

ABAG PLAN CORPORATION
BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

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**ASSOCIATION OF BAY AREA GOVERNMENTS
PLAN CORPORATION
JUNE 30, 2003**

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INDEPENDENT AUDITOR'S REPORT

ACCOUNTANCY CORPORATION
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Board of Directors
ABAG PLAN Corporation
Oakland, California

We have audited the financial statements of the major funds of ABAG Pooled Liability Assurance Network Corporation (PLAN) as of June 30, 2003, and for the year then ended, which collectively comprise PLAN's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of PLAN's management. Our responsibility is to express an opinion on these financial statements based on our audit.

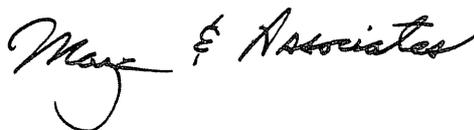
We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major funds of PLAN at June 30, 2003 and the respective changes in financial position and cash flows for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

The basic financial statements referred to above follow the requirements of the Government Accounting Standards Board's Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, No. 36, *Recipient Reporting for Certain Non-exchange Revenues, an Amendment of GASB Statement No. 33*, No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments; Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures*, as discussed in Note 1 to the Basic Financial Statements.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplemental section listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, we express no opinion on it.



September 5, 2003

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The ABAG PLAN Corporation (PLAN) has issued the financial reports for fiscal year ending June 30, 2003 based on the provisions of the Government Accounting Standards Board Statement 34, "Basic Financial Statement and Management's Discussion & Analysis—for State and Local Governments," (GASB 34). One of the most significant requirements of GASB 34 is for government entities to prepare financial reports using the full accrual basis of accounting. Since PLAN has always been using this method of accounting, changes in its financial reports are primarily in the format of presentation.

GASB 34 requires PLAN to provide an overview of financial activities in the fiscal year and it should be read in conjunction with the accompanying financial statements.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

The Basic Financial Statements required under GASB 34 include:

- (1) Statement of Net Assets—provides information about the financial position of PLAN, including assets, liabilities and net assets. The difference between this statement and the traditional Balance Sheet is that net assets (fund equity) are shown as the difference between total assets and total liabilities.
- (2) Statement of Activities—presents revenues, expenses and changes in net assets for the fiscal year. It differs with the traditional Statement of Revenues and Expenses in that revenues and expenses directly attributable to operating programs are presented separately from investment income and financing costs.
- (3) Statement of Cash Flows—provides itemized categories of cash flows. This statement differs from the traditional Statement of Cash Flows in that it presents itemized categories of cash in flows and out flows instead of computing the net cash flows from operation by backing out non-cash revenues and expenses from net operating income. In addition, cash flows related to investments and financing activities are presented separately.

FISCAL YEAR 2003 FINANCIAL HIGHLIGHTS

PLAN's financial highlights for the fiscal year include the following:

- Total assets at June 30, 2003 were \$41.6 million. At June 30, 2002, total assets were \$38.38 million.
- Total revenues, including program and general revenues, were \$9.59 million in FY 2003, while total expenses were \$1.93 million.
- Total net assets increased \$7.66 million in FY 2003 to a new total of \$30.02 million at June 30, 2003.
- General Liability program operating revenues were \$4.69 million in FY 2003, while Property Liability operating revenues were \$829 thousand and Administration operating revenues were \$1.53 million.
- General Liability program operating expenses were \$(684) thousand in FY 2003, while Property Liability operating expenses were \$925 thousand and Administration operating expenses were \$1.69 million. The negative expense figure for the General Liability program is a reflection of a significant decrease in Claim Reserves as explained below.
- General revenues, comprising investment income, totaled \$2.54 million for FY 2003.
- General Liability net assets were \$27.97 million at June 30, 2003, while Property Liability net assets were \$1.88 million and Administration net assets were \$178 thousand at that date.

