

NCCSIF

Northern California Cities Self Insurance Fund



2009 Annual Report

NCCSIF PROGRAM ADMINISTRATORS



Alliant Insurance Services, Inc.

100 Pine Street, 11th Floor

San Francisco, California 94111

(415) 403-1400 Main · (415) 402-0773 Fax

www.alliantinsurance.com

Corporate License No. OC36861

www.nccsif.org

NCCSIF

2009 Annual Report

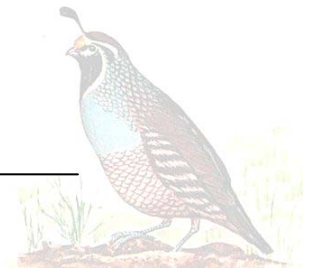


Table of Contents

Letter to Our Members	.....page 1
Mission Statement	.....page 2
History of the JPA	.....page 3
Organizational Profile	
Board of Directors	.....page 5
Executive Committee	.....page 6
Claims Committee	.....page 7
Finance Committee	.....page 8
Risk Management Committee	.....page 9
Police Risk Management Committee	.....page 12
Member Programs and Services	
Liability Program	.....page 13
Workers' Compensation Program	.....page 17
Property Program	.....page 21
Crime Program	.....page 24
Employee Assistance Program	.....page 25
Member Coverage Summary	.....page 27
Risk Control Services	.....page 28
Cost Containment	.....page 29
Financial Overview	.....page 30
Staff and Consultants	.....page 37

NCCSIF *2009 Annual Report*

Northern California Cities Self Insurance Fund



Letter to Our Members

Dear Members,

I am pleased to present you with the 2009 Annual Report. I have now been associated with NCCSIF for 19 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, I am 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.

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.

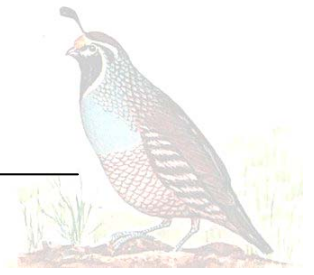
NCCSIF operates in an environment that is partially dependent on the insurance market for about one third of the liability costs and about one fifth of the Workers' Compensation Program costs. The JPA has chosen to limit this impact by partnering with other public agencies participating in Excess Joint 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.

Sincerely,

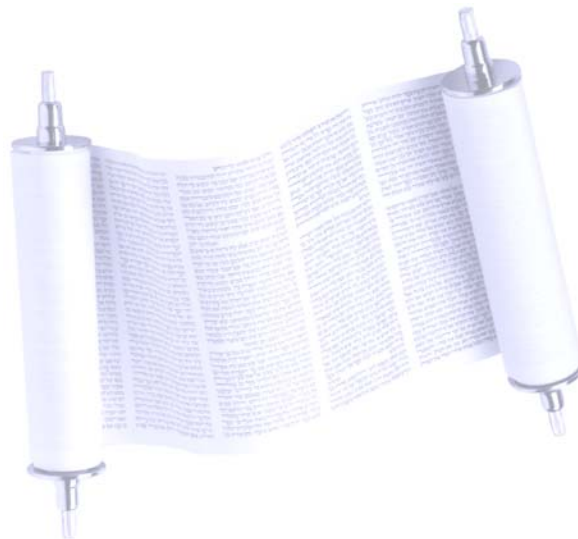
A handwritten signature in blue ink that reads "Marilyn Kelley". The signature is fluid and cursive, with the first name being particularly prominent.

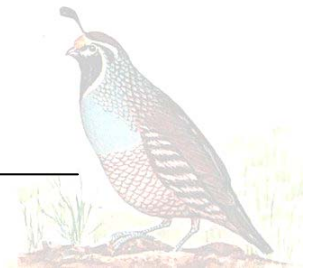
Marilyn Kelley
NCCSIF Program Administrator
Alliant Insurance Services, Inc.



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 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).

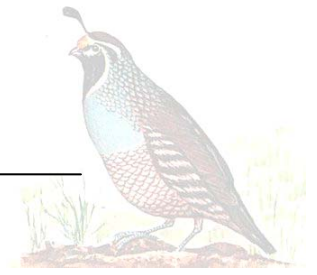
NCCSIF also offers group purchase of Property, Crime and EAP programs. As the cost to purchase these coverages is less than the cost to self-insure, these are not self-insurance programs.

During 2009, NCCSIF has enhanced its risk management services through partnerships with TargetSafety and Risk Management Solutions to provide online loss prevention services to the membership.

Yet another accomplishment in the fiscal year was at the June 2009 NCCSIF Board of Directors meeting, when the JPA was presented with the *CAJPA Accreditation with Excellence* award.

NCCSIF Historical Timeline

1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
<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>	<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. 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>
1990	1991	1992	1993	1996	2001	2003	2007	2008	2009
<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: Colusa Marysville Yuba City</p>	<p>NCCSIF is awarded the CAJPA Accreditation with Excellence Achievement</p>	<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>



Board of Directors

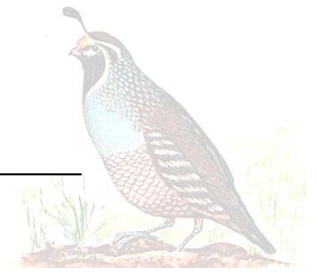
The Board of Directors of NCCSIF is composed of a representative appointed by the City Council of each member agency. An Alternate Member is also appointed to serve in the absence of the appointed representative. Only the Board Member – or in the Board Member’s absence the Alternate Member – has voting authority.

Current Members are as follows:

Member	Board Director	Alternate
City of Anderson	Dana Shigley	Jeff Kiser
City of Auburn	Andy Heath	Joanna Belanger
City of Colusa	Randy Dunn	[None]
City of Corning	Steve Kimbrough	Tom Watson
City of Dixon	Steve Johnson	Jeff Matheson
City of Folsom	Bruce Cline	John Spittler
City of Galt	Paula Islas	Jason Behrmann
City of Gridley	Karin Helvey	Rob Hickey
City of Jackson	Michael Daly	Carla Soracco
City of Lincoln	John Lee	Debbie Lindh
City of Marysville	Dixon Coulter	Steve Casey
City of Nevada City	Catrina Andes	Gene Albaugh
City of Oroville	Sharon Atteberry	Liz Ehrenstrom
City of Placerville	Dave Warren	John Driscoll
City of Red Bluff	Margaret Van Warmerdam	Martin Nichols
City of Rio Vista	Hector De LaRosa	[None]
City of Rocklin	Judy LaPorte	Kim Sarkovich
City of Willows	Tim Sailsbery	Steve Holsinger
City of Yuba City	Steve Kroeger	Robin Bertagna
Town of Paradise	Denise Farrell	Gina Will

NCCSIF *2009 Annual Report*

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 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, 2009

City of Auburn	Andy Heath, <i>Past President</i>
City of Dixon	Steve Johnson
City of Folsom	Bruce Cline, <i>Secretary</i>
City of Galt	Paula Islas, <i>President</i>
City of Jackson	Michael Daly, <i>Vice President</i>
City of Placerville	Dave Warren
City of Rocklin	Judy LaPorte

January 1, 2010

City of Colusa	Randy Dunn
City of Folsom	Bruce Cline, <i>Secretary</i>
City of Galt	Paula Islas, <i>Past President</i>
City of Jackson	Michael Daly, <i>President</i>
City of Marysville	Dixon Coulter
City of Placerville	Dave Warren
City of Yuba City	Steve Kroeger, <i>Vice President</i>

Non-Voting Members:

Treasurer	Dixon Coulter, City of Marysville
CJPRMA Board Representative	Dixon Coulter, City of Marysville
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 to the Executive Committee. 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.

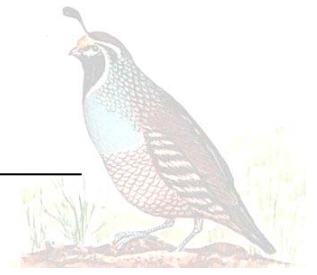
Members have authority to settle claims in the Shared Risk Layer up to \$50,000 and the Claims Committee has authority up to \$250,000. The Board of Directors has authority to settle claims over \$250,000 of the Authority's Shared Risk layer funds up to the SIR of \$1,000,000. Liability claims authority 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.

Members are as follows:

City of Dixon	Steve Johnson
City of Folsom	Bruce Cline
City of Galt	Paula Islas
City of Jackson	Michael Daly
City of Marysville	Dixon Coulter
City of Rocklin	Judy LaPorte

Claims Committee members are selected from the Executive Committee annually at the March meeting.



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.

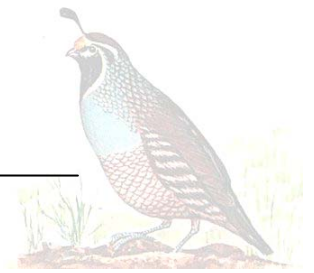
A Treasurer is annually elected by the Board of Directors and serves as the Chair of the Finance Committee.

Duties of the Finance Committee include:

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.

Members are as follows:

City of Marysville	Dixon Coulter
City of Red Bluff	Margaret Van Warmerdam
City of Willows	Tim Sailsbery



Northern California Cities Self Insurance Fund

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 2.5% of NCCSIF expenses.

