A MESSAGE FROM THE PRESIDENT

1994

... was a year of milestones. During the year, NIAC completed its fifth year of operation and welcomed its 1,000th member. Our net income of $304,306 was the largest in our history. With $8,501,049 in gross written premium for the year, we grew 38 percent over 1993. We welcomed 212 new members during the year and completed the year with a total of 1,160 members.

NIAC had the good fortune of benefitting from the considerable skills and broad industry experience of Renate-Karin Wunsch as Managing Director during 1994. Joining us in July, Ms. Wunsch agreed to serve in this capacity for one year while I pursued legislation in Congress to clarify federal tax law as it applies to charitable risk pools and worked on special projects for the Ford Foundation in New York City and the Nonprofit Risk Management Center in Washington, D.C.

Renate worked intensively to establish and implement systems and procedures that will serve NIAC for many years to come. In particular, she worked with our systems analyst and underwriters to develop computerized reports to provide detailed member profiles to assist our underwriters with the renewal process. With NIAC's premium volume expected to exceed $10 million in 1995, it is imperative that our systems grow with our service needs. NIAC is already seeing the benefits of Renate's considerable contributions in this regard.

Our reinsurance treaty, which is shared equally by General Reinsurance (Best's rated A++) and North American Reinsurance (Best's rated A), was renewed last year with the most favorable terms in NIAC's history. Because of our substantial profit-sharing arrangements, each year that NIAC maintains claims experience that is superior to industry averages is like putting money in the bank.

NIAC's fixed income investment portfolio totaled $9,036,759 at the end of 1994. Invested conservatively, the portfolio fared far better than market averages during 1994, when intermediate term bonds suffered their largest annual loss since 1926. We earned investment income of over $421,253 on our portfolio while taking only $78,031 in realized losses. New accounting regulations require NIAC to report unrealized market losses of $315,696 on our balance sheet to reflect the decline of market value at year end below the cost of the securities. Many of those unrealized losses have already been regained through the rebounding bond market in early 1995. Furthermore, because NIAC has adequate cash to pay current claims and expenses, we can hold these bonds and not realize the losses unless and until it becomes financially advantageous to do so.

Some insurance industry insiders once again are hinting that a general hardening of the market, with its higher prices and shortages of coverage, may soon, honest, really, be just around the corner. Hard market or soft, NIAC has shown that it just makes sense for a company that provides insurance for nonprofits to be owned and controlled by the nonprofits themselves. Tough decisions are made by our member-elected board of directors who have both the economic and social costs clearly in mind. With NIAC, any benefits gained from nonprofits' better than average claims experience are retained for use by and for the nonprofit community.

Our challenge for 1995 and beyond is to remain responsive to the needs and concerns of the growing number of California nonprofits who are simultaneously our members, our customers, and our owners and to work efficiently with the insurance brokers and agents who serve them. As always, it is a privilege to serve this creative, diverse, and hard-working sector.

— Pamela Davis, President/CEO
“Building the organizational infrastructure of the nonprofit community is an important strategy of Marin Community Foundation’s grantmaking. The difficulty that many nonprofits face in finding a reliable source of affordable, high quality insurance coverage has been an impediment to strengthening infrastructure.

The proposal to establish NIAC as an insurance cooperative for nonprofits was a carefully thought-out response to an important need. The exemplary manner in which NIAC has fulfilled its initial promise makes us proud to be one of the foundations that have enabled it to offer affordable insurance products and services to the nonprofit community.

Congratulations to the NIAC staff and Board on reaching this milestone with an impressive record of accomplishment.”

—Barbara B. Lawson
Vice President,
Administration and Finance
Marin Community Foundation

The Board of Directors is pleased with NIAC’s progress during 1994 and we are proud of the reputation NIAC has developed within the insurance community and the nonprofit sector. And, we are committed to developing NIAC in a manner which will meet the needs of a growing insurance organization without losing sight of our primary goal of providing broad and affordable coverage for our members.

In 1993 Congressman Pete Stark (with original co-sponsor, Congressman Sam Farr) introduced a bill to clarify existing tax law and grant tax-exemption to a narrow class of nonprofit insurance pools like NIAC. This bill fell victim to the Congressional gridlock of 1994.

This effort to clarify the law has had bipartisan support since very early in the process and Congressman Bill Thomas introduced an identical bill, H.R. 1299, in the 104th Congress in March of 1995. Congressmen Pete Stark and Sam Farr signed on as original co-sponsors. We have been impressed and pleased with this bipartisan cooperation and the genuine concern shown by these individuals that this clarification not get caught in partisan politics. We are very hopeful that 1995 will be the year that we will see this small, but important, clarification become law.

Our effort to achieve tax-exemption is just one of the ways that we are working to try to keep costs down for you, our members, so that more of your scarce resources can be used for direct services. On behalf of the Board of Directors, I assure you that we are constantly mindful of our charge to provide you with the best possible coverages at fair and reasonable rates.

—Jess Gutierrez
Citation Insurance Group
BOARD OF DIRECTORS

BACK ROW FROM LEFT: Jess Gutierrez, Phillip Kimble, Marianne Franks, Dick Hotaling
FRONT ROW: Audrey Harrison, Suzie Pollak, Diane Cooper, Renate-Karin Wunsch, Pamela Davis, Larry Bacon
NOT SHOWN: Robert Bond, Meredith Clark, Elizabeth Dietrich

| Directors & Officers $232,150 |
| Improper Sexual Conduct $351,154 |
| Umbrella $550,951 |
| Auto Physical $644,033 |
| Auto Liability $2,041,257 |
| General Liability $4,521,504 |

TOTAL $8,501,949
Dear NIAC,

The California State PTA has enjoyed its relationship with the Nonprofits’ Insurance Alliance Of California for the past year. The company made a commitment from the beginning to not only take the PTA’s money, but to educate our members in the area of liability insurance.

Together, we developed three surveys for our units, councils and districts to determine their activities and needs. The surveys were an Activity Survey, a Fidelity Bond Survey and a Property Insurance Survey.

At the California State PTA Annual Convention held in May 1994 at the Long Beach Convention Center, NIAC provided an insurance display, distributed and collected the surveys, and talked to the delegates about insurance issues and concerns. Pamela Davis participated with Kathryn Hines, Ingham Coates & Payne, Inc. in our insurance conference for our delegates. This was the first time our insurance company had expressed a desire to display and also our first experience with a conference devoted solely to the issue of insurance. Both were positively received and we plan to repeat the activity again this year at our annual convention in San Francisco.

By far the most significant contribution to our organization by the Nonprofits’ Insurance Alliance of California is the Insurance and Loss Prevention Guide. This guide, developed by both entities with the assistance of Kathryn Hines, our insurance broker, has made a huge impact on the PTAs in California. They have gained a greater understanding of the scope of their insurance. We have heard only the most positive comments. Even the risk managers of some of the school districts have complemented the publication.

The California State PTA also appreciates the fact that when we have an insurance issue that needs to be addressed, that NIAC looks at all sides to determine the feasibility of making changes to the way we’ve always done things. Our PTAs are looking at insurance in a more positive light.

We hope that this relationship will continue for many years to come.

Sincerely,

— Pat Dingsdale, President,
California Congress of Parents, Teachers, and Students
NIAC STAFF

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

SECOND TO LAST ROW:  
Carla Cramblett, Joseph Morton,  
Michele Thomas, Renel Ralston,  
Paul Roman

MIDDLE ROW:  
Kathleen Morgan-Martinez,  
Sharon Felice, Victoria Ruggles,  
Claudia Weeks

SECOND ROW:  
Renate-Karin Wunsch,  
Amanda Goldman, Lisa Edelman,  
Betty Johnson

FRONT ROW:  
Sue Reimuller, Linda Covington

"We have been writing our nonprofit clients with NIAC for over 5 years now, and NIAC is absolutely the best! Not only is NIAC super competitive, but we can obtain the coverage that meets the special needs of our nonprofit clients."

