

Draft



ABAG PLAN CORPORATION
101 - 8th Street
Oakland, CA 94607

Board of Directors Annual Meeting
Summary Minutes

June 6, 2007
Embassy Suites Hotel
250 Gateway Boulevard
South San Francisco, CA 94080

Presiding

Larry Anderson, Chair

Jurisdiction

Burlingame

Committee Members Present

Heather McLaughlin
Jesse Takahashi
Laura Allen
Sandy Abe
Julie Carter
Kristi Chappelle
Anna Jatczak
Jud Norrell
Edna Masbad
Maria Saguisag-Sid
Patrick Alvarez
Judy Kozuki
Orry Korb
Emma Karlen
Jack Dilles
Gary Galliano
Angela Howard
Jim O'Leary
Yulia Rasulova
Barbara Powell
Jim Steele
Herb Lester

Benicia
Campbell
Colma
Cupertino
Dublin
Foster City
Gilroy
Half Moon Bay
Hillsborough
Hillsborough
Los Altos
Los Altos Hills
Los Gatos
Milpitas
Morgan Hill
Newark
Portola Valley
San Bruno
San Carlos
Saratoga
So. San Francisco
Suisun

Staff Present – ABAG PLAN Corporation

Henry Gardner	President
Marcus Beverly	Risk Manager
Ken Moy	Legal Counsel
Angela Salsbury	Claims Manager
Gertruda Luermann	Risk Management Analyst

Consultants Present

Mike Harrington	Bickmore Risk Services
Mary Beth O’Connell	Bickmore Risk Services
Dennis Mulqueeney	Driver Alliant Insurance Services
Seth Cole	Driver Alliant Insurance Services

1. Call To Order

Meeting was called to order at 12:40 p.m. A quorum of 22 members was present.

2. Public Comments

No Public Comments.

3. Approval of Minutes of Board of Directors Meeting October 18, 2006

Approval of minutes as presented. /M/McLaughlin/S/Korb/C/unanimously approved.

4. Business Meeting

A. Election of Officers FY 2007/08

The Board accepted the Executive Committee’s recommendation and, with no other nominations from the floor, Emma Karlen was elected as Vice Chair and Julie Carter as Chair of the PLAN Board of Directors for FY 07/08. /M/Korb/S/Galliano/C/unanimously approved.

B. Committee Appointments

Marcus Beverly provided a brief explanation of duties of committee members, asked for volunteers to serve on committees, requested Members to review the Board Members list and name an Alternate or update the list.

C. Meeting Schedule FY 2007/08

The meeting schedule was reviewed and approved as presented along with the committee appointments.

5. The Year in Review

Henry Gardner, ABAG PLAN President, gave an overview of recent activities and commended the PLAN members for contributing to a successful pool.

6. Risk Management Committee Report

A. Risk Management Policy Implementation Update

Mary Beth O'Connell of Bickmore Risk Services presented an overview of our progress in implementing the Risk Management Policy, including an updated scorecard of each Member's progress in various best practices.

Currently 16 Members have qualified for the Framework and Best Practices grants, 9 Members are very close to qualification, and 6 Members still need additional work. Risk control activities include: providing personal assistance and training to Members to implement Framework and Operational Best Practices; assessing Members' needs; identifying and developing new best practices for specific exposures; sponsoring a menu of annual and periodic workshops and webinars. A few Members have completed a second Safety Perception Survey, with more to be scheduled, and few Members are utilizing the Video Library.

After brief discussion, the Board thanked Ms. O'Connell for her presentation.

B. Risk Management Policy (RMP) Revisions

Larry Anderson presented recommended revisions to the RMP and additional draft best practices for review. Revisions to the RMP are meant to eliminate any reference to or reliance on the best practices as minimum or legal standards. Minor changes to the Sidewalk Best Practices were made to clarify the requirement that each Member at least consider passing a liability ordinance. Additional best practices are recommended for Aquatics and Special Events & Facility Rentals. Draft best practices in the areas of Landlord Liability, Employment Practice Liability, and Para-transit exposures were presented for review and comments only.

