

The background of the entire page is a warm, orange-to-yellow gradient representing a sunset. In the foreground, there are black silhouettes of two elephants facing each other, with their trunks touching. One bird is perched on the back of the elephant on the left, and another bird is perched on a branch of a tree on the far left. The tree is also in silhouette.

We've Got Your Back

2015/2016 ANNUAL REPORT

SELF

Schools Excess Liability Fund

symbiotic relationships

When you see a symbiotic relationship in nature, you usually take note of it because it looks out of place. It might be an elephant and a small bird or a small fish and a sea anemone.

The larger animal could easily dislodge its rider. At first glance it might seem that the smaller animal is helping the larger. A closer inspection reveals the relationship is balanced, with each needing and helping the other. The bird gets sustenance and security from predators, and the elephant gets protection from parasites.

SELF didn't think up this model, but it seems to fit our way of doing business. In this annual we take a look at what makes a good symbiotic relationship and what lessons we can use to keep SELF's "for schools by schools" relationship healthy and strong.



clownfish & sea anemone

Clownfish are immune to the anemone's deadly sting, so they find a home, protection and food among their hosts' tentacles. In return, clownfish lure other fish to the anemone, which shoots out poisonous threads to paralyze prey.

TO OUR MEMBERS



Throughout this annual report, you will see numerous examples of symbiosis, which is defined as the living together and often long-term interaction between two different biological species that benefits both partners.

Taking its cue from nature, the insurance world values this idea of collaboration as the cornerstone of pooling entities—working together to establish and operate cooperative insurance and risk management programs. When organizations interact in a combined effort greater than the sum of their separate actions, the synergy resulting from this teamwork produces an overall better result than if each entity within the group had worked toward the same goal in an individual capacity.

As we have seen in any one of the recent catastrophic losses, if a single entity had to shoulder the results, that individual organization would be faced with an extremely difficult placement of its renewal business. However, as a member of a pool with common risks, that entity benefits from the synergy of pool membership to market the business in a collaborative manner, achieving a result the member most likely could not have recognized on its own.

Think of a flock of wild geese flying overhead in a “V” formation. Now “V” may stand for victory, but here it also signifies common sense and practicality. The goose at the front tip of the “V” takes the lead. All the other geese are able to fly more easily because of the uplift caused by the leader’s wings. Likewise, each bird gets an assist from the previous bird’s lift. When the lead goose tires, it falls back, and another bird takes its place. By pooling resources and helping the weaker ones, the geese can travel 71 percent farther than they could on their own. So, for an example of cooperation that produces synergy—and thus more energy toward a common goal—we need look no further than the geese.

Pooling works in the same way. We are lifted up by our members’ successes, but also assisted by their collaborative participation when losses occur.

ADAM HILLMAN
Chair

ERIC J. LUCAS
Chief Executive Officer



OUR MISSION

SELF is a member-owned, statewide partnership of public educational agencies providing quality pooled programs for excess coverage that benefit our students.

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TEAMWORK IN ACTION

Most members have little contact if any with their excess provider until the worst happens.

However, when it does, the symbiotic relationship that SELF has with its membership is never more important or evident than during the handling of a catastrophic loss.

“I’ve always said, it’s about supplementing the defense team, not supplanting,” said Eric Lucas, SELF’s Chief Executive Officer, who handles all liability claims for the JPA.

“Collaboration is always our goal.”

2 SELF partners with the underlying JPAs that handle claims for the majority of the membership throughout the life of the claim, participating in roundtable discussions, strategy sessions and peer reviews to ensure the best possible and most fiscally prudent resolution for each loss.

That close working relationship is mutually beneficial. It aides SELF in keeping abreast of developments in the case and benefits the member by providing the perspective and expertise that comes from SELF’s three decades of large loss experience.

Stephan Birgel, Senior Director of Litigation Management and Claim Services for Alliance of Schools for Cooperative Insurance Programs—which has approximately 118 members

participating in SELF—has worked closely with SELF on a number of catastrophic cases since joining the ASCIP staff two years ago.

“It’s one more person analyzing the case,” he said of the collaboration with SELF. “The more people we have in there, the more helpful it is.”

Birgel’s 20 years of experience as a litigator representing public entities serves the ASCIP membership well, and he is accustomed to and comfortable with using a variety of innovative tools to successfully resolve cases.

SELF and its underlying JPA partners often enlist a variety of unique and creative methods familiar to attorneys and veteran claims handlers.

In a recent case, the utilization of a high/low agreement was able to provide a huge savings to the membership. The agreement, entered into while the jury was still in deliberation, guaranteed the plaintiff no less than \$3 million, but no more than \$15 million, depending on the verdict.

The jury returned a verdict of \$20.5 million, netting the SELF/ASCIP member a \$5.5 million savings.

Birgel said he’s also used the device successfully in cases that did not reach the SELF layer. Plaintiff attorneys can sometimes be hesitant to enter into these kinds of agreements, but they do

provide a guarantee for a certain amount of money for their clients and can often be a cost-saving device for members, he said.

“Our number one goal is member satisfaction,” Birgel said. “Obviously we’re interested in trying to shut down claims quickly, saving on costs and fees and getting a great resolution for our members.”

Birgel also uses tools like web surveys, similar to a mock jury scenario, but done online, to provide useful insights into a case – what issues a typical juror would focus on; the kinds of questions they would have; reactions to witnesses; and how much they would award in damages.

The use of mediations and settlement conferences are other mechanisms that can be invaluable in large loss cases and are strongly encouraged by the courts. The mediation process can give you a peek into what the plaintiff’s case is about and what they feel it’s worth, Lucas said.

All of these tools can be useful in the overall evaluation of a case, but the key to success is ultimately the interdependent nature of the relationship SELF has with its members. Only by working together can we achieve the common goal of protecting our districts and students.

SELF GOALS

- To maintain prudent fiscal and claims management to conserve member assets
- To develop and provide the broadest excess coverage programs at the lowest possible premium consistent with sound actuarial principles
- To obtain, maintain and disseminate risk management information and technologies associated with educational agency exposures
- To be a leader and to work with other public agencies in the analysis of exposures impacting educational agencies

EXCESS LIABILITY PROGRAM

SELF's Excess Liability Program continues to be the premier and preferred program statewide for California's public schools and colleges.

The program, which is the centerpiece of SELF's offerings to its members, uses established methods of loss funding to provide optimal pricing and coverage: pooling—the sharing of losses among pool participants and reinsurance—for capacity and protection of pool assets.

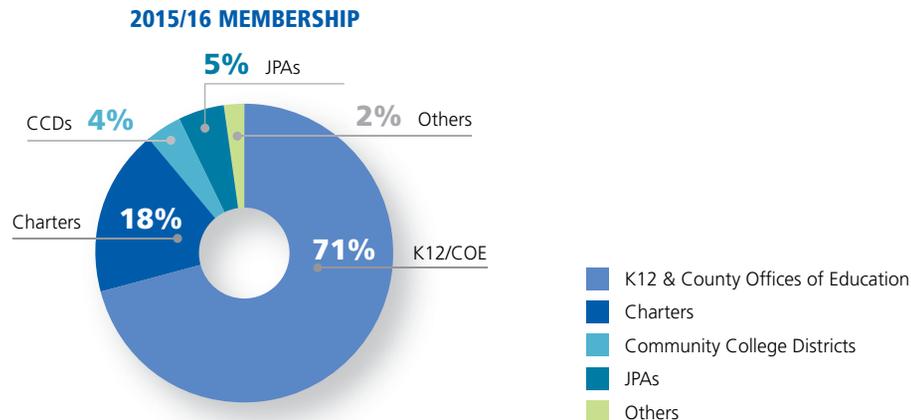
Since its inception in 1986, the program has paid nearly a quarter billion dollars in claims on behalf of members and has returned in excess of \$70 million in dividends and rate credits to member agencies.

The core program currently provides members with limits up to \$30 million,

inclusive of their SIRs, and offers the flexibility of choosing the attachment point that is right for their needs.

SELF's Excess Liability Program—which offers attachment points at \$1 million and \$5 million—focuses on delivering both stability and affordability over the long term. SELF is able to achieve both of these goals through a combination of the long-term commitments to the program made by our members and a vigorous defense of any claims filed against them.

SELF's rates are established by the Board each spring and are based upon sound actuarial principles and studies to provide both adequate funding to the program and facilitate the financial planning of our members.