— Allen Erle  
Albano, Dale, Dunn & Lewis Insurance Service, Orangevale
A NONPROFIT NEED

In the mid-1980s traditional commercial insurance providers were failing to meet the special needs of California nonprofit agencies.

The Nonprofits’ Insurance Alliance of California (NIAC) originated with a genuine concern for the well being of the sector, along with a clear understanding of the nonprofit community. The mid-1980s brought a new challenge to California nonprofit agencies: traditional commercial insurance providers were failing to meet their special needs. Access to adequate liability insurance deteriorated as policies were restricted or denied, and premiums soared.

Responding to these adverse conditions, the California Association of Nonprofits convened a group of nonprofit leaders in late 1986. This group was determined to safeguard nonprofits against an unpredictable insurance market and shelter them from future liability crises. Two years of research and analysis pointed toward risk pooling as a promising solution. Doctors, churches, municipalities and others had achieved success with risk pooling.

NIAC’s proponents were confident that nonprofits could employ risk pooling with similar success. Initial support from a consortium of California funders provided $300,000 for research and start-up costs. 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 provided further funding, $1.3 million in initial capital.
A NONPROFIT SOLUTION

NIAC offers insurance expertise without profit motivation.

Owned and controlled by nonprofit member organizations, NIAC is a successful example of the nonprofit community’s resilience and ability to pioneer solutions for difficult problems. NIAC delivers member agencies superior service, broad coverage and efficient claims handling with minimal hassle. Agencies rely on NIAC to do one thing well so that they can better serve their clients and communities.

Now five years strong, NIAC has grown to more than 1,000 member-insureds and $8 million in annual premiums. With a head for insurance and a heart for nonprofits, NIAC offers insurance expertise without profit motivation. All savings are passed on to the nonprofit agency.

In addition, NIAC’s specially trained underwriting staff is sensitive to the unique aspects of nonprofit organizations.

NIAC’s strong reinsurers, American Reinsurance, General Reinsurance and North American Reinsurance substantially enhance its stability and security.

NIAC promotes a sensible approach to loss control: helping members avoid claims whenever possible. Through site visits and video tapes on topics ranging from driver safety to earthquake preparedness, members receive the tools and services to help safeguard clients, volunteers and employees. The wealth of information and data collected relating to risk in nonprofit activities helps NIAC to continually refine its products and services.

Even with the best planning, accidents happen. NIAC is sensitive to the negative impact that claims-related publicity can have on nonprofit operations. With offices throughout California, NIAC’s claims administrator provides quick, effective and conscientious service.

“NIAC is willing to work with us on our diverse accounts... Their Risk Management team is excellent in avoiding potential claims for our clients... They are a pleasure to work with.”

— Tom South
South Insurance Services, Santa Rosa
Future plans include expansion of loss control resources available to our members.

We are proud of NIAC’s accomplishments over the past five years but, like most nonprofits, there is no time to rest on our laurels. We must find creative solutions to persistent problems and adapt to the changes and challenges of our unique sector.

In 1995 we anticipate enhancements to umbrella, property, and workers’ compensation coverages available exclusively to NIAC members. Future plans also include collaboration with the Nonprofit Risk Management Center in Washington, D.C. to expand loss control resources available to our members.

We encourage our members to take advantage of the many resources available through NIAC and to let us know what we can do to better serve you.

For those 501(c)(3) nonprofit organizations who are not yet members-insureds of NIAC, we encourage you to get to know us. We would like to work with you and your local broker to assure that you are getting the best possible insurance for your dollar.
NIAC's five years of insuring nonprofits has not diminished our appreciation of our members’ ingenuity, resolve and dedication to their missions. Approaching community problems with persistence and imagination, our members successfully serve the physical, emotional, and cultural needs of Californians statewide.

Our membership continues to grow, but the general composition of our members remains constant. Our members provide service in the following areas:

- 30% Human Service, Community Improvement
- 20% Mental Health, Developmental Disabilities, Health Related
- 18% Arts, Education
- 12% Shelter, Nutrition, Jobs
- 20% Other

NIAC is a nonprofit owned by its members. We are proud to be in the company of so many agencies working for positive change in their communities. Take a moment to review the list of NIAC members on the following pages.

The Santa Cruz AIDS Project provides various services relating to the issues of AIDS and HIV. Pictured here is one of their AIDS educators, who lost both parents to AIDS, and who now speaks to the public about how to prevent this deadly disease.
NIAC MEMBERS

Members as of December 31, 1994

A

A Broader Living Experience (A.B.L.E.)
A Woman’s Place of Merced County
A.B.C. Recovery Center
ABC Child Development
AD Care Inc., R.S.V.P. and Caring Callers
AID Employment
ALS Association, Greater Sacramento Chapter
ARC Vallejo-Benicia
ARC of Amador and Calaveras
Action for Kids
Activities for Retarded Children
Actors' Theatre of Sonoma County
Adopt International
Adoption for African American Children Committee
African Community Resource Center
Aim to Please
Al Wooten, Jr. Heritage Center
Al-Anon Family Groups, District 13
Al-Anon Inland Empire Service Center
Alameda Emergency Food Bank
Alcoholism & Drug Abuse Council of Fresno County
Alleluia
Alliance for the Mentally Ill of Placer County
Alliance for the Mentally Ill of San Mateo
Allied Fellowship Service
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 Association, Greater Sacramento Area
Alzheimer’s Disease & Related Disorders Assoc.
Alzheimer’s Services of the East Bay
Alzheimers Association Greater North Valley Chapter
Alzheimers Disease/Related Disorders Association/Ventura
American Academy of Workers Compensation
American Decorative Arts Forum of Northern California
American Society on Aging
American Sports Institute
Amigos de las Americas-Marin Chapter
Anaheim Interfaith Shelter
Ananda Marga, Los Altos
Anderson Marsh Interpretive Association
Angel Island Association
Angel Society of Fallbrook
Anger Management & Counseling Services
Arianna Children’s Center
Antelope Valley Council on Alcoholism
Antelope Valley High School Cheerleader Booster
Apollo West Theatre Drama and Workshop/Carson
Arcata McKinleyville Children’s Center
Aresis Ensemble
Arrid Club
Art Re-Group
Arte Americas, The Mexican Art Center
Arts Benicia
Arts Council of Santa Clara County
Arts Council of the Conejo Valley
Asian American Senior Citizens Service Center
Asian Pacific Community Fund of Southern California
Asian Pacific Health Care Venture
Asian Pacific Self-Development & Residential
Assistance League of Escondido Valley
Assistance League of Newport-Mesa
Association of Former Vietnamese Political Prisoners
Associated Alumni UCI California College of Medicine
Associated Center for Therapy/CSATT
Associated Family Therapy for Effective Recovery
Association of Housing Management Agents
At Your Home Services
Attitudinal Healing Center of Sonoma County
Audrey L. Smith Developmental Center
B

Baler Foundation
Baulines Crafts Guild and California Contemporary
Bay Area Black Consortium for Quality Health Care
Bay Area Classic Learning
Bay Area Crisis Nursery
Bay Area Friends of Tibet
Bay Area Women Against Rape
Bay Institute of San Francisco
Bayview Opera House
Beacon House Association of San Pedro
Beacon House
Becoming Independent

