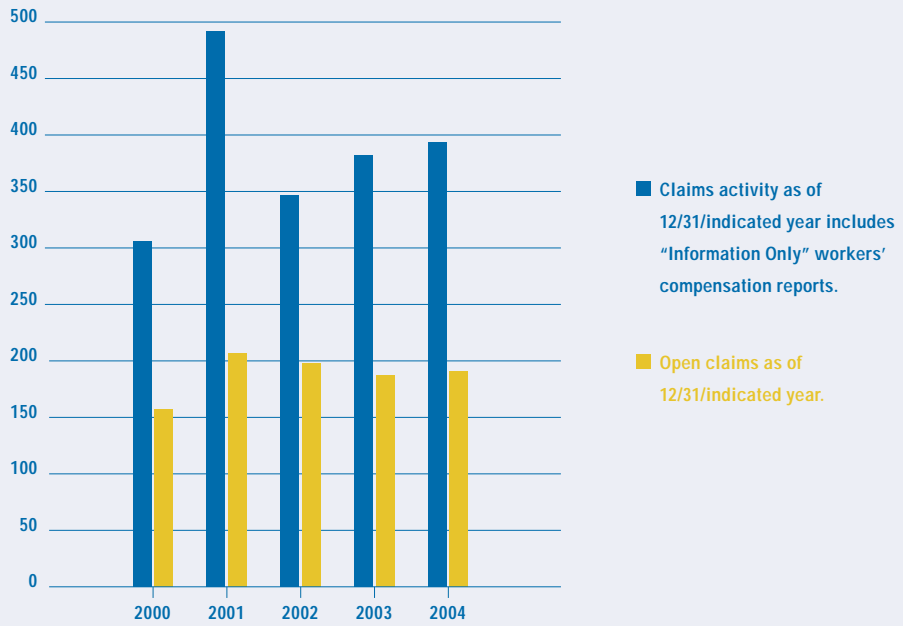
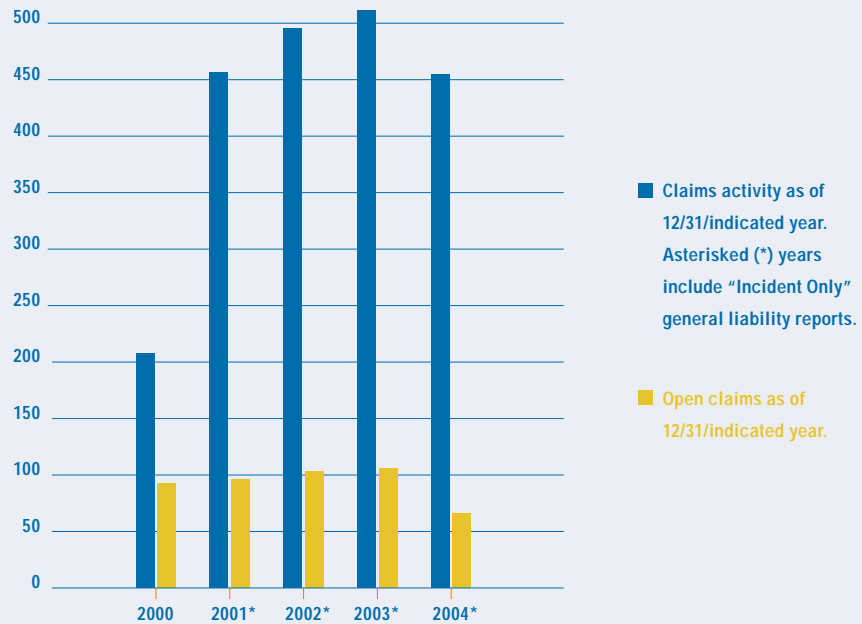


