1992 was another year of strong, steady growth for the Nonprofits’ Insurance Alliance of California (NIAC). With premium in force in excess of $3,500,000 at year-end, we grew by nearly seventy percent over 1991. During 1992 we renewed 90 percent of our existing members and welcomed 295 new members, for a total of more than 700 member-insureds.

Many brokers and nonprofit managers who had adopted a “wait and see” approach during our early years became actively involved with us this year. We appreciate the caution with which many approach alternative insurance arrangements and are gratified when those who are skeptical recognize NIAC’s uniqueness as our strength, not a weakness.

Our claims experience to date remains far better than industry averages. Since NIAC’s inception only one claim has exceeded $50,000 and that settled for under $100,000. Our reinsurance continues to cover claims in excess of $50,000. We are very pleased to report that beginning January 1, 1993, NIAC further improved its reinsurance arrangements with the addition of General Reinsurance Corporation, an A++ rated reinsurer.

Member services remain an integral part of NIAC’s mission. Our lending library of videos on various topics from driver training to preventing child molestation remains a valuable resource for our members. Additionally, Larry Ferguson, Vice President of Member Services, and I continue to make presentations across the state on topics ranging from managing volunteer exposures to preventing suits against nonprofit boards of directors.

In late 1992 we introduced our new volunteer and participant accident program. With reasonable prices for annual limits up to $25,000, this coverage is available for volunteer students, and participants of NIAC member agencies. Many of our members provide this coverage for volunteers as a way of showing appreciation for a volunteer’s time and effort.

Looking forward toward 1993, we made several changes to accommodate our steady growth. We computerized our quotation process and took the policy issuance function in-house at a substantial savings. Most recently we instituted NIAC’s own in-house premium financing program. Our members will now be able to enjoy considerable savings over commercial premium financing rates. Bringing these functions in-house allows us to substantially reduce overhead costs and improve services. To accommodate our growing staff we moved our offices to the new McPherson Center for Art and History in Santa Cruz.

We take seriously the confidence our members and their brokers and agents have placed in NIAC’s ability to bring stable and affordable liability coverages to the charitable sector in California. We are aware of the fine balance that we must achieve between having a head for insurance and a heart for nonprofits. We will continue to work to maintain that balance.

Pamela Davis, President/CEO
From the Chairman of the Board

With one new member joining NIAC each day, it became clear during 1992 that NIAC has the ability to have a substantial positive impact on the charitable sector in California. We estimate that in just three years, NIAC has saved nonprofits in California nearly $2,000,000 and has the potential to save tens of millions of dollars in the future. With state and federal budget cuts and reduced corporate philanthropy, we understand our members' needs to keep program dollars at work in their communities.

To that end the Board of Directors is committed to achieving NIAC's federal tax-exempt status in 1993. We are convinced that NIAC is entitled to tax-exempt status under present Tax Code. The Board recognizes the sizeable impact this decision will have as NIAC...
grows and intends to make certain that NIAC is treated fairly in this matter.

We will continue to be mindful of individual member needs while protecting the long term financial stability of the company. We look forward to another productive year.

Jess Gutierrez - Citation Insurance Group

WHAT OTHERS SAY ABOUT NIAC

“During 1992 our agency was presented with a lawsuit which came about due to circumstances which were not our responsibility. NIAC’s claims investigators carefully researched the details of the case. Solid legal research provided us with excellent trial preparation. We were able to work with a local defense attorney provided by NIAC who skillfully presented our case in court. The defense verdict was a victory for group home providers throughout the State.”

Frank Shoffner, Executive Director, Helping Hands Group Homes

| Improper Sexual Contact | $101,071 |
| Directors & Officers    | $159,699 |
| Auto Physical           | $255,523 |
| Auto Liability          | $880,247 |
| General Liability       | $2,196,171 |

TOTAL $3,592,711
Thank you so much for sending me the earthquake preparedness video for individuals with developmental disabilities. Overall the video is well done and keeps its audience in mind throughout...

Thanks again Larry for sharing the various resources you have with CROP.

Diane M. Horrisberger,
Program Specialist,
CROP Orange County
Refugee Community
Resources Project, Inc.,
Westminster

Back row from left: Larry Bacon, Dick Hotaling, Phillip Kimble, Virginia Tormey-Lawson, Ken Berrick
Front row: Jess Gutierrez, Pamela Davis, Suzie Pollack, Betty Dietrich, Audrey Harrison, Barbara Houck
Not pictured: Meredith Clark
Left to right:
Standing:
Jean Schaub-Ichikawa, Steve Moody, Skip Halwig, Sharon Felice, Joseph Morton,
Larry Ferguson, Betty Johnson, Michael Pramuk.
Front row:
Sue Reimuller, Pamela Davis,
Thomas Crumbaugh
Not shown:
Erin Albertson, Julie Reed

I have read your annual report and other materials describing NIAC's most impressive development. We are a business dedicated exclusively to the support of alternatives to traditional commercial insurance. While there are many variations of alternative structures, we have learned that success is the product of unwavering customer focus and consistent application of sound pricing and selection disciplines. These are principles that you obviously embrace and which have apparently been ignored by many traditional insurers.

Harry L. Richter, Chairman and Chief Executive Officer
Genesis, a member of the General Re Group (one of NIAC's reinsurers)
NIAC is represented in nearly all counties of California with members extending from Crescent City to Chula Vista. The scope of activities of this diverse membership ranges from providing group homes for severely emotionally disturbed adolescents to preserving elegant botanical gardens.