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 the CSAC website.

Seminars and Training Sessions

Selection of topics performed annually by the Committee including:

- BackSafe: on-site back safety training for Police, Fire and Public Works employees

NCCSIF 2009 Annual Report



Northern California Cities Self Insurance Fund

- Team Trainers: on-site sessions covering issues such as Harassment and Skills for Supervisors
- TargetSafety and Workplace Answers online training services on a variety of topics including OSHA Compliance and Employment Practices
- My Safety Officer: online program to assist in the management and effectiveness of safety training requirements
- 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 nine policies and procedures on various topics:

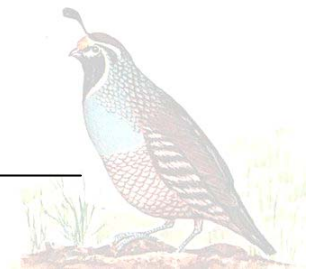
P & P NUMBER	SUBJECT	EFFECTIVE DATE	TYPE
RM-1	Compliance with Risk Management Standards	06/14/96	Mandatory
RM-2	Driving Standards	10/27/06	Mandatory
RM-3	Sidewalk Maintenance Liability Standards	01/11/08	Advisory
RM-4	Use of Public Facilities	01/11/08	Advisory
RM-5	Unlawful Harassment Policy – <i>this policy is currently being updated</i>	01/14/05	Mandatory*
RM-6	Approval of Coverage for Skateboard Parks	10/04/96	Mandatory
RM-7	Pool Operation – <i>this policy is currently being updated</i>	04/10/98	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

* While every member **must** have a harassment policy in place, the sample policies included are advisory only.

For the past two years, the Committee has been increasing the Risk Management budget to improve the level of services provided to each member.

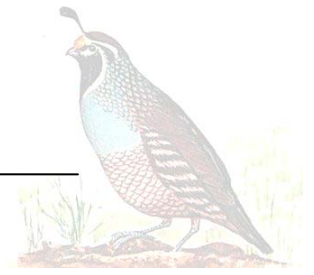
NCCSIF *2009 Annual Report*

Northern California Cities Self Insurance Fund



Members are as follows:

City of Anderson	Ted Wrask	City of Nevada City	Catrina Andes
City of Auburn	Robert Richardson	City of Oroville	Liz Ehrenstrom
City of Colusa	Randy Dunn	City of Placerville	Dave Warren
City of Corning	Tom Watson	City of Red Bluff	Tessa Pritchard
City of Dixon	Steve Johnson	City of Rio Vista	Hector De LaRosa
City of Folsom	Loo Ng	City of Rocklin	Judy La Porte
City of Galt	Paula Islas	City of Willows	Wayne Peabody
City of Gridley	Karin Helvey	City of Yuba City	Steve Kroeger
City of Jackson	Carla Soracco	Town of Paradise	Amy Gremore
City of Lincoln	John Lee	Town of Paradise	Denise Farrell (<i>Chair</i>)
City of Marysville	Dixon Coulter		



Police Risk Management Committee

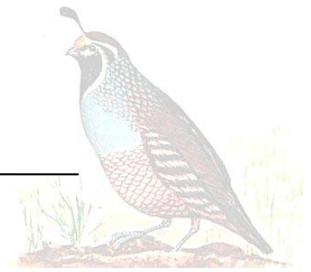
The Police Risk Management Committee is a subcommittee of the Risk Management Committee. Public safety is the highest category of losses for liability and workers' compensation, both in frequency and severity of claims. Because police departments need a direct hand at developing or reviewing any additional 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, during 2008 the Risk Management Committee approved funds for all interested police departments to utilize 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 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 Bruce Praet.

The Committee meets three to four times a year and the meetings are administered by Jack Kastorff of York Insurance Services Group.





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 eighteen (18) members in the liability program. The Liability Program claims liabilities increased about \$900,000 last year, this is about \$200,000 lower than the prior year. This improvement is due to quality claims services and increasing attention on the part of the cities to loss control efforts, such as insurance requirements for contractors.

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:

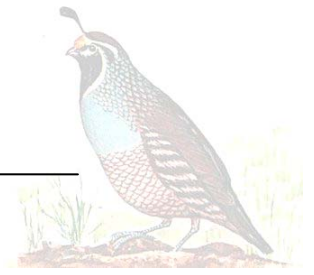
Banking Fund	\$0 - \$50,000 (<i>Folsom is \$0 - \$100,000</i>)
Shared Risk	\$50,000 - \$1,000,000 (<i>Folsom is \$100,000 - \$1,000,000</i>)
Excess Coverage	\$1,000,000 - \$40,000,000

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 and purchases excess reinsurance of \$35,000,000 over the \$5,000,000 retained limit for total limits of \$40,000,000 inclusive of NCCSIF's retained limit of \$1,000,000 per occurrence. Due to the fact that CJPRMA is funded in excess of the 90% confidence level, they have decided to rate future years on an expected paid loss basis rather than an accrual basis. Due to the Financial Crisis, CJPRMA elected this year to fund below this level, keeping premiums flat at the prior years cost. As a result CJPRMA's cost for this program have remained flat. Had they not been frozen excess costs would have increased 15%.

In order to restrict the possibility of assessments, CJPRMA is also establishing a contingency reserve of \$22 million that will, in most years, be built up 10% annually, unless the funds are needed for losses in excess of anticipated.

Due to the fact that CJPRMA shares risk to \$5,000,000 they are largely removed from the impact of insurance market conditions. The cost of Excess Liability coverage was \$940,964. NCCSIF also received dividends from the CJPRMA program of \$350,000. Total funding for the Liability Program is \$4,670,613. This represents a 2% decrease from the prior year. The Banking Fund returned \$1,944,114 to Members in the form of dividends and assessed Members \$15,147. The Shared Risk Layer returned \$361,300 in the form of a dividend.

NCCSIF 2009 Annual Report

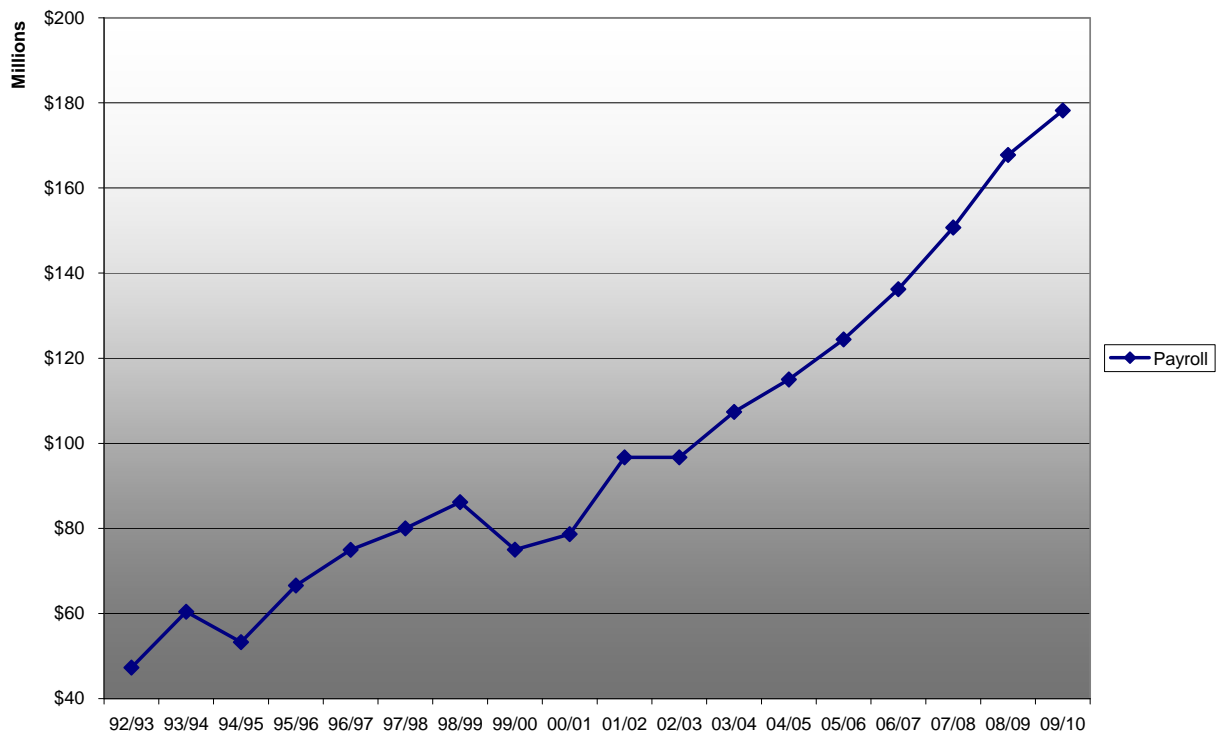


Northern California Cities Self Insurance Fund

Although insurance industry experts keep expecting the liability insurance market for public entities and particularly cities to worsen due to the financial crisis, this has not yet happened and probably will not happen until there is a catastrophic loss or another downward trend in the financial outlook. Continued participation in CJPRMA results in a more stable cost of coverage in excess of \$5,000,000 than if the cost were above the NCCSIF Shared Risk level.

