101 Eighth Street, Oakland, CA

Summary Minutes
Actuary Committee
Regular Meeting
May 1, 2008
Conference Room B

Presiding	**Jurisdiction**
Emma Karlen	Milpitas
Committee Members Present	
Michael Taylor	Saratoga
Paul Rankin	Dublin
Larry Anderson	Burlingame
Bronda Silva	American Canyon
Jack Dilles	Morgan Hill

ABAG PLAN Staff Present
Marcus Beverly, ABAG Risk Manager
Gertruda Luermann, ABAG Risk Management Analyst
Ken Moy, Legal Counsel

Others Present
Seth Cole, Alliant Risk Services
Michael Harrington, Bickmore Risk Services

1. CALL TO ORDER:
Emma Karlen called the meeting to order at 10:06 a.m.

2. PUBLIC COMMENTS:
There were no public comments.

3. APPROVAL OF MINUTES, May 2, 2007:
Minutes were approved as presented. /M/Anderson/S/Dilles/C/

4. ACTUARIAL REVIEW OF LIABILITY PROGRAM AS OF JUNE 30, 2008:
Michael Harrington of Bickmore Risk Services presented his firm's analysis of the program's outstanding liabilities and funding for the 2008-09 Program Year. Total expected liabilities and liabilities at a 90% confidence are projected to remain unchanged at just over $17 million and $25 million, respectively. The Risk Margin Fund is projected to increase by $216,000, to almost $8 million. The big change is in total assets, with a decrease of just over $5 million, or 11%. With assets projected to be $41,105,000, the SIR Fund will be at $16 million v. $21 million last year.

Funding of the $5 million SIR for 07-08 is estimated at $5,038,000, with excess insurance of $15 million estimated at no more than $700,000 and administrative expenses at no more than $2,500,000. Total funding is expected to be $8,238,000, compared with $7,873,683 in 07-08, a change of 4.6%.

The committee members and staff discussed the results and how they reflected the impact of the Pacifica litigation. Since the claim was reserved and already reflected in the outstanding liabilities, when it was paid the reserves decreased, resulting in lower net assets overall but without much impact in the remaining estimated liabilities themselves since most of the amount is an actuarial estimate. A pending claim from Half Moon Bay that is expected to have an impact on net assets is not reflected in the report because it was tendered after the date used for the calculations.

Other issues discussed included the increase in the expected funding of the excess layers above $5 million, the rationale for allocating the excess insurance by population v. payroll or some other basis, and whether or not the 30% cap on annual premiums is the right number. While PLAN losses have remained steady or decreased, the factors used by our actuary for the excess layers have increased due to large losses from other public agencies. The excess insurance is rated based on population and therefore allocating it to the members on that basis is strictly a pass-through cost. Members discussed the impact lowering the 30% cap would have on the costs for other members.

After review and discussion the Committee accepted the Bickmore Risk Services report as presented. /M/Anderson/S/Silva/C/.

5. EXCESS LIABILITY & PROPERTY FUNDING OPTIONS
Seth Cole of Alliant Risk Services presented an overview of the insurance market and options for 2008-09. The market for our excess liability insurance remains about the same as last year, with rates for renewing expected to drop by about 4%. He reviewed the other markets his firm will approach and discussed the possibility of obtaining a lower retention for Employment Practices Liability claims. A review of large losses from other agencies was also provided and discussed.

The property market is softening, especially in areas that saw increases after the last major catastrophes last year, and we expect the rate for coverage to be less than it is currently. Terrorism coverage is improving to include domestic terrorism, and the policy will include "green" requirements as part of the code upgrade coverage. He also presented and members discussed options for earthquake coverage.

6. FUNDING POLICY REVISIONS

Marcus Beverly presented recommended revisions to the Funding Policy for approval. Most of the changes are to reflect changes in the terminology of the PLAN's audited financial statements or decisions made since the last time the policy was updated. An additional benchmark comparing Net Deposits to Net Assets was also added.

After discussion, the committee agreed to recommend the proposed changes as presented. /M/Anderson/S/Silva/C/.

7. FUNDING RECOMMENDATIONS

Marcus Beverly, ABAG Risk Manager, presented recommended funding options to the committee and an update on our progress in achieving funding benchmarks. All of our results and benchmarks have gotten worse since last year, with net assets projected to drop by 17%. However, in spite of the decreases, we maintain acceptable results in all of our benchmarks. The biggest impact is in our ability to increase our SIR to $10 million. Last year we were almost within our guidelines, but with net assets projected at $24 million and another large claim pending, we will be well short of the $30 million in net assets necessary to meet the recommended minimum.

Given our poor recent results, the stability of the excess insurance marketplace, and our actuary's projections, staff recommended staying at a $5 million SIR and $15 million in excess insurance for next year. After discussion, the committee agreed to recommend funding at a $5 million SIR and $15 million excess. /M/Rankin/S/Taylor/C/

The property pool funding recommendation is different than last year, with an increase of $30,000 to fund the higher flood deductible of $250,000, and $10,000 for funding of other policy deductibles over $100,000. This proposal was in response to the Executive Committee members' request to find a way to fund these additional amounts rather than cap the pool payments at $100,000. The $30,000 for flood is allocated to those members with properties in flood zones and the $10,000 is allocated to all members. The allocation is pro-rata based on insured values.

After discussion the committee members approved the property funding recommendations as outlined in the staff report. /M/Anderson/S/Taylor/C/.

8. STRATEGIC PLANNING & LOSS ALLOCATION DISCUSSION

The members and staff discussed the issues outlined in the staff report. Much of the discussion concerned the financial impact of the recent litigation and implication for the future stability of the pool. Staff has been directed to present options to address the issues, and the members discussed the best ways to present the options and provide sufficient information to make an informed decision.

9. OTHER BUSINESS

Larry Anderson suggested we obtain quotes for lowering the PLAN's SIR to $2.5 million for next year, given the current insurance market conditions and our recent results. Staff will request and review in time to present at the next Board meeting.

10. ADJOURNMENT:

Meeting Adjourned at 1:00 p.m.

Respectfully Submitted,

Marcus Beverly
Risk Manager & Secretary
ABAG PLAN Corporation