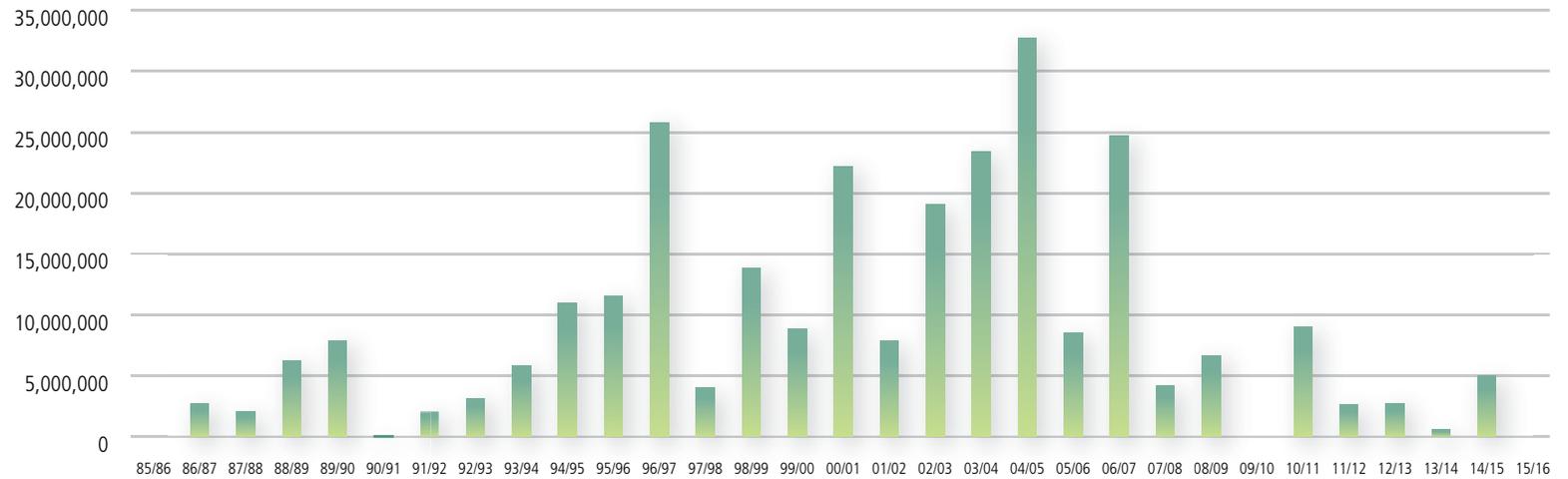


bee & flower

The bee enjoys the flower's sweet nectar as food and also uses the nectar to make honey. The flower benefits when the bee picks up pollen grains and spreads them to other flowers, helping flowers make seeds.

CLAIMS TRENDS

EXCESS LIABILITY CLAIMS
PAYMENTS BY PROGRAM
YEAR - 1986-2015



4

lichen & tree

Lichens use lofty tree trunks or branches to get more sunlight for photosynthesizing food, without harming their hosts. Rain leaches nitrogen from lichens and distributes it in the soil, where trees can extract this nutrient.

OPTIONAL EXCESS LIABILITY COVERAGE

During the last decade, jury verdicts and settlement awards have continued to skyrocket, reaching sums previously unheard of. Juries are not shy about awarding verdicts in the tens of millions of dollars and public entities and schools are not immune to this trend.

For schools, molestation and traumatic brain injury cases continue to be cost drivers, but recent high dollar settlements and verdicts show that they are not the only exposures schools should be concerned with.

In 2015, the 2012 death of a child in a dangerous bus stop condition case brought a verdict of \$20.5 million; however, a settlement of \$15 million was agreed upon before the jury returned with the verdict. The year also saw a \$7.7 million settlement for two students who lost fingers during a Spirit Week tug-of-war competition in 2013.

For those members desiring greater levels of coverage than provided in the core program, SELF offers another \$25 million in optional higher limits to take members' coverage up to \$55 million per occurrence.

Nearly 90 percent of SELF's 2016/2017 covered ADA receives higher limits through SELF's Optional Excess Liability (OEL) coverage. This additional coverage can be added at any time of year.

BETTER TOGETHER

As the tide of the insurance market's interest in school risk begins to shift once again, we are reminded how cyclical that fickle industry can be.

When SELF was formed in 1986, it was schools' response to a nationwide insurance crisis that had culminated with the insurance markets declaring public entities "too risky," and either withdrawing from the public entity space completely or increasing the cost of coverage while reducing available capacity.

Schools found themselves unable to purchase or unable to afford commercial coverage. A core group of individuals sought to find a solution that would insulate them from market fluctuations, and as a result, SELF was born.

Now, some 30 years later, we are again seeing signs that the industry has become wary of public entity risk once more. The high costs affiliated with settlements and verdicts in molestation cases, traumatic brain injury claims and other suits have some markets pulling out of California entirely while others have levied double-digit increases.

"Joint powers authorities like SELF provide schools with the ability to unify and work together for a common purpose," said SELF Board Chair Adam

Hillman, Associate Superintendent of Administrative Services for Shasta County Office of Education. "Strength in numbers gives us leverage to keep pricing palatable and provide us with more options in the marketplace."

Banding together also gives us the flexibility to pool for risk if the market becomes unappetizing to us, he said. It allows for the members to support one another during difficult times and wait for the markets to come knocking on our door once again.

And, as the need and appetite for higher limits within the membership continues to grow, strength and stability in our numbers can provide the purchasing power we need to keep the price for those limits affordable for all. What one member alone cannot accomplish, we as a group, through economy of scale, can achieve.

Our strength is in our numbers. We are always better together.



shepherd dog & sheep

The herding dog's extreme intelligence and energy level makes rounding up sheep its perfect job. Sheep, gregarious social animals "hard-wired" to flocking, benefit from the herding dog's ability to bunch them tightly in a cohesive unit.

RISK SERVICES CLEARINGHOUSE

As part of SELF's continuous efforts to augment its members' risk management endeavors, the Board of Directors created the SELF Risk Services Clearinghouse in 2010. Designed to showcase products and services that would promote safety and loss prevention, the items featured in the clearinghouse undergo evaluation to determine if they are appropriate based on five key qualities: measurable results in improving safety; cost effectiveness; quality of operation; alignment with SELF's goals and values; and in some cases a preferred pricing for SELF members.

All the products and services found in the clearinghouse became candidates for induction upon the recommendation of a SELF member. This emphasizes the symbiotic nature of the relationship between not just SELF and its members, but between the members themselves. In the sharing of information, using SELF as a conduit, one district can assist another with issues that are common to us all.

There is also a common thread of symbiosis within the clearinghouse products themselves. Many of them require bringing together elements that when combined, are able to produce results that no one factor on its own could achieve. Whether that

element be staff, students, parents, coaches, athletic directors or doctors—the sum of the individual parts are able, together, to achieve what no single factor could.

One of the more pressing concerns facing schools today is the prevention of child sexual abuse. This is a delicate topic that no one likes to discuss, much less admit it could occur within their district. While history shows us that this type of abuse can happen anywhere, there are signs or "red flags" we can watch for that often point to potential trouble.

Making Right Choices, founded by board certified Forensic Psychologist Dr. Glenn Lipson, is a training program that focuses on abuse prevention and management of risk through the application of ethics, establishment of proper boundaries and also education about those red flags, while stressing the importance of healthy work-life balance.

The training stresses prevention and awareness and encourages staff to be observant, watch out for behaviors that may indicate a colleague is becoming too close or too involved with a student and to intervene before something disastrous occurs.

Yet another product, the Safe School Ambassadors Program is an evidence-based program to engage and

empower student bystanders to reduce bullying, cyber bullying and other forms of mistreatment in our schools. Created by Community Matters founder Rick Phillips, SSA utilizes the natural student leaders from different groups on campus and equips them with the skills to work with their peers to improve the climate of their school from within.

There is already a natural symbiosis between staff and students. Without one group there is no need for the other, so why not employ both in the battle against mistreatment? Instead of using one group to police the other, the "outside-in" approach, SSA brings the power of the students into the equation to help the staff improve the climate of the school from the "inside-out".

There is no question that it is the goal of SELF and its members for schools to be a safe environment for our students. Working together, bringing new tools into the fight, is just one of the many ways that SELF adds value to membership.

