

**CSAC EIA
CAPTIVE FEASIBILITY STUDY
AND BUSINESS PLAN
PHASE 2**

I. SUMMARY OF PHASE 1

Phase 1 of the Captive Feasibility Study focused on the selection of the domicile for the proposed captive. There are approximately 38 states with captive insurance company enabling legislation and California is not one of them. Nearby states with appropriate laws and captive regulation infrastructure include:

- Arizona
- Hawaii
- Montana
- Nevada
- Utah

None of these states have investment restrictions on investments made by the captive; however the investments should be reasonable and prudent.

It was determined early on that an EIA captive would begin operation with approximately \$50,000,000 in annual premium. As a result, the premium tax charged by the domiciliary state became important. Arizona and Utah have a flat tax of \$5,500 and \$5,250 respectively.

The premium tax in Montana and Nevada is 0.4% which equates to an annual tax of \$200,000. Hawaii's tax rate is lower at 0.25%, which results in an annual tax of \$125,000.

Visits were made to the regulatory officials in Arizona and Utah and it was decided that Utah would be the location for the domicile of the EIA captive.

II. PHASE 2 INTRODUCTION

Phase 2 of this project will provide a comparison of the current funding programs for various risks and exposures with the ultimate cost of funding these same exposures in the captive insurance company. This study will compare the operation of a captive domiciled in Utah with the current methods used to finance or fund the risks which are intended to be placed in the captive.

III. FINANCIAL COMPARISON SUMMARY

The following table compares key financial indicators over a five year period for the proposed Utah-domiciled captive and the current CSAC pooling arrangement of the same exposures. All loss, expense and investment income figures are based on expected assumptions. (All figured are displayed in \$000's)

Expected Scenario

Cost Element	Program	First Year	Second Year	Third Year	Fourth Year	Fifth Year	Total
Premium & Capital Paid In	Captive	\$68,251	\$69,117	\$75,546	\$82,594	\$90,321	\$385,829
	CSAC Pool	66,079	71,568	77,743	84,605	92,148	392,143
Investment Income	Captive	2,149	4,970	7,622	10,074	11,835	36,650
	CSAC Pool	619	2,023	3,572	5,050	6,579	17,843
NPV of Incurred Loss & ALAE	Captive	64,868	71,915	79,673	88,072	96,795	401,323
	CSAC Pool	66,775	73,179	80,366	88,222	96,796	405,338
Expenses	Captive	93	66	68	70	72	370
	CSAC Pool	0	0	0	0	0	0
Total of NPV of Loss and Expense	Captive	64,961	71,981	79,741	88,142	96,867	401,693
	CSAC Pool	66,775	73,179	80,366	88,222	96,796	405,338
Profit	Captive	5,439	2,106	3,427	4,526	5,289	20,786
	CSAC Pool	(77)	412	949	1,433	1,931	4,648
Surplus	Captive	5,439	7,545	10,972	15,498	20,787	20,787
	CSAC Pool	(77)	335	1,284	2,717	4,648	4,648

In the above table, the Captive surplus includes the initial paid in capital of \$5,000,000 whereas the CSAC Pooled surplus does not.

As you will note, if both the Captive and CSAC Pooling arrangements were to perform as expected over the next five years, the Captive would produce significantly higher net income and surplus. Further, almost the entire difference can be attributed to additional investment income expected to be generated by the Captive's more flexible asset mix.

The following table compares the same key financial indicators over a five year period. However, the investment income figures are based on adverse assumptions. (Since there is no actuarial risk in the losses, increasing the losses does not impact the adverse scenario) For the Captive program, we have assumed that the investment income rate is 0% for each the the first 4 years, then 1%, then 2%, and then 3% for all years after 2021-22. For the CSAC Pooled program, we have assumed that investment income is 25% of the expected scenario for each of the next five years, then 1.5% for all years after 2021-22. (All figured are displayed in \$000's)

