

NCCSIF

Northern California Cities Self Insurance Fund

2011 Annual Report



NCCSIF Program Administrators



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NCCSIF 2011 Annual Report

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Letter to Our Members

Dear Members,

We are pleased to present you with the 2011 Annual Report. We have now been associated with NCCSIF for 20 years and have seen many changes take place, as outlined in the History of the JPA. While we have changed many Board Members over the years, we are always impressed by the quality of the new Board Members and the commitment they have to building and maintaining strong programs. New members bring new ideas, interests and energy to the JPA.

The strength of our assets has enabled NCCSIF to increase pricing stability, especially important in these trying financial circumstances. With a goal to reduce the impact of individual members' adverse loss development on premiums and not reduce the financial security the JPA enjoys, we reviewed the rating methodologies and the refund and assessment formulas and enacted changes to lessen rate variability and to give more control of the Banking Layer funding to the members. As a result of these changes and our continuing financial strength, NCCSIF has been able to return over \$14 million in dividends to members over the past three years.

Sincerely,

Susan Adams

NCCSIF Program Administrator

NCCSIF continues to work on increasing the Loss Control services and training programs available to Members. Loss Control services now represent an amount equal to 2.5% of the pool layer funding.

NCCSIF operates in an environment that is partially dependent on the insurance market for about one third of the liability costs and about one fifth of the Workers' Compensation Program costs. The JPA has chosen to limit this impact by partnering with other public agencies participating in Excess Joint Powers Authorities. Participation in these excess pools has also increased the level of services available to the members. Our partnership with CJPRMA for liability coverage has resulted in six years of dividends in excess of \$325,000 per year. These dividends are applied to the renewal costs for the Liability Program.

Our commitment is to continue to work for increased levels of claims cost containment to stabilize future costs to the members.

Alliant Insurance Services, Inc.



Mission Statement

The Northern California Cities Self Insurance Fund (NCCSIF) is an association of municipalities joined together in 1979 to protect Member resources by stabilizing risk costs in a reliable, economical and beneficial manner while providing members with broad coverage and quality services in risk management and claims management.





History of the JPA

The Northern California Cities Workers' Compensation Fund, a Joint Powers Authority, was first formed in early 1979. It is one of the first pooled municipal insurance programs in the State. The JPA's original purpose was to provide medium-sized Northern California cities a mechanism to self-fund a layer of workers' compensation insurance, as well as to obtain the advantages of group purchase excess insurance. In 1981, a number of the member cities desired to apply the same concepts of pooling to General Liability coverage, Automobile Liability, Errors and Omissions, and Employment Practices Liability. Since that time the group has grown to twenty-one cities that now pool coverage together to a limit of \$500,000 for Workers' Compensation and \$1,000,000 for General and Automobile Liability, Errors and Omissions and Employment Practices Liability.

Where originally the JPA relied upon excess coverage from the Commercial Insurance Marketplace, the excess coverage for both Workers' Compensation and Liability are now provided by excess Joint Powers Authorities. These are groups of Joint

Powers Authorities and larger individual entities grouped together to pool coverages together and reduce the need for commercial coverage.

In 1987, the name of the Joint Powers Authority was changed to Northern California Cities Self Insurance Fund (NCCSIF).

NCCSIF also offers group purchase of Property, Crime and an Employee Assistance Program. As the cost to purchase these coverages on a group basis continues to be less than the cost to self-insure, these are not self-insurance programs.

In 2008 NCCSIF started providing Wellness services to Members. During 2009, NCCSIF enhanced its risk management services through partnerships with Target Safety and Risk Management Solutions to provide online loss prevention services to the membership. During 2010 the City of Ione joined NCCSIF. During 2011 the Risk Management Committee has been restructured as part of the Board of Director meetings.

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Northern California Cities Self Insurance Fund

NCCSIF Historical Timeline

1979	1980	1981	1982	1983	1984	1985
<p>The Northern California Cities Workers' Compensation Fund, a Joint Powers Authority, was formed in early 1979. It is one of the oldest pooled municipal insurance programs in the State. The JPA's purpose is to provide small Northern California cities a mechanism to self-fund a layer of workers' compensation insurance, as well as to obtain the advantages of mass purchasing excess insurance.</p> <p>Members who joined the pool: Anderson, Corning, Folsom, Galt, Jackson, Placerville, Rio Vista and Willows</p>	<p>Additional members join the WC JPA:</p> <p>Gridley Rocklin</p>	<p>A number of the member cities desired to apply the same concepts of pooling to Automobile and General Liability coverage.</p> <p>LIABILITY Anderson Corning Folsom Galt Gridley Rocklin Willows</p> <p>WC Auburn</p>	<p>City of Nevada City joins the WC JPA</p>	<p>Additional members join the WC JPA:</p> <p>Dixon Red Bluff</p>	<p>City of Lincoln joins the WC JPA</p>	<p>A number of the member cities join the Liability JPA:</p> <p>Lincoln Oroville Paradise Rio Vista</p>
1986	1987	1988	1990	1991	1992	1993
<p>Additional members join the Liability JPA:</p> <p>Auburn Red Bluff</p>	<p>The name of the Joint Powers Authority was changed to Northern California Cities Self Insurance Fund (NCCSIF). NCCSIF offers group purchase of Property, Crime & EAP programs. These programs are not self-insurance.</p> <p>The following members joined the JPA:</p> <p>LIABILITY City of Jackson</p> <p>WC Town of Paradise</p>	<p>Additional members join the Liability JPA:</p> <p>Colusa Dixon</p>	<p>The City of Oroville joins the WC JPA</p>	<p>The City of Marysville joins the Liability JPA</p> <p>NCCSIF begins shared risk program for Liability and Workers' Compensation</p> <p>NCCSIF begins a Risk Management Committee</p> <p>Alliant - Marylin Kelley joins and becomes Program Administrator</p>	<p>The City of Yuba City joins the Liability JPA</p> <p>Additional members join the WC JPA:</p> <p>Colusa Marysville Yuba City</p>	<p>NCCSIF is awarded the CAJPA Accreditation with Excellence Achievement</p>
1996	2001	2003	2007	2008	2009	2010
<p>NCCSIF joins CJPRMA for Excess Liability Coverage</p>	<p>NCCSIF gets first refund from CJPRMA of \$40,000</p>	<p>NCCSIF joins CPEIA for Excess Workers' Compensation Coverage</p>	<p>NCCSIF's Shared Risk Liability Layer changes from \$500,000 to \$1,000,000 and NCCSIF joins CSAC-EIA for Excess Workers' Compensation Coverage</p>	<p>NCCSIF Revises its Dividend Formula and Distributes \$6M to Members</p> <p>Multiple risk management services are paid for by an administrative surplus: BackSafe for Fire and Public Works, Wellness Programs, Lexipol Daily Training Bulletin for PDs</p>	<p>NCCSIF is once again awarded the CAJPA Accreditation with Excellence</p> <p>Online risk management services are enhanced through partnerships with TargetSafety and Risk Control Online.</p>	<p>City of Ione joins Liability and WC JPA</p>



Northern California Cities Self Insurance Fund

Board of Directors

The Board of Directors of NCCSIF is composed of a representative appointed by the City Council of each member agency. An Alternate Member is also appointed to serve in the

absence of the appointed representative. Only the Board Member – or in the Board Member’s absence the Alternate Member – has voting authority.

