

scaling new heights

CSAC EIA ANNUAL REPORT

|

2018

adventures of the eio

Enhancing EIA
member benefits

eia program updates

Where we've been and
where we're going!



The Leader in Member-Directed Risk Management

WWW.CSAC-EIA.ORG

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Snow mountain panorama in Yosemite

2017/18

Year in Review

Greetings,

Positive momentum always starts with a single idea. At the EIA, these ideas are vetted at a Spring Retreat, by Committee leaders, by the Executive Committee, and finally, by the EIA Board. This annual task for some groups can be mundane, but at the EIA, it is a great, creative process. We gather industry insight, adapt to the ever-changing environment, and make decisions based on risk analysis to keep “Scaling New Heights.”

The Excess Insurance Organization (EIO), our captive insurance company, is a prime example of an idea generated at one of our retreats. Two years ago, the concept was discussed and now it has grown to nearly \$150M in revenue - the largest in Utah. It has greatly increased our investment income. This year at the Spring Retreat, because we have a captive, the group was able to consider options never available to us before, such as expanding our membership out of state and transferring actuarial risk to the Captive. These concepts are being further evaluated for possible implementation in the coming year.

Another example of our journey this year is the merger of the Primary General Liability (PGL) Program with the General Liability 1 (GL1) Program. The PGL Program had just 22 members with only \$1.8M in contributions and had not seen growth in recent years. Because of the small contributions, the Program’s administrative load was disproportionate and to help those members, the Board approved a merger of the PGL and GL1 Programs. As GL1 is one of our largest programs with 120 members and over \$6.1B in payroll, the merger offered PGL members a greater spread of risk and lower administrative fees. At the same time, PGL members retained their benefits, including the \$10k deductible buy-down.

Our liability programs aren’t the only programs that have scaled to new heights. When it comes to creativity and progressive thoughts, the Risk Control and Member Services Committees have created many new services this year, including an Enterprise Risk Consultants (ERC) service. The ERC service benefits our members by helping with a variety of special projects or during staff transitions. There are 17 consultants that can help in almost any area of risk management. Consultants have already been engaged in seven special projects such as department reviews, process reviews, and assisting our members in the wake of devastating wildfires.

In the coming year, an area of focus will be the emerging increase in claims costs of our law enforcement and school liability risks. Jury verdicts have increased significantly in these areas and have affected all public agencies, pools, and the insurance industry. Our Risk Control, Claims, Legislative, and Underwriting Committees all will be challenged to find answers to difficult questions as we continue to grow our programs. At the same time, Alliant, the EIA’s broker, will continue to work with the reinsurance markets where we have built long-standing relationships over the 39 years of the EIA.

Just like the evolution of an idea that moves from concept to a new program or service, the EIA continues to scale new heights in the areas of financial, program, and service benefits for our members. It has been a pleasure to serve as your President for the last two years alongside the 120 other volunteers of our member-driven JPA.

Regards,



James Brown
EIA President



“Just like the evolution of an idea that moves from concept to a new program or service, the EIA continues to scale new heights.”

2017/18

Year in Review

This is the EIA's 39th year providing outstanding risk coverage programs and risk management services to California's public agencies. The organization has continued to develop and thrive. Significant accomplishments this year included, but are not limited to:

- Continued growth of membership, breadth of coverage, service, and overall financial health
- Merged the PGL Program with the GL1 Program, benefiting members with a greater spread of risk and spreading administrative expenses over a larger membership
- Utilized the EIA's sister organization, the EIO, a single-parent captive insurance company, to transfer risk from various programs and achieve higher investment income returns
- Presented five EAGLE (Exemplary Achievement in Government Leadership and Enrichment) Awards to highlight members' innovation in risk management, risk control, and Board governance programs
- Grew staff in the Claims, Member Services, and Data & Analytics Departments
- Retained 99% of members at renewal of the programs
- Created new services and resources, such as: Safety Talks – A Tailgate Toolbox Resource, Cyber Security Services, Safety Data Sheet Management, and an Enterprise Risk Consultants Program
- Received awards from the Government Finance Officers Association for our Comprehensive Annual Financial Report and Distinguished Budget
- Members were reimbursed over \$113M through thousands of claims payments

The theme of this year's annual report is "Scaling New Heights," recognizing the continued ascension, growth, and high achievements of the EIA.

The Board of Directors has been focused on providing programs and services that deliver benefits for all members, while the Executive Committee has spent much of their time focusing on the long-term goals established in the strategic plan.



2018 Executive Committee

Pictured (from left to right): Nathan Black, Janell Crane, Richard Egan, Sherri Adams, Kerry John Whitney, Matt Gutierrez, James Brown, Lance Sposito, and Scott Schimke.

(Not pictured: Kimberly Greer and Supv. 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:

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

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.

Current Services

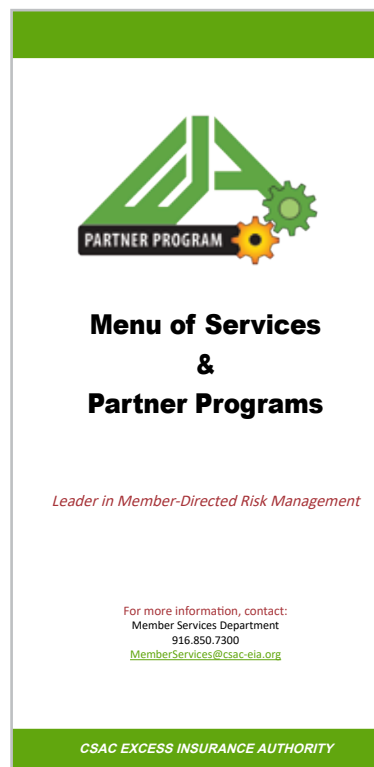
The Member Services Department has helped the EIA scale to new heights implementing many new and valuable services, as well as increasing members' awareness of existing services. The number of risk management, claims, and risk control services offered continue to ascend and help all members manage their risk exposures. Members currently enjoy the benefits of the following services and resources:

Services:

- Negotiated rates for: Protective Footwear, Body-Worn Cameras, an Incident Reporting System, Background Check Services, a Risk Assessment Tool, and many more!
- Crisis Incident Management and Counseling services
- Legal consultation and advice, provided via an Insurance Requirements in Contracts Manual, version 11.0

Resources:

- Extensive risk control platform with online training, an expansive online toolbox, sample policies/procedures
- Financial subsidy programs for actuarial analyses, risk control, and risk management related expenses
- Risk control and risk management training, provided: on a regional basis, on-site for members, and through live or previously recorded internet-based sessions
- School Liability Handbook: Student Activities and Employment Issues
- Active presence with the state legislature, taking positions on items that may impact EIA members



Take advantage of our quality services designed to support your needs and complement your efforts

Major 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 and most creative 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 by re-structuring or adding programs when necessary.

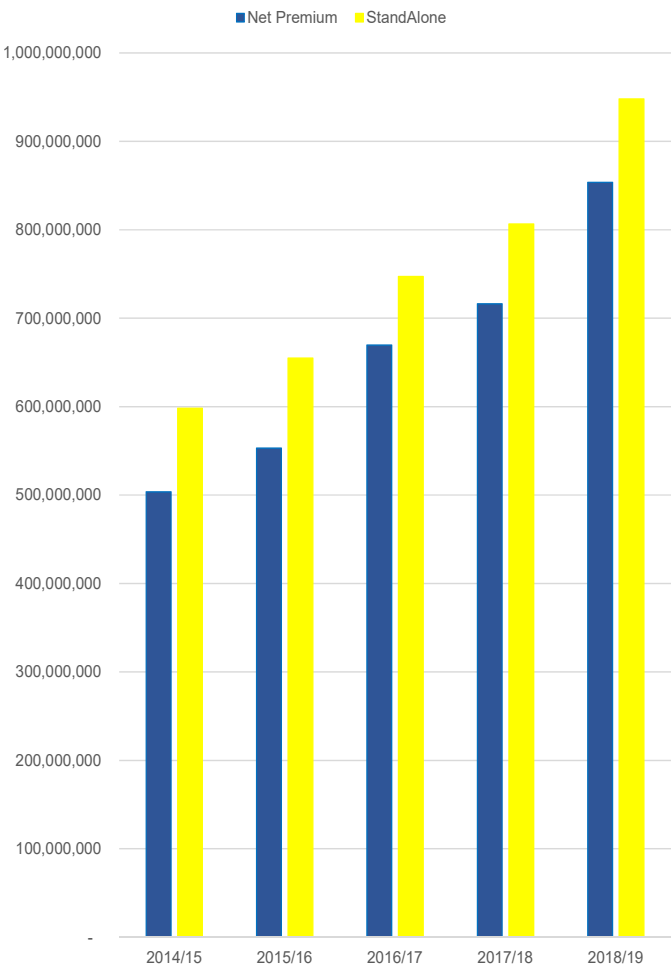
The EIA offers members nine major coverage programs, and these programs are described in greater detail throughout this report. The common element of the nine major programs is that they each blend some level of pooled risk and purchased insurance. They are designed to be flexible to meet members’ needs, yet also maintain structural integrity to withstand the long term. It is the risk pooling concept which allows the program structures to adapt to current insurance market conditions.

During harder market conditions, insurance rates rise above the cost to actuarially fund the group’s exposures, resulting in the self-funded pools expanding and decreasing the amount of insurance purchased. When insurance rates decrease to the point where it is more cost-effective to purchase insurance, the pooled portion

of the Program contracts and additional insurance is purchased. This flexibility is just one of the ways the EIA scales new heights when necessary to ensure costs are kept low and members are provided with the best possible coverage and services available.

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. In addition, members are provided access to a breadth and depth of services as part of their premium (or at a very competitive, negotiated rate), made possible through the size of the EIA membership.

To the left is a chart showing the premium paid over the last five years by the EIA members as compared to the premium that would have been paid by members individually. In just the past five years, the EIA has saved members over \$460M.

"Scaling New Heights" is illustrative of the member-driven mindset to elevate our programs and services based on internal needs, external conditions, and providing the best solutions to our members. We plan, develop, and execute our climbing strategy in a deliberate manner. Through our history, the EIA has established long-term collaborations with its underwriters and has a very impressive reputation in the insurance marketplace.

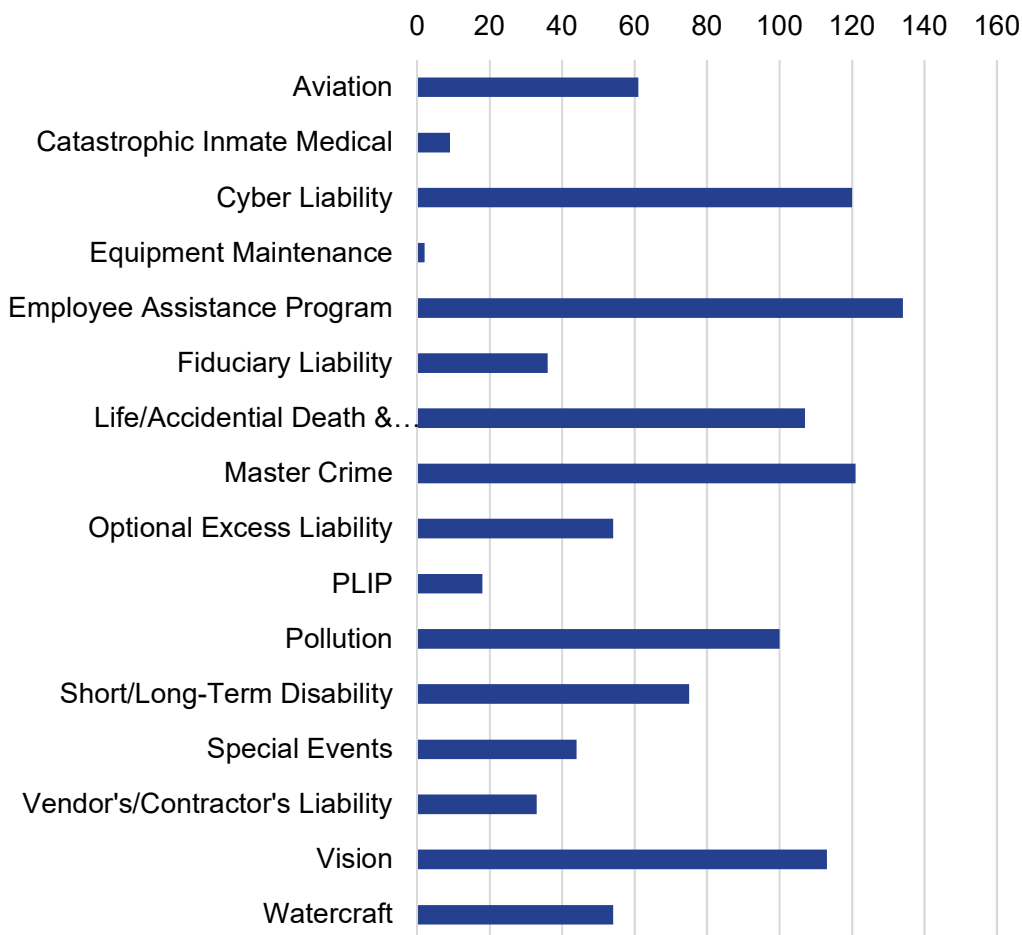
Miscellaneous Programs

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, pollution, and many others.

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 Ancillary Programs for the current year.

Miscellaneous Program Participation



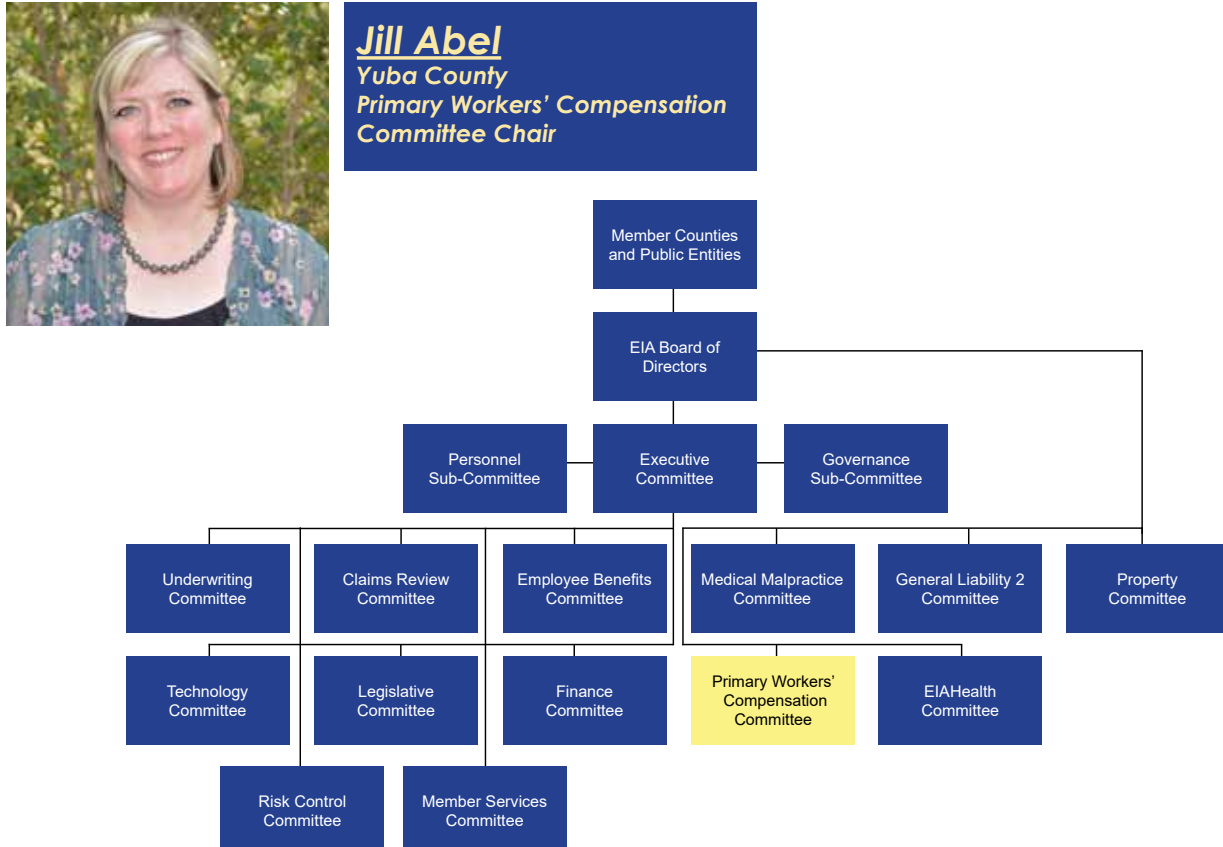
Primary Workers' Compensation

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 its 39 members with claims administration services, which is accomplished through a choice of six claims administrators. The PWC Program offers several cost-containment options, including: Injury Reporting Nurse Triage, a member-designed Medical Provider Network (now including Telemedicine services), Catastrophic Claims Management 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 insurer, ACE American Insurance Co., pays for the balance of the claim up to the \$125k attachment point to the EWC Program subject to a pooled corridor retention. The Program was able to increase the corridor retention to \$13.4M, an increase from the prior corridor of \$12M, which extended over a longer, 14-month period. The new corridor was transferred to the EIO resulting in a savings of \$403k to the PWC members. 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 continues to be well funded; however, the PWC Committee determined not to declare a dividend for 2018/19. It is anticipated that the Program will continue to declare dividends in the future, and maybe as soon as 2019/20.

