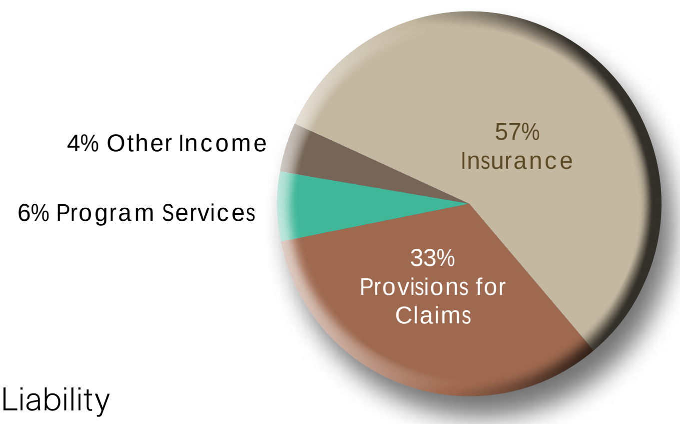
Financial Profile

Operating Results by Program

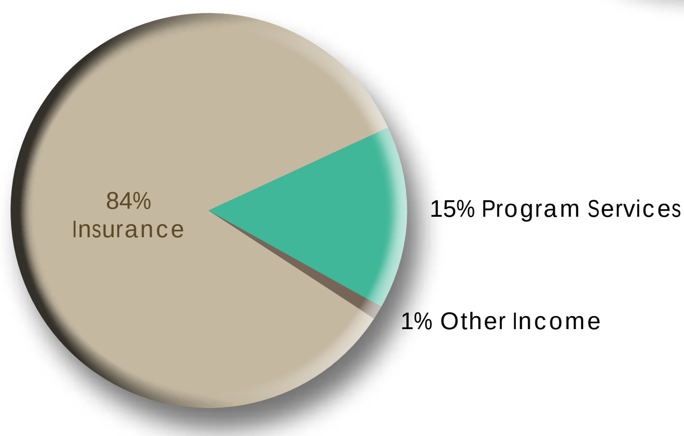
Primary Workers' Compensation



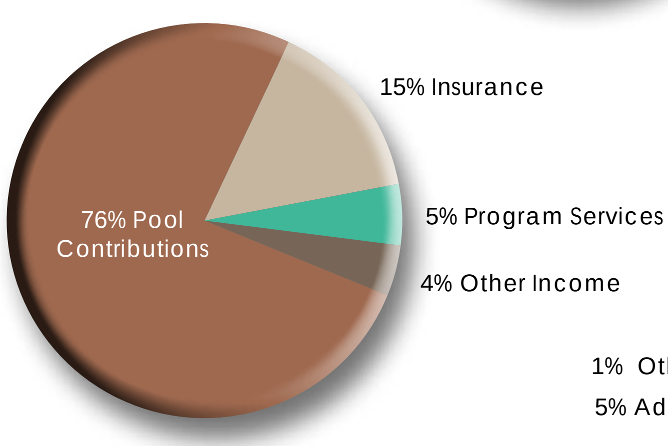
Excess Workers' Compensation



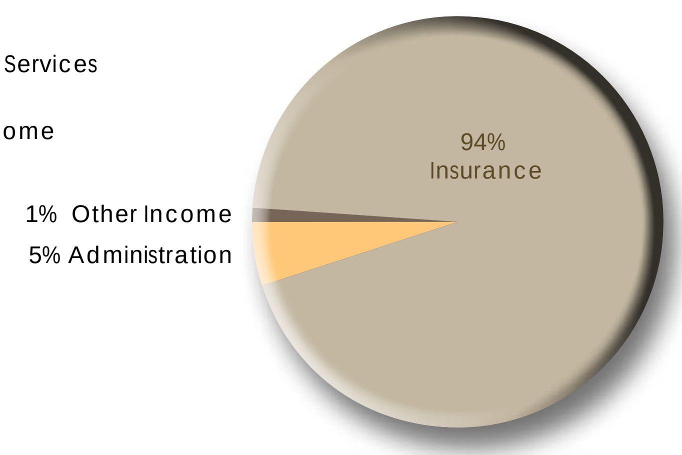
Primary General Liability



General Liability I



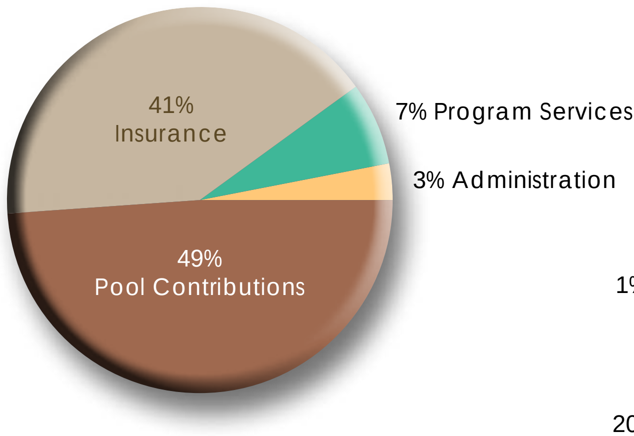
General Liability II



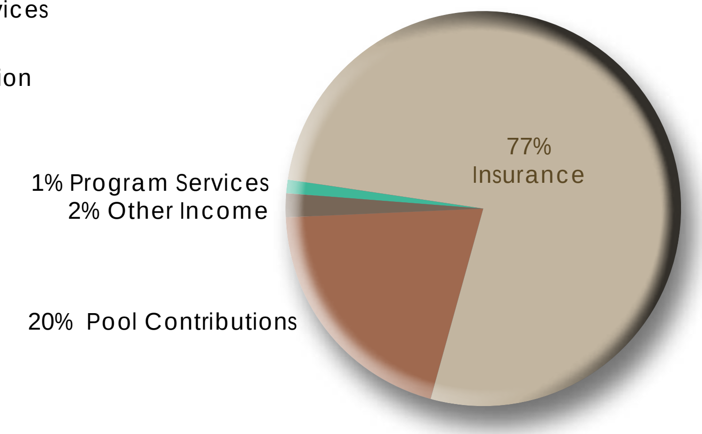
Financial Profile

Operating Results by Program

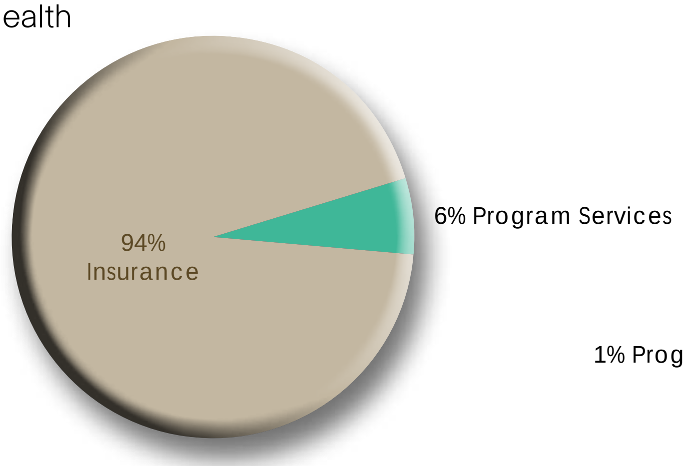
Medical Malpractice



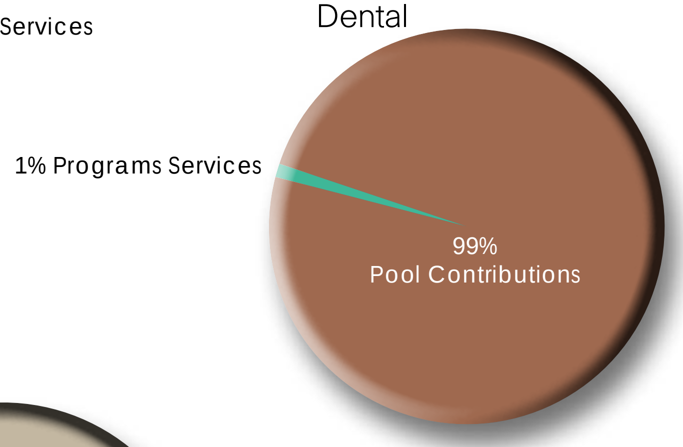
Property



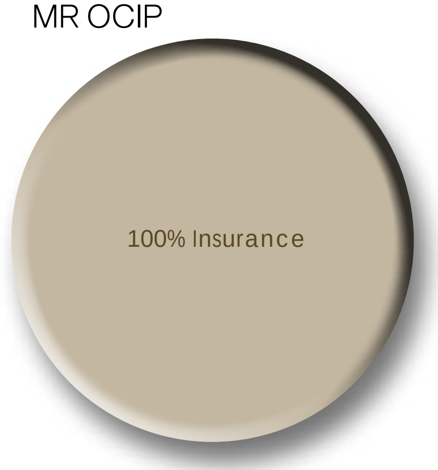
