

EXHIBIT 11-C



SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

A Property, Liability, and Workers' Compensation Program for Public Agencies

June 11, 2003

Ms. Cynthia Schmidlin
Human Resources Analyst
Monterey Peninsula Water Management District
5 Harris Court, Building G
Monterey, California 93942-0085

Dear Ms. Schmidlin,

Special District Risk Management Authority (SDRMA) has provided Monterey Peninsula Water Management District property and liability coverage since 1996. We greatly value our seven-year partnership with the District and look forward to the opportunity to possibly bringing the district's risk management and workers' compensation coverage under one administration. It is my pleasure to provide the following explanation regarding the consolidation of Special District Risk Management Authority and Special Districts Workers Compensation Authority, the initial 3-year member commitment, as well as future rates.

SDRMA/SDWCA Consolidation

In an effort to provide our members with the most comprehensive, cost-effective risk management and workers' compensation program, the Special District Risk Management Authority and Special Districts Workers Compensation Authority will consolidate on July 1, 2003. Consolidating the pools provides many benefits to our members including: combining administrative resources; reducing overhead costs; eliminating duplicated services; as well as increased market power, which translates into more services and pricing options. We assure you that the combined program will continue to provide members with the highest quality risk management services, and stable, affordable and renewable coverage protection.

Provision of Joint Powers Agreement

Special District Risk Management Authority Workers' Compensation Program requires an initial 3-year commitment. This provision is a condition in the Joint Powers Agreement and was approved by the board of directors when the Monterey Peninsula Water Management District joined the property and liability program in 1996. This provision provides stability for the program, facilitates coverage agreements with our reinsurers, and protects the members. Moreover, Special District Risk Management Authority is equally committed to coverage for the member for this 3-year period. In light of the instability of the workers' compensation system and the record number of insurance company insolvencies this has proven to be very beneficial for our members.

Future Rates and Rate Increases

We understand the possible concern about the 3-year commitment provision and future rates. In the past we have offered new members a 3-year rate guarantee, this was based on our ability to negotiate long-term contracts with reinsurers. With the current market instability and uncertainty our current contracts are on a year-to-year basis. Therefore, we cannot offer a multi-year rate guarantee, however, I will assure Monterey Peninsula Water Management District that any rate increase during this 3-year period will not exceed the average of the commercial market increase. In fact it is board policy to provide coverages at 15% lower than the market average rate. SDRMA is a not-for-profit public agency run by the members for the members. Rates are established by our Board of Directors who are also members of the program. Rates and rate increases are the same and equitable for all members, whether existing or prospective new members. Funds that are surplus to operational requirements are returned to the members through dividends, lower rates or additional services.

Cynthia, hopefully, the information we have provided, will reassure you that historically our rates are very competitive, and any increases have been below the market average. Thank you for considering our workers' compensation program and for your thorough review and evaluation process. Please do not hesitate to contact me if you need any additional information.

Sincerely,
James W. Towns, ARM
Chief Executive Officer