After review and discussion, the Board approved the recommended changes and additions to the RMP as presented. /M/Galliano/S/Dilles/C/Unanimously approved.

C. Risk Management Programs – Update & Funding

Larry Anderson, Risk Management Committee Chair, Burlingame, presented an update on the Committee's activities, including the budgets for our current programs and recommended funding for programs in FY 07/08.

After review and discussion, the Board agreed to recommend funding as follows:

- Risk Management Best Practices: funding of up to 5% of total liability premium for Members on a "use it or lose access to it" approach;
- Risk Management Program Grants: up to 5% of total funding with at least \$10,000 matching per member;
- Police Risk Management: funding up to \$15,000 matching grant per member and \$30,000 total for various training programs;
- Defensive Driving: continue program with budget of \$25,000;
- Risk Management Training: grants up to \$2,000;
- Sewer Loss Prevention: \$60,000 for FY 07/08;
- Risk Management Analyst: \$180,000 for FY 07/08.

/M/Karlen/S/Chapelle/C/Unanimously approved.

7. Actuary Committee Report:

A. Actuarial Review of the Liability Program

Mike Harrington of Bickmore Risk Services presented his firm's analysis of the program's outstanding liabilities and funding for the 07/08 program year.

Total discounted expected liabilities are projected at just over \$17 million. Liabilities at a 90% confidence level are projected to be \$25 million, with assets projected to be \$46.7 million, leaving more than \$21 million in the SIR Fund.

Expected Losses and ALAE for the PLAN's \$5 million SIR for the 07/08 program year are projected to be \$5.4 million. The discounted funding of the \$5 million SIR is estimated at \$4,788,000, with excess insurance of \$15 million estimated at no more than \$775,000 and administrative expenses at no more than \$2,400,000. Overall the funding is expected to be \$7,963,000 compared with \$8,061,000 last year.

Mr. Harrington also explained the change in how the administration expense is calculated for next year, with a higher percentage being allocated to variable expense based on claims from both the liability and property programs, and a cap of the administrative expense at no more than the loss funding for any member.

After brief discussion, the Board accepted the report and thanked Mr. Harrington for his presentation.

B. Options for Liability and Property Programs

Dennis Mulqueeny, Vice President, Driver Alliant Risk Services, presented his firm's results in marketing the PLAN's excess liability and property insurance for FY 07/08.

His presentation included a discussion of the insurance marketplace. With 2006 having produced the best underwriting results, property premium this year have dropped with the outlook good assuming normal catastrophic loss activity. As a result, we can expect a decrease of 18.26% in our premium rate. However, one significant change is that flood will not erode the aggregate deductible. Optional pollution coverage was presented. The Crime renewal should remain unchanged.

He also presented his firm's efforts in marketing the excess liability insurance, including markets approached and options at various limits and retentions. Premium for our current limit of \$15 million excess of \$5 million SIR is quoted for \$680,399, reflecting a premium reduction of 9.64%. It was pointed out that applications for 12 Members are still outstanding.

A renewal option for a higher limit of \$25 million was presented. The premium for this option of \$20 million excess of \$5 million SIR would be \$773,212.

After brief discussion, the Board thanked Mr. Mulqueeny for his presentation.

C. Funding Options and Recommendations

Marcus Beverly, ABAG PLAN Risk Manager, presented his report outlining the Liability and Property Program funding options for FY 07/08, including a comparison of our performance and recommendations based on the benchmarks in the PLAN Funding Policy, and the change in administrative expense allocation.

All of our key benchmarks have improved substantially with assets and total reserves up and total liabilities down. Our reserve to SIR ratio is projected to be almost 6:1 surpassing our goal of 5:1 and has almost reached the minimum Reserve to SIR ratio of 3:1 for a \$10 million SIR.