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



Primary Workers' Compensation Membership

2018/19

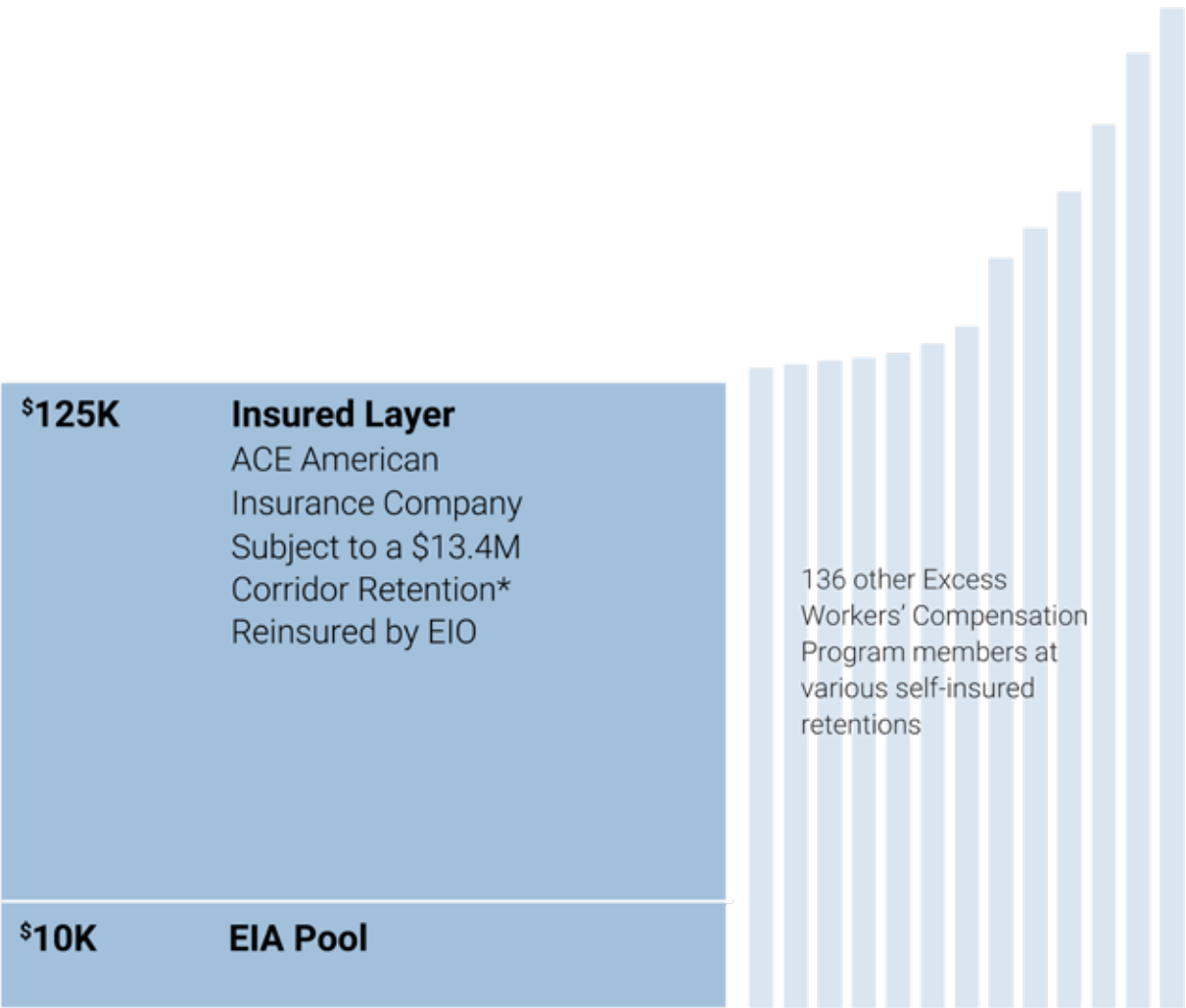
Amador County
Amador Transit
Calaveras County
Central Sierra Child Support
City of Belmont
City of Carmel By The Sea
City of El Cajon
City of Hemet
City of Imperial Beach
City of Lancaster
City of Rancho Cordova
CSAC EIA
El Dorado County
Evergreen School District
First 5 Contra Costa Children & Fam. Comm.
Gold Coast Transit District
Humboldt County
Humboldt Transit Authority
Huntington Beach UHSD
Inyo County
Kings County Area Public Transit Agency
Kings Waste & Recycling Authority
Lake County
Mendocino County
Morongo Basin Transit Authority
Mt. Diablo USD
Nevada County
Sacramento County Contracts
San Luis Obispo Regional Transit Auth.

Santa Barbara County
Santa Cruz County Fire Agencies Ins. Group
Self Insurance Risk Mgmt. Auth.
Siskiyou County
South County Area Transit
Tahoe Transportation District
Tehama County
Town of Colma
West San Gabriel WC JPA
Yuba County

Primary Workers' Compensation

2018/19

Statutory — Excess Workers' Compensation Program



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

Excess Workers' Compensation

The Excess Workers' Compensation (EWC) Program was the first EIA coverage program offered to the members in 1979. Today, the EWC Program provides 174 members with statutory coverage, subject to the members' self-insured retentions ranging from \$125k to \$5M. The structure of the Program is illustrated on page 10 and is very similar to the prior year. However, this year, the Board of Directors voted to assume a 10% quota share in the \$5M to \$50M layer in order to retain some of the premium for the layer.

The current insurance market conditions continue to allow the Program the opportunity to balance retaining and transferring risk. Great American provides reinsurance when the corridor retentions are exhausted. This provides the Program with additional predictability in determining the costs and helps to grow the Program's overall funding position. The corridor retention risk was also transferred to the EIO, saving members almost \$5M.

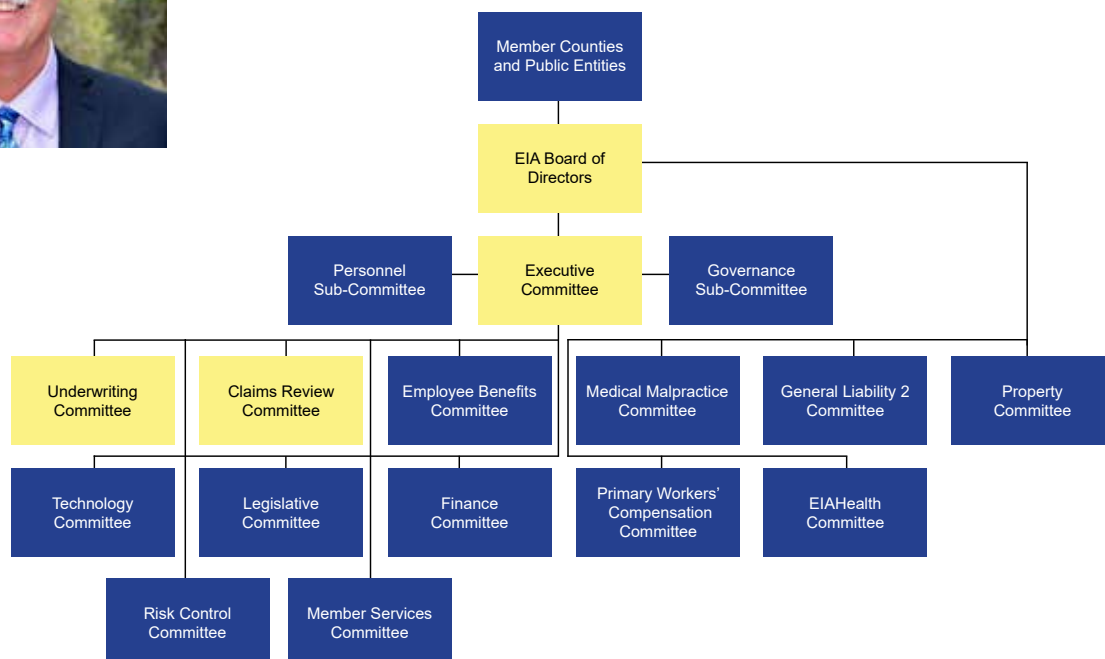
The EWC Program also offers several cost-containment services, including ISO ClaimSearch, and Catastrophic Claims Management. A surgical cost-containment pilot program was rolled out this year in an effort to reduce costs for certain surgical procedures and provide for better outcomes and faster return-to-work. Additionally, members now have access to Crisis Incident Counseling Services following an unexpected death in the workplace.

The Board of Directors strives for each program to meet its target funding position, and at the same time, balance the need to keep premiums competitive. The funding level is carefully monitored by the Board and governing committees, and for the past few years, the EWC Program has steadily increased its funding position.

The Board of Directors governs the EWC Program, with recommendations being made by the Executive, Underwriting, and Claims Review Committees. The Board has delegated specific 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 11.



Scott Schimke
Glenn County, GSRMA and NCSDIA
Underwriting Committee Chair



Excess Workers' Compensation Membership

Listed by SIR Level

2018/19

\$125,000

Amador County
Amador Transit
Butte County
Calaveras County
Casitas Municipal Water Dist.
Central Sierra Child Supp. Agency
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
CSU Risk Mgmt. Auth.: AORMA
CSU Risk Mgmt. Auth.: Campuses
Evergreen School District
El Dorado County
First 5 Contra Costa Children
& Fam. Comm.
First 5 Sacramento Comm.
Gold Coast Transit
Humboldt County
Humboldt Transit Authority
Huntington Beach UHSD
Inyo County
Irvine Ranch Water District
Kings Co. Area Public Transit
Agency
Kings Waste & Recycling Auth.
Lake County
Madera County
Mendocino County
Morongo Basin Transit Auth.
Mt. Diablo USD
Nevada County
PASIS San Diego:
Alpine FPD
Bonita/Sunnyside FD
Lakeside FPD
Sacramento County Contracts
San Luis Obispo Reg'l Transit
Santa Barbara County
Santa Cruz Co. Fire Agencies
Insurance Group
Self Insurance Risk Mgmt. Auth.
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

\$250,000

Berkeley USD
California Schools Risk Mgmt.
Central County Fire Dept.
City of Bell
City of Hanford
City of Los Altos
Lake Elsinore USD
Monterey Bay Area Self Ins. Auth.
San Luis Obispo County
Shasta County
UC Hastings College of Law

\$300,000

City of Beaumont
City of Lompoc
City of Moreno Valley
City of Napa
City of San Clemente
Golden State Risk Mgmt. Auth.
Imperial County
Kings County
Mariposa County
Merced County
Northern CA Special
District Insurance Authority
PASIS – San Diego:
City of San Marcos
North County FPD
Rancho Santa Fe FPD
San Miguel Consolidated FPD
Placer County
Santa Clara Co. Off. Of Educ.
Sonoma County
Tuolumne County

\$350,000

Bay Area Hous'g Auth. Risk
Mgmt. Agency
Campbell USD
CA Assoc. for Park & Rec.
Indemnity
City of Daly City
City of Redwood City
East Bay Regional Park Dist.
Monterey Salinas Transit
Napa County
Redondo Beach USD
Santa Cruz Metro Trans. Dist.
Upland USD

\$400,000

Auth. for CA Cities Excess Liab:
City of Monterey
City of El Monte
City of Rialto
Monterey County

\$500,000

Auth. for CA Cities Excess Liab:
City of Bakersfield
City of Santa Cruz
City of Burlingame
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 Westminster
City of Whittier
CA Fair Services Authority
Commty. Development
Commission of LA County
Fresno County
Golden Empire Transit District
Municipal Pooling Authority
Oakland USD
Nor. Cal Cities Self Ins. Fund
San Joaquin County
Santa Barbara Metro Transit
Santa Cruz County
Stanislaus County
Yolo Co. Public Agency
Risk Mgmt. Ins. Auth.

\$750,000

Auth. for CA Cities Excess Liab:
City of Modesto
City of Mountain View
City of Ontario
City of Palo Alto
City of Santa Barbara
City of Santa Monica
City of Chico
City of Downey
City of Fairfield
City of Gardena
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
Special District Risk Mgmt. Auth.
Turlock Irrigation District

\$1,000,000

Alpine County
Big Independent Cities
Excess Pool:
City of Huntington Beach
City of Oxnard
City of San Buenaventura
City of Santa Ana
City of West Covina
Colusa County
Del Norte County
City of Chula Vista
City of Corona
City of Fontana
City of Garden Grove
City of Montebello
City of Pomona
City of San Bernardino
Lassen County
Modoc County
Mono County
Omnitrans
Orange Co. Sanitation District
Plumas County
San Benito County
Sierra County
Sutter County
Trinity County

\$2,000,000

Auth. for CA Cities Excess Liab:
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

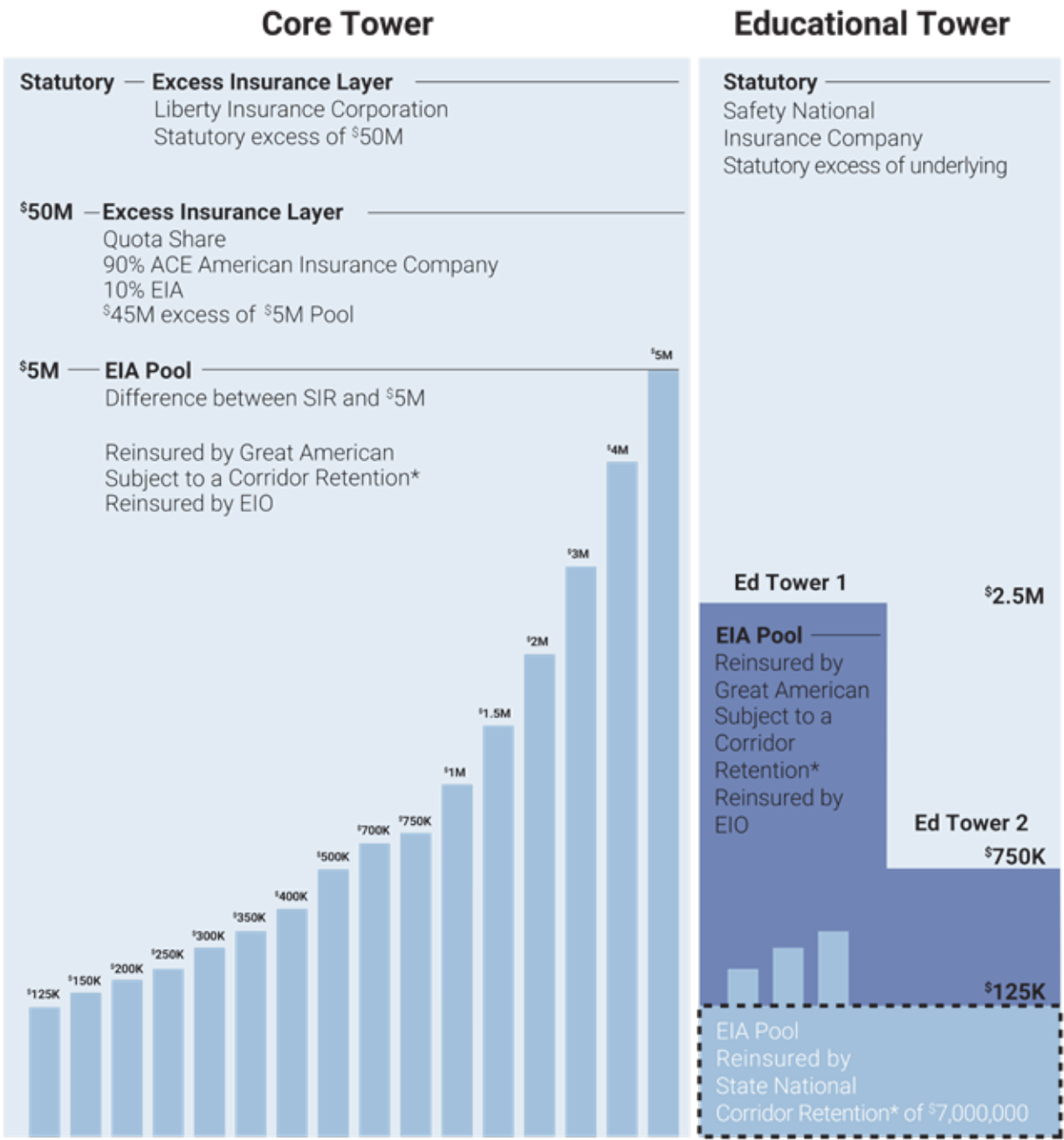
Santa Clara County

\$5,000,000

Local Agency WC Excess JPA

Excess Workers' Compensation

2018/19



* 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 \$47,765,027 (does not include primary <\$125k layer).

