



**Actuary & Underwriting Committee
Regular Meeting
Summary Minutes**

DRAFT

**March 12, 2003
ABAG Conference Room B
101 Eighth Street, Oakland, CA**

- Presiding:** Alex McIntyre, City of Tiburon
- Committee Members Present:** Larry Anderson, City of Burlingame
Emma Karlen, City of Milpitas
Jim Steele, City of So. San Francisco
Julie Carter, City of Dublin
Gretchen Conner, City of Campbell
- Committee Members Absent:** LeeAnn McPhillips, City of Gilroy
- ABAG Staff Present:** Marcus Beverly, Director of Risk Management
Angela Salsbury, Claims Manager
Carol Johnson, Secretary
- Consultants Present:** Dennis Mulqueeny, Driver Alliant Risk Services
Seth Cole, Driver Alliant Risk Services
John Alltop, Bickmore Risk Services
- 1. Call To Order:** Chairman Alex McIntyre called the meeting to order at 10:35 a.m. A quorum was present (six members).
- 2. Public Comments:** None
- 3. Approval of Minutes:** /M/McIntyre/S/Anderson/C/ to approve December 10, 2002 Actuary & Underwriting Committee's meeting minutes as presented. **McIntyre abstained**

4. Actuarial Review of Self Funded Excess Liability Program as of June 30, 2003:

John Alltop of Bickmore Risk Services presented his firm's analysis of the program's outstanding liabilities and funding for the 2003-04 Program Year. The committee discussed with John the difference in the methods he uses compared to the prior actuary. He explained the difference in his estimate of the pool's outstanding liabilities was based in large part on the losses from the 1999-00 and prior years not developing as high as previously predicted.

Marcus Beverly provided a spreadsheet showing the difference between the current and prior reports in a number of key categories. He also led a discussion regarding the difference in how the current year funding was calculated from prior years. The change in approaches is most evident in the pricing of the \$5M and \$10M Self-Insured Retention levels. In Alltop's report the difference is \$90,000 and in the prior report it's \$655,267. As a result, the cost to self-insure the \$5-\$10M layer is less than the cost of excess insurance.

John explained the difference in methodology in that they focus primarily on the losses up to \$1 million and don't give much weight to losses above \$5 million. That's because there are so few claims that exceed \$5 million, even considering the experience of other pools and public entities, that they don't show up until you've reached a prohibitive confidence level.

The committee discussed in detail the numbers and how the pool's funds and target ratios would change under a variety of scenarios. Marcus advised to look at the change in the Total Fund rather than the Risk Margin Fund as a more stable view of the changes in the pool's funds and consider the impact of a new actuary in determining funding. John agreed the committee should be conservative in making any changes just after changing actuaries. John was asked to provide revised funding numbers for FY 2003-04 based on the discussion and needed corrections to deductibles and mod factors in the draft report.

Action was tabled until after break and agenda item 5.

Break – 12:10 to 12:40 p.m.

5. Excess Liability Funding Options:

Dennis Mulqueeney and Seth Cole of Driver Alliant Risk Services presented an overview of the excess insurance market for 2003-04 and other options for funding the excess layer of coverage. Our Excess insurer may ask for up to a 30% increase, to almost \$495,000.

They gave an overview of renewal strategy options, including available markets, excess v. reinsurance policies, stand alone v. group purchase, and a new government entity mutual or captive insurer, GEM. A Q&A handout on GEM was provided and discussed with the committee. They also discussed the upcoming renewal information they will need for liability, crime, and property coverages.

The committee then discussed the impact of the increasingly costly insurance market with the funding numbers provided by our new actuary. Larry Anderson pointed out we could increase our SIR to \$7 million and be just above our goal of a 3:1 Fund to SIR ratio (\$22.5/\$7MM). Driver staff agreed to obtain a quote at \$3xs\$7 level as well as \$5xs\$5MM. No action was taken, pending quotes for excess insurance and revised funding numbers from actuary.

The committee then again took up item 4. The committee discussed and summarized the factors leading up to the decision to create the SIR Fund and agreed the ability to fully self-insure up to the per loss limit of \$10 million is still a priority. The current condition of the insurance market serves to remind members why they formed the PLAN.

Members also pointed out the Funding for next year is down over 7%, with most members seeing a decrease in their funding. The committee agreed it would be best to increase the SIR Fund rather than pay dividends.

/M/Anderson/S/McIntyre/C/ to retain funds in excess of 90% CL in the SIR Fund and not declare a dividend.

6. Planning Meeting follow-up:

Marcus Beverly did not present an update of the progress made since the last meeting, which included a draft of the revised Bylaws. The committee agreed to table for discussion at the next meeting.

7. Other Business: None

8. Adjournment: McIntyre adjourned the meeting at 2:05 p.m.

Respectfully Submitted,



Marcus Beverly
Secretary, ABAG PLAN Corp.