Being Alive San Diego
Believe in Yourself
Beneficial Environments
Berkeley Architectural Heritage Association
Berkeley Women’s Health Center
Bernal Heights Housing Corporation
Better Health Foundation
Better Life Children Services
Beverly Hills Theatre Guild
Big Brothers of San Diego County
Big Brothers/Big Sisters of Fresno County
Big Brothers/Big Sisters of the Greater Sacramento
Big Sister League
Big Sur Historical Society
Bill Wilson Center
Black Economic Development Task Force
Blackwell International Academy of Performing Arts
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 Napa Valley
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
Build Rehabilitation Industries
Butte County Children’s World
C.E.S.C.
CHP 11-99 Foundation
CLARE Foundation
Cabrillo Guild of Music
Cache Creek Lodge
Cal-Pep
California Coalition for Rural Housing Project (CCRHP)
California Court Appointed Special Advocate Association
California AIDS Intervention
California Age Research Institute
California Association of Nonprofits
California Channel
California Child, Youth and Family Coalition
California Congress of Parents, Teachers (PTA)
California Council for the Promotion of History
California Council for the Social Studies
California Environmental Trust
California Family Action
California Foundation on Employment & Disability
California Grey Bears
California Health Decisions
California Hispanic Commission on Alcohol & Drug
California Institute for Clinical Social Work
California Institute of Public Affairs
California Leadership
California Native Plant Society
California Neuropsychology Services
California Northern Coastal Area of Alcoholics
California Oak Foundation
California Rail Foundation
California Rare Fruit Growers
California Southern Small Business Development Corporation
California State Student Association (CSSA)
California Supreme Court Historical Society
California Working Group
Californians for Population Stabilization
Cambridge Community Center
Campbell Union Elementary Education Foundation
Cancer Support Community
Cantori Domino
Capp Street Project
Carey Parents
Casa Libre
Casa Teresa
Cascade Canyon School
Castro Valley Boys and Girls Clubs
Cat People
Catalina Youth Arts Exchange
Catholic Big Brothers
Cedars Development Foundation of Marin
Center Point
Center for Applied Local Research
Center for Critical Architecture
Center for Independence of the Disabled
Center for New Americans
Center for Studies of the Future
Central American Mission Partners (CAMP)
Central Coast Center for Independent Living
Central Coast Headway
Central Coast Lighthouse Keepers
Central Coast Neurobehavior Center
Central Orange County YWCA
Central San Fernando Valley Alliance
Central Valley AIDS Team
Central Valley Equal Rights Congress
Centro La Familia De Fresno
Challenged Family Resource Center
Chamberlain's Children Center
Champs Foundation
Che Cafe Collective
Chemical Awareness and Treatment Service
Chico Museum Association
Child Abuse Prevention Agency (CAPA)
Child Assault Prevention Training Center of California
Child Quest International
Child or Parental Emergency Services/C.O.R.E.
Childcare Coordinating Council of San Mateo County
Children & Language Pre-school
Children Now
Children of Parkinsonians
Children’s Benefit League
Children’s Education With Care
Children’s Garden of California
Children’s Institute International
Children’s Placement Service
Children’s Preservation Network
Children’s Research Institute of California
Choix de Vie
Choral Artists of California
Choral Conductors Guild
Christian Assisted Recovery Environments
Christian Counseling Service
Christmas Dinner Fund

The Trader Vic monument honors all Chinese immigrants who passed by the Angel Island Immigration Station. The Angel Island Association, a NIAC member, maintains the island for visitors’ education and enjoyment.

Chula Vista Bayfront Conservancy Trust
Circuit Rider Productions
Citizens Who Care
City Heights Community Development Corporation
CityTeam Ministries & Heritage Life Foundation
Claremont Friendship Center
Clark Octavi Foundation
Classical Philharmonic
Clear Lake Gleaners
NIAC members work to enhance children's lives through various programs including advocacy, shelter, education, nutrition, and family counseling.

Clearlake Memorial Health Foundation
Coalition Against Domestic and Sexual Violence
Coalition of Mental Health Professionals
Coastside Adult Day Health Center
Coastwalk
Committee for Ciudad de los Ninos de Salamanca
Committee to Restore the Opera House
Community Action Board of Santa Cruz County
Community Assistance for the Retarded & Handicapped
Community Care Car
Community Childcare Council of Sonoma County
Community Children's Center
Community Coalition for Substance Abuse
Community Companions & Acme Environment Management
Community Congress of San Diego
Community Coordinated Child Development Council
Community Design Center
Community Enterprises
Community Environmental Council
Community Housing Developers
Community Human Services
Community Living Centers
Community Medical Education & Research Foundation
Community Transitional Resources

Community Treatment Center
Computer Using Educators
Conflict Resolution Program
Continuum HIV Day Services
Contra Costa Alternative School
Contra Costa Humane Society
Cooper Fellowship
Corner Stone Outreach
Cornerstone Community Alcohol/Drug Recovery
Corralitos Padres
Corriganville Preservation Committee
Corte Madera Larkspur Schools Foundation
Costa Mesa Senior Citizens' Corporation
Cottonwood Community Park
Council on Aging Services for Seniors
Court Appointed Special Advocates of Santa Cruz County
Court Designated Child Advocates of Santa Clara
Creative Harmonics Institute
Crest Forest Community Services Council
Crisis Room
Crisis House Corporation
Cuddly Critters
Cultural Odyssey
Cupertino Senior Day Services

Democratic Management Services
Dental Health Foundation
Design Response
Diabetes Society of Santa Clara Valley
Diabetes Society of Sonoma County
Didi Hirsch Community Health Clinic
Dientes, the Community Dental Clinic
Disabled American Veterans
Charieties/Greater L.A.
Disabled In Action League
Disabled Resources Center
Discipleship Training International
Dixieland Monterey
Do It Now Foundation of Southern California
Dolores Street Community Services
Domestic Crisis Services of Tehama County
Donald P. McCullum Youth Court
Door of Hope
Door to Hope
Double Check Retreat
Dramatic Results
Drew Child Development Corporation
Drug Abatement Institute
Drug Abuse Alternative Center

E
EE's Residential Group Homes
EFG Curriculum Collaborative
ETVC-Educational TV Channel
Earth Communications Office/ECO
Earth Connection
Earth Links
East Bay Center for the Performing Arts
East Bay Consortium for Elder Abuse Prevention
East Bay Counseling & Referral Agency for the Deaf
East Bay Depot for Creative Reuse
NIAC MEMBERS

East Bay Intergroup
East Bay Secondary School Fund
East Bay Services to the Developmentally Disabled
East County Community Detox Center
East Los Angeles Rape Hot Line
East Los Angeles Sheriffs' Youth Athletic League
East Oakland Youth Development Center
Eco-Home Network
Ecumenical Council of the Pasadena Area Churches
Eden Youth Center
Edgemoor Hospital Auxiliary
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
Eldercare of San Diego
Elk Grove Historical Society
Elmwood Institute
Emancipation Achievement Program
Emeline Child Care Center
Emergency Hunger Fund of Redwood City
Emeryville Community Action Program
Encampment for Citizenship
Endowment for Youth
Environmental Health Coalition
Episcopal Community Services
Episcopal Community Services of San Francisco
Eritrean Cultural & Development Center
Eschaton Foundation
Escondido Historical Society
Ethiopian Community Services
Evangel Home
Extended Child Care Coalition
Fair Housing Council of Orange County
Fair Housing Council of San Bernardino County
Fairfax-San Anselmo Children's Center
Faith Hope Counseling Services
Fallbrook Child Development Center
Fallbrook People to People
Fallbrook Players
Families Center
Families United
Family Builders By Adoption
Family Emergency Shelter Coalition (FESCO)
Family Giving Tree
Family Hope
Family Service Agency & Community Counseling Services
Family Service Agency of Marin County
Family Service Agency of the Greater Sacramento Area
Family Service Association of Northern Santa Cruz County
Family Service Association of Butte & Glenn Counties
Family Service Association of the Pajaro Valley
Family Services Association of Orange County
Family and Community Enrichment Services
Federation of Indian Association
Fifth Business
Filipino American Council of San Francisco
Filipino American Service Group
Filipino Task Force on AIDS
Filipinos for Affirmative Action
Fillmore Historical Museum
Five Branches Institute, College of Traditional Medicine
Florence Crittenton Services
Fontana We Care
Food Bank for Monterey County
Food Bank of Nevada County
Foothill Area Community Services
Foothill Unity Center
For Parents' & Kids' Sake
Ford Street Project
Forest Theatre Guild
Fort Ross Interpretive Association
Foster Youth Connection of Los Angeles County
Foundation Center for Phenomenological Research
Foundation for the Performing Arts Center
Foundation for the Retarded of the Desert
Frank H. & Eva B. Buck Foundation
Frazier Community Center
Fred Brown's Recovery Services
Fred Finch Youth Center
Free at Last
Fresh Start Farms
Fresh Start Surgical Gifts
Fresno Adult Literacy Council
Fresno Metropolitan Ministry
Fresno Rescue Mission
Fresno Unity Group Homes
Fresno Youth Advocates
Friends Outside Modesto Stanislaus County
Friends Outside in San Luis Obispo County
Friends of Ethnic Arts
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 Allied Non-Profits
Friends of the Antelope Valley Indian Museum
Friends of the Arcata Marsh
Friends of the Mission Cultural Center
Friendship for the Napa River
Friends of the Santa Cruz Public Libraries
Friendship Center for the Blind
Future Families
G