CLAIMS SETTLEMENT AND RESERVES FOR CLAIMS

Above-deductible General Liability claims paid totaled \$3.3 million during FY 2003. Included in these payments were almost \$2 million for sewer claims and \$400 thousand for an automobile claim. Claim Reserves for General Liability have declined from roughly \$15.7 million on June 30, 2002 to \$11.2 million on June 30, 2003. Our new actuary determined claims development for 1999-00 and prior years was significantly less than previous reports. While we are aware the change of actuary may have an impact, we attribute at least a portion of this favorable change in Claim Reserves to the PLAN's focus on setting case reserves for reported claims.

Above-deductible Property Liability claims paid during FY 2003 amounted to \$232 thousand. Claim Reserves for Property Liability was \$158 thousand at June 30, 2003, and have been at this level for the last couple of years.

INVESTMENT ACTIVITIES

As required by GASB, PLAN reports its investments at fair value. At June 30, 2003, PLAN had \$7.28 million invested in the Local Agency Investment Fund (LAIF) and \$33.29 million invested in various federal agency securities. The investment portfolio realized an overall average rate of return of 4.16% for FY 2003, excluding adjustments for fair value.

MAJOR PROGRAM INITIATIVES AND ECONOMIC OUTLOOK

Under the guidance of the Loss Prevention Committee, staff continued to work during the past year on a number of loss prevention programs in police operation as well as sewer maintenance. We believe these loss prevention programs have also contributed to the favorable outlook in Claim Reserves.

For the past two years, PLAN has not declared a dividend as part of an initiative to increase its Self-Insured Retention (SIR) Fund. The SIR Fund allows members to safely raise or lower the pool's SIR depending on market conditions and loss experience. We have exceeded our original target and will continue to work with our actuary in evaluating our success in achieving the funding objectives of PLAN.

Although the Bay Area economy is currently showing signs of a gradual recovery, there is a significant concern that local government jurisdictions may continue to be adversely impacted by the condition of the State's budget. We believe PLAN's role in offering stable and efficient insurance coverage and risk management services will be even more valuable as local governments grapple with future economic challenges. We will continue to work with member jurisdictions in defining and achieving long-term objectives of PLAN.

CONTACTING PLAN'S FINANCIAL MANAGEMENT

The Basic Financial Statements are intended to provide PLAN members, citizens, creditors and other interested parties a general overview of the PLAN's finances. Questions about these statements should be directed to ABAG PLAN Corporation, 101 Eighth Street, Oakland, CA 94607.

<p style="text-align: center;">STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES</p>

The Statement of Net Assets and the Statement of Activities are entirely new statements required by Government Accounting Standards Board Statement 34. Their purpose is to summarize the entire PLAN's financial activities and financial position.

The Statement of Net Assets reports the difference between PLAN's total assets and total liabilities, including capital assets and long-term debts. The Statement of Net Assets presents similar information to the old balance sheet format, but presents it in a way that focuses the reader on the composition of PLAN's net assets, by subtracting total liabilities from total assets.

The Statement of Activities reports changes in PLAN's net assets. It is also prepared on the full accrual basis, which means it includes all PLAN's revenues and all its expenses, regardless of when cash changes hands.

These new financial statements along with the fund financial statements and footnotes are called *Basic Financial Statements*; the term General Purpose Financial Statements is no longer used.