The Banking Fund and the Shared Risk layers are funded annually by each Member Entity based on funding formulas established by the Board of Directors. Each Member Entity's share of the funding will depend on its size, special exposure surcharges, and its experience modification. The chart below shows payroll growth which has been close to or in excess of 10% annually for the past few years. This steady increase declined to 6.7% in 2009 and is expected to be flat or a slight decrease next year, due to the national recession.

Historical Payroll



Every year an independent outside actuary determines funding at various confidence levels and the Board then determines the final funding amount based on program assets, analysis of past years costs, claims performance and Member financial strength.

Annually, the Board of Directors also reviews the Banking Fund's and Shared Risk's financial status to evaluate the appropriateness for declaring either a refund or an assessment. Member Entities in the Banking Fund for three complete fiscal years may be eligible for a refund if they

NCCSIF 2009 Annual Report

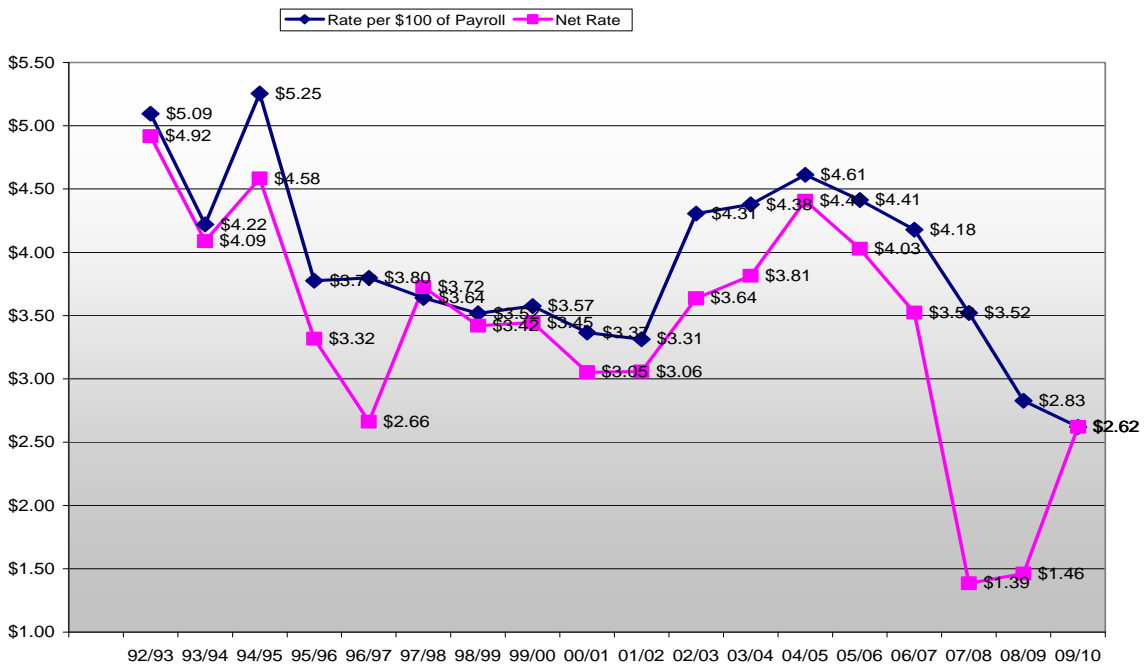


Northern California Cities Self Insurance Fund

have a positive fund balance (minus reserves). The Shared Risk dividend or assessment adjustments are calculated annually on a cumulative basis for all years of the program. All Shared Risk loss costs are spread to members based upon their cumulative percentage of the Shared Risk pool deposits. The fund must have a positive fund balance for all years for a refund to be declared. An assessment is declared if there is a negative fund balance at the 60% or 70% confidence level, at the discretion of the Board of Directors. Assessments are repaid over a period of seven (7) years.

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 costs for that layer have increased since 2007. At the same time claims costs for the Banking Layer have remained relatively stable or been reduced the past few years. The reductions in the rate are due to the increases in payroll and 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



Our Liability claims administrator, York Insurance Services, has had a long term contract with NCCSIF. The claims administrator is responsible for advising as to the merit of each claim and the appropriate action to be taken, as well as providing all necessary investigation of claims and

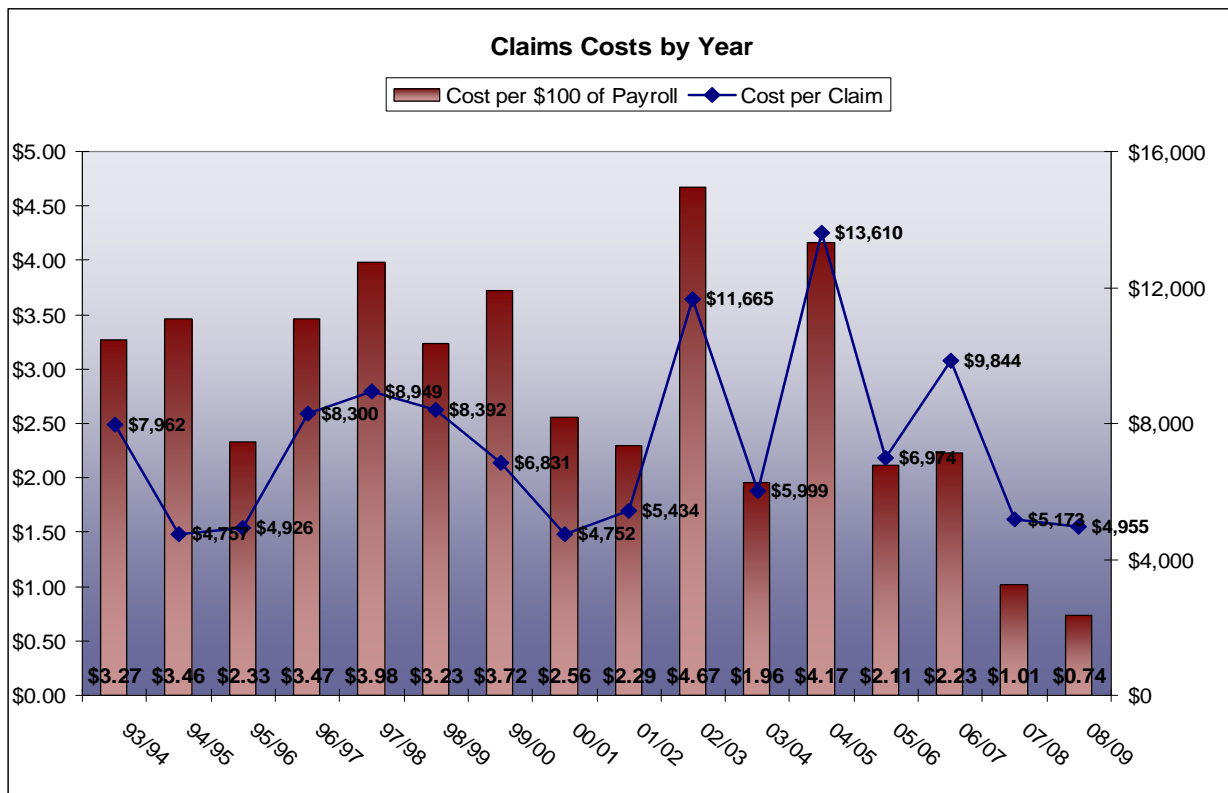


Northern California Cities Self Insurance Fund

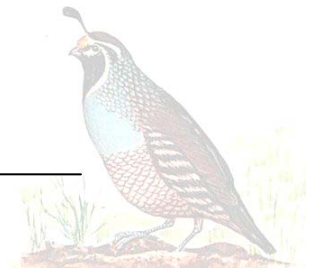
overseeing the legal defense. All claims must be reported to the claims administrator. The member entity may settle smaller claims that fit within the following criteria:

- The claim is for property damage only,
- The claim has no apparent potential for related bodily injury,
- The entire occurrence from which the claim arises appears to have settlement value of no more than \$7,500,
- The claim settlement or denial can be concluded within no more than 30 days after the date the Member Entity becomes aware that a claim may exist.

The following chart shows historical claims performance.



The claims administrator sends monthly loss reports to each Member Entity and meets with Members to discuss open claims and with the respective City Council, if needed to request settlement authority. The administrator's performance is reviewed each year by the Executive Committee reporting to the Board of Directors and every other year by an outside auditor. In the opinion of the Members and the outside auditors, York has maintained a high standard of quality in the services provided to the membership.



Workers' Compensation Program

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. 20 cities participate in the Workers' Compensation program. The program is divided into three separate coverage layers: Banking Fund, Shared Risk and Excess Coverage as noted below:

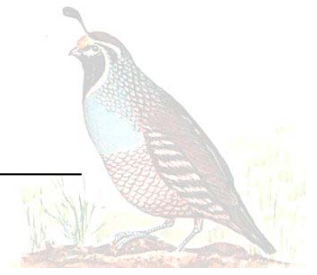
Banking Fund	\$0 - \$100,000
Shared Risk	\$100,000 - \$500,000
Excess Coverage	\$500,000 - Statutory / Workers' Compensation \$500,000 - \$5,000,000 / Employer's Liability

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 431 in 2002 to 386 in 2008. At the same time the per claims costs have gone from \$20,043 in 2002 to \$16,330 in 2006 and \$9,440 in 2008. Part of this reduction is 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. In spite of these reductions there is still an increase in claims medical costs of over 10% per year. This means that costs will start increasing in the next few years as other cost drivers stabilize. The total cost of the program for 2008-09 was \$8,512,667, before dividends, an increase of 7% over the prior year where payrolls increased 12%. For 2009-10 the premium was reduced 3% to \$8,230,374. Payrolls changed less than \$400,000 reflecting the impact of the recession.