G.A.P.A. Community HIV Project
GRASP Foundation
Gemini Community Programs
Genesis/A Sanctuary for the Arts
Girls, Inc. of Alameda County
Glenn County Seniors Centers
Global Exchange
Gold Key Club
Golden Umbrella
Good Samaritan Shelter
Good Shepherd Fund
Goodwill Industries of the Redwood Empire
Grandview Foundation
Grant Beckstrand Cancer Foundation
Great Leap
Great Northern Corporation
Green Pastures
Greenacre Homes
From senior volunteer groups to senior day care programs, NIAC members enhance the quality of life for thousands of seniors across California.
NIAC MEMBERS

Jewish Day School of Sonoma County
Jewish Senior Center & Geriatric Services
Jewish Welfare Federation of Fresno
Jinan-Sacramento Sister City Corporation
Josephine Taylor Foundation
Jovenes de Antano
June L. Mazer Lesbian Collection

K
Kainos Home and Training Center
Kelso Court
Ken Jewish Community Center
Kern Bridges Youth Homes
Kern County Alcohol Center
Kern County Hispanic Commission on Alcohol & Drug Abuse
Kern County Mental Health Association
Khepera Recovery Homes
Kid’s Turn
Kids Cancer Connection
Kids in Common
Kids on the Block of San Diego
King of Kings Housing Development Corporation
Kings Community Action Organization
Kira Foundation
Korean American Community Services
Korean Community Center of the East Bay

L
L.A. Coalition to End Homelessness
L.A. Family Housing Corp.
L.A. Tenth District PTA Congress of Parents
LOOP Center
La Casa de San Mateo
La Casa de las Madres
La Familia Counseling Center
La Jolla Community Services

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 (LOV Newark)
Learning Disabilities Association of California
Lekotek Family Resource Center
Lemoore Christian Aid
Lemoore Senior Citizens
Lesbian/Gay Chorus of San Francisco
Life Lab Science Program
Life Management Institute
Life Options, Vocational and Resource Center
Life Services
Lineline Mission of San Francisco
Liliput Children’s Services
Liss Fain Dance
Little Tokyo Service Center
Live Oak Adult Day Services
Live Oak Foundation
Live Oak Seniors
Living Free
Living in Familiar Environments (LIFE)
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 Women's Foundation
Los Gatos Community Foundation, Inc.
Los Padres Interpretive Association
Love Inc. of Tulare County

Love Inc. of Santa Clara County
Lucerne Alpine Senior Center
Lyme Disease Resource Center
Lynch Foundation for Children
Lytle Creek Senior Citizens Association

M
M-2/Match Two
Madrone Hospice
Marianne Frostig Center of Educational Therapy
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 Court Appointed Special Advocate Program
Marin Education Fund
Marin Services for Men
Marin Services for Women
Marina del Rey Anglers
Mariposa County Fish & Game Protective Association
Mariposa Golden Agers
Mariposa School
Mary Ann Wright Foundation Outreach Mission
Mary's Shelter
Math/Science Technology Foundation
Matrix
McDowell Youth Homes
Meadowlark Service League
Meals of Marin
Meals on Wheels of Lompoc
Meals on Wheels of San Francisco

Meals on Wheels of the Monterey Peninsula
Meeting Place
Mendocino Coast Botanical Gardens Preservation
Mendocino Coast Sports Foundation
Mendocino County Public Broadcasting KZYX Radio
Mental Research Institute
Mexican Cultural Center
Michels Education Institute
Mid City Christian Services
Mid-Weeklies
Midvalley Recovery Facilities
Milhous School
Miracle House
Mission of the Good Shepherd
Mitchell-Redner Centers
Modoc Child Care Council
Molecular Research Institute
Monterey Bay Girl Scout Council
Monterey County Vietnam Veterans Memorial Committee
Moore's Cottage
Morgan Center
Morongo Basin Adult Health Services Corporation
Morongo Basin Mental Health Services Association
Mothers Club Community Center
Mountain Crisis Services
Mountain Empire Historical Society
Mountain Empire Men's Club
Mt. Diablo Interpretive Association
Mt. San Jacinto Natural History Association
Mr. Tamalpais Interpretive Association
Mule Deer Foundation
Museum of the City of San Francisco

NFPFS INSURANCE ALLIANCE OF CALIFORNIA / 1994 ANNUAL REPORT

13
NCI Affiliates
NORCAL Fishing Guides & Sportsmen's Association
Na Ohana O Ke Awawa
Names Project Foundation
Napa Emergency Women's Services
National Foundation for the Treatment of Abused Children
National Association for People With Disabilities
National Council on Alcoholism & Drug Dependency
National Council on Alcoholism, Orange County
National Council on Crime & Delinquency
National Latina Health Organization
National Network of Grant Makers
National Society of Fund Raising Executives
National Task Force on AIDS Prevention
National Visiting Teachers Association
Native Animal Rescue
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 Directions
New Fillmore Community Theater
New Learning School
New Morning Youth & Family Services
New Testament Community Outreach
New Way Foundation
Nina M. Craft Empowerment Education Foundation
Northern California Chapter of the National Hemophilia Foundation
Nonprofit Development Center
North Coast Big Brothers/Big Sisters
North Coast Rape Crisis Team
North Coast Redwood Interpretive Association
North Lake Tahoe Historical Society
North Valley Schools
Northbay Ecumenical Homes
Northern California Ecumenical Council
Northern California Service League
Northern California Supplier Development Council
Northern California Youth Resources
Northside Theatre Company of San Jose
Northwestern Pacific Railroad Historical Society
Novato Youth Center
Nurses in Action
OMI Neighbors in Action
OPICA Adult Day Care Center
Oak Ridge High School Sports Booster Club
Oakland Community Fund
Oakland Jazz Alliance
Ocean Park Community Center
Ombudsman Services of Contra Costa County
Ombudsman/Advocacy Services of Inyo/Mono County
Omni Programs/Peers Against Substance Abuse
On Our Own
One Shoe Crew
Ontario-Upland Meals on Wheels
Open Sea Foundation
Operation Give A Damn (OGAD)
Options Group Homes
Orange County Association for Retarded Citizens
Orange County Bicycle Coalition
Orange County Community Development Council
Orange County Refugee Community (CROP)
Orchidmania
Organic Farming Research Foundation
Organized People of Elmhurst Neighborhood (OPEN)
Our Family & Friends Foster Care Services
Over 21