Adverse Scenario

Cost Element	Program	First Year	Second Year	Third Year	Fourth Year	Fifth Year	Total
Premium & Capital Paid In	Captive	\$68,251	\$69,117	\$75,546	\$82,594	\$90,321	\$385,829
	CSAC Pool	66,079	71,568	77,743	84,605	92,148	392,143
Investment Income	Captive	0	0	0	0	2,411	2,411
	CSAC Pool	155	504	883	1,236	1,591	4,369
NPV of Incurred Loss & ALAE	Captive	68,410	74,349	80,603	87,179	95,565	406,106
	CSAC Pool	68,220	74,546	81,473	88,973	97,103	410,315
Expenses	Captive	93	66	68	70	72	370
	CSAC Pool	0	0	0	0	0	0
Total of NPV of Loss and Expense	Captive	68,503	74,415	80,671	87,249	95,637	406,476
	CSAC Pool	68,220	74,546	81,473	88,973	97,103	410,315
Profit	Captive	(252)	(5,298)	(5,125)	(4,655)	(2,905)	(18,236)
	CSAC Pool	(1,986)	(2,474)	(2,847)	(3,132)	(3,364)	(13,803)
Surplus	Captive	(252)	(5,550)	(10,675)	(15,330)	(18,235)	(18,235)
	CSAC Pool	(1,986)	(4,460)	(7,307)	(10,439)	(13,803)	(13,803)

In the above table, the Captive surplus includes the initial paid in capital of \$5,000,000 whereas the CSAC Pooled surplus does not.

As can see, under the adverse scenario, both options incur substantial deficits over the five year period.

We should note that if the investment income rates under the Captive program were to be even half of the expected scenario, the ending surplus would be \$1,145,000.

Below, we discuss various assumptions underlying the pro-formas.

Captive Exposures and Premium Assumptions

Several of the EIA programs include corridor retentions, or aggregate stop loss protection, such that if the retained losses exceed a predetermined amount, the excess insurer will pay any additional losses. The following table shows the corridor, or aggregate, retentions for five of the major programs, the discounted amount which will be paid to the captive for each of these aggregates, and the unfunded risk of the captive.

PROGRAM	CORRIDOR STOP LOSS	CAPTIVE FUNDING	CAPTIVE UNFUNDED RISK
PWC	\$5,000,000	\$4,600,000	\$400,000
EWC Core	24,443,638	22,488,147	1,955,491
EWC Edu	6,807,963	6,263,326	544,637
GL 1	2,500,000	2,300,000	200,000
GL 2	20,000,000	18,400,000	1,600,000
Property	10,000,000	9,200,000	800,000
TOTAL	\$68,751,601	\$63,251,473	\$5,500,128

The anticipated captive funding (premiums) represents a simple discount factor of 8% for each of the stop loss amounts.

It is the intent to capitalize the captive with an amount of \$5,000,000 which is less than the unfunded risk of the captive. Initial discussions with the Utah regulators indicate that this initial capital will be sufficient.

The investment income from the invested assets of \$68,251,000 will be used to contribute to the unfunded risk and the administrative costs of the captive.

We have assumed the same five exposure categories will be continued in the captive for the first five years and there will be a 10% growth in the aggregate stop loss limits each year. This 10% growth will also impact the annual premium to be placed in the captive. Initial capital will remain constant at \$5,000,000.

IV. INVESTMENT RETURN

The following table displays the investment income rate assumptions for each of the scenarios underlying the summary tables above. The Expected assumptions are net of investment advisor fees.

<u>Year</u>	<u>CSAC Pool Expected</u>	<u>Captive Expected</u>	<u>CSAC Pool Adverse</u>	<u>Captive Adverse</u>
2016-17	1.14%	3.82%	0.29%	0.00%
2017-18	1.71%	4.16%	0.43%	0.00%
2018-19	2.07%	4.37%	0.52%	0.00%
2019-20	2.30%	4.51%	0.58%	0.00%
2020-22	2.54%	4.45%	0.64%	1.00%
2021-22	2.75%	4.30%	0.69%	2.00%
After	2.96%	4.30%	1.50%	3.00%
 Blended Discount	 .961	 .912	 .990	 .995

The CSAC Pool expected investment return assumptions were provided by Chandler Asset Management for the fixed income portfolio of the typical CSAC pool. The Captive expect return assumptions are based on an assumption that 40% of the Captives assets, up to a maximum of \$60 million will be invested in risk based portfolio with an assumed investment return of 8.13% per year (before advisor fees) and the remainder of the Captive assets will be invested in the CSAC Pool portfolio.