EIAHealth



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 35 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. 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.

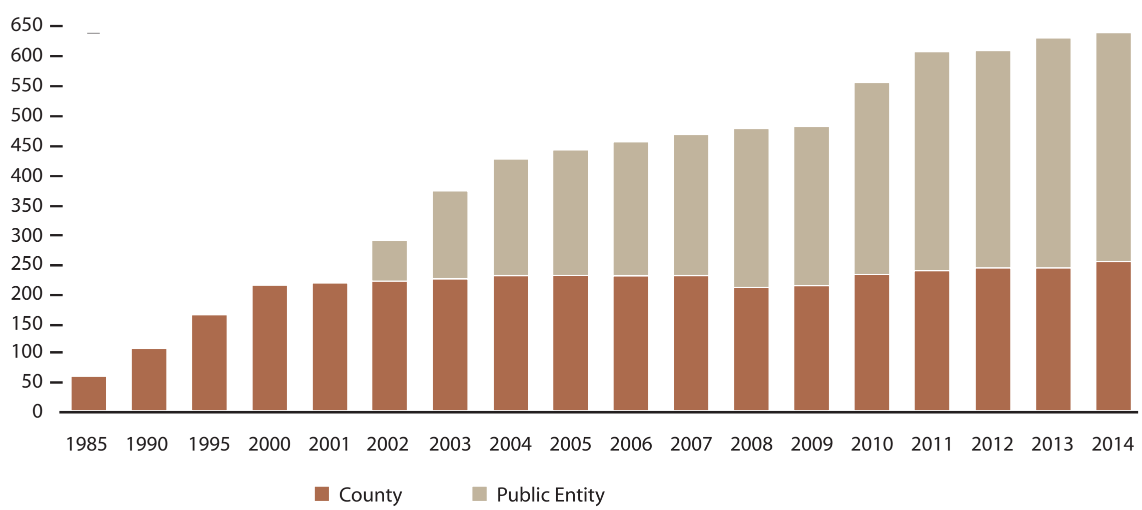
While the membership has enjoyed the rewards of their success over the past 35 years, they have continued to refine, restructure and improve the programs and services to ensure that the members' current and future needs will be met. At the same time, efforts are continually made to keep costs as low 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". Since 2007, the EIA has also been 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 – 6/30/13). We are currently in the process of submitting information for the fiscal year ending June 30, 2014. 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 five years has continued, but at a more steady and controlled pace. Growth over the last four years is due, in large part, to the formation of the Dental Program. This Program launched on January 1, 2010 and currently has 133 members. 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 255 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 almost 1,800. 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