Our members offer senior day care for Alzheimer’s victims, drug and alcohol counseling, soup kitchens, thrift shops, and museum collections. By serving on NIAC’s elected Board of Directors, our members help chart NIAC’s future. In an economic climate requiring wise use of scarce program dollars, NIAC serves the membership by containing the costs of property and liability coverages. Our earliest members have now enjoyed their fourth policy year with no rate increases. NIAC members as of December 31, 1992 are listed on the following pages.
WHAT OTHERS SAY ABOUT NIAC

"CLARE has been very pleased with both the quality and cost of the service provided by NIAC. NIAC has worked with us and we have been successful together in reducing our net insurance cost each year. This is by anyone’s definition a very profitable partnership. We look forward to a long term profitable relationship."

Timothy Korb-Shay, Business Manager, CLARE Foundation, Inc.

2311 Corporation Ixif and DBA: Pax House
A Broader Living Experience (dba A.B.L.E.)
A Woman’s Place of Merced & Mariposa Counties
ABC Child Development, Inc.
AD Care Inc., R.S.V.P. and Caring Callers
AIDS Community Research Consortium
ARC Vallejo-Benicia
ARC of Amador and Calaveras
Actors’ Theatre of Sonoma County
Adopt International
Adoption for African American Children Committee
Aim to Please
Al Wooten, Jr. Heritage Center
Al-Anon Family Groups, District 13 Alleluia
Alliance for the Mentally Ill of San Mateo
Alma School Foundation
Alpha House, Inc.
Alpha Nu Omega Ida L. Jackson Foundation
Alpha of San Diego, Inc.
Alzheimer’s Association - Monterey County Chapter
Alzheimer’s Association of Orange County
Alzheimer’s Services of the East Bay
Alzheimer’s Association Greater North Valley Chapter
Alzheimer’s Disease/Related Disorders Association of Ventura County
American Decorative Arts Forum of Northern California
American Sports Institute
Amigos De Las Americas-Marin
Ananda Marga, Inc.
Anderson Marsh Interpretive Association
Angel Society of Fallbrook
Anger Management Counseling Services
Ann Martin Children’s, Inc.
Arcata and Mad River Railroad Historical Society
Argoys School for Creative Learning
Art Springs Artists’ Association
Arte Americas, The Mexican Art Center
Asian American Senior Citizens Service Center
Asian Pacific Health Venture, Inc.
Asociacion Campesina Lazaro Cardenas, Inc.
Associated Center for Therapy/CSATI
Association of Housing Management Agents
Artificial Healing Center of Sonoma County
Audrey L. Smith Developmental Center, Inc.
Baurnes Crafts Guild
Bay Area Black Consortium for Quality Health Care
Bay Area Business Group on Health
Bay Area Friends of Tibet
Bay Area Women Against Rape
Bay Institute of San Francisco
Beach Cities Coalition for Alcohol & Drug-Free
Beach Flats Housing Improvement Association
Beacon House Association of San Pedro, Inc.
Beacon House, Inc.
Berkeley Architectural Heritage Association
Bernal Heights Housing Corporation
Better Valley Services, Inc.
Big Brothers of San Diego County
Big Sister League, Inc.
Bill Wilson Center
Blind Children’s Learning Center
Boys & Girls Club of Harbor City
Boys & Girls Club of Santa Rosa
Boys & Girls Club of Westminster
Boys & Girls Club of the Hi-Desert Breast Cancer Action
Bridge for the Needy, Inc.
Bridge to China Foundation
Buddhist Peace Fellowship
Buenaventura Art Association
Butte County Children’s World
C.A.M.P.
C.A.M.P.S., Inc.
C.F.S.C., Inc.
CARE-Child Abuse Recovery
Cal Poly Alumni Association, Inc.
Cal-Pep, Inc.
California AIDS Intervention Training Center
California Association of Nonprofits & N.A.C.
California Bluegrass Association
California Coalition
California Coalition for Rural Housing Project (CCRH)
California Court Appointed Special Advocate Association, Inc.
California Environmental Trust
California Family Action
California Grey Bears, Inc.
California Institute for Clinical Social Work
California Native Plant Society
California Neuropsychology Services
California Parkinson’s Foundation
California Rare Fruit Growers, Inc.
California Southern Small Business Development Corp.
California Working Group, Inc.
Californians for Drug-Free Youth
Cambridge Community Center
Cantori Dominico
Casa Teresa, Inc.
Cascade Canyon School
Castro Valley Boys and Girls Club
Car People, Inc.
Catholic Big Brothers, Inc.
Center for New Americans
Central Valley AIDS Team
Centro Cultural Latino de San Mateo
Centro La Familia
Chamberlain’s Children Center, Inc.
Chemical Awareness and Treatment Services, Inc.
Chico Museum Association
Child Assault Prevention Training Center of Yolo County
Child Sexual Abuse Treatment Center of Santa Barbara
Childcare Coordinating Council of Sonoma County
Children & Language Pre-school
Children’s Placement Service
Christian Assisted Recovery Environments, Inc.
Christian Counseling Service
Christmas Dinner Fund, Inc.
Circuit Rider Productions, Inc.
Citizens Who Care, Inc.
Clare Foundation, Inc.
Classical Philharmonic of Northern California
Cleary Memorial Health Foundation
Coachella Valley Immigration Service
Coastal Preservation Society
Coastside Adult Day Health Center
Columbian Gardens Improvement Association
Commack
Committee on the Shelterless (C.O.T.S.)
Community Action Board of Santa Cruz County, Inc.
Community Assistance for the Retarded & Handicapped, Inc.
Community Childcare Council of Sonoma County
Community Companions, Inc. & Acme Environmental Management
Community Congress of Humboldt County
Community Congress of San Diego
Community Coordinated Child Development Council
Community Environmental Council of Gilda Resource Center
Community Treatment Center
Community Ventures, Inc.
Conflict Resolution Program
Continuum HIV Day Services
Contra Costa Alternative School

1992 ANNUAL REPORT
WHAT OTHERS SAY ABOUT NIAC

The reason I’m mailing this to you is to tell you how much I have appreciated the very professional service I have received from you and your staff. Thank you so much! Best wishes.

