

NCCSIF

Northern California Cities Self Insurance Fund



Annual Report 2008

NCCSIF PROGRAM ADMINISTRATORS



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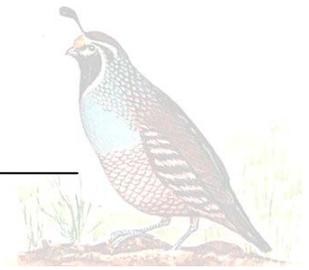


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Letter to Our Members

Dear Members,

This is the 2008 Annual Report. I have now been associated with NCCSIF for 17 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. 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.

NCCSIF continues to work on increasing the Loss Control services and training programs available to Members.

NCCSIF has had a good year. The claim count is down for both programs: in Liability the claim count was 4.6 per million of payroll in the year 2000 and for the 2007-2008 year it fell to less than half at 2.0, while in Workers' Compensation the claim count was 4.13 per million of payroll in the year 2000 and has fallen to 2.45 for the 2007-08 year. As a result claims costs are also down and member dividends were \$2,140,966 for Liability and \$3,120,466 for Workers' Compensation.

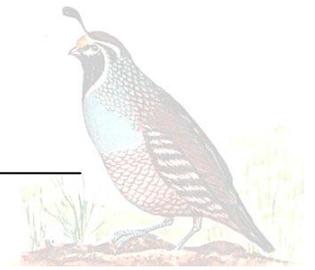
NCCSIF operates in an environment that is partially dependent on the insurance market for about one third of the liability costs and about one fifth of the Workers' Compensation costs. The JPA has chosen to limit this impact by partnering with other public agencies participating in Excess Joint Powers 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 four years of dividends in excess of \$350,000 per year.

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

Sincerely,

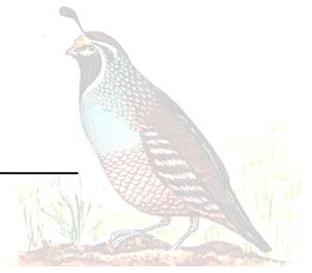
A handwritten signature in blue ink that reads "Marilyn Kelley". The signature is fluid and cursive, with the first name being the most prominent.

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.

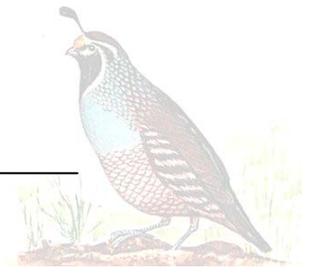
During the current Fiscal Year, NCCSIF has purchased Wellness services for those Members that desired to develop a Wellness Program.

A historical timeline is attached.

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 style="text-align: center;">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 style="text-align: center;">LIABILITY Anderson Corning Folsom Galt Gridley Rocklin Willows</p> <p style="text-align: center;">WC Auburn</p>	<p>City of Nevada City joins the WC JPA</p>	<p>Additional members join the WC JPA:</p> <p style="text-align: center;">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 style="text-align: center;">Lincoln Oroville Paradise Rio Vista</p>	<p>Additional members join the Liability JPA:</p> <p style="text-align: center;">Auburn Red Bluff</p>	<p>The name of the Joint Powers Authority was changed to Northern California Cities Self Insurance Fund (NCCSIF). NCCSIF offers group purchase of Property, Crime & EAP programs. These programs are not self-insurance.</p> <p>The following members joined the JPA:</p> <p style="text-align: center;">LIABILITY City of Jackson</p> <p style="text-align: center;">WC Town of Paradise</p>	<p>Additional members join the Liability JPA:</p> <p style="text-align: center;">Colusa Dixon</p>
1990	1991	1992	1993	1996	2001	2003	2007	2008	
<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>	

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Northern California Cities Self Insurance Fund

Board of Directors

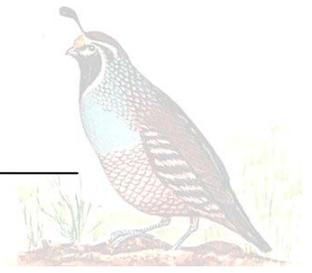
The Board of Directors of NCCSIF is composed of a representative appointed by the City Council of each member agency. An alternate member is also appointed to serve in the absence of the appointed representative. Only the Board member – or in the Board member’s absence the alternate member – has voting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

Members are as follows:

		<u>Alternate</u>
City of Anderson	Scott Morgan	Dana Shigley
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	Ted Anderson
City of Gridley	Rob Hickey	Brad Wilkie
City of Jackson	Michael Daly	Carla Soracco
City of Lincoln	Steve Ambrose	John Lee
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

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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:

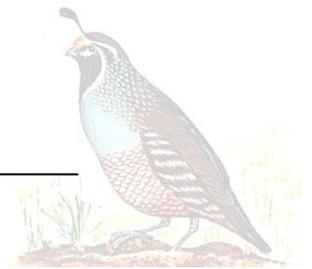
City of Dixon	Steve Johnson
City of Folsom	Bruce Cline
City of Galt	Paula Islas
City of Jackson	Michael Daly
City of Marysville	Dixon Coulter
City of Placerville	Dave Warren
City of Rio Vista	Hector De La Rosa

Non-Voting Members:

Treasurer	Dixon Coulter, City of Marysville
CJPRMA Board Representative	Dixon Coulter, City of Marysville
Accounting Services Provider	James Marta, CPA
Third Party Claims Administration Staff	Gregory B. Bragg and Associates
Program Administration Staff	Alliant Insurance Services

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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 Claim 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 coverage programs. NCCSIF has retained the services of Bragg & Associates, Claim Administrator, 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 Claim Administrator also provides claim 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 also to refer claims to Coverage counsel for opinions of coverage.

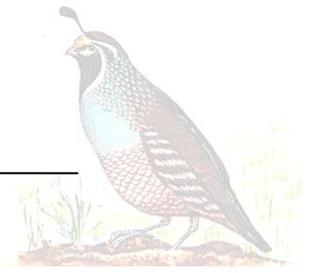
NCCSIF hires an independent auditor to perform an audit for the Liability program every odd numbered year and an audit for the Workers' Compensation program every even numbered year.

