

## EXCESS INSURANCE ORGANIZATION, INC.

### Communications With Those Charged With Governance

*Submitted by*

**Gilbert Associates, Inc.**

We have audited the financial statements of Excess Insurance Organization, Inc. (the Captive) for the year ended June 30, 2018. Professional standards require that we provide you with information related to our audit. We are providing the Captive's Board of Directors with information regarding the scope and results of the audit to assist the Board of Directors in overseeing management's financial reporting and disclosure process. This information is intended solely for the use of the Board of Directors and management of the Captive and is not intended to be, and should not be, used by anyone other than these specified parties. The following pages summarize these required communications.

November 28, 2018



**Gilbert Associates, Inc.**  
CPAs and Advisors

*Relax. We got this.™*

## RESPONSIBILITIES AND OPINIONS

<p><b>Auditors' Responsibilities under Generally Accepted Auditing Standards (GAAS) and Government Auditing Standards, issued by the Comptroller General of the United States</b></p> <p>The financial statements are the responsibility of management. As stated in our engagement letter, our responsibility is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.</p> <p>As part of our audit, we considered the internal control of the Captive. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.</p> <p>As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of the Captive's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.</p>	<p>We issued an unmodified opinion on the financial statements of the Captive for the year ended June 30, 2018 and 2017.</p>
<p><b>Required Supplementary Information</b></p> <p>Government Accounting Standards Board (GASB) requires certain supplementary information to accompany the Captive's basic financial statements to be in conformity with generally accepted accounting principles. Such information has been subjected to limited procedures such as inquires of management about the methods of preparing the information and comparing the information for consistency with the basic financial statements, however, we do not express an opinion because of the limited nature of our procedures.</p>	<p>The following required supplementary information is required to accompany the Captive's basic financial statements and subjected to limited procedures, but no opinion has been expressed:</p> <ul style="list-style-type: none"> <li>• Management's Discussion and Analysis</li> <li>• Schedule of Claims Development Information</li> </ul>

## INTERACTIONS WITH MANAGEMENT

<p><b>Management Consultations with Other Independent Accountants</b></p> <p>In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Captive's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.</p>	<p>To our knowledge, there were no such consultations with other accountants.</p>
<p><b>Disagreements with Management</b></p> <p>For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.</p>	<p>We are pleased to report that no such disagreements arose during the course of our audit.</p>
<p><b>Management Representations</b></p>	<p>We requested certain representations from management in a letter to us.</p>
<p><b>Difficulties Encountered in Performing the Audit</b></p>	<p>We encountered no significant difficulties in dealing with management in performing and completing our audit. Management and staff were well prepared and cooperative.</p>

## QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

<p><b>Significant Accounting Policies</b></p> <p>Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement contract, we will advise management about the appropriateness of accounting policies and their application.</p>	<p>The significant accounting policies used by the Captive are described in Note 2 to the financial statements.</p> <p>We noted no transactions entered into by the Captive during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.</p>
<p><b>Management Judgments and Accounting Estimates</b></p> <p>Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.</p> <p>Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.</p>	<p>The most sensitive estimates affecting the Captive's financial statements were:</p> <ul style="list-style-type: none"> <li>• Management's estimate of pension and claims liabilities is based on actuarial projections.</li> <li>• The fair value of investments is a market-based measurement, not an entity specific measurement.</li> </ul> <p>We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole. In addition, the related financial statements disclosures are neutral, consistent and clear.</p>

## RESULTS OF THE AUDIT

<p><b>Planned Scope and Timing of the Audit</b></p>	<p>We performed the audit according to the planned scope and timing previously communicated in our engagement contract.</p>
<p><b>Other Audit Findings or Issues</b></p>	<p>We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Captive's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.</p>
<p><b>Significant Adjustments or Disclosures Not Reflected in the Financial Statements</b></p> <p>Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.</p>	<p>No significant adjustments or omitted disclosures were identified during our audit.</p>