Sherlie B. Weeks, ARM, AAI Insurance Service/Consultant, Seal Beach

NIAC provides coverage for arts & musical groups including symphonies, visual arts programs, dance and drama troupes, music camps and even a society for calligraphers.
NIAC MEMBERS continued

Gay Asian Pacific Alliance,  
Community HIV Project  
German Language School Of  
Sonoma County  
Giarreto Institute & Parents United  
Girls, Inc. of San Leandro  
Glenn County Seniors Centers  
Global Outlook Educational Institution  
Go Productions  
Gold Key Club  
Golden Umbrella, Inc. & Foster Grandparents Program  
Good Shepherd Fund, Inc.  
Grandparents as Parents, Inc.  
Grant Beckstrand Cancer Foundation  
Great Leap, Inc.  
Green Pastures, Inc.  
Greenacre Homes, Inc.  
Gridley Guardian, Inc.  
Group Home Society, Inc.  
Grove Mont Community Theater  
H.O.W. Foundation  
Haight Ashbury Food Program  
Hale Laulima, Inc.  
Hamilton Family Center, Inc.  
Hancock Park Elementary School Booster Club  
Handsets, Inc.  
Harbor Area Gang Alternative Program, Inc.  
Harbor Community Development Corp.  
Harbor Gateway Center, Inc.  
Head Trauma Support Project, Inc.  
Headlands Center for the Arts  
Help4-People, Inc.  
Helping Hands Youth Homes, Inc.  
Heritage Village Seniors, Inc.  
Hi Desert Meals on Wheels Transportation  
High Desert Child Abuse Prevention Council  
Highlands Senior Service Center  
Hillsborough Schools Foundation  
Hollygrove (dba) Los Angeles Orphans Home  
Home Start, Inc.  
Homeless Care Force, Inc.  
Homeless Independence Project  
Homeless Prevention Group  
Homsaker Services of Indian Wells Valley  
Hope for Kids, Inc.  
Horizon Services, Inc.  
Hospital Chaplaincy Services  
Housing Development And Neighborhood  
Human Investment Project of the Peninsula  
Human Options  
Human Response Network  
Humane Society of Calaveras County  
Humboldt Connections, Inc.  
Humboldt County Rape Crisis Team  
Humboldt Family Service Center  
Hunger & Homeless Action Coalition of San Mateo County  
I-Pride, Inc.  
Independent Adoption Center  
Independent Housing Services, Inc.  
Infant/Child Enrichment Services Information and Referral Services  
Inglewood Neighborhood Housing Services  
Inland Temporary Homes, Inc.  
Institute For Food & Development Policy, Inc.  
Institute for the Advancement of Human Behavior  
Institute for the Study of Somatic Education  
Instituto Pro Musica de California  
Inter-Faith Shelter Network, Inc.  
Interfaith Service Bureau, Inc.  
International Church Relief Fund  
International Gay & Lesbian Archives  
International Gay & Lesbian Human Rights Commission  
International Rivers Network  
Inyo Council for the Arts  
Irvine Senior Foundation  
Jesuit Volunteer Corps.  
Jewish Community Center of Greater San Jose  
Jewish Senior Center & Geriatric Services of Orange County  
Jinan - Sacramento Sister Cities Corp.  
Jovenes de Antano  
Jubilee West, Inc.  
June L. Mayer Lesbian Collection  
Kainos Home and Training Center  
Karis House, Inc.  
Kay Ceniceros Multi-Purpose Senior Center  
Kenwood Fireman's Association  
Kern County Alcohol Center, Inc.  
Kern County Hispanic Commission on Drug Abuse  
Klepeara Recovery Homes  
Kids Cancer Connection  
Kids on Campus, Inc.  
Kids' Turn  
King's Court Play'rs, Inc.  
Kings Community Action Organization, Inc.  
Kings Haven House  
Kira Foundation, Inc.  
Korean American Community Services, Inc.  
Korean Community Center of the East Bay  
Kuumbwa Jazz Society  
LO'OP Center, Inc.  
La Casa De San Mateo  
La Casa de las Madres  
La Jolla Community Services, Inc.  
La Jolla Youth, Inc.  
La Monte Academie  
La Puente Valley Food Pantry  
Lake County Big Brothers & Sisters  
Lakeside Historical Society  
Leadership Tomorrow  
League of Volunteers of Newark  
Learning Disability Association of California  
Lekorek Family Resource Center  
Lemoore Senior Citizens, Inc.  
Life Lab Science Program  
Life Management Institute dba  
New Horizons School  
Lifeline Mission of San Francisco  
Light At The End Of The Tunnel Foundation  
Lilliput Children's Services  
Links to Positive People  
Little Tokyo Service Center  
Live Oak Adult Day Services, Inc.  
Live Oak Foundation, Inc.  
Live Oak Seniors, Inc.  
Live at Home Foundation  
Livermore Heritage Guild  
Living in Familiar Environments (L.I.F.E.)  
Lompico Community Center  
Long Term Care Services of Ventura County  
Los Angeles Baroque Orchestra  
Los Angeles Municipal Art Gallery Associates  
Los Angeles Womens Foundation  
Los Padres Interpretive Association  
M-2/Match Two, Inc.  
Madrone Hospice, Inc.  
Marin Assn. for Retarded Citizens  
Marin Athletic Foundation  
Marin Community Food Bank  
Marin Council of Agencies  
Marin Services for Women  
Mariposa School  
Mariposa Women's Center  
Matrix  
Meadowlark Service League  
Meals on Wheels of San Francisco  
Meals on Wheels of the Monterey Peninsula, Inc.  
Meeting Place  
Mendocino Area Parks Association  
Mendocino Coast Botanical Gardens Preservation Corp.  
Mendocino County Public Broadcasting KZYX Radio  
Mental Research Institute  
Mini Twelve Step House, Inc.  
Miracle House, Inc.  
Mokelumne County Teach, Inc.
Volunteers are the backbone of NIAC's member organizations. Programs like Fresno's Friendship Center for the Blind rely on countless hours of patient help from dedicated community workers.