V. NON CLAIMS RELATED EXPENSES

The CSAC Pooled program has no assumed expenses. This is due to the fact that the exposures are already part of the current programs, so there are no additional expenses. The Captive program expense assumptions are as follows:

1. Captive Feasibility & Implementation Fees - \$25,000 in the first year, then \$0.
2. Captive Management Fees - \$25,000 in the first year, with subsequent annual increase of 3%.
3. Premium tax - \$5,250 in the first year, with subsequent annual increase of 3%.
4. Legal Fees - \$8,000 for the first year, then \$4,000 per year.
5. Board Meeting Expenses - \$15,000 in the first year, with subsequent annual increase of 3%.
6. Actuarial Fees - \$10,000 in the first year, with subsequent annual increase of 3%.
7. Financial Audit Fees - \$5,000 in the first year, with subsequent annual increase of 3%.

8. Investment Advisor Fees – 30 basis points for the risk based portfolio and 4 basis points for the fixed income portfolio.
9. The captive will not pay income tax.

VI. BUSINESS PLAN

Insurance Coverage in Captive

Each of the programs identified in Section III above include a Memorandum of Coverage (MOC) which details the conditions under which each member will be indemnified by EIA for specific losses. The MOC's are essentially insurance policies. The captive insurance company created by EIA will reimburse EIA for its claim payment expenses incurred within each of these programs.

This reimbursement agreement will be contained in documents referred to as reinsurance agreements. These agreements are provided in the Appendix to this report.

Risk Management

EIA provides consultative risk management services to its members. These services are intended to supplement what the members are doing in house or through vendors and are not intended to duplicate those services. The services provided include:

- Wide variety of loss prevention and risk management training programs, provided on a regional basis, on-site for individual members, or through live or previously recorded internet-based sessions.
- Extensive loss prevention platform including: online training, automated system for monitoring employee driving records, flexible tools to monitor compliance, communication solutions for exchanging information and risk identification and mitigation technologies.
- Loss prevention consultation, program assessments, and facility inspections
- Real and personal property appraisals.

The captive will not provide any additional risk management services to EIA, or its members.

Claim Management

EIA provides claim management support for its members for their individually self-insured programs. This support includes:

- Extension of EIA's contracted services at reduced rates for actuarial studies and claim audits.

- Access to additional programs and services through the EIA's membership in the ISO Claims Search Program and Insurance Education Association.

EIA maintains its own claim management staff for claims that exceed the member's retention and may be paid by the EIA layer of coverage.

The captive will not provide claim management services to EIA or its members.

Other Exposures for Consideration in Captive

After the initial stage of captive operation has been completed and all parties are comfortable with the operation of the captive, additional exposures will be considered for placement in the captive. These additional exposures could include:

1. Funding a portion of the EWC reinsurance program, perhaps with a quota share participation with the current reinsurer.
2. Quota share participation in earthquake coverage.
3. Quota share participation in some or all of the existing reinsurance programs.
4. Expansion of program outside the state of California.
5. Loss Portfolio Transfer of existing losses which have not been closed.
6. Banking arrangement for member's deductibles in property program.
7. Reinsuring a portion of current insurer's risk on Master Rolling Owner Controlled Insurance Program for construction projects.

Modifications to the Business Plan would be prepared and submitted for approval by the Regulator before any expansion is implemented.

APPENDIX

The following documents are provided:

- **Primary Workers' Compensation Program Reinsurance Agreement**
- **Excess Workers' Compensation Program Reinsurance Agreement**
- **General Liability 1 Program Reinsurance Agreement**
- **General Liability 2 Program Reinsurance Agreement**
- **Property Program Reinsurance Agreement**

2016/17 PRIMARY WORKERS' COMPENSATION PROGRAM
REINSURANCE AGREEMENT

This reinsurance agreement is made and entered into by and between the CSAC EXCESS INSURANCE AUTHORITY (hereinafter referred to as "CSAC EIA") and the EXCESS INSURANCE ORGANIZATION, a Utah non-profit captive insurance company (hereinafter referred to as the "Reinsurer").

The Reinsurer hereby reinsures CSAC EIA to the extent and on the terms and conditions and subject to the exceptions, exclusions, and limitations hereinafter set forth and nothing hereinafter shall in any manner create any obligations or establish any rights against the Reinsurer in favor of any third parties or any persons not parties to this Agreement.