Members are as follows:

City of Auburn	Andy Heath
City of Folsom	Bruce Cline
City of Galt	Paula Islas
City of Nevada City	Catrina Andes
City of Rocklin	Judy LaPorte

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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.

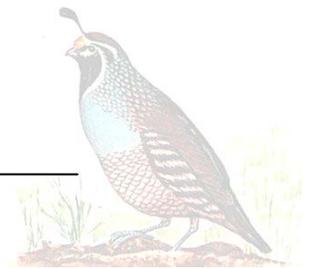
A Treasurer is annually elected by the Board of Directors and serves as the Chair of the Finance Committee.

The duties of the Finance Committee are outlined below:

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 Anderson	Scott Morgan
City of Gridley	Brad Wilkie
City of Marysville	Dixon Coulter



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.

Services include:

Contract Risk Management Services

Consulting by Jack Kastorff and Rudy Schroeder of Bragg and Associates including:

- Hotline Services – one of the most popular services provided
- On-Site services – directed by Members as well as the Committee annually.

Safety Library

DVDs and VHS tapes on various Safety Topics available from the NCCSIF library through Bragg and Associates, as well as from 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
- Team Trainers on-site sessions covering issues such as Harassment and Skills for Supervisors
- Workplace Answers online training services on a variety of topics including Harassment

Conference Attendance

Sponsorship of two employees per Member for the Annual PARMA Risk Management Conference

Website

Maintenance of www.nccsif.org, including the addition in 2008 of a “Risk Management” tab, where members can access streaming online risk management videos as well as a calendar of all scheduled training sessions

Additionally, the Committee has adopted nine policies and procedures on various topics:

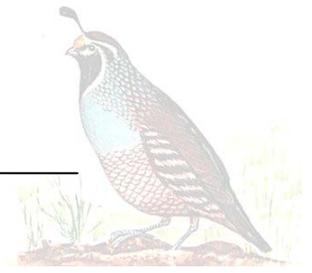
P & P NUMBER	SUBJECT	EFFECTIVE DATE	TYPE
RM-1	Compliance with Risk Management Standards	06/14/96	Mandatory
RM-2	Driving Standards	10/27/06	Mandatory
RM-3	Sidewalk Maintenance Liability Standards	01/11/08	Advisory
RM-4	Use of Public Facilities	01/11/08	Advisory
RM-5	Unlawful Harassment Policy	01/14/05	Mandatory*
RM-6	Approval of Coverage for Skateboard Parks	10/04/96	Mandatory
RM-7	Pool Operation	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 be able to improve the level of services to be provided to each member.

Members are as follows:

City of Anderson	Ted Wrask	City of Marysville	Dixon Coulter
City of Auburn	Robert Richardson	City of Nevada City	Catrina Andes
City of Colusa	Randy Dunn	City of Oroville	Liz Ehrenstrom
City of Corning	Tom Watson	City of Placerville	Dave Warren
City of Dixon	Steve Johnson	City of Red Bluff	Tessa Pritchard
City of Folsom	Loo Ng	City of Rio Vista	Hector De LaRosa
City of Galt	Paula Islas	City of Rocklin	Judy La Porte
City of Gridley	Brad Wilkie	City of Willows	Wayne Peabody
City of Jackson	Carla Soracco	City of Yuba City	Steve Kroeger
City on Lincoln	Steve Ambrose	Town of Paradise	Amy Gremore



Police Risk Management Committee

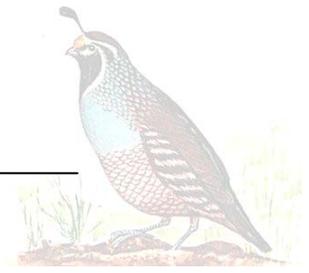
The Police Risk Management Committee is a subcommittee of the Risk Management Committee. Public safety is the highest category of losses for liability and workers' compensation, both in frequency and severity of claims. Because police departments need a direct hand at developing or reviewing any additional 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 Gregory B. Bragg and Associates.





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 or 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 continues to see claims costs reduced from those of the prior year. This 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. For the fiscal year 2007-08 NCCSIF increased the Shared Risk Layer from \$500,000 to \$1,000,000. This is due to the fact that funding levels are in excess of the 90% confidence levels and that losses for the past few years have been on average lower than those of our Excess JPA partner, CJPRMA.

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:

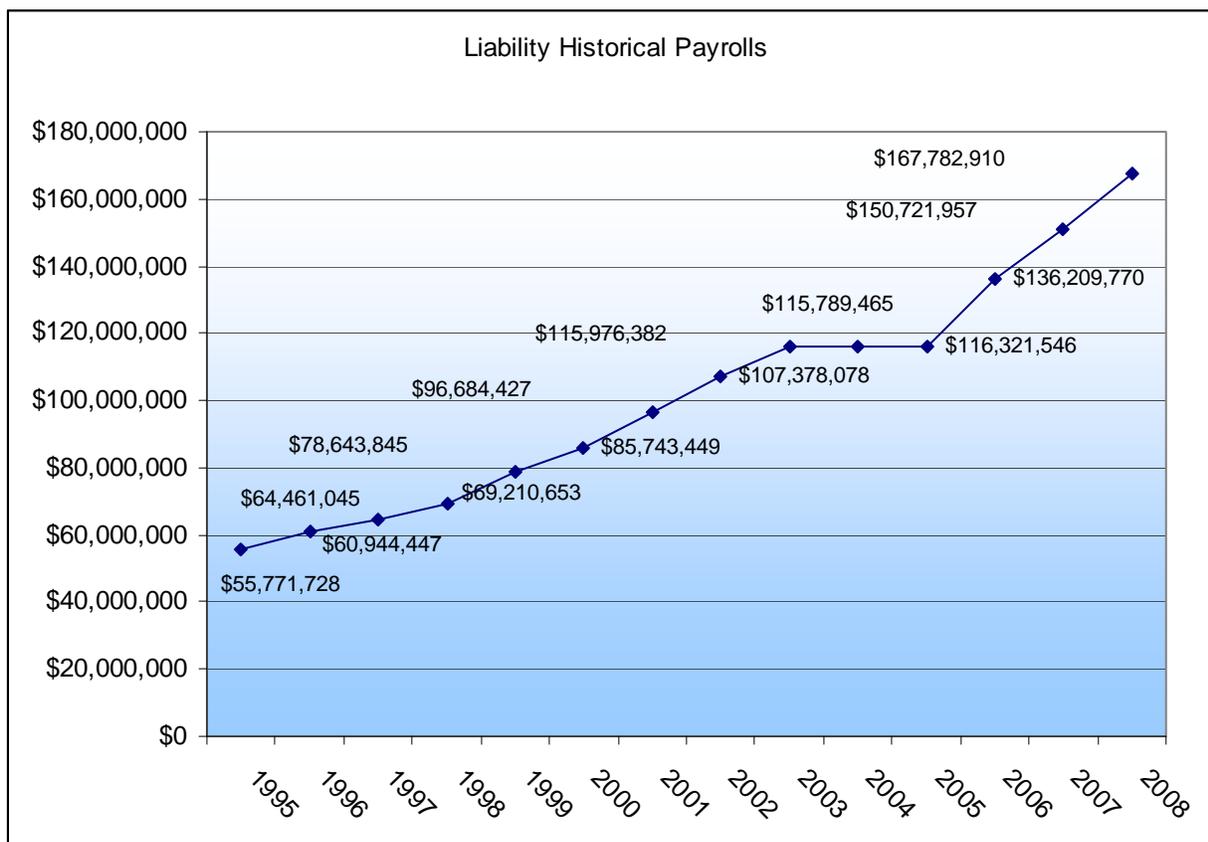
Banking Fund	\$0 - \$50,000, Folsom is \$0 - \$100,000
Shared Risk	\$50,000 - \$1,000,000, Folsom is \$100,000 - \$1,000,000
Excess Coverage	\$1,000,000 - \$40,000,000