P

PACT (People Acting in Community Together)
PAR (Planning Association for the Richmond)
PAWS/L.A. (Pets Are Wonderful Support)
PFLAG/Peninsula Parents & Friends of Lesbians and Gays
Pacific Ackworth Friends School
Pacific Autism Center for Education (PACE)
Pacific Composers Forum
Pacific Intercultural Exchange
Pacific Repertory Theatre
Pacific Resident Theatre Ensemble
Pajaro Valley Historical Association
Pajaro Valley Housing Corporation
Pajaro Valley Prevention & Student Assistance
Pajaro Valley Shelter Services
Palomar Family Counseling Service
Palmares
Paradise Scholarship Foundation
Paradise Strive Center
Parent Services Project
Parent, Teacher, Counselor Association
Parental Stress Service
Parenting Institute
Parents Center
Parents Helping Parents (PHP)
Parents United
Park Village Apartments
Parkinson's Institute
Partners - A UMC Mentoring Program
Partners in School Innovation
Pasadena Children's Training Society
Paso Robles Foundation for Culture and the Arts
Patient Assistance Foundation
PAX House
Pediatric Projects
Peninsula Alano Club
Peninsula Area Information & Referral Service
Peninsula Committee for the L.A. Philharmonic Orchestra
Peninsula Community Foundation
Peninsula Humane Society
Peninsula League
Peninsula Network of Mental Health Clients
Peninsula Outreach Welcome House
People Helping People
People Resources
People for Irvine Community Health
Performing Stars of Marin
Perris Valley Child Care Center
Phillips-Morrison Institute of California
Pied Piper Theater
Pioneer Home Outreach
Pioneer Players
Placer Dispute Resolution Service
NIAC Members

Redding Community Theatre
Redrock Canyon Interpretive Association
Redwood City Friends of Literacy
Refugee Transitions
Renaissance Parents of Success
Ridge Area Coalition of Senior Citizens
River City Recovery Center
River Oak Center for Children
Riverfront Playhouse
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 Opportunities Resource Center
Russian River Jazz Festival

S
S.E.E. Center for the Advancement of Deaf Children
S.B.C.A. of Mariposa County
S.T.A.R.T.
SHELTER
SITIKI
SMILE
SMOOTH
Sacramento Alliance for the Mentally Ill
Sacramento Area Emergency Housing
Sacramento Black Alcoholism Center
Sacramento Center for Assistive Technology
Sacramento Hearing Services Center
Sacramento Museum of History, Science & Technology
Sacramento Occupational Advancement Resources
Sacramento Women's Center

Saint Mary and All Angels School
Saint Vincent de Paul Society, Arch Diocesan
Salindo Recovery Center
Samadana
Samaritan House
San Benito County SPCA, Wildlife Rehabilitation
San Benito Health Foundation
San Bernardino National Forest Association
San Clemente Seniors
San Diego Christian Servicemen's Center
San Diego County Parks Society
San Diego Youth Involvement
San Diego Youth Symphony
San Francisco Adult Day Health Network
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

Pacific Intercultural Exchange helps California youth learn first hand about the diversity of world cultures and languages.

San Francisco Network of Mental Health Clients
San Francisco Psychotherapy Research Group
San Francisco Public Health Foundation
San Francisco S.A.F.E.
San Francisco School
San Francisco Study Center
San Francisco Urban Service Project
San Francisco Women's Center
San Gabriel Valley Alliance for the Mentally Ill
San Geronimo Valley Art Center
San Gorgonio Child Care Consortium
NIAC MEMBERS

San Gorgonio Volunteer Association
San Jacinto Valley School of the Arts
San Jose Childrens Musical Theater
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
San Pasqual Battlefield Volunteer Association
Santa Barbara Chapter, American Cetacean Society
Santa Barbara Rape Crisis Center/De Mano A Mano
Santa Clara County Bar Association Law Foundation
Santa Clara Historical and Genealogical Society
Santa Clara Valley MultiService Center
Santa Clarita Valley Boys and Girls Club
Santa Cruz Bluegrass Society
Santa Cruz Citizen's Committee for the Homeless
Santa Cruz Clean & Sober Homes
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 Arts Council
Santa Maria Association for the Retarded
Santa Maria House
Santa Maria Museum & Art Center
Santa Monica Bay Area Drug Abuse
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 Redwoods League
Save the Whales
Schola Cantorum
School of Humanities & the Arts Alumni Association
Seccesion Gallery
Second Chance Youth Program
Second Helping Thrift Shop
Seedling
Seeking It Through Exhibitions (SITE)
Self-Reliance House of San Diego
Seneca Residential and Day Treatment Center
Senior & Disabled Citizens Coalition of Riverside
Senior Citizens of Shasta County
Senior Daycare Center/David Kahn Center
Senior Legal Center of Northern California
Senior Programs of Santa Barbara
Sequoia Educational Center
Service Outreach Motivation Empowerment
Services Center for Independent Living (SCIL)
Sexual Assault and Domestic Violence Center
Shakespeare San Francisco
Shalhevet High School
Share Homes
Shasta County Child Abuse Prevention
Shasta County Women's Refuge
Shelter from the Storm
Shering Child Development
Short Term Emergency Aid Committee of Davis
Shule Mandela Academy
Sierra Adoption Services
Sierra Council on Alcoholism and Drug Dependence
Sierra Family Services
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 Handicapped Children & Adults
Society for the Preservation of Carter Railroad
Society of Saint Vincent de Paul
Sojourner Truth Foster Family Service Agency
Solano Adult Day Health Care Center
Solano Family and Childrens Services
Soledad Enrichment Action
Sonoma Child Guidance Institute
Sonoma City Opera
Sonoma County A.I.D.E.
Sonoma County Academic Foundation for Excellence
Sonoma County Alzheimers Task Force
Sonoma County Community Foundation
Sonoma County Council for Community Services
Sonoma County Men's Support Center
Sonoma County People for Economic Opportunity
NIAC MEMBERS

Sonoma County Rental Information and Mediation
Sonoma State Historic Park Association
Sonoma Valley Chorale
Sonshine Youth Services
Sor Juana Ines
Soroptimist House of Hope
South Bay Coalition
South Central Food Distributors
South Coast Business Network
South Coast Children’s Services
South County Performing Arts Building Foundation
South Valley Symphony
Southern Alameda County Domestic Violence Law Project
Southern California Veterans Service Council
Southern California Association for Non-Profit Housing
Southern California Ecumenical Council
Southern California Foster Family Agency
Southern California Indian Center
Southern California Interfaith Hunger Coalition
Southern California Rehabilitation Services
Southern California Women for Understanding
Southern Regional Resource Center
Southwest Minority Economic Development Association
Southwest Wetlands Interpretive Association
Spanish Speaking Unity Council of Alameda County
Spare A Dime
Spark Foundation
Sparrow Creek School
Speech & Language Development Center
Spiritual Emergence Network
Springs Academy
Squaw Valley Community of Writers
St. Francis Home for Children
St. Francis House
St. John’s Shelter for Women & Children
St. Vincent De Paul Society
Stanislaus County Child & Infant Care Association
Stepping Out Housing
Stiles Hall
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
Summer Search Foundation
Summit League
Sun City Concern
Sun City Library Foundation

T

T.E.A.C.H.
Tahoe Turning Point
Tax-Aid
Tea Challenge of Southern California
The Simeon Institute
Therapeutic Living Centers for the Blind
Third Age
This Side of the Hill Players
Thresholds to Recovery
Toastmasters International
Tomorrow’s Entrepreneurs Today
Torrance Center
Total Living Choices
Traveling School
Tree Musketeers

Tri-Counties Easter Seal Society
Triad Community Services
Trichotillomania Learning Center
Trinity College of Graduate Studies
Triton Booster Club
True to Life Counseling
Tulare County Children’s Receiving Home
Tulare County Lao Family Community
Tulare County League of Mexican-American Women
Tuolumne Calaveras Association
Turning Point Foundation
Turning Point of Central California