After reviewing the quotes presented by our insurance broker, staff recommended to maintain our \$5 million SIR, funded at 50% Confidence Level with excess insurance of \$15 million to a total limit of \$20 million.

The Board reviewed and discussed the options as presented. The option of an increased total limit of \$25 million was entertained but failed to obtain a majority vote. After further discussion, it was agreed to remain at the \$20 million total limit.

The Board approved Liability Program funding as presented and discussed, with a \$5 million SIR and \$15 million excess insurance. /M/Galliano/S/Allen/C/Approved with 2 abstentions.

The Property Program funding was also approved as presented with note made by the Chair that all Members should review whether our crime coverage satisfies their local bond ordinance. /M/Chappelle/S/Norell/C/Unanimously approved.

8. Finance Committee Report

A. Financial Report as of March 31, 2007

Jim Steele, Finance Committee Chair, South San Francisco, presented the Financial Report of March 31, 2007 and gave an overview of the financial and committee activities over the past year.

Over-deductible liability claims paid were at \$1.3 million and property claims at \$535,000. Investments are at \$48.2 million market value, with an overall yield of 4.47%, average maturity at 2.35 years, and average duration at 1.82 years. Our investments are within the Investment Policy guidelines and no changes to the Policy are recommended at this time.

B. Audited Financials as of June 30, 2006

Jim Steele also presented the audited financial statements of June 30, 2006 for Board approval.

After the overview and discussion, the Board accepted the audited financials as presented and reaffirmed the Investment Policy with no changes. /M/McLaughlin/S/Takahashi/C/Unanimously approved.

9. Claim Committee Report

Orry Korb, Claim Committee Chair, presented an update on the activities of the Claims Committee, including the results of our claims management audit and significant claim settlements.

We maintain our previous improvement in file documentation, investigation, and analysis with continued progress in diary and litigation management. We will continue to work to improve in these areas. Areas of strength, such as technical experience, investigation, documentation, litigation management were noted.

After brief review and discussion, the Board accepted the audit report of January 9, 2007, as presented and approved the steps taken for improvement.
/M/Korb/S/Steele/C/Unanimously approved.

10. Administrative Budget FY 2007/08

Marcus Beverly presented the proposed administrative budget for Board approval. The proposed budget of \$2,400,000 remains unchanged from FY 06/07 funding with the increase in actual expenses being paid from liability and admin reserves. Other changes include: \$180,000 for the new Risk Management Analyst position funded from liability reserves; personnel costs increased by 13% including new analyst positions (4% increase without); litigation audit expense now included in Legal Consultants; breakout of insurance and depreciation expenses from Miscellaneous.

After review and discussion, the administrative budget was approved as presented.
/M/Steele/S/Carter/C/Unanimously approved.

11. Executive Committee Report

Marcus Beverly presented a review of topics for our next strategic planning meeting for the members to review and discuss. Notes from 2004 & 2006 meetings were reviewed.

With respect to managing risks, we will continue our focus on increasing risk management services by issuing an RFQ for consultants and developing a list of pre-qualified contractors and menu of services. The addition of a new risk management analyst should improve communication.

As for managing funds, we added a new administrative formula for rate stability, achieved higher limits sooner than expected, and are still assessing risk management standards that may impact funding if not achieved.

Staff further presented a benchmarking report from ARMTEch for the Board's review and recommended pursuing CAJPA accreditation.

Closed Session

Note: Item 12 - Conference with Legal Counsel, Pacifica v. ABAG PLAN, was discussed in closed session pursuant to the requirements of the Ralph M. Brown Act.

12. Conference with Legal Counsel – anticipated or existing litigation

- **Pacifica v. ABAG PLAN**

The meeting resumed in open session at 4:20 p.m.

13. Announcements:

Larry Anderson announced that no reportable action was taken in closed session.

14. Other Business:

None

15. Adjournment:

The meeting was adjourned at 4:30 p.m.

Respectfully Submitted,



Marcus Beverly
Risk Manger & Secretary
ABAG PLAN Corporation

DRAFT