All three layers include self-insurance. The Banking Fund and the Shared Risk layers are funded through NCCSIF, while the Excess Coverage is funded through the California Joint Powers Risk Management Authority (CJPRMA). Since 1994 NCCSIF has participated in this Excess JPA (CJPRMA) which shares risk up to \$5,000,000 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. CJPRMA went through a reevaluation process concerning their rating process. Due to the fact that CJPRMA is funded in excess of the 95% confidence level, they have decided to rate future years on a paid loss basis rather than an accrual basis. This means that Members pay less, but will not be receiving dividends and will be more susceptible to assessments. In order to restrict the possibility of assessments, CJPRMA is also establishing a contingency reserve of \$22 million that will be built up 10% annually, unless the funds are needed for losses in excess of anticipated. As a result CJPRMA's cost for this program have been reduced 18.7%.

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 \$1,040,254. NCCSIF also received dividends from the CJPRMA program of \$357,001. Total funding for the Liability Program is \$4,743,454. This represents an 11% decrease from the prior year. The Banking Fund returned \$2,140,996 to Members in the form of dividends and assessed Members \$174,982. The Shared Risk Layer returned \$735,800 in the form of a dividend.

The liability insurance market for public entities and particularly cities is expected to worsen due to the financial crisis. Staff anticipates that due to the fact that CJPRMA purchases coverage in excess of \$5,000,000 the cost of excess insurance will be more stable 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 is expected to begin to decrease next year, due to declining revenues.

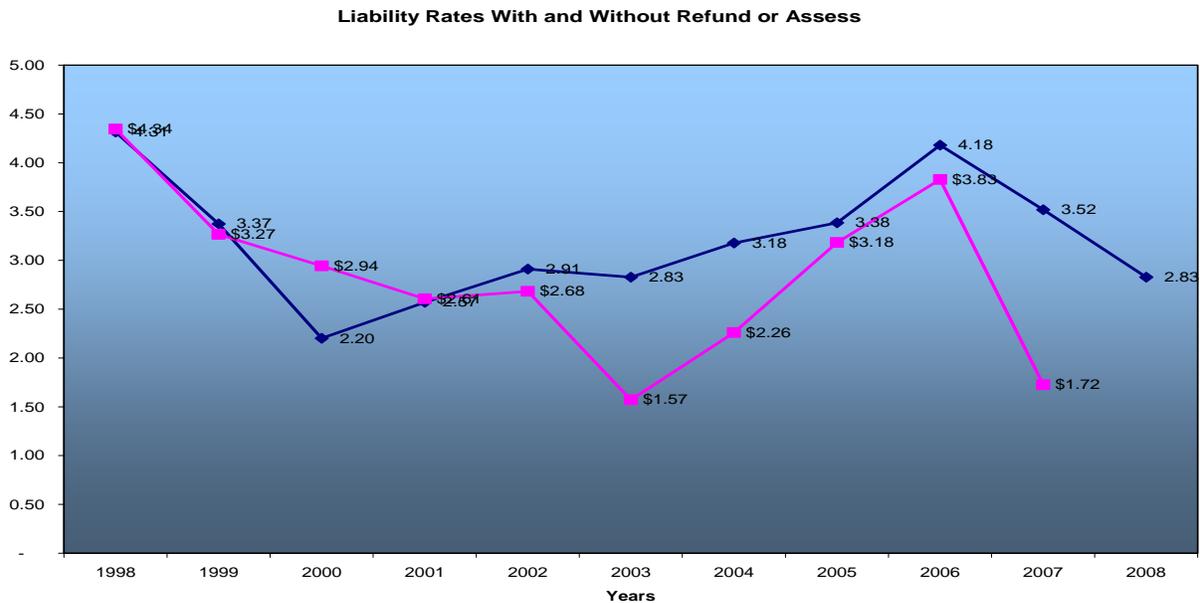


Every year an independent outside actuary determines funding at various confidence levels and the Board then determines the final funding amount based on program assets, analysis of past years costs, claims performance and Member financial strength.

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 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.