ABAG PLAN CORPORATION
STATEMENT OF NET ASSETS
JUNE 30, 2003

	General Liability Fund	Property Liability Fund	Administration Fund	Total
ASSETS				
Cash and Cash Equivalents (Note 2)	\$5,101,684	\$2,041,503	\$337,653	\$7,480,840
Investments, at Fair Value (Note 2)	<u>33,294,593</u>			<u>33,294,593</u>
Total Cash and Investments	<u>38,396,277</u>	<u>2,041,503</u>	<u>337,653</u>	<u>40,775,433</u>
Interest Receivable	473,541		9,808	483,349
Receivable from Members	<u>124,474</u>	<u>2,648</u>		<u>127,122</u>
Total Current Assets	<u>38,994,292</u>	<u>2,044,151</u>	<u>347,461</u>	<u>41,385,904</u>
Software, Net	<u>216,419</u>			<u>216,419</u>
Total Assets	<u>39,210,711</u>	<u>2,044,151</u>	<u>347,461</u>	<u>41,602,323</u>
LIABILITIES				
Current Liabilities				
Payable to Association of Bay Area Governments	1,088		167,723	168,811
Other Payables		<u>6,399</u>	<u>1,500</u>	<u>7,899</u>
Total Current Liabilities	<u>1,088</u>	<u>6,399</u>	<u>169,223</u>	<u>176,710</u>
Noncurrent Liabilities (Note 3)				
Reserves for Claims and Claim Adjustment Expenses	10,670,000	150,000		10,820,000
Reserves for Unallocated Loss Adjustment Expenses	<u>574,000</u>	<u>7,500</u>		<u>581,500</u>
Total Noncurrent Liabilities	<u>11,244,000</u>	<u>157,500</u>		<u>11,401,500</u>
Total Liabilities	<u>11,245,088</u>	<u>163,899</u>	<u>169,223</u>	<u>11,578,210</u>
NET ASSETS				
Unrestricted	<u>27,965,623</u>	<u>1,880,252</u>	<u>178,238</u>	<u>30,024,113</u>
Total Net Assets	<u>\$27,965,623</u>	<u>\$1,880,252</u>	<u>\$178,238</u>	<u>\$30,024,113</u>

ABAG PLAN CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2003

	General Liability Fund	Property Liability Fund	Administration Fund	Total
PROGRAM OPERATING REVENUES				
Premiums from Members				
Administration			\$1,534,233	\$1,534,233
General Liability Insurance	\$4,688,891			4,688,891
Property Insurance		\$829,308		829,308
Other	750			750
Total Program Operating Revenues	<u>4,689,641</u>	<u>829,308</u>	<u>1,534,233</u>	<u>7,053,182</u>
PROGRAM OPERATING EXPENSES				
Provision (credit) for Claims and Claim Adjustment Expenses	(1,036,628)	232,707		(803,921)
Provision (credit) for Unallocated Loss Adjustment Expenses	(173,859)			(173,859)
Property Insurance Coverage	16,076	678,991		695,067
Excess Insurance Coverage	369,776			369,776
Depreciation	61,834			61,834
Management and Administration			1,516,478	1,516,478
Contract Services	67,853	13,084	170,461	251,398
Other Expenses	11,322			11,322
Total Program Operating Expenses	<u>(683,626)</u>	<u>924,782</u>	<u>1,686,939</u>	<u>1,928,095</u>
Net Program Operating Income	5,373,267	(95,474)	(152,706)	5,125,087
GENERAL REVENUE				
Investment Income	2,462,588	50,000	25,000	2,537,588
Change in Net Assets	7,835,855	(45,474)	(127,706)	7,662,675
Beginning Net Assets	20,129,768	1,925,726	305,944	22,361,438
Ending Net Assets	<u>\$27,965,623</u>	<u>\$1,880,252</u>	<u>\$178,238</u>	<u>\$30,024,113</u>