Molecular Research Institute, Inc.
Monterey County Homeless Coalition
Monterey County Theatre Alliance
Monterey County Vietnam Veterans Memorial Committee
Moore's Cottage, Inc.
Morning Out Club
Morongo Basin Adult Health Services Corp.
Morongo Basin Mental Health Services
Morongo Basin Unity Home, Inc.

Mother Lode Ombudsman, Inc.
Mountain Crisis Services
Mt. Diablo Interpretive Association
Mt. San Jacinto Natural History
Mt. Tamalpais Interpretive Assn.
NCI Affiliates, Inc.
Naamans Fellowship
Napa Emergency Women's Services
Napa Valley Natural History Association
National Task Force on Aids Prevention

Natural History Association of San Luis Obispo Coast
Neighborhood House of North Richmond
New Directions Adolescent Services
New Directions for People with Disabilities, Inc.
New Fillmore Community Theater
New Learning School
New Performance Consort, Inc.
New Start
New Testament Community Outreach
North Coast Interpretive Association
Northern California Chapter of the National Hemophilia Foundation
Northern California Ecumenical Council, Inc.
Northside Community Ctr. Filipino American Senior Opportunity Development Council
Northwestern Pacific Railroad Historical Society
Novato Ecumenical Housing, Inc.
Novato Human Needs
Novato Youth Center
OMI Neighbors in Action
Oak Center Cultural Center, Inc.
Oakland Community Fund
Oakland Independence Support Center
Ocean Park Community Center
Ohana Cultural Center
Ombudsman Services of Contra Costa, Inc.
Ombudsman/Advocacy Services of Inyo/Mono County
Omni Programs, Inc./Peers Against Substance Abuse
On Our Own, Inc.
One Shoe Crew
Open Sea Foundation
Orange County Community Consortium, Inc.
Orange County Community Development Council
Orange County Consolidated Transportation Services

Orange County Intergroup of Overeaters Anonymous
Orange County Refuge (C.R.O.P.)
Orange Elderly Services, Inc.
Orange Housing Development Corp.
Organized People of Elmhurst Neighborhood (OPEN)
P & V Group Homes, Inc.
PACT (People Acting in Community Together)
PARCA
Pacific Autism Center for Education (P.A.C.E.)
Pacific Choral Company
Pacific Composers Forum
Pacific Theatre Ensemble
Pajaro Valley Affordable Housing Corp.
Pajaro Valley Historical Association
Pajaro Valley Prevention & Student Assistance, Inc.
Pajaro Valley Shelter Services
Paradise Strive Center, Inc.
Parent Services Project, Inc.
Parenting Network, Inc.
Parents Center, Inc.
Parents Helping Parents, Inc.
Parents of Success
Pasadena Children's Training Society
Patient Assistance Foundation
Peg Taylor Center for Adult Day Health Center
Peninsula Alano Club
Peninsula Area Information & Referral Service
Peninsula Community Foundation
Peninsula League
Peninsula Outreach Welcome House
People Assisting the Homeless
People Helping People
Performing Stars of Marin
Phase III, Inc.
Pioneer Home Outreach, Inc.
Plaza De La Raza
Plumas Crisis Intervention Resource Center
Poplar Center, Inc.
NIAC’s members include a wide variety of Headstart, gifted & talented, and alternative school programs for California’s youth. Tailoring coverages to schools like the Foundation Center of Sacramento, NIAC provides important coverage options including improper sexual contact, van transportation coverage and student accident insurance.
what others say about niac

participants with niac can save themselves some time by not bothering to shop around. thanks to you and your board for your effort at providing affordable insurance to nonprofits.

william h. fuser, msw, executive director, lilliput children’s services, stockton
We have audited the accompanying balance sheets of Nonprofits' Insurance Alliance of California as of December 31, 1992 and 1991, and the related statements of income, members' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nonprofits' Insurance Alliance of California as of December 31, 1992 and 1991, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

The Company has limited historical data for use in its estimates of loss and loss expense reserves and reinsurance premiums. Although the Company considers its experience and industry data in determining such estimates, assumptions and projections as to future events are necessary, and the ultimate amounts may differ materially from the amounts projected.
### Balance Sheets