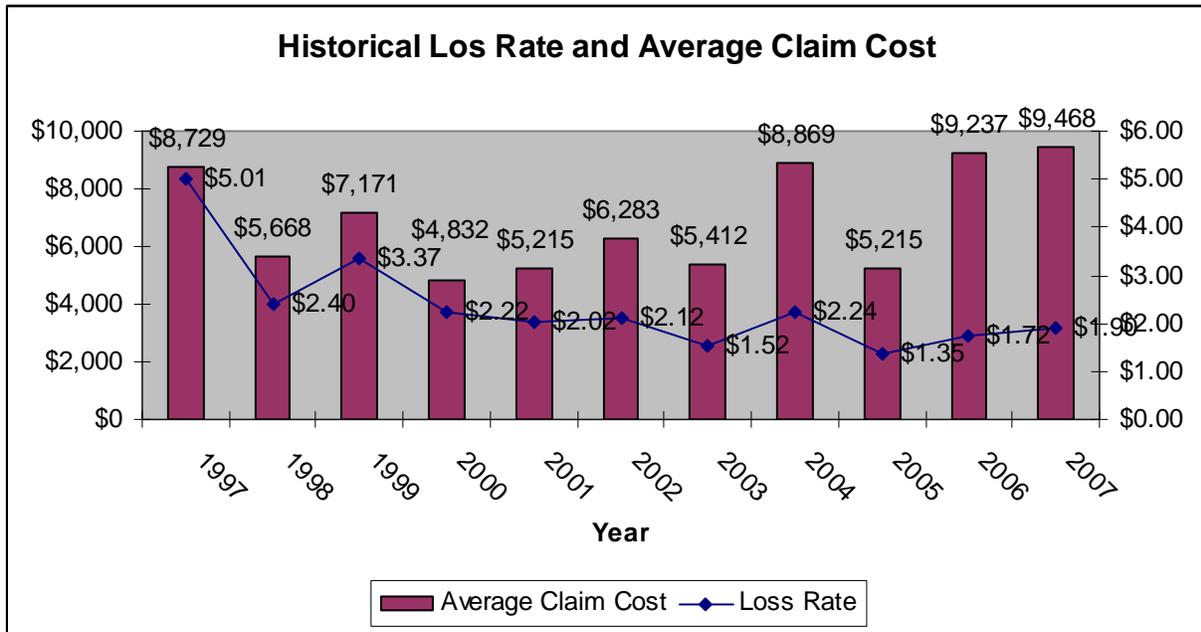
The following chart shows the historical rates with and without the impact of refunds and assessments.



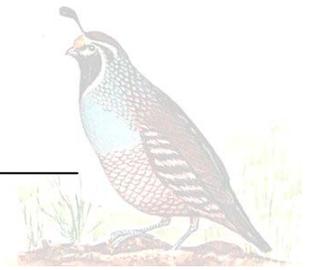
An independent claims administrator, Gregory B. Bragg and Associates, has had a long term contract with NCCSIF. The claims administrator is responsible for advising as to the merit of each claim and the appropriate action to be taken, as well as providing all necessary investigation of claims and overseeing 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 \$2,500,
- 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, Gregory B. Bragg and Associates has maintained a high standard of quality in the services provided to the membership.



Northern California Cities Self Insurance Fund

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 has increased this year and 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 significant reduction in the number of claims while at the same time an increase in claims costs over the past several years. This effect can primarily be attributed to over 10% annual increases in medical costs. The total cost of the program for 2007-08 was \$8,512,667, before dividends, an increase of 7% over the prior year where payrolls increased 12%. The increase is below the payroll increase due to a rate reduction.

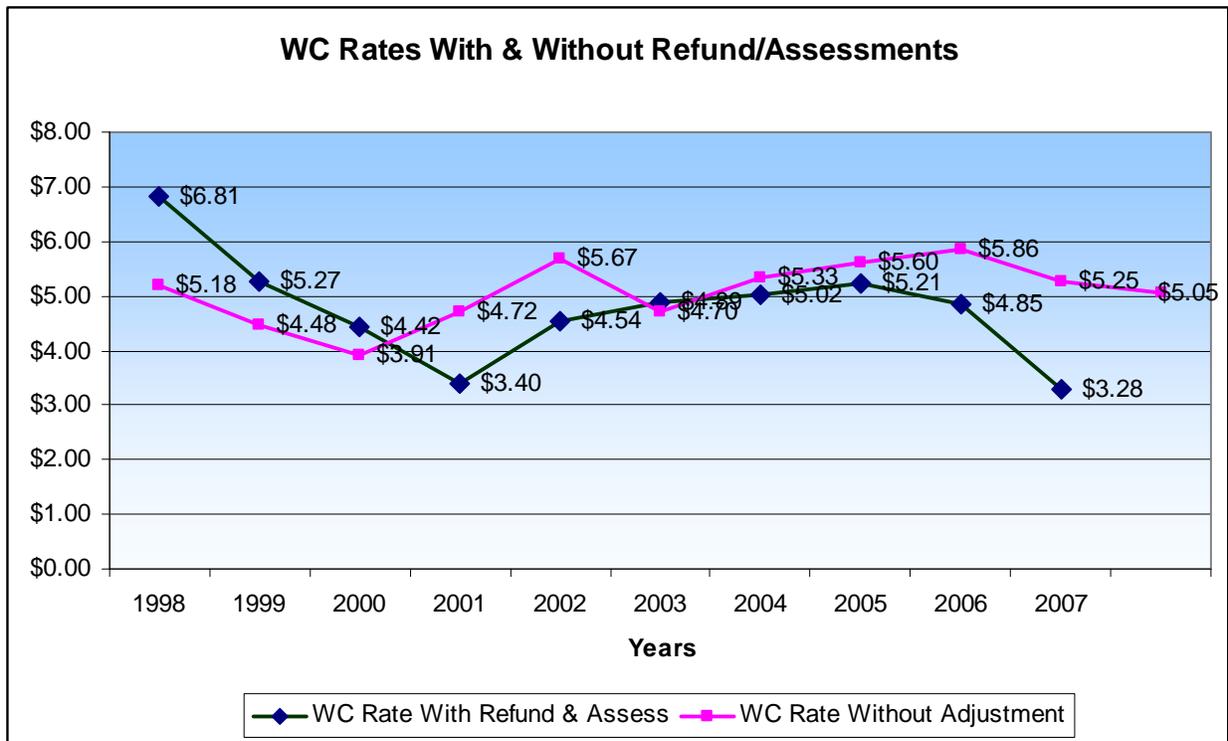
The Excess Coverage is currently provided through participation in an excess workers' compensation joint powers authority, the CSAC Excess Insurance Authority (EIA). Since joining this group in 2003, the cost of Excess Insurance for NCCSIF has remained relatively stable with a rate of \$.42 in 2003 to the current rate of \$.32.

