

Approved
April 20, 2005



Actuary Committee Regular Meeting Summary Minutes

April 20, 2005
ABAG Conference Room B
101 Eighth Street, Oakland, CA

Presiding

Alex McIntyre, Presiding Chairman
(Via Teleconference)

Jurisdiction

Tiburon

Committee Members Present

Larry Anderson
Julie Carter
Emma Karlen
Jim Steele
Bronda Silva
Jack Dilles

Burlingame
Dublin
Milpitas
So. San Francisco
American Canyon
Morgan Hill

Consultants

Seth Cole
Michael Harrington

Driver Alliant Risk Services
Bickmore Risk Services

Staff Present – ABAG PLAN Corporation

Marcus Beverly, ABAG Risk Manager
Carol Johnson, ABAG Plan Secretary

CALL TO ORDER:

Meeting called to order at 10:10 a.m.

PUBLIC COMMENTS:

Marcus Beverly presented and briefly discussed the April 12, 2005, letter referencing Pacifica's intent to withdraw from the PLAN effective June 30, 2005. He is planning to convene an Executive Committee special

teleconference meeting to discuss the approval needed to waive the City of Pacifica's six-month withdrawal notice requirement.

APPROVAL OF MINUTES, MARCH 31, 2004 COMMITTEE MEETING:

Committee meeting minutes were approved as presented.

Motion was made by Steele/S/Karlen/C approved

ACTUARIAL REVIEW OF SELF FUNDED EXCESS LIABILITY PROGRAM AS OF JUNE 30, 2005:

Michael Harrington of Bickmore Risk Services presented his firm's analysis of the program's outstanding liabilities and funding for the 2005-06 Program year. The program's estimated cost of claims and expenses for the 2005-2006 program year is \$4,615,000, which translates to a rate of \$1.08 per \$100 payroll. Estimated liability for outstanding claims is \$14,046,000 as of June 30, 2005, with estimated program assets of \$40,795,000. The program is funded above the 95% confidence level (CL). Estimated discounted liabilities at a 90% CL are \$20,676,000. Therefore the program is projected to have \$20,119,000 above the 90% CL as of June 30, 2005. Overall, pool premium is up even though rates are down due to an increase in payroll.

ABAG PLAN Risk Manager Marcus Beverly stated our outstanding liabilities increased due to adverse developments on one large claim. The claim was first thought to be an injury of broken bones but later proved to include a residual brain injury which impaired the claimant's ability to work as a computer programmer. Although the increase in reserve and payment of the claim occurred after 12/31/04, staff requested it be included in the current actuary report due to its size (over \$3 million) and fact it has been paid.

Committee members were provided a question and answer period with staff and Michael Harrington of Bickmore Risk Services in reference to Bickmore's analysis of 2005-06 Program Year. Also Members discussed concerns in reference to Pacifica's withdrawal and the associated financial repercussions.

Committee Members approved Bickmore Risk Services analysis as presented with the understanding that an updated report for 2005-06 will be presented at a later date excluding the City of Pacifica.

Motion by Karlen/S/Anderson/C/approved

EXCESS LIABILITY & PROPERTY FUNDING OPTIONS:

Seth Cole of Driver Alliant Risk Services presented an overview of the insurance market and options for 2004-05. The excess liability insurance market is limited to three insurance carriers providing coverage for municipalities and public entities, one being AIG Insurance, the current insurance carrier. AIG will be quoting PLAN's insurance renewal. There may be a rate increase for inflationary factors or population increases but otherwise a flat renewal from AIG is expected.

The property insurance market is softening. At this time PLAN does not have large claims to contend with and therefore should receive a decrease in property insurance rates from 5%-15%.

FUNDING RECOMMENDATIONS:

Marcus Beverly presented recommended funding options to the committee. He pointed out changes in the actuary report, including changes in the funding of excess insurance (now based on population), inclusion of risk management program funding from liability reserves, and corrections needed to the net fund balance calculation.

He also presented an update on our progress in achieving our funding benchmarks. We could raise our SIR to \$7 million but would not recommend raising it to \$10 million. We have weathered one of our worst years, with the payment of over \$6 million in claims, but still managed to maintain our SIR fund at the same level as last year. Our solid financial position has helped us get through this year without a decrease in reserve funds.

Committee was asked to accept the draft actuary report as presented and recommend funding with a \$5 million SIR and \$5 million in excess insurance. Staff also shared Risk Management Committee proposal to fund risk management programs for 05-06 with up to \$612,000 from reserves.

Motion/Anderson/S/Steele/C/approved

Committee gave direction to Staff to recommend to the Executive Committee the risk management program that has been outlined with the potential for a deferred assessment instead of payment on an upfront basis.

OTHER BUSINESS:

Marcus Beverly announced that Santa Clara County filed a lawsuit against Driver Alliant, Marsh and Keenan & Associates for, among other things, failing to disclose contingent commission income. ABAG PLAN was named in the lawsuit without permission and staff requested that the plaintiff attorney remove reference to ABAG PLAN. Staff requested from Driver Alliant an accounting of any contingent commissions that was earned from ABAG over the years. The accounting revealed contingent commissions earned were a total of \$1,685.00 on the property policy. ABAG PLAN will not be joining the lawsuit.

Julie Carter of Dublin volunteered to serve on the Executive Committee.

ADJOURNMENT:

Meeting was adjourned at 12:30 p.m.

Respectfully Submitted,



Marcus Beverly
Risk Manager & Secretary
ABAG PLAN Corporation

/cj