

# A MESSAGE FROM THE PRESIDENT

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**1993** was an extremely good year for the Nonprofits' Insurance Alliance of California (NIAC). At a time when many in the insurance industry are reeling from numerous catastrophic property losses, NIAC enjoys superior casualty claims experience.

NIAC closed 1993 with \$5,794,254 in gross written premium and 948 members. That is 63% more than the \$3,592,711 in gross written premium for 1992. We exceeded our goal for the year by nearly \$200,000.

Our excellent record has allowed us to continue to substantially improve our reinsurance arrangements. As of January 1, 1994, three premier reinsurers—American Reinsurance, General Reinsurance, and North American Reinsurance provide all of NIAC's reinsurance. General Re and North American Re provide our treaty reinsurance, each participating on a 50% basis. This reinsurance engages when the combination of legal expenses and indemnity

payments exceed \$75,000 on any occurrence. American Re continues to provide facultative reinsurance for NIAC's umbrella policies.

Each year, we work to hone our pricing and underwriting practices to enable us to develop rates that more accurately reflect the exposure presented by various nonprofit activities. The array of services provided by nonprofits is as varied as the needs in our communities. With new nonprofits being created daily to respond to expanding needs, NIAC must understand the risks associated with these services and assist our members in minimizing these exposures.

Our claims experience remains far better



than industry averages. In four years, we have paid just two claims in excess of \$50,000. Neither of these claims exceeded \$300,000. Automobile liability continues to be a coverage line that we watch carefully. Nearly 40 percent of our incurred claims are the result of auto accidents. Accidents caused by unsafe backing, following too closely, and carelessness in intersections account for 70 percent of these auto accidents.

During 1994, we intend to develop auto training programs for our members and provide premium reductions for those organizations which participate in such trainings. It is our hope that the dollars we invest in training will more than offset the human and property damage costs associated with preventable auto accidents.

As the founder of NIAC, 1993 was the most rewarding year for me. What sometimes seemed like a hopeless cause in the late 1980s has become a thriving company led by a dedicated core of managers and staff who are proud of NIAC's accomplishments and eager to serve the California nonprofit community for many years to come. Now over 1,000 members strong, we have come a long way. As always, there remains much more to do!

Pamela Davis, President/CEO

# FROM THE CHAIRMAN OF THE BOARD



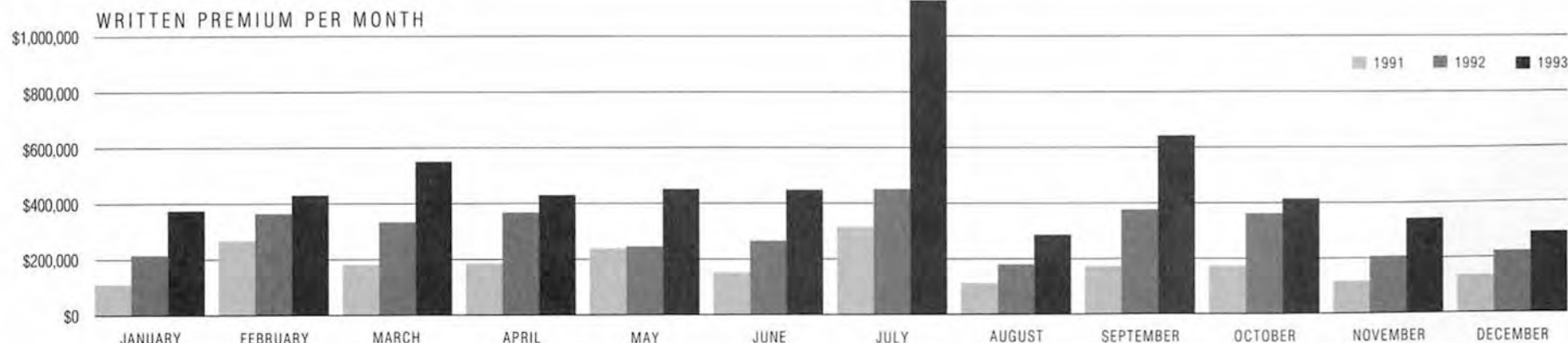
Watching NIAC mature over the past year has been an extremely rewarding experience for the Board of Directors. We are gratified by the growing support NIAC has received both from the California brokerage community and the nonprofit sector. NIAC's team of dedicated employees combine their understanding of insurance pricing techniques with a sensitivity to the variety of services provided by our nonprofit members. Their talents and commitment to excellence allow even NIAC's smallest member-insureds to enjoy pricing and service benefits formerly available only to larger commercial accounts.

During 1993, we made substantial progress toward achieving 501(c)(3) tax-exemption for NIAC. On July 1, 1993, at NIAC's request, Congressman Pete Stark (with original co-sponsor, Sam Farr) introduced HR 2612 which would clarify the Tax Code as it applies to organizations like NIAC. That bill now has 18 bipartisan co-sponsors. We antici-

pate that a similar bill will be introduced in the Senate in early 1994. Members of both sides of the House and Senate have expressed support for the clarification being sought by NIAC. Our focus for 1994 will be finding the appropriate tax vehicle to which to attach this bill and then carefully monitoring its progress as it moves through the legislative process.

As always the challenge of the coming year will be to balance the need for broad and affordable coverage for our members with building NIAC's financial security. With our goal of \$8,200,000 in gross written premium for 1994, it will undoubtedly be a busy and fruitful year.

Jess Gutierrez - Citation Insurance Group



# BOARD OF DIRECTORS



BACK ROW FROM LEFT: *Dick Hotaling, Jess Gutierrez, Renate-Karin Wunsch, Larry Bacon*

MIDDLE ROW: *Meredeth Clark, Diane Cooper, Audrey Harrison*

FRONT ROW: *Pamela Davis, Suzie Pollak, Robert Bond*

NOT SHOWN: *Betty Dietrich, Marianne Franks, Phillip Kimble*



# A NOTE FROM REP. SAM FARR



I wanted to bring you up-to-date on HR 2612, the bill Rep. Pete Stark and I have co-authored to provide tax exemption for risk pools that are organized and operated exclusively for charitable purposes.

As you know, HR 2612 has growing support in both the House and Senate. In addition, the Treasury has long supported the thrust of this legislation and has indicated its willingness to support its inclusion in any tax legislation that may be considered in Congress.

...I appreciate the grass-roots efforts that NIAC has expended to educate the charitable risk pool industry about this bill and hope that, eventually, we see HR 2612 enacted this year.

— Sam Farr  
Member of Congress, 17th District, CA  
March 11, 1994

Improper Sexual Conduct \$205,194

Directors & Officers \$234,998

Auto Physical \$486,265

Auto Liability \$1,531,454

General Liability \$3,336,375

## ANNUAL PREMIUM BY LINE

TOTAL \$5,794,286

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# WHY THE NONPROFITS' INSURANCE ALLIANCE OF CALIFORNIA?

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*Tens of thousands  
of volunteer hours  
contribute to the  
important missions  
of NIAC members.*

Sometimes, the best way to get something done right is to do it yourself. That is what the California nonprofit community did when they established the Nonprofits' Insurance Alliance of California (NIAC).

In the 1980s, nonprofits in California faced a crisis. Liability insurance had become increasingly difficult, if not impossible to obtain. Those who were able to find coverage often found that their premiums had doubled or tripled. In late 1986, a group of nonprofit leaders in California were determined to deliver nonprofits from this unpredictable insurance market and shelter nonprofits from future liability insurance crises.

After more than two years of research, analysis, and hard work, NIAC was created. Our initial capital of \$1.3 million was provided by The Ford Foundation, The San Francisco Foundation, The David and Lucile Packard Foundation, The Wallace Alexander Gerbode Foundation, The Marin Community Foundation, and The Walter S. Johnson Foundation. These early supporters believed that the same successful practice of risk pooling used by doctors, attorneys, accountants, churches, universities, and over two-thirds of municipalities in California could have the same benefits for nonprofits. And they were right.

## NIAC TODAY

Now, in our fifth year, we have over 1000 member-insureds and approximately



*Student activities at Speech & Language  
Development Center, Buena Park, CA.  
(NIAC Member since 1990.)*

\$6,000,000 in annual premium. Our original staff of three has grown to an experienced and dedicated staff of 17. We are proud of our solid reinsurance backing for claims in excess of \$75,000. General Re (Best's A++ rated) and North American Re (Best's A rated) share equally in NIAC's reinsurance treaty. American Re (Best's A) provides all reinsurance for NIAC's umbrella policies.