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.

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 Gregory Bragg and Associates.

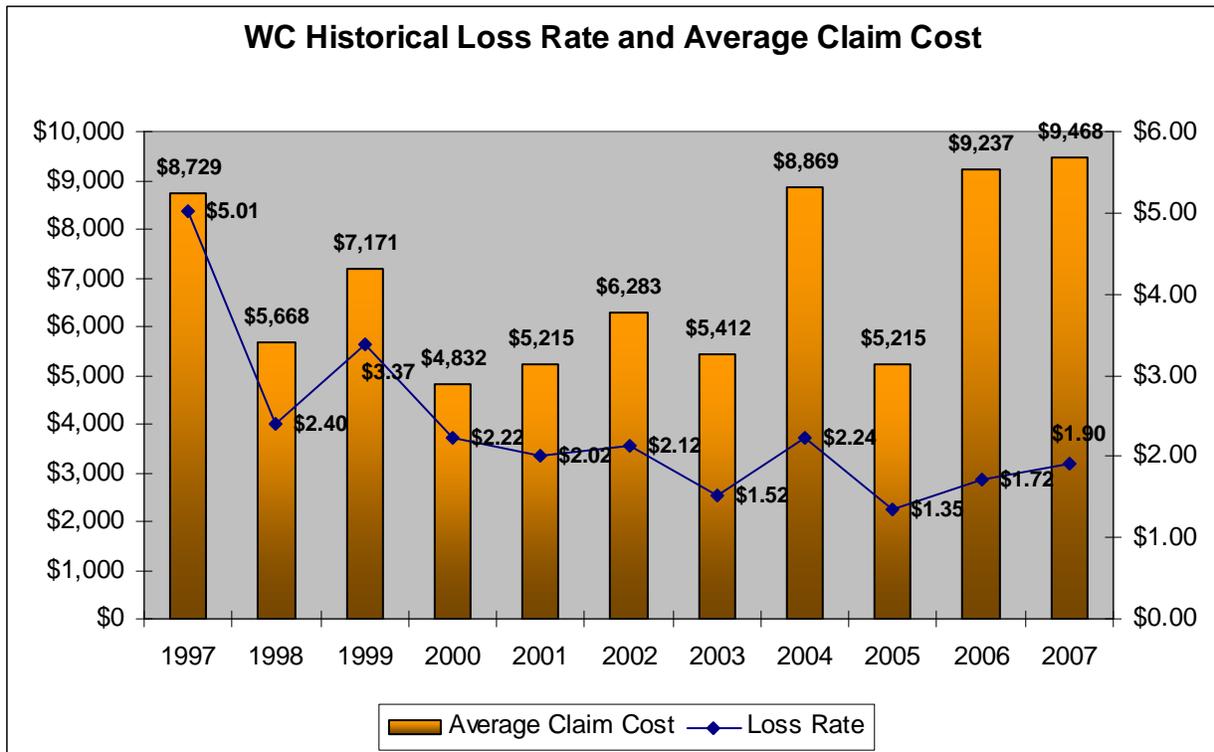
The following chart shows the historical rates with and without the impact of refunds and assessments.



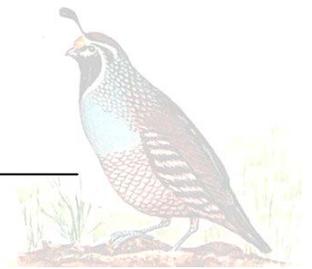
Claims administration services are provided by contract with Gregory Bragg and Associates. The firm is a true partner with the members and has been rated by outside claims auditors above the 95% percentile for more than the past ten years. The claims administrator is responsible for advising the member 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.

Claims payments and the cost per claim have gone down consistently for the last several years.

The following chart shows the year to year changes.



NCCSIF *Annual Report 2008*



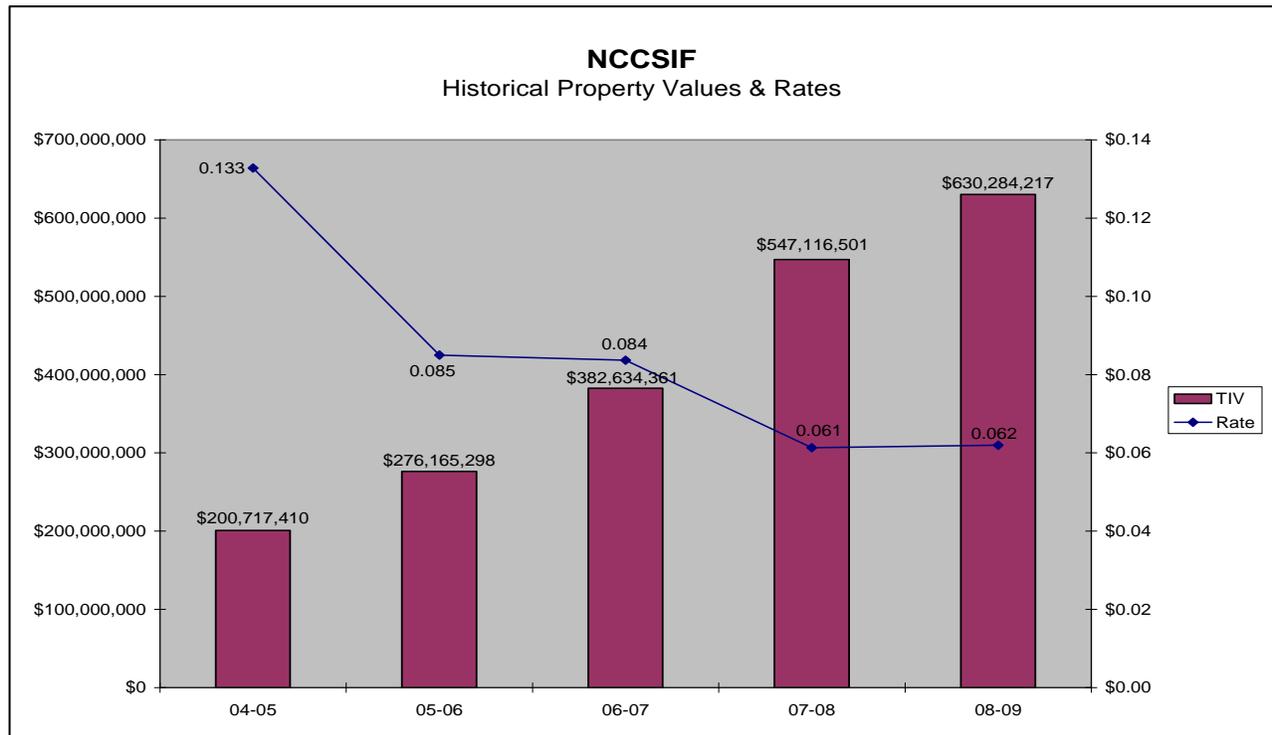
Northern California Cities Self Insurance Fund