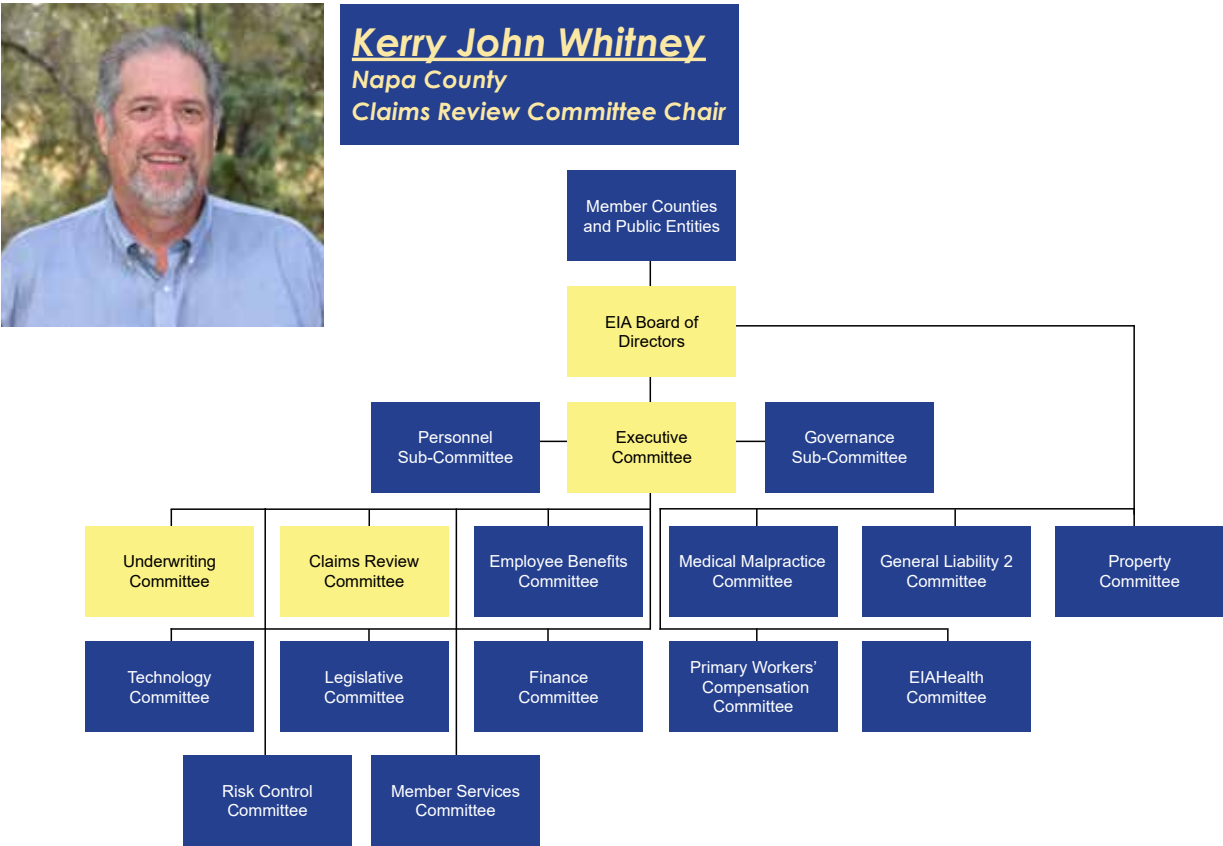
General Liability 1

The General Liability 1 (GL1) Program provides 123 members with coverage for third party liabilities (including general, automobile, employment practices, and errors and omissions). The Program continues to grow, adding four new members this year. Since most members maintain a self-insured retention in the GL1 Program, they are able to manage their own claims, either through a third party claims administrator of their choice or with their own claims staff.

For the first layer of reinsurance, the \$5M excess of \$5M layer was renewed with Great American, which included a new \$5M, two-year corridor retention. The Program transferred the corridor retention risk to the EIO, resulting in a \$75k savings for the Program. The excess layers are reinsured through four other carriers. The structure of the GL1 Program is depicted on page 12.

Beginning with the 2018/19 year, the Primary General Liability (PGL) Program merged into the GL1 Program, creating a Deductible Buy-Down (DBD) option. The reason to merge these two programs was simple: to provide members of the PGL Program the same benefits at a lower cost, while providing benefits to the GL1 Program as well.

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 specific authority to the Underwriting and Claims Review Committees to handle the day-to-day business of the Program. 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.



General Liability 1 Membership

Listed by SIR Level

2018/19

\$10,000

Amador County
CA Mental Health Svcs. Auth.
Central Sierra Child Supp. Agency
City of Carmel By The Sea
City of Rancho Cordova
Contra Costa IHSS Public Auth.
Del Norte IHSS Public Auth.
Housing Auth. of the County
of Riverside
Imperial IHSS Public Auth.
Kern IHSS Public Auth.
Lake County
Monterey Co. Water
Resources Agency
Riverside IHSS Public Auth.
Sacramento County Contracts
San Bernardino IHSS Public Auth.
San Diego IHSS Public Auth.
Shasta IHSS Public Auth.
Siskiyou County
Solano County
Sutter IHSS Public Auth.
Tuolumne County
Yuba County

\$25,000

Council of San Benito Co. Govts.
East San Gabriel Valley
Regional Occupational Prog.
Marin County Transit Dist.
Military Dept. of the State of CA

\$50,000

Capitol Area Development Auth.
City of Elk Grove
West San Gabriel Liability &
Property JPA

\$100,000

Alpine County
Butte County
Calaveras County
CA Fair Services Authority
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 Ridgecrest
City of Solana Beach
City of South Pasadena
Colusa County
CSAC EIA
Del Norte County
Golden State Risk Mgmt.
Auth. JPA Admin.
Humboldt County
Inyo County
Irvine Ranch Water District
Lassen County
Madera County
Merced County
Modoc County
Mono County
Nevada County
Pasadena USD
Plumas County
Sacramento Area Flood
Control Agency
San Benito County
San Benito IHSS Public Auth.
San Jose USD
Sierra County
Solano Transportation Auth.
Sutter County
Tehama County
Torrance USD
Trindel Insurance Fund
Trinity County

\$150,000

City of Napa
City of Santee
City of Vista
Mariposa County
Mendocino County
San Diego USD

\$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 Mgmt. Auth.
Mt. Diablo USD
San Luis Obispo County
San Mateo County Schools
Insurance Group
Shasta County
South Bay Area Schools
Insurance Authority
Stanislaus County
Tulare County

\$300,000

Napa County

\$350,000

City of Fountain Valley

\$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 Palmdale
City of Redlands
City of Redondo Beach
City of Rialto
City of Westminster
East Bay Regional Park Dist.
Kings County
San Bernardino Co. Depts.
Santa Barbara County

\$750,000

CA Assoc. for Park & Rec.
Indemnity
City of Gardena
Fresno County

\$1,000,000

City of Carlsbad
City of Fontana
City of Pomona
City of Simi Valley
Placer County
Public Agency Risk Sharing
Auth. of CA
Public Entity Risk Mgmt. Auth.
Schools Excess Liability Fund
Sonoma County

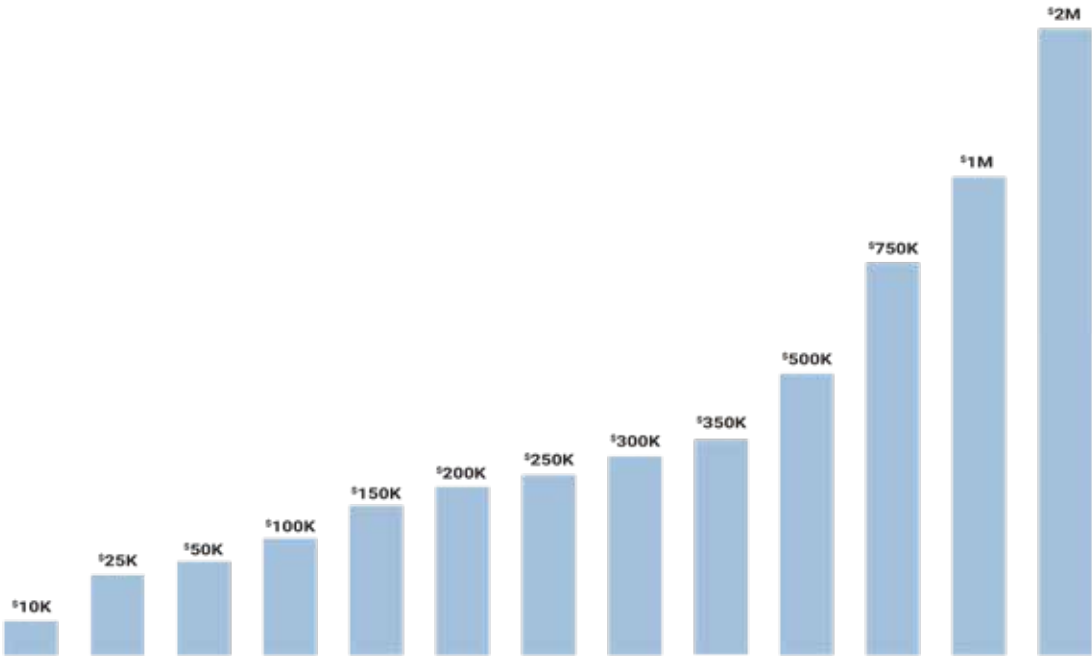
\$2,000,000

City of Garden Grove

General Liability 1

2018/2019

\$25M	Reinsurance Layer Quota Share Placement 25% Markel Global Reinsurance Co. 75% Argonaut Insurance Co. (Alteris) \$10M excess of \$15M
\$15M	Reinsurance Layer Quota Share Placement 50% Markel Global Reinsurance Co. 25% Hiscox Syndicate 25% AmTrust Syndicate \$5M excess of \$10M
\$10M	Reinsurance Layer Great American \$5M excess of \$5M pool Subject to a \$5M 2-Year Corridor Retention (7/1/18 - 6/30/20) Reinsured by EIO
\$5M	EIA Pool Difference between SIR or Deductible and \$5M



*42 GL1 Program members purchase additional limits through the Optional Excess Liability Program.
*21 GL1 Program members participate in the Deductible Buy Down Option at a \$10K Deductible.

General Liability 2

The General Liability 2 (GL2) Program has been in place for more than two decades. The Program continued to grow, adding one new member this year and now provides 18 members with coverage for third party liabilities (general, automobile, employment practices, and errors and omissions). GL2 provides coverage up to a limit of \$25M, subject to the members' self-insured retentions, which range from \$1M to \$5M.

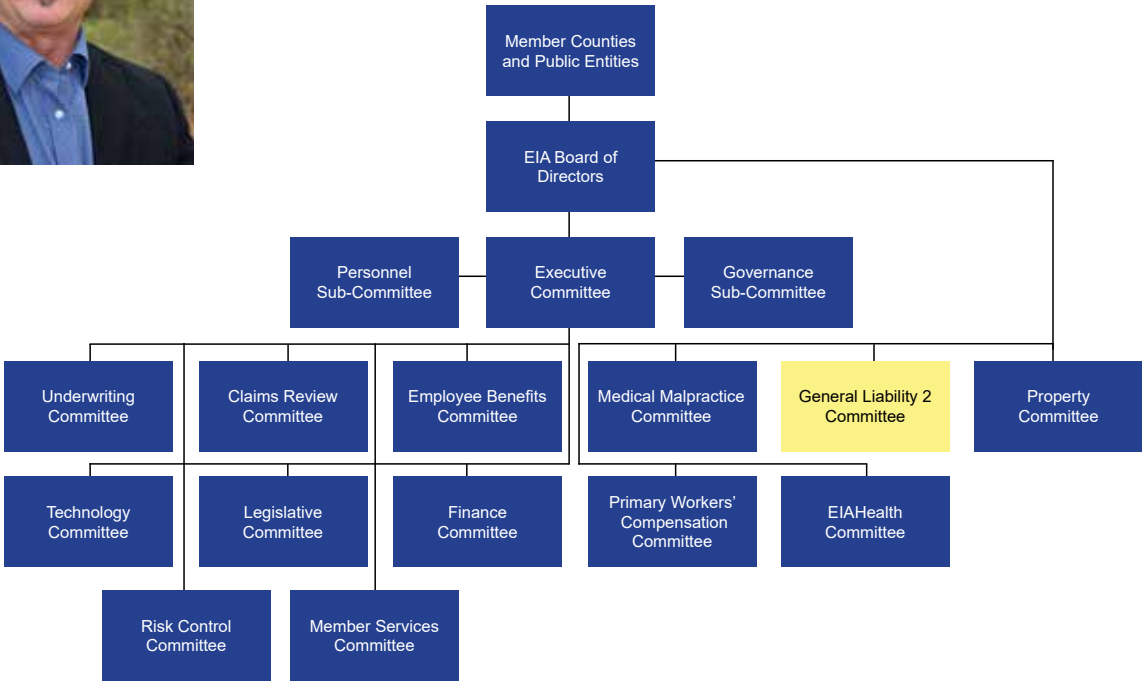
The Program was created for large members who face increasingly complex liability issues. To manage their risk financing, members worked through a difficult renewal with premium increases, the addition and/or increase of individual member corridor deductibles, as well as (in some cases) increased self-insured retentions.

The Program has three reinsurance layers, with QBE and Chubb providing the first layer of reinsurance coverage above the group corridor retention up to \$10M. The group corridor retention is \$24.5M and is reinsured by the EIO. The transfer of corridor retention to the EIO resulted in savings of \$2.5M to the Program. Excess limits are provided by six additional carriers. This structure is illustrated on page 14.

The GL2 Committee governs this Program, reviewing all matters pertaining to the Program, including insurance placements, coverage issues, claims administration, program services, and new member applications.



Lance Sposito
*Santa Clara County
General Liability 2 Committee Chair*



General Liability 2 Membership

Listed by SIR Level

2018/19

\$1,000,000

Alameda County	IMCD*
City of Montebello	N/A
City of Vallejo	\$500,000
Contra Costa County	\$1,000,000
El Dorado County	N/A
Exclusive Risk Management Authority of CA	N/A
San Joaquin County	\$250,000
Santa Cruz County	N/A
Tulare County	N/A

\$2,000,000

City of Sacramento	IMCD*
Sacramento County	\$2,000,000
Santa Clara County	N/A
	\$500,000

\$3,000,000

City of San Diego	IMCD*
City of Santa Clara	\$2,500,000
San Bernardino County	N/A
	\$2,000,000

\$5,000,000

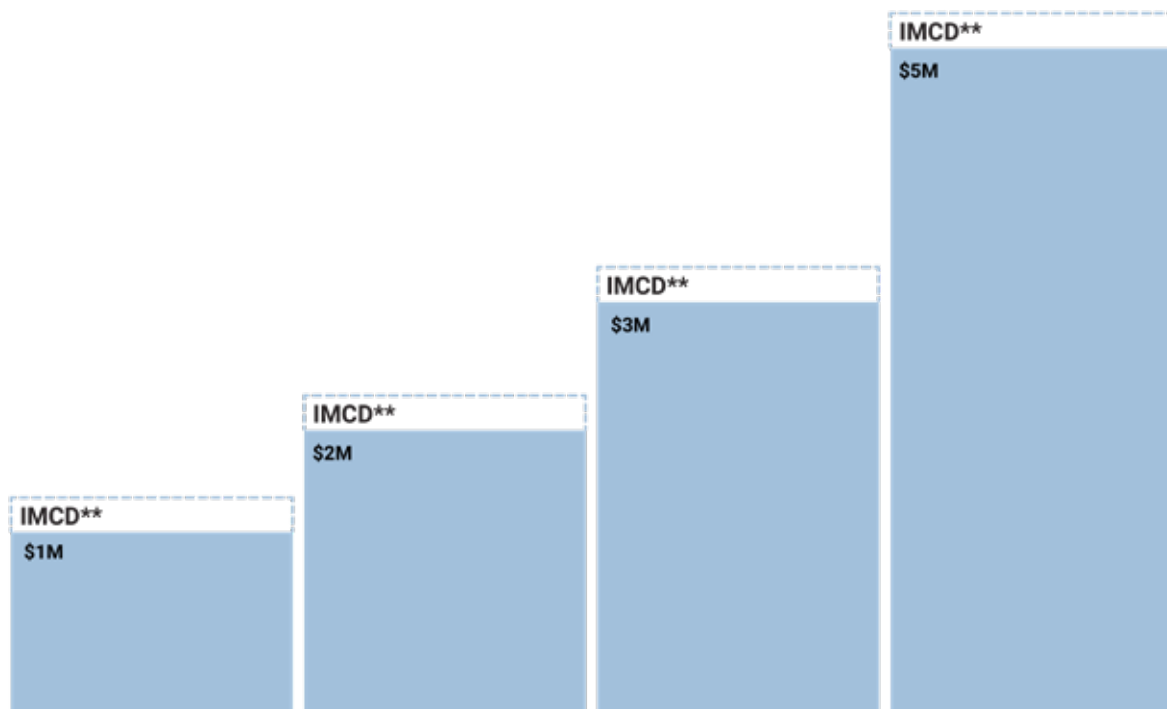
City of Oakland	IMCD*
City of Redlands	N/A
Riverside County	N/A
	\$2,000,000

* Individual Member Corridor Retention

General Liability 2

2018/19

\$25M	Reinsurance Layer Quota Share Placement 67% AmTrust Syndicate 33% Hiscox Syndicate \$5M excess of \$20M
\$20M	Reinsurance Layer Quota Share Placement 35% Markel Global Reinsurance Co. 30% Great American 20% Brit Insurance 15% HISCOX \$10M excess of \$10M
\$10M	Reinsurance Layer QBE and CHUBB Subject to a \$24,500,000 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.