ABAG PLAN CORPORATION
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2003

	General Liability Fund	Property Liability Fund	Administration Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from members	\$4,751,791	\$826,660	\$1,524,425	\$7,102,876
Payments for insurance and contract services	(456,966)	(693,538)	(134,340)	(1,284,844)
Payments to ABAG			(1,516,478)	(1,516,478)
Claims paid	(3,250,545)	(232,707)		(3,483,252)
Payments (to) from members				
Other payments	(17,890)	6,399	(5,738)	(17,229)
Net cash provided by operating activities	<u>1,026,390</u>	<u>(93,186)</u>	<u>(132,131)</u>	<u>801,073</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of Investments	(9,115,454)			(9,115,454)
Proceeds from sales and maturities of investments	1,465,487			1,465,487
Interest received	860,940	50,000	25,000	935,940
Cash Flows from Investing Activities	<u>(6,789,027)</u>	<u>50,000</u>	<u>25,000</u>	<u>(6,714,027)</u>
Net increase (decrease) in cash and cash equivalents	(5,762,637)	(43,186)	(107,131)	(5,912,954)
Cash and cash equivalents at beginning of year	<u>10,864,321</u>	<u>2,084,689</u>	<u>444,784</u>	<u>13,393,794</u>
Cash and cash equivalents at end of year	<u>\$5,101,684</u>	<u>\$2,041,503</u>	<u>\$337,653</u>	<u>\$7,480,840</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income	\$5,373,267	(\$95,474)	(\$152,706)	\$5,125,087
Adjustments to reconcile operating income to cash flows from operating activities:				
Depreciation	61,834			61,834
Change in assets and liabilities				
Interest Receivable	(57,426)		(9,808)	(67,234)
Receivable from Members	120,326	(2,648)		117,678
Payable to Association of Bay Area Governments and Other Payables	(10,579)	4,936	30,383	24,740
Reserves for Claims and Claim Adjustment Expenses	(4,287,173)			(4,287,173)
Reserves for Unallocated Loss Adjustment Expenses	(173,859)			(173,859)
Net cash provided by operating activities	<u>\$1,026,390</u>	<u>(93,186)</u>	<u>(132,131)</u>	<u>\$801,073</u>

ABAG PLAN CORPORATION
Notes to Financial Statements

NOTE 1 - DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES

A. *Description and Programs*

The Association of Bay Area Governments Pooled Liability Assurance Network Corporation (PLAN) is a non-profit public benefit corporation created by ABAG to provide a pooled approach for liability coverage for a number of Bay Area cities as allowed under the California Government Code. The purpose of PLAN is to operate and maintain a joint program for liability and property damage protection for the member agencies. PLAN is governed by a Board of Directors comprising officials appointed by each member agency. The activities of PLAN include setting and collecting premiums, administering and paying claims and related expenses and investing PLAN's assets.

The Association of Bay Area Governments (ABAG) assists PLAN by providing administrative, accounting and clerical support. PLAN paid ABAG \$1,516,478 for these services in the fiscal year ended June 30, 2003.

The members of PLAN must be members of ABAG, but not all ABAG members are members of PLAN. For that reason, PLAN is not a component unit of ABAG.

B. *Basis of Presentation*

PLAN's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

The accompanying financial statements are presented on the basis set forth in Government Accounting Standards Board Statements No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, No. 36, *Recipient Reporting for Certain Non-exchange Revenues, an Amendment of GASB Statement No. 33*, No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments; Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures*.

C. *Major Funds*

GASB Statement 34 defines major funds and requires that PLAN's major business-type funds be identified and presented separately in the fund financial statements.

Major funds are defined as funds that have either assets, liabilities, revenues or expenses equal to ten percent of their fund-type total and five percent of the grand total.

PLAN reported all its enterprise funds as major funds in the accompanying financial statements:

General Liability Fund – this fund accounts for revenues and expenses for general liability for its participating members.

ABAG PLAN CORPORATION
Notes to Financial Statements

NOTE 1 - DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Liability Fund – this fund accounts for revenues and expenses for the property liability program for its participating members.

Administration Fund – this fund accounts for revenues and expenses for management and administration activities of PLAN.

D. *Basis of Accounting*

PLAN accounts for all transactions in enterprise funds, which are separate sets of self-balancing accounts that comprise assets, liabilities, net assets, revenues and expenses. All transactions are accounted for on the accrual basis, which means that expenses are recorded when the liability is incurred and revenues are recorded when earned, rather than when cash changes hands.