Property Program

This year NCCSIF renewed coverage through the Alliant Insurance Services' Public Entity Property Insurance Program (PEPIP). PEPIP is an all-risk program (including Boiler and Machinery) which provides replacement cost coverage for all buildings and contents, subject to a \$5,000 deductible and policy exclusions. Selected members also insure for flood coverage through the program. In 2006, NCCSIF funded an outside physical appraisal of all member locations. This year the JPA agreed to continue the service every three to five years. Keeping property values current is increasingly difficult as construction costs increase annually due to worldwide competition for basic building materials.

NCCSIF increased the total values insured from \$547 million in 2007 to \$579 million in 2008. Since 2002 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 five years.

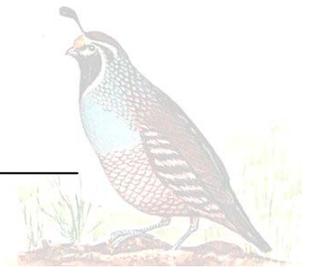
Historical Total Insurable Values and Rates



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

NCCSIF *Annual Report 2008*

Northern California Cities Self Insurance Fund



Crime Program

The NCCSIF Crime Program provides for coverage 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, and no claims have yet occurred. Some members have saved as much as 25-40% in premiums by taking advantage of the group rate savings.

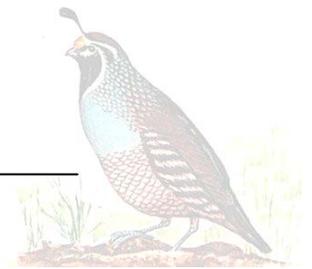
Program participants are Cities of Anderson, Auburn, Colusa, Dixon, Galt, Gridley, Lincoln, Marysville, Red Bluff, Rocklin Yuba City and Town of Paradise.

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. Participation has grown to fifteen members, with several Cities expressing interest in joining in the coming year.

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 2009.

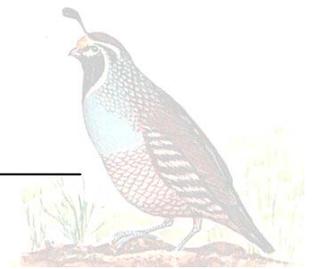
The program offers two different service levels:

- 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

Please see the following page for a chart of current members and their utilization levels.

City	EE Count	EAP Plan	2008 Rate Per employee, per month	Start Date
City of Anderson	61	3 Session	\$2.08	7/1/2002
City of Colusa	41	6 Session	\$2.25	3/1/2007
City of Corning	41	6 Session	\$2.25	7/1/2002
City of Dixon	114	6 Session	\$2.25	7/1/2002
City of Folsom	490	3 Session	\$2.08	7/1/2002
City of Gridley	45	6 Session	\$2.25	7/1/2002
City of Jackson	35	6 Session	\$2.25	4/1/2007
City of Lincoln	230	6 Session	\$2.25	7/1/2002
City of Marysville	80	3 Session	\$2.08	7/1/2002
City Of Oroville	96	6 Session	\$2.25	7/1/2002
City of Red Bluff	109	6 Session	\$2.25	7/1/2002
City of Rio Vista	48	3 Session	\$2.08	7/1/2002
City of Rocklin	306	6 Session + Affinity LMS	\$3.12	7/1/2002
Town of Paradise	120	6 Session	\$2.25	7/1/2007
Yuba City	250	6 Session + Affinity LMS	\$3.12	7/1/2002

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



Risk Control Services

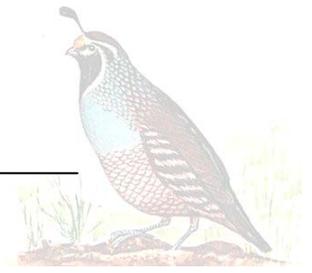
The Risk Management Services Fund provides services such as: live training, web based training, hot line safety services, inspection, recommends and supports attendance at Risk Management conferences and other support to members in the liability and workers' compensation programs with the goal of controlling loss frequency and severity. These services are funded on a proportional basis by both programs, and represent 2.1% of the pool expenses for 2008. NCCSIF works closely with the Risk Management Committee and each of the JPA's member cities to implement programs that help them keep down the cost of coverage. Many new services have been contracted in 2008, such as BackSafe on-site training for Police, Fire and Public Works departments, AppleCore Wellness Program, and Lexipol Daily Training Bulletin, as well as the addition of many online courses and videos. 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

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.

NCCSIF *Annual Report 2008*

Northern California Cities Self Insurance Fund



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.

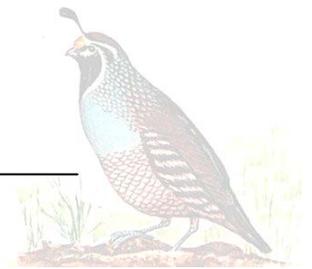
NCCSIF's Workers' Compensation claims administrator, Gregory B. Bragg and Associates, Inc., actively manages costs through the provision of a voluntary Return-to-Work program in which the NCCSIF Return-to-Work Coordinator teams with the injured worker, physician, and supervisor to select *short term* 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.