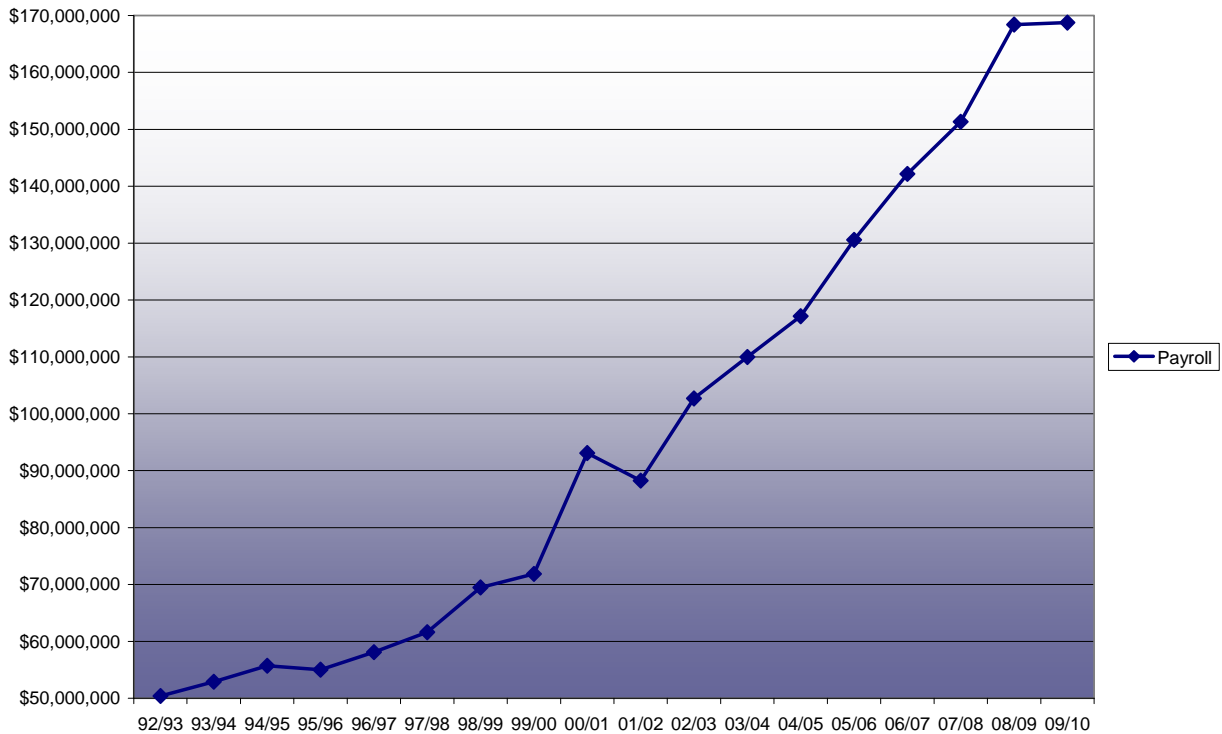
The following page includes a chart reflecting the historical Workers' Compensation payrolls.

NCCSIF 2009 Annual Report

Northern California Cities Self Insurance Fund



Historical Payroll



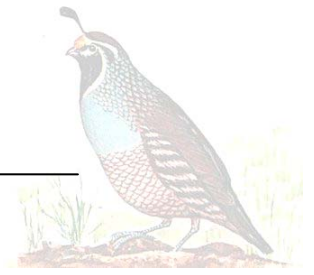
The Excess Coverage is currently provided through participation in an excess workers' compensation joint powers authority, the CSAC Excess Insurance Authority (EIA). Since joining this group in 2003, the cost of Excess Insurance for NCCSIF has remained relatively stable with a rate of \$.42 in 2003 to the current rate of \$.35.

The Banking Fund and the Shared Risk are funded annually by each Member Entity based on funding formulas that depend on the size and loss experience of each member. An independent actuary is used to assist in determining the total funding for all members combined.

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. In spring of 2008, NCCSIF returned \$3,120,466 in dividends to its members and assessed only \$160,253. In 2009 the dividend was \$3,759,677 and assessments were reduced to \$39,574.

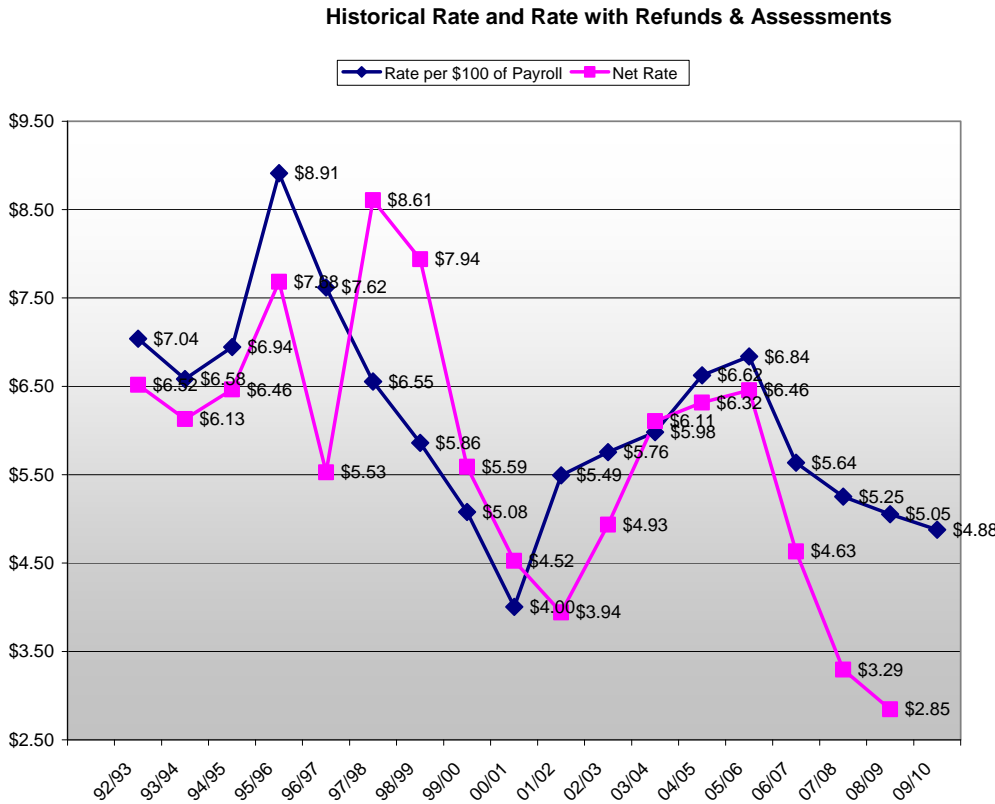
Again, these excellent financial results are due to a combination of legislative changes in 2003 and 2004, the development of NCCSIF cost containment strategies, such as encouraging return to work temporary placement for injured workers, increased loss control efforts by the members, and quality claims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

NCCSIF *2009 Annual Report*



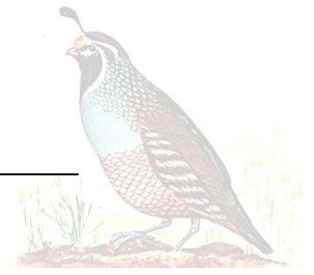
Northern California Cities Self Insurance Fund

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



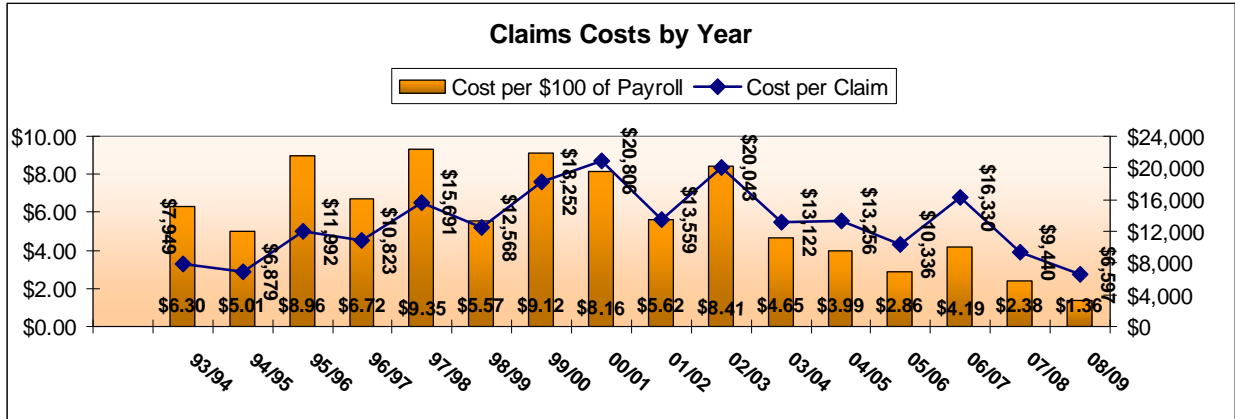
Claims administration services are provided by contract with York. The firm is a true partner with the members and has been rated by outside claims auditors above the 95% percentile for more than the past ten years. The claims administrator is responsible for advising the member on the merits of each claim and the appropriate action to be taken, as well as providing for necessary investigation of claims and oversight of legal defense. The Board of Directors has set up a set of guidelines and standards which the claims administrator is required to follow. Monthly loss reports are sent to each member and the claims administrator is able to meet quarterly with individual members for an in depth claims review.