**December 31, 1992 and 1991**

<table>
<thead>
<tr>
<th></th>
<th>1992</th>
<th>1991</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted investments (Note 3)</td>
<td>$1,542,424</td>
<td>1,490,839</td>
</tr>
<tr>
<td>Investments (Note 4)</td>
<td>2,447,519</td>
<td>1,311,815</td>
</tr>
<tr>
<td>Total investments</td>
<td>3,989,943</td>
<td>2,802,654</td>
</tr>
<tr>
<td>Cash</td>
<td>111,465</td>
<td>62,649</td>
</tr>
<tr>
<td>Premiums receivable</td>
<td>368,789</td>
<td>247,085</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>84,756</td>
<td>29,156</td>
</tr>
<tr>
<td>Other receivables</td>
<td>30,326</td>
<td>19,357</td>
</tr>
<tr>
<td>Property and equipment, net of accumulated depreciation of $44,689 in 1992 and $26,373 in 1991</td>
<td>52,345</td>
<td>46,239</td>
</tr>
<tr>
<td>Prepaid and deposits</td>
<td>37,232</td>
<td>16,437</td>
</tr>
<tr>
<td>Deferred acquisition costs</td>
<td>340,486</td>
<td>214,114</td>
</tr>
<tr>
<td>Deferred tax asset (note 5)</td>
<td>126,701</td>
<td>48,777</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$5,142,043</td>
<td>3,486,468</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>1992</th>
<th>1991</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities and Members’ Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss and loss adjustment expense reserves (note 7)</td>
<td>1,721,660</td>
<td>967,303</td>
</tr>
<tr>
<td>Unearned premiums (note 7)</td>
<td>1,302,263</td>
<td>740,975</td>
</tr>
<tr>
<td>Reinsurance payable</td>
<td>112,535</td>
<td>69,618</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>166,650</td>
<td>152,173</td>
</tr>
<tr>
<td>Income taxes payable (note 5)</td>
<td>162,789</td>
<td>48,777</td>
</tr>
<tr>
<td><strong>Total liabilities and members’ equity</strong></td>
<td>$5,142,043</td>
<td>3,486,468</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.

### Statements of Income

**Years ended December 31, 1992 and 1991**

<table>
<thead>
<tr>
<th></th>
<th>1992</th>
<th>1991</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross written premium</td>
<td>$3,592,709</td>
<td>2,158,492</td>
</tr>
<tr>
<td>Ceded premium (note 7)</td>
<td>(917,736)</td>
<td>(498,599)</td>
</tr>
<tr>
<td>Net written premium</td>
<td>2,674,973</td>
<td>1,659,893</td>
</tr>
<tr>
<td>Increase in unearned premium</td>
<td>(561,288)</td>
<td>(376,590)</td>
</tr>
<tr>
<td>Net earned premium (note 7)</td>
<td>2,113,685</td>
<td>1,283,303</td>
</tr>
<tr>
<td>Net restricted investment income (note 3)</td>
<td>66,975</td>
<td>71,080</td>
</tr>
<tr>
<td>Net investment income</td>
<td>116,832</td>
<td>70,627</td>
</tr>
<tr>
<td>Net realized gain (loss) on sales of investments</td>
<td>(9,038)</td>
<td>55,229</td>
</tr>
<tr>
<td>Other income</td>
<td>49,053</td>
<td>74,231</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>2,337,507</td>
<td>1,554,470</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>1992</th>
<th>1991</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Losses and loss expenses incurred</td>
<td>1,268,211</td>
<td>773,265</td>
</tr>
<tr>
<td>Salaries and employee benefits</td>
<td>424,774</td>
<td>308,586</td>
</tr>
<tr>
<td>Commission expense</td>
<td>268,928</td>
<td>161,931</td>
</tr>
<tr>
<td>Other expense</td>
<td>256,713</td>
<td>239,669</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>2,218,626</td>
<td>1,483,451</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>118,881</td>
<td>71,019</td>
</tr>
<tr>
<td>Income tax expense (note 5)</td>
<td>36,088</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>$82,793</td>
<td>71,019</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
### Statements of Members’ Equity

<table>
<thead>
<tr>
<th></th>
<th>1992</th>
<th>1991</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Members’ contributions</strong></td>
<td>45,198</td>
<td>45,198</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>71,019</td>
<td>71,019</td>
</tr>
<tr>
<td><strong>Balances at December 31, 1991</strong></td>
<td>214,824</td>
<td>141,824</td>
</tr>
<tr>
<td><strong>Members’ contributions</strong></td>
<td>85,731</td>
<td>85,731</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>82,793</td>
<td>82,793</td>
</tr>
<tr>
<td><strong>Balances at December 31, 1992</strong></td>
<td>227,555</td>
<td>207,622</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.