During the 2006-07 year NCCSIF implemented a Managed Provider Network to further control workers' compensation medical costs.

This 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.

NCCSIF *Annual Report 2008*

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, 2008.

Financial Highlights, fiscal years ended June 30, 2007 and 2008

- Total operating revenues for fiscal year 2007 were \$13,962,157, a decrease of 13% or \$2,102,996 over fiscal year 2006. This decrease is due favorable loss experience and related rates charged to members.
- 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 non-operating revenues (investment earnings) in fiscal year 2007 were \$2,791,568, an increase of 136% or \$1,607,746 over fiscal year 2006. 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 2008 totaled \$4,388,340, a 57% or \$1,596,772 increase over the prior year. 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.
- Total expenses for 2007 were \$11,616,539, a decrease of 8% from \$12,650,708 in 2006. Most of this increase was due to the reduced provisions for claims.
- Total expenses for 2008 are \$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 approve increased by over \$3.8 million.
- Outstanding claims liabilities for the two programs decreased from \$25,400,996 at June 30, 2006 to \$25,087,445 at the close of the 2007 fiscal year, a decrease of 1%.
- Outstanding claims liabilities increased to \$28,463,124 by the end of fiscal year 2008 an increase of \$3.4 million over the prior year.
- The financial position of the pool improved during fiscal years 2006 and 2007, net income for each of these years exceeded \$4.5 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.

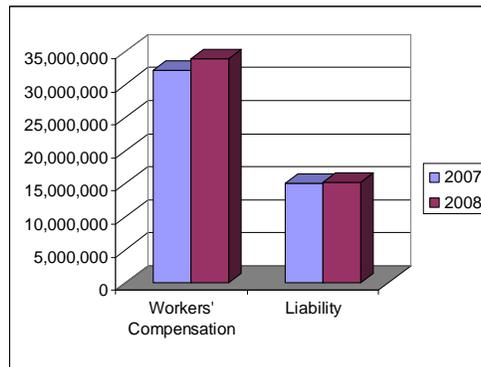
Perry-Smith, Certified Public Accountants has performed an independent audit examination of our financial statements in accordance with generally accepted auditing standards. This firm's opinion is included in the Financial Section of this report.

This report also includes information from NCCSIF's previous audits at June 30, 2007 and June 30, 2006:

Pool-Wide Financial Analysis

	June 30, 2008	Percent	June 30, 2007	Percent	June 30, 2006	Percent
Current assets	10,632,137	22%	\$ 4,981,312	11%	\$ 6,652,443	16%
Noncurrent assets	38,411,746	78%	42,179,930	89%	35,626,452	84%
Total Assets	49,043,883	100%	47,161,242	100%	42,278,895	100%
Current liabilities	2,076,949	4%	931,974	2%	873,272	2%
Claim liabilities	28,463,124	58%	25,087,455	53%	25,400,996	60%
Total liabilities	30,540,073	62%	26,019,429	55%	26,274,268	62%
Net assets	18,503,810	38%	21,141,813	45%	16,004,627	38%
Total Liabilities and Net Assets	49,043,883	100%	\$ 47,161,242	100%	\$ 42,278,895	100%

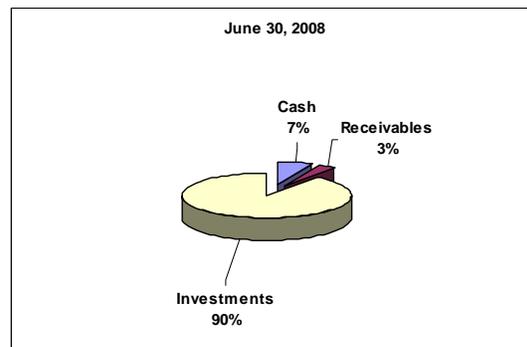
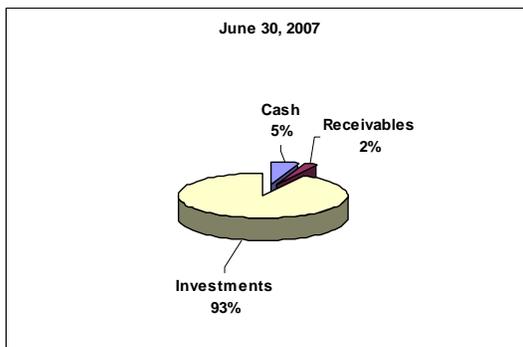
Northern California Cities Self Insurance Fund Total Assets by Program at June 30, 2007 and June 30, 2008



The total increase in assets for fiscal year 2007 was \$4,882,347, resulting in a total asset balance of \$47,161,242 at June 30, 2007

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

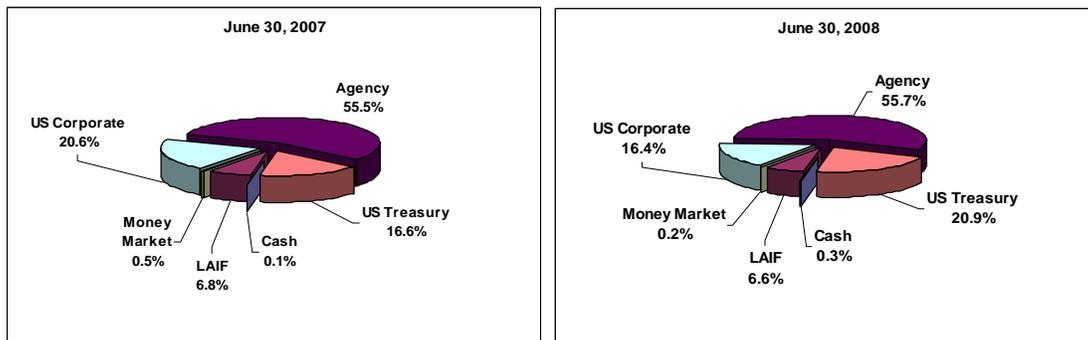
Total Assets by Type at June 30, 2007 and June 30, 2008



Investment revenues are used to offset program costs wherever possible and reduce the required member contributions. The overall investments of the pool increased in 2006-2007 from \$36,968,970 to \$43,557,353 and in 2007-2008 to \$44,142,900. 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 performed well in past years. For example, the average rate of return for funds invested in LAIF during fiscal year 2007 was 5.11%. The effective rate of return for the overall JPA investment portfolio increased from 5.55% in fiscal year 2007 to 8.6% in fiscal year 2008. 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, 2007 and June 30, 2008



NCCSIF Pool Liabilities

Current liabilities increased by \$58,702 from 2006 to 2007 and by \$1,144,975 from 2007 to 2008, largely due to dividends payable to members.