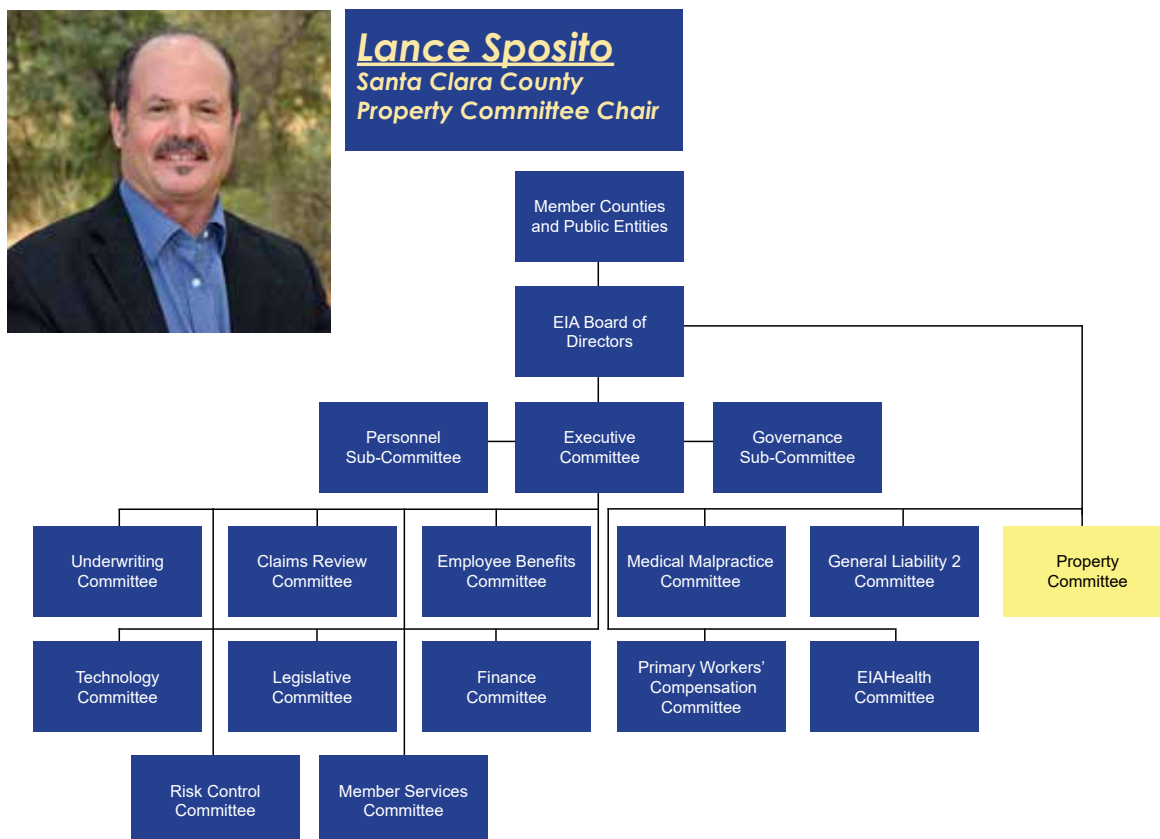
Property

The EIA's Property Program is one of the largest property programs in America, with over \$69B in total insured values. Because of its scale, its structure is complex, including towers and roof top layers for flood and earthquake coverages. It provides the best protection at the lowest possible cost. The Property Program consists of 104 members, including four new members at the 2018/19 renewal.

The Program continued to enhance coverages for members, including increasing the All Risk limit from \$600M to \$800M for all members. In spite of multiple natural disasters leading up to the March renewal, including major California wildfires, the Property Program renewed with only a minor rate increase. The Earthquake Roof Top was extended to include the public entity members, who previously purchased separate dedicated limits. The Program continued to maintain the Earthquake deductible at 2%, a great member benefit found only in the EIA's Property Program.

Due to the size of the Property Program and its significant California earthquake exposure, purchasing additional coverage could become 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 now have \$800M in all risk and \$600M in Flood limits. Plus, members that purchase earthquake coverage have access to \$540M in coverage in one or more of six 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 in excess of the members' deductibles. This year, the Program transferred limited exposure to the EIO, affording the Program members \$312k 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.



Property Membership

Listed by Deductible Level

2018/19

\$5,000

Amador County
Butte County
Calaveras County
Central Sierra Child Supp. 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 Palmdale
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 Mgmt. Auth.
Humboldt County
Imperial County
Inyo County
Kings County
Lake County
Madera County
Mariposa County
Merced County
Mtn. Communities Healthcare Dist.
Napa County
Placer County
Santa Cruz County

Solano County
Sonoma County Employees'
Retirement Association
Sutter County
Tehama County
Tuolumne County
Yuba County

\$10,000

City of Carmel By The Sea
City of Chula Vista
City of Concord
City of Escondido
City of Fountain Valley
City of Manhattan Beach
City of Oakland
City of Vallejo
City of Westminster
Housing Auth. 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 Co. Public Agency
Risk Mgmt. Ins. Auth.

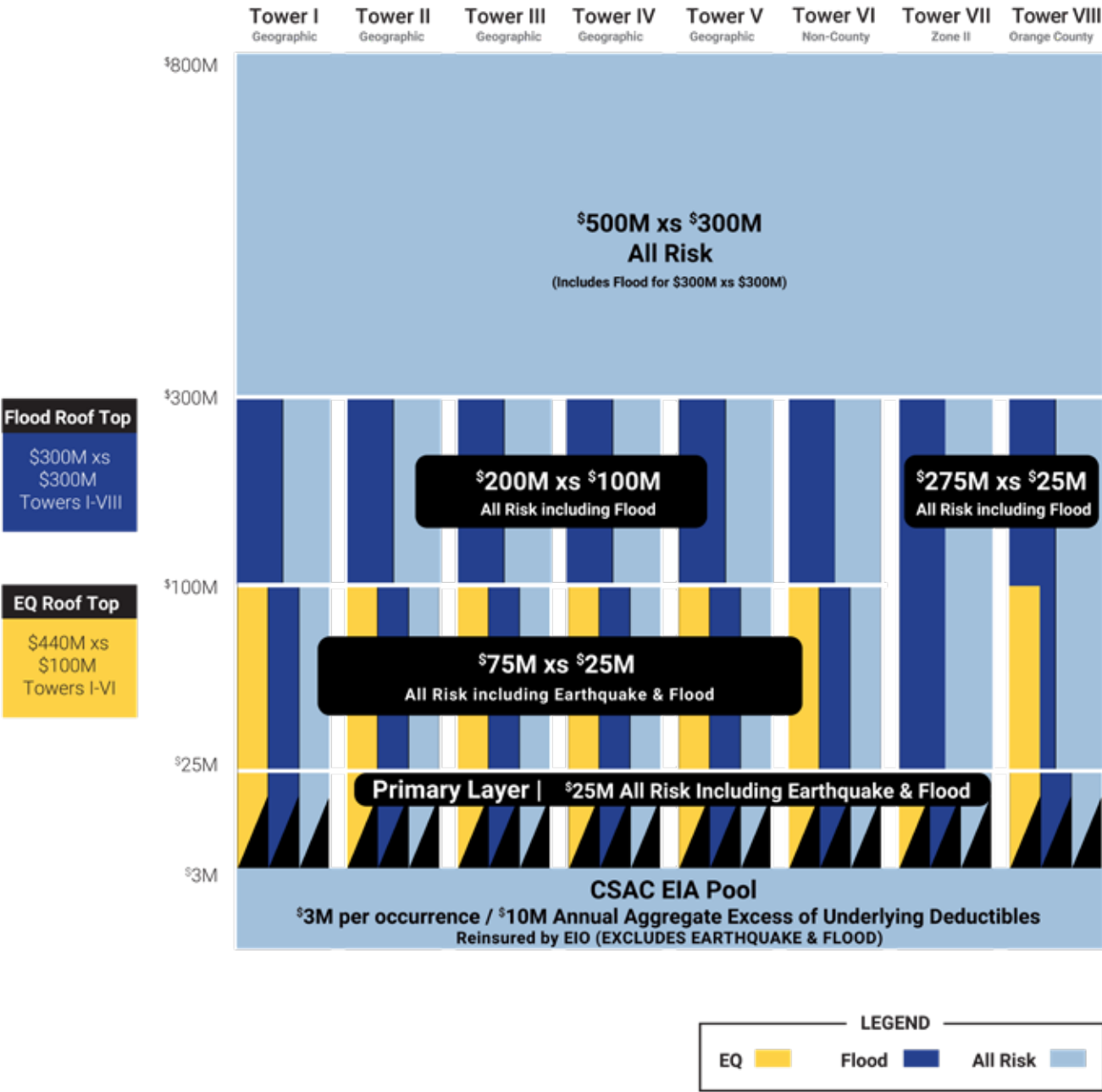
\$50,000

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

\$100,000

CA Schools Risk Management
Mt. Diablo USD

Property
2018/19



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

Medical Malpractice

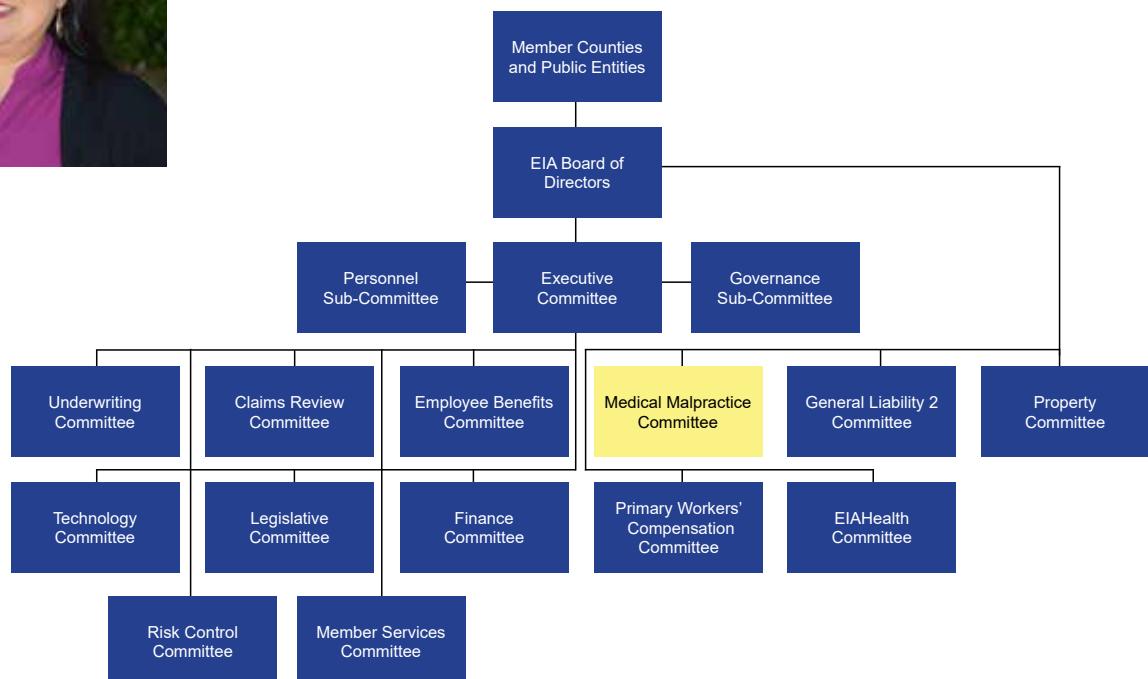
The Medical Malpractice Program provides 52 members with coverage for medical professional services and limited general liability exposures at established healthcare facilities. The Program offers limits of \$21.5M in addition to the members' deductible or self-insured retention, which range from \$5k 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 18.

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.

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

Listed by Deductible or SIR Level

2018/19

\$5,000

Alpine County
Calaveras County
City of Anaheim
City of Berkeley
City of Fremont
Colusa County
Del Norte County
Kings County
Lassen County
Los Angeles USD
Mariposa County
Mendocino County
Merced County
Modoc County
Mono County
Placer County
San Diego USD
Sierra County
Siskiyou County
Solano County
Sonoma County

Sutter County
Tehama County
Trinity County
UC 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