NIAC prides itself on doing one thing well so that our members can make many things better. Our member-insureds benefit from our single-minded purpose of providing them with the best possible prices and coverages for their diverse needs. Our specially trained underwriting staff is sensitive to the unique aspects of nonprofit organizations.



This expertise allows us to evaluate and price a full range of coverages which are tailor-made for the nonprofit sector. For NIAC members, this translates to solid, secure, and financially sound coverages.

## MEMBER OWNED AND CONTROLLED

NIAC is a nonprofit public benefit corporation owned and controlled by its California nonprofit organization members. Our Board of Directors is drawn from and elected by our nonprofit membership. NIAC has no stockholders and no profit motivation. All cost savings are passed on to members. It really is that simple.

## SO WHAT HAPPENS WHEN A MEMBER HAS A CLAIM?

NIAC's claim administrator has offices throughout California to provide our members with prompt and efficient claims handling. We are acutely aware of the negative publicity that can result from a lawsuit against a nonprofit and work to mitigate those impacts.

NIAC understands that sometimes, even with the most careful planning, an accident may happen. At NIAC, risk management is not just about paying claims, it's also about preventing them. We work to help our members avoid claim situations with the best prior



*NIAC serves a growing roster of members who provide a wide spectrum of services to seniors.*



*NIAC underwriter, Michael Pramuk, meets with Kathryn Hines of Ingham Coates & Payne at an industry trade show in Burbank.*

#### WHAT OTHERS SAY ABOUT NIAC

*"My agency staff really enjoys working with the NIAC staff. Working with the friendly people at NIAC makes communication, coordination and productivity easier."*

Joe Esparza  
Roseville Insurance Agency  
Roseville

#### WHY NIAC? *continued*

planning available. This commitment to prevention can be seen on all levels of our operation.

NIAC is developing a unique, state-of-the-art database that will lead to more accurate pricing and risk evaluation for our nonprofit members. In addition to constantly refining our underwriting skills, we also conduct site visits and provide an assortment of free video tapes on topics ranging from driver safety to earthquake preparedness. Every dollar spent on loss control is a safeguard against potential injury. We understand that nonprofits' primary purpose is to help people. Our job is to make sure that all parties involved stay safe.

#### DOES THIS SOUND LIKE SOMETHING YOU'D LIKE TO BE A PART OF?

NIAC was created by and for California nonprofits, and plans to serve the 501(c)(3) nonprofit community for many years to come. If you think your organization might benefit from membership in NIAC, ask your insurance broker to call us. If you are an insurance broker and you think NIAC might be just what your nonprofit clients need, call us at 1-800-359-6422.



*An excursion to coastal tidepools for residents of Hollygrove, a children's home in Los Angeles. (NIAC Member since 1990.)*



# THE NIAC STAFF



BACK ROW FROM LEFT: *Michael Pramuk, Steven Moody, Thomas Crubaugh, Larry Ferguson, Todd Connor*

MIDDLE ROW: *Claudia Weeks, Betty Johnson, Sue Reimuller, Victoria Ruggles, Sharon Felice, Joseph Morton, Jean Schaub-Ichikawa, Lisa Edelman, Michele Thomas*

FRONT ROW: *Pamela Davis, Amanda Stoltmack, Danielle Mudge*





WHAT OTHERS SAY ABOUT NIAC



*"On behalf of PAWS/LA, allow me to thank you for generously waiving our \$100 membership fee in honor of being your 1000th member. Indeed that sum will be put to prompt use in services to our clients and their beloved companion animals. It is a pleasure and an honor to be part of your 'family'."*

**Nadia Sutton**

Executive Director

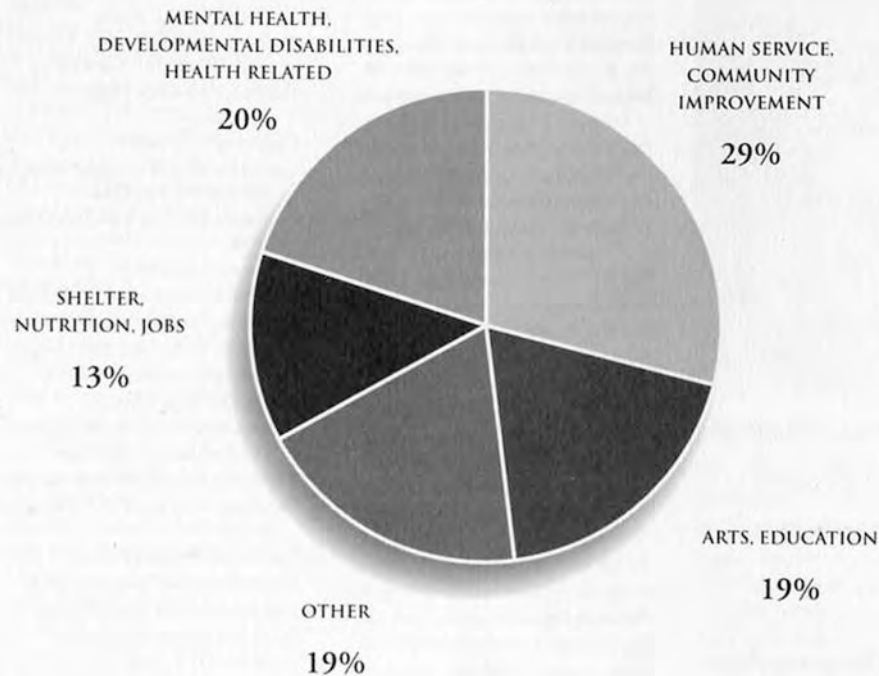
**Pets Are Wonderful Support  
For People Living With  
HIV/AIDS- Los Angeles**

*A participant of PAWS/LA  
and her human companion.*





## NIAC MEMBER COMPOSITION



# NIAC MEMBERS

*As of December 31, 1993*



NIAC's membership reflects the diversity of physical, emotional and cultural needs, and aspirations of the people of California. Supplying heart and help, our members stretch their imaginations and their budgets to meet the growing demands of our communities.

The composition of NIAC's members has remained relatively stable since our inception in 1989. Our members provide service in the following areas:

- 29% Human Service, Community Improvement
- 20% Mental Health, Developmental Disabilities, Health Related
- 19% Arts, Education
- 13% Shelter, Nutrition, Jobs
- 19% Other

We celebrate the exciting and important work being accomplished by our members and list them, as of December 31, 1993, on the following pages so that you may appreciate their impressive diversity.

## NIAC MEMBERS *As of December 31, 1993*

### WHAT OTHERS SAY ABOUT NIAC

▼  
*"Be it a simple endorsement request or a complicated claims matter, we have always received outstanding service. It is rare to have such a company go above and beyond what is expected of them. You make our job a lot easier. We are proud to be a working part of your organization and look forward to being a part of your growing future."*

**Jay-Marie Garcia**  
**Bekker Garcia Insurance**  
**Brokers, Inc., Walnut Creek**

### A

A Broader Living Experience  
 A Woman's Place of Merced & Mariposa Counties  
 A.B.C. Recovery Center  
 ABC Child Development  
 AD Care Inc., R.S.V.P. and Caring Callers  
 ARC Vallejo-Benicia  
 ARC of Amador and Calaveras  
 Action for Kids  
 Actors' Theatre of Sonoma County  
 Adopt International  
 Adoption for African American Children Committee  
 African Community Refugee Center  
 Aim to Please  
 Al-Anon Family Groups, District 13  
 Al-Anon Inland Empire Service Center  
 Alcoholism & Drug Abuse Council of Fresno County  
 All Season's Riding Academy  
 All Things Right & Relevant  
 All-Culture Friendship Center  
 Alleluia  
 Alliance for the Mentally Ill of Placer County  
 Alliance for the Mentally Ill of San Mateo  
 Alma School Foundation  
 Almost Like Home  
 Alpha House  
 Alpha of San Diego  
 Alzheimer's Association - Monterey County Chapter  
 Alzheimer's Association of Orange County  
 Alzheimer's Disease & Related Disorders Association  
 Alzheimer's Services of the East Bay  
 Alzheimer's Association Greater North Valley Chapter  
 Alzheimer's Disease/Related Disorders Association/Ventura  
 American Academy of Workers Compensation  
 American Decorative Arts Forum of Northern California  
 American Society on Aging  
 American Sports Institute  
 American Theatre Ventures  
 Amigos de las Americas-Marin Chapter  
 Anaheim Interfaith Shelter  
 Anderson Marsh Interpretive Association  
 Angel Island Association  
 Angel Island Institute of California  
 Angel Society of Fallbrook  
 Anger Management Counseling Services  
 Ann Martin Children's Center  
 Antelope Valley Council on Alcoholism  
 Art Springs Artists' Association  
 Arte Americas, The Mexican Art Center  
 Arts Benicia  
 Asian American Senior Citizens Service Center  
 Asian Pacific Health Venture  
 Associated Center for Therapy/CSATT  
 Association of Housing Management Agents  
 Attitudinal Healing Center of Sonoma County  
 Audrey L. Smith Developmental Center