Current Members are as follows:

Member	Board Director	Alternate	Member	Board Director	Alternate
City of Anderson	Dana Shigley	Jeff Kiser	City of Marysville	Dixon Coulter	Steve Casey
City of Auburn	Andy Heath	Joanna Belanger	City of Nevada City	Catrina Andes	Gene Albaugh
City of Colusa	Randy Dunn	Shelly Kittle	City of Oroville	Harold Duffey	Liz Ehrenstrom
City of Corning	Steve Kimbrough	Tom Watson	City of Placerville	Dave Warren	John Driscoll
City of Dixon	Steve Johnson	Kim Stalie	City of Red Bluff	Martin Nichols	Sandy Ryan
City of Folsom	Bruce Cline	Kristine Wilfong	City of Rio Vista	Hector De LaRosa	Vacant
City of Galt	Paula Islas	Jason Behrmann	City of Rocklin	Judy LaPorte	Colleen Laubinger
City of Gridley	Karin Helvey	Rob Hickey	City of Willows	Tim Sailsbery	Steve Holsinger
City of Ione	Jeff Butzlaff	Vacant	City of Yuba City	Steve Kroeger	Robin Bertagna
City of Jackson	Michael Daly	Carla Soracco	Town of Paradise	Gina Will	Crystal Peters
City of Lincoln	John Lee	Sheila VanZandt			



Northern California Cities Self Insurance Fund

Executive Committee

The Executive Committee is a standing committee of the Board that acts as a steering committee for overall operation of the Joint Powers Authority and has been delegated certain duties as enumerated in the Bylaws. The Committee is composed of seven-nine voting members and two nonvoting members of the Board selected in accordance with Section 4 of the Bylaws. The President of the Board serves as the Chair of the

Committee, while the Vice President, immediate Past President and the Secretary are voting members of the Committee. Remaining voting seats are selected on a rotating geographical basis. Treasurer and CJPRMA Board Member are non-voting members of the Committee. The Program Administrator and the Claims Administrator also attend the meetings, but do not vote.

Members are as follows:

January 1, 2010		January 1, 2011	
City of Colusa	Susan Price	City of Anderson	Dana Shigley
City of Folsom	Bruce Cline, <i>Secretary</i>	City of Colusa	Beth Penner
City of Galt	Paula Islas, <i>Past President</i>	City of Corning	Steve Kimbrough, <i>Vice President</i>
City of Jackson	Michael Daly	City of Jackson	Michael Daly
City of Marysville	Dixon Coulter, <i>President</i>	City of Marysville	Dixon Coulter, <i>Treasurer</i>
City of Placerville	Dave Warren	City of Red Bluff	Martin Nichols
City of Yuba City	Steve Kroeger, <i>Vice President</i>	City of Willows	Tim Sailsbery, <i>Secretary</i>
		City of Yuba City	Steve Kroeger, <i>President</i>

Non-Voting Members:

Treasurer	Dixon Coulter, City of Marysville (currently voting due to rotation)
CJPRMA Board Representative	Dixon Coulter, City of Marysville (currently voting due to rotation)
Program Administration Staff	Alliant Insurance Services, Inc.
Accounting Services Provider	James Marta, CPA
Third Party Claims Administration Staff	York Insurance Services Group, Inc.



Claims Committee

The Claims Committee reviews claims in the Shared Risk Layer, authorizes settlements and makes determinations on coverage. Authority is granted to the Executive Committee to act as or appoint members of the Claims Committee. All claims are reported to the Claims Administrator regardless of the claim values. The Claims Committee meets as necessary to review all open reported claims likely to involve the Authority's shared risk portion of the Liability and Workers' Compensation Programs. NCCSIF has retained the services of York Insurance Services Group, Inc. as Claims Administrator, which is responsible for performing or overseeing the performance of all necessary investigation of claims, assignment of legal defense firms, as well as overseeing legal defense. The Claims Administrator also provides reports containing the status of claims and the projected reserves to the Claims Committee.

Members have authority to settle claims in their Banking Layer up to \$50,000 for Liability and \$100,000 for Workers' Compensation. The Claims Committee has authority up to \$250,000. The Board of Directors has authority to settle claims over \$250,000 up to the SIR of \$1,000,000 for Liability and \$500,000 for Workers' Compensation. Liability claims authority shall not exceed \$200,000 of the Shared Risk Layer funds. The Claims Committee is granted authority to deny claims and to refer claims to coverage counsel for opinions of coverage.

NCCSIF hires an independent auditor to perform an audit for the Liability Program every odd numbered year and an audit for the Workers' Compensation Program every even numbered year.

Claims Committee members are selected from the Executive Committee annually at the March meeting, except for the CJPRMA representative who is required.



Finance Committee

The NCCSIF Board of Directors has delegated financial investment authority to the Executive Committee and the Executive Committee has discharged the responsibilities and duties to the Finance Committee. The members of the Finance Committee members are appointed by the Executive Committee as follows:

The Treasurer and other Board members or Alternates are appointed by the Executive Committee. It is desired that one member of the committee shall be a finance or assistant finance director of an Authority member.

A Treasurer is annually elected by the Board of Directors and serves as the Chair of the Finance Committee.

Duties of the Finance Committee include:

Members are as follows:

City of Marysville	Dixon Coulter
City of Yuba City	Robin Bertagna
City of Willows	Tim Sailsbery

1. Discuss strategies with the Investment Advisors in accordance with the Investment Policy and direct overall investment strategy.
2. Review cash management requirements on an annual basis and give direction to the accountant to make adjustments.
3. Review the independent auditor's proposed audit scope and approach.
4. Review the performance of the independent auditor.
5. Recommend the appointment to the Executive Committee of the independent auditor and review audit fees.
6. At the direction of the Board or the Executive Committee, review with counsel any legal matters that could have significant impact on the financial statements.
7. Review and make recommendations to the Board or the Executive Committee to maintain or change the Investment Policy in accordance with California Government Code.
8. Advise the Board and the Executive Committee on other financial matters.



Risk Management Committee

NCCSIF has had an active Risk Management Committee since 1991. The Committee is comprised of one member from each City and over the years the Committee has been enriched by the services of employees from Public Works, Finance, Human Resources, Police and Fire Departments as well as Assistant City Managers who have all worked to provide a broad range of safety services to the members.

The Risk Management Committee has adopted the following Loss Control Policy Statement:

The Northern California Cities Self Insurance Fund, a Joint Powers Authority, is concerned for the welfare and safety of the JPA Members, Employees and the Public they serve.

The JPA acknowledges its obligation to encourage its members to provide the safest possible working conditions for employees and, as a government service organization, to provide a safe environment for the public that use their services and facilities.

It is the JPA's philosophy that the consideration of the worker safety, and the safety of the general public, bears as high a priority as the decision to commit funds or to complete a task.

Our goal is to foster loss control programs to guard against all types of accidents and incidents wherever possible.

Recognizing the above goals, the Committee annually approves (and upon approval oversees expenditures of) a Risk Management Budget for submission to the Board of Directors. That budget currently represents 2.8% of the NCCSIF budget.

Services include:

Contract Risk Management Services

Consulting by York Insurance Services Group including:

- Hotline Services – one of the most popular services provided
- On-Site services – directed by members annually

Safety Library

DVDs and VHS tapes on various Safety Topics available from the NCCSIF library through the website, www.nccsif.org, York, and an additional Safety Library available through the CSAC- EIA website, csac-eia.org.



Northern California Cities Self Insurance Fund

Seminars and Training Sessions

Selection of topics determined annually by the Committee including:

- BackSafe: on-site back safety training for Police, Fire and Public Works employees
- Team Trainers: on-site sessions covering employment issues such as Harassment, Skills for Supervisors, and e-mail communications
- TargetSafety and online training services on a variety of topics including OSHA Compliance and Employment Practices
- My Safety Officer and Risk Control Online: online programs to assist in the management and employment and safety training requirements for employees
- Wastewater Services Safety: updates wastewater safety policies at the City level on an as needed basis

Conference Attendance

Sponsorship of members for attendance at the Annual PARMA Risk Management Conference.