U

U.N. 50 Committee
U.R., Inc.
U.S. Catholic Conference
United Cancer Research Society
United Council of Spanish Speaking Organizations
United Irish Societies of Southern California
United Latino Fund
United Lumbee Nation of Northern California and America
United Way of Butte and Glenn Counties
United Way of Humboldt
United Way of Indian Wells Valley
United Way of Northern California
United Way of Orange County
University Religious Center
University of California Berkeley Foundation
Urban Health Care Project

V

V.I., V.A./Volunteers for Inter-Valley Animals

NIAC members are actively involved in cultural education and history. Representing an array of diverse cultural backgrounds, they sponsor events that provide their communities an opportunity to enjoy and celebrate their rich heritages.
NIAC MEMBERS

Volunteer Center of Calaveras County
Volunteer Center of El Dorado County
Volunteer Center of Greater Orange County
Volunteer Center of Monterey County
Volunteer Center of San Francisco
Volunteers in Parole
Volunteers of America of Los Angeles
Volunteers of America, Bay Area
Volunteers of America, Sacramento & Central Valley

W.E.A.V.E.
WATCH (Women and their Children's Housing)
Walden Center Elementary School
Walnut Avenue Women's Center
Watts Health Foundation/United Health Plan
We Care Bay Area
Welfare Action
Welfare Foundation of San Jose Lions Club
Welfare Parent's Support Group
West Antelope Valley Educational Foundation
West Bay Local Development Corporation
West Santa Rosa Local Action Council
Western Addition Senior Citizens Service Center
Western Institute Foundation for Mental Health
Western Occupational Health Conference
Western Sonoma County Swimmers
Western Youth Services
Whiteside Manor
Whittier Cultural Arts Foundation
Wild Feline Rescue
Wiley W. Manuel Law Foundation
William G. Irwin Charity Foundation
William James Association & Escuela Amistad Program
Willits Community Theatre
Women In Film
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 (WISE)
Women's Recovery Services, A Unique Place
Work Training Center
World Centre-San Francisco

XYZ
YWCA of Sacramento
YWCA of San Diego County
YWCA
Yerba Buena Gardens Children's Place
Yolo Community Care Continuum
Yolo County Coalition Against Hunger
Yolo Family Service Agency
Yolo Wayfarer Center (Christian Mission)
Young Audiences of the Bay Area
Youth & Family Services
Youth Connection of Ventura County/Casa Pacifica
Youth Focus
Youth Intervention Program
Youth Job Awareness Project
Youth Music Monterey
Youth for Change
Youth-on-the-Move
Yreka Family YMCA
Yuba Feather Communities Services
Yuba-Sutter Gleaners Food Bank
Yuba-Sutter Legal Center Representative Payee Project

Valley Advocacy & Communications Center
Valley Churches United
Valley Community Girls Chorus
Valley Oak Children's Services
Valley Village
Ventura County Rescue Mission
Verdugo Hills Alanon Club
Verdugo Woodlands Dads Club
Veteran's Memorial Center
Victor Residential Center
Victorian Alliance
Victory Foundation
Vietnam Veterans of California
Vietnam Veterans of San Diego
Vietnamese American Cultural & Social Council Corporation
Villa Center
Vintage House Senior Multipurpose Center
Visalia Rescue Mission
Voices for Children
We have audited the accompanying balance sheets of Nonprofits' Insurance Alliance of California as of December 31, 1994 and 1993, 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, 1994 and 1993, 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 adjustment 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.


KPMG Peat Marwick
San Francisco
March 6, 1995
### BALANCE SHEETS

**December 31, 1994 and 1993**

<table>
<thead>
<tr>
<th>Assets</th>
<th>1994</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted investments (at market in 1994 and at amortized cost in 1993)</td>
<td>$1,635,248</td>
<td>1,611,715</td>
</tr>
<tr>
<td>Investments (at market in 1994 and at amortized cost in 1993)</td>
<td>7,403,511</td>
<td>4,193,553</td>
</tr>
<tr>
<td>Total investments</td>
<td>9,036,759</td>
<td>5,805,268</td>
</tr>
<tr>
<td>Cash</td>
<td>187,701</td>
<td>412,596</td>
</tr>
<tr>
<td>Premiums receivable</td>
<td>787,980</td>
<td>588,167</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>188,189</td>
<td>84,578</td>
</tr>
<tr>
<td>Other receivables</td>
<td>20,844</td>
<td>12,211</td>
</tr>
<tr>
<td>Property and equipment, net of accumulated depreciation of $108,196 in 1994 and $67,768 in 1993</td>
<td>114,152</td>
<td>111,752</td>
</tr>
<tr>
<td>Prepaid expenses and deposits</td>
<td>52,899</td>
<td>26,417</td>
</tr>
<tr>
<td>Reinsurance recoverable (note 8)</td>
<td>3,546,497</td>
<td>2,138,495</td>
</tr>
<tr>
<td>Prepaid reinsurance premium (note 8)</td>
<td>1,261,588</td>
<td>958,316</td>
</tr>
<tr>
<td>Deferred acquisition costs</td>
<td>535,473</td>
<td>429,603</td>
</tr>
<tr>
<td>Deferred tax asset (note 5)</td>
<td>422,266</td>
<td>228,638</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$16,074,348</strong></td>
<td><strong>10,796,041</strong></td>
</tr>
</tbody>
</table>

### Liabilities and Members' Equity

<table>
<thead>
<tr>
<th>Liabilities and Members' Equity</th>
<th>1994</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss and loss adjustment expense reserves (note 6)</td>
<td>$8,375,880</td>
<td>4,725,157</td>
</tr>
<tr>
<td>Unearned premiums</td>
<td>3,981,972</td>
<td>3,029,414</td>
</tr>
<tr>
<td>Reinsurance payable and other liabilities (note 8)</td>
<td>968,305</td>
<td>566,425</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>431,871</td>
<td>220,356</td>
</tr>
<tr>
<td>Income taxes payable (note 5)</td>
<td>96,233</td>
<td>168,714</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>13,854,261</strong></td>
<td><strong>8,710,066</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Members' equity</th>
<th>1994</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members' contributions</td>
<td>509,332</td>
<td>363,830</td>
</tr>
<tr>
<td>Unrealized losses on debt securities available for sale (315,696)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other paid-in capital</td>
<td>31,054</td>
<td>31,054</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>695,397</td>
<td>391,091</td>
</tr>
<tr>
<td><strong>Total members' equity</strong></td>
<td><strong>920,087</strong></td>
<td><strong>785,975</strong></td>
</tr>
</tbody>
</table>

**Total liabilities and members' equity** | **$16,074,348** | **10,796,041** |

---

### STATEMENTS OF INCOME

**Years ended December 31, 1994 and 1993**

<table>
<thead>
<tr>
<th>Revenues</th>
<th>1994</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross written premium</td>
<td>$8,501,049</td>
<td>6,160,430</td>
</tr>
<tr>
<td>Ceded premium (note 8)</td>
<td>(2,097,487)</td>
<td>(1,515,842)</td>
</tr>
<tr>
<td><strong>Net written premium</strong></td>
<td><strong>5,803,562</strong></td>
<td><strong>4,644,588</strong></td>
</tr>
<tr>
<td>Increase in unearned premium</td>
<td>(649,280)</td>
<td>(768,835)</td>
</tr>
<tr>
<td><strong>Net earned premium (note 8)</strong></td>
<td><strong>5,154,276</strong></td>
<td><strong>3,875,753</strong></td>
</tr>
<tr>
<td>Net restricted investment income (note 3)</td>
<td>71,609</td>
<td>68,487</td>
</tr>
<tr>
<td>Net investment income</td>
<td>349,644</td>
<td>160,884</td>
</tr>
<tr>
<td>Net realized loss on sales of investments</td>
<td>(78,031)</td>
<td>(7,575)</td>
</tr>
<tr>
<td><strong>Other income</strong></td>
<td><strong>164,217</strong></td>
<td><strong>133,013</strong></td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td><strong>5,662,215</strong></td>
<td><strong>4,210,562</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th>1994</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Losses and loss adjustment expenses incurred (notes 6 and 8)</td>
<td>3,394,621</td>
<td>2,483,727</td>
</tr>
<tr>
<td>Salaries and employee benefits</td>
<td>827,535</td>
<td>603,982</td>
</tr>
<tr>
<td>Commission expense</td>
<td>595,985</td>
<td>434,573</td>
</tr>
<tr>
<td>Other expense</td>
<td>381,677</td>
<td>273,804</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>5,200,018</strong></td>
<td><strong>3,796,086</strong></td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>462,197</td>
<td>414,476</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td><strong>$304,306</strong></td>
<td><strong>$273,554</strong></td>
</tr>
</tbody>
</table>