### B

BES Children's Educational Theatre Company  
 Baler Foundation  
 Baulines Crafts Guild  
 Bay Area Black Consortium for Quality Health Care  
 Bay Area Business Group on Health  
 Bay Area Crisis Nursery  
 Bay Area Friends of Tibet  
 Bay Area Women Against Rape  
 Bay Institute of San Francisco  
 Bayview Opera House

Beach Cities Coalition for Alcohol & Drug-Free Youth  
 Beach Flats Housing Improvement Association  
 Beacon House Association of San Pedro  
 Beacon House  
 Berkeley Architectural Heritage Association  
 Berkeley Women's Health Center  
 Bernal Heights Housing Corporation  
 Better Health Foundation  
 Beverly Hills Theatre Guild  
 Big Brothers of San Diego County  
 Big Brothers/Big Sisters of Fresno County  
 Big Sister League  
 Big Sur Historical Society  
 Bill Wilson Center  
 Blind & Vision Impaired Center of Monterey County  
 Blind Children's Learning Center  
 Bonita House  
 Borrego Springs Youth Center  
 Boys & Girls Club of Harbor City  
 Boys & Girls Club of the Hi-Desert  
 Boys & Girls Club of Southern Marin  
 Boys & Girls Club of Santa Rosa  
 Braille Transcription Project of Santa Clara County  
 Breast Cancer Action  
 Bridge for the Needy  
 Bridge to Asia Foundation  
 Buddhist Peace Fellowship  
 Buenaventura Art Association  
 Butte County Children's World

### C

C.A.M.P.  
 C.E.S.C.  
 CLARE Foundation  
 Cabrillo Guild of Music  
 Cache Creek Lodge  
 Cal-Pep  
 California AIDS Intervention Training Center  
 California Age Research Institute

California Association of Nonprofits & N.A.C.  
 California Bluegrass Association  
 California Channel  
 California Council for the Promotion of History  
 California Council for the Social Studies  
 California Court Appointed Special Advocate Association  
 California Environmental Trust  
 California Family Action  
 California Foundation on Employment & Disability  
 California Freedom House Fellowship  
 California Grey Bears  
 California Hispanic Commission on Alcohol & Drug Abuse  
 California Institute for Clinical Social Work  
 California Leadership  
 California Native Plant Society  
 California Neuropsychology Services  
 California Parkinson's Foundation  
 California Rare Fruit Growers  
 California Safety Council  
 California Southern Small Business Development Corporation  
 California State Student Association  
 California Supreme Court Historical Society  
 California Working Group  
 Californians for Drug-Free Youth  
 Cambridge Community Center  
 Campbell Union Elementary Education Foundation  
 Cantori Domino  
 Capp Street Project  
 Casa Teresa  
 Cascade Canyon School  
 Castro Valley Boys and Girls Clubs  
 Cat People  
 Catholic Big Brothers  
 Center Point  
 Center for Critical Architecture  
 Center for Independence of the Disabled  
 Center for New Americans



Center for Studies of the Future  
 Central Coast Neurobehavior Center  
 Central Orange County YWCA  
 Central Valley AIDS Team  
 Centro Cultural Latino de San Mateo  
 Centro La Familia de Fresno  
 Challenged Family Resource Center  
 Chamberlain's Children Center  
 Champs Foundation  
 Chemical Awareness and Treatment Services  
 Chico Museum Association  
 Child Abuse Prevention Agency  
 Child Assault Prevention Training Center of California  
 Child Care Employee Project  
 Child Quest International  
 Child Sexual Abuse Treatment Center of Yolo County  
 Childcare Coordinating Council of San Mateo County  
 Children & Language Pre-school  
 Children's Benefit League  
 Children's Garden of California  
 Children's Institute International  
 Children's Placement Service  
 Choral Artists of California  
 Choral Conductors Guild  
 Christian Assisted Recovery Environments  
 Christian Counseling Service  
 Chula Vista Bayfront Conservancy Trust  
 Circuit Rider Productions  
 Citizens Who Care  
 City Heights Community Development Corporation  
 Ciudad de los Ninos de Salamanca  
 Clairemont Friendship Center  
 Classical Philharmonic  
 Clearlake Memorial Health Foundation  
 Coachella Valley Immigration Service  
 Coalition Against Domestic and Sexual Violence  
 Coastside Adult Day Health Center  
 Coastwalk  
 Commat  
 Committee on the Shelterless

Community Action Board of Santa Cruz County  
 Community Alliance Program for Ex-Offenders  
 Community Assistance for the Retarded & Handicapped  
 Community Care Car  
 Community Childcare Council of Sonoma County  
 Community Companions & Acme Environmental Management  
 Community Congress of San Diego  
 Community Coordinated Child Development Council  
 Community Environmental Council  
 Community Housing Developers  
 Community Human Services  
 Community Living Centers  
 Community Outreach  
 Community Partnership for Youth  
 Community Resources for the Disabled  
 Community Treatment Center  
 Computer Using Educators  
 Conflict Resolution Program  
 Continuum HIV Day Services  
 Contra Costa Alternative School  
 Contra Costa County Volunteer Services  
 Contra Costa Humane Society  
 Cooper Fellowship  
 Copper Hill Living & Learning Center  
 Corner Stone Outreach  
 Coro Southern California  
 Corralitos Padres  
 Corrective Behavior Institute  
 Corriganville Preservation Committee  
 Corte Madera Larkspur Schools Foundation  
 Costa Mesa Senior Citizens' Corporation  
 Council on Aging Services for Seniors  
 Court Appointed Special Advocates/Santa Cruz County  
 Creative Business Opportunities  
 Creative Harmonics Institute



FILIPPE RIVERA

*Like many NIAC members, The Names Project brings its important message to local communities. The AIDS Memorial Quilt, shown here, conveys the sobering reality of AIDS to many people.*

Cri-help  
 Crisis House Corporation  
 Crossroads Family Center  
 Cuddly Critters  
 Cultural Odyssey  
 Cupertino Senior Day Services

D

Daly City Emergency Food Pantry  
 Davis Community Meals  
 Defensa de Mujeres  
 Del Norte Association for Developmental Services  
 Del Norte Senior Center  
 Delhi Community Center  
 Dell Arte  
 Delta Sigma Theta Life Development

Democratic Management Services  
 Dental Health Foundation  
 Diabetes Society of Santa Clara Valley  
 Didi Hirsch Community Health Clinic  
 Disabled American Veterans Charities/Greater L.A.  
 Disabled In Action League  
 Discipleship Training International  
 Dixieland Monterey  
 Do It Now Foundation of Southern California  
 Dolores Street Community Services  
 Domestic Crisis Services of Tehama County  
 Door of Hope  
 Door to Hope  
 Double Check Retreat



## WHAT OTHERS SAY ABOUT NIAC

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*"Unlike most youth groups which are run by adults for young people, Tree Musketeers is a nonprofit corporation that is administered by kids. The mission is to bring about environmental improvement through their own actions and, by example, to challenge other people and businesses to join the youth environmental movement. NIAC makes youth, parents, volunteers and the public, feel safe. When there's no need to worry, energies can be better spent on saving the earth."*

**Gail Church**  
Executive Director  
Tree Musketeers

Drug Abatement Institute  
Drug Abuse Alternative Center

## E

EE's Residential Group Homes  
Earth Communications Office  
Earth Links  
East Bay Consortium for Elder Abuse Prevention  
East Bay Counseling & Referral Agency for the Deaf  
East Bay Services to the Developmentally Disabled  
East County Community Detox Center  
East Los Angeles Sheriffs' Youth Athletic League  
East Oakland Youth Development Center  
Easter Seal Society of Los Angeles  
Eco-Home Network  
Ecumenical Council of the Pasadena Area Churches  
Education Foundation of Cotati-Rohnert Park  
Education Programs Associates  
Education, Training and Research Associates  
El Dorado Arts Council  
El Dorado National Forest Interpretive Association  
El Hogar Mental Health and Community Services  
El Pajaro Community Development Corporation  
El Rescate, El Rescate Legal Services, & El Refugio  
ElderHelp of San Diego  
Elmwood Institute  
Emanuel Achievement Program  
Emeline Child Care Center  
Emeryville Community Action Program  
Encampment for Citizenship  
Endowment for Youth  
Environmental Health Coalition  
Ephpheta Counseling Center  
Episcopal Community Services