Website

Maintenance of www.nccsif.org, including a “Risk Management” tab where members can access streaming online risk management videos, safety training matrixes and a calendar of all scheduled training sessions

Additionally, the Committee has adopted and frequently reviews ten policies and procedures on various topics:

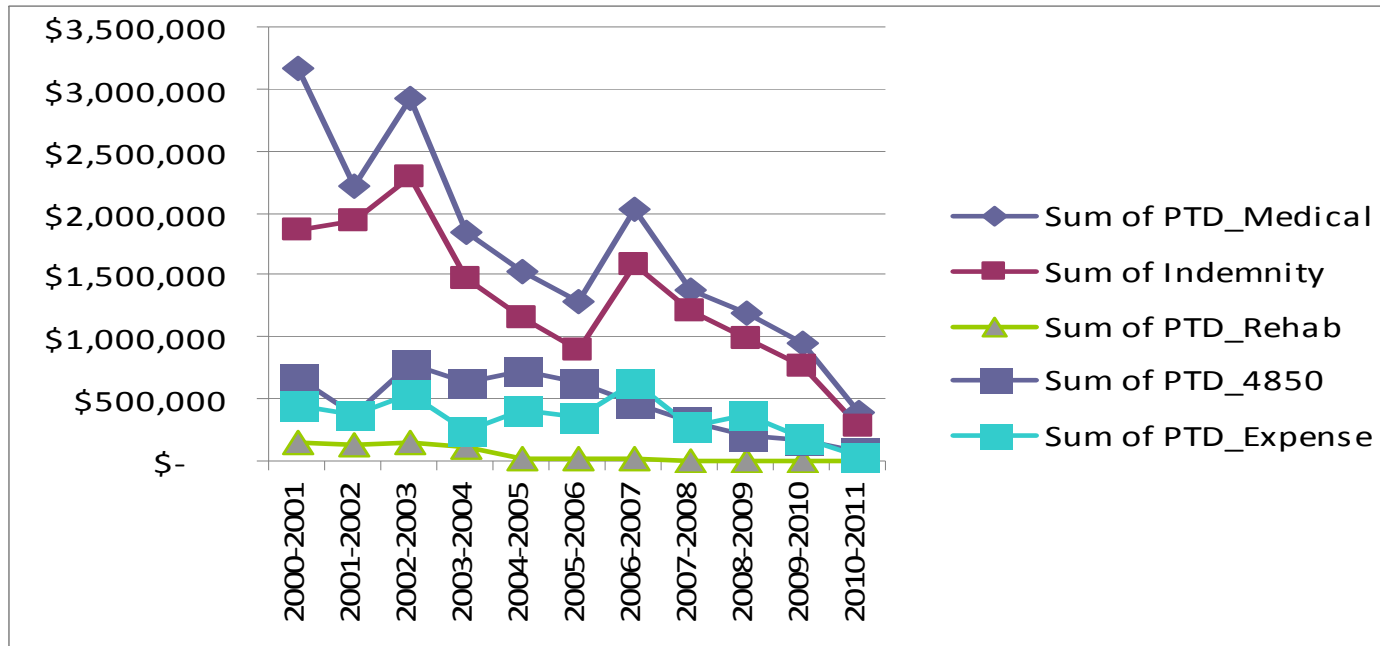
P & P NUMBER	SUBJECT	EFFECTIVE DATE	TYPE
RM-1	Compliance with Risk Management Standards	06/14/96	Mandatory
RM-2	Driving Standards	04/24/09	Mandatory
RM-3	Sidewalk Maintenance Liability Standards	01/11/08	Advisory
RM-4	Use of Public Facilities	01/11/08	Advisory
RM-5	Unlawful Harassment Policy	04/15/10	Mandatory*
RM-6	Approval of Coverage for Skateboard Parks	12/19/08	Mandatory
RM-7	Pool Operation	01/14/10	Advisory
RM-8	Development and Operation of Bicycle Parks	10/24/03	Mandatory
RM-9	Model Sewer Overflow and Backup Response	04/28/06	Advisory
RM-10	Risk Management Committee Composition & Duties	05/20/10	Mandatory



Northern California Cities Self Insurance Fund

- While every member **must** have a harassment policy in place that includes certain key issues, the sample policies included are advisory only.

During the past year, due to changing needs of the Members the Risk Management Committee has been reviewing services from all risk management service providers and is completing a selection process for on-site services.





Police Risk Management Committee

The Police Risk Management Committee is a subcommittee of the Risk Management Committee. Public safety is the highest category of losses for liability and workers' compensation, both in frequency and severity of claims. Because police departments need direct input at developing or reviewing any additional procedures, it was agreed that the most effective way to tackle their risk control issues was to form a separate risk management committee for police departments.

Those members who have police departments are eligible to participate in the Police Risk Management Committee. One of the first issues tackled upon formation was to contract for services with Lexipol to develop and annually update police procedure manuals for all interested members. In addition, Lexipol now provides all interested police departments with their Lexipol's Daily Training Bulletin, which is an online service developed to keep officers apprised of their department's various policies and procedures on a daily basis.

Risk management services through Lexipol continue to be a major activity of the Committee, as well as reviewing major claims for risk management practices and reviews of equipment that could be improved upon to reduce future losses.

On an annual basis the Committee selects training seminars for members to attend. In the past they have utilized the services of several different speakers who are well known and respected in the field of law enforcement, such as Gordon Graham and Kevin Gilmartin. This November NCCSIF hosted Gordon Graham speaking about current issues. Gordon is nationally respected and this session was well attended.

The Committee meets three to four times a year.





Northern California Cities Self Insurance Fund

Liability Program

The Liability Program provides coverage for losses Member Entities become legally obligated to pay as damages because of bodily injury, property damage, employment practices liability, personal injury and public officials' errors or omissions. Coverage is included for the Member Entity and its commissions, agencies, districts, authorities, boards, or similar entities coming under the Member Entity's direction or control. There are nineteen (19) members in the liability program. Liability claims liabilities increased by \$625,000 as of June 30, 2011 compared to June 30, 2010. Actual claims costs are down, but due to an adjustment credit last year in the reserves of -\$1.4 million it looks like an increase this year. Quality claims services and increasing attention on the part of the cities to loss control efforts, such as insurance requirements for contractors have led to these results. While normally a recession results in higher claims costs, this is not the case with the current recession for north central California.

The total limit of liability provided under the Liability Program is \$40,000,000 per occurrence. The program is divided into three separate coverage layers - Banking Fund, Shared Risk and Excess Coverage - as noted below:

Banking Fund	\$0 - \$50,000 (<i>Folsom is \$0 - \$100,000; Ione is \$0 - \$25,000</i>)
Shared Risk	Retained Limit - \$1,000,000
Excess Coverage	\$1,000,000 - \$40,000,000

All three layers include self-insurance. The Banking Fund and the Shared Risk layers are funded through NCCSIF, while the Excess Coverage is funded through the California Joint Powers Risk Management Authority (CJPRMA). Since 1994 NCCSIF has participated in this Excess JPA (CJPRMA) which shares risk up to \$5,000,000 with three other JPA's and 17 larger individual cities. CJPRMA purchases excess reinsurance for total limits of \$40,000,000 inclusive of NCCSIF's retained limit of \$1,000,000 per occurrence.

As a result of sharing risk to \$5,000,000 CJPRMA is largely removed from the impact of insurance market conditions. NCCSIF also received dividends from the CJPRMA program of \$502,233 which were credited to the years deposits.

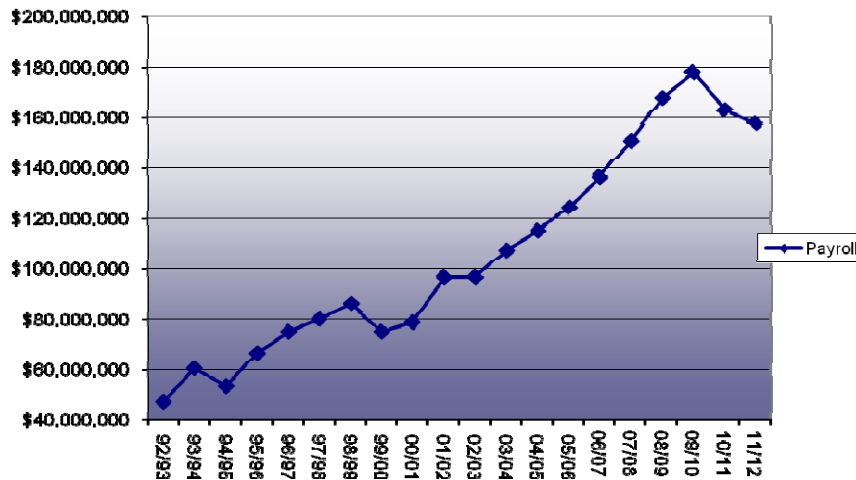


Northern California Cities Self Insurance Fund

Total funding for the Liability Program is \$3,540,162. This represents a 9% decrease from the prior year. The Banking Fund returned \$1,152,034 to Members in the form of dividends and assessed \$1,242 to only one Member this year. The Shared Risk Layer returned \$289,830 to Members.