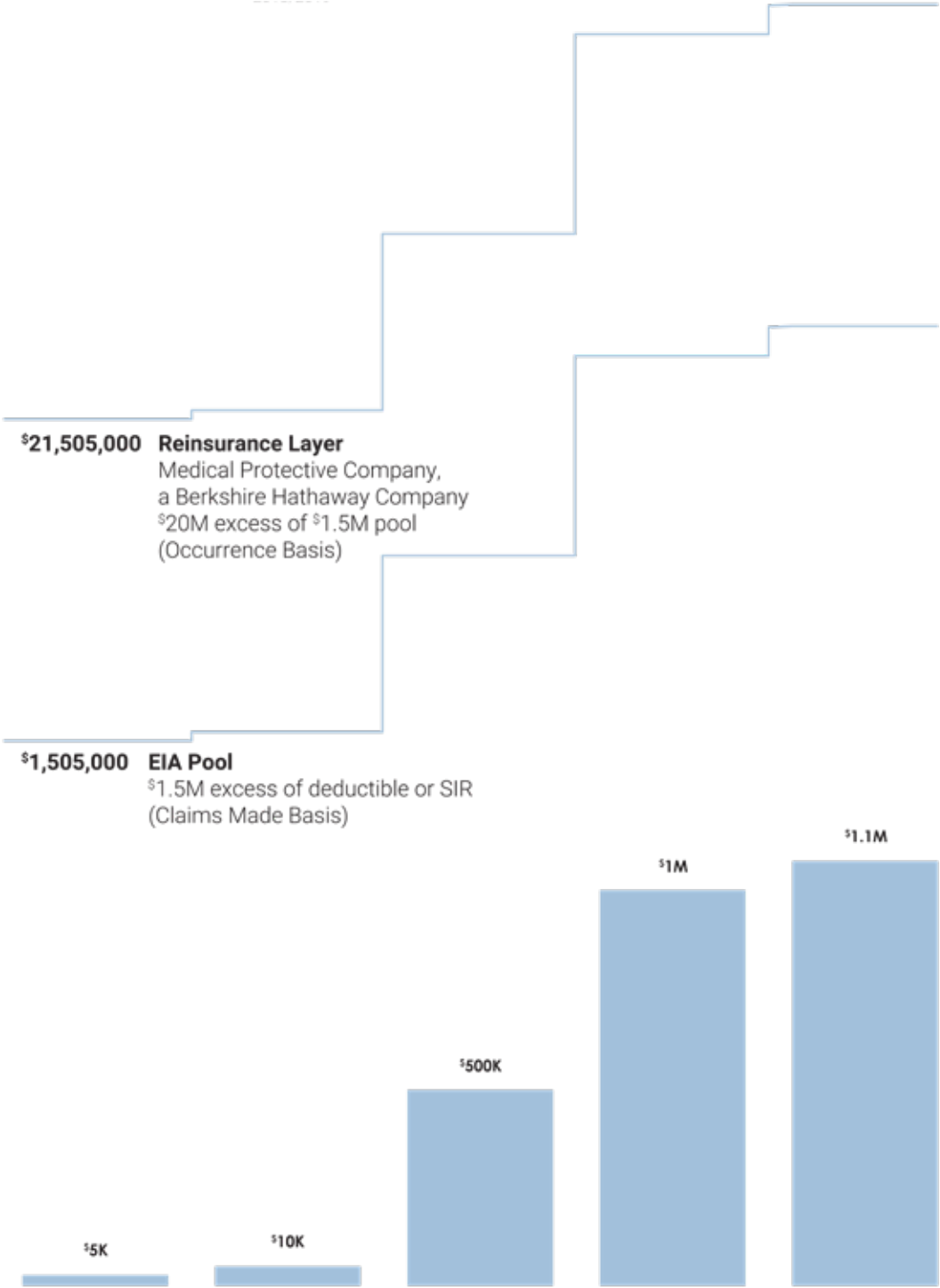
Contra Costa County
San Joaquin County

\$1,100,000

Riverside County

Medical Malpractice

2018/19



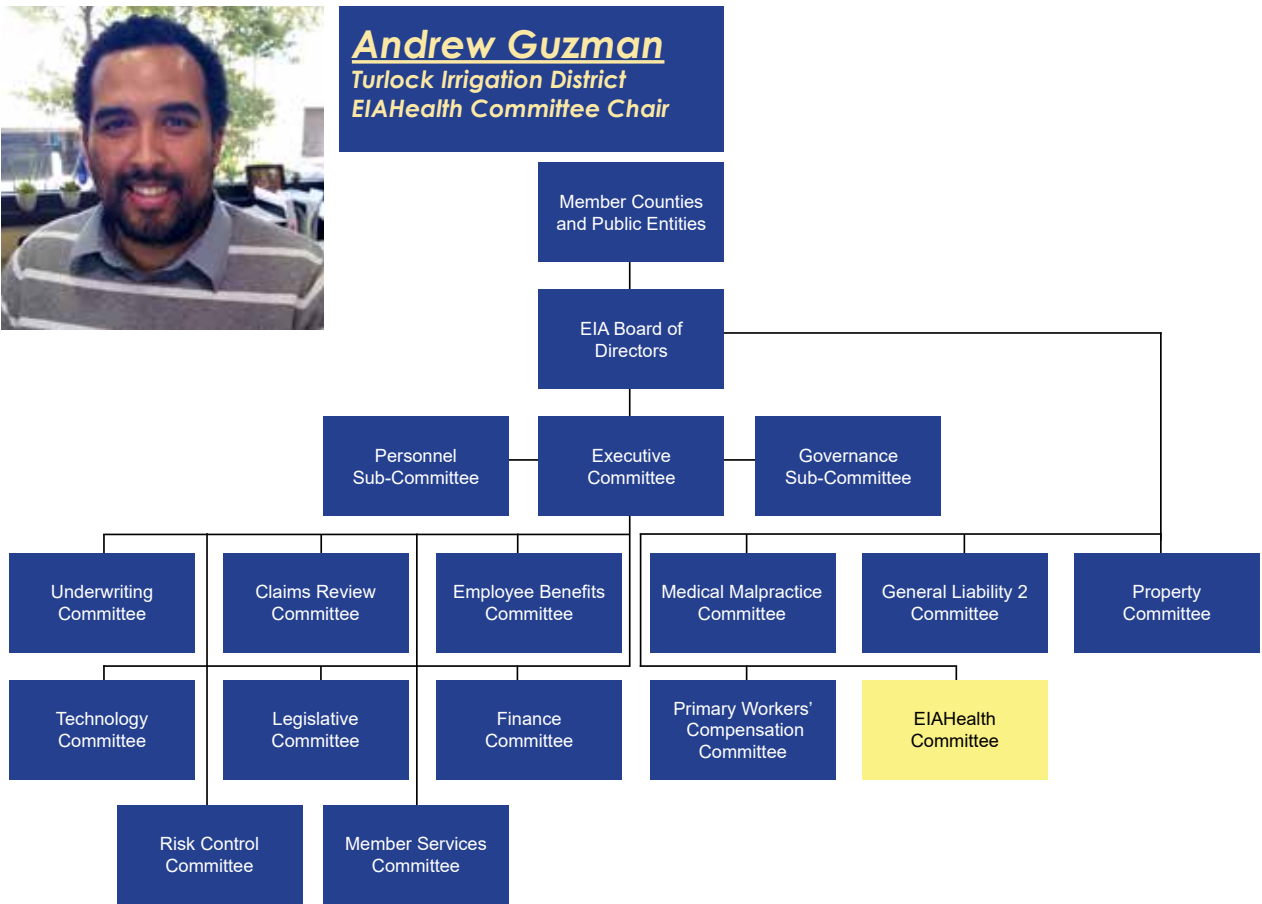
EIAHealth

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 36 members and provides coverage for over 31,000 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, the 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, program renewals, and cost-containment strategies.



EIAHealth Membership

2018/19

Amador County	City of Visalia	Lake County	Special District Risk
Calaveras County	City of Walnut Creek	Mendocino Coast Dist. Hosp.	Management Authority
City of Chico	City of Watsonville	Merced County	Superior Court of CA:
City of Clovis	City of Yuba City	Orange Co. Sanitation District	County of Merced
City of Huntington Beach	Commty. Development	Orange Co. Trans. Auth.	County of Santa Barbara
City of Irvine	Commission of LA County	San Benito County	Sutter County
City of Merced	Del Norte County	San Luis Obispo County	Tehama County
City of Redding	El Dorado County	Santa Barbara County	Turlock Irrigation District
City of San Bernardino	Golden State Risk	San Bernardino Municipal	
City of Santa Rosa	Management Authority	Water District	
City of Shafter	Imperial County	South Coast Air Quality	
		Management District	

Dental Membership

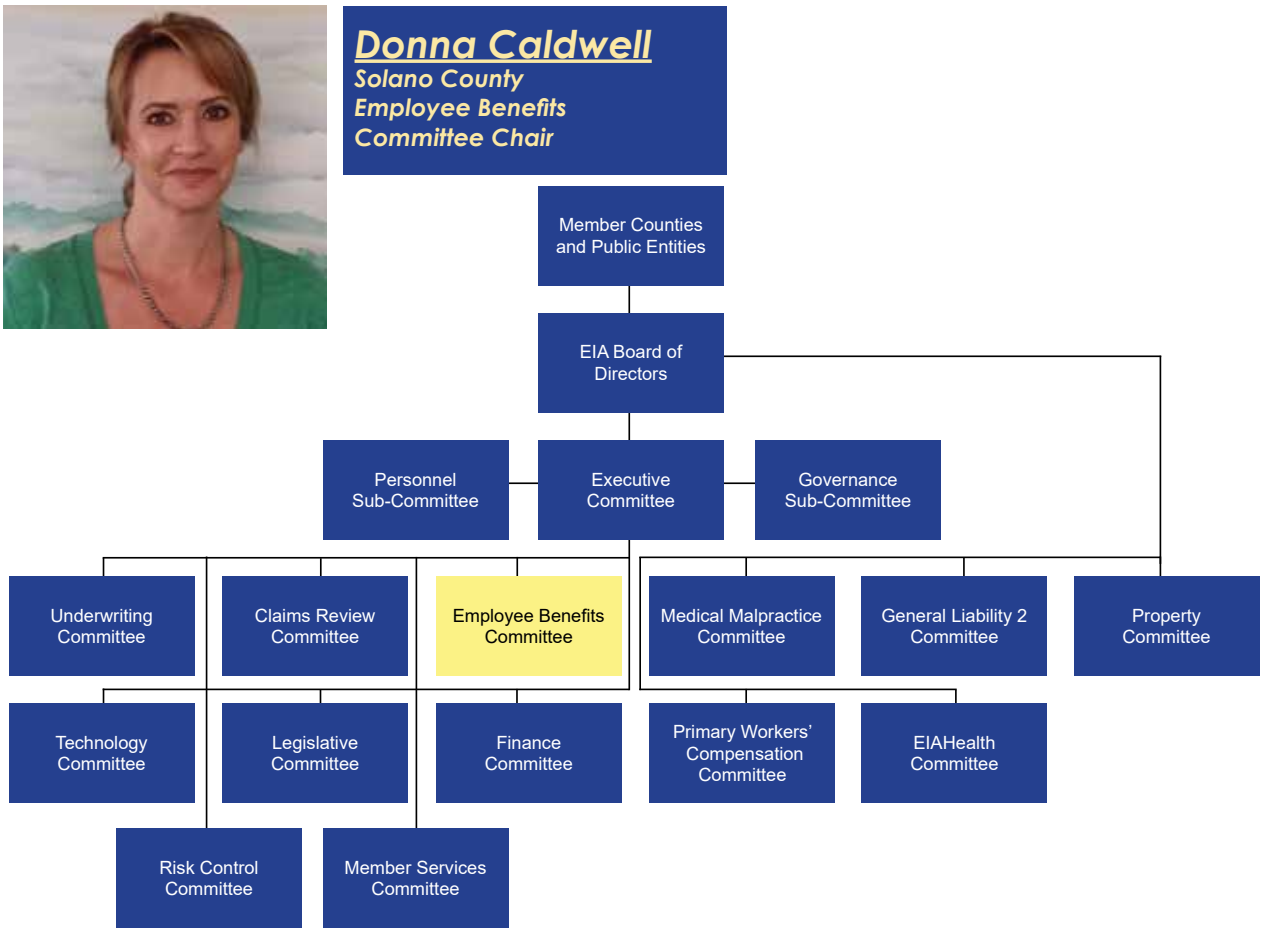
2018/19

Alpine County	City of Oroville	Lassen County	Solano County
Amador County	City of Pacifica	Mariposa County	Sonoma Marin Area Rail Transit
Bay Area Air Quality	City of Paso Robles	Mendocino Coast Dist. Hosp.	Special District Risk
Management District	City of Perris	Merced County	Management Authority
Calaveras County	City of Pleasanton	Modoc County	Stanislaus County
California State Legislature	City of Port Hueneme	Mono County	Superior Court of CA:
Catalina Island Medical Center	City of Rancho Cordova	Monterey Salinas Transit	County of Alpine
Central Contra Costa San. Dist.	City of Rancho Santa Margarita	Morongo Basin Transit Authority	County of Amador
Central Sierra Child Supp. Agency	City of Redding	Napa County	County of Butte
City of Alameda	City of Richmond	Napa Sanitation District	County of Calaveras
City of American Canyon	City of Roseville	Nevada County	County of Colusa
City of Atascadero	City of San Bernardino	Nor CA Power Agency	County of Contra Costa
City of Atwater	City of San Jacinto	Office of Community	County of Del Norte
City of Belmont	City of San Leandro	Investment & Infrastructure	County of El Dorado
City of Buena Park	City of San Ramon	Orange Co. Sanitation District	County of Lake
City of Calabasas	City of Santa Rosa	Orange Co. Trans. Auth.	County of Lassen
City of Capitola	City of Solana Beach	Orange Co. Trans. Auth. -	County of Merced
City of Chico	City of South San Francisco	Coach Operators	County of Orange
City of Claremont	City of Stanton	Otay Water District	County of Placer
City of Concord	City of Sunnyvale	Palo Verde Valley Health Care	County of San Benito
City of Costa Mesa	City of Twentynine Palms	District Hospital	County of San Luis Obispo
City of Cypress	City of Vacaville	Placer County	County of Santa Barbara
City of El Centro	City of Visalia	Placer County Water Agency	County of Santa Cruz
City of Escalon	City of Walnut Creek	Pleasant Hill Recreation &	County of Shasta
City of Fairfield	City of Watsonville	Park District	County of Sonoma
City of Folsom	City of West Covina	Plumas County	County of Stanislaus
City of Fremont	City of West Sacramento	Port of Oakland	County of Trinity
City of Galt	Coachella Valley Assoc.	Public Agency Risk Sharing	County of Tuolumne
City of Goleta	of Government	Auth. of CA	County of Yolo
City of Hayward	Colusa County	Public Entity Risk Mgmt. Auth.	County of Yuba
City of Huntington Beach	CSAC EIA	Sacramento - Yolo Mosquito	Sutter County
City of Lone	Dublin San Ramon Svcs. Dist.	and Vector Control District	Tehama County
City of Live Oak	El Dorado County	San Bernardino Municipal	Town of Yountville
City of Livermore	Gold Coast Transit District	Water District	Transportation Corridor Agencies
City of Lompoc	Great Basin Unified Air	San Benito County	Trindel Insurance Fund
City of Maywood	Pollution Control District	San Diego Co. Water Auth.	Trinity County
City of Menlo Park	Golden State Risk Mgmt. Auth.	San Joaquin County	Tuolumne County
City of Merced	Housing Auth. of the County	San Luis Obispo County	Turlock Irrigation District
City of Mill Valley	of Monterey	Santa Barbara County	Western Riverside Council of
City of Mission Viejo	Humboldt County	Santa Clara Housing Authority	Government
City of Murrieta	Inland Empire Health Plan	Santa Cruz County	Yolo County
City of Needles	Inland Empire Utilities Agency	Santa Cruz Metro Transit District	Yuba County
City of Novato	Inyo County	Shasta County	
City of Oceanside	Lake County	Sierra County	

Dental

The Dental Program was launched in January 2010 and has since experienced significant growth. This Program utilizes pooling methodology to provide its 146 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 Employees 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, program renewals, and cost-containment strategies.

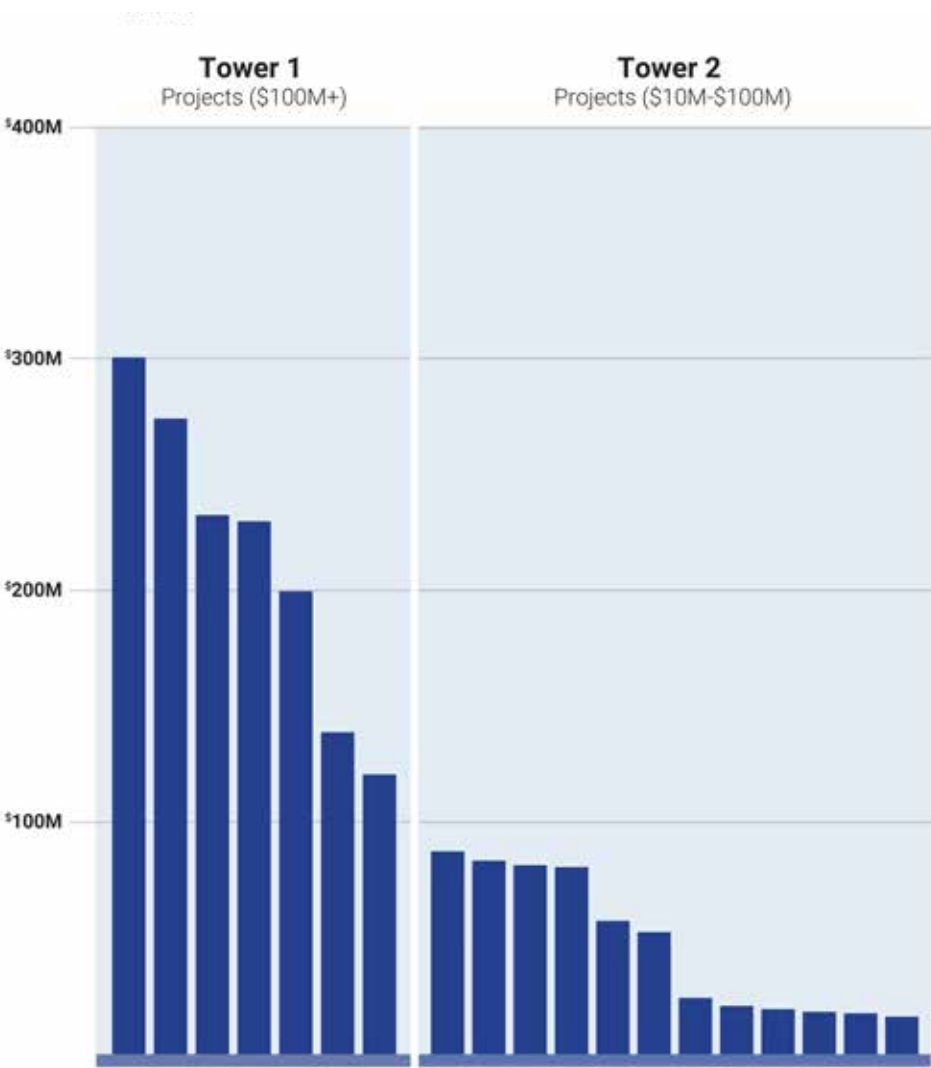


Master Rolling Owner Controlled Insurance Program

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. However, 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, the MR OCIP was launched on January 1, 2013. The Program continues to grow; it currently has 16 participating members and more than \$2.5B 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.



Membership

Tower 1

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

Tower 2

- City of Oakland
- Kern County
- Kern Health Systems
- Kings County
- Merced County
- Placer County
- San Diego County
- Santa Barbara County
- San Mateo Co Schools Ins. Group
- Solano County
- Tulare County
- Tuolumne County

Financial Letter

November 1, 2018

Board of Directors
CSAC Excess Insurance Authority

The EIA continues to scale new heights in order 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, 2018. Included are comparative financial statements for the years ended June 30, 2018 and 2017, including the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position, which conform to the 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 the fiscal year ending June 30, 2017 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 a 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.