ARTICLE 1 - BUSINESS COVERED

The Reinsurer agrees to reimburse CSAC EIA for amounts of loss which CSAC EIA may pay as a result of losses occurring under each of CSAC EIA's 2016/17 Primary Workers' Compensation Program Certificates of Coverage on file with the CSAC EIA and sample attached hereto and made part of this agreement.

ARTICLE 2 – POLICY PERIOD

The period covered by this reinsurance agreement is July 1, 2016 through June 30, 2017 as defined by the CSAC EIA Primary Workers' Compensation Program Certificates of Coverage.

ARTICLE 3 - LIMITS OF COVERAGE

The Reinsurer shall retain and be liable for \$115,000 excess of \$10,000, per occurrence, subject to a maximum of \$5,000,000 during the policy period. The maximum may be adjusted based on changes in membership and final payroll.

ARTICLE 4 – COVERAGE FORMS

The coverage provided by this reinsurance agreement shall be pursuant to the Primary Workers' Compensation Program Certificates of Coverage, adopted by the CSAC EIA, and any changes in such Certificates of Coverage shall be reported to the Reinsurer.

ARTICLE 5 - PREMIUM

CSAC EIA shall pay to the Reinsurer a deposit premium of \$4,600,000 based on the estimated payroll reported by the participating members. The premium will be adjusted based on final reported payroll and endorsement to this reinsurance agreement.

ARTICLE 6 - CLAIM SETTLEMENTS

All claim settlements made by CSAC EIA, under the Primary Workers' Compensation Program Certificates of Coverage reinsured hereunder, shall be binding upon the Reinsurer. Upon receipt of satisfactory proof of loss, the

Reinsurer agrees to reimburse the CSAC EIA in accordance with this reinsurance agreement.

ARTICLE 7 – CLAIM REIMBURSEMENTS

CSAC EIA shall provide the Reinsurer with a report summarizing all claims with payments eligible for reimbursement pursuant to this reinsurance agreement. Such report will be provided to the Reinsurer on a quarterly basis, or such other frequency as mutually agreed, and the reinsurer shall make full payment to the CSAC EIA within 30 days of the receipt of the report.

ARTICLE 8 - COMMENCEMENT AND TERMINATION

This Agreement shall take effect as of 12:01 a.m., July 1, 2016 may be terminated upon the mutual written consent of the CSAC EIA and the Reinsurer. In the event of cancellation by either party, the premium and the aggregate limit will be prorated for the period of coverage prior to the effective date of cancellation.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed this __day of _____, 2016.

ACCEPTED:

CSAC EXCESS INSURANCE AUTHORITY (CSAC EIA)

EXCESS INSURNACE ORGANIZATION (Reinsurer)

2016/17 EXCESS WORKERS' COMPENSATION PROGRAM
REINSURANCE AGREEMENT

This reinsurance agreement is made and entered into by and between the CSAC EXCESS INSURANCE AUTHORITY (hereinafter referred to as "CSAC EIA") and the EXCESS INSURANCE ORGANIZATION, a Utah non-profit captive insurance company (hereinafter referred to as the "Reinsurer").

The Reinsurer hereby reinsures CSAC EIA to the extent and on the terms and conditions and subject to the exceptions, exclusions, and limitations hereinafter set forth and nothing hereinafter shall in any manner create any obligations or establish any rights against the Reinsurer in favor of any third parties or any persons not parties to this Agreement.

ARTICLE 1 - BUSINESS COVERED

The Reinsurer agrees to reimburse CSAC EIA for amounts of loss which CSAC EIA may pay as a result of losses occurring under each of CSAC EIA's 2016/17 Excess Workers' Compensation Program Memorandums of Coverage on file with the CSAC EIA and sample attached hereto and made part of this agreement.

ARTICLE 2 – POLICY PERIOD

The period covered by this reinsurance agreement is July 1, 2016 through June 30, 2017 as defined by the CSAC EIA Excess Workers' Compensation Program Memorandums of Coverage.