This chart shows payroll growth which had been close to or in excess of 10% annually in the past with declines in the past two years doing to the slowing economy.

Historical Payroll

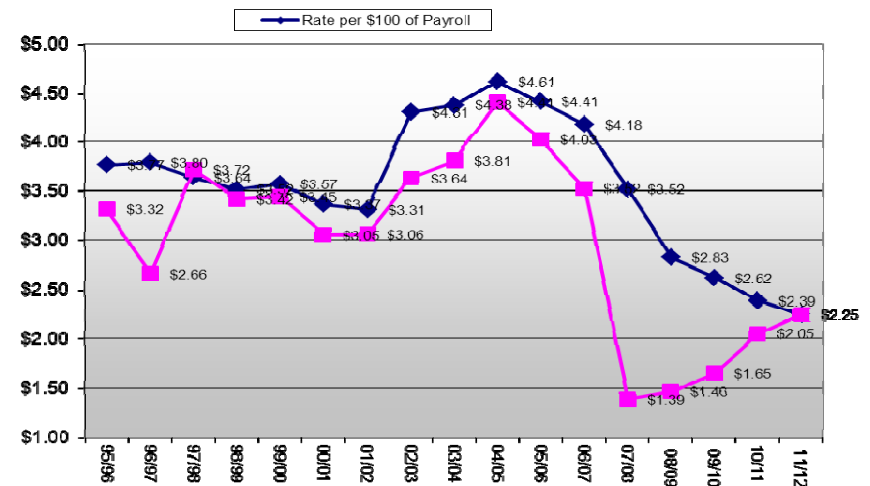


The Board of Directors annually reviews the Banking Fund's and Shared Risk's financial status to evaluate the appropriateness for declaring either a refund or an assessment.

The following chart shows the historical rates with and without the impact of refunds and assessments. As you can see, for the past few years, the program rates have reached historic lows.

Due to the fact that NCCSIF doubled the size of the Shared Risk Layer from \$500,000 to \$1,000,000, the claims cost obligations for that layer have increased since 2007. Even so as discussed on the last page our overall liabilities have remained relatively stable in the past few years. The reductions in the rate are due to the decreases in anticipated losses and also to decreases in payroll. The reductions in the net rate are due to changes made to the dividend formula allowing more funds to be returned to Members. As payrolls decrease over the next couple of years, this trend may reverse.

Historical Rate and Rate with Refunds & Assessments

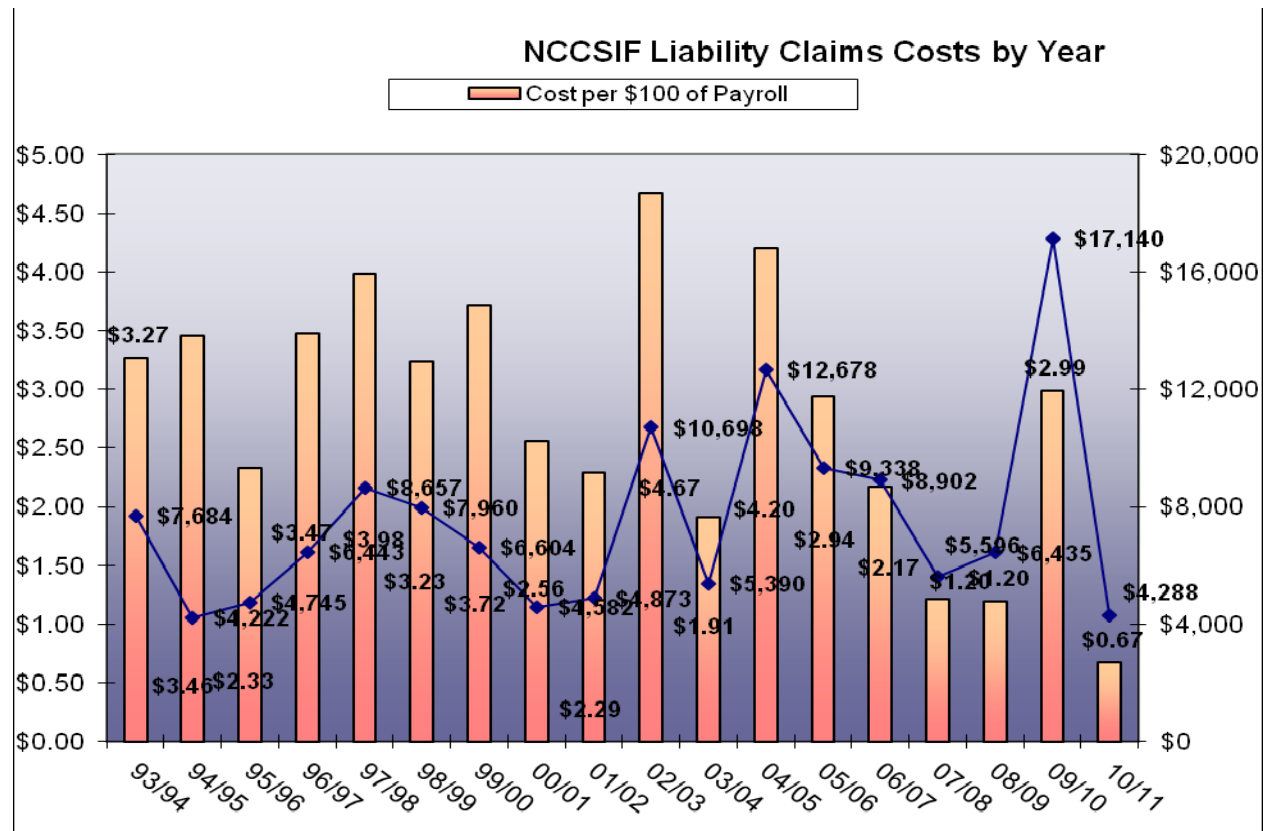




Northern California Cities Self Insurance Fund

Our Liability claims administrator is York Insurance Services, who has been a long term partner with NCCSIF. The claims administrator is responsible for advising the merits of each claim and the appropriate action to be taken, as well as

providing all necessary investigation of claims and overseeing the legal defense. The following chart shows historical claims performance and shows liability coverage can be volatile.





Northern California Cities Self Insurance Fund

Workers' Compensation

California Workers' Compensation laws require every employer to provide benefits to employees for injury and/or illness arising out of, or in the course of, employment. Statutory benefits prescribed by law include:

- Medical Treatment
- Temporary Disability Payments
- Permanent Disability Compensation
- Rehabilitation
- Death Benefits

The total limit of liability provided under the Workers' Compensation Program is limited only by State Law also known as Statutory Limits for Workers' Compensation and \$5,000,000 for Employers' Liability. 21 cities participate in the program. The program is divided into three separate coverage layers: Banking Fund, Shared Risk and Excess Coverage as noted below:

Banking Fund:	\$0 - \$100,000(\$50,000 for Ione)
Shared Risk:	Banking - \$500,000
Excess Coverage:	\$500,000 - Statutory / Workers' Compensation \$500,000 - \$5,000,000 / Employer's Liability

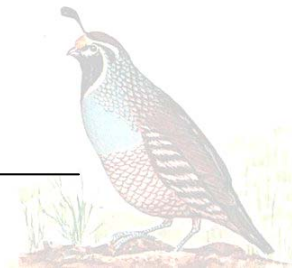
The Banking Fund and the Shared Risk are self-insurance.