RISK MANAGEMENT

WORKERS' COMPENSATION CLAIMS ACTIVITY AND OPEN CLAIMS

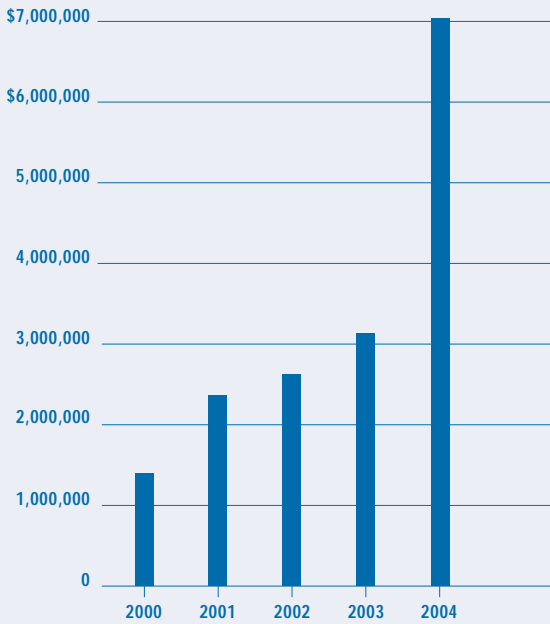


GENERAL LIABILITY CLAIMS ACTIVITY AND OPEN CLAIMS



WORKER'S COMPENSATION, 2000 - 2004

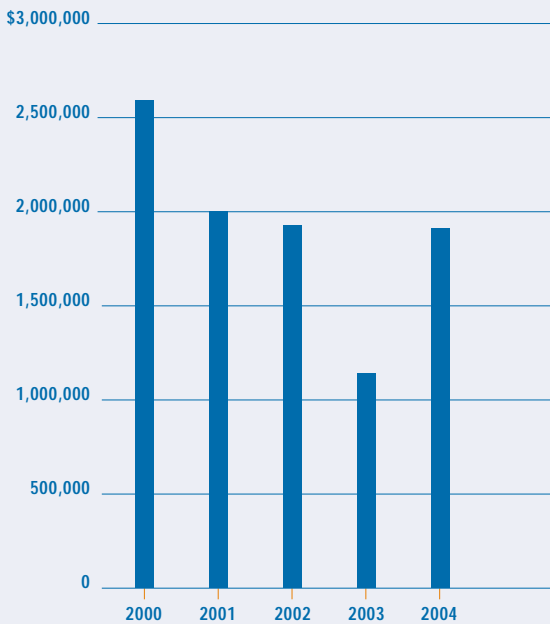
HISTORICAL RESERVES FOR ALL OPEN CLAIMS*



*As of 12/31/2004, CFSA had reserves of \$7,034,109 to cover all 183 open claims occurring between 1/1/1987 and 12/31/2004. (This doesn't include confidence margin reserves.) During the same period, CFSA paid out \$22,818,109 in claims costs.

GENERAL LIABILITY, 2000 - 2004

HISTORICAL RESERVES FOR ALL OPEN CLAIMS*



*As of 12/31/2004, CFSA had reserves of \$1,922,145 to cover all 67 open claims occurring between 1/1/1987 and 12/31/2004. (This doesn't include confidence margin reserves.) During the same period, CFSA paid out \$14,227,479 in claims costs.

SPECIAL EVENTS PROGRAM

What began as a pilot program in 1992 has become one of our most popular offerings, providing the general liability coverage required to hold events on California's fairgrounds. The program is convenient and affordable – facility renters, fairtime vendors and exhibitors can sign up right on the fairgrounds. Not only does the program cover special events commercial carriers balk at, such as gun shows, but CFSA also remunerates each fair 5 percent of the fees they collect each year to help pay for time spent on the program's minimal paperwork. In 2004, \$697,879 was collected in fees and \$34,893 was paid to participating fairs.

In 2003, program use grew 19 percent and in 2004, another 12 percent thanks to growing participation in the program and a modest 5 percent rate increase for selected events. This was the program's first rate increase since January 2000 and will be used to offset the rising cost of the pool's excess insurance policy (as program usage increases, the policy's cost increases proportionally). Until 2004, CFSA was able to absorb rising policy costs with revenue generated by the program. But when the program logged record usage in 2003, drawing an additional \$105,500 from the pool's reserves for 2004's policy renewal wasn't a viable option.

Eleven new claims were received in '04 and 19 were closed; payments totaled \$39,749. This compared to 14 new claims in 2003, with seven closed and \$203,924 in payments. At year-end, nine claims remained open, backed by \$111,182 in pool reserves.