NCCSIF Dividends and Assessments

For the year ended June 30, 2007:

The Liability Banking Fund had dividends of \$520,211 and had assessments of \$41,449. The Liability Shared Risk Fund dividend declared was \$414,276. The Workers' Compensation Banking Fund had dividends of \$1,618,627, and had assessments of \$190,339.

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 \$735,800. The Workers' Compensation Banking Fund had dividends of \$3,120,466, and had assessments of \$159,180.

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 December.

NCCSIF Revenues and Expenses

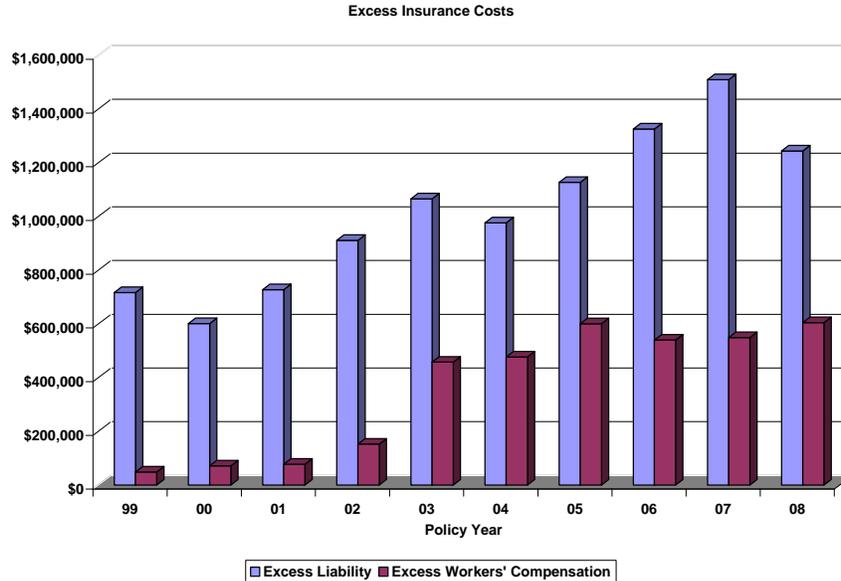
Pool operating revenues consist almost entirely of contributions received from members. These revenues decreased from \$16,065,153 to \$13,962,157 between 2006 and 2007, primarily due to more favorable loss trends which in turn affected member rates. Member contributions in 2008 were nearly the same as prior year at \$13,841,771. Total revenues exceeded total expenses by \$4,598,267 and \$5,137,186 in fiscal years 2006 and 2007, respectively, resulting in an increase to net assets of 40% percent in 2006 and 32% in 2007. A net loss of \$2,638,003 was experienced in the 2008 fiscal year resulting in a 12% decrease in ending net assets as compared to year end 2007.

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

	2008	2007	Percent Change	2007	2006	Percent Change
Operating Revenues	\$ 13,842,232	\$ 13,962,157	-1%	\$ 13,962,157	\$ 16,065,153	-13%
Provision for Claims	10,857,393	5,634,041	93%	5,634,041	7,184,005	-22%
Dividends	6,354,262	2,553,114	149%	2,553,114	2,414,054	6%
Insurance Premiums	1,848,554	2,058,163	-10%	2,058,163	1,865,378	10%
Administration	1,808,366	1,371,221	32%	1,371,221	1,187,271	15%
Total Expenses	20,868,575	11,616,539	80%	11,616,539	12,650,708	-8%
Non-operating:						
Investment Income	4,388,340	2,791,568	57%	2,791,568	1,183,822	136%
Net Income (Loss)	(2,638,003)	5,137,186	-151%	5,137,186	4,598,267	12%
Beginning Net Assets	21,141,813	16,004,627	32%	16,004,627	11,406,360	40%
Ending Net Assets	\$ 18,503,810	\$ 21,141,813	-12%	\$ 21,141,813	\$ 16,004,627	32%

Non-operating revenues increased from \$1,183,822 to \$2,791,568 to \$4,388,340 for 2006, 2007, and 2008 respectively. These increases were mainly the result of increases in investment balances and related income. Decreases in the fair value of investments were experienced during fiscal year 2006; the fair value of investments experienced a net increase in 2007 and 2008.

- Operating expenses, including the provision for insured events, decreased by \$1,034,169 in 2006-07 to \$11,616,539. The greatest cost decrease in both 2006 and 2007 was due to claim provisions. The pool purchases excess coverage for the workers' compensation program and the liability program. Costs for this program increased due to increases in payroll and were not driven by the insurance market hardening. Operating expenses increased 80% over the total 2007 figure to \$20,868,575 in fiscal year 2008. 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 approve increased by over \$3.8 million.



Insurance Expense

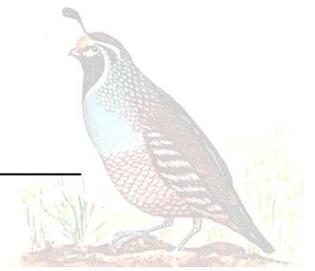
NCCSIF has made choices to participate in Excess California Joint Powers Authorities. These Excess JPA's purchase excess reinsurance and insurance over \$5,000,000 pooled layers. By doing so NCCSIF now operates in an environment that is only minimally dependent on the insurance market and is therefore 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, which is now easing for public entities.

General Administration Fund

General administration expenses represent 9.1% and 4.3% of the overall pool expenses for 2007 and 2008, 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 increases in the claim expense which is the largest program expense.

NCCSIF *Annual Report 2008*

Northern California Cities Self Insurance Fund



Staff Members and Consultants

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James Marta & Company

Jim Marta, CPA, ARM

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