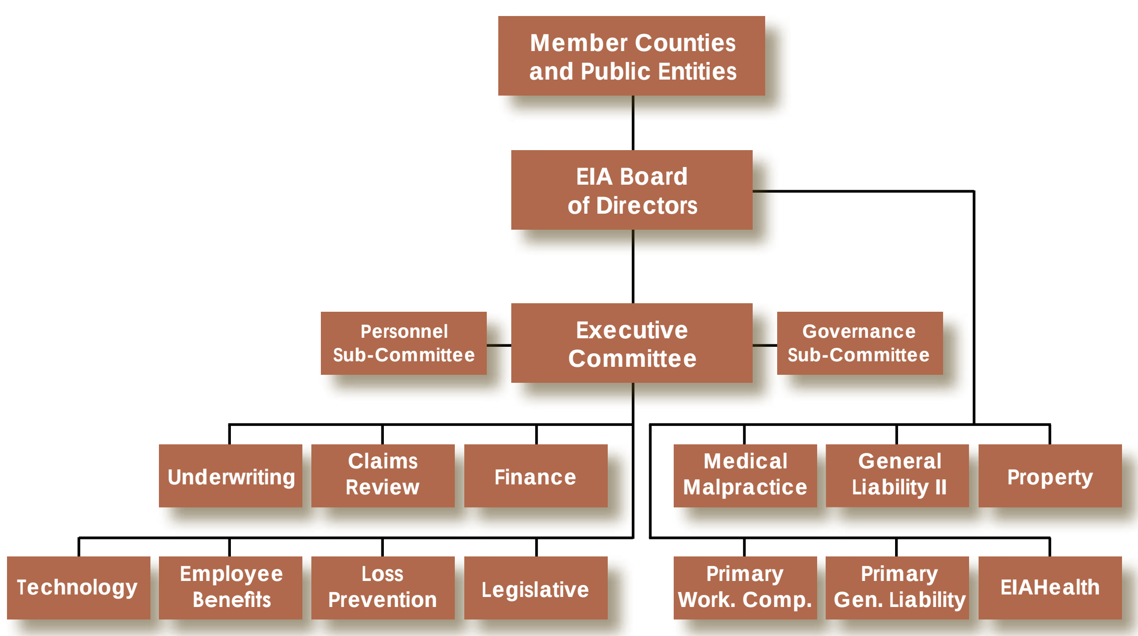
Membership Involvement

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 17 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 on the cutting edge.

Not only does the EIA have a high number of members contributing to the success of the organization, but 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.

Because member involvement is a critical component of success, the EIA has made this issue one of its highest priorities. Strategies have been implemented to ensure member involvement and active participation – which leads to member loyalty – continue 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.



EIA Leadership

2014 Executive Committee

President
Larry Moss, East Bay Regional Park District

Vice President
Jim Sessions, Riverside County

Members
Barbara Lubben, Alameda County
Teri Enos-Guerrero, City of Chula Vista
Peggy Scroggins, Colusa County
Scott Schimke, Golden State Risk Mgmt. Authority
Kristin McMenomey, Mendocino County
James Brown, Merced County
Maryellen Peters, Placer 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
Scott Schimke, Golden State Risk Mgmt. Authority, 2012
Barbara Lubben, Alameda County, 2013
Larry Moss, EBRPD, 2014
Jim Sessions, Riverside County, 2011 & 2015

2015 Executive Committee

President
Jim Sessions, Riverside County

Vice President
Kristin McMenomey, Mendocino County

Members
Barbara Lubben, Alameda County
Teri Enos-Guerrero, City of Chula Vista
Scott Schimke, Golden State Risk Mgmt. Authority
James Brown, Merced County
Maryellen Peters, Placer County
Kim Greer, City of Richmond
Lance Sposito, Santa Clara County
Supervisor Peter W. Huebner, Sierra County
Van Maddox, 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
Dan Calabrese, Chief Investment Officer
Gina Dean, Chief Operating Officer
Jack Blyskal, Chief Claims Officer
Michael Fleming, Chief Executive Officer
George Reynolds, Chief Information Officer
Marianne Stuart, Chief Financial Officer

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

agrip
ASSOCIATION OF
GOVERNMENTAL RISK POOLS

California Association of Joint Powers Authorities

Accredited with Excellence

1989-2016

Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

CSAC Excess Insurance Authority

California

For its Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

CSAC Excess Insurance Authority
75 Iron Point Circle, Suite 200
Folsom, CA 95630
916.850.7300
www.csac-eia.org