NCCSIF *2009 Annual Report*



Northern California Cities Self Insurance Fund

The following chart shows the year to year changes in the Loss Rate (annual losses / payroll/100) and average claim cost (claim costs / number of claims).





Northern California Cities Self Insurance Fund

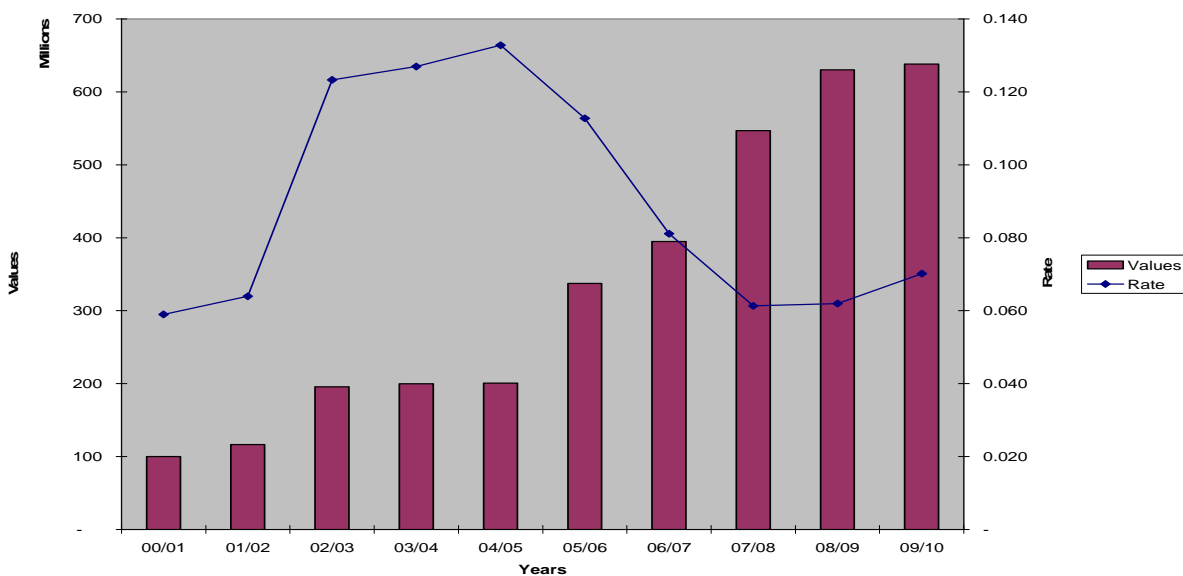
Property Program

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. Selected members also insure for flood coverage through the program excess of a flood deductible of \$100,000 or \$250,000 for Flood Zones A & V. A listing of additional sub limits is shown on the next pages. This 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 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 \$630 million in 2008 and \$638 million in 2009. Membership in PEPIP has grown to twelve of the twenty NCCSIF members. The chart below shows the total insured values as well as rates for the past ten years.

Historical Total Insurable Values and Rates



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

NCCSIF *2009 Annual Report*

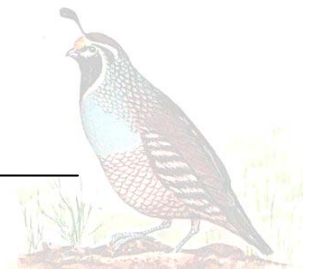
Northern California Cities Self Insurance Fund



Coverage Summary

COVERAGES & LIMITS:	\$	1,000,000,000	Per Occurrence: All Perils, Coverages (subject to policy exclusions) and Insureds/Members combined, subject to the following per occurrence and/or aggregate sub-limits as noted.
	\$	15,000,000	For City of Marysville and \$10,000,000 for City of Yuba City only Flood Limit - Per Occurrence and in the Annual Aggregate
	\$	100,000,000	Combined Business Interruption, Rental Income and Tax Interruption and Tuition Income (and related fees) - except \$500,000 per Member/Entity subject to maximum of \$2,500,000 Per Occurrence limit if specific values for such coverage have not been reported as part of the Member(s)/Entity(ies) schedule of values held on file with Alliant Insurance Services, Inc
	\$	50,000,000	Extra Expense
	\$	25,000,000	Miscellaneous Unnamed Locations
	\$	25,000,000	Automatic Acquisition up to \$100,000,000 for 90 days excluding licensed vehicles for which a sublimit of \$10,000,000 applies per policy Automatic Acquisition Clause. The peril of EQ is excluded for the states of Alaska and California. If Flood coverage is purchased for all scheduled locations, this extension will extend to include Flood coverage for any location not situated in Flood Zones A or V.
	\$	1,000,000	Unscheduled Landscaping, tees, sand traps, greens and athletic fields and further subject to \$25,000 / 25 gallon maximum per item
	\$	5,000,000	Scheduled Landscaping, tees, sand traps, greens and athletic fields and further subject to \$25,000 / 25 gallon maximum per item. Higher limits available for members with scheduled values greater than \$5,000,000 for an additional premium with underwriting approval
	\$	40,000,000	Errors & Omissions
	\$	25,000,000	Course of Construction and Additions (including new) for projects with completed values not exceeding the sublimit shown.
	\$	2,500,000	Money & Securities for named perils only
	\$	2,500,000	Unscheduled Fine Arts
	\$	250,000	Accidental Contamination per occurrence and annual aggregate per member with \$500,000 annual aggregate for all insureds / members

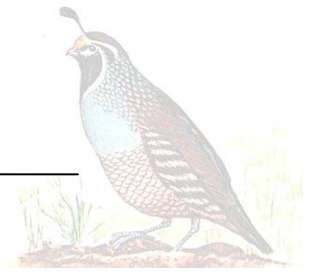
NCCSIF *2009 Annual Report*



Northern California Cities Self Insurance Fund

\$	500,000	Unscheduled Tunnels, Bridges, Dams, Catwalks (except those not for public use), Roadways, Highways, Streets, Sidewalks, Culverts, Street Lights and Traffic Signals unless a specific value has been declared – Excess of \$500,000 Deductible
\$	25,000,000	Increased Cost of Construction due to the enforcement of building codes/ ordinance or law (includes All Risk and Boiler & Machinery)
\$	25,000,000	Transit
\$	1,000,000	Unscheduled Animals; not to exceed \$50,000 per Animal, per Occurrence
\$	2,500,000	Unscheduled Watercraft up to 27 feet
\$	25,000,000	Off Premises Services Interruption including Extra Expense resulting from a covered peril at non-owned/operated locations
\$	5,000,000	Per Occurrence and Annual Aggregate for Earthquake shock on Licensed Vehicles, Unlicensed Vehicles, Contractor's Equipment and Fine Arts for all insured/members in this declaration combined that do not purchase Earthquake coverage
\$	5,000,000	Per Occurrence and Annual Aggregate for Flood on Licensed Vehicles, Unlicensed Vehicles, Contractor's Equipment and Fine Arts for all insured/members in this declaration combined that do not purchase Flood coverage
\$	2,500,000	Contingent Business Interruption, Contingent Rental Values, and Contingent Extra Expense separately
\$	500,000	Jewelry, Furs, Precious Metals and Precious Stones Separately
\$	500,000	Claims Preparation Expenses
\$	50,000,000	Expediting Expenses
\$	500,000	Personal Property Outside of the USA
\$	100,000,000	per member/entity per occurrence subject to \$200,000,000 Annual for Terrorism

NCCSIF *2009 Annual Report*



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 is \$1,000,000 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 participants are Cities of Anderson, Auburn, Colusa, Dixon, Galt, Gridley, Lincoln, Marysville, 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



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. In the past year, ACI participation has grown from fifteen to eighteen members.

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% successfully for another year. 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 2002. In 2005 ACI included the only increase in rates...a 4% increase. Since then ACI has provided renewal 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

The following page contains a list of current member participation.