Episcopal Community Services of San Francisco  
Eschaton Foundation  
Escondido Historical Society  
Ethiopian Community Services  
Experience Corps  
Extended Child Care Coalition of Sonoma County

## F

Fairfax-San Anselmo Children's Center  
Faith Hope Counseling Services  
Fallbrook Child Development Center  
Fallbrook People to People  
Fallbrook Players  
Familia Center  
Family Builders By Adoption  
Family Emergency Shelter Coalition  
Family Giving Tree  
Family Health Education Center  
Family Service Agency of Sonoma County  
Family Service Agency of the Greater Sacramento Area  
Family Service Association of Butte & Glenn Counties  
Family Service Association of Northern Santa Cruz County  
Family Service Association of the Pajaro Valley  
Family and Community Enrichment Services  
Federation of Indian Association  
Fenix Services  
Fifth Business  
Filipino American Council of San Francisco  
Filipino Task Force on AIDS  
Filipinos for Affirmative Action  
Fillmore Historical Museum  
Five Branches Institute, College of Traditional Medicine  
Florence Crittenton Services  
Florin Historical Society  
Fontana We Care  
Food Bank for Monterey County  
Foothill Area Community Services

Foothill Unity Center  
Forest Theatre Guild  
Fort Ross Interpretive Association  
Foster Youth Connection of Los Angeles County  
Foundation Center for Phenomenological Research  
Foundation for Educational Software  
Foundation for the Performing Arts Center  
Foundation for the Retarded of the Desert  
Frank H. & Eva B. Buck Foundation  
Frazee Community Center  
Fred Finch Youth Center  
Fresh Start Farms  
Fresno Adult Literacy Council  
Fresno Metropolitan Ministry  
Fresno Rescue Mission  
Fresno Unity Group Homes  
Friends of Jefferson House  
Friends of Robinson Gardens  
Friends of San Luis Obispo Botanical Garden  
Friends of Scrap  
Friends of Sunset Foundation  
Friends of the Antelope Valley Indian Museum  
Friends of the Arcata Marsh  
Friends of the Mission Cultural Center  
Friends of the San Francisco Health Department  
Friends of the Santa Cruz Public Libraries  
Friendship Center for the Blind  
Future Families

## G

G.A.P.A. Community HIV Project  
GRASP Foundation  
Gay and Lesbian Community Services Center of Orange County  
Genesis/A Sanctuary for the Arts



ROBERT CONRAD

*One of the Tree Musketeers digs in to help save the environment.*

Girls Inc. of San Leandro  
Glenn County Seniors Centers  
Global Exchange  
Global Outlook Educational Institution  
Go Productions  
Gold Key Club  
Golden Umbrella & Foster Grandparents Program  
Good Samaritan Shelter  
Good Shepherd Fund  
Goodwill Industries of the Redwood Empire  
Grandview Foundation  
Grant Beckstrand Cancer Foundation  
Great Leap



Greater Pomona Housing  
Development Corporation  
Green Pastures  
Greenacre Homes  
Gridley Guardian  
Group Home Society  
Grove-Mont Community Theater  
Gualala Community Center

## H

H.O.W. Foundation  
Haight Ashbury Food Program  
Hale Laulima  
Hamilton Family Center  
Hancock Park Elementary School  
Booster Club  
HandsNet  
Harbor Area Gang Alternative  
Program  
Harbor Gateway Center  
Harbor View Urban Foundation  
Head Injury Prevention  
Head Trauma Support Project  
Headlands Center for the Arts  
Healthy Babies Project  
Help Another Toward Creative  
Happiness H.A.T.C.H.  
Help-4-People  
Helping Hands Youth Homes  
Hemophilia Foundation of Southern  
California  
Heritage Village Seniors  
Hi Desert Meals on Wheels  
High Desert Child Abuse Prevention  
Council  
Higher Education Policy Institute  
Highlands Senior Service Center  
Hillsborough Schools Foundation  
Hmong Council  
Hollygrove  
Home At Last  
Home Start  
Homeless Care Force  
Homeless Prevention Group  
Homeschool Association of  
California

Hope House for the Multiple  
Handicapped  
Hope for Kids  
Horizon Services  
Hospital Chaplaincy Services  
Housing Development And  
Neighborhood Preservation Corp.  
Human Investment Project of the  
Peninsula  
Human Options  
Human Response Network  
Humane Society of Calaveras County  
Humboldt Connections  
Humboldt Family Service Center  
Humboldt Redwoods Interpretive  
Association  
Hunger & Homeless Action  
Coalition of San Mateo County  
Huntington Youth Shelter

## I

I-Pride  
IRAIDA Foundation  
Idyllwild HELP Center  
Impact Fund  
Independent Adoption Center  
Independent Housing Services  
Independent Living Services of  
Northern California  
Indian Dispute Resolution Services  
Industries for Christ  
Infant/Child Enrichment Services  
Information and Referral Services  
Inglewood Neighborhood Housing  
Services  
Inland Temporary Homes  
Inner Circle Foster Family Agency  
Institute For Food & Development  
Policy  
Institute for Health Advocacy  
Institute for Wildlife Studies  
Institute for the Advancement of  
Human Behavior  
Institute for the Study of Somatic  
Education  
Instituto Pro Musica de California  
Inter-Faith Shelter Network  
Interface Institute

Interfaith Service Bureau  
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

## J

J.E.W.L. Corporation  
Jean Weingarten Oral School for the  
Deaf  
Jenifer Altman Foundation  
Jesuit Volunteer Corps  
Jewish Community Center of Greater  
San Jose  
Jewish Day School of Sonoma  
County  
Jewish Senior Center & Geriatric  
Services of Orange County  
Jinan - Sacramento Sister Cities  
Corporation  
Josephine Taylor Foundation  
Jovenes de Antano  
Jubilee West  
June L. Mazer Lesbian Collection

## K

Kainos Home and Training Center  
Karis House  
Kay Cenicerros Multi-Purpose Senior  
Center  
Kelso Court  
Kern County Alcohol Center  
Kern County Hispanic Commission  
on Drug Abuse  
Khepera Recovery Homes  
Kids Cancer Connection  
Kids' Turn  
King's Court Play'rs  
Kings Community Action  
Organization  
Kira Foundation  
Korean American Community  
Services

Korean Community Center of the  
East Bay

## L

L.A. Family Housing Corporation  
LO\*OP Center  
La Casa de San Mateo  
La Casa de las Madres  
La Jolla Community Services  
La Jolla Youth  
La Monte Academie  
La Puente Valley Food Pantry  
La Que Sabe Art Foundation  
Lake County Big Brothers & Sisters  
Lakeside Historical Society  
Leadership Tomorrow  
League of Volunteers of Newark  
Learning Disability Association of  
California  
Lekotek Family Resource Center  
Lemoore Senior Citizens  
Lesbian/Gay Chorus of San Francisco  
Life Lab Science Program  
Life Management Institute dba: New  
Horizons School  
Lifeline Mission of San Francisco  
Lilliput Children's Services  
Links to Positive People  
Little Tokyo Service Center  
Live Oak Adult Day Services  
Live Oak Foundation  
Live Oak Seniors  
Livermore Heritage Guild  
Living Free  
Living in Familiar Environments  
(L.I.F.E.)  
Lompico Community Center  
Long Term Care Services of Ventura  
County  
Los Angeles Baroque Orchestra  
Los Angeles Chamber Singers  
Los Angeles Municipal Art Gallery  
Associates  
Los Angeles Tenth District PTA  
Congress of Parents  
Los Angeles Womens Foundation

## WHAT OTHERS SAY ABOUT NIAC



*"My experiences with NIAC over the last several years have all been outstanding. NIAC brings a professionalism and common sense approach to the insuring of the nonprofit organization, filling a gap and providing a service that is important and much needed. It is clear that NIAC truly understands and cares about the nonprofit."*

**Eric Ehrenfeld**  
**Michael Ehrenfeld Company**  
San Diego



*NIAC members like Plaza De La Raza offer cultural and artistic opportunities for children.*

Los Padres Interpretive Association  
Lyme Disease Resource Center  
Lynch Foundation for Children  
Lytle Creek Senior Citizens  
Association

