



Annual Report

2017

Gears in Motion





Table of Contents

Year in Review.....	1
EIA's Mission & Vision Statement	3
Current Services.....	4
Coverage Programs	5
Miscellaneous and Employee Benefits Programs	6
Primary Workers' Compensation.....	7
Excess Workers' Compensation.....	9
Primary General Liability	11
General Liability 1.....	13
General Liability 2.....	15
Property.....	17
Medical Malpractice.....	19
EIAHealth	21
Dental	22
Master Rolling Owner Controlled Insurance Program.....	23
Financial Letter.....	24
Financial Profile.....	28
About the EIA.....	33
Membership.....	33
Development of a Captive Insurance Company.....	34
Membership Involvement	36
EIA Leadership	39

2016/17 Year in Review

Greetings,

One of the best things about working with such a great group of members is just that: working together. Our focus this year is on collaboration and progress—Gears in Motion.

Many things can be accomplished with ideas and perseverance, but only the best things are completed when people work together. Unity and the sharing of ideas brings the best to the table, creating opportunities that may not have been thought of without others.

At the June Executive meeting, for example, a collaborative moment took place when the attending board members worked with the Executive Committee to fashion a new Mission and Vision Statement for the EIA. Though at the time it was almost a storm of ideas and re-phrasing, the end product was a wonderful example of what the EIA is and what we want to accomplish:

EIA Vision: The CSAC Excess Insurance Authority (EIA) will continue to be internationally recognized as a leading risk sharing pool for its member-directed operating philosophy and commitment to member fiscal sustainability. The EIA will continue to influence and shape the future of the risk management profession.

When it comes to collaboration, one of the best examples was in June when SANDPIPA merged with the EIA, adding new gears to our polished organization. The merger was significant in the world of JPAs. We worked alongside the people at SANDPIPA to create a solution that helped us both, moving the mechanism forward.

Another wonderful example of the EIA members working together for our greater good was in March, when the Board of Directors voted to eliminate the public entity fee: once again showing that creating an equitable organization is better for all.

In addition, innovative collaborations came about this year in the form of unique trainings and work opportunities. The Risk Management Practitioner Certificate Program allowed the EIA to work in conjunction with CPS HR Consulting and the California Joint Powers Insurance Authority to create a lasting risk management training program. The Member Services Committee is in the process of finalizing an avenue for consultants to continue bringing their expertise and experience to members with the creation of the Enterprise Risk Consultant Program.

Gears work underneath the shiny surface of a well built machine. The EIA's committees and staff often work behind the scenes. Throughout the renewal cycle, our brokers at Alliant work in conjunction with program committees and staff to find the best coverages and prices for our members.

This year included some interesting foundational updates including the creation of web tools such as the subsidy tool, governance search functions, and overall improvements to the membership databases by the IT staff. The EAGLE Committee spent time evaluating the submissions for the First Annual EIA EAGLE Awards and these member projects will be shared with the rest of the members as best practices, again increasing collaboration. Upgrades and additions such as these are part of what makes the EIA the leader in our industry—another set of gears turning together and pushing the EIA forward.

The EIA has seen tremendous growth this past year, and we will continue working together in the coming year to keep the momentum of collaboration and progress steady, and keep the EIA's Gears in Motion.

Regards,

James Brown
EIA President



2016/17 Year in Review

This is the EIA's 38th year providing outstanding risk coverage programs and risk management services to California's public agencies. The organization continued to develop and thrive. Significant accomplishments this year included, but are not limited to:

- Continued growth in terms of program membership, breadth of coverage and service, and overall financial health
- Created a new strategic framework including our Mission, Vision, Core Values and long-term goals
- Utilized the Excess Insurance Organization (EIO) single-parent captive insurance company to transfer risk from various programs
- Created the EAGLE (Exemplary Achievement in Government Leadership and Enrichment) Awards and corresponding committee to highlight innovation in risk management and loss prevention
- Created the Member Services Committee
- Grew staff in the Claims, Member Services, Actuarial Services, and Data & Analytics Departments
- Retained 99% of members at renewal of the programs
- Created new services, such as: Risk Management Practitioner Certificate Program, Protective Footwear, Risk Assessment Tool, Checkpoint Systems, and Critical Incident Counseling
- Received awards from the Government Finance Officers Association for our Comprehensive Annual Financial Report, Popular Annual Financial Report, and Distinguished Budget
- Received CAJPA's Accreditation with Excellence Award for 2016 - 2019
- Received AGRiP's Advisory Standards Award for 2016 - 2019
- Members were reimbursed over \$113M through thousands of claims payments

The theme of this year's annual report is "Gears in Motion," highlighting the continuous momentum of our evolving programs and services, and the value added by collaboration.

The Board of Directors has been focused on providing programs and services that deliver benefits for all members. The Executive Committee has spent much time this past year on strategic initiatives, including the promotion of the EIO captive to transfer corridor risk, succession planning, as well as updating the EIA's Mission and Vision statements, and statement of Core Values.



2017 Executive Committee

Pictured (from left to right): Ken Hernandez, James Brown, Ann Richey, Matt Gutierrez, Scott Schimke, Kimberly Greer, Richard Egan, Roberta Allen, Kerry John Whitney, and Lance Sposito. (Not pictured: John Viegas)

EIA's Mission, Vision & Core Values

Our Mission

The CSAC Excess Insurance Authority is a member-directed risk sharing pool of public agencies committed to providing risk coverage programs and risk management services, which drive member stability, efficiency, and best practices.

Our Vision

The CSAC Excess Insurance Authority (EIA) will continue to be internationally recognized as a leading risk sharing pool for its member-directed operating philosophy and commitment to member fiscal sustainability. The EIA will continue to influence and shape the future of the risk management profession.

Our Core Values

CSAC EIA is dedicated to preserving a member-directed culture, defining standards for quality and performance throughout the industry, and ensuring programs and services are:

Competitive in scope and price over the long term

Adaptable and customized to meet member needs, based on high-quality standards

Resolute in delivering timely solutions that address present and emerging risks

Equitable in allocating costs and services between various members in a fair and consistent manner

Stable in supporting cost-effective, fiscally prudent operations and long-term solvency, and in building long-term relationships with members and program/service partners.

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
- Improve program performance

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

Technology Vision

The EIA will provide technology that is:

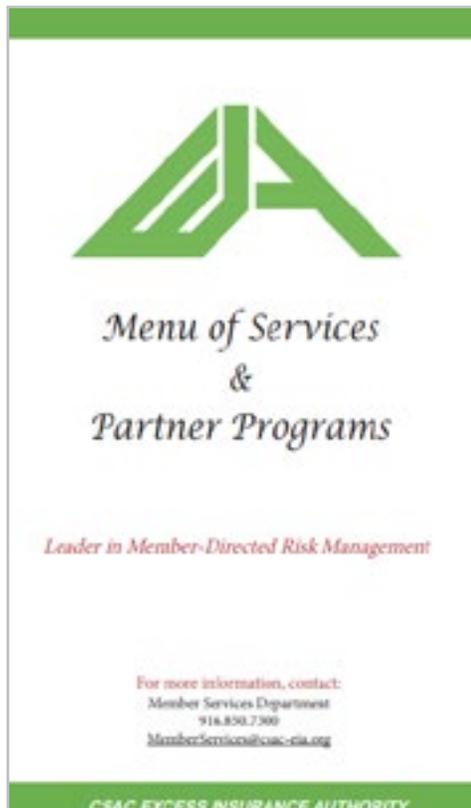
- Interactive
- Accessible
- User-friendly
- Dynamic



Current Services

The Member Services Department, established in 2015, has helped the EIA put in to motion many new and valuable services, as well as increase members' awareness of services. Be it new or existing risk management, claims, or loss prevention services, the gears are turning to move the EIA's offerings forward and helping members manage their risk exposures. 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 platform including online 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
- Crisis Incident Management and Counseling services
- School Liability Handbook: Student Activities and Employment Issues
- Legal Advice and advice on Insurance Requirements in Contracts (IRIC) via an updated IRIC Manual v 10.0
- New and revamped services including Protective Footwear, Body-Worn Cameras, Incident Reporting System, Background Check Services, and Risk Assessment Tool
- Real and personal property appraisals
- Online 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 ClaimSearch Program and Insurance Educational Association
- Active presence with the state legislature, taking positions on those items that may impact EIA members



Coverage Programs

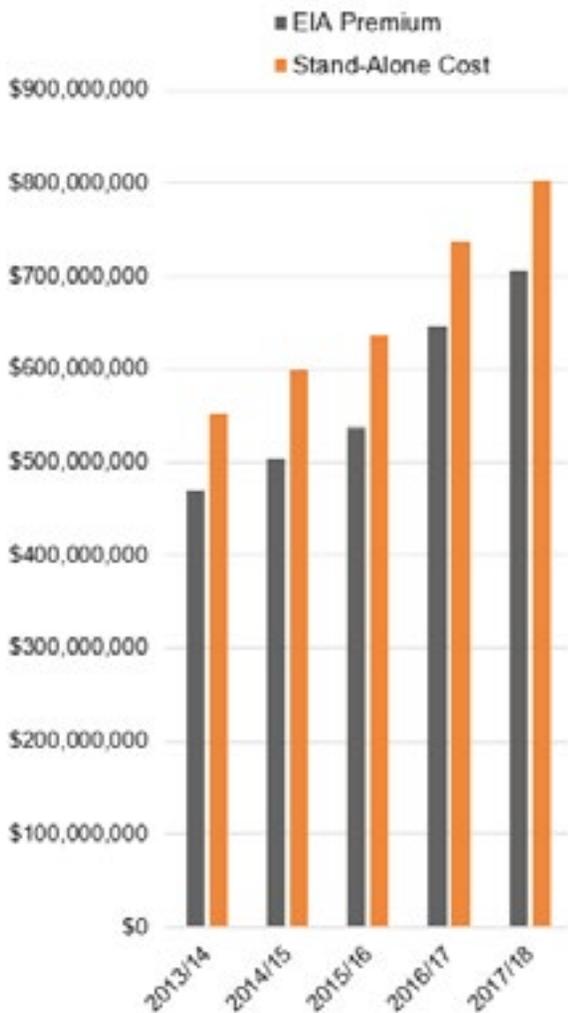
Since our beginning in 1979, the EIA has challenged ourselves to keep moving forward, providing world class financial, risk management, and actuarial analysis. We implement the best risk financing programs, providing structures that offer options to diverse entities with different risk tolerances, and continually evaluate the programs based on market conditions and emerging risks—re-designing or adding programs when necessary.

Over time, 10 major coverage programs have been created. 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. 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 switching gears when necessary to ensure costs are kept low and members are provided with the best possible coverage and service.

Major Coverage Programs

Five Year Premium vs. Estimate Stand-Alone Cost



The EIA is able to leverage the purchasing power of our membership to secure more cost-effective coverage than members could obtain on their own. This strategy of leveraging volume has also benefited affiliate 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 members over \$460M.

The EIA has designed strong and stable programs for more than 38 years. “Gears in Motion” is illustrative of the mindset that by striving to move forward while working with our members to evaluate our programs and services based on internal needs and external conditions, the best solutions for our members are created. We grow, shift and change gears in a calculated manner and through our history, the EIA has built long-term collaborations with its underwriters and a very impressive reputation in the insurance marketplace.

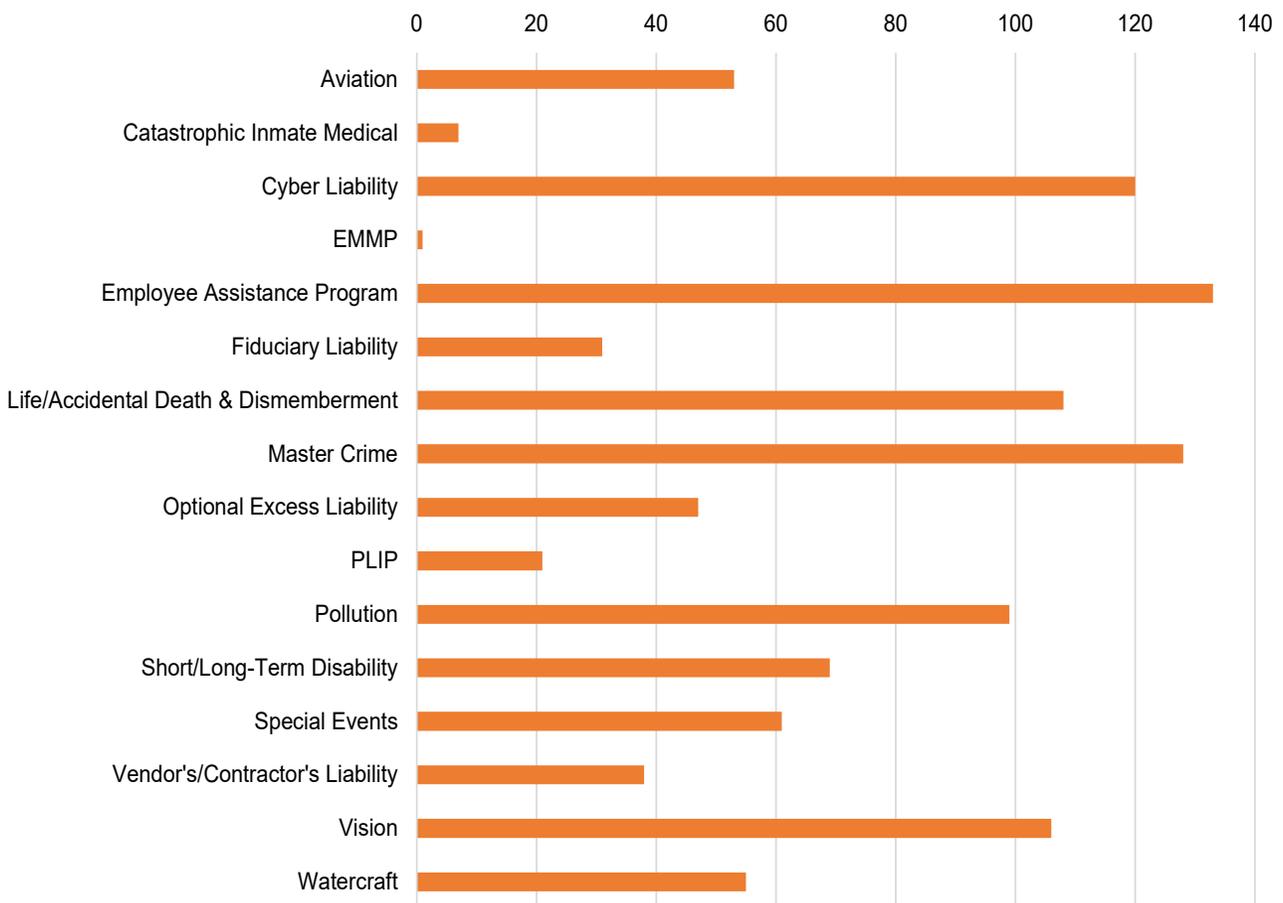
Miscellaneous and Employee Benefits Programs

Our committees continually evaluate whether the major coverage programs address 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, including Aviation, Crime, Cyber, EAP, Pollution and many others.

Most recently, an Equipment Maintenance Management Program (EMMP) was added to assist members by offering extremely competitive rates and adding functionality compared to most equipment warranty programs. Additionally, 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 and automobile 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 to adjoin with 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 six claims administrators. The Program offers several cost containment programs including a Medical Provider Network (MPN), a 24/7 Nurse Triage Service, and a Return-to-Work Program.