City	EE Count	EAP Plan	2009-2011 Rate Per employee, per month	Start Date
City of Anderson	62	3 Session	\$2.08	7/1/2002
City of Auburn	89	AppleCore	\$0.90	7/1/2008
City of Colusa	41	6 Session	\$2.25	3/1/2007
City of Corning	48	6 Session	\$2.25	7/1/2002
City of Dixon	117	6 Session + AppleCore	\$2.25 + \$0.90	7/1/2002
City of Folsom	470	3 Session	\$2.08	7/1/2002
City of Gridley	84	6 Session + AppleCore	\$2.25 + \$0.90	7/1/2002
City of Jackson	31	6 Session	\$2.25	4/1/2007
City of Lincoln	198	6 Session	\$2.25	7/1/2006
City of Marysville	53	3 Session + AppleCore	\$2.08 + \$0.90	7/1/2002
City of Nevada City	30	AppleCore	\$0.90	7/1/2008
Town of Paradise	125	6 Session + AppleCore	\$2.25 + \$0.90	7/1/2007
City of Placerville	102	AppleCore	\$0.90	7/1/2008
City of Red Bluff	102	6 Session + AppleCore	\$2.25 + \$0.90	7/1/2002
City of Rio Vista	30	3 Session + AppleCore	\$2.08 + \$0.90	7/1/2002
City of Rocklin	269	6 Session + Affinity LMS + AppleCore	\$3.12 + \$0.90	7/1/2002
City of Willows	38	AppleCore	\$0.90	7/1/2008
City of Yuba City	308	6 Session	\$2.25	7/1/2002

NCCSIF Member Program Participation 2009-2010

MEMBER	Pooled Programs		Group Purchase			Individual Purchase			
	Liability	Workers' Compensation	PEPIP Property/BM/Vehicles On Premises	PEPIP Vehicle Physical Damage Off Premises	Crime	Public Entity APD/ MEQ Program	Airport	DIC	EAP
City of Anderson	X	X	X		X	X			X
City of Auburn	X	X			X	X			
City of Colusa	X	X	X		X	X			X
City of Corning	X	X							X
City of Dixon	X	X	X		X	X			X
City of Folsom	X	X	X	X					X
City of Galt	X	X	X		X				
City of Gridley	X	X	X		X	X			X
City of Jackson	X	X				X			X
City of Lincoln	X	X	X	X	X		X		X
City of Marysville	X	X	X		X	X			X
City of Nevada City		X							
City of Oroville	X	X				X (MEQ Only)	X*		
Town of Paradise	X	X	X		X	X (MEQ Only)			X
City of Placerville		X							
City of Red Bluff	X	X	X	X	X		X	X	X
City of Rio Vista	X	X				X (APD Only)			X
City of Rocklin	X	X	X		X	X			X
City of Willows	X	X							
City of Yuba City	X	X	X	X	X				X

Note: Other programs are available through a joint purchase program but are not part of the JPA programs.

* = Serviced by the Sacramento Alliant Office

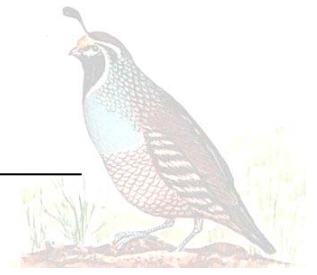


Risk Control Services

The Risk Management Services Fund provides services such as: live training, web based training, hot line safety services, inspection, recommends and supports attendance at Risk Management conferences and other support to members in the liability and workers' compensation programs with the goal of controlling loss frequency and severity. Services are funded on a proportional basis by both programs and represent 2.5% of the pool expenses. NCCSIF works closely with the Risk Management Committee and each of the JPA members to implement programs that help them keep down the cost of coverage. Many new services have been contracted in 2009, such as TargetSafety online training services, My Safety Officer, and the addition of streaming videos to the NCCSIF website. The following is a sample of some of the valuable training topics and events covered this year:

- Insurance Requirements in Contracts
- Traffic Signage in Construction Zones
- Email Correspondence
- Certification for Pool Operators
- Workplace Harassment
- Ergonomic Evaluations
- Ethics Training
- Supervisory Safety Training
- Diversity in the Workplace
- Injury Illness and Prevention Plan (IIPP) Review
- Sewer Overflow Response

In addition, contracted staff frequently works with members to conduct investigations of incidents or near-miss occurrences to help isolate the cause and make suggestions to avoid recurrence.



Cost Containment

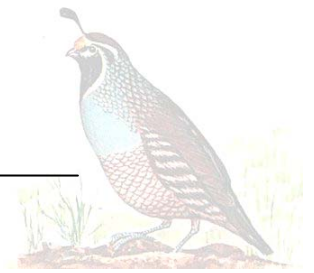
NCCSIF has made a great effort to manage the cost of its claims through the implementation of creative and innovative programs. A summary of these efforts in the workers' compensation program follows.

The Workers' Compensation Program covers all employees and volunteers (if the city has passed an ordinance) who are injured during the course and scope of their employment. The coverage primarily includes payment for medical costs, temporary disability, permanent disability and vocational rehabilitation.

NCCSIF's Workers' Compensation claims administrator, York Insurance Services Group, Inc., actively manages costs through the provision of a voluntary Return-to-Work program in which the NCCSIF Return-to-Work Coordinator teams with the injured worker, physician and supervisor to select *short-term*, pre-determined bridge assignments that are medically appropriate for returning the worker to employment. This serves to keep injured workers productive and avoids lengthy recovery periods from which it may be difficult to return to a structured workplace.

NCCSIF has also implemented a Managed Provider Network to further control workers' compensation medical costs.

In the past year NCCSIF implemented a Wellness program. The intention of the wellness program is to improve employee health and health awareness. The goal is to have a positive impact on workers' compensation losses over time.



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, 2009 (excerpted from the NCCSIF 2009 Financial Audit).

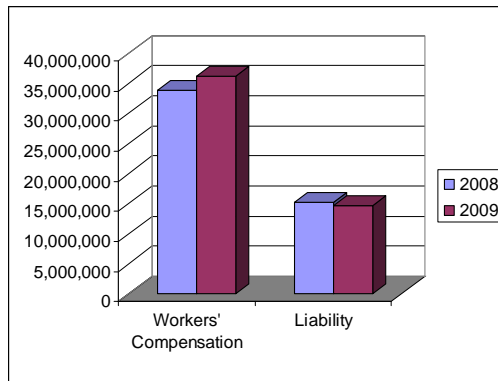
Financial Highlights, fiscal years ended June 30, 2008 and 2009

- The net income for the fiscal year ended June 30, 2009 was a loss of \$230,277. However, this is after accounting for a return to members of \$6,065,091. This return marks the long-term success of the risk financing program.
- Total operating revenues for fiscal year 2008 were \$13,842,232, a decrease of 1% or \$119,925 as compared to fiscal year 2007. This decrease is due to lower member billing related to reduced excess insurance premiums.
- Total operating revenues for fiscal year 2009 were \$13,524,506, a decrease of 2% or \$317,726 as compared to fiscal year 2008. This decrease is due to lower member billing again related to reduced excess insurance premiums.
- Total non-operating revenues (investment earnings) in fiscal year 2008 were \$4,388,340, an increase of 57% or \$1,596,772 over fiscal year 2007. These increases were due to combined increase in investment balances, investment income as well as increases in the fair market value of investments held by NCCSIF.
- Non-operating revenues for fiscal year 2009 totaled \$3,499,881, a 20% or \$888,459 decrease over the prior year. These decreases were due to combined decrease in investment income as well as decreases in the fair market value of investments held by NCCSIF.
- Total expenses for 2008 were \$20,868,575, an increase from the prior year of \$9,252,036 or 80%. This increase resulted from a reversal of loss reductions due to prior years favorable loss development to a trend to increased claims estimates. In addition, member dividends approved increased by over \$3.8 million.
- Total expenses for 2009 are \$17,254,664, a decrease from the prior year of \$3,613,911 or 17%. This decrease resulted primarily from lower relative claims expenses due to a decrease in ultimate loss estimates for previous policy years as determined by the actuary.
- Outstanding claims liabilities for the two programs increased from \$25,087,455 at June 30, 2007 to \$28,463,124 at the close of the 2008 fiscal year, an increase of 13%.
- Outstanding claims liabilities increased to \$29,967,842 by the end of fiscal year 2009 an increase of \$1.5 million over the prior year.
- The financial position of the pool improved during fiscal year 2007 with net income of \$5.1 million. A net loss of \$2.6 million was experienced in fiscal year 2008, however this was due to the fund returning over \$6.3 million to the members.
- A smaller net loss of \$230,000 was experienced during the 2009 fiscal year. This net loss includes \$6.1 million in member refunds.