## M

M-2/Match Two  
Madrone Hospice

Marin Association for Retarded  
Citizens  
Marin Athletic Foundation  
Marin Child Abuse Council  
Marin Child Care Council  
Marin City Children's Program  
Marin Community Food Bank  
Marin Council of Agencies  
Marin Services for Men  
Marin Services for Women  
Mariposa Golden Agers  
Mariposa School  
Mary Ann Wright Foundation  
Outreach Mission  
Math/Science Technology  
Foundation  
Matrix  
McDowell Youth Homes  
Meadowlark Service League  
Meals on Wheels of San Francisco  
Meals on Wheels of the Monterey  
Peninsula  
Meeting Place  
Mendocino Coast Botanical Gardens  
Preservation Corporation  
Mendocino County Public  
Broadcasting KZYX Radio  
Mental Research Institute  
Mexican Cultural Center  
Mid City Christian Services  
Mid-Weeklies  
Miracle House  
Mitchell-Redner Centers  
Modoc Child Care Council  
Molecular Research Institute  
Monterey Bay Girl Scout Council  
Monterey County Homeless  
Coalition  
Monterey County Vietnam Veterans  
Memorial Committee  
Morongo Basin Adult Health  
Services Corporation  
Morongo Basin Mental Health  
Services  
Mother Lode Ombudsman  
Mountain Crisis Services  
Mountain Empire Historical Society  
Mt. Diablo Interpretive Association

Mt. San Jacinto Natural History  
Association  
Mt. Tamalpais Interpretive  
Association

## N

NCI Affiliates  
Na Ohana O Ke Awawa  
Napa Emergency Women's Services  
Napa Valley Natural History  
Association  
National Council On Alcoholism &  
Drug Dependency  
National Federation of the Blind of  
California  
National Foundation for the  
Treatment of Abused Children  
National Latina Health Organization  
National Task Force on AIDS  
Prevention  
National Visiting Teachers  
Association  
Natural History Association of San  
Luis Obispo Coast  
Neighborhood House of North  
Richmond  
Nepenthean Homes Foster Family  
Agency  
New Connections  
New Directions Adolescent Services  
New Directions for People with  
Disabilities  
New Fillmore Community Theater  
New Performance Consort  
New Start  
New Testament Community  
Outreach  
New Way Foundation  
North Coast Big Brothers/Big Sisters  
North Coast Rape Crisis Team  
North Coast Redwood Interpretive  
Association  
North County Community Projects  
Northbay Ecumenical Homes  
Northern California Chapter of the  
National Hemophilia Foundation  
Northern California Ecumenical  
Council

Northern California Purchasing  
Council  
Northern California Service League  
Northwestern Pacific Railroad  
Historical Society  
Novato Youth Center  
Nurses in Action

## O

OMI Neighbors in Action  
OPICA Adult Day Care Center  
Oak Center Cultural Center  
Oakland Community Fund  
Oakland Jazz Alliance  
Ocean Park Community Center  
Ohana Cultural Center  
Ombudsman Services of Contra  
Costa County  
Ombudsman/Advocacy Services of  
Inyo/Mono Counties  
Omni Programs/Peers Against  
Substance Abuse  
On Our Own  
One Shoe Crew  
Ontario-Upland Meals on Wheels  
Open Sea Foundation  
Orange County CTSA  
Orange County Community  
Consortium  
Orange County Community  
Development Council  
Orange County Community  
Resources Opportunity Project  
Orange Housing Development  
Corporation  
Orchidmania  
Organized People of Elmhurst  
Neighborhood (OPEN)  
Over 21

## P

PACT (People Acting in Community  
Together)  
PAX House  
Pacific Autism Center for Education  
Pacific Choral Company  
Pacific Composers Forum



Pacific Foster Homes  
 Pacific Intercultural Exchange  
 Pacific Theatre Ensemble  
 Pajaro Valley Affordable Housing Corporation  
 Pajaro Valley Historical Association  
 Pajaro Valley Ohlone Indian Council  
 Pajaro Valley Prevention & Student Assistance  
 Pajaro Valley Shelter Services  
 Paradise Strive Center  
 Parent Services Project  
 Parenting Network  
 Parents Center  
 Parents Choice  
 Parents Helping Parents (PHP)  
 Parents United  
 Parents of Success  
 Park Village Apartments  
 Pasadena Children's Training Society  
 Pathways  
 Patient Assistance Foundation  
 Peg Taylor Center for Adult Day Health Care  
 Peninsula Alano Club  
 Peninsula Area Information & Referral Service  
 Peninsula Community Foundation  
 Peninsula Humane Society  
 Peninsula League  
 Peninsula Network of Mental Health Clients  
 Peninsula Outreach Welcome House  
 People Helping People  
 Performing Stars of Marin  
 Perris Valley Child Care Center  
 Pied Piper Theater  
 Pioneer Home Outreach  
 Plaza De La Raza  
 Plumas Crisis Intervention Resource Center  
 Pomona Valley Community Services  
 Pomona-Inland Valley Council of Churches  
 Poppy Reserve Interpretive Association  
 Porterville Gleaning Seniors

Porterville Halfway House  
 Prader-Willi California Foundation  
 Preservation Action Council of San Jose  
 Prime of Life  
 Private Industry Council  
 Process Therapy Institute  
 Programs Plus  
 Project 90 & Project 90 Foundation  
 Project Enable  
 Project Hope of Santa Cruz County  
 Project Sanctuary  
 Project Scout  
 Project Seed  
 Project Understanding  
 Protect the Children Resource Center  
 Public Art Works  
 Pueblo Y Salud

## R

R & L Children's Home  
 R House  
 R-SB Harbinger Corporation  
 RESOLVE of Northern California  
 Radiology Research and Education Foundation  
 Redrock Canyon Interpretive Association  
 Refugee Transitions  
 River City Recovery Center  
 River Oak Center for Children  
 Riverside Medical Clinic Foundation  
 Riverside Mental Health Association  
 Rosamond Senior Citizens  
 Roscomare Road Booster Club  
 Rosemary Cottage  
 Roseville Community Health Foundation  
 Ross Valley Community for Schools  
 Rubicon Children's Center  
 Rural Human Services  
 Rural Opportunities Resource Center  
 Russian River Jazz Festival

## S

S.E.E. Center for the Advancement of Deaf Children  
 SHELTER  
 SITIKE  
 SMILE  
 SMOOTH  
 Sacramento Center for Assistive Technology  
 Sacramento History Museum Association  
 Sacramento Mutual Housing Association  
 Sacramento Occupational Advancement Resources  
 Sacramento Women's Center  
 Salud Para Los Dientes  
 Samadana  
 Samaritan House  
 San Benito Health Foundation  
 San Benito Hospice  
 San Clemente Seniors  
 San Diego Christian Servicemen's Center  
 San Diego County Parks Society  
 San Diego Youth Symphony  
 San Francisco African American Historical & Cultural Society  
 San Francisco Arts & Education Foundation  
 San Francisco Baykeeper  
 San Francisco Black Coalition on AIDS  
 San Francisco Children's Art Center  
 San Francisco Community Television Corporation  
 San Francisco Early Music Society  
 San Francisco Educational Services  
 San Francisco Family Foundation  
 San Francisco Free Clinic  
 San Francisco Friends of the Urban Forest  
 San Francisco Host Committee  
 San Francisco Housing Development Corporation  
 San Francisco League of Urban Gardeners  
 San Francisco Montessori School



*Plaza De La Raza performances also provide a forum for creative expression and encourage community support and participation.*

San Francisco Network of Mental Health Clients  
 San Francisco Psychotherapy Research Group  
 San Francisco Urban Service Project  
 San Francisco Women's Center & Lavender Youth  
 San Gabriel Valley Alliance for the Mentally Ill  
 San Geronimo Valley Cultural Center  
 San Geronio Child Care Consortium  
 San Geronio Volunteer Association  
 San Jacinto Valley School of the Arts  
 San Jose Shelter  
 San Juan Bautista Child Care Center  
 San Luis Obispo Children's Museum  
 San Luis Obispo County AIDS Support Network  
 San Luis Obispo Literacy Council  
 San Mateo Coast Natural History Association

## NIAC MEMBERS *As of December 31, 1993*

### WHAT OTHERS SAY ABOUT NIAC

▼  
*"NIAC has proven to be a viable alternative to the traditional carriers for our nonprofit accounts. They have provided us with responsive service and cost effective insurance coverage, designed to meet the specific needs of the nonprofit sector. Their commitment to providing a market for some, who previously were unable to obtain affordable insurance, is refreshing."*