Since PLAN operates proprietary activities, which are usually thought to be business-type activities, applicable statements and interpretations of the Financial Accounting Standards Board (FASB) issued before November 30, 1989 may apply unless they conflict with or contradict GASB pronouncements. The Pool has elected not to apply FASB pronouncements issued after November 30, 1989.

Premiums from Members - Each member is assessed a premium which is intended to cover PLAN's claims, operating costs and claims settlement expenses. Premiums are based on an actuarially determined rate, based on an estimate of the probable losses and expenses to be borne in the year in question. Additional cash contributions may be assessed on the basis of adverse loss experience. Refunds to members may be made if funds are determined to be surplus as a result of an actuarial study. Losses are allocated on the basis of each participant's share of cash contributions. All premiums are recognized as revenues when earned, based on the period covered by the premium.

Losses and Claims - PLAN establishes claim liabilities based on estimates of the ultimate cost of claims (including future claims settlement expenses) that have been reported but not settled, and based on estimates of claims that have been incurred but not reported (termed IBNR). Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, claims liabilities are recommitted periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation is implicit in the calculation of estimated future claims costs because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claim liabilities are charged or credited to expense in the periods in which they are made.

PLAN has a multi-level risk sharing arrangement. Each member assumes its own losses up to its retention level. Losses in excess of the self-insured retention are paid out of a central pool maintained by PLAN for each of the layers of coverage. This central pool is funded by all of the members through cash contributions. Losses in excess of participation limits are the responsibility of the individual member from which the loss or claim originated.

ABAG PLAN CORPORATION
Notes to Financial Statements

NOTE 1 - DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

PLAN uses reinsurance agreements to reduce its exposure to large losses. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of PLAN as direct insurer of the risks reinsured. PLAN does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurance. Premiums paid to reinsurers during the year ended June 30, 2003 were \$1,064,843.

Risk Sharing - PLAN's program is a "risk sharing pool" which pools risks and funds and which shares in the cost of losses. PLAN maintains members equity accounts for each pool member. Losses and expenses are paid from these pools up to the limit of coverage subject to the self-insured retention.

Each year, PLAN evaluates the pool's financial risk position, defined as contributions less expenses, claims reserves and IBNRs. If the events of the year result in a negative risk position, the members' annual assessments may be increased in subsequent years.

Equipment - Equipment is stated at cost less accumulated depreciation, which is provided on the straight-line basis over the estimated useful lives of the respective assets. The estimated useful life of software is seven years and that of equipment is five years.

NOTE 2 - CASH AND INVESTMENTS

A. *Cash Deposits*

The balance in PLAN's general checking account was \$200,243 at June 30, 2003. The bank balance before reconciling items was \$247,374 at that date, of which \$100,000 was fully insured by the Federal Deposit Insurance Corporation (FDIC) and the remaining \$147,374 was collateralized.

B. *Authorized Investments*

PLAN is authorized by State statutes and Board action to invest in certificates of deposit, bankers' acceptances, commercial paper, U.S. Treasury and Agency securities and the California Local Agency investment fund (LAIF).

C. *Credit Risk, Carrying Amount and Market Value of Investments*

PLAN invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system.

PLAN categorizes its individual securities instruments in ascending order to reflect the relative risk of loss of these instruments. This risk is called Credit Risk, the lower the number, the lower the risk. The three levels of risk prescribed by generally accepted accounting principles are described below:

Category 1 - None of PLAN's investments are in this category, which would include securities instruments which were held in PLAN's name and were in the possession of the Trust Department of the bank employed by PLAN solely for this purpose.

ABAG PLAN CORPORATION
Notes to Financial Statements

NOTE 2 - CASH AND INVESTMENTS (Continued)

Category 2 – Securities instruments in this category are securities instruments and book entry form securities in the bank’s name but held by its Trust Department in PLAN’s name.

Category 3 - None of PLAN’s investments are in this category, which would include only PLAN-owned securities instruments or book entry form securities which were not in PLAN’s name and not held by the bank’s Trust Department.