This program has seen a reduction in the number of claims from a high of 458 in 2002 to 348 in 2010. At the same time the per claims costs have gone from a high of \$20,090 in 2000 to \$9,958 in 2009. Part of this reduction is due to the fact that the cost of a claim is not fully known for 5-7 years after the occurrence, but this also reflects the legislative reforms passed in 2003 and the reduction in claim numbers. In spite of these reductions there is still an increase in claims medical costs. The CPI index for Medical costs is over 5.2% for 2008 while the CPI index as a whole for that year was below 3.8%.

This means that medical costs will continue to have a major impact on total NCCSIF loss costs. They currently represent 44% of claims costs.

The total cost of the program for 2011-12 was \$7,113,543, before dividends, a reduction of 3% over the prior year . Payrolls decreased by 1% reflecting stabilization of the impact of the recession.

The following chart shows the historical Workers' Compensation payrolls.



Northern California Cities Self Insurance Fund



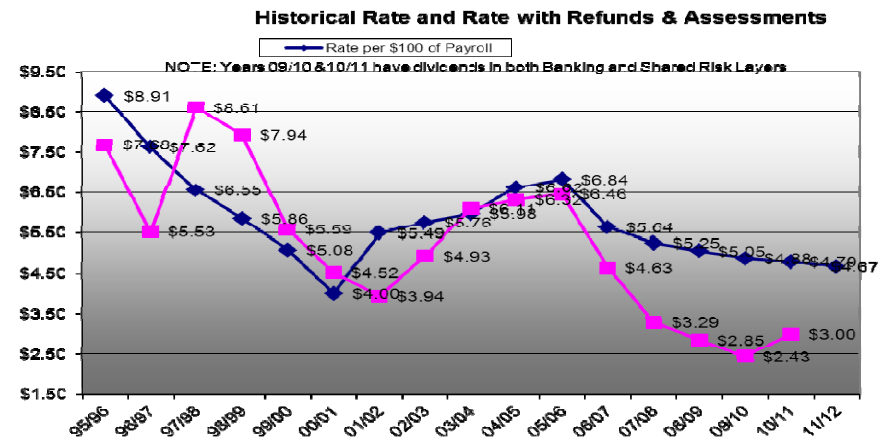
The Excess Coverage is provided through an excess workers' compensation joint powers authority, the CSAC Excess Insurance Authority (EIA). Since joining this group in 2003, the cost of Excess Insurance for NCCSIF has remained relatively stable with a rate of \$.42 in 2003 to the current rate of \$.34.

In spring of 2011, NCCSIF returned \$2,754,813 in dividends to its members and assessed only \$119,102.

These excellent financial results are due to a combination of the legislative changes in 2003 and 2004, and the development of NCCSIF cost containment strategies, such as encouraging return to work temporary placement for injured workers, increased loss control training for the members, and quality claims services from York.

The following chart shows the historical rates with and without the impact of refunds and assessments:

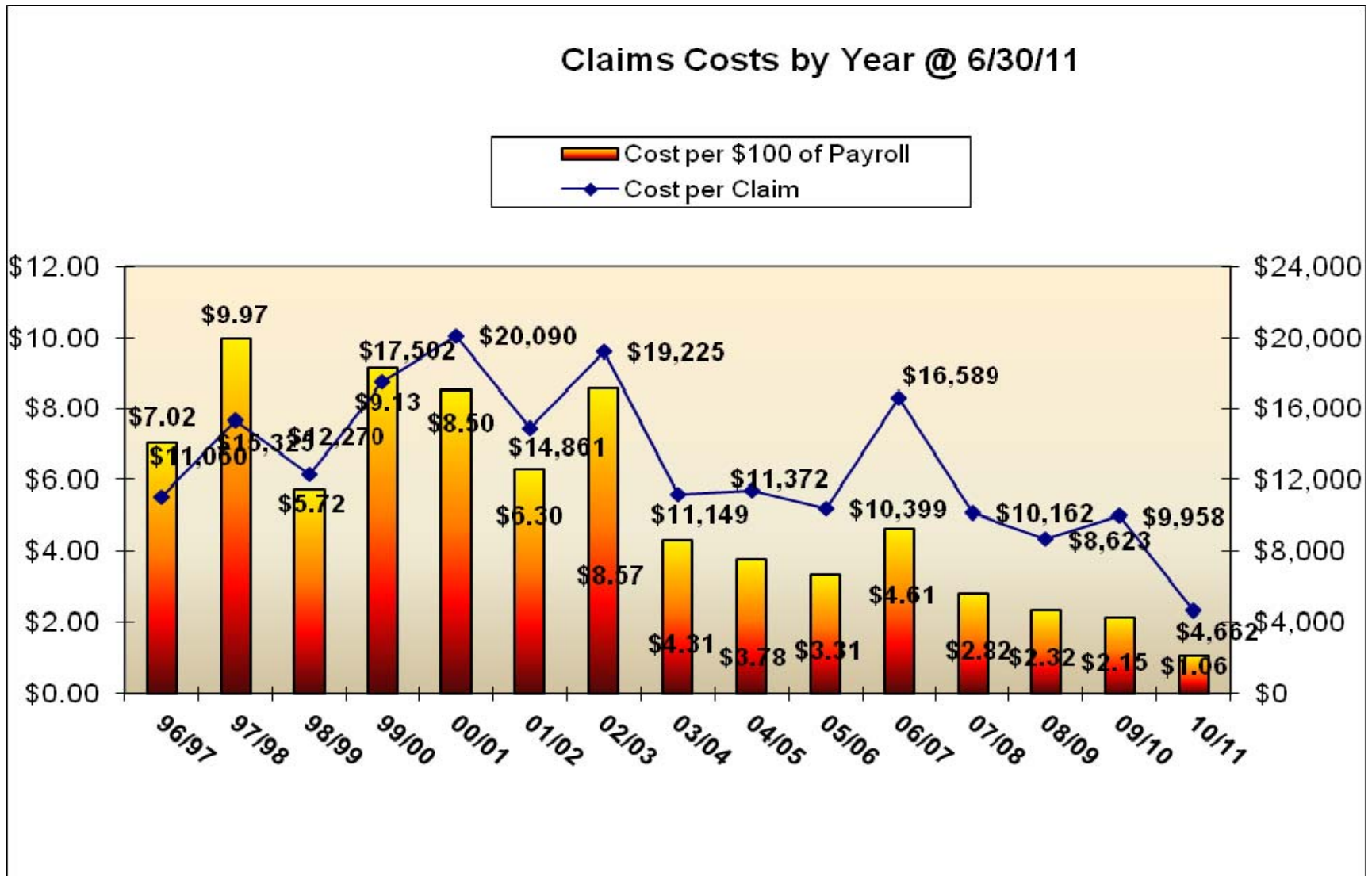
Annually, the Board of Directors will review the Banking Fund's and Shared Risk's financial status to evaluate the appropriateness for declaring either a refund or an assessment.



Claims administration services are provided by contract with York. The claims administrator is responsible for advising the member on the merits of each claim and the appropriate action to be taken, as well as providing for necessary investigation of claims and oversight of legal defense. The following chart shows Workers' Compensation costs by claim and payroll.



Northern California Cities Self Insurance Fund





Property Program

Property Program Highlights

This year NCCSIF renewed coverage through the Alliant Insurance Services' Public Entity Property Insurance Program (PEPIP). PEPIP provides replacement cost coverage for all buildings and contents, subject to a \$1 billion limit per occurrence and a \$5,000 deductible per claim. NCCSIF members purchase Boiler & Machinery Coverage at a \$100,000,000 limit per occurrence at a \$2,500 deductible per claim. Selected members also insure for auto physical damage and flood coverage through the program excess of a flood deductible of \$100,000 or \$250,000 for Flood Zones A & V. The PEPIP program is very comprehensive in the breadth of the coverages provided.

In 2006, NCCSIF funded an outside physical appraisal of all member locations. This service will be continued at least every five- seven years. Keeping property values current is increasingly difficult as construction costs fluctuate annually due to the current financial crisis and also to worldwide competition for basic building materials.