Pool-Wide Financial Analysis

	June 30, 2009	Percent	June 30, 2008	Percent	June 30, 2007	Percent
Current assets	7,676,988	15%	\$ 10,632,137	22%	\$ 4,981,312	11%
Noncurrent assets	43,173,296	85%	38,411,746	78%	42,179,930	89%
Total Assets	50,850,284	100%	49,043,883	100%	47,161,242	100%
Current liabilities	2,608,909	5%	2,076,949	4%	931,974	2%
Claim liabilities	29,967,842	59%	28,463,124	58%	25,087,455	53%
Total liabilities	32,576,751	64%	30,540,073	62%	26,019,429	55%
Net assets	18,273,533	36%	18,503,810	38%	21,141,813	45%
Total Liabilities and Net Assets	50,850,284	100%	\$ 49,043,883	100%	\$ 47,161,242	100%

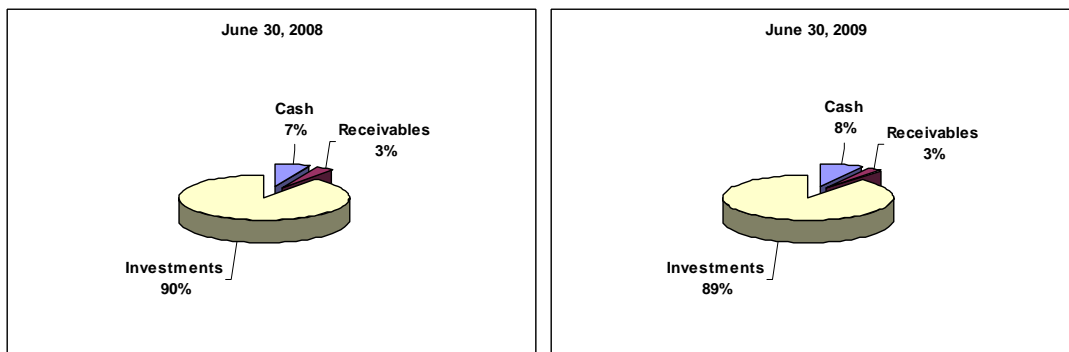
Northern California Cities Self Insurance Fund Total Assets by Program at June 30, 2008 and June 30, 2009



The total increase in assets for fiscal year 2008 was \$1,882,642, resulting in a total asset balance of \$49,043,884 at June 30, 2008.

The total increase in assets for fiscal year 2009 was \$1,806,400, resulting in a total asset balance of \$50,850,284 at June 30, 2009.

Total Assets by Type at June 30, 2008 and June 30, 2009



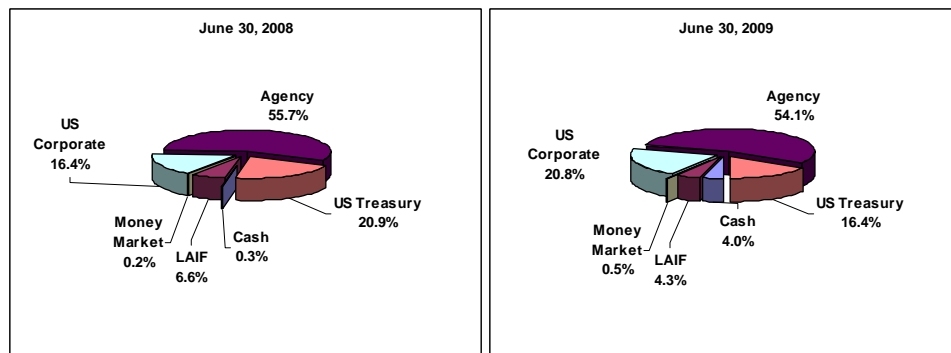
Investment revenues are used to offset program costs wherever possible and reduce the required member contributions. The overall investments of the pool increased in 2007-2008 from \$43,557,353 to \$44,142,900 and in 2008-2009 to \$45,219,013. NCCSIF invests those funds not immediately necessary

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 2008 was 4.325%, in 2009 the average rate of return was 2.1825%. The effective rate of return for the overall JPA investment portfolio decreased from 8.6% in fiscal year 2008 to 7.8% in fiscal year 2009. 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.

Components of NCCSIF Portfolio at June 30, 2008 and June 30, 2009

NCCSIF

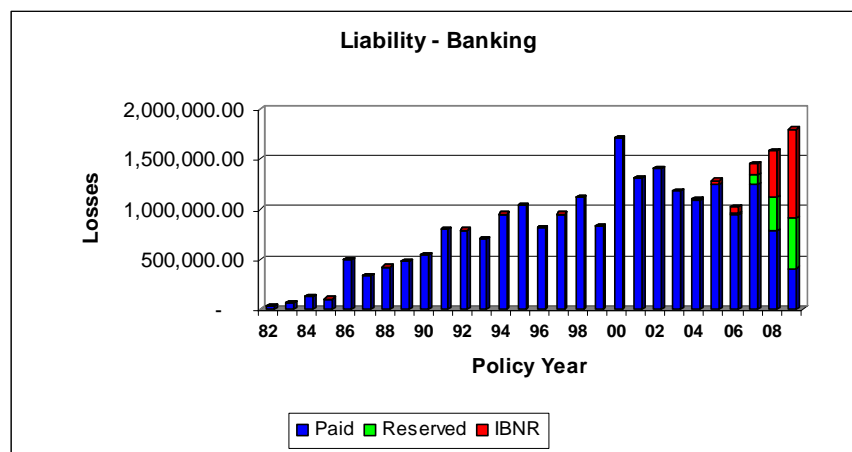


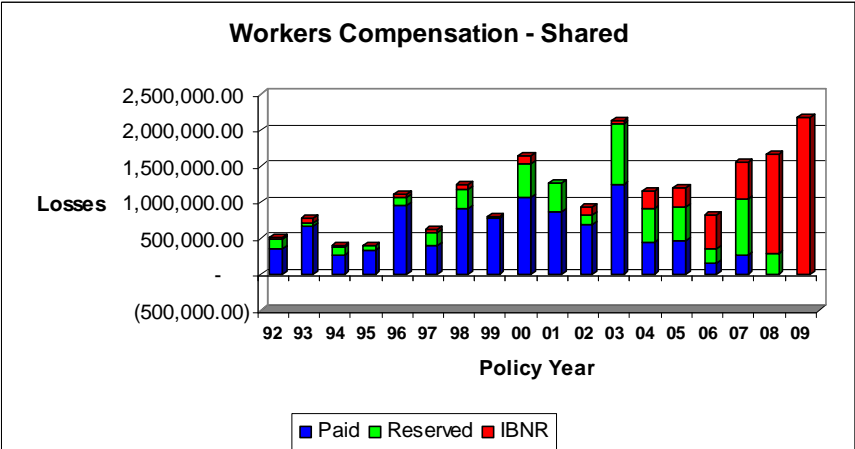
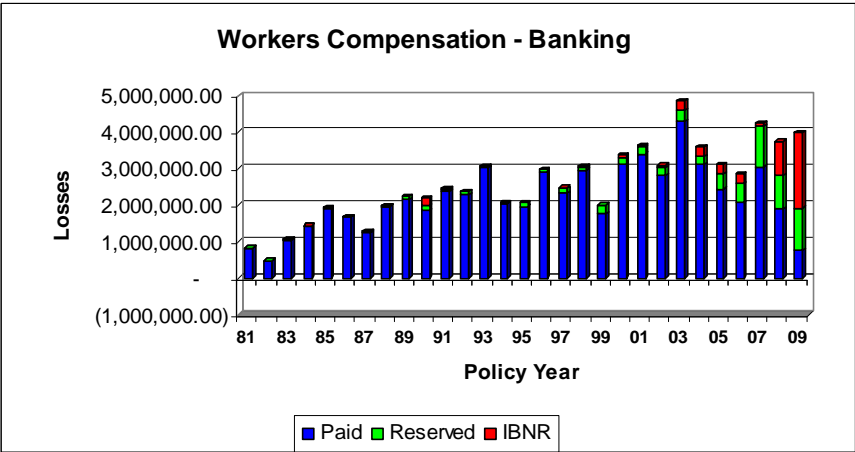
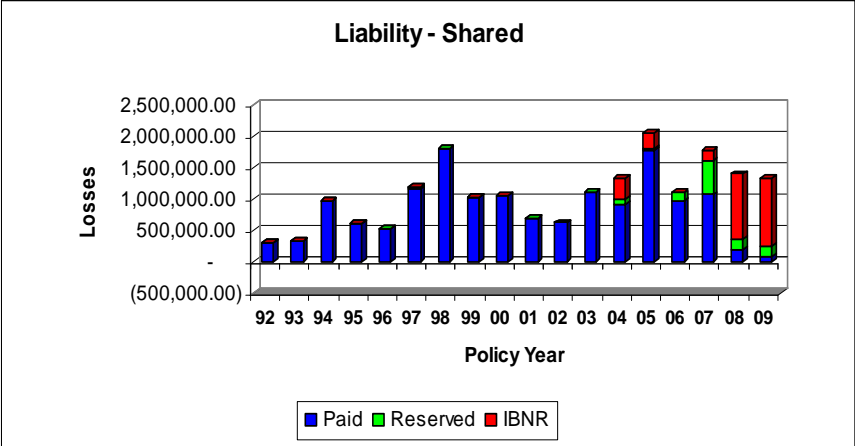
Pool

Liabilities

Current liabilities increased by \$1,144,975 from 2007 to 2008 and by \$531,960 from 2008 to 2009, largely due to timing of payment of member refunds.

Claims by policy year and by program is as follows where the reserved and IBNR (Incurred But Not Reported) claims are components of the recorded outstanding claims as of June 30, 2009.





NCCSIF Dividends and Assessments

For the year ended June 30, 2008:

The Liability Banking Fund had dividends of \$2,140,996 and had assessments of \$15,802. The Liability Shared Fund had dividends of \$1,092,800. The Workers' Compensation Banking Fund had dividends of \$3,120,466, and had assessments of \$159,180.