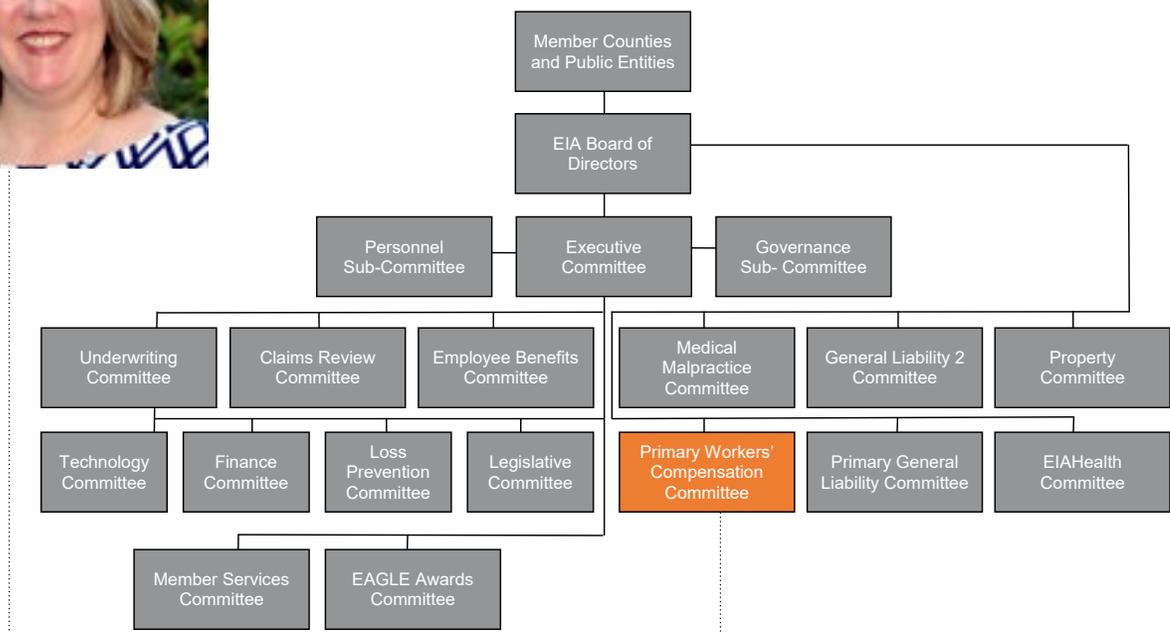
The PWC Program pays for claims with a blending of pooling and insurance. The first \$10k of each claim is paid out of the Program's pool. The Program's insurer pays for the balance of the claim up to the \$125k attachment point to the EWC program. During the 2016/17 year, the PWC Program canceled the reinsurance agreement with AmTrust mid-term and bound with ACE American Insurance Co., creating a 14-month coverage term. As part of the move from AmTrust to Ace American, the program was able to increase the corridor retention from \$5M corridor to \$12M for the 14-month coverage period. The \$12M corridor was transferred to the EIO resulting in a savings of \$518k to the PWC Program. The Program structure is illustrated on page 8.

The funding of the Program's pooled layer is evaluated each year. Since 2009, the Committee has returned over \$50M in the form of dividends to the Program members. This year, the Program declared a \$2.5M dividend and continues to be well funded.

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



Jill Abel
Yuba County
Primary Workers' Compensation
Committee Chair



Primary Workers' Compensation Membership

2017/2018

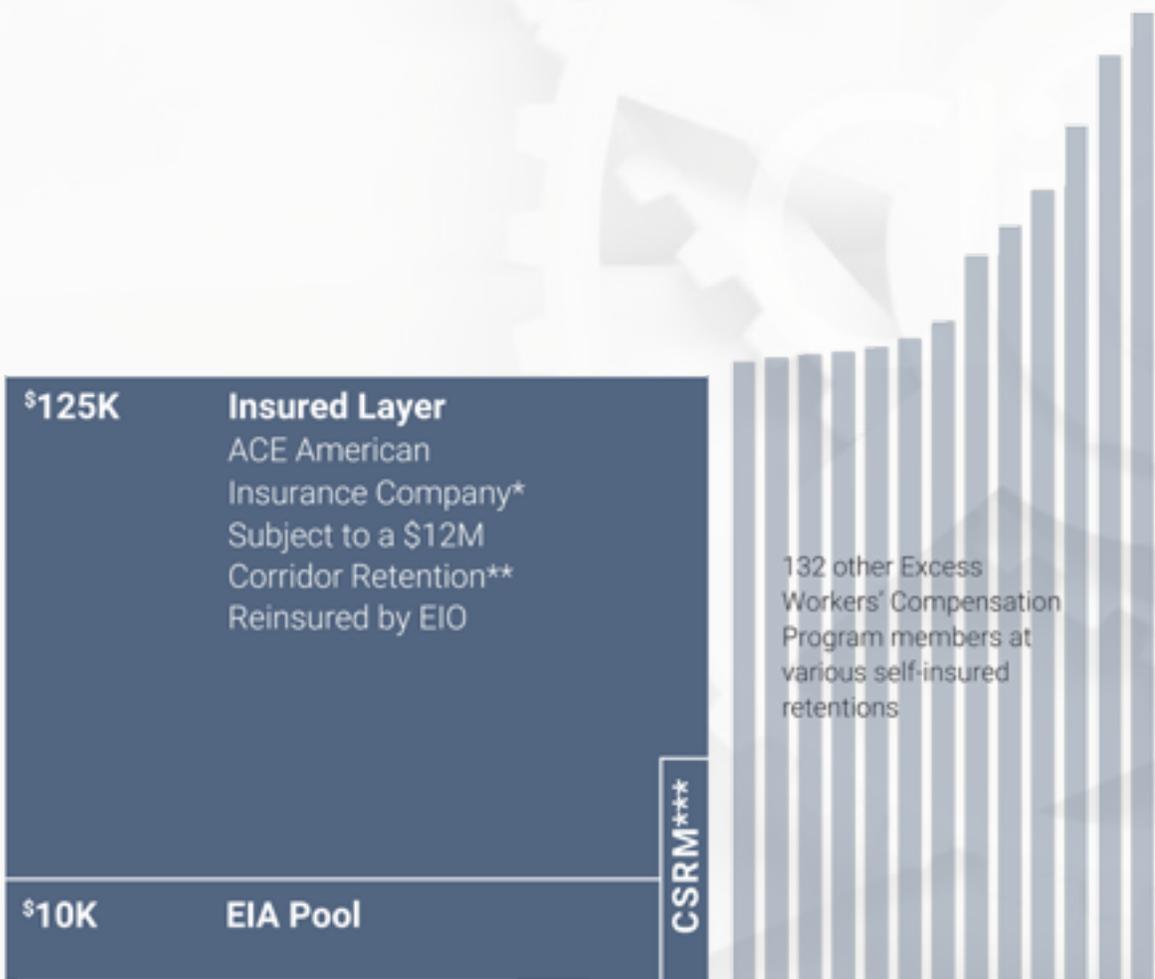
Amador County
Amador Transit
Calaveras County
Central Sierra Child Support
City of Belmont
City of Carmel By The Sea
City of El Cajon
City of Hemet
City of Imperial Beach
City of Lancaster
City of Rancho Cordova
CSAC EIA
California Schools Risk
Management (CSRMA)
Evergreen School District
First Five 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 Unified School District
Nevada County
Sacramento County Contracts
San Luis Obispo Regional Transit Authority
Santa Barbara County
Santa Cruz County Fire Agencies
Insurance Group (SCCFAIG)
Self Insurance Risk Management
Authority (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

2017/2018

Statutory — Excess Workers' Compensation Program



* 14 Month Policy, 5/1/17 - 7/1/18
 ** The Corridor Retention will be adjusted at the end of the year.
 *** CSRM's deductible is \$25K effective 7/1/17

Excess Workers' Compensation

The EWC Program was the first EIA coverage program offered to the members in 1979. Today, the EWC Program provides 171 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 10. While the coverage structure remains the same, we entered into a new partnership this year with Great American, who is providing reinsurance for the pooled layers for both the Core and Educational Towers, as well as the primary layer in the Educational Tower. There are two new service enhancements for this program. Members now have access to Crisis Incident Counseling Services following an unexpected death in the workplace. Additionally, a surgical cost containment pilot program was rolled out with the expectation that the pilot program will reduce costs for certain surgical procedures and provide for better outcomes and faster return-to-work.

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. The current market conditions continue to allow the Program the opportunity to balance retaining and transferring risk. By having Great American in place to provide reinsurance when the corridor retentions are exhausted, we gain additional predictability in determining the costs and helps to grow the Program's overall funding position.

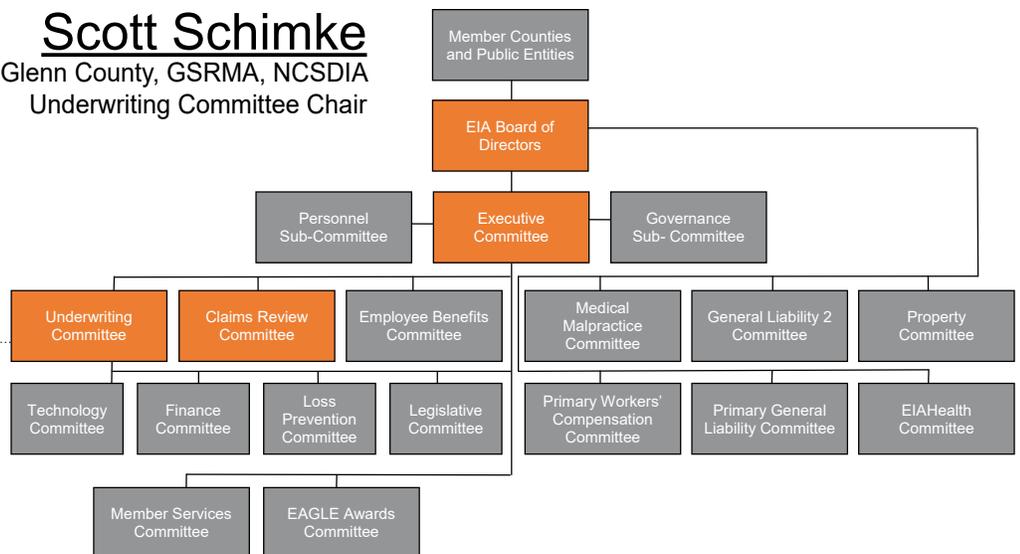
With the move to Great American, the Program now maintains a single shared corridor between the Educational and Core Towers. Additionally, there is a separate corridor retention for the CSURMA's primary layer in the Ed Tower thus allowing for continued diversification of risk. In total, the Program transferred over \$60M in corridor retentions to the EIO resulting in a savings of \$4.8M for the program

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. 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 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 13.



Scott Schimke
Glenn County, GSRMA, NCS DIA
Underwriting Committee Chair



Excess Workers' Compensation Membership

2017/2018

\$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 Pico Rivera
 City of Rancho Cordova
 City of Solana Beach
 City of South Pasadena
 CSAC EIA
 California Schools Risk Management (CSRM)
 CA State University Risk
 Mgmt Auth (CSURMA): Campuses
 CA State University Risk
 Mgmt Auth (CSURMA): AORMA
 Evergreen School District
 First Five Contra Costa Children and Families Commission
 First Five Sacramento Commission
 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 Authority
 Lake County
 Madera County
 Mendocino County
 Morongo Basin Transit Authority
 Mt. Diablo Unified School District
 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
 Santa Cruz Count Fire Agencies Insurance Group (SCCFAIG)
 Self Insurance Risk Management Authority (SIRMA)
 Siskiyou County
 Solano County
 South County Area Transit
 Tahoe Transportation District
 Tehama County

Town of Colma
 Tulare County
 West San Gabriel WC JPA
 Yuba County

\$150,000

City of Ridgecrest

\$200,000

Northern California Special Districts Insurance Authority (NCS DIA)

\$250,000

Berkeley Unified School District
 Central County Fire Department
 City of Bell
 City of Hanford
 City of Los Altos
 Lake Elsinore Unified School District
 Monterey Bay Area Self Insurance Authority (MBASIA)
 San Luis Obispo County
 Shasta County
 University of CA, Hastings College of Law

\$300,000

Alpine County
 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
 Golden State Risk Management Authority (GSRMA)
 Imperial County
 Kings County
 Lassen County
 Mariposa County
 Merced County
 Modoc County
 Mono County
 PASIS – San Diego:
 City of San Marcos
 North County Fire Protection District
 Rancho Santa Fe Fire Protection District
 San Miguel Consolidated Fire Protection District
 Placer County
 Plumas County
 San Benito County
 Santa Clara County
 Office of Education (SCCOE)
 Sierra County
 Sonoma County
 Sutter County
 Trinity County
 Tuolumne County

\$350,000

Bay Area Housing Authority Risk Management Authority (BAHARMA)
 Campbell Union School District
 California Association for Park & Recreation Indemnity (CAPRI)
 City of Daly City
 City of Redwood City
 East Bay Regional Park District
 Monterey Salinas Transit
 Napa County
 Redondo Beach Unified School District
 Santa Cruz Metro Transit District
 Upland Unified School District

\$400,000

Authority for California Cities
 Excess Liability (ACCEL):
 City of Monterey
 City of El Monte
 City of Rialto
 Monterey County

\$500,000

Authority for California Cities
 Excess Liability (ACCEL):
 City of Bakersfield
 City of Santa Cruz
 City of Burlingame
 City of Chico
 City of Concord
 City of Covina
 City of Cupertino
 City of Escondido
 City of Fremont
 City of Hawthorne
 City of Hayward
 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
 CFA
 Community Development Commission of LA County
 Fresno County
 Golden Empire Transit District
 Kern County Hospital Authority
 Municipal Pooling Authority (MPA)
 Northern California Cities Self Insurance Fund (NCCSIF)
 San Joaquin County
 Santa Barbara Metro Transit
 Santa Cruz County
 Stanislaus County
 Yolo County Public Agency Risk Management Insurance Authority (YCPARMIA)

\$750,000

Authority for California Cities
 Excess Liability (ACCEL):
 City of Modesto
 City of Mountain View
 City of Ontario
 City of Palo Alto
 City of Santa Barbara
 City of Santa Monica
 City of Downey
 City of Fairfield
 City of Manhattan Beach
 City of Oakland
 City of Redding
 City of Redondo Beach
 City of Richmond
 City of San Bruno
 City of Simi Valley
 Contra Costa County
 Riverside Transit Agency
 Turlock Irrigation District

\$1,000,000

City of Chula Vista
 City of Corona
 City of Fontana
 City of Garden Grove
 Big Independent Cities Excess Pool (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 County Sanitation District

\$1,500,000

Special District Risk Management Authority (SDRMA)

\$2,000,000

Authority for California Cities
 Excess Liability (ACCEL):
 City of Anaheim
 City of Sacramento
 City of Torrance
 Orange County Fire Authority
 Riverside County
 San Bernardino County
 San Diego County