### Statements of Cash Flows

<table>
<thead>
<tr>
<th></th>
<th>1992</th>
<th>1991</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>82,793</td>
<td>71,019</td>
</tr>
<tr>
<td>Adjustments to reconcile net income to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net realized gain (loss) on sales of investments</td>
<td>9,038</td>
<td>(55,229)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>18,316</td>
<td>14,291</td>
</tr>
<tr>
<td>Deferred income tax benefit</td>
<td>(77,924)</td>
<td>(42,982)</td>
</tr>
<tr>
<td><strong>Changes in assets and liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in premiums receivable</td>
<td>(121,704)</td>
<td>(115,836)</td>
</tr>
<tr>
<td>Increase in deferred acquisitions costs</td>
<td>(126,372)</td>
<td>(86,975)</td>
</tr>
<tr>
<td>Increase in loss and loss adjustment expense reserves</td>
<td>754,357</td>
<td>666,211</td>
</tr>
<tr>
<td>Increase in unearned premiums</td>
<td>561,288</td>
<td>376,590</td>
</tr>
<tr>
<td>Increase (decrease) in reinsurance payable</td>
<td>42,917</td>
<td>(27,757)</td>
</tr>
<tr>
<td>Increase in income taxes payable</td>
<td>114,012</td>
<td>42,982</td>
</tr>
<tr>
<td>Other, net</td>
<td>(116,294)</td>
<td>29,657</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>1,140,427</td>
<td>871,971</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of investments</td>
<td>(6,033,288)</td>
<td>(6,827,517)</td>
</tr>
<tr>
<td>Sales or maturities of investments</td>
<td>4,880,368</td>
<td>5,929,337</td>
</tr>
<tr>
<td>Purchases of property and equipment</td>
<td>(24,422)</td>
<td>(21,391)</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>(1,177,342)</td>
<td>(919,571)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from members’ contributions</td>
<td>85,731</td>
<td>45,198</td>
</tr>
<tr>
<td><strong>Net cash provided by financing activities</strong></td>
<td>85,731</td>
<td>45,198</td>
</tr>
<tr>
<td><strong>Net increase in cash</strong></td>
<td>48,816</td>
<td>(2,402)</td>
</tr>
<tr>
<td><strong>Cash at beginning of year</strong></td>
<td>62,649</td>
<td>65,051</td>
</tr>
<tr>
<td><strong>Cash at end of year</strong></td>
<td>111,465</td>
<td>62,649</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
1. ORGANIZATION
Nonprofits' Insurance Alliance of California (the Company) was incorporated on September 15, 1988 as a nonassessable nonprofit mutual benefit corporation. In July, 1991 the status of the Company was changed by a vote of the members to a public benefit corporation. The Company operates in California as a risk pool pursuant to authorization under Section 3005.1 of the California Corporations Code. The Company is not subject to the rules, regulation and supervision of the California Department of Insurance (DOI).

Organizations which meet the following requirements may become members of the Company:
1) nonprofit corporations which are incorporated and operating in the state of California; 2) which have received and maintain current and unrevoked determination of tax-exempt status under Section 501(c)(3) of the Internal Revenue Code; 3) which are offered general liability coverages and agree to purchase such coverages; and 4) which pay the premium for such coverages and the required membership contribution. Because the Company is nonassessable, the members of the Company, which are both its owners and insurers, are not liable for the Company's liabilities should they exceed the Company's assets.

The Company provides commercial general liability, miscellaneous professional liability, automobile liability, auto physical damage, and employer's non-owned and hired automobile liability coverages to its members. Coverage is provided on an occurrence form. Typical limits are an annual aggregate of $1,000,000 and $1,000,000 per occurrence. An annual aggregate of $2,000,000 is available. A special claims-made coverage with a $250,000 annual aggregate limit including defense and indemnity is available for improper sexual contact claims. Directors' and officers' liability is available to members on a claims-made form. The typical limit of coverage is $1,000,000.

The Company receives a one-time contribution from each new member in the form of a nonrefundable membership contribution. During 1992 and 1991, the contribution amount was ten percent of the commercial general liability premium.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) REVENUE RECOGNITION
Premiums are recognized as earned on a pro rata basis over the terms of the policies, which usually consist of twelve months. Anticipated investment income is not considered in determining if a premium deficiency exists.

(b) DEFERRED ACQUISITION COSTS
Policy acquisition costs incurred are deferred and amortized over the period of premium recognition as is required by generally accepted accounting principles. These costs generally include commissions, underwriting fees, policy issue and marketing costs. Amortized acquisition costs were $588,636 for 1992 and $353,587 for 1991, respectively.

(c) PROPERTY AND EQUIPMENT
Data processing equipment, purchased software, and office furniture and equipment are stated at cost and depreciated over five years using the straight-line method. Upon retirement or disposition of fixed assets, any gain or loss is included in income. Depreciation expense was $18,316 and $14,291 in 1992 and 1991, respectively.

(d) INVESTMENTS
Investments in bonds are carried at amortized cost. Declines in the value of investments, which are determined to be other than temporary, are charged to realized losses. Realized gains/losses on sales of investments are reflected in the statements of income, based on the specific identification method. Proceeds from sales of bonds were $1,185,760 in 1992 which resulted in gross realized gains of $5,289 and gross realized losses of $14,327. Sales of bonds in 1991 resulted in gross realized gains of $55,229.

(e) LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES
Loss and loss adjustment expense reserves are estimates based on an expected loss and loss expense ratio of 60% of net premiums earned. This method is used because the Company has not been in existence for a sufficient length of time to establish historical and statistical bases for estimating these liabilities. This ratio is based on the historical experience of a similar program and claims experience to date. Management believes that this ratio is conservative. The Company has engaged an independent actuary to review and analyze its loss data and propose revisions to the reserving methodology. Ultimate losses may differ significantly from the amounts recorded. Changes in estimates of losses are included in income in the

continued on page 18
NOTES TO FINANCIAL STATEMENTS  Continued

period in which the estimates are changed.

(6) RISK MANAGEMENT SERVICE
FEE INCOME

In 1990, the Company received $60,537 from the California Association of Nonprofits to provide loss control and risk management services for member nonprofit agencies. The Company recognizes risk management service fee income for these services as they are performed. During 1992 and 1991, risk management service fee income was $0 and $42,843, respectively.

(g) INCOME TAXES

In July of 1991, the Company was granted tax-exempt status by the state of California and state franchise taxes paid in previous years of $2,272 were refunded to the Company.

In February 1993, the Company received an adverse ruling on its application for federal tax-exempt status. Management intends to file a suit against the Internal Revenue Service (IRS) in an effort to achieve tax-exempt status. The Company has been instructed by the IRS to file as a taxable entity for 1991 and subsequent periods. The Company had previously been instructed by the IRS to file as a tax-exempt entity for 1991. Accordingly, the Company has recorded federal income taxes in its 1991 and 1992 financial statements.