**Jim Cochran, CIC**

Senior Partner

**Advanced Insurance Marketing**  
 Orange

San Pasqual Battlefield Volunteer Association  
 Santa Barbara Rape Crisis Center/De Mano A Mano  
 Santa Clara Historical & Genealogical Society  
 Santa Clara Valley Multi Service Center  
 Santa Clarita Valley Boys and Girls Club  
 Santa Cruz Bluegrass Society  
 Santa Cruz Citizen's Committee for the Homeless  
 Santa Cruz Community Counseling Center  
 Santa Cruz County Animal Welfare Association  
 Santa Cruz County Symphony Association  
 Santa Cruz County Youth Symphony  
 Santa Cruz Lesbian & Gay Community Center  
 Santa Cruz Mountains Natural History Association  
 Santa Maria Association for the Retarded  
 Santa Maria House  
 Santa Maria Museum Art Center  
 Santa Monica Symphony Association  
 Santa Paula Theater Center  
 Santa Ynez Valley Senior Advisory Council  
 Sarah's House  
 Saratoga Area Senior Coordinating Council  
 Saratoga Historical Foundation  
 Save the Whales  
 Schola Cantorum  
 School of Humanities & the Arts Alumni Association  
 Second Chance Youth Program  
 Seeking It Through Exhibitions  
 Seneca Residential and Day Treatment Center  
 Senior & Disabled Citizens Coalition of Riverside  
 Senior Daycare Center/David Kahn Center  
 Senior Legal Center of Northern California

Senior Programs of Santa Barbara  
 Sequoia Dawn Seniors Club  
 Services Center for Independent Living (SCIL)  
 Sexual Assault and Domestic Violence Center  
 Shakespeare San Francisco  
 Shalan Foundation  
 Shalhevet High School  
 Shelter from the Storm  
 Shule Mandela Academy  
 Sierra Adoption Services  
 Sierra County Historical Society  
 Sierra Recovery Center  
 Sierra Vista Center  
 Silicon Valley Toxics Coalition  
 Simi Valley Historical Society  
 Siskiyou Child Care Council  
 Siskiyou Domestic Violence Program  
 Siskiyou Performing Arts Center  
 Siskiyou Youth Shelter  
 Sledgehammer Theatre  
 Society for Calligraphy  
 Society for the Preservation of Carter Railroad  
 Sojourner Truth Foster Family Services Agency  
 Solano Adult Day Health Care Center  
 Solano Family and Childrens Services  
 Soledad Enrichment Action  
 Sonoma Child Guidance Institute  
 Sonoma City Opera  
 Sonoma County Academic Foundation/Excellence in Medicine  
 Sonoma County A.I.D.E.  
 Sonoma County Alzheimers Task Force  
 Sonoma County Christian Network  
 Sonoma County Community Foundation  
 Sonoma County Council for Community Services  
 Sonoma County Head Trauma Network  
 Sonoma County Men's Support Center

Sonoma County People for Economic Opportunity  
 Sonoma County Rental Information and Mediation  
 Sonoma State Historic Park Association  
 Sonoma Valley Chorale  
 Sonshine Youth Services  
 Soroptimist House of Hope  
 South Central Food Distributors  
 South Coast Business Network  
 South Coast Children's Services  
 South County Performing Arts Building Foundation  
 South Valley Symphony Association  
 Southern Alameda County Domestic Violence Law Project  
 Southern California Association for Non-Profit Housing  
 Southern California Ecumenical Council  
 Southern California Indian Center  
 Southern California Rehabilitation Services  
 Southern California Veterans Service Council  
 Southern California Women for Understanding  
 Southern Regional Resource Center  
 Southwest Community Center  
 Southwest Wetlands Interpretive Association  
 Spanish Speaking Unity Council of Alameda County  
 Spare A Dime  
 Sparrow Creek School  
 Speech & Language Development Center  
 Spiritual Emergence Network  
 Squaw Valley Creative Arts Society  
 St. Francis House  
 St. John's Shelter for Women & Children  
 Stanislaus County Child & Infant Care Association  
 Starfire Foundation  
 Stepping Out Housing  
 Stiles Hall  
 Stockton Youth Foundation  
 Stop Aids Project

Substance Abuse Foundation of Long Beach  
 Suicide Prevention Center of Monterey County  
 Sumeg Patrick's Point Lagoons Interpretive Association  
 Summer House & Davis Summer House  
 Summit League

**T**  
 T.E.A.C.H.  
 Tahoe Turning Point  
 Tax-Aid  
 Teen Challenge of Southern California  
 The Names Project  
 Therapeutic Living Center for the Blind  
 This Side of the Hill Players  
 Timken-Sturgis Foundation  
 Timpany Center  
 Toastmasters International  
 Tomorrow's Entrepreneurs Today  
 Travelers Aid Society of Los Angeles  
 Traveling School  
 Tree Musketeers  
 Tri-County Easter Seal Society  
 Triad Community Services  
 Trichotillomania Learning Center  
 Trinity College of Graduate Studies  
 Trinity Education Center  
 True to Life Counseling  
 Tulare County Children's Receiving Home  
 Tulare County Lao Family Community  
 Tuolumne Calaveras Association for the Handicapped  
 Turning Point Foundation  
 Turning Point of Central California

**U**  
 U.N. 50 Committee  
 United Cancer Research Society  
 United Concilio West  
 United Council of Spanish Speaking Organizations





*Watts Health Foundation sponsors events, like this parade, which encourage community involvement and foster cross-cultural cooperation.*

United Irish Societies of Southern California  
 United Lumbee Nation of Northern California and America  
 United States Catholic Conference  
 United Way of Butte/Glenn Counties  
 United Way of Fresno County  
 United Way of Humboldt  
 United Way of Indian Wells Valley

United Way of Northern California  
 United Way of Orange County  
 University Religious Center & Friendly Visitor Services  
 University of California, Berkeley Foundation  
 Urban Resource Systems

## V

Valley Advocacy & Communications Center  
 Valley Churches United  
 Valley Oak Children's Services  
 Valley Restart Shelter  
 Valley of the Moon Natural History Association  
 Ventura Arts Council  
 Ventura County Council on Aging  
 Verdugo Woodlands Dads Club  
 Veteran's Memorial Center  
 Victor Residential Center  
 Vietnam Veterans of California  
 Vietnamese American Cultural & Social Council Corporation  
 Villa Center  
 Vintage House Senior Multipurpose Center  
 Visalia Rescue Mission  
 Voices for Children  
 Volunteer Center of El Dorado County  
 Volunteer Center of Greater Orange County  
 Volunteer Center of Monterey County  
 Volunteer Center of San Francisco  
 Volunteers of America of Los Angeles  
 Volunteers of America, Bay Area  
 Volunteers of America, Sacramento & Central Valley

## W

WATCH (Women and their Children's Housing)  
 Wajumbe Cultural Institution  
 Walden Center Elementary School  
 Washington Union Educational Foundation  
 Watts Health Foundation/United Health Plan  
 Welfare Action  
 Welfare Parents Support Group  
 West Antelope Valley Educational Foundation  
 West Bay Local Development Corporation

West Santa Rosa Local Action Council  
 West Valley Fish  
 Western Addition Senior Citizens Services Center  
 Western Institute Foundation For Mental Health  
 Western Sonoma County Swimmers  
 Western Youth Services  
 White Lotus Foundation  
 Whiteside Manor  
 Whittier Cultural Arts Foundation  
 William G. Irwin Charity Foundation  
 William James Association  
 Willits Community Theatre  
 Wilmington Boys' & Girls' Club  
 Women's Alliance  
 Women's Center-High Desert  
 Women's Crisis Support & Shelter Services  
 Women's Economic Agenda Project  
 Women's Initiative for Self Employment  
 Workshop Organized for Rehabilitation by Kiwanis

## Y

YWCA dba: Born Free  
 Yolo County Coalition Against Hunger  
 Yolo Family Service Agency  
 Yolo Wayfarer Center  
 Young Audiences of the Bay Area  
 Youth & Family Services  
 Youth Development Center  
 Youth Focus  
 Youth Intervention Program  
 Youth Music Monterey  
 Youth Revival  
 Youth for Change  
 Youth-on-the-Move  
 Yuba Feather Communities Services  
 Yuba-Sutter Gleaners Food Bank  
 Yuba-Sutter Legal Center  
 Representative Payee Project

## WHAT OTHERS SAY ABOUT NIAC

*"We help homeless people move toward self-sufficiency, with shelter and rehabilitative programs that work! Our partnership with NIAC is a benefit to the entire community."*

Anita Louis Grossman  
 Development Director  
 Episcopal Community Services  
 of San Francisco

# REPORT OF INDEPENDENT AUDITORS

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We have audited the accompanying balance sheets of Nonprofits' Insurance Alliance of California as of December 31, 1993 and 1992, 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, 1993 and 1992, 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.