\$3,000,000

Alameda County
 Sacramento County

\$4,000,000

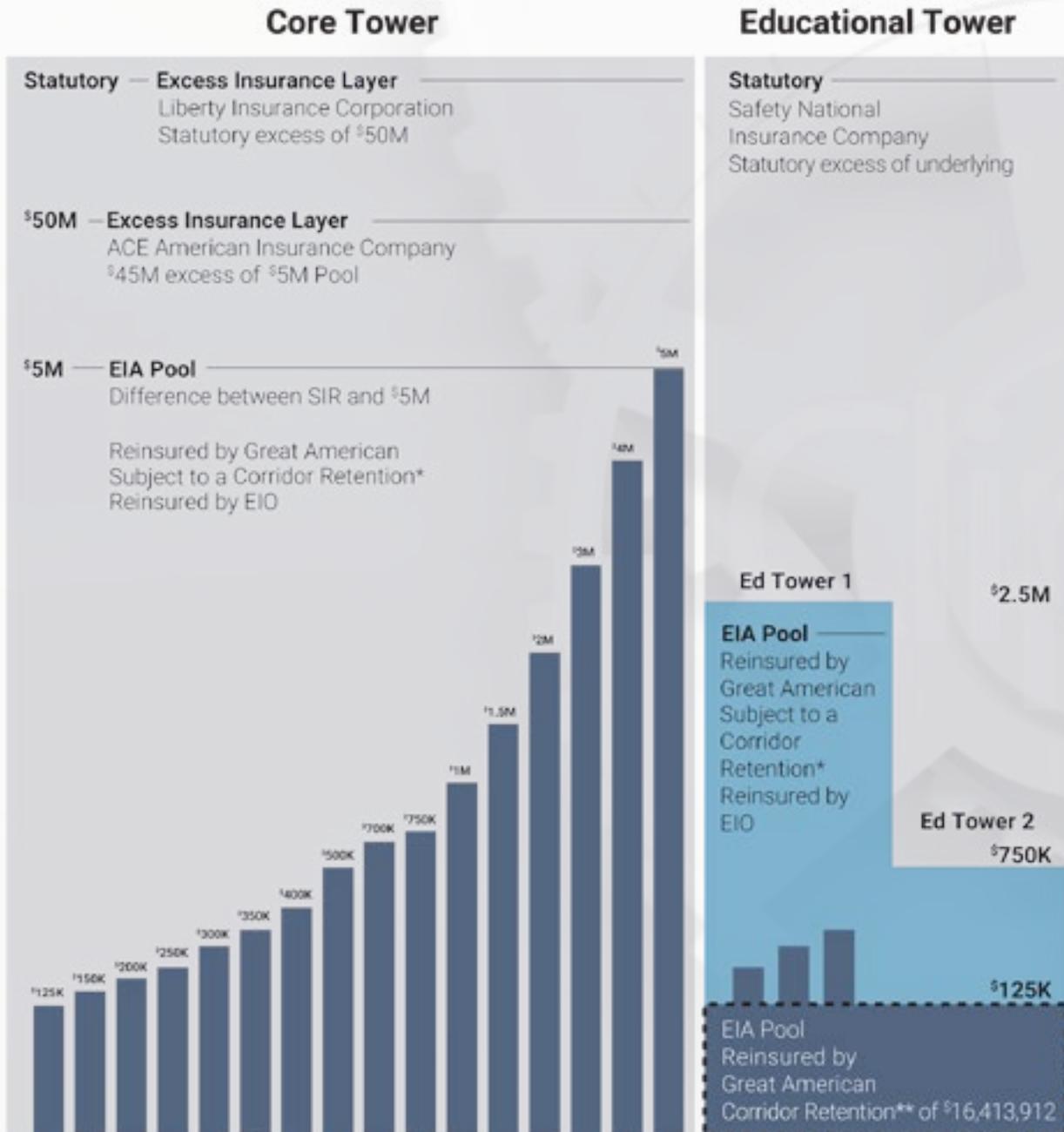
Santa Clara County

\$5,000,000

Local Agency Workers' Compensation Excess (LAWCX) JPA

Excess Workers' Compensation

2017/2018



* The Corridor Retention will be adjusted at the end of the year. The Core and Educational Towers are subject to a single, shared corridor retention of \$44,864,854 (does not include primary <\$125k layer).

** The Corridor Retention 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, and 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 providing coverage at a lower level, the PGL Program also provides its 22 members with claims administration services, which are now provided by three claims administrators. Under the Program's current structure, there is no pooling. Rather, the Program's limit is provided through a reinsurance arrangement with Berkley Insurance Company, who pays for the balance of claims between the member's deductible and the \$100K attachment point to the GL1 program.

A new component was added this year as the program implemented a new \$500k corridor retention that was reinsured by the EIO. The transfer of the corridor retention to the EIO resulted in a savings of \$40k to the Program. This structure is depicted graphically on page 12.

Transferring the risk to an insurance company, along with the incorporation of corridor retention, 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. The members have enjoyed a very successful program for more than 15 years.

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.



Paul Hight
 Sacramento County Contracts
 Primary General Liability
 Committee Chair

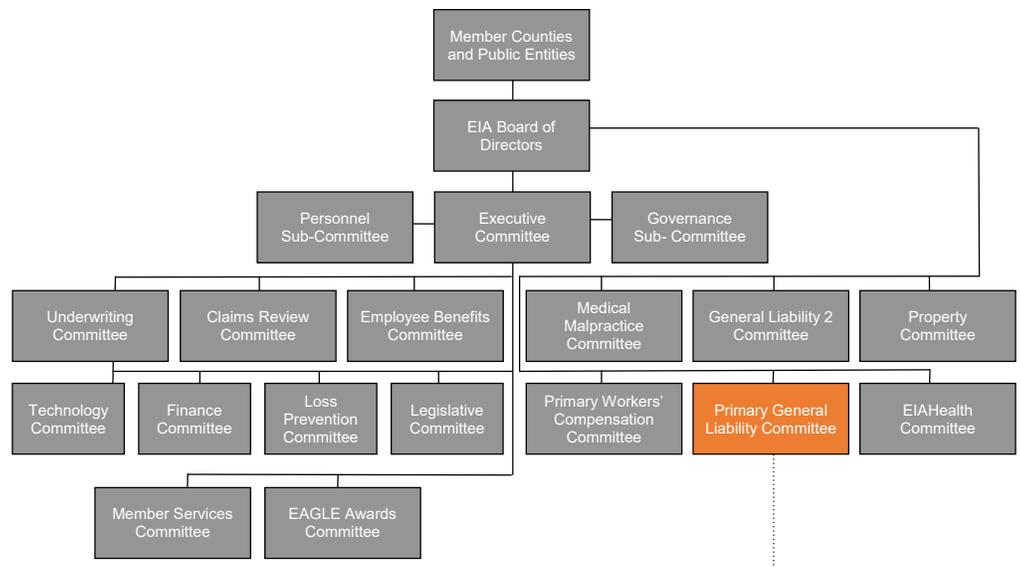


Table of Contents

Primary General Liability Membership

2017/2018

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 Authority
San Diego IHSS Public Authority
Shasta IHSS Public Authority
Siskiyou County
Solano County
Sutter IHSS Public Authority
Tuolumne County

Primary General Liability

2017/2018

\$25M — General Liability 1 Program

<p>\$100K</p> <p>PGL Program Reinsurance Layer Berkley Insurance Co. <small>\$90K excess of deductible</small></p> <p><small>Subject to a \$500K Corridor Retention Reinsured by EIO</small></p>
<p>\$10K</p> <p>Member Deductible</p>



Table of Contents

General Liability 1

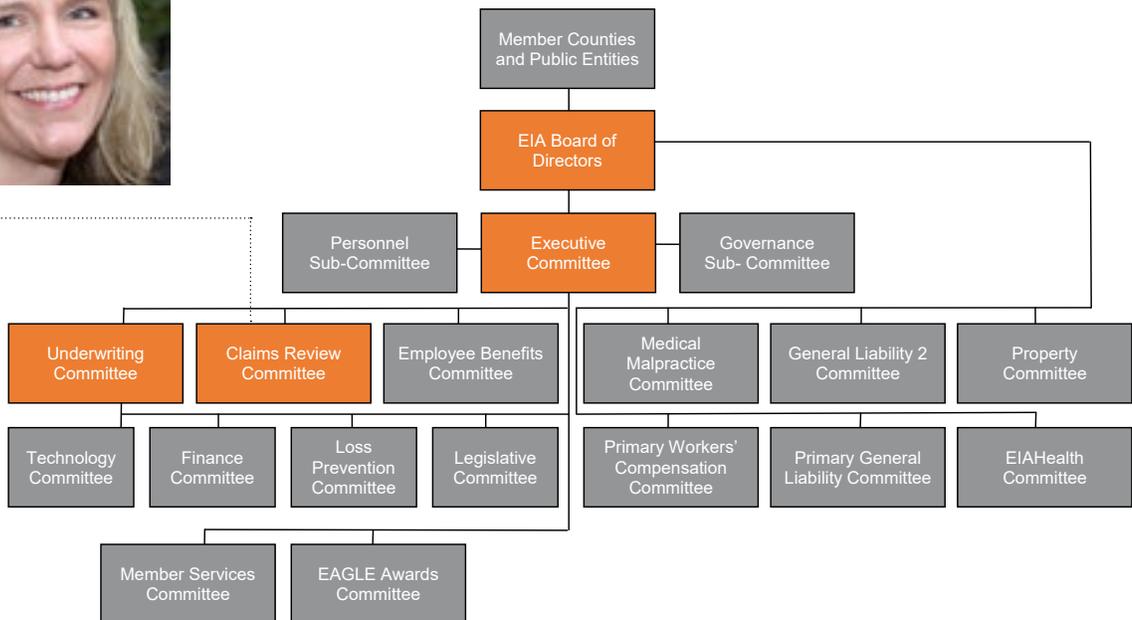
Another core piece of the EIA's programs, the General Liability 1 (GL1) Program, provides members with coverage for third party liabilities (including general, automobile, employment practices, and errors and omissions). The Program added six new members during the year, bringing the total to 120 members, who enjoy \$25M in coverage limits, subject to the members' self-insured retention which can range from \$100k to \$2M (retentions as low as \$25k 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 administrator of their choice or with their own claims staff. The Program funds a \$5M pool and purchases \$20M in reinsurance to achieve the \$25M limit. In the first layer of reinsurance (\$5M excess of \$5M), a third year was added on to the 2-year \$5M corridor, to make it a 3-year \$7.5M corridor retention. The program was able to transfer an additional \$2.5M to the EIO, resulting in \$200k in savings for the Program. There is also a separate program for optional excess insurance if members desire a higher limit. The structure of the GL1 Program is depicted graphically on page 14.

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 governing 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 reviewed on a regular basis. 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 9.

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.



Janell Crane
 Sonoma County
 Claims Review Committee Chair



General Liability 1 Membership

2017/2018

\$25,000

Council of San Benito County Governments
East San Gabriel Valley Regional Occupational Program
Marin County Transit District
Military Department of the State of California

\$50,000

Capitol Area Development Authority (CADA)
City of Elk Grove
West San Gabriel Liability & Property JPA

\$100,000

Alpine County
Amador County
California Mental Health Services Authority
Butte County
Calaveras County
Central Sierra Child Support Agency
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 Pico Rivera
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
Golden State Risk Management 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
Modoc County
Mono County
Nevada County
Pasadena Unified School District

Plumas County
Riverside IHSS Public Authority
Sacramento County Contracts
Sacramento Area Flood Control Agency (SAFCA)
San Benito County
San Benito IHSS
San Bernardino IHSS Public Authority
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 Carson
City of Coronado
City of El Cajon
City of Encinitas
City of Hemet
City of Lancaster
City of National City
Golden State Risk Management Authority (GSRMA)
Mt. Diablo Unified School District
San Luis Obispo County
South Bay Area Schools Insurance Authority (SBASIA)
Shasta County
San Mateo County Schools Insurance Group (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 Manhattan Beach
City of Newport Beach
City of Oceanside
City of Redlands
City of Redondo Beach
City of Rialto
East Bay Regional Park District
Kings County
San Bernardino County Departments
Santa Barbara County

\$750,000

Fresno County

\$1,000,000

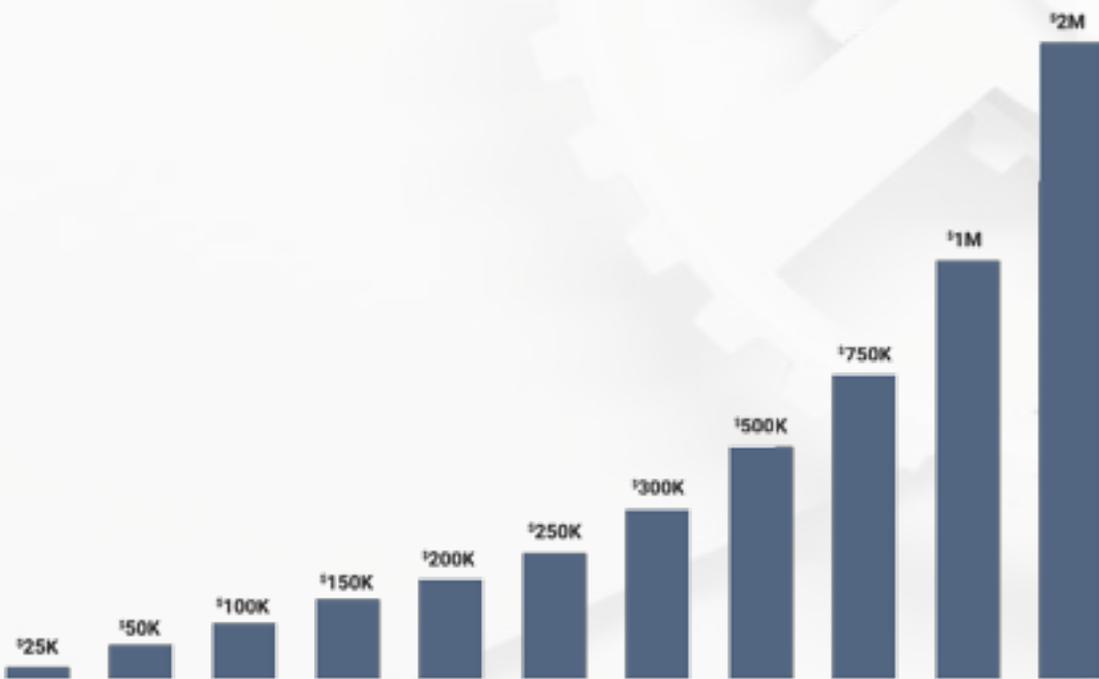
California Association for Park & Recreation Indemnity (CAPRI)
City of Carlsbad
City of Fontana
City of Pomona
City of Simi Valley
Public Agency Risk Sharing Authority of California (PARSAC)
Public Entity Risk Management Authority (PERMA)
Placer County
Schools Excess Liability Fund (SELF)
Sonoma County

\$2,000,000

City of Garden Grove

General Liability 1

2017/2018



*37 GL1 Program members purchase additional limits through the Optional Excess Liability Program.

General Liability 2

The General Liability 2 (GL2) Program has been firmly embedded in insurance offerings of the EIA for more than two decades. The Program grew by two new members and now provides 17 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 \$5M. Some members also have individual member corridor deductibles, which sit on top of those members' self-insured retentions.