ARTICLE 3 - LIMITS OF COVERAGE

The Reinsurer shall retain and be liable as follows:

Core Tower:

- \$4,875,000 maximum each accident/each employee for disease (limit is the difference between \$5,000,000 and the member's retained limit)
- \$4,875,000 maximum each accident for communicable disease (limit is the difference between \$5,000,000 and the member's retained limit)
- Subject to a maximum of \$21,776,111 during the policy period

Educational Tower I:

- \$2,375,000 maximum each accident/each employee for disease (limit is the difference between \$2,500,000 and the member's retained limit)
- \$2,375,000 maximum each accident for communicable disease (limit is the difference between \$2,500,000 and the member's retained limit)

Educational Tower II:

- \$375,000 maximum each accident/each employee for disease (limit is the difference between \$500,000 and the member's retained limit)
- \$375,000 maximum each accident for communicable disease (limit is the difference between \$500,000 and the member's retained limit)

- Subject to a maximum of \$10,350,815 combined for Educational Towers I and II during the policy period

The limits will be adjusted for changes in membership and final payroll.

ARTICLE 4 – COVERAGE FORMS

The coverage provided by this reinsurance agreement shall be pursuant to the Excess Workers' Compensation Program Memorandums of Coverage, adopted by the CSAC EIA, and any changes in such Memorandums of Coverage shall be reported to the Reinsurer.

ARTICLE 5 - PREMIUM

CSAC EIA shall pay to the Reinsurer a deposit premium of \$29,556,772 based on the estimated payroll reported by the participating members. The premium will be adjusted based on final reported payroll and endorsement to this reinsurance agreement.

ARTICLE 6 - CLAIM SETTLEMENTS

All claim settlements made by CSAC EIA, under the Excess Workers' Compensation Program Memorandums of Coverage reinsured hereunder, shall be binding upon the Reinsurer. Upon receipt of satisfactory proof of loss, the Reinsurer agrees to reimburse the CSAC EIA in accordance with this reinsurance agreement.

ARTICLE 7 – CLAIM REIMBURSEMENTS

CSAC EIA shall provide the Reinsurer with a report summarizing all claims with payments eligible for reimbursement pursuant to this reinsurance agreement. Such report will be provided to the Reinsurer on a quarterly basis, or such other frequency as mutually agreed, and the reinsurer shall make full payment to the CSAC EIA within 30 days of the receipt of the report.

ARTICLE 8 - COMMENCEMENT AND TERMINATION

This Agreement shall take effect as of 12:01 a.m., July 1, 2016 and may be terminated upon the mutual written consent of the CSAC EIA and the Reinsurer. In the event of cancellation by either party, the premium and the aggregate limit will be prorated for the period of coverage prior to the effective date of cancellation.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed this __day of _____, 2016.

ACCEPTED:

CSAC EXCESS INSURANCE AUTHORITY (CSAC EIA)

EXCESS INSURANCE ORGANIZATION (Reinsurer)

2016/17 GENERAL LIABILITY 1 PROGRAM
REINSURANCE AGREEMENT

This reinsurance agreement is made and entered into by and between the CSAC EXCESS INSURANCE AUTHORITY (hereinafter referred to as "CSAC EIA") and the EXCESS INSURANCE ORGANIZATION, a Utah non-profit captive insurance company (hereinafter referred to as the "Reinsurer").

The Reinsurer hereby reinsures CSAC EIA to the extent and on the terms and conditions and subject to the exceptions, exclusions, and limitations hereinafter set forth and nothing hereinafter shall in any manner create any obligations or establish any rights against the Reinsurer in favor of any third parties or any persons not parties to this Agreement.

ARTICLE 1 - BUSINESS COVERED

The Reinsurer agrees to reimburse CSAC EIA for amounts of loss which CSAC EIA may pay as a result of losses occurring under each of CSAC EIA's 2016/17 General Liability 1 Program Memorandums of Coverage on file with the CSAC EIA and sample attached hereto and made part of this agreement.

ARTICLE 2 – POLICY PERIOD

This reinsurance agreement is in effect from July 1, 2016 through June 30, 2017 as defined by the CSAC EIA General Liability 1 Program Memorandums of Coverage. However, it is understood that the Reinsurer shall retain and be liable for amounts of loss, subject to the limit noted below, for all losses occurring from July 1, 2015 through June 30, 2017, less any amount paid and satisfied by CSAC EIA prior to the effective date of this agreement.

ARTICLE 3 - LIMITS OF COVERAGE

The Reinsurer shall retain and be liable for \$5,000,000 maximum per occurrence, offense, or wrongful act and in aggregate during the policy period, less any amount paid and satisfied by CSAC EIA for losses occurring between July 1, 2015 and the effective date of this agreement. The maximum may be adjusted based on changes in membership.