Pooled Investments - Pooled investments are not categorized because of their pooled, rather than individual nature.

PLAN carries its investments at fair market value. The carrying value and categorization of these investments is presented below:

	Fair Value	
	Category 2	Total
<i>Categorized Investments:</i>		
U.S. Government Agencies	\$33,294,593	\$33,294,593
<i>Non-categorized Investments:</i>		
State of California Local Agency Investment Fund		7,280,597
Total Investments	\$33,294,593	40,575,190
Cash Deposits with Banks		200,243
Total Cash and Investments		\$40,775,433

D. Local Agency Investment Fund

PLAN is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. PLAN reports its investment in LAIF at the fair value amount provided by LAIF, which at June 30, 2003 was \$20,722 more than PLAN’s cost. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF’s investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations.

E. Statement of Cash Flows

For purposes of the statement of cash flows, PLAN considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

ABAG PLAN CORPORATION
Notes to Financial Statements

NOTE 3 - RESERVES FOR CLAIMS AND CLAIMS ADJUSTMENT EXPENSES

Reconciliation of Reserves

Reserves for claims and claim adjustment expenses changed as follows:

	General Liability Pool		Property Liability Pool	
	2003	2002	2003	2002
Reserves for claims and claim settlement expenses, beginning of year	\$15,705,032	\$15,065,597	\$157,500	\$56,827
Provision for claims and claim settlement expenses attributable to insured events of:				
Current year	4,688,891	4,184,546	829,308	171,825
Prior years	(5,899,378)	(2,759,944)	(596,601)	
Total incurred claims and claim settlement expenses	(1,210,487)	1,424,602	232,707	171,825
Less settlement of claims and claim settlement expenses attributable to insured events of current and prior fiscal years:				
Claims paid -- current year	(955,354)		(214,072)	(63,773)
Claims paid -- prior years	(2,295,191)	(785,167)	(18,635)	(7,379)
Total payments	(3,250,545)	(785,167)	(232,707)	(71,152)
Reserves for claims and claim settlement expenses, end of year	\$11,244,000	\$15,705,032	\$157,500	\$157,500
Components of unpaid claim liabilities:				
Reserves for claims and claim settlement expenses	\$10,670,000	\$14,957,173	\$150,000	\$150,000
Reserves for unallocated loss settlement expenses	574,000	747,859	7,500	7,500
Total	\$11,244,000	\$15,705,032	\$157,500	\$157,500

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ABAG PLAN CORPORATION
Notes to Financial Statements

REQUIRED SUPPLEMENTARY INFORMATION: Claims Development Information

The preceding tables illustrate how PLAN's earned revenue (net of excess insurance) and investment income compare to related costs of loss and other expenses assumed by PLAN as of the end of each of the past ten years. The rows of table are defined as follows:

- (1) This line shows the total of each fiscal year's gross earned premium revenue, premium revenue ceded to excess insurers and net earned premium revenues.
- (2) This line shows investment income allocation to policy year from investment income earned during each of the past ten fiscal years.
- (3) This line shows the total of net earned premiums and investment revenues.
- (4) This line shows each fiscal year's other operating costs of PLAN not allocable to individual claims.
- (5) This line shows the net funds available for claims, after payments for excess insurance and unallocated expenses.
- (6) This section of ten rows shows the cumulative net claims paid at the end of successive years for each policy year.
- (7) This section of ten rows shows the estimated outstanding reserves as of the end of the current year for each policy year. This annual reestimation results from new information received on reported claims not previously reported.
- (8) This section of ten rows is the total of (6) and (7) and shows how each policy year's net incurred claims has changed as of the end of successive years.
- (9) This line compares the latest reestimated net incurred claims amount to the amount for each policy year originally established (first row of line 8) and shows the difference between the current and original amounts. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years.
- (10) (General Liability Pool only) This line shows the allocation of equity distributions to policy years paid by the pool during each of the 10 most recent fiscal years.
- (11) (General Liability Pool only) This line shows the total of line 10 by policy year.
- (12) This line shows the funds available after reestimated claims and dividends.