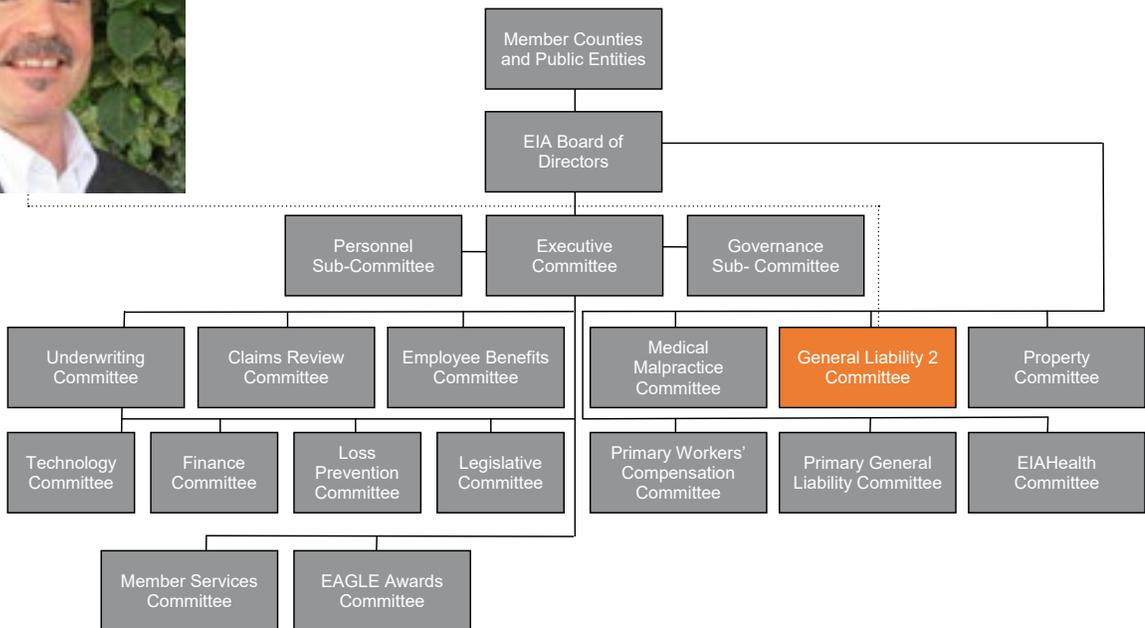
Although the Program has historically had a challenging loss history and continues to face complex liability issues, the Program enjoyed a very successful renewal with only a 1% increase in overall premium. Supporting this Program and its members with proper risk financing and risk management services is vitally important. Members have worked together to make changes to ensure the Program is attractive to the insurance market, such as last year's addition of the Crisis Incident Management Policy allowing members \$50k of coverage for situation assessment and crisis management communications through our chosen service provider.

The Program currently has three reinsurance layers, with QBE and Munich Re providing the first layer of reinsurance coverage above the group corridor retention up to \$10M. The group corridor retention is \$17.9M and is reinsured by the EIO. The transfer of corridor retention to the EIO resulted in savings of \$1.4M to the Program. Markel Global Reinsurance Co., Great American, and Brit Insurance each share in the next \$10M layer; while three different Lloyd's of London Syndicates take on the upper \$5M layer of the Program. This structure is illustrated on page 16.

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. The GL2 premium is allocated between its members using a market-based model which maintains competitiveness of the Program and equity between members.



Lance Sposito
 Santa Clara County
 General Liability 2 Committee Chair



General Liability 2 Membership

2017/2018

\$1,000,000 IMCD

Alameda County	Nil
Contra Costa County	Nil
El Dorado County	Nil
Exclusive Risk Management Authority of CA (ERMAC)	\$250,000
City of Montebello	\$500,000
San Joaquin County	Nil
Santa Cruz County	Nil
Tulare County	Nil

\$2,000,000 IMCD

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

\$3,000,000 IMCD

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

\$3,500,000 IMCD

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

\$5,000,000 IMCD

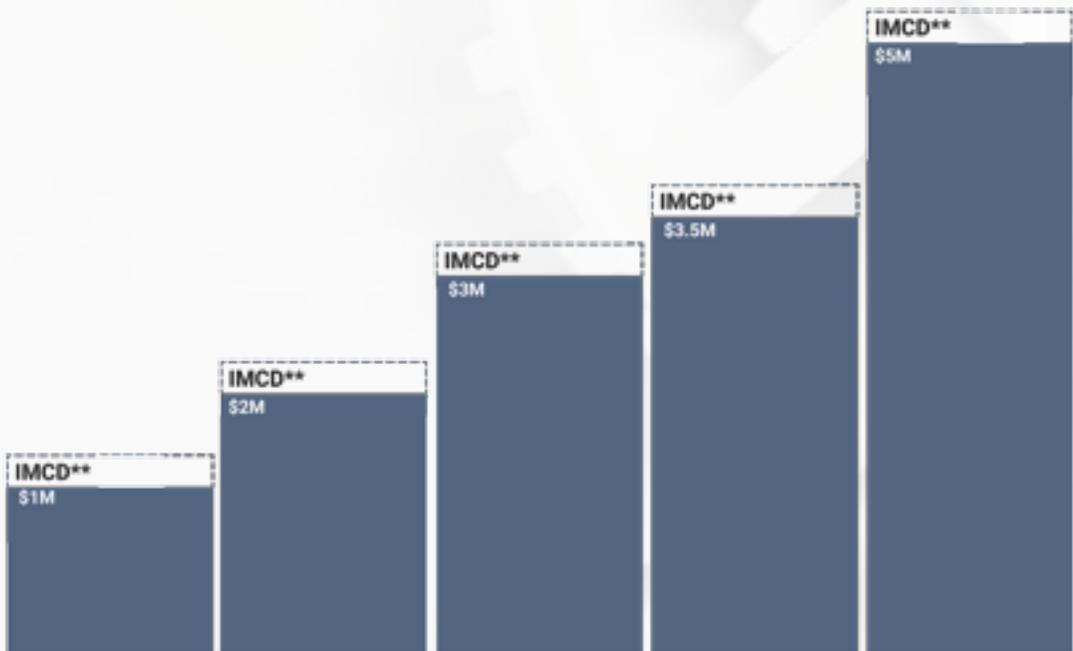
City of Redlands	Nil
------------------	-----

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

General Liability 2

2017/2018

\$25M	Reinsurance Layer Quota Share Placement 65% AmTrust Syndicate 25% Hiscox Syndicate 10% Apollo Syndicate \$5M excess of \$20M
\$20M	Reinsurance Layer Quota Share Placement 45% Markel Global Reinsurance Co. 30% Great American 25% Brit Insurance \$10M excess of \$10M
\$10M	Reinsurance Layer QBE and Munich Re Subject to a \$17,973,212 Corridor Retention Reinsured by EIO



*12 GL2 Program members purchase additional limits through the Optional Excess Liability Program.
 **Individual Member Corridor Deductible (IMCD) where applicable.

Property

The Property Program, with all of its intricacies, is much like an insurance version of clockwork. With towers and rooftop layers, flood and earthquake coverages, each part syncs together creating a well-structured, well-funded program. It is flexible, creative, works systematically through renewals and collaborations with underwriters, provides the best protection at the lowest possible cost. The Property Program runs like a well-oiled machine, allowing its 100 members to thrive.

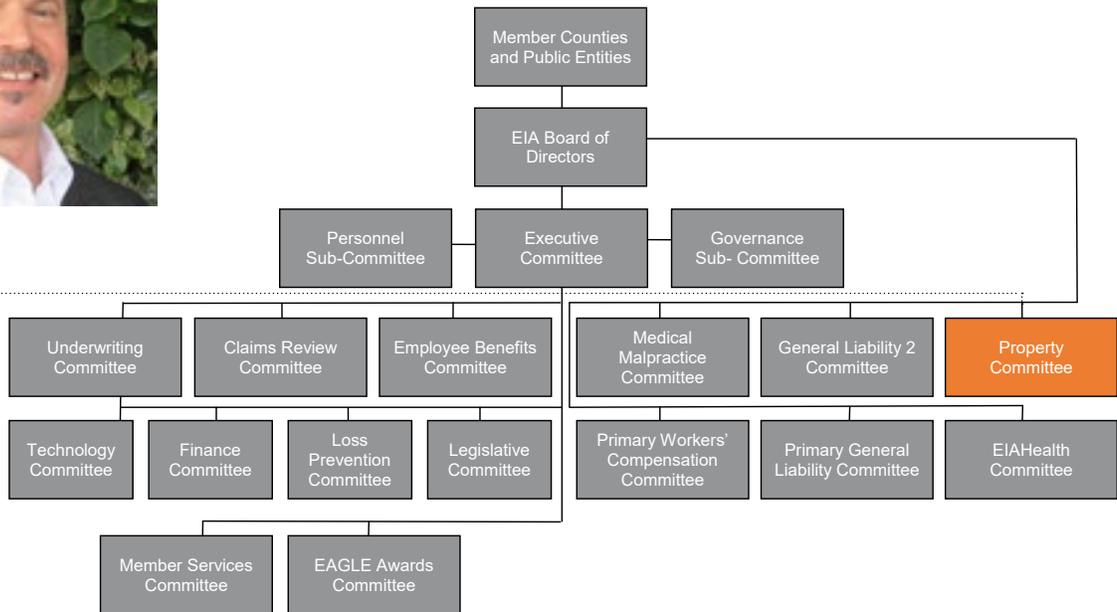
Each year, the Property Committee works hard to balance the members' desire for best in class coverage and the need for protection, within their budget constraints. There is only so much insurance capacity available in the marketplace, in particular as respects earthquake coverage. This year, however, we were able to maintain the earthquake deductible at 2%, a great member benefit found only in the EIA Program, and reduced the vehicle coverage deductible from \$20k to \$10k for vehicles valued less than \$250k. In addition to reducing the vehicle deductible, the Program formed a \$400K vehicle coverage pool which was reinsured by the EIO.

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 \$540M in earthquake coverage in one or more of five 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 both the \$10M All Risk pool exposure and the \$400k vehicle deductible pool exposure to the EIO, affording the Program members \$520k in savings.

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

2017/2018

\$5,000

Amador County
Butte County
Calaveras County
Central Sierra Child Support Agency
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 Pico Rivera
City of Rancho Cordova
City of Rialto
City of Ridgecrest
City of Solana Beach
City of Santee
City of South Pasadena
City of Vista
CSAC EIA
Golden State Risk Management Authority (GSRMA)
Humboldt County
Imperial County
Inyo County
Kings County
Lake County
Madera County
Mariposa County
Merced County
Mountain Communities Healthcare District
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 Manhattan Beach
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 Redondo Beach
City of San Diego
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
Yolo County Public Agency Risk Management Insurance Authority (YCPARMIA)

\$50,000

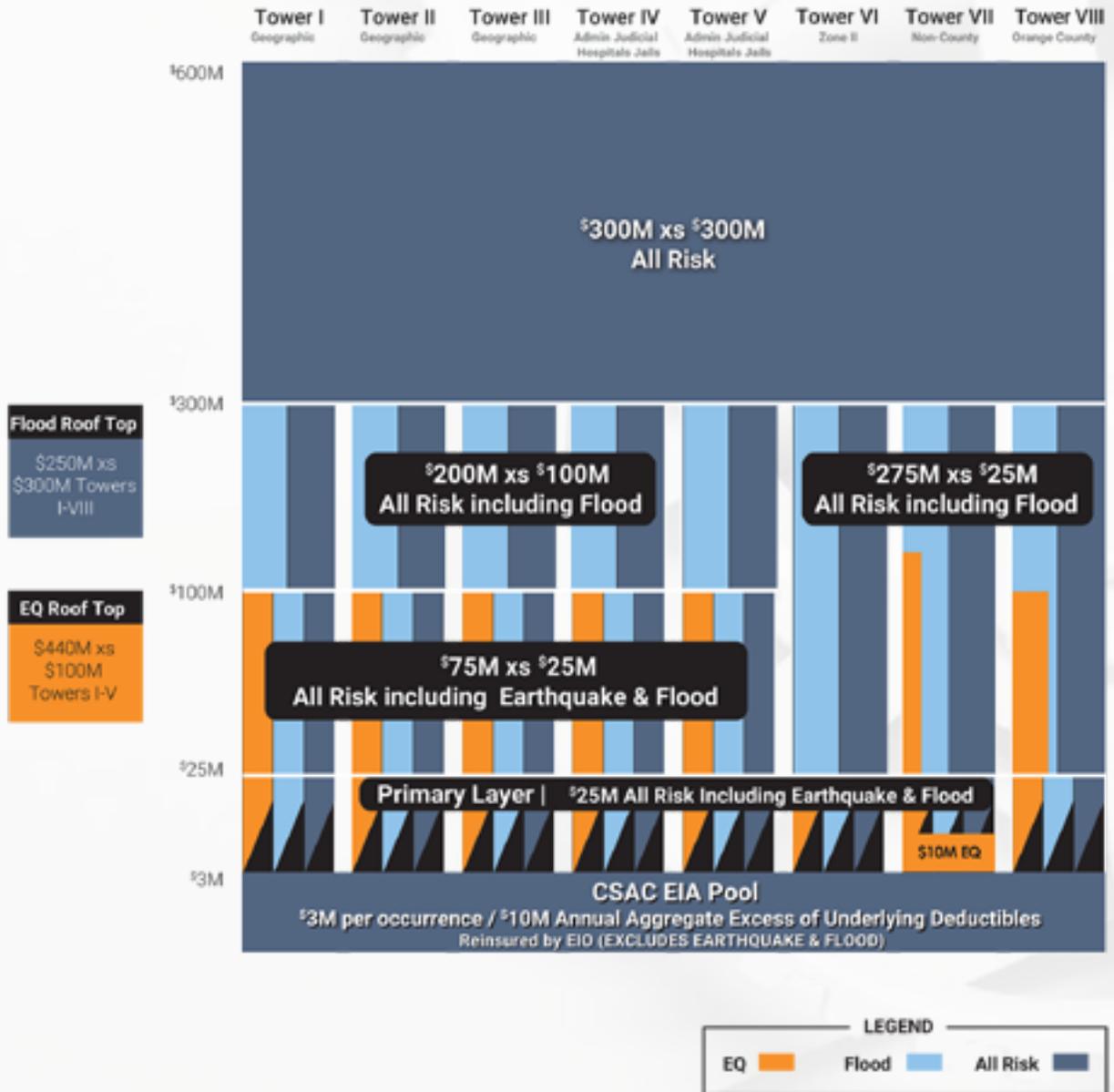
Alameda County
Alameda Health System
Contra Costa County
Kern County
Kern County Hospital Authority
Pasadena Unified School District
Riverside County
Sacramento County
San Diego County
Santa Clara County
Santa Clara County Library JPA
Sonoma County
West San Gabriel Property & Liability JPA

\$100,000

California Schools Risk Management (CSRM)
Mt. Diablo Unified School District

Property

2017/2018



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

Table of Contents

Medical Malpractice

The Medical Malpractice Program has recently added three new members now providing 52 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. This structure is depicted graphically on page 20.