ARTICLE 4 – COVERAGE FORMS

The coverage provided by this reinsurance agreement shall be pursuant to the General Liability 1 Program Memorandums of Coverage, adopted by the CSAC EIA, and any changes in such Memorandums of Coverage shall be reported to the Reinsurer.

ARTICLE 5 - PREMIUM

CSAC EIA shall pay to the Reinsurer a premium of \$4,600,000 based on the participating members. The premium may be adjusted based membership in the program.

ARTICLE 6 - CLAIM SETTLEMENTS

All claim settlements made by CSAC EIA, under the General Liability 1 Program Memorandums of Coverage reinsured hereunder, shall be binding upon the Reinsurer. Upon receipt of satisfactory proof of loss, the Reinsurer agrees to reimburse the CSAC EIA in accordance with this reinsurance agreement.

ARTICLE 7 – CLAIM REIMBURSEMENTS

CSAC EIA shall provide the Reinsurer with a report summarizing all claims with payments eligible for reimbursement pursuant to this reinsurance agreement. Such report will be provided to the Reinsurer on a quarterly basis, or such other frequency as mutually agreed, and the reinsurer shall make full payment to the CSAC EIA within 30 days of the receipt of the report.

ARTICLE 8 - COMMENCEMENT AND TERMINATION

This Agreement shall take effect as of 12:01 a.m., July 1, 2016 and maybe terminated upon the mutual written consent of the CSAC EIA and the Reinsurer. In the event of cancellation by either party, the premium and the aggregate limit will be prorated for the period of coverage prior to the effective date of cancellation.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed this __day of _____, 2016.

ACCEPTED:

CSAC EXCESS INSURANCE AUTHORITY (CSAC EIA)

EXCESS INSURNACE ORGANIZATION (Reinsurer)

2016/17 GENERAL LIABILITY 2 PROGRAM
REINSURANCE AGREEMENT

This reinsurance agreement is made and entered into by and between the CSAC EXCESS INSURANCE AUTHORITY (hereinafter referred to as "CSAC EIA") and the EXCESS INSURANCE ORGANIZATION, a Utah non-profit captive insurance company (hereinafter referred to as the "Reinsurer").

The Reinsurer hereby reinsures CSAC EIA to the extent and on the terms and conditions and subject to the exceptions, exclusions, and limitations hereinafter set forth and nothing hereinafter shall in any manner create any obligations or establish any rights against the Reinsurer in favor of any third parties or any persons not parties to this Agreement.

ARTICLE 1 - BUSINESS COVERED

The Reinsurer agrees to reimburse CSAC EIA for amounts of loss which CSAC EIA may pay as a result of losses occurring under each of CSAC EIA's 2016/17 General Liability 2 Program Memorandums of Coverage on file with the CSAC EIA and sample attached hereto and made part of this agreement.

ARTICLE 2 – POLICY PERIOD

The period covered by this reinsurance agreement is July 1, 2016 through June 30, 2017 as defined by the CSAC EIA General Liability 2 Program Memorandums of Coverage.

ARTICLE 3 - LIMITS OF COVERAGE

The Reinsurer shall retain and be liable for the difference between the member's self-insured retention, plus their Individual Member Corridor Deductible if applicable, and \$10,000,000 per occurrence, offense, or wrongful act, subject to a maximum of \$20,000,000 during the policy period. The maximum may be adjusted based on changes in membership.

ARTICLE 4 – COVERAGE FORMS

The coverage provided by this reinsurance agreement shall be pursuant to the General Liability 2 Program Memorandums of Coverage, adopted by the CSAC EIA, and any changes in such Memorandums of Coverage shall be reported to the Reinsurer.

ARTICLE 5 - PREMIUM

CSAC EIA shall pay to the Reinsurer a premium of \$18,400,000 based on the participating members. The premium may be adjusted based membership in the program.

ARTICLE 6 - CLAIM SETTLEMENTS

All claim settlements made by CSAC EIA, under the General Liability 2 Program Memorandums of Coverage reinsured hereunder, shall be binding upon the

Reinsurer. Upon receipt of satisfactory proof of loss, the Reinsurer agrees to reimburse the CSAC EIA in accordance with this reinsurance agreement.