COMMITMENT TO EXCELLENCE

SELF is committed to excellence in both our internal operations and in the relationships we foster with our vendor partners.

CLAIMS MANAGEMENT

The SELF Board brought the Excess Liability Program claims management operations in house in 2010. Since that time, CEO Eric J. Lucas, JD, CPCU, ARM, has worked diligently to cultivate a proactive, collaborative claims handling culture with the membership, guided by a set of key principles developed with the SELF Board.

The Claim Management Policy Statement, which is posted on the SELF website, outlines these principals and clearly states what members can expect from SELF in terms of coverage determination and settlement participation. The goal in developing this document was to clearly define SELF's role in claims that reach the SELF layer, to foster trust with the membership and to improve communication. SELF periodically

reviews the Policy Statement to ensure it remains relevant and addresses the needs of the membership.

REINSURANCE PARTNERS

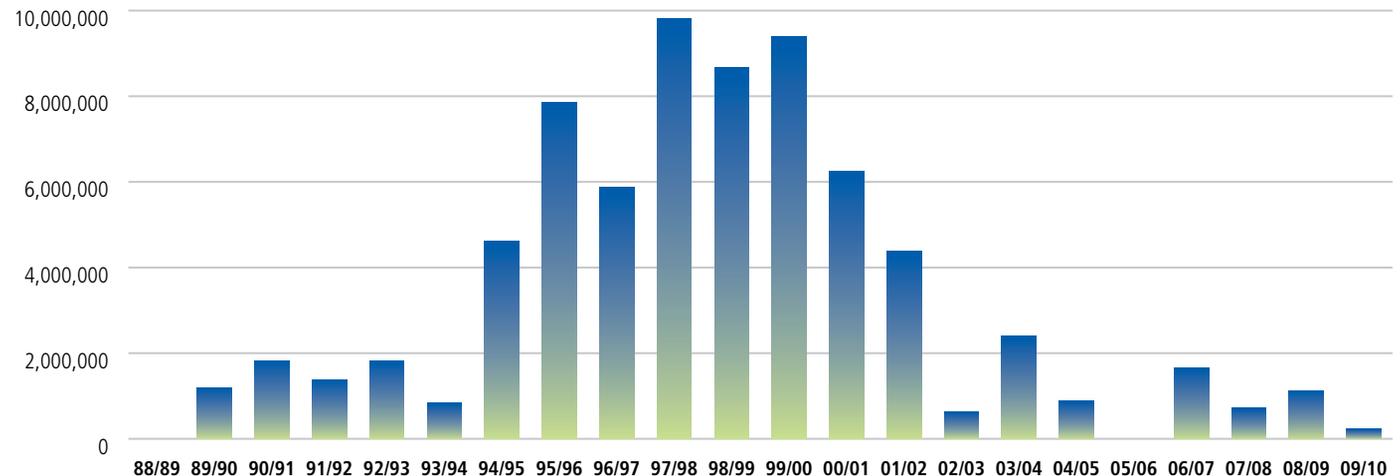
SELF has worked hard to establish solid relationships with each of the reinsurers involved with the core Excess Liability Program layer—\$25 million in excess of \$5 million, and the Optional Excess Liability layer above the core—\$25 million in excess of \$30 million.

Munich Re, Great American, Allied World Assurance Company (U.S.) Inc., Ironshore, Markel and Trident/Argonaut are all continuing partners with SELF and all hold only the highest ratings—A rated or higher—with A. M. Best. New to the mix for 2016/2017 are Swiss Re and Tokio, which hold A+ and A++ ratings, respectively, with A.M. Best. The continuing long-term relationships with these well-capitalized partners further strengthens SELF's financial security.

EXCESS WORKERS' COMPENSATION PROGRAM

The SELF Excess Workers' Compensation Program ceased offering coverage effective July 1, 2010. SELF continues to manage the run-off in the program, working diligently in collaboration with the members to achieve timely claim resolutions wherever possible and reduce costs.

EXCESS WORKERS' COMPENSATION CLAIM PAYMENTS BY PROGRAM YEAR - 1989-2010



MEMBER RESOURCES

The SELF Board has made an ongoing commitment to provide members with the resources they need to reduce liability in their districts. SELF offers periodic workshops and seminars, interactive online training resources and distributes timely materials to accomplish this goal. SELF also partners with our member districts and JPAs through co-sponsorship of their own training events.

Training Seminars

8 SELF has been addressing difficult issues affecting California schools through workshops for nearly 17 years. Over time, as the needs of SELF's members changed, the "When Bad Things Happen to Good Schools" seminars were converted from annual live workshops to periodic webinars.

Recently these webinars have focused on best practices surrounding business continuity following a catastrophic event such as a school shooting or natural disaster. Recorded copies of these webinars can be found stored in the Resource Center for viewing at members' leisure.

Risk Management Resource Website

SELF continues to work with long-time partner in2vate llc to provide an interactive risk management resource website to SELF members. The SELF

Resource Center is free to all employees of active members.

The Resource Center contains online training courses in Preventing Child Sexual Abuse, Bullying Prevention (including Cyber-bullying), Technology Safety & Security, the mandated California Sexual Harassment Prevention (AB 1825) training and the FACTA Identity Theft "Red Flag" Regulatory Compliance Guidance training. An additional "member's choice" option from in2vate's expansive online training catalogue is also offered as a benefit to SELF members as are crisis management resources.

Last year, SELF also added a 35-minute training module for the AB 1432 Mandated Reporter Training. This free training offers an alternative to the much longer Department of Social Services offering on the California Department of Education's website, allowing employees to print a certificate immediately following completion of the module.

SELF Risk Services Clearinghouse

Established in 2010 by the SELF Board, the Risk Services Clearinghouse provides endorsement of approved products that further SELF's interests and the quality of education and/or environment for students and staff.

SELF evaluates risk and safety-related products for the clearinghouse based on

key qualities such as measurable results, cost effectiveness and alignment with SELF's core values and goals.

Current inductees include the Safe School Ambassadors Program, an anti-bullying program; Making Right Choices, educator boundary and sexual misconduct training; InjureFREE, a web-based sports injury reporting and tracking application; Praesidium Inc's Abuse Prevention Policy Development and Assessment Services; and Iritrans—a student safety tracking system for use in school transportation—that is compliant with recent legislation (SB 1072) requiring all school buses to have a "child safety alert system" installed in the interior rear of the bus by the 2018/19 school year.

Quarterly Newsletter

SELF Awareness provides members with timely updates on SELF's activities and programs, relevant legislative and legal news and valuable risk management information. Nearly half of SELF's members receive this publication by electronic mail.

Program Fact Sheet

In the spring, SELF distributes a useful reference card that summarizes programs and coverage offerings and also provides current rates and contact information.

Association Partnering

SELF continues to cultivate new relationships and nurture established ones with organizations that are beneficial to its membership. This year, SELF joined a coalition with a number of other risk sharing pools in a burgeoning movement to launch a tort reform effort for California public entities.

Legislative Advocacy

SELF partners with School Services of California, Inc. to keep abreast of pending legislation that could have a negative impact on its membership. The SELF Board has taken steps to actively oppose legislation that will hurt California's schools and is committed to pursuing legislative avenues to address member concerns.

SELF's Website

SELF maintains a website to provide our members with a convenient source for information and updates on SELF's activities. By visiting our website, you will be able to obtain rate, program, meeting and training information. You can also request certificates of coverage, determine when to file a claim and access the SELF Resource Center through the website. Check out our new look at www.selfjpa.org.



oxpecker & zebra

The oxpecker clings to the zebra, removing fleas, ticks and parasites, and alerting its life-long host to potential dangers by hissing. The zebra protects the oxpecker from predators and serves as the bird's source of food.

BOARD OF DIRECTORS

The SELF Board is independent of any member or sponsoring organization. Board membership is made up of 16 elected representatives and a host of appointed alternates employed by member districts in varied positions from chief business officials, top-level administration, risk management and human resources. The representatives are elected to four-year terms by districts in their respective SELF Areas. Half of the Board is up for election every two years.