---

See accompanying notes to financial statements.
NOTES TO FINANCIAL STATEMENTS

1. Organization

Nonprofits’ Insurance Alliance of California (the Company) was incorporated on September 13, 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 unevoked 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 1994 and 1993, 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, policy issuance and marketing costs. Amortization of acquisition costs were $986,905 for 1994 and $752,978 for 1993, 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 property and equipment, any gain or loss is included in income. Depreciation expense was $40,428 and $23,079 in 1994 and 1993, respectively.

(d) Investments

Effective January 1, 1994, the Company adopted Statement of Financial Accounting Standards (“SFAS”) No. 115, “Accounting for Certain Investments in Debt and Equity Securities,” which 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 one of three categories. 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 net income. 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 members’ equity. SFAS No. 115 does not permit retroactive application of its provisions. The Company classified all of its investment portfolio as “available-for-sale securities.” The effect of this change in accounting at January 1, 1994 increased members’ equity $118,288, net of deferred income taxes. This change in accounting had no effect on net income. Prior to January 1, 1994, investments in debt securities were carried at amortized cost.

Declines in the value of investments, which are determined to be other than temporary, are charged to realized losses. Net realized investment gains or losses are reported in the statements of income based upon the specific identification of items sold. Net unrealized gains and losses on debt securities stated at market value are accounted for directly in members’ equity. Proceeds from sales of debt securities during 1994 and 1993 were $4,961,769 and $542,488, respectively. Gross realized gains and gross realized losses on those sales were $9,236 and ($87,267), respectively in 1994 and $0- and ($7,575), respectively in 1993.

(e) Loss and Loss Adjustment Expense Reserves

Loss and loss adjustment expense reserves are estimates based on an expected 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 annually engages 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 prescribes 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 reissued contracts. The Company adopted Statement No. 113 effective January 1, 1993. This change in accounting had no effect on net income or members’ equity.

(g) Income Taxes

The Company was granted tax-exempt status by the state of California.

In February 1993, the Company received
3. Restricted Investments

The proceeds from the issuance of subordinated debt (see note 7) 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 1994 and 1993.

Restricted investments consist of the following as of December 31, 1994 and 1993:

<table>
<thead>
<tr>
<th></th>
<th>1994 (at market)</th>
<th>1993 (at amortized cost)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amortized cost</td>
<td>Unrealized gain</td>
</tr>
<tr>
<td>Corporate obligations</td>
<td>$884,966</td>
<td>—</td>
</tr>
<tr>
<td>Money market account</td>
<td>12,101</td>
<td>—</td>
</tr>
<tr>
<td>Mortgage-backed securities</td>
<td>103,345</td>
<td>—</td>
</tr>
<tr>
<td>Asset-backed securities</td>
<td>407,522</td>
<td>—</td>
</tr>
<tr>
<td>Foreign securities</td>
<td>100,000</td>
<td>—</td>
</tr>
<tr>
<td>Other debt securities</td>
<td>169,823</td>
<td>1,731</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,677,757</td>
<td>1,731</td>
</tr>
</tbody>
</table>

The amortized cost and estimated market value of restricted investments at December 31, 1994, 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.
NOTES TO FINANCIAL STATEMENTS

3. Restricted Investments

The proceeds from the issuance of subordinated debt (see note 7) 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 1994 and 1993.

Restricted investments consist of the following as of December 31, 1994 and 1993:

<table>
<thead>
<tr>
<th></th>
<th>Amortized cost</th>
<th>Unrealized gain</th>
<th>Unrealized loss</th>
<th>Estimated market value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1994 (at market):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate obligations</td>
<td>$884,966</td>
<td></td>
<td>(20,396)</td>
<td>864,570</td>
</tr>
<tr>
<td>Money market account</td>
<td>12,101</td>
<td></td>
<td></td>
<td>12,101</td>
</tr>
<tr>
<td>Mortgage-backed securities</td>
<td>103,345</td>
<td></td>
<td>(6,782)</td>
<td>96,563</td>
</tr>
<tr>
<td>Asset-backed securities</td>
<td>407,522</td>
<td></td>
<td>(10,212)</td>
<td>397,310</td>
</tr>
<tr>
<td>Foreign securities</td>
<td>100,000</td>
<td></td>
<td>(8,850)</td>
<td>91,150</td>
</tr>
<tr>
<td>Other debt securities</td>
<td>169,823</td>
<td>1,731</td>
<td></td>
<td>171,554</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,677,757</td>
<td>1,731</td>
<td>(46,240)</td>
<td>1,633,248</td>
</tr>
<tr>
<td><strong>1993 (at amortized cost):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate obligations</td>
<td>$527,823</td>
<td>33,284</td>
<td></td>
<td>561,107</td>
</tr>
<tr>
<td>U.S. Government and agency obligations</td>
<td>482,560</td>
<td>14,106</td>
<td>(447)</td>
<td>496,219</td>
</tr>
<tr>
<td>Money market account</td>
<td>49,540</td>
<td></td>
<td></td>
<td>49,540</td>
</tr>
<tr>
<td>Mortgage-backed securities</td>
<td>551,792</td>
<td>14,561</td>
<td>(447)</td>
<td>566,353</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,611,715</td>
<td>61,951</td>
<td>(447)</td>
<td>1,673,219</td>
</tr>
</tbody>
</table>

The amortized cost and estimated market value of restricted investments at December 31, 1994, 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.
4. Investments

Unrestricted investments consist of the following as of December 31, 1994 and 1993:

<table>
<thead>
<tr>
<th></th>
<th>Amortized cost</th>
<th>Unrealized gain</th>
<th>Unrealized loss</th>
<th>Estimated market value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1994 (at market)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate obligations</td>
<td>2,897,600</td>
<td>—</td>
<td>(99,204)</td>
<td>2,798,396</td>
</tr>
<tr>
<td>U.S. Government and agency obligations</td>
<td>828,264</td>
<td>—</td>
<td>(55,092)</td>
<td>773,172</td>
</tr>
<tr>
<td>Certificates of Deposit</td>
<td>198,059</td>
<td>—</td>
<td>—</td>
<td>198,059</td>
</tr>
<tr>
<td>Money market account</td>
<td>770,558</td>
<td>—</td>
<td>—</td>
<td>770,558</td>
</tr>
<tr>
<td>Mortgage-backed securities</td>
<td>1,256,731</td>
<td>—</td>
<td>(69,404)</td>
<td>1,187,327</td>
</tr>
<tr>
<td>Asset-backed securities</td>
<td>1,073,931</td>
<td>—</td>
<td>(34,358)</td>
<td>1,039,573</td>
</tr>
<tr>
<td>Foreign securities</td>
<td>200,000</td>
<td>—</td>
<td>(17,700)</td>
<td>182,300</td>
</tr>
<tr>
<td>Other debt securities</td>
<td>449,555</td>
<td>4,571</td>
<td>—</td>
<td>454,126</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>7,674,608</td>
<td>4,571</td>
<td>(275,758)</td>
<td>7,403,511</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Amortized cost</th>
<th>Market value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1993 (at amortized cost)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate obligations</td>
<td>783,484</td>
<td>826,273</td>
</tr>
<tr>
<td>U.S. Government and agency obligations</td>
<td>1,545,237</td>
<td>1,583,396</td>
</tr>
<tr>
<td>Certificates of Deposit</td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Money market account</td>
<td>193,711</td>
<td>193,711</td>
</tr>
<tr>
<td>Mortgage-backed securities</td>
<td>1,621,121</td>
<td>1,657,803</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,193,553</td>
<td>4,311,272</td>
</tr>
</tbody>
</table>

The amortized cost and estimated market value of unrestricted investments at December 31, 1994, 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.