ARTICLE 7 – CLAIM REIMBURSEMENTS

CSAC EIA shall provide the Reinsurer with a report summarizing all claims with payments eligible for reimbursement pursuant to this reinsurance agreement. Such report will be provided to the Reinsurer on a quarterly basis, or such other frequency as mutually agreed, and the reinsurer shall make full payment to the CSAC EIA within 30 days of the receipt of the report.

ARTICLE 8 - COMMENCEMENT AND TERMINATION

This Agreement shall take effect as of 12:01 a.m., July 1, 2016 may be terminated upon the mutual written consent of the CSAC EIA and the Reinsurer. In the event of cancellation by either party, the premium and the aggregate limit will be prorated for the period of coverage prior to the effective date of cancellation.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed this __day of _____, 2016.

ACCEPTED:

CSAC EXCESS INSURANCE AUTHORITY (CSAC EIA)

EXCESS INSURNACE ORGANIZATION (Reinsurer)

2016/17 PROPERTY PROGRAM
REINSURANCE AGREEMENT

This reinsurance agreement is made and entered into by and between the CSAC EXCESS INSURANCE AUTHORITY (hereinafter referred to as "CSAC EIA") and the EXCESS INSURANCE ORGANIZATION, a Utah non-profit captive insurance company (hereinafter referred to as the "Reinsurer").

The Reinsurer hereby reinsures CSAC EIA to the extent and on the terms and conditions and subject to the exceptions, exclusions, and limitations hereinafter set forth and nothing hereinafter shall in any manner create any obligations or establish any rights against the Reinsurer in favor of any third parties or any persons not parties to this Agreement.

ARTICLE 1 - BUSINESS COVERED

The Reinsurer agrees to reimburse CSAC EIA for amounts of loss which CSAC EIA may pay as a result of losses occurring under each of CSAC EIA's 2016/17 Property Program Memorandums of Coverage on file with the CSAC EIA and sample attached hereto and made part of this agreement.

ARTICLE 2 – POLICY PERIOD

This reinsurance agreement is in effect from July 1, 2016 through March 31, 2017 as defined by the CSAC EIA Property Program Memorandums of Coverage. However, it is understood that the Reinsurer shall retain and be liable for amounts of loss, subject to the limit noted below, for all losses occurring from March 31, 2016 through March 31, 2017, less any amount paid and satisfied by CSAC EIA prior to the effective date of this agreement.

ARTICLE 3 - LIMITS OF COVERAGE

The Reinsurer shall retain and be liable for \$3,000,000 per occurrence for all non-specified perils in excess of the member's deductibles, subject to a maximum of \$10,000,000 during the policy period, less any amount paid and satisfied by CSAC EIA for losses occurring between March 31, 2016 and the effective date of this agreement.

ARTICLE 4 – COVERAGE FORMS

The coverage provided by this reinsurance agreement shall be pursuant to the Property Program Memorandums of Coverage, adopted by the CSAC EIA, and any changes in such Memorandum of Coverage shall be reported to the Reinsurer.

ARTICLE 5 - PREMIUM

CSAC EIA shall pay to the Reinsurer a premium of \$9,200,000.

ARTICLE 6 - CLAIM SETTLEMENTS

All claim settlements made by CSAC EIA, under the Property Program Memorandums of Coverage reinsured hereunder, shall be binding upon the Reinsurer. Upon receipt of satisfactory proof of loss, the Reinsurer agrees to reimburse the CSAC EIA in accordance with this reinsurance agreement.

ARTICLE 7 – CLAIM REIMBURSEMENTS

CSAC EIA shall provide the Reinsurer with a report summarizing all claims with payments eligible for reimbursement pursuant to this reinsurance agreement. Such report will be provided to the Reinsurer on a quarterly basis, or such other frequency as mutually agreed, and the reinsurer shall make full payment to the CSAC EIA within 30 days of the receipt of the report.

ARTICLE 8 - COMMENCEMENT AND TERMINATION

This Agreement shall take effect as of 12:01 a.m., July 1, 2016 and may be terminated upon the mutual written consent of the CSAC EIA and the Reinsurer. In the event of cancellation by either party, the premium and the aggregate limit will be prorated for the period of coverage prior to the effective date of cancellation.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed this __day of _____, 2016.

ACCEPTED:

CSAC EXCESS INSURANCE AUTHORITY (CSAC EIA)

EXCESS INSURNACE ORGANIZATION (Reinsurer)