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COMMITTEES



EXECUTIVE

This committee is comprised of the SELF Board Officers and each of the four committee chairs. The committee meets regularly and is kept informed on the workings of the other committees with input from each committee chair. This committee also reviews financial, claims and program information. Its regular responsibilities include:

- Personnel
- Organizational issues
- Policy review

Left to right:

Adam Hillman, Chair

Nancy Anderson, Member Services
& Communications

Diane Crosier, Liability Claims & Coverage

Tony Nahale, Workers' Compensation Claims
& Coverage

Dave George, Secretary

Toan Nguyen, Finance

Cathy Reineke, Comptroller

Michael Gregoryk, Past Chair,
Member-at-large

Karla Rhay, Vice Chair



FINANCE

This committee oversees the fiscal operations of SELF and makes recommendations to the Board that ensure financial stability. It is responsible for:

- Financial and investment operations
- Operating budget
- Actuarial and financial audit services
- Rate-setting process
- Equity distribution process
- Vendor contracts and evaluations

Left to right:
Toan Nguyen, Chair
Teresa Scott, Vice Chair
Bev Wilkinson
Wael Elatar, Alternate

Christina Aragon, Alternate
Kevin McElroy
Peter Hardash
Renee Hendrick



MEMBER SERVICES AND COMMUNICATIONS

This committee serves as a dynamic resource for developing and disseminating risk management and membership information through effective communication strategies. Its responsibilities include:

- Risk management information
- Training programs
- SELF website management
- Data collection
- Membership marketing, procurement and retention

Left to right:
Nancy Anderson, Chair
Karla Rhay, Vice Chair
Ed Eng, Alternate

Susan Harrison, Alternate
Debra Quinones, Alternate
Stefanie Phillips, Alternate



LIABILITY CLAIMS AND COVERAGE

This committee oversees the liability claims operations of SELF. Its responsibilities include:

- Reviewing claims and making recommendations to the Board on settlement or defense of claims
- Determining coverage issues and other activities relating to those claims
- Facilitating and developing cooperative relationships with members and their TPAs
- Annually reviewing the coverage terms and conditions of SELF's Memorandum

of Coverage and preparing changes, if any, with input from membership, SELF's Chief Executive Officer, insurance consultants and coverage counsel for the review and approval of the Board of Directors

Left to right:

Diane Crosier, Chair
Dave George, Vice Chair
Ashley Fenton, Alternate

Adam Hillman
Robin Fawkes, Alternate
David Flores, Alternate
 Not pictured:
Charlie Ng, Alternate



WORKERS' COMPENSATION CLAIMS AND COVERAGE

This committee oversees the workers' compensation claims operations of SELF. Its responsibilities include:

- Reviewing workers' compensation claims and making recommendations to the Board on settlement or defense of claims
- Determining coverage issues and other activities relating to workers' compensation claims
- Facilitating and developing cooperative relationships with members and their TPAs

- Annually reviewing the coverage terms and conditions of SELF's Workers' Compensation Memorandum of Coverage and preparing changes, if any, with input from membership, SELF's Director of Claims, insurance consultants and coverage counsel for the review and approval of the Board of Directors

Left to right:

Tony Nahale, Chair
George Linn
Kristine Kamandulis, Alternate

Dan Mellon, Alternate
Cathy Reineke, Vice Chair
 Not pictured:
Ryan Robison, Alternate



FINANCIALS

SCHOOLS EXCESS LIABILITY FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL STATEMENTS

Fiscal Year 2015/16

Schools Excess Liability Fund (SELF) was established March 1, 1986 by a Joint Powers Agreement to provide mutual risk pooling for public educational agencies in California. Under such an agreement, two or more public agencies may jointly exercise any power common to the contracting parties. SELF has two programs, the Excess Liability (XL) Program, with coverage from 1986 through today, and the Excess Workers' Compensation (XWC) Program, with coverage on claims incurred between July 1, 1989 and June 30, 2010.

SELF is a public agency which exists to serve our members and the students they represent. For financial reporting purposes, SELF operates as a special-purpose government engaged in business type activities. SELF is governed by sixteen elected Board of Directors, alternates, and two ex-officio members representing the Department of Education and the Chancellor of Community Colleges Office. The Board of Directors elects a Chair, Vice Chair, Secretary, and Comptroller for a two-year term from the members of the Board of Directors. SELF also has an

Executive Committee comprised of SELF Board Officers, including the Past Chair, and the Chairs of dedicated committees for Finance, Member Services & Communications, Liability Claims & Coverage, and Workers' Compensation Claims & Coverage. The Board of Directors is responsible for the ongoing operations of SELF and is empowered to implement and enforce all provisions of the Joint Powers Agreement, the SELF Bylaws, and all approved policies and procedures.

MISSION STATEMENT

SELF is a member-owned, statewide partnership of public educational agencies providing quality pooled programs for excess coverage that benefit our students.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial annual report consists of three parts: management's discussion and analysis; basic financial statements, and supplementary information.

- The basic financial statements include the Statement of Net Position, Statement of Revenues, Expenses, and Change in Net Position, and Statement of Cash Flows, for the combined

operations of SELF for the fiscal years ended June 30, 2016 and 2015. The notes to the basic financial statements are an integral part of the basic financial statements and provide details on SELF membership, accounting policies, claims liabilities, and other information in the statements.

- Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as presented in the table of contents, be presented to supplement the basic financial statements. Also included is other supplementary information such as combining financial statements for the fiscal year ended June 30, 2016 and 2015.

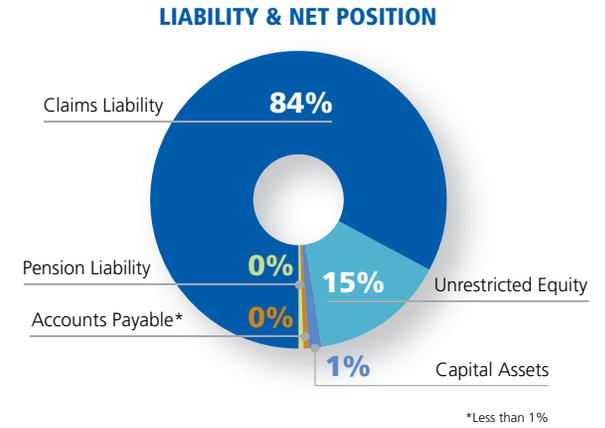
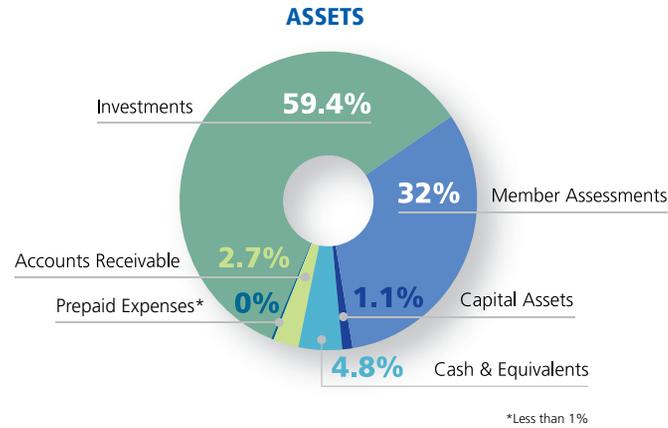
The financial statements, including the related notes to the financial statements, are audited by an independent auditor in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Gilbert Associates conducted the audit for fiscal year ended June 30, 2016 and expressed an "unmodified" opinion, which is

considered the best opinion that can be given by an auditor. The complete financial audit is available on the SELF website at selfjpa.org.

FINANCIAL HIGHLIGHTS – Statement Of Net Position:

The Statement of Net Position shows the balances in assets, deferred outflows of resources, liabilities, and deferred inflows of resources, by program separated by current, long-term, and capital assets. The majority of assets are held to fund the claims liabilities, which account for 99% of all liabilities. As of June 30, 2016, 13% of all assets were current while 87% were non-current; this is expected due to the extended nature of excess risk pooling. Cash and cash equivalents account for 5% of all assets. Investments account for 59% of all assets; 2% with maturities within one year and 98% with maturities greater than one year. Member Assessments represents the remaining seven years of a ten year fixed assessment plan to fund excess workers' compensation claims from July 1, 1989 through June 30, 2010, with the current portion due in 2016/2017. SELF, like most self-insured workers' compensation pools, has had to assess members, due to the continuing increases in indemnity expenses over the original estimates going back to the program's inception in 1989.