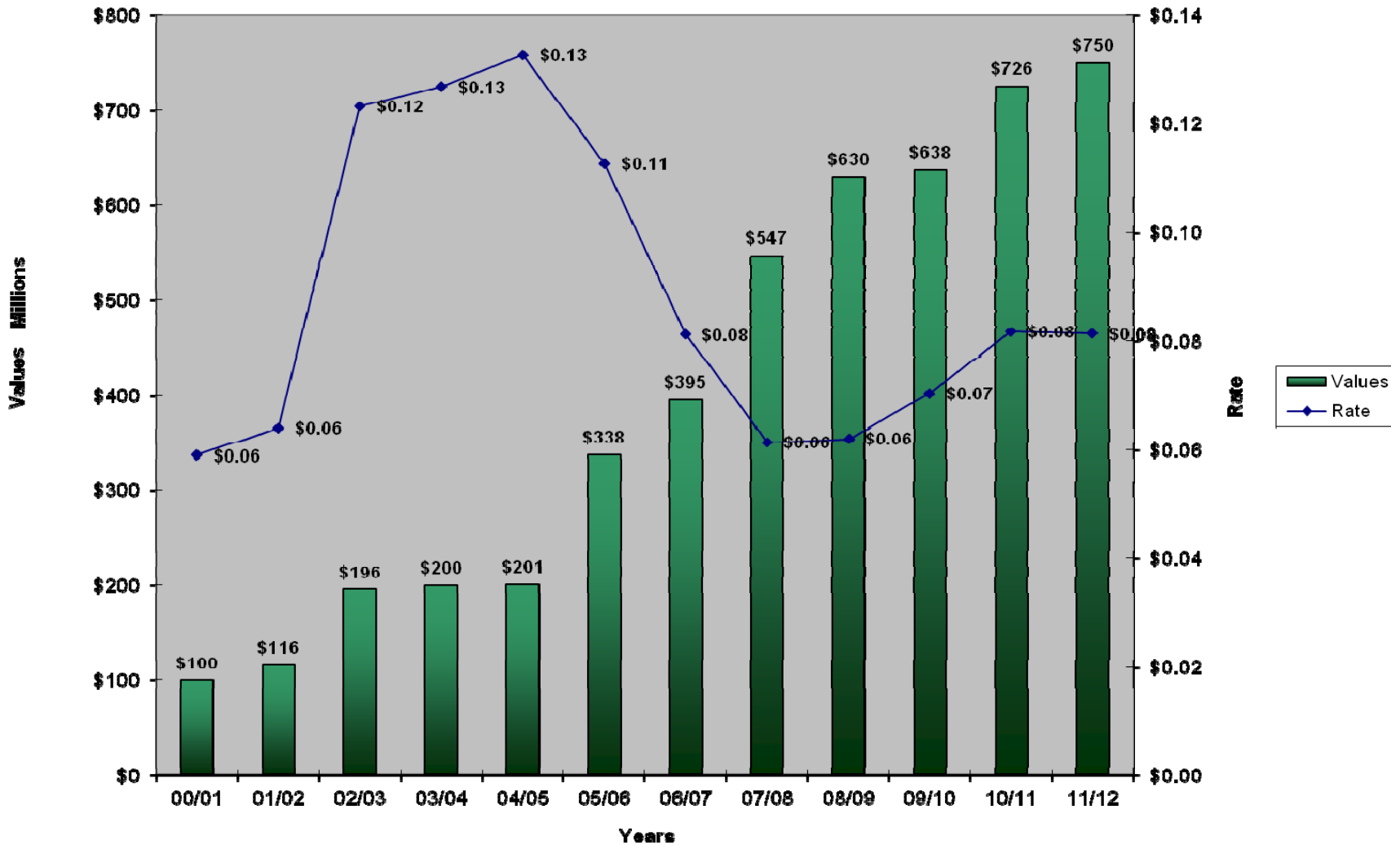
NCCSIF increased the total values insured from \$638 million in 2008 and \$750 million in 2011. Membership in PEPIP has grown to fifteen NCCSIF members.

The chart below shows the Total Insured Values in the program along with the coverage rate per \$100 of values.

Program participants are: Cities of Anderson, Auburn, Colusa, Dixon, Folsom, Galt, Gridley, Ione, Lincoln, Marysville, Red Bluff, Rocklin, Yuba City and Town of Paradise.



Northern California Cities Self Insurance Fund





Physical Damage Program

Selected Members are enrolled in the Western States Public Entity Physical Damage Program. The program was designed specifically for public agencies – including rural cities, sanitation districts, and wastewater districts – with a limited number of higher valued vehicles. The program was expanded to include other types of vehicle and mobile equipment.

It provides an All Risk Equipment Floater including earthquake and flood for scheduled equipment on file with the Company through Beazley Lloyd's Syndicate. Claims valuation is on a replacement cost valuation of property according to the cost of replacing it with property of a like kind and quality basis (not new for old).

Currently eleven of the twenty one NCCSIF Members are enrolled in this program. The deductible varies for each member as selected annually and covers all risks of direct physical loss or damage from any external cause, including general average and salvage charges, except perils excluded.



Northern California Cities Self Insurance Fund

Crime Program

The NCCSIF Crime Program provides for coverage of employee theft through the National Union Insurance Company, A.M. Best Rated A++ XV.

Twelve of the twenty NCCSIF members participate in the Crime program this year. The per-occurrence limit was increased to \$1,000,000 in 2007. Coverage is subject to a \$5,000 deductible. Some members have saved as much as 25-40% in premiums by taking advantage of the group rate savings.

Program 14 participants are Cities of Anderson, Auburn, Colusa, Dixon, Galt, Gridley, Ione, Lincoln, Marysville, Oroville, Red Bluff, Rocklin Yuba City and Town of Paradise.

Program Highlights:

- Includes volunteer workers other than fund solicitors as employees
- Includes specified directors and trustees on committees as employees

- Includes chairperson and members of committees as employees
- Deletes Treasurer/Tax Collector and Bonded Employees exclusions
- Includes specified non compensated officers as employees
- Specified City Officials Coverage Endorsement (for cities that are required by their city charter to individually bond certain employee or officer positions)