ABAG PLAN CORPORATION
REQUIRED SUPPLEMENTARY INFORMATION
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
GENERAL LIABILITY POOL
YEARS ENDED JUNE 30
UNAUDITED

(dollars in thousands)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
(1) Earned premiums	\$4,665	\$4,465	\$5,222	\$5,151	\$5,269	\$4,980	\$4,695	\$4,916	\$5,486	\$6,223
Excess insurance premiums									250	370
Net Earned	<u>\$4,665</u>	<u>\$4,465</u>	<u>\$5,222</u>	<u>\$5,151</u>	<u>\$5,269</u>	<u>\$4,980</u>	<u>\$4,695</u>	<u>\$4,916</u>	<u>\$5,236</u>	<u>\$5,853</u>
(2) Investment income allocation:										
FY 02-03	127	\$86	\$216	\$201	\$98	\$13	\$104	\$147	\$159	\$156
FY 01-02	143	96	241	226	126	30	116	200	206	
FY 00-01	158	106	267	250	142	249	148	232		
FY 99-00	146	104	242	221	174	192	145			
FY 98-99	153	101	253	219	214	90				
FY 97-98	160	115	273	245	231					
FY 96-97	161	183	243	225						
FY 95-96	169	186	241							
FY 94-95	231	206								
FY 93-94	221									
(3) Net earned premiums and investment revenues	6,334	5,648	7,198	6,738	6,254	5,554	5,208	5,495	5,601	6,009
(4) Unallocated expenses	824	1,065	1,085	1,140	1,409	1,503	1,947	1,394	1,596	1,828
(5) Funds available for claims	5,510	4,583	6,113	5,598	4,845	4,051	3,261	4,101	4,005	4,181
(6) Paid (cumulative) as of:										
End of program year	178	83	24	0	6	1,865	66	53	0	955
One year later	368	434	42	145	230	2,574	735	234	580	
Two years later	1,409	532	71	524	1,074	3,280	928	960		
Three years later	1,545	1,997	277	568	2,262	3,659	1,073			
Four years later	1,684	2,114	449	601	2,299	3,979				
Five years later	1,678	2,013	457	601	2,645					
Six years later	1,684	2,123	458	627						
Seven years later	1,678	2,123	458							
Eight years later	1,678	2,123								
Nine years later	1,690									
(7) Estimated reserves for claims and claims adjustment expenses										
End of policy year	3,924	3,887	3,683	3,663	3,429	3,400	3,444	3,926	3,985	3,039
One year later	3,204	3,192	3,391	3,495	3,106	2,537	3,022	3,573	2,832	
Two years later	1,796	2,515	2,962	2,671	2,319	2,042	2,632	2,177		
Three years later	1,678	878	1,989	1,925	2,005	1,752	1,234			
Four years later	1,462	678	1,166	1,197	1,259	1,455				
Five years later	1,164	612	865	563	266					
Six years later	985	340	374	46						
Seven years later	619	164	21							
Eight years later	282	68								
Nine years later	37									
(8) Reestimated incurred claims and claims adjustment expenses:										
End of policy year	4,102	3,970	3,707	3,663	3,435	5,265	3,510	3,979	3,985	3,994
One year later	3,572	3,626	3,433	3,640	3,336	5,111	3,757	3,807	3,412	
Two years later	3,205	3,047	3,033	3,195	3,393	5,322	3,560	3,137		
Three years later	3,223	2,875	2,266	2,493	4,267	5,411	2,307			
Four years later	3,146	2,792	1,615	1,798	3,558	5,434				
Five years later	2,842	2,625	1,322	1,164	2,911					
Six years later	2,669	2,463	832	673						
Seven years later	2,297	2,287	479							
Eight years later	1,960	2,191								
Nine years later	1,727									
(9) Change in estimated net incurred claims from end of policy year	(2,375)	(1,779)	(3,228)	(2,990)	(524)	169	(1,203)	(842)	(573)	0
(10) Equity Distribution										
Paid 7/01	140	101	322	204	(78)	(225)	(217)	(254)		
Paid 7/00	193	124	135	74	21					
Paid 7/99	194	95	158	36						
Paid 7/98	81	84	45							
Paid 7/97	219	69								
Paid 7/96	44									
Paid 7/95										
(11) Total Equity Distributed	871	473	660	314	(57)	(225)	(217)	(254)	0	0
(12) Funds available after estimated claims and equity distributions	2,912	1,919	4,974	4,611	1,991	(1,158)	1,171	1,218	593	187