SELF currently owns a building located at 1531 I Street, in downtown Sacramento, CA, which represents 1% of all assets. SELF has no long-term debt other than the reserved claims liabilities and claims administration expenses. Effective with the year ended June 30, 2015, SELF recorded the net pension obligations in compliance with GASB 68, based on the CalPERS GASB 68 Accounting Valuation Report, which has been updated.



Statement of Net Position

June 30, 2016, June 30, 2015, and June 30, 2014

	Totals			2015/2016	2014/2015	2013/2014
	XL	XWC	Building			
ASSETS						
Current Assets	\$ 8,895	\$ 9,462	\$ 197	\$ 18,555	\$ 15,819	\$ 15,810
Non-current Assets	27,466	91,301	0	118,767	137,318	145,496
Capital Assets	21	9	1,469	1,499	1,590	1,440
Total Assets	\$ 36,382	\$ 100,772	\$ 1,666	\$ 138,820	\$ 154,727	\$ 162,746
Deferred Outflows of Resources	\$ 186	\$ 80	\$ 0	\$ 266	\$ 99	\$ 0
LIABILITIES						
Current Liabilities	13,738	5,961	18	19,716	15,124	10,353
Long-term Liabilities	15,177	82,414	0	97,591	107,347	108,500
Total Liabilities	\$ 28,915	\$ 88,375	\$ 18	\$ 117,307	\$ 122,471	\$ 118,853
Deferred Inflows of Resources	\$ 172	\$ 74	\$ 0	\$ 245	\$ 166	\$ 0
NET POSITION						
Invested in Capital Assets	21	9	1,469	1,499	1,590	1,440
Undesignated	7,462	12,394	179	20,036	30,600	42,453
Total Net Position	\$ 7,483	\$ 12,403	\$ 1,649	\$ 21,535	\$ 32,190	\$ 43,893

*Please note, amounts in thousands, may not foot and/or may vary from audited financial statements due to rounding.

**FINANCIAL HIGHLIGHTS –
Statement of Revenues, Expenses &
Change in Net Position:**

The Statement of Revenues, Expenses & Change in Net Position shows the activity of SELF from July 1, 2015 through June 30, 2016 for the Excess Liability Program (XL), Excess Workers' Compensation Program (XWC), and Building Fund, and a comparison with the prior fiscal year's audited financial statements. There are four basic parts to this statement: Operating revenues, Program expenses, General and Administrative expenses, and Non-operating revenues and expenses.

Operating revenue includes the contributions by SELF's members for financing pool-funding requirements and Member Assessments. There were no additional Member Assessments in 2015/2016. Rental income for the Building Fund is recorded under Non-operating revenues.

Program expenses are expenses directly related to the program's main function, such as claims indemnity, claim expenses, and reinsurance or excess insurance and account for 91% of all expenditures. These are required costs of the fund that would be incurred by our members directly, even if SELF did not exist. Claims payments in 2015/2016 were almost twice that of 2014/2015; 3.5 times for the Excess Liability Program only. Changes in claims estimates increased \$4.7 million in the Excess

Liability Program and decreased \$10 million in the Excess Workers' Compensation Program. Excess and reinsurance premiums increased 5%.

General and Administrative expenses are costs to manage and maintain each program, including in-house claims management, and indirect costs, such as actuarial reports, claims audits, and audit fees, which are required by law. General and Administrative expenses were 9% of

total expense and decreased 5% from the prior fiscal year 2014/2015 after a concerted effort by SELF staff to reduce overhead.

Non-operating revenues and expenses are income and/or costs not directly related to the operation of the programs, including rental and investment income or loss.

They are reported in a separate section to comply with GASB 34, allowing financial statement users to see the true operating

income or loss before any additional or non-typical items are included. SELF receives rental income from tenants at our property at 1531 I Street, Sacramento, CA and investment income on retained equity in both the Excess Liability and Excess Workers' Compensation programs. Net Investment Income, which includes interest received and changes in the market value of investments, increased over 80% from the prior year.

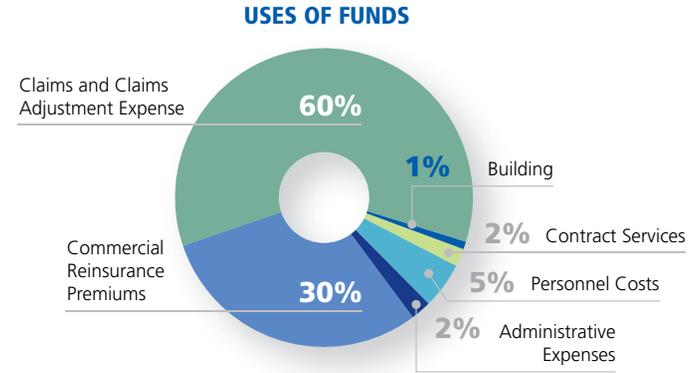
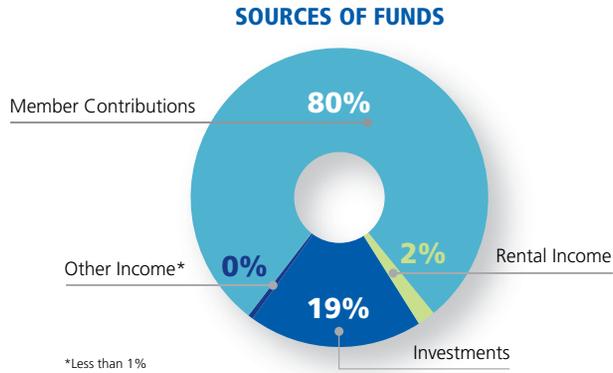
Statement of Revenues, Expenses & Change in Net Position

For the Years Ended June 30, 2016, June 30, 2015, and June 30, 2014

	Totals			2015/2016	2014/2015	2013/2014
	XL	XWC	Building			
Operating Revenue:						
Premiums / Contributions	\$ 10,982	\$ 0	\$ 0	\$ 10,982	\$ 10,294	\$ 9,874
Member Assessments		0	0	0	(10)	0
Total Operating Revenues	\$ 10,982	\$ 0	\$ 0	\$ 10,982	\$ 10,284	\$ 9,874
Program Expenses:						
Provision for Claims & Claims Adj. Exp.	18,942	(4,104)	0	14,838	13,559	(4,430)
Commercial Reinsurance Premiums	7,401	0	0	7,401	7,061	6,602
Total Program Expenses	26,344	(4,104)	0	22,239	20,620	2,172
General & Administrative Expense	1,524	543	247	2,314	2,443	2,145
Total Operating Expenses	27,868	(3,561)	247	24,554	23,064	4,198
Operating Income (Loss)	\$ (16,886)	\$ 3,561	\$ (247)	\$ (13,572)	\$ (12,780)	\$ 5,675
Non-Operating Income / Expense:						
Rental Income	0	0	268	268	255	240
Interest Income	820	1,803	0	2,623	1,428	1,816
Transfer	0	0	0	0	0	0
Other Income	20	7	0	26	5	0
Total Non-operating Rev. (Exp.)	\$ 840	\$ 1,803	\$ 268	\$ 2,917	\$ 1,688	\$ 2,056
Change in Net Position	\$ (16,046)	\$ 5,370	\$ 21	\$ (10,655)	\$ (11,092)	\$ 7,610
Net Position, Beginning Balance	\$ 23,529	\$ 7,033	\$ 1,628	\$ 32,190	\$ 43,890	\$ 36,280
Cumulative Effect of Change in Accounting Principle	0	0	0	0	(608)	0
Net Position, Ending Balance	\$ 7,483	\$ 12,403	\$ 1,649	\$ 21,535	\$ 32,190	\$ 43,890

*Please note, amounts in thousands, may not foot and/or may vary from audited financial statements due to rounding. Building Income and Expenses are recorded at gross amounts, whereas audited financial statements may net building expenses against income.

OVERALL FINANCIAL POSITION:



While member contributions are primarily for the fiscal year ending June 30, 2016, the claims and claims adjustment expenses were predominantly for payments to members on claims from prior fiscal years and changes in the estimated historic claims liability. These factors resulted in a decrease in net position of 33% between fiscal year ending June 30, 2015 and year ending June 30, 2016.