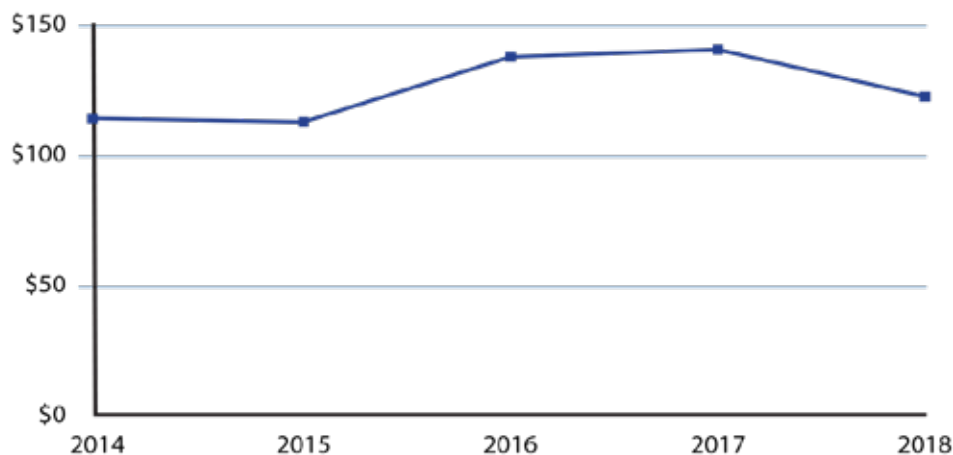
Financial Highlights

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 \$140.5M. The beginning net position was adjusted down by \$6.2M as a net result of the GASB 75 OPEB accounting, the SANDPIPA merger, and the reclassification of certain member deposits as Liabilities on the books. Additionally, we had a net loss of \$11.8M in fiscal year 2017/18 after declaring dividends of \$1.1M. Our ending balance in net position at June 30, 2018 is \$122.6M, down \$18M from fiscal year 2016/17.

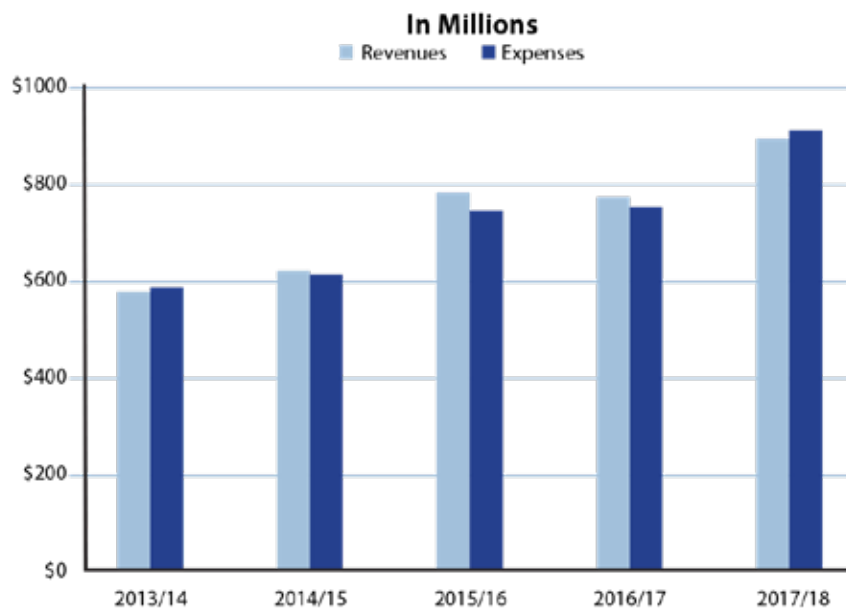
The decrease in net position was largely driven by adverse development in prior year claims expense, especially in the GL1 Program. The adjustment to beginning net position also contributed to this decrease.

Net Position Trend (in millions)



Financial Letter

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 \$610.7M as of June 30, 2017 to \$664.5M at June 30, 2018. The change in claim liabilities is net of the addition of the new year's claims and adjustment to prior years' claims less claim payments during fiscal year 2017/18 for all claim years. An increase of \$30.8M and \$72.2M in claim liabilities for the GL 1 Program and the EIO, respectively, contributed to the overall increase in claims liabilities. The decrease of \$56.1M in claim liabilities for the EWC Program provided some offset to the overall increase.

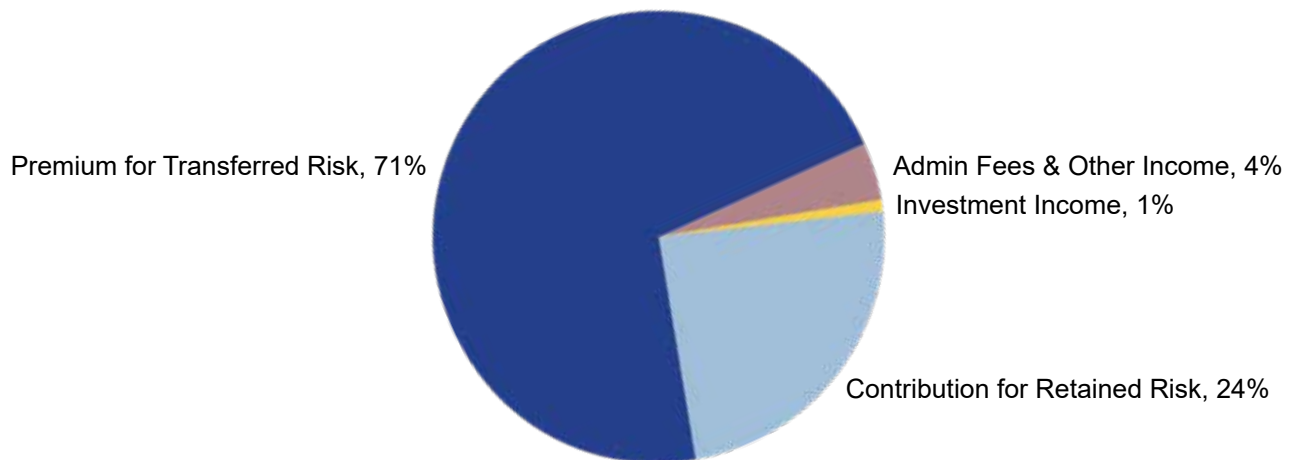
The target equity range is what the EIA considers desirable equity that should be on hand as a reserve for loss development. The governing committees for each program use this information to determine how much premium to collect at renewal, and whether to declare a dividend. The following chart below shows the target equity range for each program, and the net position of those programs at June 30, 2018.

	Target Equity Range		Program Net Position
	(in millions)		(in millions)
<u>Program</u>	<u>Low</u>	<u>High</u>	<u>as of June, 2018</u>
Primary Workers' Compensation	\$14.20	\$41.90	\$24.90
Excess Workers' Compensation	\$32.90	\$103.10	\$29.40
Primary General Liability	\$0.06	\$1.20	\$0.30
General Liability I	\$22.20	\$34.50	\$8.80
Medical Malpractice	\$3.60	\$12.30	\$7.30

Financial Letter

Revenues

Total revenues were \$895M during 2017/18, a 16% increase from the \$771M in 2016/17. All programs have reported higher total revenue compared to 2017 except PWC, PGL, and the Miscellaneous Programs. An increase in investment income also contributed to an increase in total revenue compared to fiscal year 2016/17. Additionally, both premium and pool revenue is up partly due to rising payrolls, which is the exposure base for many programs. For the 2017/18 renewal, the GL1, GL2, Excess Workers' Compensation (excess layers) and Medical Malpractice Programs experienced rate increases whereas the Dental, Excess Workers' Compensation (pool layer), Primary Workers' Compensation, and Primary General Liability Programs had rate decreases. The rates were flat for the Property and Health Program renewals.



Investment Income

Investment income was \$6.3M for fiscal year 2017/18 compared to \$4.6M in fiscal year 2016/17, which is an increase of 37% due to better market performance in 2018. The investment income for both years is net of mark to market unrealized loss adjustment of \$7.2M in fiscal year 2017/18 as compared to \$6.1M in fiscal year 2016/17.

Expenses

The EIA continued to purchase insurance to cover risks when that option was more cost effective than pooling the risk. In 2017/18, insurance related expense was \$639M, up from \$537M in 2016/17, 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.

New and On-going Initiatives

During the 2017/18 year, the Finance Committee went through an RFP process and after vetting the proposals, selected Moss Adams as the EIA's Internal Auditors. Within fiscal year 2018/19, the internal auditors are working on creating an internal audit program for the EIA after an initial risk assessment.

The conversions for the remaining Primary Workers' Compensation third party administrators (PWC TPAs) into our claims management information system (CMIS) were completed, except for one TPA, which was put on hold by the PWC Committee and will be re-evaluated at a later date.

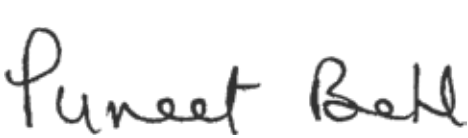
System administration/management automation measures to increase monitoring and provide alerts related to business rules and report subscriptions were implemented, as well as additional backup measures for key database objects to assist in recovery and rollback operations for report related items. Significant progress on a project to improve excess reimbursement handling internally was also made during the year.

Financial Letter

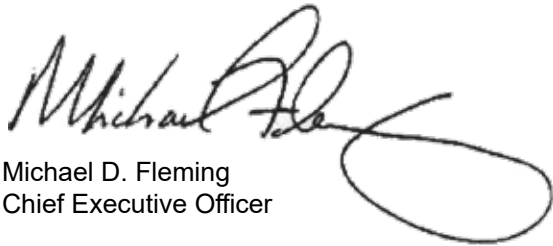
We continue to work on the development of new performance reporting, data analysis, and benchmarking applications. These new tools should provide valuable information for the membership, as well as to provide the data needed to develop better loss prevention programs and more effectively price member premiums. Additionally we created a Schools Liability Handbook, expanded EIAtv, and implemented Crisis Incident Counseling services.

Our financial statements follow. With the help of the members, staff, broker, and business 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,



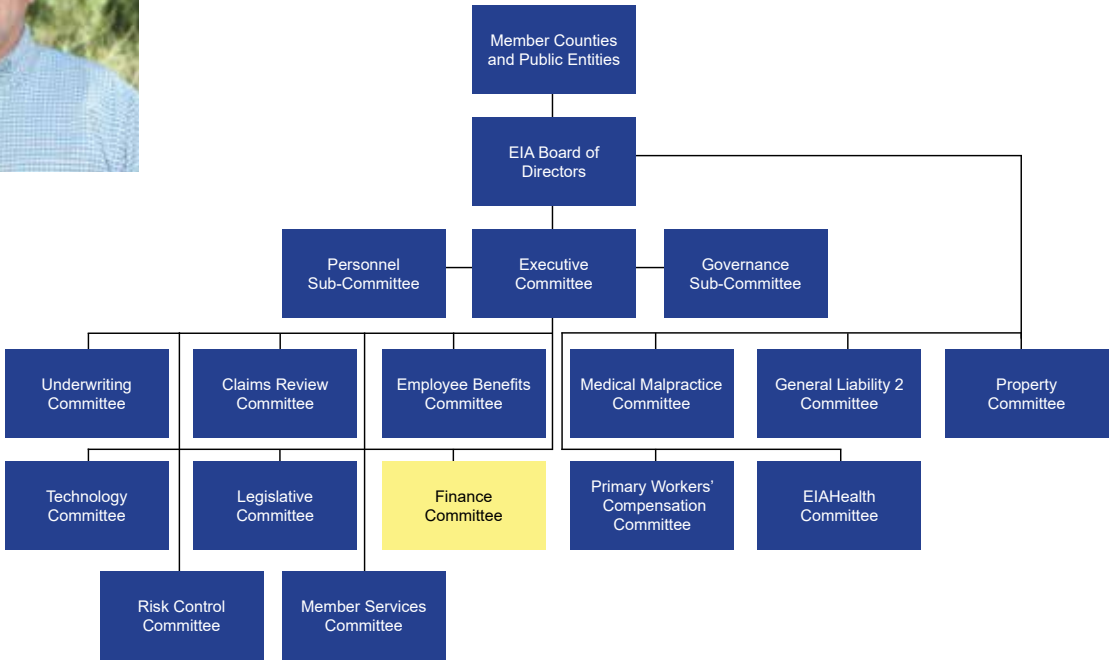
Puneet Behl, CPA
Chief Financial Officer



Michael D. Fleming
Chief Executive Officer



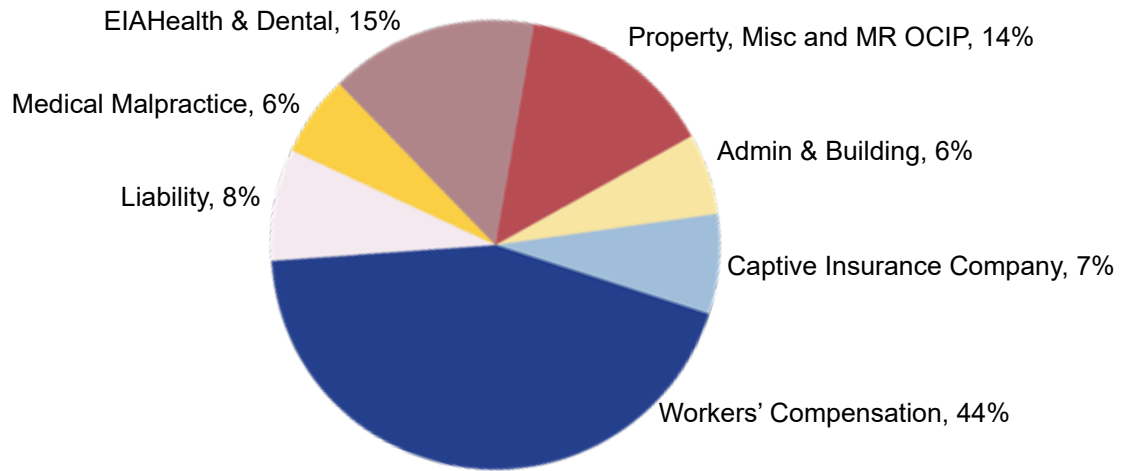
Darrel Pyle
City of Hanford
Finance Committee Chair