<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>1,168,617</td>
<td>1,150,917</td>
</tr>
<tr>
<td>Due after 1 year through 5 years</td>
<td>3,130,706</td>
<td>3,046,493</td>
</tr>
<tr>
<td>Due after 5 years through 10 years</td>
<td>2,118,644</td>
<td>2,018,774</td>
</tr>
<tr>
<td>Mortgage-backed securities</td>
<td>1,256,731</td>
<td>1,187,327</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>7,674,608</td>
<td>7,403,511</td>
</tr>
</tbody>
</table>

5. Income Taxes

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

<table>
<thead>
<tr>
<th></th>
<th>1994</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>351,519</td>
<td>242,859</td>
</tr>
<tr>
<td>Deferred</td>
<td>(193,628)</td>
<td>(101,937)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>157,891</td>
<td>140,922</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 to income before taxes as a result of the following:

<table>
<thead>
<tr>
<th></th>
<th>1994</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computed “expected” tax expense</td>
<td>157,147</td>
<td>140,922</td>
</tr>
<tr>
<td>Increase in income taxes resulting from: Other</td>
<td>744</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>157,891</td>
<td>140,922</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Gross deferred tax asset</th>
<th>Valuation allowance</th>
<th>Gross deferred tax liability</th>
<th>Net deferred tax asset</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balances at</td>
<td>223,463</td>
<td>—</td>
<td>(96,762)</td>
<td>126,701</td>
</tr>
<tr>
<td>December 31, 1992</td>
<td>154,292</td>
<td>—</td>
<td>(52,235)</td>
<td>101,937</td>
</tr>
<tr>
<td>1993 changes</td>
<td>377,755</td>
<td>(107,337)</td>
<td>(71,756)</td>
<td>193,628</td>
</tr>
<tr>
<td>Balances at</td>
<td>750,476</td>
<td>(107,337)</td>
<td>(220,873)</td>
<td>422,266</td>
</tr>
<tr>
<td>December 31, 1994</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
</tbody>
</table>
NOTES TO FINANCIAL STATEMENTS

6. Loss and Loss Adjustment Expense Reserves

Activity in the loss and loss adjustment expense reserves is summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>1994</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net loss and loss adjustment expense reserves, January 1</td>
<td>$2,586,662</td>
<td>$1,721,660</td>
</tr>
<tr>
<td>Incurred related to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current year</td>
<td>3,394,621</td>
<td>2,463,502</td>
</tr>
<tr>
<td>Prior years</td>
<td>3,394,621</td>
<td>2,483,727</td>
</tr>
<tr>
<td>Total incurred</td>
<td>3,394,621</td>
<td>2,483,727</td>
</tr>
<tr>
<td>Paid related to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current year</td>
<td>429,788</td>
<td>397,087</td>
</tr>
<tr>
<td>Prior years</td>
<td>722,112</td>
<td>1,221,638</td>
</tr>
<tr>
<td>Total paid</td>
<td>1,151,890</td>
<td>1,618,725</td>
</tr>
<tr>
<td>Reinsurance recoverables</td>
<td>3,546,497</td>
<td>2,138,495</td>
</tr>
<tr>
<td>Gross loss and loss adjustment expense reserves, December 31</td>
<td>$8,375,880</td>
<td>$4,225,157</td>
</tr>
</tbody>
</table>

As a result of changes in estimates of insured events in prior years, the loss and loss adjustment expense reserves increased by $60,025 in 1994 and $20,225 in 1993, respectively, due to recurring and normal adjustments in anticipated losses and related expenses.

7. 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

Total: $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 1994 and 1993. Discussions are currently underway with the foundation lenders to revise the proposed repayment schedule to have scheduled payments commence on December 31, 1999. As of December 31, 1994, the original agreement is still in place. The repayment schedule of the principal amount of subordinated debt is as follows:

- September 18, 1995: $214,500
- September 18, 1996: $214,500
- September 18, 1997: $429,000
- September 18, 1998: $442,000

Total: $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 status of the Company.
NOTES TO FINANCIAL STATEMENTS

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 1994, 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 debt 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 1994. Actuarial analyses will continue to be performed annually.

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 payments 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.

8. Reinsurance

In its normal course of business, the Company reinsures risks in excess of $75,000 ($50,000 in 1993) 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 1993, the Company's reinsurance was 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. These limits are provided on a per occurrence basis and losses for the purpose of these agreements include indemnity and allocated loss adjustment expenses.

During 1994, the Company's reinsurance was in three layers. The first layer covers losses in excess of $75,000 to a maximum of $250,000. The second layer covers losses in excess of $250,000 to a maximum of $1,000,000. The third layer covers losses in excess of $1,000,000 up to a maximum of $2,000,000. These limits are on a per occurrence basis and 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 $84,643 in 1994 and $51,926 in 1993.

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

<table>
<thead>
<tr>
<th>Reinsurance ceded</th>
<th>1994</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premiums earned</td>
<td>$2,394,215</td>
<td>1,005,941</td>
</tr>
<tr>
<td>Loss and loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>adjustment</td>
<td>1,556,240</td>
<td>605,565</td>
</tr>
</tbody>
</table>

The loss and loss adjustment expenses incurred relate to current and all prior policy years while the premiums earned relate only to 1994 and 1993 policy years, respectively.

For the first layer of reinsurance, the Company pays a preliminary reinsurance premium based on gross premiums written, subject to additional premium in the event of unfavorable loss experience. The Company has accrued the maximum possible premium. Reinsurance payable and other liabilities at December 31, 1994 and 1993 includes $879,751 and $395,778, respectively of additional premiums related to potential adverse loss experience. 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. No provision has been made for potential profit sharing under this agreement. For the third layer, the Company pays a fixed reinsurance premium based on gross premiums written.

During 1993, the Company received a $394,791 refund of reinsurance premiums due to favorable loss experience in prior years. As subsequent development of this loss experience on prior years may require repayment of some or all of this amount, a liability has been established in reinsurance payable and other liabilities.

9. Commitments

The Company has entered into a five-year, non-cancelable, 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:

<table>
<thead>
<tr>
<th>Year ending December 31</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>$93,408</td>
</tr>
<tr>
<td>1996</td>
<td>101,662</td>
</tr>
<tr>
<td>1997</td>
<td>103,943</td>
</tr>
<tr>
<td>1998</td>
<td>39,303</td>
</tr>
<tr>
<td>Total minimum lease payments</td>
<td>$338,316</td>
</tr>
</tbody>
</table>

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 over the lease term. Total rent expense for 1994 and 1993 was $94,169 and $81,558, respectively.

10. 401(k) Profit Sharing Plan

The Company sponsors an employee 401(k) Profit Sharing Plan (the Plan). Employer non-matching contributions were $500 per employee to its employee/plan participants for 1994 and 1993. The employer matching contributions were limited to $500 per employee in 1993 and limited to $1,000 per employee during 1994. The amounts contributed to the Plan were $21,058 and $9,596 in 1994 and 1993, respectively. Employees qualify for the employer portion of the contribution after one year of service with the Company.