As described in note 2, the Company changed its method of accounting for reinsurance in 1993.

A handwritten signature in dark ink, appearing to read "KPMG Peat Marwick". The signature is stylized and cursive.

KPMG Peat Marwick  
San Francisco  
*February 25, 1994*

## BALANCE SHEETS

December 31, 1993 and 1992

ASSETS	1993	1992
Restricted investments (note 3)	\$ 1,611,715	1,542,424
Investments (note 4)	4,193,553	2,447,519
Total investments	5,805,268	3,989,943
Cash	412,596	111,465
Premiums receivable	588,167	368,789
Interest receivable	84,578	84,756
Other receivables	12,211	30,326
Property and equipment, net of accumulated depreciation of \$67,768 in 1993 and \$44,689 in 1992	111,752	52,345
Prepaid expenses and deposits	26,417	37,232
Reinsurance recoverable (note 7)	349,028	—
Prepaid reinsurance premium (note 7)	958,316	—
Deferred acquisition costs	429,603	340,486
Deferred tax asset (note 5)	228,638	126,701
Total assets	<u>\$ 9,006,574</u>	<u>5,142,043</u>

## LIABILITIES AND MEMBERS' EQUITY

Loss and loss adjustment expense reserves (note 7)	\$ 3,331,468	1,721,660
Unearned premiums (note 7)	3,029,414	1,302,263
Reinsurance payable	170,647	112,535
Accounts payable	220,356	166,650
Income taxes payable (note 5)	168,714	162,789
	<u>6,920,599</u>	<u>3,465,897</u>
Subordinated debt (note 6)	1,300,000	1,300,000
Members' equity:		
Members' contributions	363,830	227,555
Other paid-in capital	31,054	31,054
Retained earnings	391,091	117,537
Total members' equity	<u>785,975</u>	<u>376,146</u>
Commitments and contingencies (notes 7 and 8)		
Total liabilities and members' equity	<u>\$ 9,006,574</u>	<u>5,142,043</u>

See accompanying notes to financial statements.

## STATEMENTS OF INCOME

Years ended December 31, 1993 and 1992

REVENUES:	1993	1992
Gross written premium	\$ 6,140,430	3,753,622
Ceded premium (note 7)	(1,515,842)	(1,078,649)
Net written premium	4,624,588	2,674,973
Increase in unearned premium	(768,835)	(561,288)
Net earned premium (note 7)	3,855,753	2,113,685
Net restricted investment income (note 3)	68,487	66,975
Net investment income	160,884	116,832
Net realized loss on sales of investments	(7,575)	(9,038)
Other income	133,013	49,053
Total revenues	<u>4,210,562</u>	<u>2,337,507</u>

## EXPENSES:

Losses and loss adjustment expenses incurred (note 7)	2,483,727	1,268,211
Salaries and employee benefits	603,982	424,774
Commission expense	434,573	268,928
Other expense	273,804	256,713
Total expenses	<u>3,796,086</u>	<u>2,218,626</u>
Income before income taxes	414,476	118,881
Income tax expense (note 5)	140,922	36,088
Net income	<u>\$ 273,554</u>	<u>82,793</u>

See accompanying notes to financial statements.



## STATEMENTS OF MEMBERS' EQUITY

Years ended December 31, 1993 and 1992

	Members' contributions	Other paid-in capital	Retained earnings	Total members' equity
Balances at December 31, 1991	\$ 141,824	31,054	34,744	207,622
Members' contributions	85,731	—	—	85,731
Net income	—	—	82,793	82,793
Balances at December 31, 1992	227,555	31,054	117,537	376,146
Members' contributions	136,275	—	—	136,275
Net income	—	—	273,554	273,554
Balances at December 31, 1993	<u>\$ 363,830</u>	<u>31,054</u>	<u>391,091</u>	<u>785,975</u>

See accompanying notes to financial statements.

## STATEMENTS OF CASH FLOWS

Years ended December 31, 1993 and 1992

	1993	1992
Cash flows from operating activities:		
Net income	\$ 273,554	82,793
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized losses on sales of investments	7,575	9,038
Depreciation	23,079	18,316
Deferred income tax benefit	(101,937)	(77,924)
Changes in assets and liabilities:		
Increase in premiums receivable	(219,378)	(121,704)
Increase in reinsurance recoverable	(349,028)	—
Increase in prepaid reinsurance premium	(958,316)	—
Increase in deferred acquisitions costs	(89,117)	(126,372)
Increase in loss and loss adjustment expense reserves	1,609,808	754,357
Increase in unearned premiums	1,727,151	561,288
Increase in reinsurance payable	58,112	42,917
Increase in income taxes payable	5,925	114,012
Other, net	118,007	(116,294)
Net cash provided by operating activities	<u>2,105,435</u>	<u>1,140,427</u>
Cash flows from investing activities:		
Purchase of investments	(5,258,797)	(6,033,288)
Sales or maturities of investments	3,400,704	4,880,368
Purchases of property and equipment	(82,486)	(24,422)
Net cash used in investing activities	<u>(1,940,579)</u>	<u>(1,177,342)</u>
Cash flow from financing activities:		
Proceeds from members' contributions	136,275	85,731
Net increase in cash	301,131	48,816
Cash at beginning of year	111,465	62,649
Cash at end of year	<u>\$ 412,596</u>	<u>111,465</u>
Supplemental disclosure of cash flow information:		
Amount paid for:		
Federal income taxes	<u>\$ 95,660</u>	<u>85,456</u>
Interest expense paid	<u>\$ 26,000</u>	<u>26,000</u>

See accompanying notes to financial statements.

# 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 5005.1 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 insureds, 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 conduct 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 1993 and 1992, 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 in-

come 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, policy issue and marketing costs. Amortized acquisition costs were \$752,978 for 1993 and \$588,636 for 1992, 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 \$23,079 and \$18,316 in 1993 and 1992, respectively.

(D) INVESTMENTS  
Investments in debt securities 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 debt securities were \$542,488 in 1993 which resulted in gross realized gains of \$-0- and gross realized losses of \$7,575. Proceeds from sales of debt securities in 1992 were \$1,185,760 which resulted in gross realized gains of \$5,289 and gross realized losses of \$14,327.

(E) LOSS AND LOSS ADJUSTMENT  
EXPENSE RESERVES  
Loss and loss adjustment expense reserves are estimates based on an ex-

pected loss and loss adjustment expense ratio. 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. The expected ratio is based on the historical experience of a similar program and the Company's claims experience to date. Ultimate losses may differ significantly from the amounts recorded. Changes in estimates of losses are included in income in the period in which the estimates are changed. The Company has engaged an independent actuary to review and analyze its loss data.

(F) REINSURANCE  
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." This statement establishes the conditions required for a contract with a reinsurer to be accounted for as reinsurance and proscribes accounting and reporting standards for those contracts. It requires reinsurance recoverables (including amounts related to claims incurred but not reported) and prepaid reinsurance premiums to be reported as assets. Estimated reinsurance recoverables are to be recognized in a manner consistent with the liabilities relating to the underlying reinsured contracts. The Company adopted Statement No. 113 effective January 1, 1993. This change in accounting had no effect on net income.

(G) INCOME TAXES  
The Company was granted tax-exempt status by the state of California. In February 1993, the Company received an adverse ruling on its application for federal tax-exempt status. Management has filed

a suit protesting the ruling by the Internal Revenue Service (IRS) in an effort to achieve tax-exempt status. A bill is pending in Congress and was introduced in the House in July 1993, which, if passed in its present form, would grant the Company tax-exempt status. The Company was 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 and 1992. Accordingly, the Company records federal income taxes in its financial statements.

The Company accounts for income taxes under the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Statement 109 requires 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.

(H) NEW ACCOUNTING STANDARD  
In May 1993, the Financial Accounting Standards Board (FASB) issued Statement No. 115, "Accounting for Certain Investments

*continued on page 22*



## NOTES TO FINANCIAL STATEMENTS *Continued*

in Debt and Equity Securities," which is effective for fiscal years beginning after December 15, 1993. This Statement addresses the accounting and reporting for investments in equity securities that have readily determinable fair values and for all investments in debt securities. Those investments are to be classified in three categories and accounted for as follows:

- Debt securities that the enterprise has the positive intent and ability to hold to maturity are classified as "held-to-maturity securities" and are reported at amortized cost.
- Debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as "trading securities" and are reported at fair value, with unrealized gains and losses included in earnings.
- Debt and equity securities not classified as either "held-to-maturity securities" or "trading securities" are classified as "available-for-sale securities" and are reported at fair value, with unrealized gains and losses excluded from earnings and reported in a separate component of shareholder's equity.