For the year ended June 30, 2009:

The Liability Banking Fund had dividends of \$1,944,114 and had assessments of \$15,147. The Liability Shared Risk Fund dividend declared was \$361,300. The Workers' Compensation Banking Fund had dividends of \$2,442,531, and had assessments of \$39,574. The Workers' Compensation Shared Risk Fund dividend declared was \$1,317,146.

Members may choose to have funds returned, keep funds on account, transferred to the other program (between liability and workers' compensation) or use the funds to pay the renewal premiums. These program adjustments were approved at the JPA's April regular Board Meetings. The actual release of these funds was during June unless applied to the renewal premiums and the collection of the assessments is in two installments in September and November.

NCCSIF Revenues and Expenses

Pool operating revenues consist almost entirely of contributions received from members. These revenues have decreased only slightly from \$13,962,157 to \$13,842,232 to \$13,524,506 in 2007, 2008 and 2009, respectively. These decreases were based on passing on loss and excess insurance savings to the members. Total revenues exceeded total expenses by \$5,137,186 in fiscal year 2007, resulting in an increase to net assets of 32%. Net losses of \$2,638,003 and \$230,277 were experienced in the 2008 and 2009 fiscal years, respectively. These losses were directly related to the issuance of dividends back to members of \$6,354,262 and \$6,065,091 in 2008 and 2009 respectively. These net losses resulted in a 12% decrease in ending net assets from year end 2007 to year end 2008 and a 1% decrease in ending assets from year end 2008 to year end 2009.

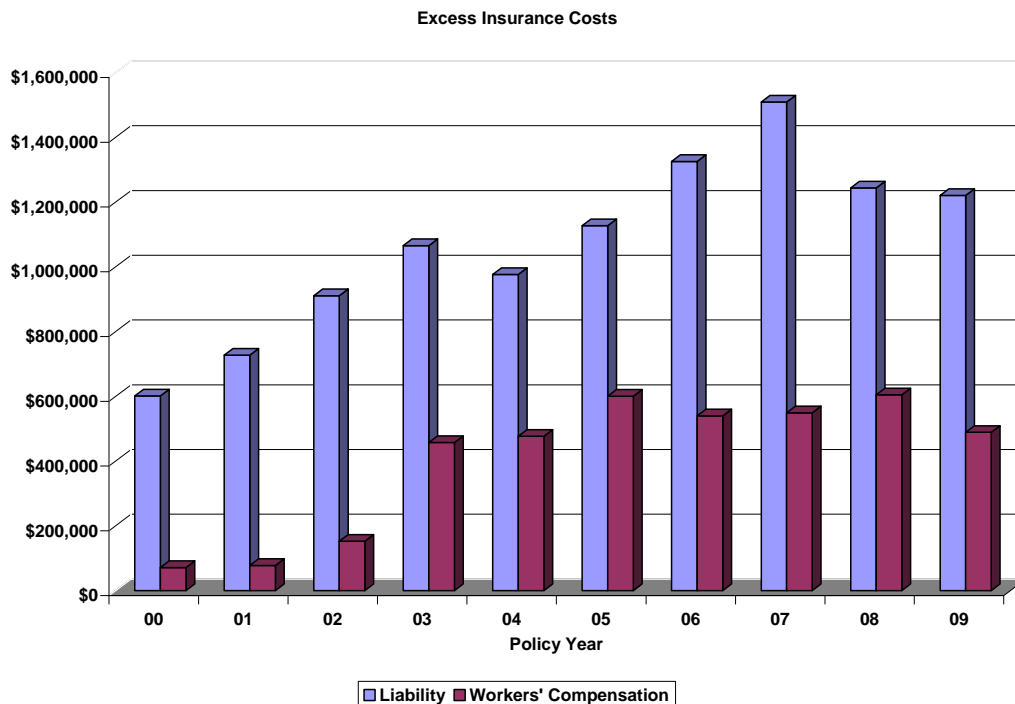
NCCSIF Statements of Revenue, Expenses, and Changes in Net Assets

	<u>2009</u>	<u>2008</u>	<u>Percent Change</u>	<u>2008</u>	<u>2007</u>	<u>Percent Change</u>
Operating Revenues	\$ 13,524,506	\$ 13,842,232	-2%	\$ 13,842,232	\$ 13,962,157	-1%
Provision for Claims	7,552,670	10,857,393	-30%	10,857,393	5,634,041	93%
Dividends	6,065,091	6,354,262	-5%	6,354,262	2,553,114	149%
Insurance Premiums	1,710,541	1,848,554	-7%	1,848,554	2,058,163	-10%
Administration	1,926,362	1,808,366	7%	1,808,366	1,371,221	32%
Total Expenses	17,254,664	20,868,575	-17%	20,868,575	11,616,539	80%
Non-operating:						
Investment Income	3,499,881	4,388,340	-20%	4,388,340	2,791,568	57%
Net Income (Loss)	(230,277)	(2,638,003)	-91%	(2,638,003)	5,137,186	-151%
Beginning Net Assets	18,503,810	21,141,813	-12%	21,141,813	16,004,627	32%
Ending Net Assets	\$ 18,273,533	\$ 18,503,810	-1%	\$ 18,503,810	\$ 21,141,813	-12%

Non-operating revenues increased from \$2,791,568 to \$4,388,340 for 2007 and 2008, respectively. These increases were mainly the result of increases in investment balances and related income. Non-operating

revenues declined by 20% in fiscal year 2009 to \$3,499,881 due to a decline in interest and investment income. The fair value of investments experienced a net increase in 2007, 2008 and 2009.

Operating expenses, including the provision for insured events, increased by \$9.3 million in 2007-08 to \$20,868,575. This increase resulted from a reversal of loss reductions due to prior year's favorable loss development to a trend to increased claims estimates. In addition, member dividends approved increased by over \$3.8 million. Operating expenses decreased 17% over the total 2008 figure to \$17,254,664 in fiscal year 2009. This decrease resulted from lower excess insurance rates and lower claims related expenses due to a decrease in ultimate loss estimates for previous policy years as determined by the actuary and favorable excess insurance rates.



Insurance Expense

NCCSIF has made choices to participate in excess California joint powers authorities for liability and workers' compensation. These excess JPA's purchase excess reinsurance and insurance over pooled layers. By doing so NCCSIF now operates in an environment that is only minimally dependent on the insurance market and is therefore less subject to the swings of insurance pricing cycles. Historically, the insurance market has operated in 3-7 year cycles in which rates will swing from the very high to the very low and back again. From 1987 to 2002 the Insurance marketplace was in a long competitive cycle that was not broken until the events of September 2001. The beginning of a very hard market cycle occurred in 2002. Currently we have been in a relatively soft market, but the current financial crisis has resulted in a flattening of rates and will likely result in increased hardening in the next few years.

General Administration Fund

General administration expenses represent 4.3% and 2.9% of the overall pool expenses for 2008 and 2009, respectively. This figure includes administrative and finance staff expenses, support and services, including the costs of NCCSIF Board of Director and Executive Committee meetings. The decrease in these percentages is largely related to the variances in the claim expense which is the largest program expense.

Financial Management and Control

NCCSIF's Financial Advisor is responsible for establishing and maintaining an internal control structure designed to ensure that assets are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for preparation of financial statements in conformity with generally accepted accounting principles. Further oversight is provided by the NCCSIF Treasurer and annually reviewed by the Financial Auditor.

NCCSIF *2009 Annual Report*

Northern California Cities Self Insurance Fund



Staff Members and Consultants

PROGRAM ADMINISTRATORS:



Alliant Insurance Services, Inc.

100 Pine Street, 11th Floor

San Francisco, California 94111-5101

(415) 403-1400 Main | (415) 402-0773 Fax

Corporate License No. OC36861

Peer Review

Program Administrator

Program Coordinator

Michael Simmons, Vice Chair

Marylin Kelley, Vice President

Amber Anderson

ACCOUNTING SERVICE PROVIDER:



James Marta & Company

Jim Marta, CPA, ARM

THIRD PARTY CLAIMS ADMINISTRATION & LOSS CONTROL SERVICES:



York Insurance Services Group, Inc.

President

Claims Manager

Claims Manager

Risk Management

Risk Management

Randy Smith

Craig Wheaton

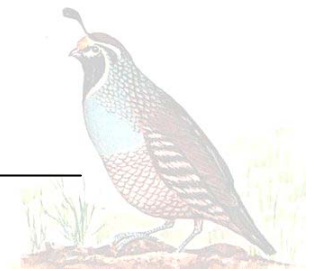
Billie Wilson

Rudy Schroeder

Jack Kastorff

NCCSIF *2009 Annual Report*

Northern California Cities Self Insurance Fund



INVESTMENT CONSULTANTS:



Chandler Asset Management, Inc.

Kay Chandler, CFA, President and CEO

Martin Cassell, CFA, EVP and Chief Investment Officer

Ted Piorkowski, CFA, VP, Senior Portfolio Manager

INDEPENDENT FINANCIAL AUDITING SERVICES:



Perry-Smith LLP

David Becker, Partner

ACTUARIAL SERVICES:



Bickmore Risk Services
Leaders In Self-Insurance

Bickmore Risk Services

Mike Harrington, Director, Property & Casualty Actuarial Services