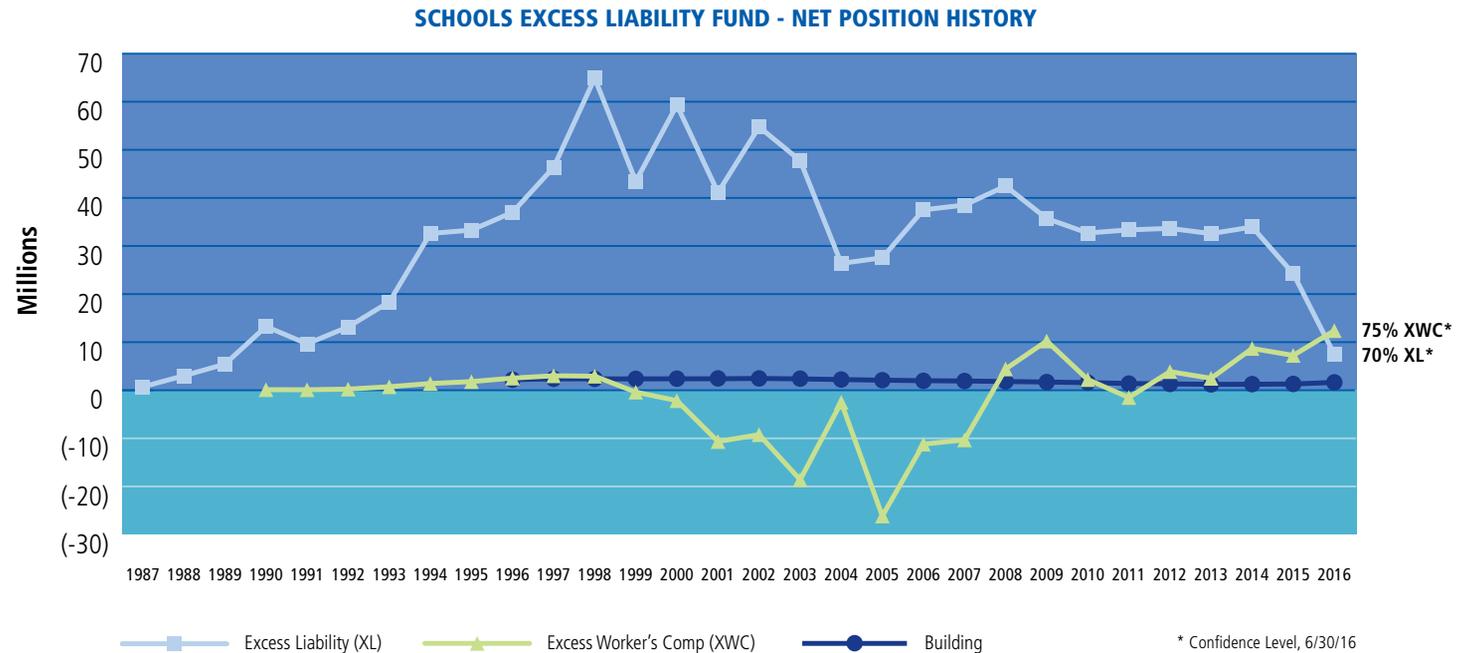
stability and sensitivity to risk. Key formulas are: Claims Liability Confidence Levels, Net Position to Self-Insured Retention (SIR), Loss Reserves to Net Position, and Contributions to Net

Position. Both programs have more than six months of cash flow available for normal ongoing operations and investments are sufficiently liquid to provide funds for any unexpected claim

payments. Both the XL and XWC programs are under SELF's ambitious Target Capital of a 95% confidence level and additional funding for three catastrophic losses.

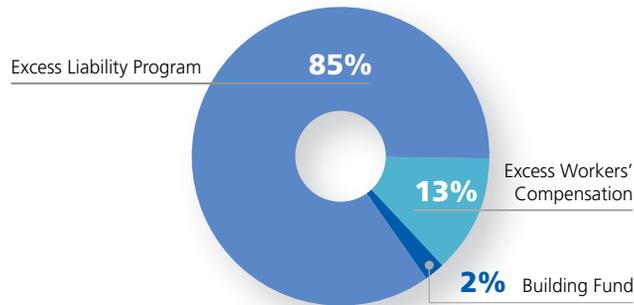
Net Position:

The Schools Excess Liability Fund is accredited by California Association of Joint Powers Authorities (CAJPA) with Excellence. Their accreditation is based on a model of professional standards for risk management pools. SELF has had continuous accreditation since 1989 and on June 28, 2014 the Accreditation Committee conferred continuous accreditation with excellence through June 2017. There are several established formulas to measure a pool's financial

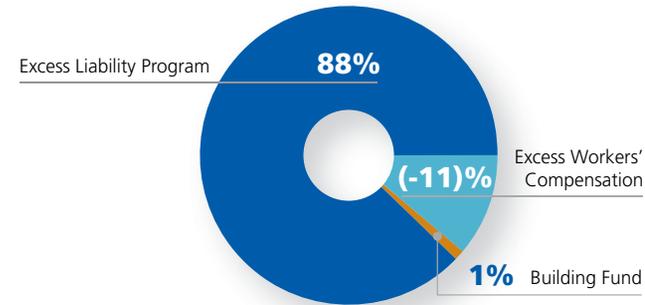


INDIVIDUAL PROGRAM OVERVIEW:

INCOME BY PROGRAM / FUND



EXPENSE BY PROGRAM / FUND



Excess Liability:

The Schools Excess Liability Fund (SELF) was established with the Excess Liability (XL) Program. In November 1985, a group of concerned school business officials met and formed a steering committee to determine the feasibility of establishing a statewide school excess liability pool. They wanted to combat the growing liability insurance crisis and provide public educational agencies with a stable and broad liability coverage product. SELF began offering excess liability coverage March 1, 1986. By the end of the first year, SELF had 102 members in the Excess Liability Program. In 2015/2016, SELF had 535 active members across the state of California.

SELF provides an excess liability limit of \$30 million, with optional excess liability available to \$55 million, through a combination of self-insurance,

reinsurance, and excess. SELF members have retained limits of \$1 million or \$5 million. In 2014/2015 and 2015/2016, SELF recognized several claims from prior years. Actual claims paid in 2015/2016 were over \$14 million, while reserves decreased just under \$3 million, and the incurred but not reported increased \$7.5 million; this does not include \$5 million paid in August, but recognized as a subsequent event in 2014/2015. The program has sufficient funding ratios in contributions to equity and loss reserves to equity.

Excess Workers' Compensation:

July 1, 1989, SELF launched the Excess Workers' Compensation (XWC) Program, which closed after the June 30, 2010 fiscal year, and had 50 members during its tenure, with member retentions of \$250,000 to \$2 million. SELF purchased excess workers'

compensation insurance for all policy years, with self-insured retentions of \$1 million to \$2 million. SELF continues to manage the runoff of workers' compensation claims incurred between July 1, 1989 and June 30, 2010.

Adverse claims development in historic claims resulted in a net deficit position, therefore, a multi-year assessment plan was adopted beginning June 2003 to resolve the deficit position and build reserves sufficient to maintain a positive net position and provide a minimum 65% confidence level. The original assessment plan recalculated equity yearly and in January 2007 was extended to fifteen years to spread the assessment over the life of the claims liability. In 2013, a fixed ten year assessment plan was initiated to provide the members with a fixed annual assessment. The current plan will be evaluated after the fifth year, 2017/2018. SELF has collected additional

contributions of \$59 million through June 30, 2016.

In 2015/2016, SELF realized a savings of \$4.1 million in claims with a reduction of \$10 million in claims liability, due to active claims management and resolution. Reductions were due to reserve savings due to compromise and releases on 34 claims, 53 claims closed due to inactivity over the last two years, and 10 claims were also closed, as they reached the SELF retention cap. SELF reimbursed members over \$5.8 million for claims in 2015/2016. Open claims were reduced by 19% from the prior year end and 45% over the last five years. The assessment contributions to equity and equity to self-insured retention levels are within the desired measures. The XWC Program is sufficiently funded to pay claims in this program, with 114% claim funding.

