



**Executive Committee  
Regular Meeting  
Summary Minutes**

**Wednesday, April 24, 2002  
ABAG Conference Room B  
101 Eighth Street, Oakland, CA**

**Presiding:** Robert Sousa, Suisun City

**Committee Members Present:** Tina Reza, Morgan Hill  
Alex McIntyre, Tiburon  
Gretchen Conner, Campbell  
Orry Korb, Los Gatos  
Cecilia Quick, City of Pacifica

**Committee Members Absent:** Susan George, Woodside  
Alan Nadritch, Benicia

**ABAG Staff Present:** Marcus Beverly, Director of Risk Management  
Joseph Chan, Chief Financial Officer  
Ken Moy, Legal Counsel  
Angela Salsbury, Claims Manager  
Terry Hickman, Litigation Claims Examiner  
Carol Johnson, ABAG PLAN Secretary

**1. Call to Order:** 11:10 p.m. a quorum was present.

**2. Public Comments:** None

**3. Approval of Minutes, April 5, 2001:**

Ken Moy requested change to minutes as presented. In the description of the nominations for election of officers for FY 2002/02, should state the Committee nominated the candidates v. appointed them. Also add: "There being no further nominations, Sousa and Conner are elected by acclamation."  
/M/McIntyre/S/Korb/C/ to approve minutes as amended.

**4. Election of Officers, FY 2002-03:**

/M/McIntyre/S/Korb/C/ to nominate Gretchen Conner Chair and /M/Conner/S/Reza/C to nominate Jack Dilles Vice Chair of the Board for upcoming fiscal year. There being no further nominations, Conner and Dilles are elected by acclamation.

**5. Actuarial & Underwriting Committee Report:**

\* Self Funded Excess Liability Program as of June 30, 2002

Marcus Beverly reviewed the actuary report and funding options for FY 2002/03 until a quorum was present and the meeting called to order at 11:10 a.m., at which time agenda items 1-4 were discussed and approved before the discussion again turned to the Liability Program.

Rob Sousa spoke up for those members who are facing funding increases and budget shortfalls to determine if there was any way a dividend could be approved.

Alex discussed the AU Committee's recommendation and how they arrived at the funding numbers. He stated we are now a more mature organization, relying for the first time exclusively on the PLAN loss history to develop the funding amounts. He's not a big proponent of giving dividends. Ideally the original funding would more accurately reflect our ultimate payouts, such that money would not be left over to pay dividends. He also discussed our goal of self-funding up to \$10 million and that we have the funds and momentum to achieve our goals much sooner if we don't pay a dividend.

Rob discussed whether or not a \$10 million limit is a worthy goal, since we've never had even a \$5 million claim. Cecilia Quick stated she was concerned that Pacifica could have a \$10 million claim. Other committee members discussed the funding options and our goals in light of the recommendation made by the AU Committee.

/M/McIntyre/S/Quick/ to approve the funding option recommended by the Actuary Committee, with a \$5 million SIR and excess insurance of \$5 million not to exceed \$350,000. The funds in excess of the 90% confidence level will be added to the SIR Fund, with no dividend declared.

Motion was approved by voice vote by all committee members present, with the exception of Rob Sousa, who voted against the motion because no dividend was declared.

- Funding Policy

Marcus discussed the draft Funding Policy and minor revision to the Policy as approved by the AU Committee. Ken Moy suggested we remove the term "assess" from section 3.1, due to lack of reference to assessments in the Revised Risk Coverage Agreement and ability to include the amount in the yearly funding. The language in the Policy presented to the Executive Committee was changed to read:

"The initial Program Year deposit shall include amount needed, if any, to maintain total assets at least equal to Expected Liabilities."

/M/Conner/S/McIntyre/C/ to approve the Funding Policy as presented.

## 6. Loss Prevention Committee Report:

Marcus Beverly presented a summary of the programs recommended by the Loss Prevention Committee, which include the following:

- \* Fund Sewer Loss Prevention & Response cost = for approximately \$125,000.00
- \* Fund Police Training program = \$10,000.
- \* Additional cost of \$5,000.00 to cover Defensive Driving Training program.

/M/McIntyre/S/Korb/C/ to approve the Loss Prevention programs as presented.

## 7. Finance Committee Report:

Rob Sousa discussed the Finance Committee's work in making changes to the Investment Policy, including limiting the number of callable investments.

Joseph Chan presented the proposed Investment Policy changes and Investment Report. He discussed the breakdown of assets in to three funds and the types of investments and maturities associated with each: Operating Fund = assets needed to pay yearly admin and claims expenses, invested in LAIF or other short-term, highly liquid investments.

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Claims Liability Fund = assets needed to pay outstanding and IBNR claims with assets having average duration close to the duration of the claims, approximately 3-4 years.

Long-Term Fund = assets above the amount needed to meet expected losses. Investments can have longer maturity and higher yield than those in the Claims Fund.

The revised Funding Policy allows investments in corporate notes, limited to those that maintain the highest rating from the rating agencies and with maturities limited to no more than 5 years. The policy calls for a limit of 30% of the portfolio in callable securities and corporate notes, combined.

Joe also discussed the Investment Report with the committee. Since the Finance Committee meeting we have moved \$9 million from LAIF in to securities with 4-5 year maturity and average yield of 4.6%. He will continue to periodically invest in securities until we have @ \$5 million left in LAIF.

/M/Korb/S/Conner/C/ to approve the revised Investment Policy as presented and accept the Investment Report.

#### **8. Claim Committee Report:**

Marcus Beverly presented an update and progress report in reference to the claim audit held in November, 2001. The results of that audit: excellence in negotiating settlement, well-managed and organized files but in need of better documentation. The three new tools that have been implemented to better document claim files are (1) bodily injury evaluation worksheet (2) new claim reporting format (3) litigation management plan and budget worksheet developed by Terry Hickman.

He also discussed the development of a Claims Policy to guide the Claims Committee, similar to the Investment and Funding Policies used by the Finance and AU Committees, respectively.

M/Sousa/S/McIntyre/C/ to accept the Claim Committee Report and new file documentation tools as presented, including the approval of the claims audit and development of a Claims Policy.

#### **9. Planning Meeting Follow Up:**

Marcus Beverly Presented an update on progress in addressing the goals identified in the most recent planning meeting and asked the committee to approve the following:

\* Committee Meeting Schedule

Recommendation: Once a year (1<sup>st</sup> week in October) the Executive Committee will hold a planning meeting, with all Board members and alternates invited to attend.

\* Staffing Plan

Add one additional "temp to hire" claims examiner position and expand the role of the present claims examiners to include more responsibility for loss prevention and training. Maintain current temp examiner until the end of September, 2002 and then evaluate staffing situation. Also authorize Marcus Beverly to hire full time claims examiner at his discretion.

/M/Sousa/S/McIntyre/C/ to approve planning meeting follow up recommendations as presented.

#### **10. Proposed ABAG PLAN Budget – FY 2002-03**

Marcus Beverly presented the proposed budget for funding administrative expenses of the PLAN.

/M/Sousa/S/Quick/C/ to approve the admin budget as presented.

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**11. Other Business:**  
None

**12. Adjournment**  
Meeting adjourned at 2:05 p.m.