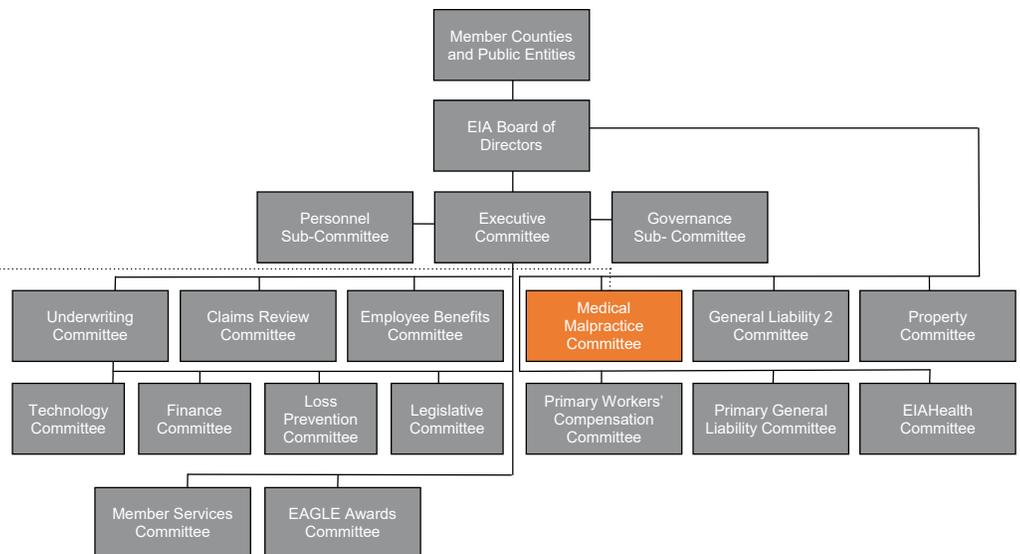
Beginning with the 2010/11 year, the Program's reinsurance agreement was converted from "claims-made" to an "occurrence" basis. This was achieved by taking advantage of a soft insurance market with the long term strategy to retain occurrence based coverage until the market hardened significantly. At the same time, the members have continued to fund and provide coverage for the pooled layer on a claims-made basis in order to take advantage of risk financing benefits of lower cost, greater predictability, and stability.

Since the conversion to occurrence based coverage the market has remained soft. However, this year Lexington, the Program's long time reinsurer, made a business decision to no longer offer occurrence based policies for medical malpractice across their entire book of business. The Program was marketed, resulting in a move to MedPro, a Berkshire Hathaway Company, who offered an occurrence based solution at very competitive rates. The Program enjoyed a successful renewal, and outside of replacing Lexington with MedPro, the Program structure remained unchained.

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.



Tanya Moreno
 San Joaquin County
 Medical Malpractice Committee Chair



Medical Malpractice Membership

2017/2018

\$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 Unified School District
Mariposa County
Mendocino County
Merced County
Modoc County
Mono County
Placer County
San Diego Unified School District
Sierra County
Siskiyou County
Solano County
Sonoma County
Sutter County
Tehama County
Trinity County
University of CA, Hastings College of Law

\$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 Barbara County
Santa Cruz County
Shasta County
Stanislaus County
Tulare County
Tuolumne County
Yolo County
Yuba County

\$500,000

Santa Clara County

\$1,000,000

Contra Costa County
San Joaquin County

\$1,100,000

Riverside County

Medical Malpractice

2017/2018

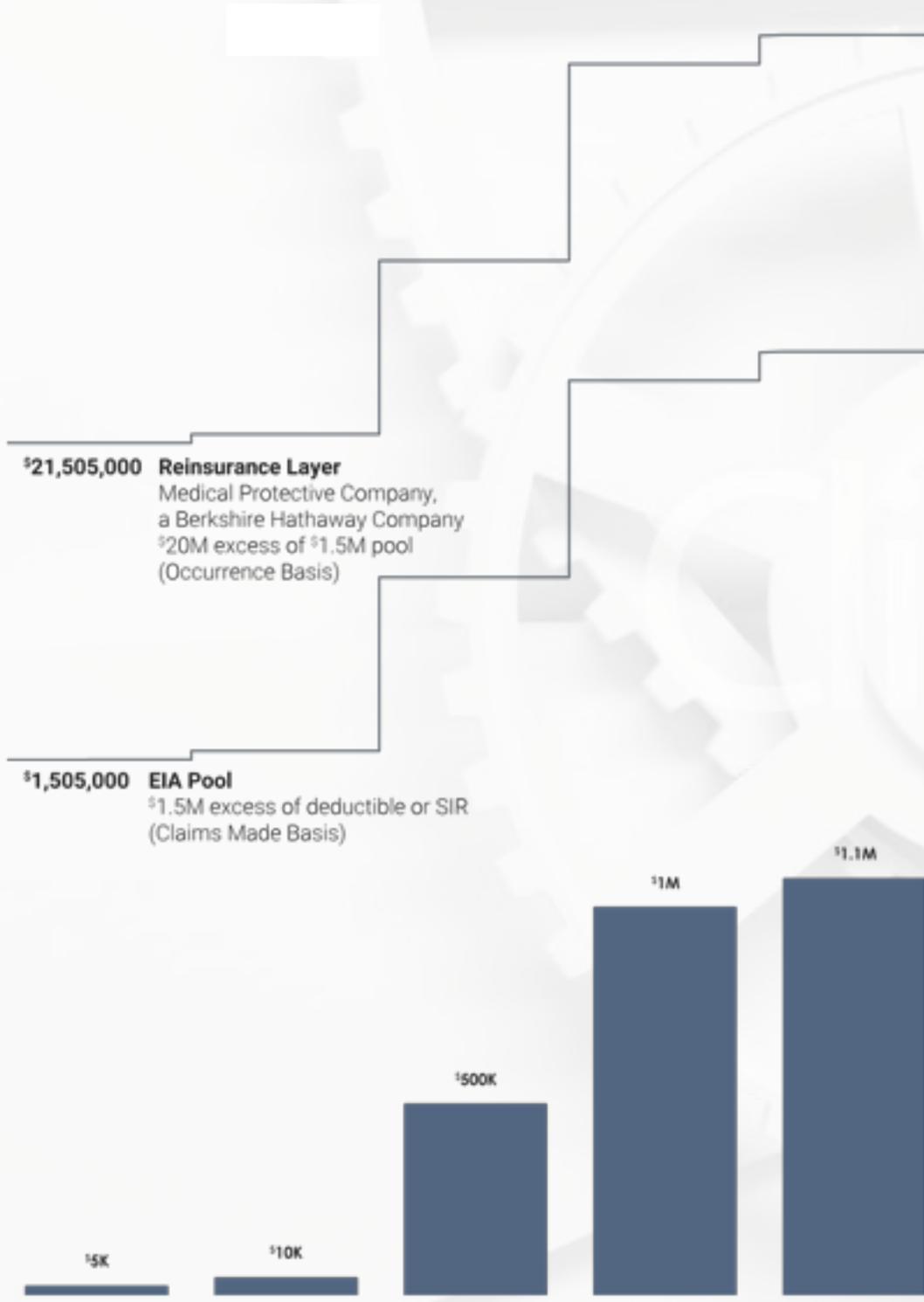


Table of Contents

EIAHealth

The EIAHealth Program continues to provide a transparent and stable option to today's uncertain healthcare marketplace. Established in 2003, EIAHealth has grown steadily and is now part of the second largest public agency healthcare purchasing pool in California. The Program currently represents 30 members and provides coverage for over 24,000 employees/retirees.

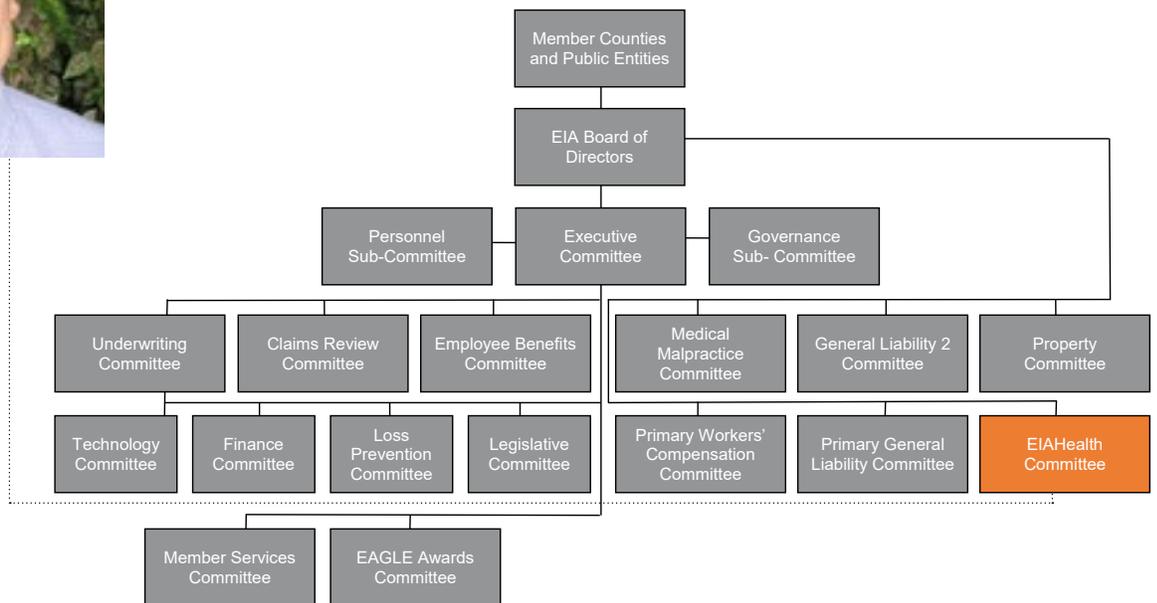
The Program is a cooperative effort between Anthem, Blue Shield, Kaiser, and Express Scripts, providing members an alternative to group health insurance using the concept of pooling to reduce insurance premiums through consolidating fixed costs over a larger population and risk sharing. Members of the large group segment 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, a small group segment provides pre-defined benefit options and regional rates for public employers with less than 200 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.



Scott De Moss
Merced County
EIAHealth Committee Chair



EIAHealth Membership

2017/2018

Amador County
 Calaveras County
 City of Chico
 City of Clovis
 City of Huntington Beach
 City of Irvine
 City of Merced
 City of Redding
 City of Santa Rosa
 City of Visalia
 City of Walnut Creek

City of Watsonville
 City of Yuba City
 Community Development
 Commission of LA County
 Del Norte County
 El Dorado County
 Golden State Risk
 Management Authority (GSRMA)
 Lake County
 Mendocino Coast
 District Hospital

Merced County
 Orange County Sanitation
 District
 Orange County Transportation
 Authority
 San Benito County
 Santa Barbara County
 Special District Risk Management
 Authority (SDRMA)
 Superior Court of California,
 County of Merced

Superior Court of California,
 County of Santa Barbara
 Sutter County
 Tehama County
 Turlock Irrigation District

Dental Membership

2017/2018

Alpine County
 Amador County
 Bay Area Air Quality
 Management District
 Calaveras County
 California State Legislature
 Catalina Island Medical Center
 Central Contra Costa Sanitary
 District
 Central Sierra Child Support
 Agency
 City of Alameda
 City of American Canyon
 City of Atascadero
 City of Atwater
 City of Belmont
 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 Ione
 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 Association
 of Governments (CVAG)
 Colusa County
 CSAC Excess Insurance Authority
 Dublin San Ramon Services District
 El Dorado County
 Gold Coast Transit District
 Great Basin Unified Air Pollution
 Control District
 Golden State Risk Management
 Authority (GSRMA)
 Humboldt County
 Inland Empire Health Plan
 Inland Empire Utilities Agency
 Inyo County
 Lake County
 Lassen County
 Mariposa County
 Mendocino Coast District Hospital
 Merced County
 Modoc County
 Mono County
 Monterey Salinas Transit

Morongo Basin Transit Authority
 Napa County
 Napa Sanitation District
 Nevada County
 Office of Community Investment
 and Infrastructure (OCII)
 Orange County Sanitation District
 Orange County Transportation
 Authority
 Otay Water District
 Palo Verde Valley Health Care
 District Hospital
 Placer County
 Placer County Water Agency
 Pleasant Hill Recreation and
 Park District
 Plumas County
 Port of Oakland
 Public Agency Risk Sharing
 Authority of California (PARSAC)
 Public Entity Risk Management
 Authority (PERMA)
 Sacramento- Yolo Mosquito and
 Vector Control District
 San Bernardino Municipal Water
 District
 San Benito County
 San Diego County Water
 Authority
 San Joaquin County
 San Luis Obispo County
 Santa Barbara County
 Santa Clara Housing Authority
 Santa Cruz County
 Santa Cruz Metro Transit District
 Shasta County
 Sierra County
 Solano County
 Sonoma Marin Area Rail Transit
 Special District Risk Management
 Authority (SDRMA)
 Stanislaus County
 Superior Court of California:
 County of Alpine
 County of Amador
 County of Butte
 County of Calaveras

Superior Court of California (cont'd)
 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 Placer
 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 Trinity
 County of Tuolumne
 County of Yolo
 County of Yuba
 Sutter County
 Tehama County
 Town of Yountville
 Transportation Corridor Agencies
 Trindel Insurance Fund
 Trinity County
 Tuolumne County
 Turlock Irrigation District
 Western Riverside Council of
 Governments (WRCOG)
 Yolo County
 Yuba County

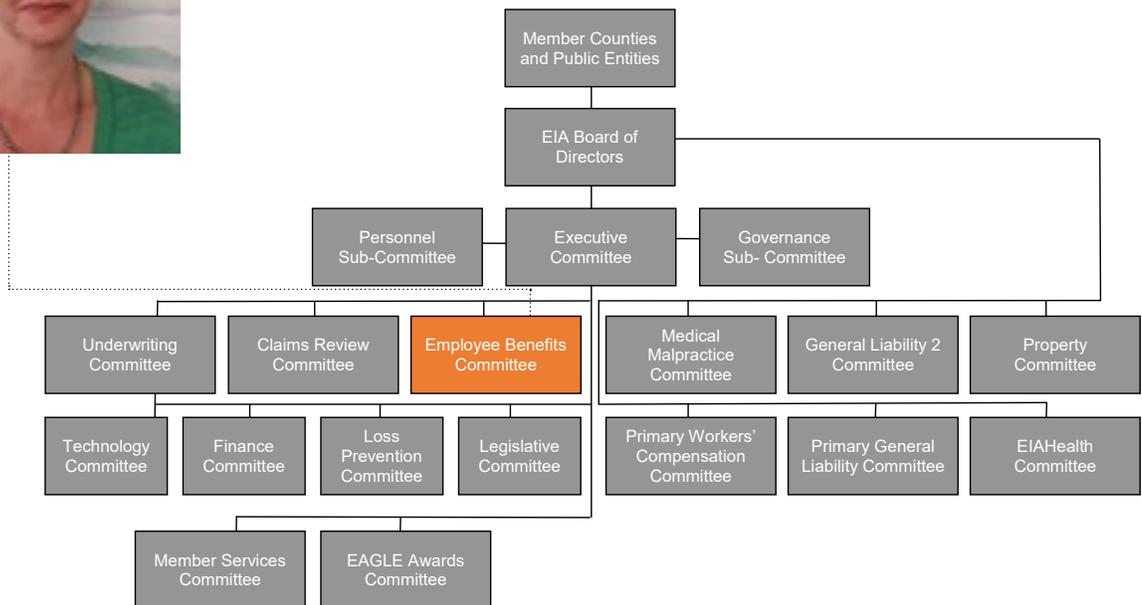
Dental

The Dental Program, another gear in the employee benefits offerings, was launched in January 2010 and has since experienced significant growth. This Program utilizes 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, Employee Assistance Program, Life, Short Term Disability, and Long Term Disability). This Committee reviews all matters pertaining to the Programs including program funding, new member applications, and program renewals.