Effective January 1, 1991, the Company adopted the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Statement 109 requires a change from the deferred method of accounting for income taxes of APB Opinion 11 to the asset and liability method of accounting for income taxes. Under the asset and liability method of Statement 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under Statement 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The cumulative effect of adopting Statement 109 on the 1991 consolidated statement of income was $0.

(h) NEW ACCOUNTING STANDARD

In December 1992, the Financial Accounting Standards Board (FASB) issued Statement No. 113, "Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts," which is required to be implemented for fiscal years beginning after December 31, 1992. The Company will adopt Statement No. 113 in 1993. This Statement affects financial statement presentation and disclosures and will not impact financial position or operating results. It requires reinsurance receivables (including amounts related to claims incurred but not reported and case estimates of reported claims) and prepaid reinsurance premiums to be reported as assets. Reinsurance receivables are estimated in a manner consistent with the liabilities related to the underlying reinsured contracts.

(1) RECLASSIFICATIONS

Certain amounts in the 1991 financial statements have been reclassified to conform to the 1992 financial statement presentation.

3. RESTRICTED INVESTMENTS

The proceeds from the issuance of subordinated debt (see note 6) and related earned interest are held as restricted investments and may not be commingled with any other funds.

Funds in these restricted accounts may be withdrawn only to fund obligations of the Company to its policyholders and claimants related to all loss and loss adjustment expenses and to make payments for principal and/or interest due related to the subordinated debt. Funds in the restricted accounts may not be used for the operating expenses of the Company. To date, funds have been used only for interest payments on the subordinated debt. Such interest expense was $26,000 in both 1992 and 1991.

Restricted investments consist of the following as of December 31, 1992 and 1991:

<table>
<thead>
<tr>
<th></th>
<th>1992</th>
<th>1991</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amortized Cost</td>
<td>Unrealized Gain</td>
</tr>
<tr>
<td>Corporate obligations</td>
<td>$606,446</td>
<td>$17,871</td>
</tr>
<tr>
<td>U.S. Government and agency obligations</td>
<td>$808,546</td>
<td>$20,513</td>
</tr>
<tr>
<td>Money market account</td>
<td>73,432</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,542,424</strong></td>
<td><strong>$38,384</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>1992</th>
<th>1991</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amortized Cost</td>
<td>Unrealized Gain</td>
</tr>
<tr>
<td>U.S. Government and agency obligations</td>
<td>$1,407,143</td>
<td>$29,602</td>
</tr>
<tr>
<td>Money market account</td>
<td>83,696</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,490,839</strong></td>
<td><strong>$29,602</strong></td>
</tr>
</tbody>
</table>
4. INVESTMENTS

Unrestricted investments consist of the following as of December 31, 1992 and 1991:

<table>
<thead>
<tr>
<th></th>
<th>1992</th>
<th>1991</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amortized Cost</td>
<td>Unrealized Gain</td>
</tr>
<tr>
<td>Corporate obligations</td>
<td>$793,973</td>
<td>19,020</td>
</tr>
<tr>
<td>U.S. Government and agency obligations</td>
<td>1,475,155</td>
<td>11,414</td>
</tr>
<tr>
<td>Certificates of Deposit</td>
<td>50,000</td>
<td></td>
</tr>
<tr>
<td>Money market account</td>
<td>128,391</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,447,519</strong></td>
<td><strong>30,434</strong></td>
</tr>
</tbody>
</table>

As of December 31, 1992, unrestricted investments at amortized cost and estimated market value had scheduled maturities as follows:

<table>
<thead>
<tr>
<th></th>
<th>Amortized Cost</th>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due in 1 year or less</td>
<td>$353,790</td>
<td>354,416</td>
</tr>
<tr>
<td>Due after 1 year through 5 years</td>
<td>646,878</td>
<td>658,597</td>
</tr>
<tr>
<td>Due after 5 years through 10 years</td>
<td>1,446,851</td>
<td>1,459,900</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,447,519</strong></td>
<td><strong>2,472,913</strong></td>
</tr>
</tbody>
</table>

5. INCOME TAXES

The components of income tax expense (benefit) are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>Deferred</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal - 1992</td>
<td>$114,012</td>
<td>(77,924)</td>
<td>36,088</td>
</tr>
<tr>
<td>Federal - 1991</td>
<td>$42,982</td>
<td>(42,982)</td>
<td></td>
</tr>
</tbody>
</table>

Total income tax expense differed from the amounts computed by applying the U.S. Federal income tax rate of 34 percent in 1992 and 1991 to income before taxes as a result of the following:

<table>
<thead>
<tr>
<th></th>
<th>1992</th>
<th>1991</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computed &quot;expected&quot; tax expense</td>
<td>$40,420</td>
<td>$24,146</td>
</tr>
<tr>
<td>Increase (reduction) in income taxes resulting from:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in valuation allowance</td>
<td>(4,332)</td>
<td>(15,054)</td>
</tr>
<tr>
<td>Benefit from graduated tax rates</td>
<td>-</td>
<td>(9,092)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$36,088</strong></td>
<td></td>
</tr>
</tbody>
</table>

The types of temporary differences that comprise the net deferred tax asset at December 31, 1992 and 1991 include loss and loss adjustment expenses, the unearned premium reserve and deferred acquisition costs.