The Company currently anticipates its restricted and unrestricted investment portfolios will be classified as available-for-sale securities. The estimated effect of this change in accounting at January 1, 1994 will be to increase stockholder's equity by \$118,288, net of deferred income taxes.

### (i) RECLASSIFICATIONS

Certain amounts in the 1992 financial statements have been reclassified to conform to the 1993 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 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 1993 and 1992.

Restricted investments consist of the following as of December 31, 1993 and 1992:

1993				
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Market Value
Corporate obligations	\$ 527,823	33,284	—	561,107
U.S. Government and agency obligations	482,560	14,106	(447)	496,219
Money market account	49,540	—	—	49,540
Mortgage-backed securities	551,792	14,561	—	566,353
	<u>\$ 1,611,715</u>	<u>61,951</u>	<u>(447)</u>	<u>1,673,219</u>

1992				
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Market Value
Corporate obligations	\$ 660,446	17,871	—	678,317
U.S. Government and agency obligations	455,140	4,473	(2,425)	457,188
Money market account	73,432	—	—	73,432
Mortgage-backed securities	353,406	16,040	—	369,446
	<u>\$ 1,542,424</u>	<u>38,384</u>	<u>(2,425)</u>	<u>1,578,383</u>

The amortized cost and estimated market value of restricted investments at December 31, 1993, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or repay obligations with or without call or prepayment penalties.

	Amortized Cost	Market Value
Due in 1 year or less	\$ 49,540	49,540
Due after 1 year through 5 years	931,748	979,138
Due after 5 years through 10 years	78,635	78,188
Mortgage-backed securities	551,792	566,353
Total	<u>\$ 1,611,715</u>	<u>1,673,219</u>

### 4. INVESTMENTS

Unrestricted investments consist of the following as of December 31, 1993 and 1992:

1993				
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Market Value
Corporate obligations	\$ 783,484	42,789	—	826,273
U.S. Government and agency obligations	1,545,237	38,159	—	1,583,396
Certificates of Deposit	50,000	—	—	50,000
Money market account	193,711	—	—	193,711
Mortgage-backed securities	1,621,121	40,712	(3,940)	1,657,893
	<u>\$ 4,193,553</u>	<u>121,660</u>	<u>(3,940)</u>	<u>4,311,273</u>

1992				
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Market Value
Corporate obligations	\$ 793,973	19,020	—	812,993
U.S. Government and agency obligations	890,493	11,414	(4,694)	897,213
Certificates of Deposit	50,000	—	—	50,000
Money market account	128,391	—	—	128,391
Mortgage-backed securities	584,662	—	(346)	584,316
	<u>\$ 2,447,519</u>	<u>30,434</u>	<u>(5,040)</u>	<u>2,472,913</u>



The amortized cost and estimated market value of unrestricted investments at December 31, 1993, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or repay obligations with or without call or prepayment penalties.

	Amortized Cost	Market Value
Due in 1 year or less	\$ 444,346	444,346
Due after 1 year through 5 years	859,118	900,385
Due after 5 years through 10 years	1,268,968	1,308,649
Mortgage-backed securities	1,621,121	1,657,893
Total	<u>\$ 4,193,553</u>	<u>4,311,273</u>

## 5. INCOME TAXES

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

	1993	1992
Current	\$ 242,859	\$114,012
Deferred	(101,937)	(77,924)
Total	<u>\$ 140,922</u>	<u>\$ 36,088</u>

Total income tax expense differed from the amounts computed by applying the U.S. Federal income tax rate of 35 percent in 1993 and 34 percent 1992 to income before taxes as a result of the following:

	1993	1992
Computed "expected" tax expense	\$ 145,066	40,420
Increase (reduction) in income taxes resulting from:		
Change in valuation allowance	—	(4,332)
Benefit from graduated tax rates	(4,144)	—
	<u>\$ 140,922</u>	<u>36,088</u>

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

	Gross deferred tax asset	Valuation allowance	Gross deferred tax liability	Net deferred tax asset
Balances at December 31, 1991	\$ 121,208	(4,332)	(68,099)	48,777
1992 changes	102,255	4,332	(28,663)	77,924
Balances at December 31, 1992	223,463	—	(96,762)	126,701
1993 changes	154,292	—	(52,355)	101,937
Balances at December 31, 1993	<u>\$ 377,755</u>	<u>—</u>	<u>(149,117)</u>	<u>228,638</u>

The types of temporary differences that comprise the net deferred tax asset at December 31, 1993 and 1992 include loss and loss adjustment expenses, the unearned premium reserve and deferred acquisition costs.

Management believes that the gross deferred tax asset will be recoverable from income taxes paid and therefore no valuation allowance is required as of December 31, 1993 or 1992.

## 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:

The Ford Foundation	\$ 500,000
Wallace Alexander 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
	<u>\$ 1,300,000</u>

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 1993 and 1992. The revised repayment schedule of the principal amount of subordinated debt is as follows:

September 18, 1994	\$ 214,500
September 18, 1995	214,500
September 18, 1996	429,000
September 18, 1997	<u>442,000</u>

\$ 1,300,000

Repayment of the principal was scheduled to begin in September 1993, however several provisions govern the repayment process. Principal amounts are considered to be due and payable only when an independent actuary certifies that to make such repayment would in no way jeopardize the financial stability of the Company. Interest payments may be postponed at any time if Company management determines that paying interest would jeopardize the financial stability of the Company.

During 1993, an independent actuary performed an actuarial analysis of the Company's ability to repay the principal. The independent actuary concluded that the Company could repay a portion of the subordinated loans without jeopardizing the ability to meet current liabilities, but any reduction in surplus would affect the Company's ability to continue to grow and write new business. Therefore, since the Company is planning to increase its writings, the independent actuary recommended that principal repayments not be made at September 1993. Actuarial analyses will continue to be performed annually.

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## NOTES TO FINANCIAL STATEMENTS *Continued*

Recourse on the subordinated debt is generally limited to Earned Surplus. Earned Surplus is defined as the amount by which the Company's assets exceed the sum of all liabilities (excluding principal and interest obligations related to the subordinated debt). If any principal amount of the subordinated debt has been authorized for payment by an independent actuary, but remains unpaid by the Company, such 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 of repayments, continues to bear interest at the rate of 2% per annum.

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.

### 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. Risks reinsured would become a liability of the Company in the event the reinsurer is unable to or will not fulfill the obligations assumed under the agreements.

During 1992, the Company's reinsurance was 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 was a sublimit for total claims-made improper sexual conduct 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 conduct coverage.

During 1993, the Company's reinsurance was also in two layers. The first layer covers losses in excess of \$50,000 to a maximum of \$100,000, subject to an annual aggregate deductible of \$250,000. The second layer covers losses in excess of \$100,000 to a maximum of \$1,900,000. "Losses" for the purposes of these agreements include indemnity and allocated loss adjustment expenses.

In addition, beginning in 1992, the Company began offering umbrella coverage for general liability policies up to \$5 million in excess of \$1 million. These policies are 100% ceded on a facultative basis. The Company received servicing fees on this business of \$51,926 in 1993 and \$24,137 in 1992.

The table below reflects the financial statement captions which are stated net of the effects of reinsurance:

	1993	1992
Reinsurance ceded:		
Premiums earned	\$ 852,040	749,925
Loss and loss adjustment expenses incurred	349,028	46,432
Loss and loss adjustment expense reserves	—	—
Unearned premiums	—	530,813

The loss and loss adjustment expenses incurred relate to current and all prior policy years while the premiums earned relate only to 1993 and 1992 policy years, respectively.

For the first layer of reinsurance, the Company pays a fixed reinsurance premium based on gross premiums written. For the second layer, the Company pays a fixed reinsurance premium based on gross premiums written, subject to a profit sharing arrangement which could result in a refund of reinsurance premium as a result of favorable loss experience.

During 1993, the Company received a \$394,791 refund of reinsurance premiums due to favorable loss experience in prior years.

### 8. COMMITMENTS

The Company has entered into a five-year, noncancelable, operating lease for office space through March 1998. 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:

Year ending December 31:	
1994	\$ 86,742
1995	93,408
1996	101,662
1997	103,943
1998	39,303
Total minimum lease payments	<u>\$ 425,058</u>

The lease agreement provides for certain free rent periods and requires varying lease payments over the term of the lease. As required by generally accepted accounting principles, the Company recognizes rent expense based on the straight line average monthly rent cost over the lease term. Total rent expense for 1993 and 1992 was \$81,558 and \$26,176, respectively.