Donna Caldwell
 Solano County
 Employee Benefits Committee Chair



Master Rolling Owner Controlled Insurance Program

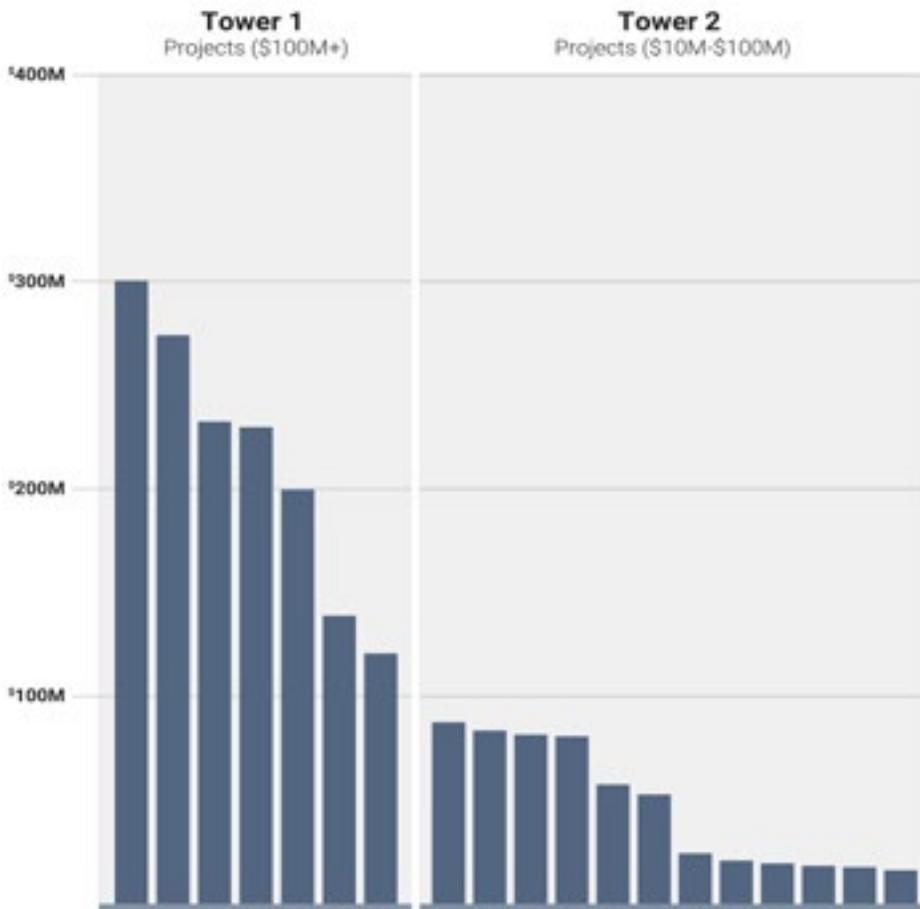
The Master Rolling Owner Controlled Insurance Program, or MR OCIP for short, enables members to purchase workers' compensation and general liability coverage for all eligible parties (owner, general contractor, and sub-contractors) working on their construction projects. These policies (also known as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

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 wouldn't qualify because of their size.

As the newest EIA major program, MR OCIP was launched on January 1, 2013. The Program continues to grow, and currently has 14 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.

MR OCIP

2017/2018



Membership

Tower 1

- City of Oakland
- Coast Community College District
- Port of Oakland
- Riverside County
- San Diego County

Tower 2

- City of Oakland
- Kern County
- Kings County
- Merced County
- Placer County
- San Diego County
- Santa Barbara County
- San Mateo County Schools Insurance Group (SMCSIG)
- Solano County
- Tulare County
- Tuolumne County

Financial Letter

November 1, 2017

Board of Directors

CSAC Excess Insurance Authority

The gears of the EIA move together to meet the program needs of 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, 2017. Included are comparative financial statements for the years ended June 30, 2017 and 2016, 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. Our CAFR for fiscal year ending June 30, 2016, 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

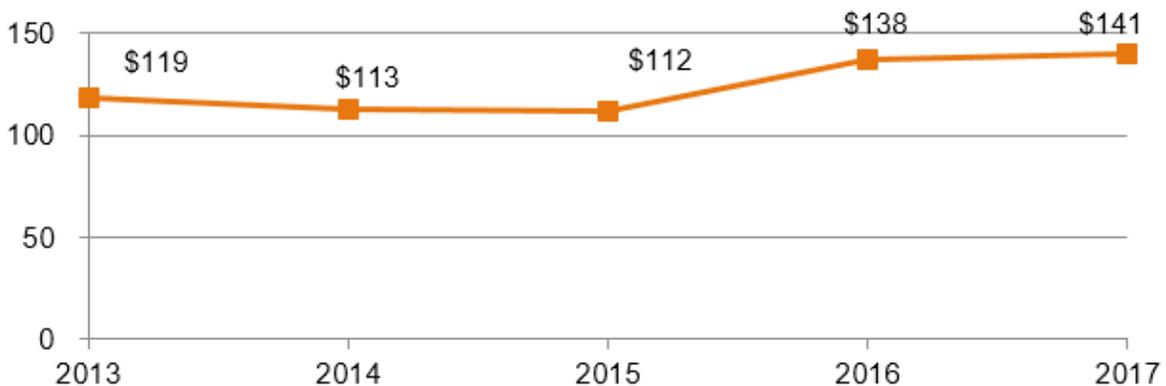
Net Position

Net position is defined as the difference between Total Assets and Total Liabilities. The EIA started the year with a net position of \$137.7M. Net income before dividends was \$5.8M. We declared a \$2.5M dividend in our Primary Workers' Compensation Program, a \$266k dividend in the Primary General Liability program and \$205k of no claims bonuses in our other programs. Our ending balance in net position at June 30, 2017 is \$140.5M, up \$2.9M from fiscal 2016.

The increase in net position was largely driven by the funding of the new policy year at a higher than expected confidence level in many programs, as well as lower than budgeted administrative expenses. This was partially offset by development in claims liabilities in the older policy years.

Net Position Trend

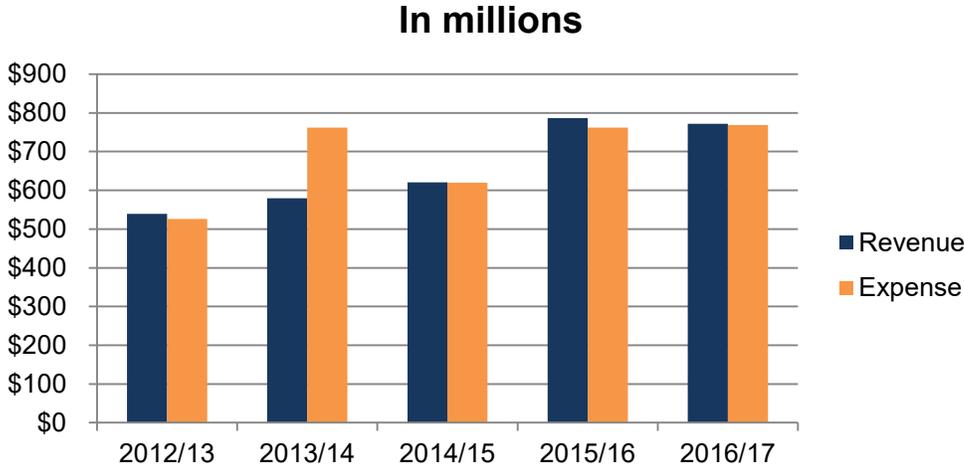
(in millions)



Financial Letter

continued

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



Claim Liabilities

After net position, claim liabilities are the most significant line item on our statements. Claim liabilities are shown discounted, which is at their net present value, taking into account investment earnings over time. Claim liabilities increased from \$562.5M to \$610.7M partly because of a claims commutation in the PWC Program, where the reinsurer paid the EIA to assume \$9.8M in undiscounted claim liabilities in its layer for the 1997 – 2004 claim years. This liability was further transferred to the EIA's captive insurance company, the Excess insurance Organization (EIO). There was growth in the programs and increases in the self-funded aggregate layers due to establishment of the EIO.

The target equity range is what the EIA considers 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, 2017.

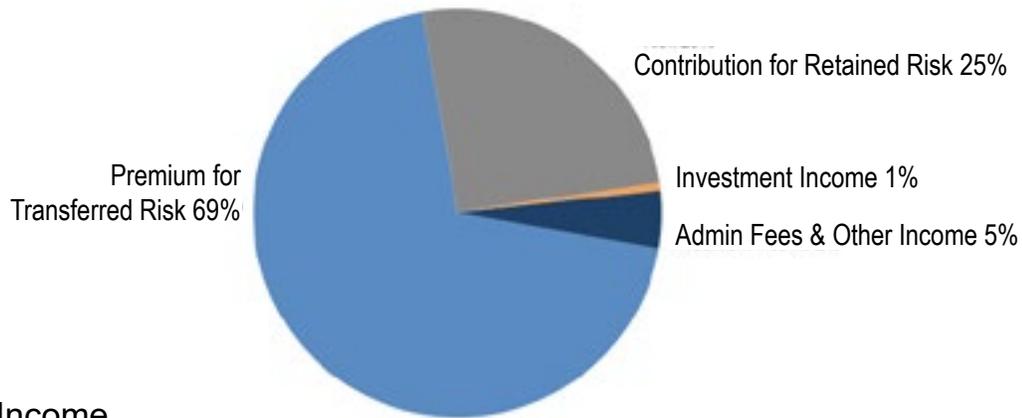
<u>Program</u>	<u>Target Equity Range</u> (in millions)		<u>Program Net Position</u> (in millions) <u>as of June 30, 2017</u>
	<u>Low</u>	<u>High</u>	
Primary Workers' Compensation	\$14.3	\$40.5	\$25.5
Excess Workers' Compensation	\$30.0	\$91.6	\$22.4
Primary General Liability	\$0.01	\$1.2	\$1.3
General Liability 1	\$20.1	\$34.7	\$33.1
Medical Malpractice	\$3.6	\$12.3	\$6.7

Financial Letter

continued

Revenues

Total revenues were \$771M during 2017, a 2% decrease from the \$787M in 2016. Most of the decrease is due to the fact that Fiscal 2016 revenue was inflated due to the claims commutation in the EWC Program. Reduced investment income also contributed to the decrease in revenues. Net of these two factors, both premium and pool revenue is 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 \$4.6M for fiscal 2017; only a third of fiscal 2016. Even though we have more treasury assets to invest, we experienced some unrealized losses as compared to unrealized gains in fiscal 2016 that were included in the investment income. We expect earnings to rise 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 2017, insurance related expense was \$537M, up from \$496M in 2016, matching the growth in revenues. Purchased insurance was 70% of all expenses, while claim costs accounted for 25%. Dividends, Program Services, and Administrative Costs made up the remaining 5% of expenses.

The Member Services Department was created in fiscal 2016 and continues to implement new services, which incorporate Loss Prevention, Claims, and Risk Management services. The EIA offers a wide range of services to our members including:

- On-site and telephonic consultation
- Video, electronic and printed resource material
- Regional, on-site and web based training programs
- Facility inspections
- Hazard and exposure assessments with realistic solutions
- Crisis Incident Management and Consultation
- Drug and Alcohol Monitoring Consortium
- Policy/program evaluation and development
- Subsidy program to fund risk management services
- A Risk Management Practitioners Program
- Background Check Services
- An online Risk Assessment Tool

Financial Letter

continued

We are always in the process of re-evaluating and expanding services to members, including creating an Enterprise Risk Consultants program.

New and On-going Initiatives

The conversions for two of the three remaining Primary Workers' Compensation Third Party Administrators (PWC TPAs) into our Claims Management Information System (CMIS) were completed. The final PWC TPA will be implemented in the 2017/18 fiscal year, so discussions regarding feasibility for Primary General Liability TPAs to convert have begun. The IT Department continues to provide a CMIS service to our members.

We continue 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. The automated Risk Assessment Tool enabling members to identify areas of risk and make changes as needed to mitigate losses, was made available.

Development continues on the website and pool management system functionality. Applications to manage subsidy balances and reimbursement requests as well as governance participation were released.

The EIAHealth Program continues to provide transparent and stable healthcare renewals to California public agencies. In fiscal 2016/2017 the Program grew 25% which represents 28 agencies and covers 24,000 employee/retiree lives.

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 risk coverage programs and risk management services to its members which drive member stability, efficiency and best practices.

Respectfully submitted,



Puneet Behl
Chief Financial Officer



Michael D. Fleming
Chief Executive Officer



Darrel Pyle
City of Hanford
Finance Committee Chair

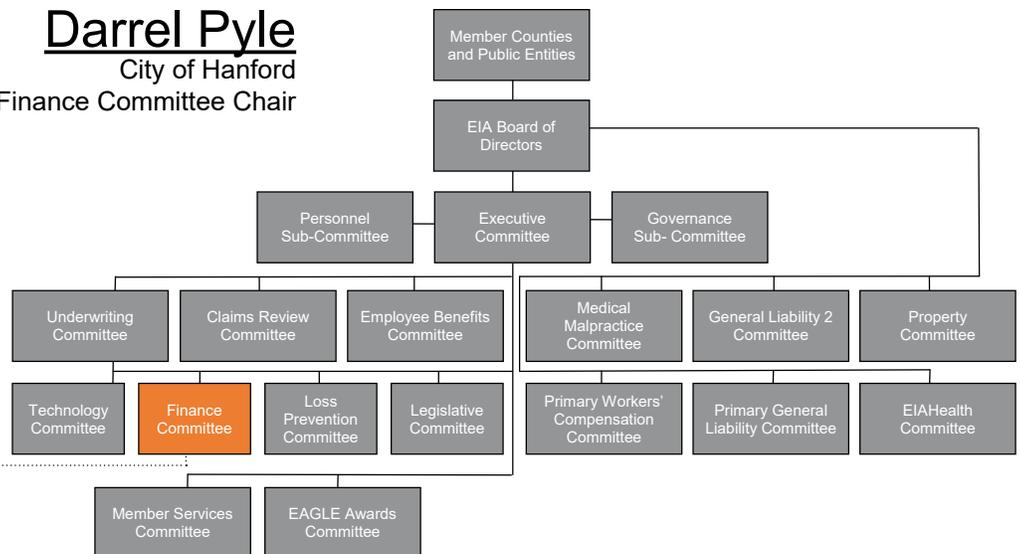
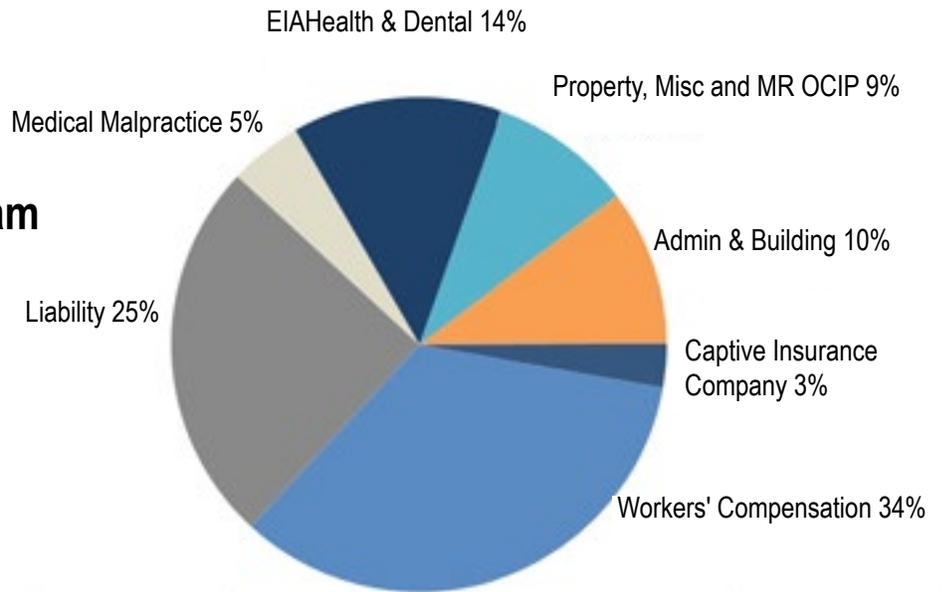