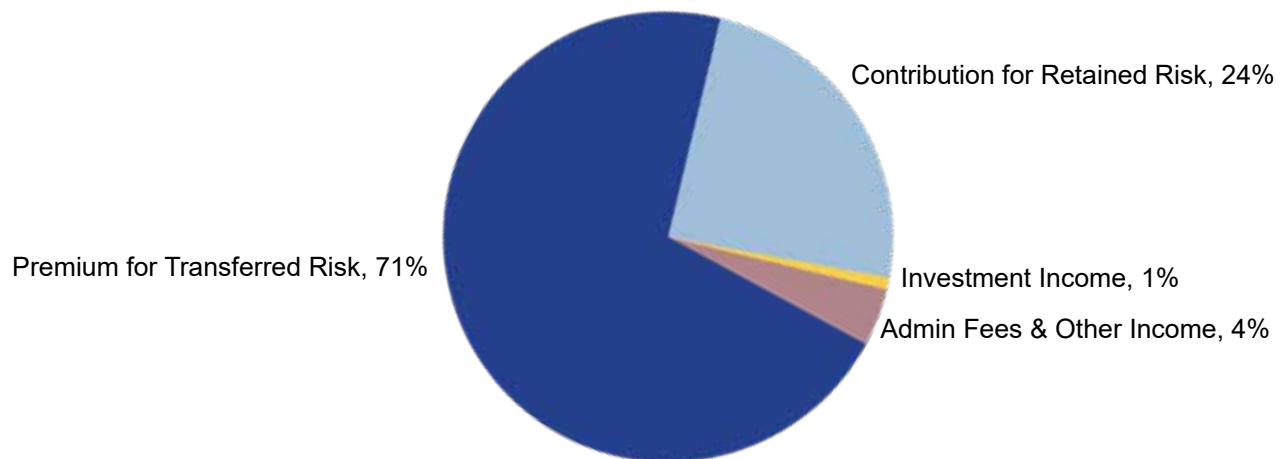
Financial Profile

Financial results in brief 2017/18

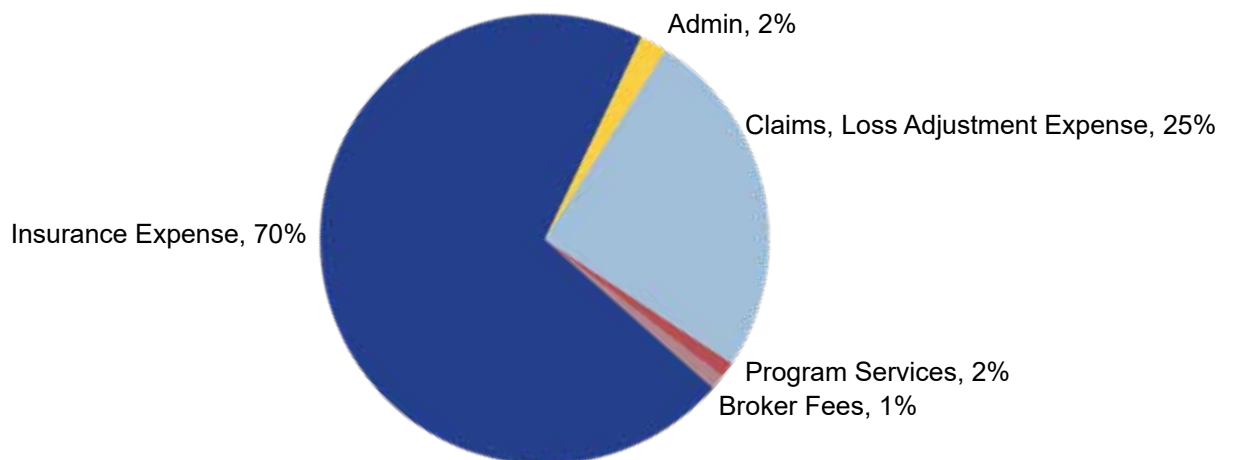
Net Position By Program



Revenues



Expenses



Financial Profile

continued

Statement of Net Position, June 30, 2018 and 2017

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Assets:		
Cash and Cash Equivalents	\$ 34,770,387	\$ 36,891,450
Investments	651,628,827	616,992,551
Receivables	32,547,657	29,796,757
Prepaid Expenses and Deferred Outflows of Resources	107,031,923	99,381,588
Land, Buildings and Equipment (Net)	<u>10,205,042</u>	<u>9,838,240</u>
Total Assets and Deferred Outflows of Resources	<u>836,183,836</u>	<u>792,900,586</u>
Liabilities:		
Accounts Payable, Due to Members and Deposits from Carriers	\$ 22,120,152	\$ 19,247,003
Unearned Income and Other Liabilities	18,161,650	19,872,723
Pension Liabilities	2,747,578	2,558,380
Claim Liabilities	<u>664,459,654</u>	<u>610,701,218</u>
Total Liabilities and Deferred Inflows of Resources	<u>707,489,034</u>	<u>652,379,324</u>
Net Position:		
Invested in Capital Assets	10,205,042	9,838,240
Unrestricted	<u>112,365,552</u>	<u>130,683,022</u>
Total Net Position	<u>\$ 122,570,594</u>	<u>\$ 140,521,262</u>

Financial Profile

continued

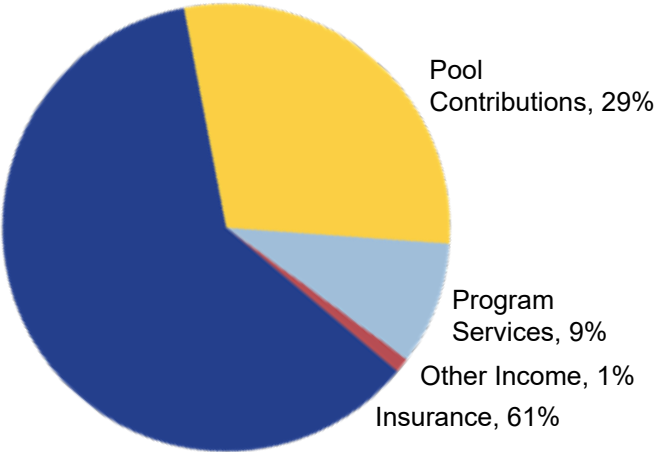
Statement of Revenues, Expenses & Changes in Net Position for the Fiscal Years Ended June 30, 2018 and 2017

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Revenues:		
Premiums for Transferred Risk	\$ 639,585,449	\$ 535,583,984
Broker Fees	10,678,116	9,996,927
Contributions for Retained Risk	212,774,426	196,118,073
Dividend Income	93,904	192,828
Investment Income, net	6,283,097	4,602,220
Member Services	637,546	935,244
Administration Fees	22,797,612	21,294,667
Public Entity Fees	138,545	738,862
Development Fees	-	2,400
Other Income	<u>2,105,826</u>	<u>2,172,511</u>
Total Revenues	<u>895,094,521</u>	<u>771,637,716</u>
Expenses:		
Member Dividends	\$ 1,082,497	\$ 2,970,796
Stabilization Funds Distributed	47,210	64,106
Insurance and Provision for Losses:		
Insurance Expense	638,628,836	537,135,168
Broker Fees	10,636,299	10,056,293
Provision for Insured Events	231,224,547	185,159,424
Unallocated Loss Adjustment Expenses	(5,702,516)	4,035,629
Program Services	13,382,182	13,006,216
Member Services and Subsidies	2,634,689	2,753,144
General Administrative Services	12,910,631	12,500,483
Depreciation and Building Maintenance	<u>2,005,446</u>	<u>1,107,812</u>
Total Expenses	<u>906,849,821</u>	<u>768,789,071</u>
Changes in Net Position	<u>(11,755,300)</u>	<u>2,848,645</u>
Net Position:		
Net Position, Beginning of Year	<u>140,521,262</u>	<u>137,672,617</u>
Adjustment to Beginning Net Position	<u>(6,195,368)</u>	<u>-</u>
Net Position, End of Year	<u><u>\$ 122,570,594</u></u>	<u><u>\$ 140,521,262</u></u>

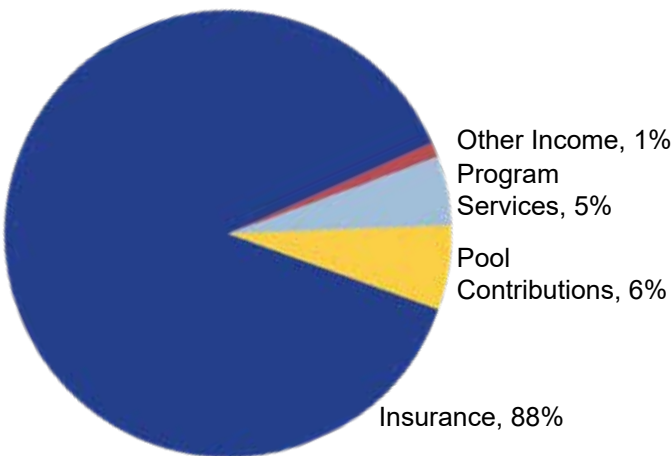
Financial Profile

Revenues by Program

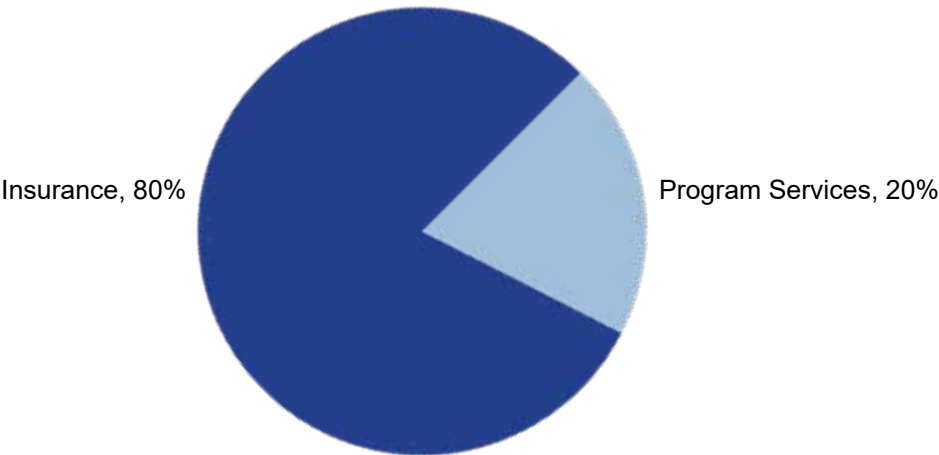
Primary Workers' Compensation



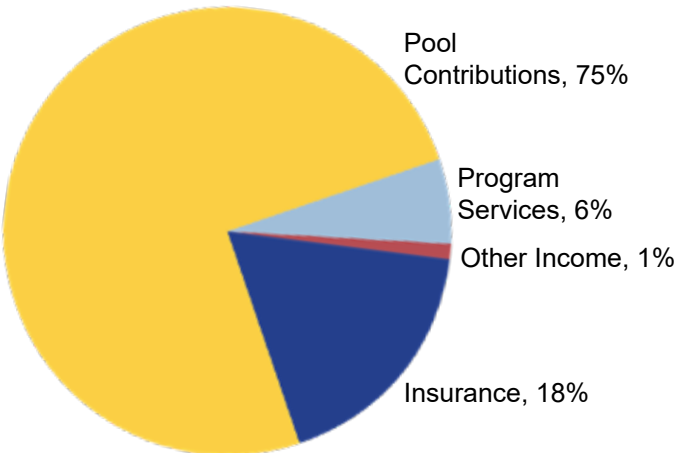
Excess Workers' Compensation



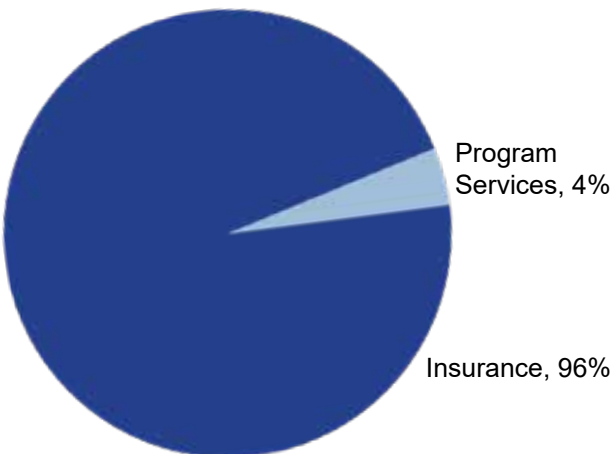
Primary General Liability



General Liability 1

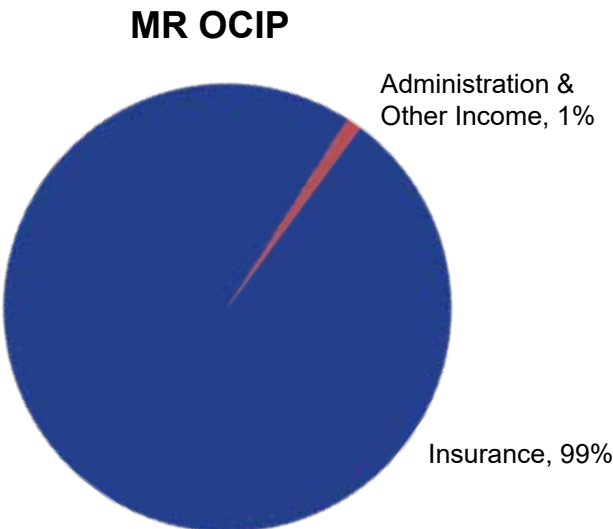
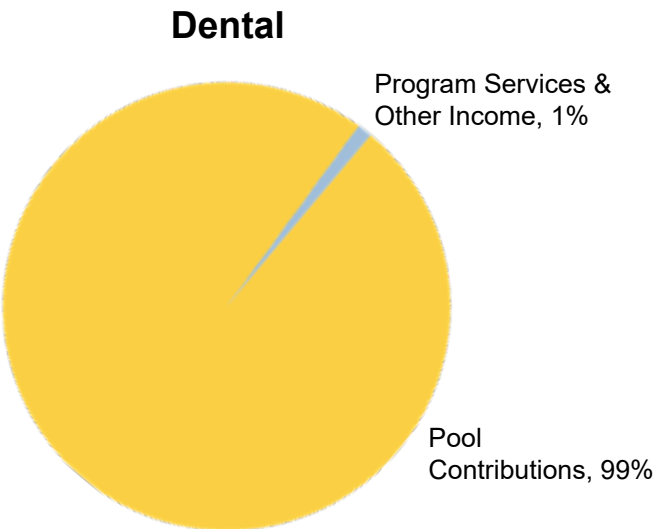
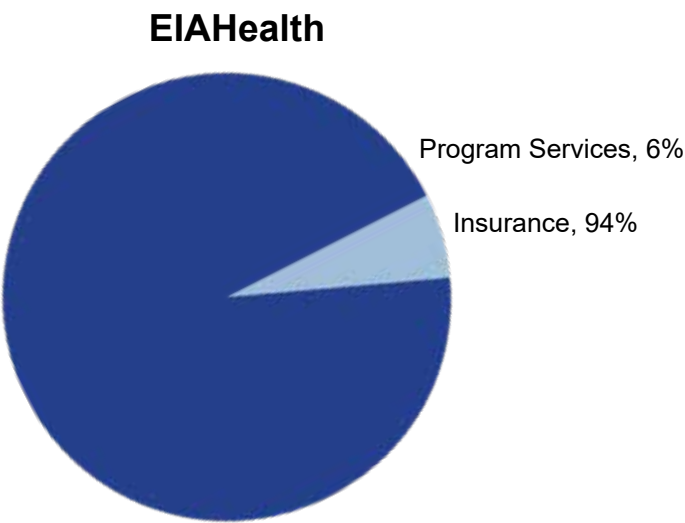
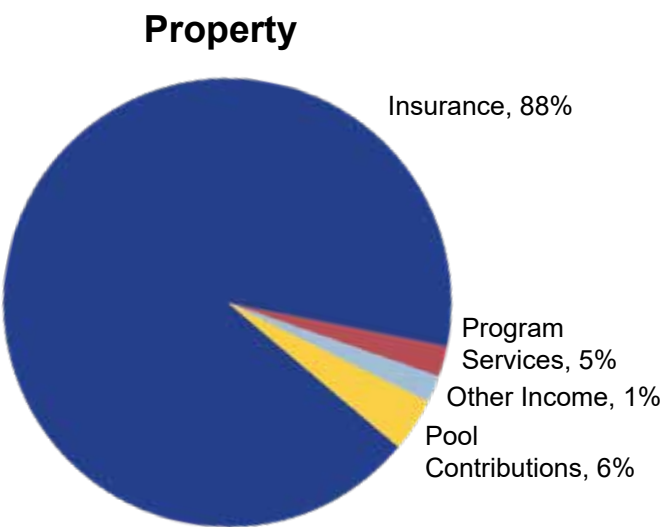
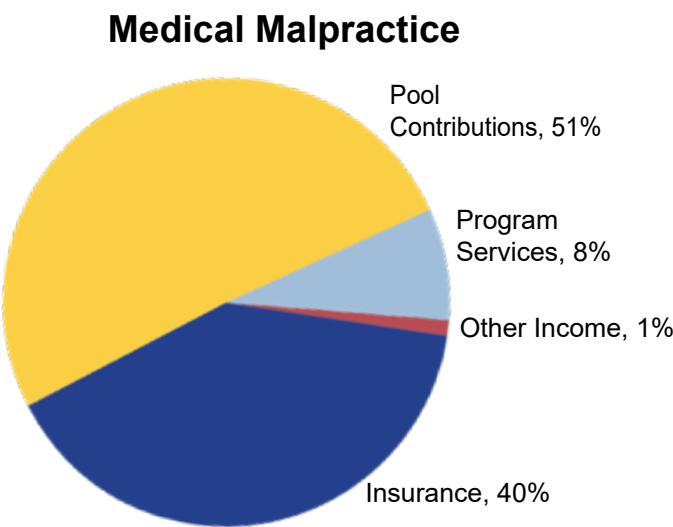


General Liability 2



Financial Profile

Revenues by Program



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 39 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), which began operations on July 1, 2016, is an example of the new heights the EIA has reached.

While the membership has enjoyed the rewards of their success over the past 39 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 the 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 – 6/30/17). These recognitions and achievements reinforce the valuable, effective, efficient, collaborative, and stable organization that the members have built for California's public agencies.