The following is a summary of the changes in the deferred tax asset:

<table>
<thead>
<tr>
<th></th>
<th>Deferred tax asset</th>
<th>Valuation allowance</th>
<th>Deferred tax liability</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balances at December 31, 1990</td>
<td>$64,180</td>
<td>(19,386)</td>
<td>(38,999)</td>
<td>5,795</td>
</tr>
<tr>
<td>1991 changes</td>
<td>57,028</td>
<td>15,654</td>
<td>(29,100)</td>
<td>42,982</td>
</tr>
<tr>
<td>Balances at December 31, 1991</td>
<td>$121,208</td>
<td>(4,332)</td>
<td>(68,099)</td>
<td>48,777</td>
</tr>
<tr>
<td>1992 changes</td>
<td>102,255</td>
<td>4,332</td>
<td>(28,663)</td>
<td>77,924</td>
</tr>
<tr>
<td>Balances at December 31, 1992</td>
<td>$223,463</td>
<td>-</td>
<td>(96,762)</td>
<td>126,701</td>
</tr>
</tbody>
</table>

6. SUBORDINATED DEBT

In 1989, a total of $1,300,000 was provided by foundations in the form of restricted assets (see note 3) in the amounts listed below:

- Wallace Alexander Foundation: $500,000
- Gerbode Foundation: $250,000
- David and Lucile Packard Foundation: $250,000
- San Francisco Foundation: $100,000
- Marin Community Foundation: $100,000
- Walter S. Johnson Foundation: $100,000

$1,300,000

The company pays two percent simple interest per year on these funds. Payment of interest is made in quarterly installments and amounted to $26,000 in both 1992 and 1991. Scheduled repayment of the principal amount of subordinated debt is as follows:

- September 18, 1993: $214,500
- September 18, 1994: $214,500
- September 18, 1995: $429,000
- September 18, 1996: $442,000

$1,300,000

Repayment of the principal is expected to be as listed above. However, due to the uncertainty during the organization of the company about its actual ability to repay within the agreed upon timeframe, several provisions govern the repayment process. Recourse on these funds is generally limited to earned surplus. Earned surplus is defined as the amount by which the company's

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notes to financial statements

continued

assets exceed the sum of all liabilities (excluding principal and interest obligations related to the subordinated debt). Principal amounts listed above are considered to be due and payable only when an independent actuary certifies that making such repayment would not jeopardize the financial stability of the Company. If any principal amount of the subordinated debt has been authorized for payment by a principal bears interest at the rate of 10% per annum. Provided, however, any principal amount not authorized for repayment by a certified actuary, or due according to the schedule listed above, continues to bear interest at the rate of 2% per annum.

The Company has engaged an actuary to evaluate whether it is advisable for the Company to begin making principal repayments in 1993.

In case of material misrepresentation or fraud by the Company or its employees, use of the funds for other than their stated purpose or to influence political activities, demand may be made by the foundations for repayment of the subordinated debt out of the assets of the Company other than Earned Surplus. If it is determined that the Company is intentionally charging inadequate premiums to materially adversely affect the Company’s ability to make timely payments of principal and/or interest, the foundations may request appropriate increases in premiums. If the Company and the foundations are unable to agree on appropriate future adjustments to premiums, at their option, the foundations may request repayment of the outstanding principal balance.

Interest payments may be postponed at any time if management determines that paying interest would jeopardize the financial stability of the Company.

7. REINSURANCE

In its normal course of business, the Company reinsures risks in excess of $50,000 with other companies through contractual agreements. Such agreements serve to limit the Company’s loss on large claims.

The Company’s reinsurance is in two layers. The first layer covers losses in excess of $50,000 to a maximum of $500,000. The second layer covers losses in excess of $500,000 to a maximum of $1,000,000. There is a sublimit for total claims made improper sexual contact claims of $1,333,333 during the period of January 1, 1991 through December 31, 1992. There have been no claims to date on the improper sexual contact coverage.

The table below reflects the effect on premiums and losses of all reinsurance transactions:

<table>
<thead>
<tr>
<th></th>
<th>1992</th>
<th>1991</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reinsurance ceded:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premiums written</td>
<td>$917,736</td>
<td>$498,599</td>
</tr>
<tr>
<td>Premiums earned</td>
<td>749,925</td>
<td>390,599</td>
</tr>
<tr>
<td>Losses and loss adjustment expenses incurred</td>
<td>46,432</td>
<td>-</td>
</tr>
<tr>
<td>Losses and loss adjustment expenses reserves</td>
<td>448,415</td>
<td>280,604</td>
</tr>
<tr>
<td>Unearned premiums</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

For the first layer, the Company pays a provisional reinsurance premium based on gross premiums written. This provisional reinsurance premium is adjusted based on actual ultimate loss experience, subject to a maximum and a minimum final premium. The maximum additional premium due

8. COMMITMENTS

The Company has entered into an operating lease. The lease is a five-year, noncancelable, operating lease for office space. The lease has an option to renew for a period of up to five years.

Minimum payments due under this commitment (net of sublease rents) are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Operating lease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year ending December 31:</td>
<td></td>
</tr>
<tr>
<td>1993</td>
<td>$ 42,470</td>
</tr>
<tr>
<td>1994</td>
<td>61,791</td>
</tr>
<tr>
<td>1995</td>
<td>64,385</td>
</tr>
<tr>
<td>1996</td>
<td>72,502</td>
</tr>
<tr>
<td>1997</td>
<td>74,766</td>
</tr>
<tr>
<td>Thereafter</td>
<td>15,085</td>
</tr>
<tr>
<td>Total minimum lease payments</td>
<td>$ 330,999</td>
</tr>
</tbody>
</table>

Total rent expense for 1992 and 1991 was $26,176 and $25,733, respectively.