Table of Contents

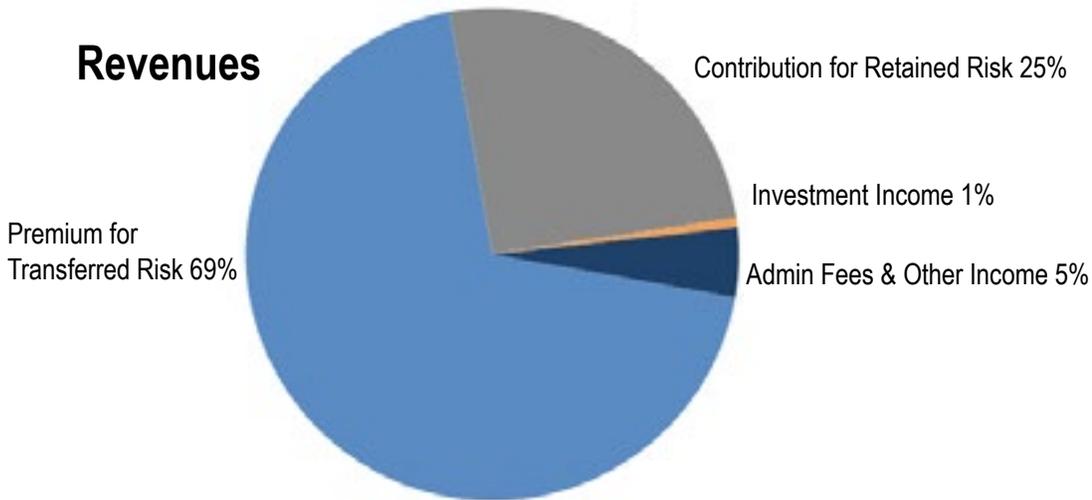
Financial Profile

Financial results in brief 2016/2017

Net Position by Program



Revenues



Expenses

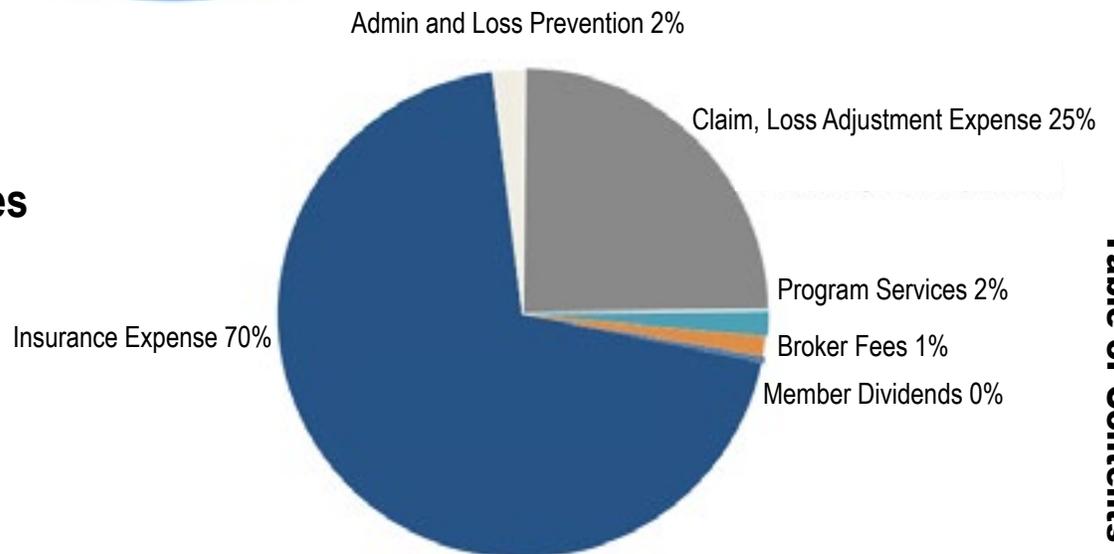


Table of Contents

Financial Profile

continued

Statement of Net Position, June 30, 2017 and 2016

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Assets:		
Cash and Cash Equivalents	\$ 36,891,450	\$ 39,521,430
Investments	616,992,552	571,598,427
Receivables	29,796,756	26,517,743
Prepaid Expenses and Deferred Outflows of Resources	99,381,588	94,770,870
Land, Buildings and Equipment (Net)	<u>9,838,240</u>	<u>9,578,879</u>
Total Assets and Deferred Outflows of Resources	<u>792,900,586</u>	<u>741,987,349</u>
Liabilities:		
Accounts Payable, Due to Members and Deposits from Carriers	19,247,003	28,503,002
Unearned Income and Other Liabilities	19,872,723	9,821,051
Pension Liabilities	2,558,380	3,469,004
Claim Liabilities	<u>610,701,218</u>	<u>562,521,675</u>
Total Liabilities and Deferred Inflows of Resources	<u>652,379,324</u>	<u>604,314,732</u>
Net Position:		
Invested in Capital Assets	9,838,240	9,578,879
Unrestricted	<u>130,683,022</u>	<u>128,093,738</u>
Total Net Position	<u>\$ 140,521,262</u>	<u>\$ 137,672,617</u>

Financial Profile

continued

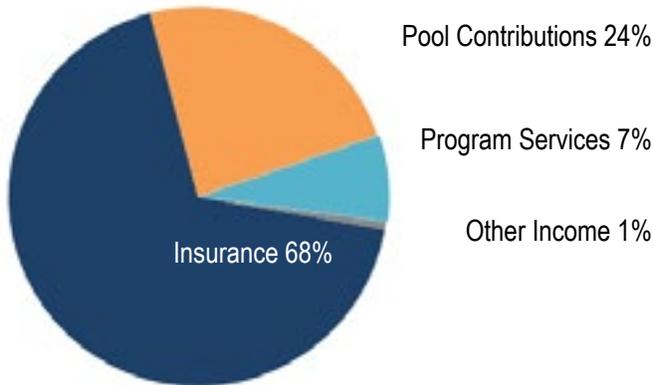
Statement of Revenues, Expenses & Changes in Net Position For the Fiscal Years Ended June 30, 2017 and 2016

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Revenues:		
Premiums for Transferred Risk	\$ 535,583,984	\$ 493,749,250
Broker Fees	9,996,927	9,385,697
Contributions for Retained Risk	196,118,073	163,031,197
Dividend Income	192,828	232,389
Investment Income, net	4,602,220	13,786,527
Member Services	935,244	747,513
Administration Fees	21,294,667	18,830,010
Public Entity Fees	738,862	655,463
Development Fees	2,400	-
Other Income	2,172,511	86,854,558
	<u>771,637,716</u>	<u>787,272,604</u>
Total Revenues		
Expenses:		
Member Dividends	\$ 2,970,796	\$ 5,554,624
Stabilization Funds Distributed	64,106	477,716
Insurance and Provision for Losses:		
Insurance Expense	537,135,168	496,527,761
Broker Fees	10,056,293	9,125,742
Provision for Insured Events	185,159,424	213,524,014
Unallocated Loss Adjustment Expenses	4,035,629	9,400,117
Program Services	13,006,216	13,744,756
Member Services and Subsidies	2,753,144	2,963,429
General Administrative Services	12,500,483	9,574,758
Depreciation and Building Maintenance	1,107,812	1,113,715
	<u>768,789,071</u>	<u>762,006,632</u>
Total Expenses		
Changes in Net Position	<u>2,848,645</u>	<u>25,265,972</u>
Net Position:		
Net Position, Beginning of Year	<u>137,672,617</u>	<u>112,406,645</u>
Cumulative Effect of Change in Accounting Principle		
Pension	<u>-</u>	<u>-</u>
Net Position, End of Year	<u>\$ 140,521,262</u>	<u>\$ 137,672,617</u>

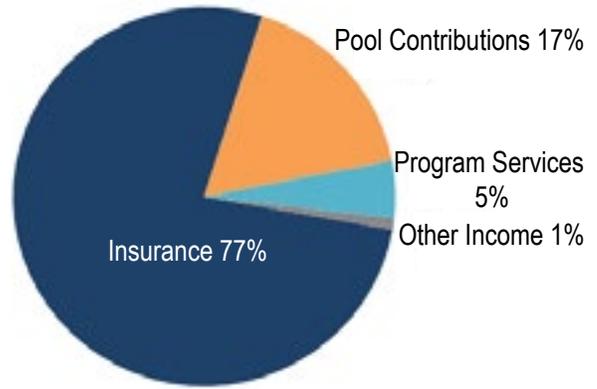
Financial Profile

Operating Results by Program

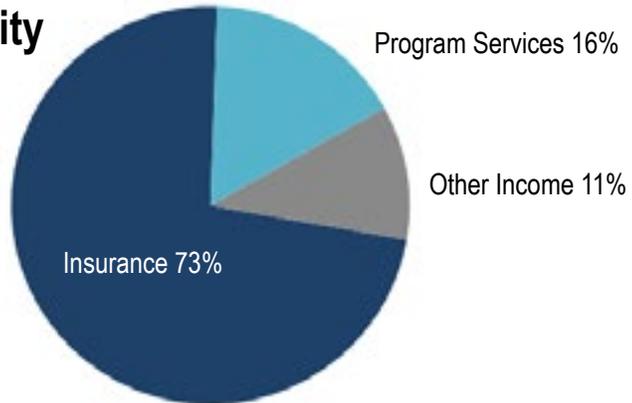
Primary Workers' Compensation



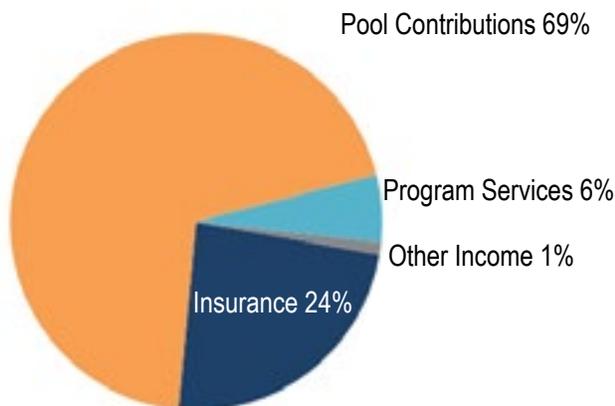
Excess Workers' Compensation



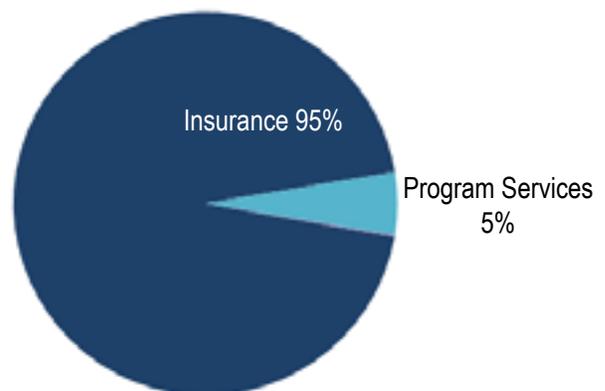
Primary General Liability



General Liability 1



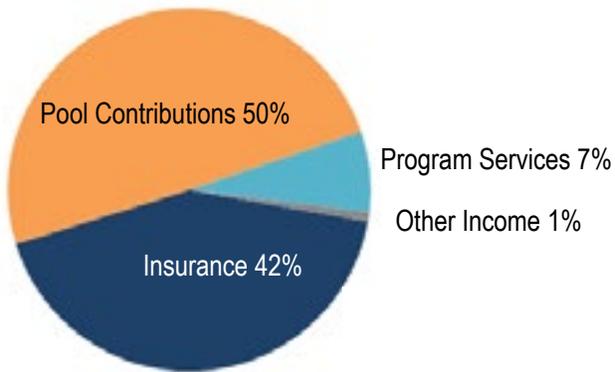
General Liability 2



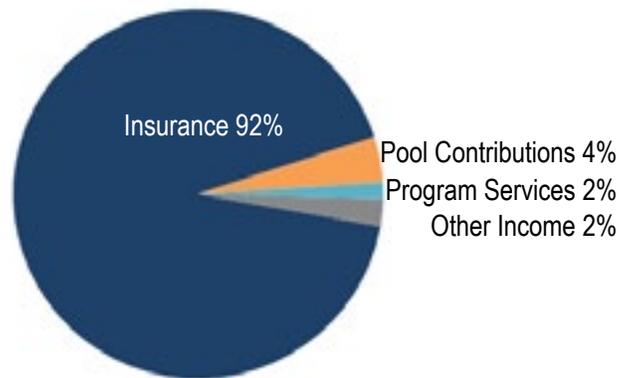
Financial Profile

Operating Results by Program

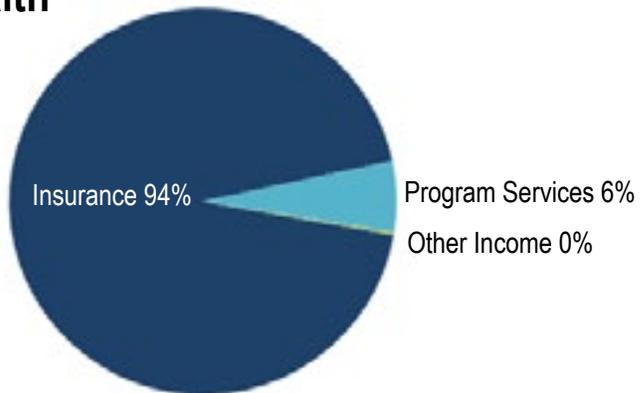
Medical Malpractice



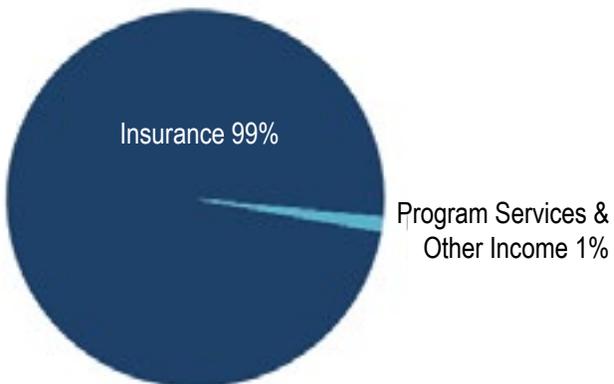
Property



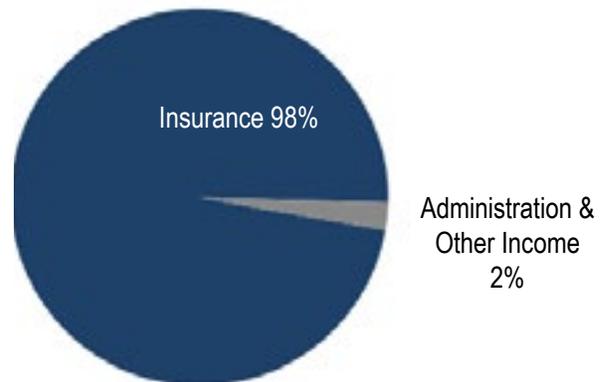
EIAHealth



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 38 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 ever changing economy. The formation of the Excess Insurance Organization (EIO) captive, which began operations on July 1, 2016, is an example of the gears in motion at the EIA.