Membership

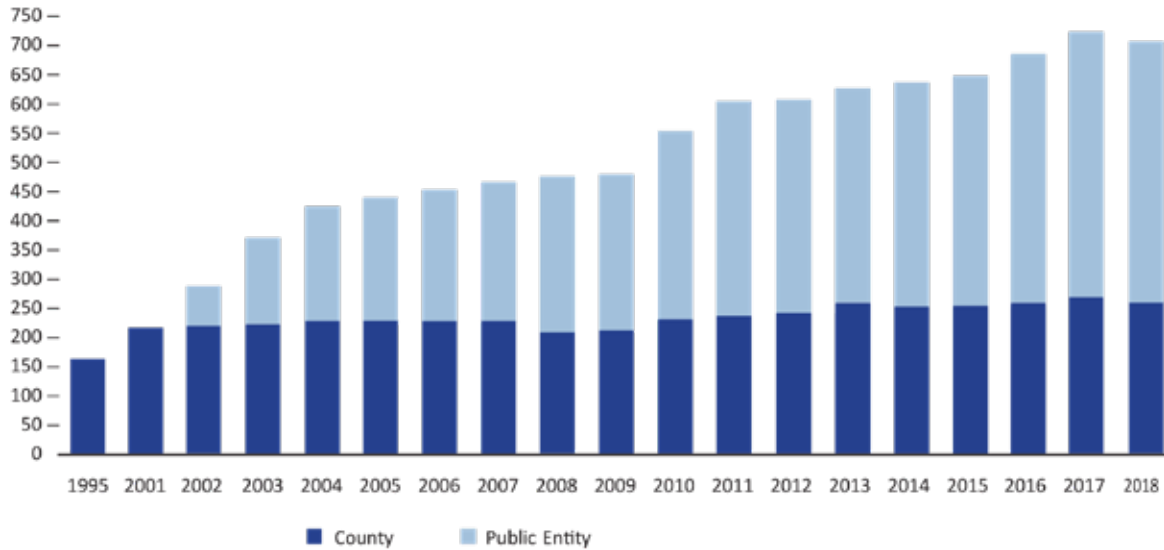
Since the early 2000s when non-county public entities throughout the state were given the opportunity to access the EIA's programs and services, the EIA has seen significant membership growth. Most of the growth occurred during 2001 to 2004 as a result of conditions in the insurance market.

As depicted in the graph on the next page, membership is shown in terms of "member units," where each member in each of the major programs is counted as one member unit. The membership change from 2017 to 2018 reflects the merger of PGL members into GL1.

The EIA's 55 member counties represent 95% of the 58 counties in the state. While the public entity membership currently consists of 287 organizations, including cities, school districts, special districts, and other JPAs, the actual number of public entities



Membership (continued)



accessing the coverage and services of the EIA is just under 2,000. 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 remains strong by county-affiliated agencies and local governmental entities.

EIA's Captive Insurance Company

The EIA formed a wholly owned captive insurance company, the Excess Insurance Organization (EIO), which began operations on July 1, 2016. The EIO is domiciled in the State of Utah and is regulated by the Utah Department of Insurance. In the 2018/19 program period, 5 of the EIA's programs have elected to transfer their corridor risk to the EIO, resulting in a savings of \$8.3M. Total premium paid to the EIO in 2018/19 is just over \$100M. By transferring selected risks to the EIO, an additional \$2.8M in investment income was generated in the first year of operation and an additional \$4.5M in the second year. As we enter the third year of operation, expanded use of the EIO is being evaluated that will bring additional benefits including the potential to open participation in the EIA's programs to public entities nationwide.



By operating its captive insurance company, the EIA is able to enhance its investment program, which creates immediate and long-term savings, and creates a superior risk transfer mechanism.

- 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 3-10%, depending on the duration of the payout period of the program, which represents an upfront savings to the program members. This short-term benefit is limited to the members of the programs that participate in the transfer of risk to the EIO.
- 2. There is 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



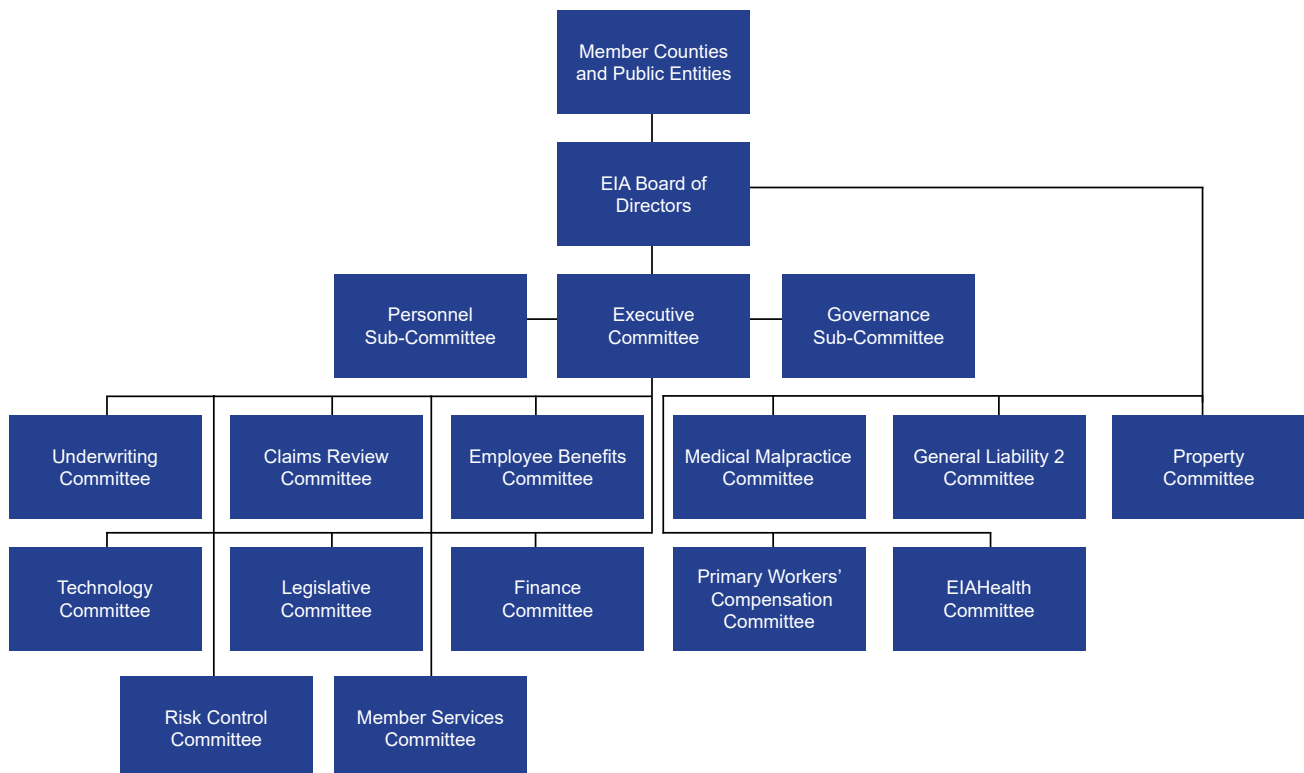
Membership Involvement

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 16 committees. As such, more than 120 individuals are currently participating in the governance of the organization. The EIA is fortunate to have such a substantial number of people driving the decisions that keep the organization scaling to new heights.

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, Risk Control Professionals, Auditors, and many others 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.

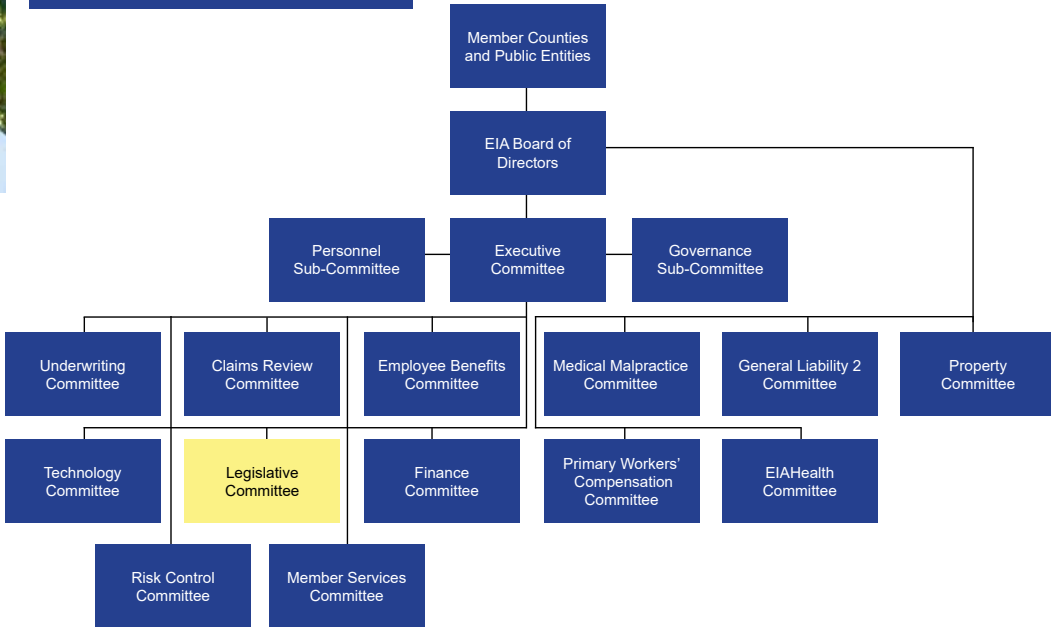
Because member involvement is a critical component of success, the EIA has made this area one of its highest priorities. Strategies have been implemented such as succession planning and mentor programs to ensure that active participation continues at a high level.

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, taking into consideration 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 the following committees: Risk Control, Legislative, Technology, and Member Services (pages 35 & 36).

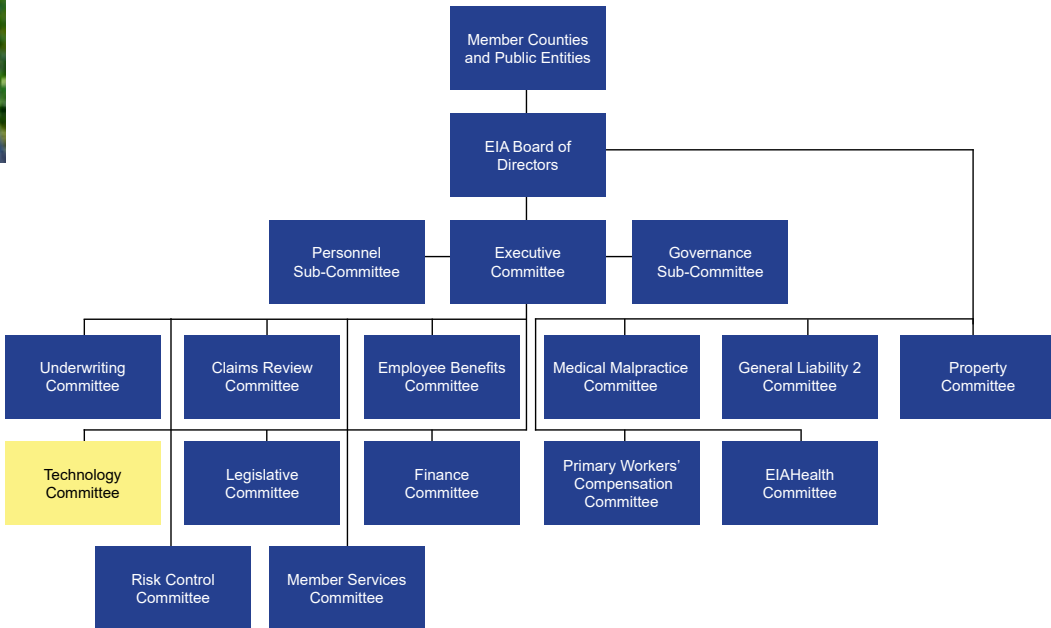




Matt Gutierrez
Kern County
Legislative Committee Chair

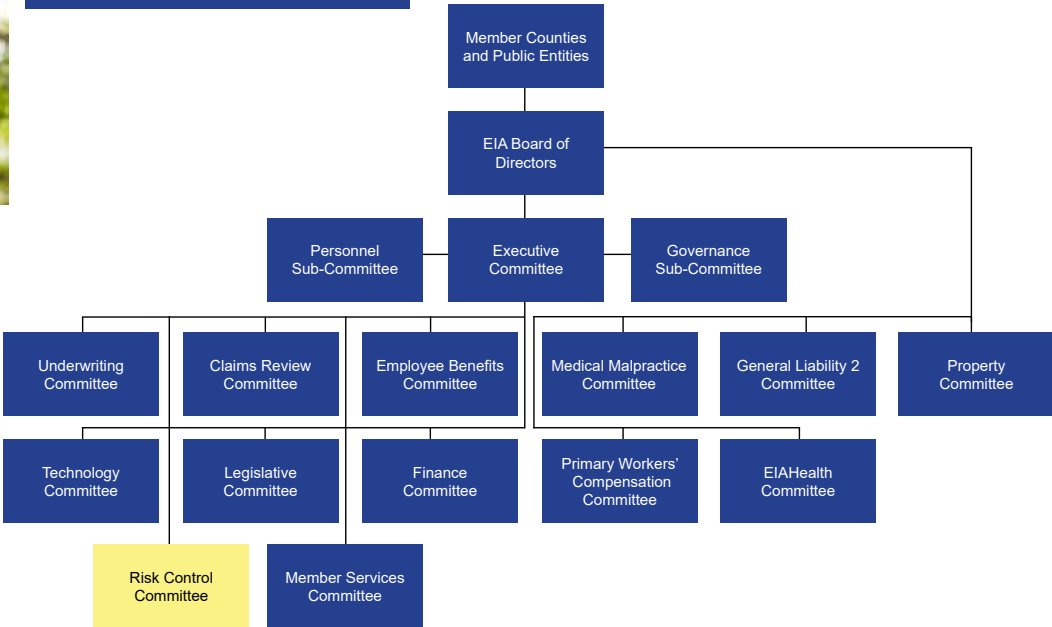


Heather Correll
Mendocino County
Technology Committee Chair

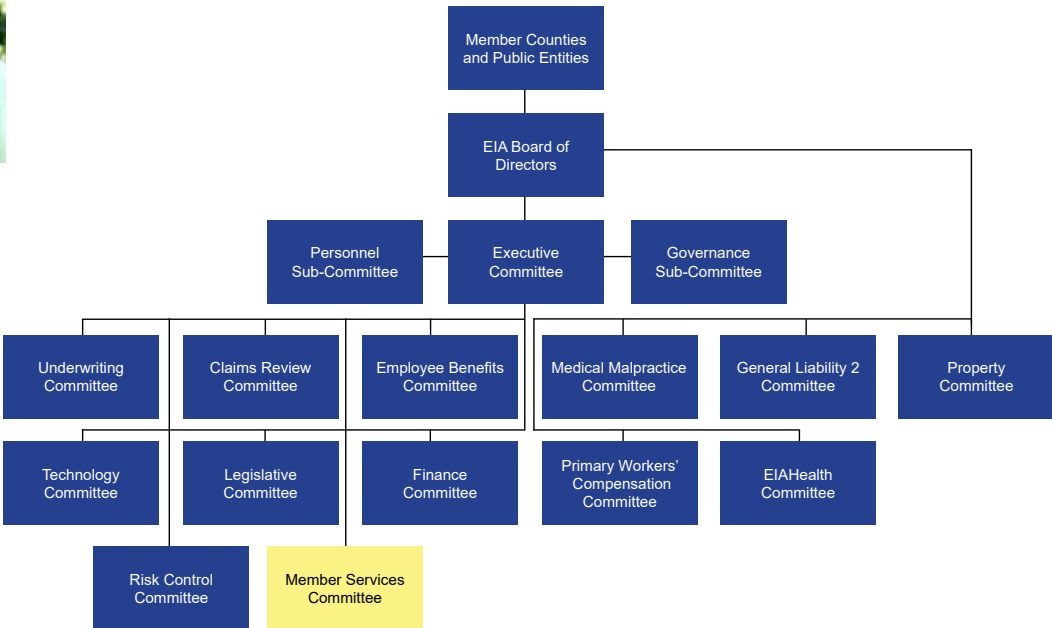




Jodi Vinson
City of Escondido
Risk Control Committee Chair



Pat Cabulagan
CAPRI
Member Services Committee Chair



EIA Leadership

2018 Executive Committee

President

James Brown, Merced County

Vice President

Kerry John Whitney, Napa County

Members

Supv. John Viegas, Glenn County
 Scott Schimke, GSRMA
 Matt Gutierrez, Kern County
 Richard Egan, Lassen County
 Kimberly Greer, City of Richmond
 Lance Sposito, Santa Clara County
 Sherri Adams, Solano County
 Janell Crane, Sonoma County
 Nathan Black, Sutter County

Past Presidents

Supv. 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
 Supv. 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

2019 Executive Committee

President

Kerry John Whitney, Napa County

Vice President

Janell Crane, Sonoma County

Members

Karen Caoile, Alameda County
 Supv. John Viegas, Glenn County
 Scott Schimke, GSRMA
 Matt Gutierrez, Kern County
 Richard Egan, Lassen County
 James Brown, Merced County
 Kimberly Greer, City of Richmond
 Lance Sposito, Santa Clara County
 Nathan Black, Sutter 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



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For its Annual
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June 30, 2016

Jeffrey R. Enoch
Executive Director/CEO





CSAC Excess Insurance Authority

75 Iron Point Circle, Suite 200, Folsom, CA 95630 | 916.850.7300 | www.csac-eia.org

The leader in member-directed risk management.