SPECIAL EVENTS ACTIVITIES RANKED BY CLAIM FREQUENCY AND CLAIM COST

Among the statistical reports our claims experts regularly analyze are those listing the special events activities for which claims are most frequently filed and the most expensive to settle. Here are the stats for 1999 – 2003 for events covered by the Special Events Pooled Program:

TOP 5 ACTIVITIES, RANKED BY CLAIM FREQUENCY:

- 1) Weddings/receptions and baptisms
- 2) (tied) Home and garden shows
- 2) (tied) Dances and concerts
- 4) Fair concessions and exhibits
- 5) Sports shows

TOP 5 ACTIVITIES, RANKED BY TOTAL CLAIM PAYMENT:

- 1) Home and garden shows
- 2) Dances and concerts
- 3) Fair concessions and exhibits
- 4) Weddings/receptions and baptisms
- 5) Sports shows

NEW HAZARDOUS SPECIAL EVENTS PROGRAM

In December 2003, CFSA surveyed pool member fairs about the growing number of fair promoted motorized events and rodeos: Did the fairs purchase commercial coverage as would be required of an outside promoter for the same events? And if not, would they be interested in purchasing coverage through a group-purchasing plan if offered by CFSA? (The General Liability Pool isn't set up or funded to provide primary coverage for hazardous events. When an event is commercially covered, CFSA is able to transfer the liability for any accidents to insurance carriers specializing in these types of hazardous events.)

The survey's findings showed that approximately 4 percent of all motorized events and 15 percent of all rodeos promoted by member fairs were held without commercial liability coverage. This broke down to 26 uncovered rodeos reported by 16 fairs and 48 uncovered motorized events reported by 30 fairs. Survey findings also revealed that the fairs would be interested in purchasing liability coverage through CFSA. As a result, CFSA worked with a commercial insurance broker to set up the Hazardous Special Events Program in 2004, providing coverage for 26 rodeos and 17 motorized racing events.

The survey's results also led to the writing and board approval of a new Operating Memorandum, #5-01, stating that effective January 1, 2005, all General Liability Pool members promoting a motorized event or rodeo would be required to have commercial general liability coverage.

By the end of the year, 10 fairs had already reported plans for 15 rodeos and eight horse shows in 2005, along with 11 fairs reporting plans for 10 destruction derbies and five motorized racing events. And all were interested in purchasing liability coverage from CFSA's new Hazardous Special Events Program.

REVENUE PROTECTION PROGRAM

While postal carriers may brave rain, sleet and snow, fairgoers tend to stay home when weather turns extreme. In 2004, 68 fairs took advantage of the Revenue Protection Program to cover 73 events. A total of \$119,250 was collected in fees. By year-end, three fairs had filed claims, all based on severe rain. The three claims for \$170,390, \$20,347 and \$1,871, totaling \$192,608, were unanimously approved and paid by the Revenue Protection Program Claims Committee.

CFSA's board reviewed the Revenue Protection Program's fee structure in October and unanimously agreed to leave it the same for 2005 as it has been for the last three years.

PROPERTY PROTECTION PROGRAM

Created just two years ago, this program covered \$858,276,899 worth of property in '04, including property belonging to two new member fairs – Napa County Fair and the National Orange Show. This compared to \$842,010,184 in property protection the year before.

Seven claims were filed in 2004 – two involved fires, four involved water damage/flooding, and another, a fallen tree limb. At year-end, five claims remained open with \$70,000 set aside in reserves.

OUR NEW RISK MANAGEMENT SOFTWARE IS UP AND RUNNING

In March, the new risk management software introduced in 2003's annual report was in use and it didn't take long for us to begin realizing its promised time- and money-saving benefits. For example, a monthly liability report that used to take hours to print now takes 45 minutes or less, and by integrating claims management with medical bill reviewing software, we'll save about \$20,000 a year.

The software's database and archival features also enable us to save more information electronically. These features, along with a "sticky note" option that allows adjusters to attach scanned photos and other documentation to the reports, cut down on paper files that take up valuable office space and staff time to maintain.