While the membership has enjoyed the rewards of their success over the past 38 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, which was also again awarded this year. Both the CAJPA accreditation and AGRiP recognition are indications of exceptional compliance with best management and financial 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 – 6/30/16) and was again awarded the Certificate this year. These recognitions and achievements reinforce the valuable, effective, efficient, collaborative, and stable organization that the members have built for California's counties and public entities.

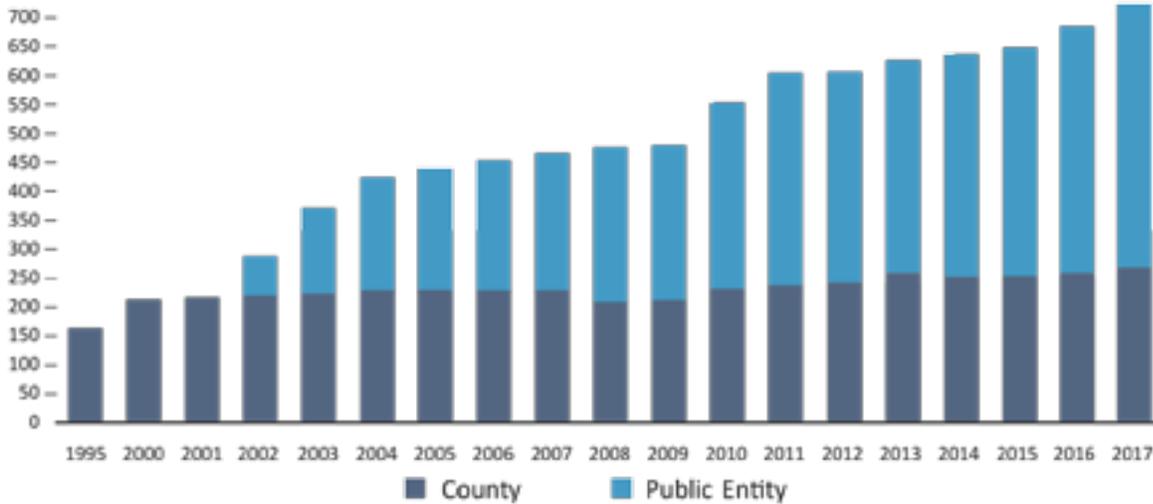
Membership

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 on the next page, growth over the past five years has continued, but at a more steady and controlled pace. Growth over the last five years is due, in large part, to the formation of the Dental Program. This Program launched on January 1, 2010 and currently has 146 members spanning 74,000 public entity employees enrolled. In the following graph, membership is shown in terms of "member units", where each member in each of the programs is counted as one member unit.

Membership (continued)



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 273 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 67% 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.

Development of a Captive Insurance Company

The idea of the EIA forming a captive insurance company was contemplated and investigated for several years, and at the strategic planning retreat in April of 2016, a plan was set in motion, which was approved by the Executive Committee in May, by the Board in June, and the captive began operations as the Excess Insurance Organization (EIO) on July 1, 2016. The EIO is a Utah domiciled captive insurance company wholly owned by the EIA. It took in \$81.8M in revenue including \$5M in initial capitalization in its first year of operations. Six programs elected to transfer their corridor layers of risk to the EIO, resulting in an aggregate premium savings of approximately \$7.5M for the EIA members. Through the EIO's investment program, we increased our total investment income by over \$2.8M. To compare, the EIA earned .22% on its investment portfolio, while the EIO earned 3.45%, resulting in a collectively earned total investment return of .63% on a blended basis.



Benefits of the EIO include:

- 1. There is a short-term immediate benefit to each program that transfers risk into the captive.** The cost to fund each corridor is discounted by 5 - 8%, depending on the duration of the payout period of the program, which represents an upfront savings to the program members.
- 2. There is a long-term benefit to the entire EIA membership across all programs.** This is derived from an enhanced investment program that will return millions of dollars in additional investment income to the EIA Treasury (all programs) over the long-term.
- 3. A superior risk transfer mechanism is created in the captive by comingling the risks of different programs.** When the risks are comingled, the nature of the risk changes creating a diversified blended risk that is inherently more stable.

CSAC EIA's Members



Membership Involvement

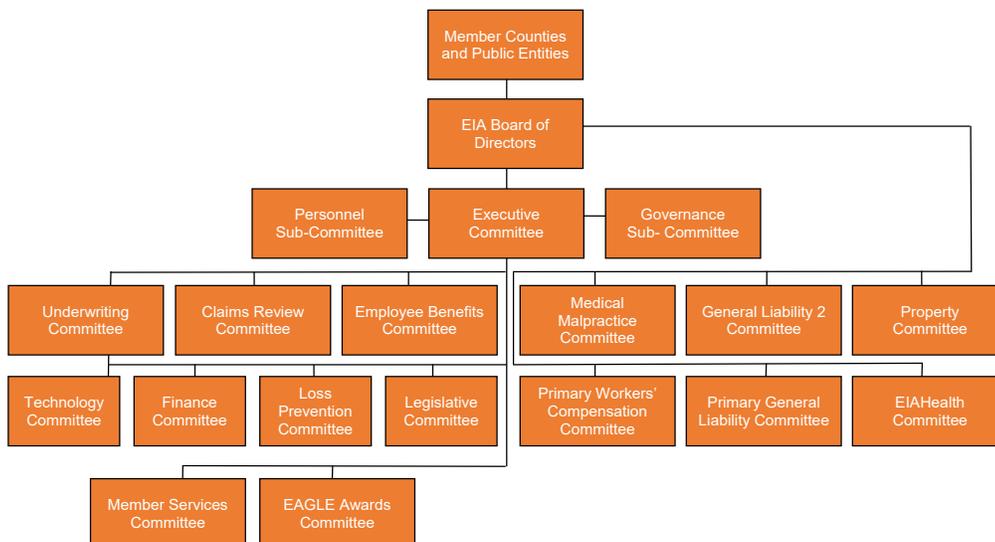
Our mission statement starts by prefacing that the EIA “is a member-directed risk sharing pool...”. Membership involvement has always been the hallmark of the EIA and the key to the success of the organization. The EIA members generously provide their time, expertise, and leadership by serving on the Board of Directors and through their involvement on one or more of the EIA’s 18 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 organizations gears in motion.

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.

Because member involvement is a critical component of success, the EIA has made this subject one of its highest priorities. Strategies have been implemented such as succession planning and mentor programs to ensure that active participation – which leads to member loyalty – continues at a high level.

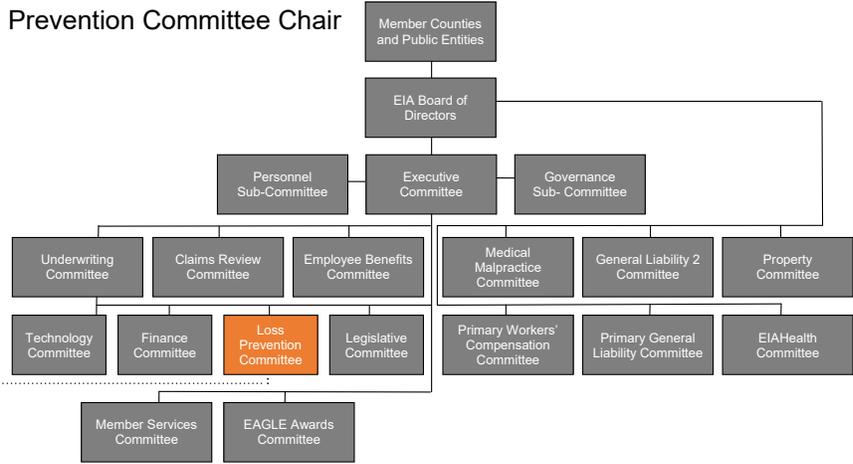
Below is an organizational chart depicting the governance structure of the EIA. The Board of Directors is comprised of 62 members; 1 representative from each member county and 7 members elected by the public entity membership. The Executive Committee consists of 11 members elected by the Board of Directors. 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, Technology Committee, Member Services Committee, and EAGLE Awards Committee (pages 37 & 38). 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 Member Services Committee works in tandem with the Loss Prevention Committee to provide members the services they need that are aligned with general risk management services. The Legislative Committee follows state, and sometimes federal, legislation and regulations that could affect the EIA programs and the 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. The Committee is also responsible for determining technology related services that are offered to the members. The EAGLE Awards Committee is the newest, working to showcase best practices of members so they can be shared amongst us to move us all forward.

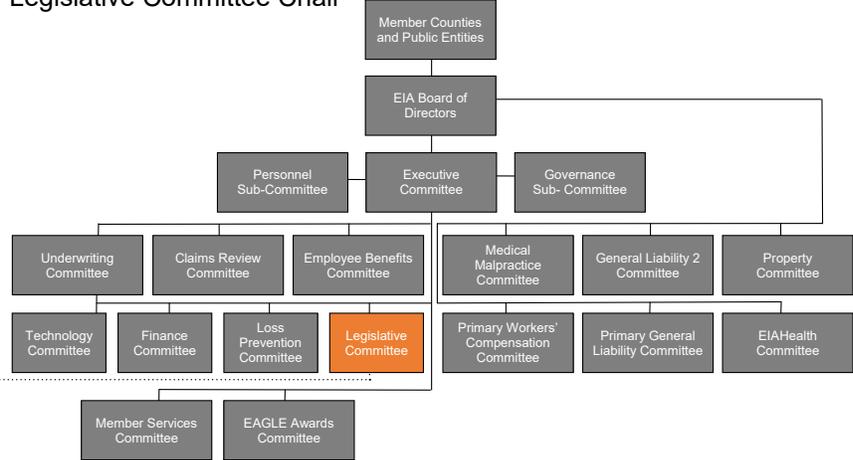




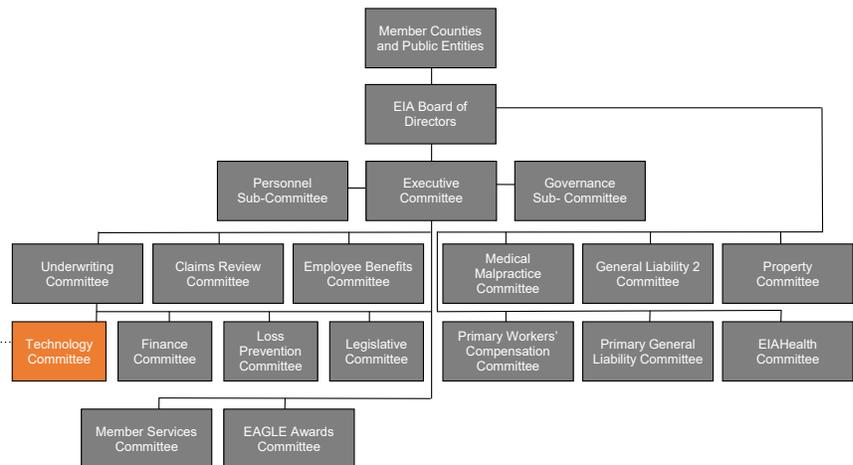
Eric Dahlen
 CSRM
 Loss Prevention Committee Chair



Andreas Pyper
 Santa Barbara County
 Legislative Committee Chair



Heather Correll
 Mendocino County
 Technology Committee Chair

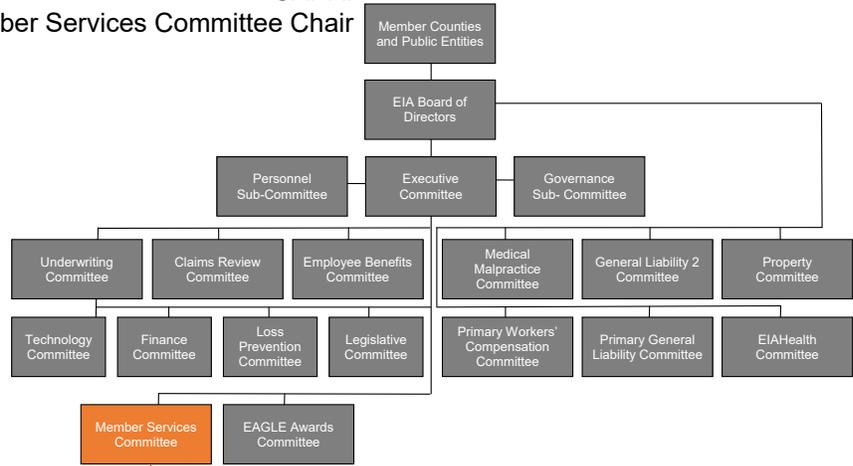




Pat Cabulagan

CAPRI

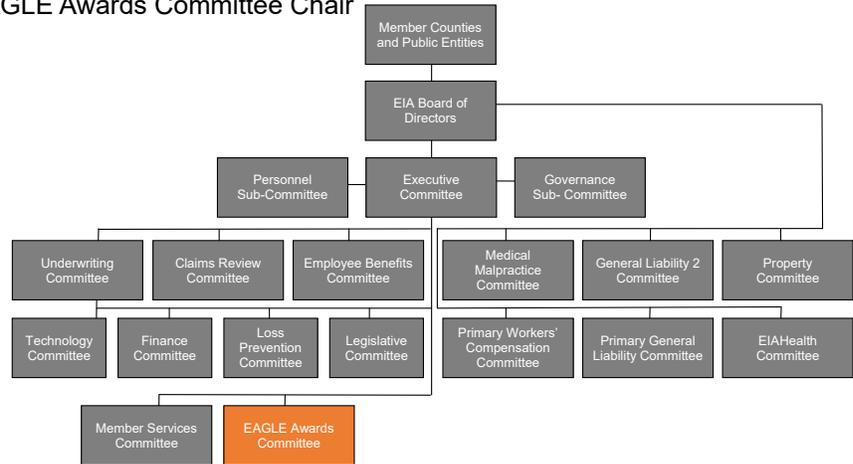
Member Services Committee Chair



James Brown

Merced County

EAGLE Awards Committee Chair



EIA Leadership

2017 Executive Committee

President

James Brown, Merced County

Vice President

Kerry John Whitney, Napa County

Members

Ann Richey, ACCEL/City of Ontario
John Viegas, Glenn County
Scott Schimke, Glenn County
Matt Gutierrez, Kern County
Richard Egan, Lassen County
Roberta Allen, Plumas County
Kimberly Greer, City of Richmond
Ken Hernandez, San Bernardino County
Lance Sposito, Santa Clara 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, GSRMA, 2012 & 2016
James Brown, Merced County, 2017 & 2018

2018 Executive Committee

President

James Brown, Merced County

Vice President

Kerry John Whitney, Napa County

Members

John Viegas, Glenn County
Scott Schimke, Golden State Risk Mgmt. Authority
Matt Gutierrez, Kern County
Richard Egan, Lassen County
Roberta Allen, Plumas County
Kimberly Greer, City of Richmond
Lance Sposito, Santa Clara County
Sherri Adams, Solano County
Janell Crane, Sonoma County

Chief Executive Officers

Gregory L. Trout, 1980-1985
Vincent W. Pisani, 1985-1992
Michael Fleming, 1992-Present

Director Emeritus

Supervisor Dick Mudd, 2000-Present

Legal Counsel

Stephen Underwood



Senior Management (left to right)

John Alltop, Chief Actuary
Gina Dean, Chief Operating Officer
Michael Pott, Chief Claims Officer
Michael Fleming, Chief Executive Officer
Rick Brush, Chief Member Services Officer
Puneet Behl, Chief Financial Officer
George Reynolds, Chief Information 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
2016-2019



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**CSAC Excess Insurance Authority
California**

For its Outstanding Financial Reporting
in its Annual Report
for the Fiscal Year Ended

June 30, 2016

Jeffrey R. Green
Executive Director







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