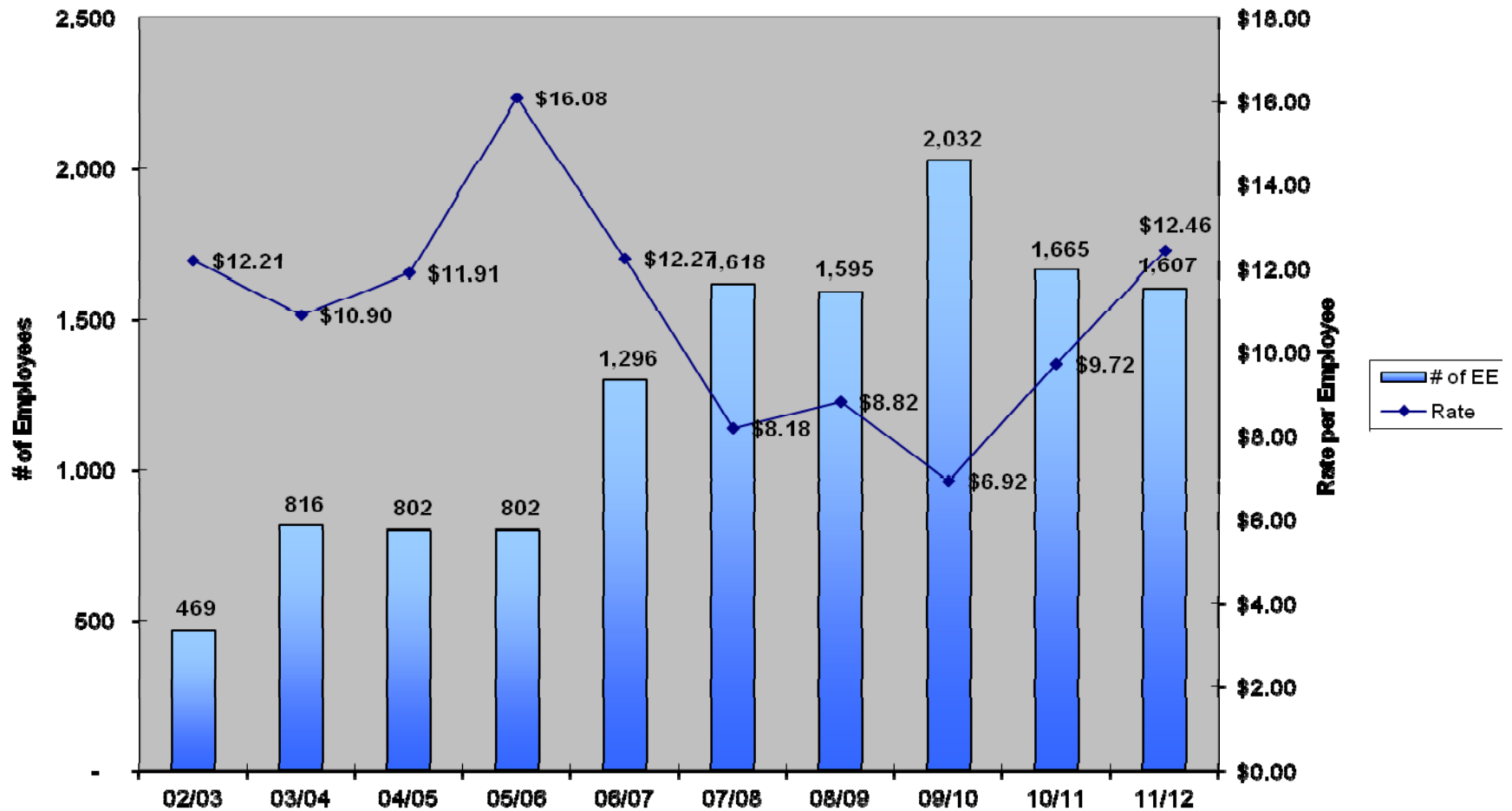
Insuring Agreements	Limits of Insurance
Employee Theft – Per Loss Coverage Including Faithful Performance of Duty	\$1,000,000
Forgery or Alteration including Credit, Debit or Charge Card Forgery	\$1,000,000
Computer Fraud	\$1,000,000
Investigative Expenses	\$50,000

Limits of Insurance are subject to a \$5,000 Deductible



Northern California Cities Self Insurance Fund

**NCCSIF Historical Crime Rate
Compared to # of Employees**



NOTE: Limit increased from \$500,000 to \$1,000,000 in 2005. Year



Employee Assistance Program

An Employee Assistance Program (EAP) is a worksite-based program designed to assist City employees in identifying and resolving personal concerns, including, but not limited to, health, marital, family, financial, alcohol, drug, legal, emotional, stress, or other personal issues that may affect job performance. The intent is to positively impact City productivity.

As part of the effort to control Workers' Compensation costs many NCCSIF members participate in group purchase of an Employee Assistance Program. Eighteen members currently participate in the Employee Assistance Program and a majority of those also participate in the Wellness program.

NCCSIF's current EAP carrier, ACI, has provided services for NCCSIF's participating cities since 2002. ACI Specialty Benefits offers EAP, Worklife and Wellness models. The program NCCSIF participates in features an unlimited EAP benefit package which includes consultation, training, CISD response, childcare, eldercare, legal and financial consultation. ACI's EAP always includes employees and ALL of their family members....whether they live in the home or not.

ACI has worked to keep utilization rates above 10%. This demonstrates the value to employees who are taking advantage of the services this program has to offer. In 2008 NCCSIF's Risk Management Committee approved free participation for all interested members in the AppleCore Wellness program through ACI as well.

ACI has guaranteed rates to NCCSIF members since 2005. Since then ACI has provided coverage with no increase, guaranteed through 2011.

The program offers two different service levels:

- 3 visits per employee per year at a cost of \$2.08 per employee per month, or
- 6 visits per employee per year at a cost of \$2.25 per employee per month



Northern California Cities Self Insurance Fund

Financial Overview

The following report reflects on the financial condition of Northern California Cities Self Insurance Fund (NCCSIF) for the fiscal year ended June 30, 2011. It is provided in order to enhance the information in the financial audit, and should be reviewed in concert with that report.

Financial Highlights, fiscal years ended June 30, 2010 and 2011

- The net loss for the fiscal year ended June 30, 2011 was \$2,976,687. Claims development has been relatively flat for prior years. The net income is after consideration of dividends to members of \$6,452,113. This dividend marks the long-term success of the risk financing program. Without the return of equity to members the program would have shown net income of \$3,475,426. This level of income is required to provide for variability in potential claims
- Net income of \$2,653,802 was experienced for the fiscal year ended June 30, 2010. This is after accounting for a return to members of \$6,216,431.
- Total operating revenues for fiscal year 2011 were \$12,480,672 (net of dividends earned and granted) a decrease of 10% or \$1,378,321 as compared to fiscal year 2010. This decrease is primarily due to the decrease in premiums for the liability and workers' compensation programs.
- Total operating revenues for fiscal year 2010 were \$13,858,992, an increase of 2% or \$334,486 as compared to fiscal year 2009. This increase is primarily due to the addition of property and crime group purchase programs and the collection of these additional premiums. Premiums for the liability and workers' compensation programs remained stable, reflecting the pool's attempt to hold rates down

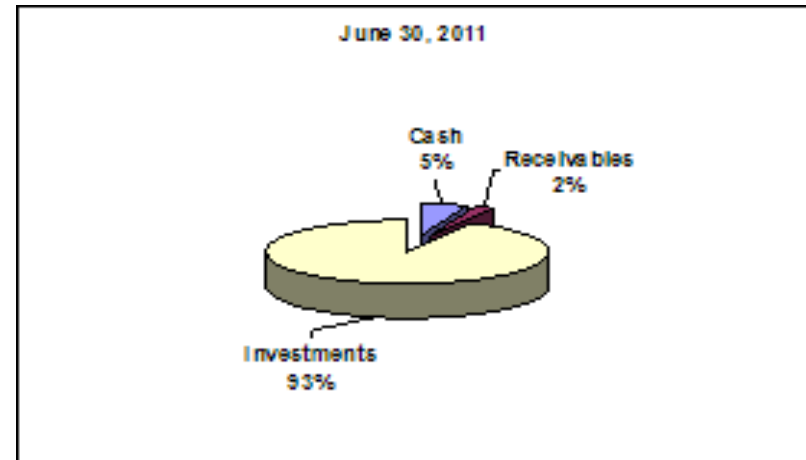
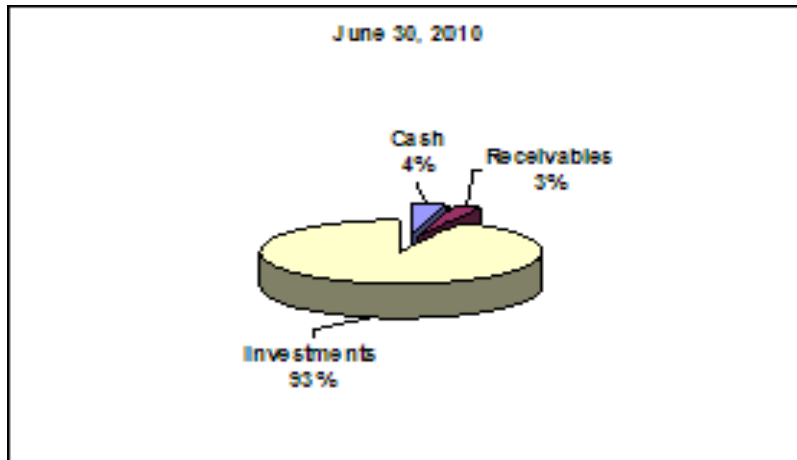
Pool-Wide Financial Analysis