NON-OPERATING REVENUE:

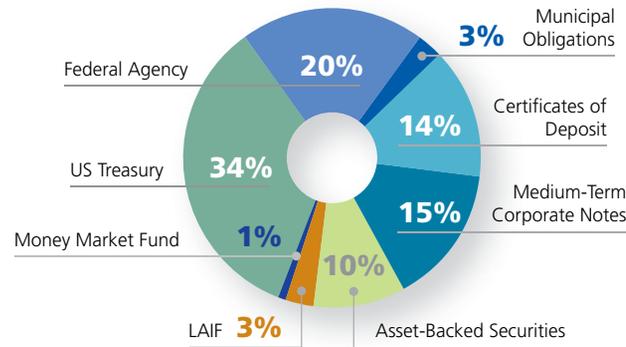
Rental Income:

SELF owns and manages a building in downtown Sacramento, at 1531 I Street, Sacramento, California. The building was purchased in 1993 with retained equity and is considered an investment of SELF. Approximately 65% of the building is leased to long-term tenants, including the Association of California Community College Administrators and the American Lung Association in California. The balance is used as the SELF office for both the Excess Liability and Excess Workers' Compensation programs. SELF maintains the building in order to protect and enhance this investment of our members. SELF also has a state of the art conference center, which is available for use at no charge to any of our members.

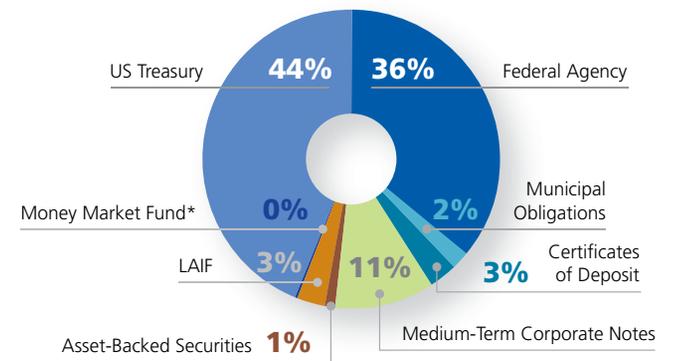
Investments:

SELF held \$89 million in investments, as of June 30, 2016. Approximately 7.4% was liquid in either bank accounts or the Local Agency Investment Fund, which is considered liquid. 92.6% of funds are held in separate investment portfolios for the Excess Liability and Excess Workers' Compensation programs, to maximize yield. Each portfolio is managed based on the cash flow needs of the programs. Excess Workers' Compensation investments are generally invested longer term, due to the extended nature of these claims. Both portfolios are managed to maximize yields over time.

EXCESS LIABILITY INVESTMENTS



EXCESS WORKERS' COMPENSATION INVESTMENTS



*Less than 1%

Budget versus Actual:

SELF develops an annual budget, which was reviewed by SELF's Finance Committee on June 11, 2015 and approved by the Board of Directors on June 19, 2015. SELF operates as a business type entity, collecting contributions from members each fiscal

year based on the estimated funding for the current year and uses retained equity in the program to maintain consistent rates from year to year. For the fiscal year beginning July 1, 2015 and ending June 30, 2016, 100% of SELF's revenues were from member contributions.

Actual amounts for the fiscal year versus the adopted budget are included to show SELF's financial performance in relation to the annual plan for the programs. Revenues were 3% over the adopted budget and increased 7% from prior year actuals. Total expenses were 118% greater than the adopted budget and 6% greater than the prior year. Total program expenses were 118% over the adopted budget, due to unexpected claim payments. Claims and claims adjustment expenses were six times greater, while reinsurance expenses were less than 1% greater than the adopted budget. General and Administrative expense was 1% greater than the adopted budgeted amount and 5% less than the prior year. Non-operating revenues were 25% greater than the adopted budget and 73% greater than the prior year.

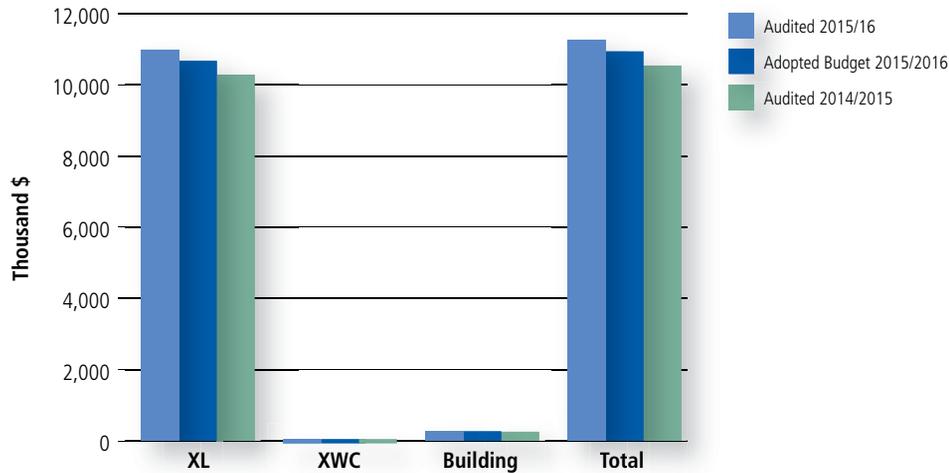
Budget vs. Actual

For the Year Ended June 30, 2016

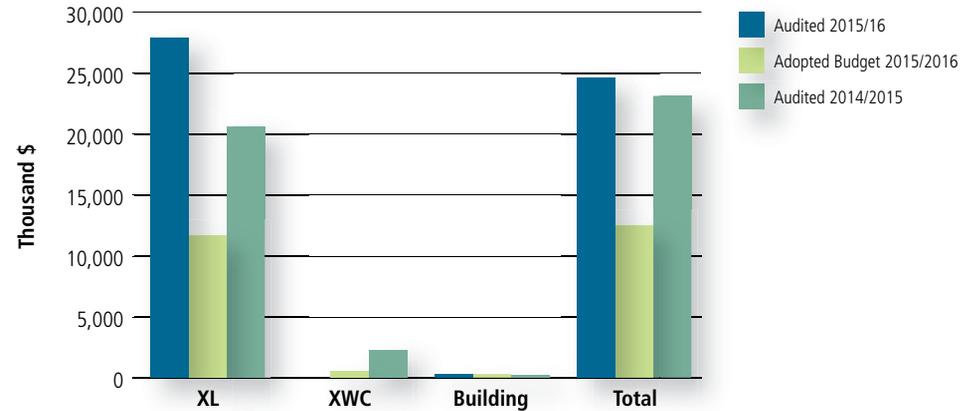
			Variance	
	Budget	Actual	Amount	Percent
Operating Revenues	\$ 10,673	\$ 10,982	\$ 310	3%
Program Expenses	(10,205)	(22,239)	(12,034)	(118%)
General & Administrative Expenses	(2,285)	(2,314)	(30)	(1%)
Total Operating Income (Loss)	\$ (1,818)	\$ (13,572)	\$ (11,754)	(647%)
Non-operating Revenue (Expense)	2,296	2,917	620	27%
Change in Net Position	\$ 479	\$ (10,655)	\$ (11,134)	

*Please note, amounts in thousands, may not foot and/or may vary from audited financial statements due to rounding.

OPERATING REVENUES - Versus Budget & Prior Year



OPERATING EXPENSE - Versus Budget & Prior Year



BUDGET 2015/2016:

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Adopted Budget

For the Years Ended June 30, 2016, June 30, 2015, and June 30, 2014

	XL	XWC	Building	2015/2016	2014/2015	2013/2014
Operating Revenues	\$ 10,673	\$ 0	\$ 0	\$ 10,673	\$ 10,100	\$ 9,874
Program Expenses	(10,205)	0	0	(10,205)	(11,634)	(9,974)
General & Administrative Expense	(1,460)	(543)	(282)	(2,285)	(2,267)	(2,375)
Operating Income (Loss)	\$ (993)	\$ (543)	\$ (282)	\$ (1,817)	\$ (3,801)	\$ (2,475)
Total Non-operating Revenue (Expense)	767	1,296	227	2,296	1,683	1,350
Change in Net Position	\$ (226)	\$ 753	\$ (54)	\$ 479	\$ (2,634)	\$ (4,594)

Factors Bearing on the Future:

The Schools Excess Liability Fund's fiscal year 2016/2017 Operating Budget includes \$14 million in Revenue, \$13 million in program expense, \$2.4 million in General and Administrative Expenses, and \$2 million in Non-Operating Revenue, for an increase in Net Position

of \$754 thousand of \$15 million. It was reviewed by the Finance Committee on June 9, 2016 and approved by the Board of Directors on June 24, 2016.