ABAG
ABAG PLAN CORPORATION
REQUIRED SUPPLEMENTARY INFORMATION
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
PROPERTY LIABILITY POOL
YEARS ENDED JUNE 30
UNAUDITED

(dollars in thousands)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
(1) Earned premiums	\$431	\$453	\$494	\$515	\$528	\$529	\$529	\$439	\$516	\$829
Excess insurance premiums	195	228	272	287	282	248	286	380	347	679
Net Earned	<u>\$236</u>	<u>\$225</u>	<u>\$222</u>	<u>\$228</u>	<u>\$246</u>	<u>\$281</u>	<u>\$243</u>	<u>\$59</u>	<u>\$169</u>	<u>\$150</u>
(2) Investment income allocation:										
FY 02-03	\$4	\$6	\$5	\$7	\$7	\$5	\$5	\$5	\$2	\$6
FY 01-02	9	10	8	11	11	10	10	9	2	
FY 00-01	10	10	9	11	12	10	10	9		
FY 99-00	9	9	8	10	11	10	10			
FY 98-99	7	7	6	8	8	8				
FY 97-98	6	7	6	7	8					
FY 96-97	7	7	6	8						
FY 95-96	8	8	8							
FY 94-95	4	4								
FY 93-94	5									
(3) Net earned premiums and investment revenues	305	293	278	290	303	324	278	82	173	156
(4) Unallocated expenses						11	56		347	13
(5) Funds available for claims	305	293	278	290	303	313	222	82	(174)	143
(6) Paid (cumulative) as of:										
End of program year	27	18	86	7	4	6	7	9	63	214
One year later	32	23	123	36	9	54	20	21	76	
Two years later	33	23	124	36	9	65	20	22		
Three years later	30	23	124	36	10	65	20			
Four years later	30	23	124	36	7	65				
Five years later	30	23	124	36	7					
Six years later	30	23	124	36						
Seven years later	30	23	124							
Eight years later	30	23								
Nine years later	30									
(7) Estimated reserves for claims and claims adjustment expenses										
End of policy year	31	21	150	150	150	150	150	51	150	157
One year later	0	0	0	0	0	0	1	0	0	
Two years later	0	0	0	0	0	2	0	0		
Three years later	0	0	0	0	0	0	0			
Four years later	0	0	0	0	0	0				
Five years later	0	0	0	0	0					
Six years later	0	0	0	0						
Seven years later	0	0	0							
Eight years later	0	0								
Nine years later	0									
(8) Reestimated incurred claims and claims adjustment expenses.										
End of policy year	58	39	236	157	154	156	7	9	213	371
One year later	32	23	123	36	9	54	20	21	76	
Two years later	33	23	124	36	9	67	20	22		
Three years later	30	23	124	36	10	65	20			
Four years later	30	23	124	36	7	65				
Five years later	30	23	124	36	7					
Six years later	30	23	124	36						
Seven years later	30	23	124							
Eight years later	30	23								
Nine years later	30									
(9) Change in estimated net incurred claims from end of policy year	(28)	(16)	(112)	(121)	(147)	(91)	13	13	(213)	0
(12) Funds available after estimated claims	275	270	154	254	296	248	202	60	(250)	(228)

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