	June 30, 2011	Percent	June 30, 2010	Percent	June 30, 2009	Percent
Current Assets	\$ 7,510,582	15%	\$ 6,364,819	12%	\$ 7,676,988	15%
Noncurrent Assets	42,932,382	85%	44,881,026	88%	43,173,296	85%
Total Assets	50,442,564	100%	51,425,845	100%	50,850,284	100%
Current Liabilities	2,666,250	5%	2,638,847	5%	2,608,909	5%
Claim Liabilities	29,825,666	59%	27,679,663	54%	29,967,842	59%
Total Liabilities	32,491,916	64%	30,318,510	59%	32,576,751	64%
Net Assets	17,950,648	36%	20,927,335	41%	18,273,533	36%
Total Liabilities and Net Assets	50,442,564	100%	51,245,845	100%	50,850,284	100%



Northern California Cities Self Insurance Fund

Total Assets by Type at June 30, 2009 and June 30, 2010



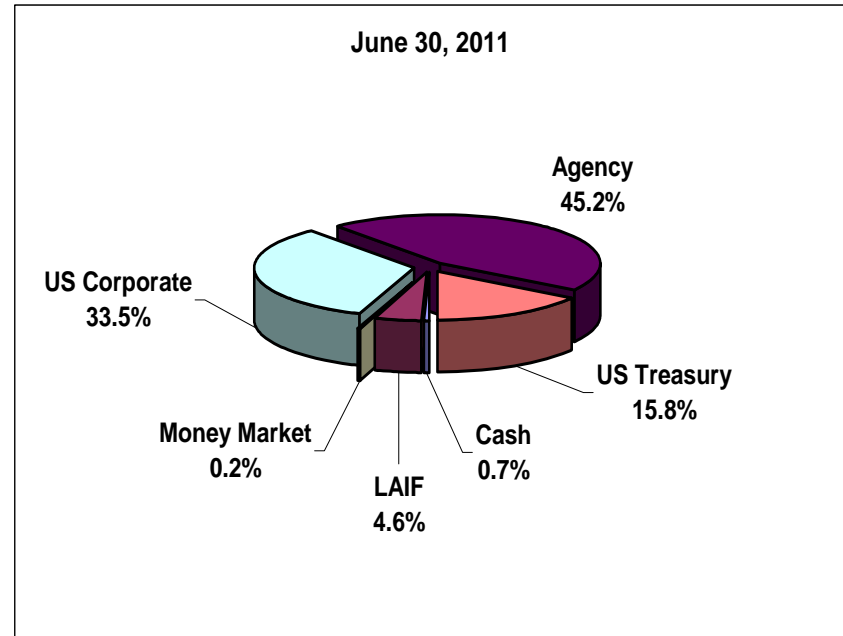
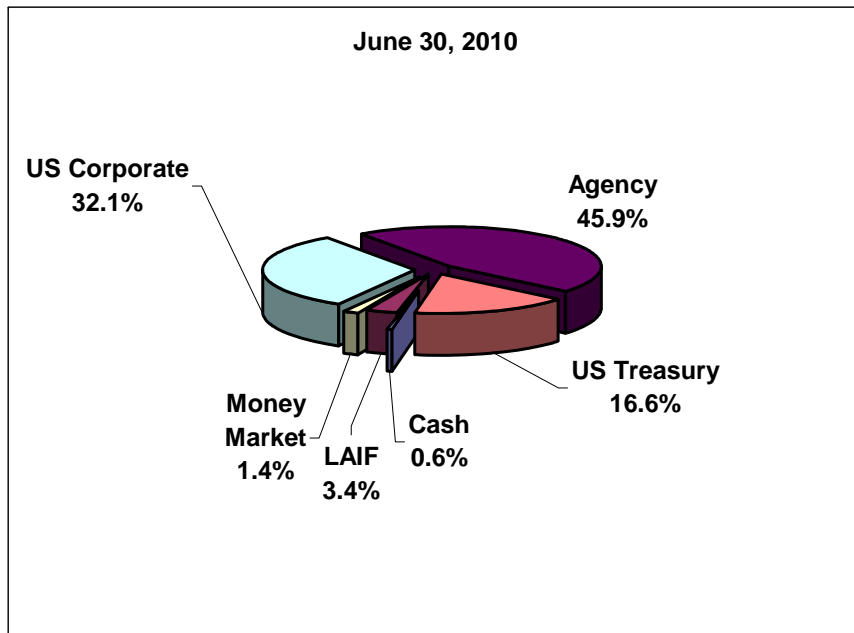
Investment revenues are used to offset program costs wherever possible and reduce the required member contributions. The overall investments of the pool increased in 2009-2010 from \$45,219,013 to \$47,723,571 and in 2010-2011 decreased to \$46,591,207. NCCSIF invests those funds not immediately necessary for the payment of claims in order to optimize the rate of return. Funds are invested in a manner that will protect principal, allow for cash flow needs and optimize returns, and are in conformity with all federal, state, and local statutes governing such investment of public funds. Those assets needed for current operations are maintained in the Local Agency Investment Fund (LAIF) in Sacramento, which is administered by the State Treasurer's Office.

The investment market performance has declined in the past two years. For example, the average rate of return for funds invested in LAIF during fiscal year 2010 was .655%, in 2011 the average rate of return was 0.448%. The effective rate of return for the overall JPA investment portfolio decreased from 5.9% in fiscal year 2010 to 4.5% in fiscal year 2011. The ability of these funds to earn investment income has a direct effect on program rates, as this income is used to discount future liabilities. When investments fall short of projections, additional funding may be required to meet actuarial estimates.



Northern California Cities Self Insurance Fund

Components of NCCSIF Portfolio at June 30, 2010 and June 30, 2011





Northern California Cities Self Insurance Fund

NCCSIF Statements of Revenue, Expenses, and Changes in Net Assets

	2011	2010	Percent Change	2010	2009	Percent Change
Operating Revenues	\$ 12,480,672	\$ 13,858,992	-10%	\$ 13,858,992	\$ 13,524,506	2%
Provision for Claims	7,160,389	3,200,471	124%	3,200,471	7,552,670	-58%
Dividends	6,452,113	6,216,431	4%	6,216,431	6,065,091	2%
Insurance Premiums	1,970,875	2,456,115	-20%	2,456,115	1,710,541	44%
Administration	1,953,346	2,114,478	-8%	2,114,478	1,926,362	10%
Total Expenses	17,536,723	13,987,495	25%	13,987,495	17,254,664	-19%
Non-operating:						
Investment Income	2,079,364	2,782,305	-25%	2,782,305	3,499,881	-21%
Net Income (Loss)	(2,976,687)	2,653,802	-212%	2,653,802	(230,277)	-1252%
Beginning Net Assets	20,927,335	18,273,533	15%	18,273,533	18,503,810	-1%
Ending Net Assets	\$ 17,950,648	\$ 20,927,335	-14%	\$ 20,927,335	\$ 18,273,533	15%

Non-operating revenues decreased from \$3,499,881 to \$2,782,305 for 2009 and 2010, respectively. Non-operating revenues declined by 25% in fiscal year 2011 to \$2,079,364. These decreases were due to a decline in interest and investment income. The fair value of investments experienced a net increase in 2008, 2009 and 2010 – with a large increase in 2010 of \$2M on the whole portfolio.

Operating expenses, including the provision for insured events, decreased by \$3.3 million in 2009-10 to \$13,987,495. This decrease

resulted from an adjustment of the actuary's ultimate loss estimates due to prior year's favorable loss development. Operating expenses increased 25% over the total 2010 figure to \$17,536,723 in fiscal year 2011. This increase resulted from higher claims related expenses due to an increase in ultimate loss estimates for previous policy years as determined by the actuary. The decrease in excess insurance rates from the previous year offset the overall increase in operating expenses.



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David Becker, CPA

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Claims Manager - WC	Ben Burg
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Risk Management	Jack Kastorff



Northern California Cities Self Insurance Fund

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Leaders In Self-Insurance

Bickmore Risk Services

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www.nccsif.org



NCCSIF

Northern California Cities Self Insurance Fund
A Joint Powers Authority

The **Northern California Cities Self Insurance Fund (NCCSIF)** is an association of municipalities joined together in 1979 to protect member resources by stabilizing risk costs in a reliable, economical and beneficial manner while providing members with broad coverage and quality services in risk management and claims management.