Excess Liability:

As of June 30, 2016, the Excess Liability (XL) Program had a 70% confidence level

despite a year with unusually high claim frequency which permeated the self-insured layer. After years of relatively stable loss development, the XL Program was able to absorb the increased activity. The XL Program was prepared for the frequency and severity of predictable claims, however, after many years of

stable loss development; increased payment activity in the last year for prior years' claims reduced the net equity. As a result, SELF has adjusted the estimated claims liability to reflect a growing tail on liability claims in California. Additionally, the SELF Board has taken a proactive approach to preserve the XL Program's financial health by increasing program rates in 2016/2017 to reflect the troubling legal and legislative liability trends statewide.

SELF is proactive in managing claims and risk factors and providing expert assistance to our members, even for claims that may never penetrate the XL Program's retention level. SELF provides a variety of training tools and strives to improve the knowledge of our members

in the area of risk management and risk mitigation. SELF monitors pending legislation and takes steps to actively oppose bills that negatively impact California's schools and colleges and support bills that are of benefit to the membership. Additionally SELF is partnering with other JPAs across the state, troubled by the current legal and legislative trends resulting in skyrocketing jury verdicts and settlement amounts, to spearhead a public agency tort reform effort in California. SELF continues to seek out new opportunities in the insurance markets, explore ways to improve programs, and provide cost savings for our members.

Excess Workers' Compensation:

As of June 30, 2016, the Excess Workers' Compensation (XWC) Program improved to over a 75% confidence level from 70% at the year ending June 30, 2015. This positive trend is a reflection of the efforts SELF has made, in concert with its members, to close open claims and salvage reserves within the XWC Program's layers and to assist members in settling claims prior to piercing these layers. SELF continues to actively manage claims and bring them to resolution. SELF has been working with our members and their third party administrators to audit claims and identify opportunities to close open claims via Compromise and Release, realizing cost savings for our members

and reducing liabilities. On-site member visits have assisted in this process and continue to be a tool that SELF uses to decrease the members' overall claims exposure.

SELF, a Joint Powers Authority, Run by Schools, For Schools:

Since its inception in 1986, SELF has been committed to partnering with California's public schools, colleges, and educational agencies to protect them from the devastation of catastrophic loss. As SELF celebrates thirty years of service, many of the circumstances that paved the way for the creation of the JPA in 1986, including the flight of insurance markets from California's public entity arena, are coming to bear once more. SELF's true value is in its partnership with its members, providing consistently improving coverage. SELF was there for its members in 1986 and will continue to look for opportunities to enhance coverage and navigate the ever changing insurance and liability environments in California.

Combining Statements of Net Position

June 30, 2016

	Excess Liability	Excess Workers' Compensation	Building	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 3,498,241	\$ 2,914,672	\$ 184,454	\$ 6,597,367
Investments	1,771,987			1,771,987
Accounts receivable:				
Excess insurance recoverable	3,500,000			3,500,000
Interest and other	84,497	185,416		269,913
Member assessments receivable		6,355,281		6,355,281
Prepaid expenses	40,747	6,627	12,708	60,082
Total current assets	8,895,472	9,461,996	197,162	18,554,630
Noncurrent assets:				
Investments	27,465,901	53,178,185		80,644,086
Member assessments receivable		38,122,683		38,122,683
Capital assets	20,786	8,773	1,469,308	1,498,867
Total noncurrent assets	27,486,687	91,309,641	1,469,308	120,265,636
Total assets	36,382,159	100,771,637	1,666,470	138,820,266
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	186,490	79,924		266,414
LIABILITIES				
Current liabilities:				
Accounts payable	254,727	115,748	17,710	388,185
Unpaid claims and claim adjustment expenses	13,483,000	5,845,000		19,328,000
Total current liabilities	13,737,727	5,960,748	17,710	19,716,185
Noncurrent liabilities:				
Other liabilities		166,667		166,667
Net pension liability	371,168	159,070		530,238
Unpaid claims and claim adjustment expenses	14,805,609	82,088,227		96,893,836
Total noncurrent liabilities	15,176,777	82,413,964		97,590,741
Total liabilities	28,914,504	88,374,712	17,710	117,306,926
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	171,544	73,589		245,133
NET POSITION				
Net investment in capital assets	20,786	8,773	1,469,308	1,498,867
Unrestricted	7,461,815	12,394,487	179,452	20,035,754
Total Net Position	\$ 7,482,601	\$ 12,403,260	\$ 1,648,760	\$ 21,534,621

Combining Statements of Revenues, Expenses, and Change in Net Position

June 30, 2016

	Excess Liability	Excess Workers' Compensation	Building	Total
OPERATING REVENUE				
Member contributions	\$ 10,982,004			\$ 10,982,004
Total operating revenues	10,982,004			10,982,004
OPERATING EXPENSES				
Provision for unpaid claims and claim adjustment expenses	18,942,208	\$ (4,104,296)		14,837,912
Commercial reinsurance premiums	7,401,411			7,401,411
	26,343,619	(4,104,296)		22,239,323
General and administrative expenses:				
Contract services	312,169	159,738		471,907
Personnel costs	818,254	282,589		1,100,843
Administrative expenses	385,256	97,222	\$ 1,624	484,102
Building			129,104	129,104
Depreciation	8,671	3,716	115,940	128,327
Total general and administrative	1,524,350	543,265	246,668	2,314,283
Total operating expenses	27,867,969	(3,561,031)	246,668	24,553,606
Operating income (loss)	(16,885,965)	3,561,031	(246,668)	(13,571,602)
NON-OPERATING REVENUES:				
Rental income			267,696	267,696
Investment income	820,096	1,802,515		2,622,611
Other income	19,546	6,741		26,287
Total non-operating revenues	839,642	1,809,256	267,696	2,916,594
Change in net position	(16,046,323)	5,370,287	21,028	(10,655,008)
Net position, beginning of year	23,528,924	7,032,973	1,627,732	32,189,629
Net position, end of year	\$ 7,482,601	\$ 12,403,260	\$ 1,648,760	\$ 21,534,621

STAFF



Eric Lucas
Chief Executive
Officer



Debra Fisher
Chief Fiscal Officer



Lois Gormley
Director of
Communications &
Member Services



Jimmy Rowe
Director of Claims



Alan Grant
Systems Analyst



Susan Casey
Executive Assistant



Jessica Vega
Member Services
Specialist



Zakiya Jahan
Accounting Specialist

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SELF is always attentive and responsive to your risk management needs. Let us know how we can help you.

Our experienced and professional business partners can provide you with the same great service that SELF enjoys every day.

Independent Auditors

Gilbert & Associates

Cash & Investment Management

Public Financial Management, Inc.

Actuary

Bickmore Risk Services
Excess Liability & Excess Workers'
Compensation

Counsel

Kronick, Moskovitz, Tiedemann & Girard
General Legal Counsel

Insurance Consultants

Guy Carpenter & Company, Ilc

Legislative Advocate

School Services of California, Inc.

Risk Management Consultants

in2vate, Ilc

Claims Auditor

Aon Corporation,
Excess Liability Program

Strategic Claims Consulting
Excess Workers' Compensation Program

Reinsurers/Excess Insurers

CSAC-EIA
Munich Re America, Inc.
Great American Insurance Company
Allied World Assurance Company (U.S.), Inc.
Ironshore
Trident / Argonaut
Markel
Swiss Re
Tokio

Annual Report

McCarthy Designs

SELF

Schools Excess Liability Fund

1531 I Street, Suite 300
Sacramento, CA 95814

Toll-free telephone (866) 453-5300
Facsimile (916) 321-5311

E-mail info@selfjpa.org
Website www.selfjpa.org

RISK MANAGEMENT ASSOCIATIONS

- Public Agency Risk Management Association (PARMA)**
- California Association of Joint Powers Authorities (CAJPA)**
- Public Risk Management Association (PRIMA)**
- Risk & Insurance Management Society (RIMS)**
- Association of Governmental Risk Pools (AGRIP)**

PROFESSIONAL ORGANIZATIONS

- Association of California School Administrators (ACSA)**
- California Association of School Business Officials (CASBO)**
- California School Board Association (CSBA)**
- Association of California Community College Administrators (ACCCA)**

sea turtle & remora

Sea turtles provide the remora with protection, fast-moving water to bathe its gills, and a steady food supply. Remoras reciprocate by cleaning the turtle's shell, using a sucking disc on their head to attach to the host.

