

ABAG Pooled Liability Assurance Network

# *Working Together*

Statement of Benefits 2007 - 2008





## CHAIR'S MESSAGE



*St. Patrick's Day Parade, City of Dublin*

Dear Members and Friends:

I am pleased to serve as Chair of the Association of Bay Area Governments (ABAG) Pooled Liability Assurance Network (PLAN) as we embark upon the organization's next twenty years. In last year's report, we profiled the past two decades of providing cost-effective pooled insurance services. This year we feature how we are building on our strong foundation for the future.

As a member-driven organization, ABAG PLAN participants work together to make good use of local governments' scarce resources. Grant programs and training sessions, coupled with other risk management services, help members more effectively use resources by reducing risk costs.

### **By the Numbers**

The liability program continues to maintain stable rates while maintaining the \$20 million total limit of coverage. Total funding is down 1.3 percent, compared with a 5.4 percent increase last year, and net assets have increased from \$22 to \$29 million. These results are due largely to improved claims experience, which relates to the improvements members made in risk management programs. ABAG PLAN was also able to maintain \$15 million in excess insurance within the same budget as last year.

The property program enjoyed unexpectedly good results, with a rate decrease of 21 percent and a total premium decrease of nine percent. This is a significant change from last year's 13.5 percent increase and occurs even though total member property insured values increased 15 percent to almost two billion.

### **Risk Management Activities Update**

Members continue to qualify as "Best Practice Members" by implementing our Risk Management Policy, with two-thirds now qualifying for grants. This member-developed policy guides each community to establish a risk management framework for effectively identifying and analyzing risks, implementing recommended strategies (best practices) to minimize those risks, monitoring effectiveness, and providing incentives to maintain and improve results.

"Best Practice Members" are now eligible for new grants totaling at least 10 percent of their premium to be used for any risk management purpose.

As we build on our successes, we are expanding the best practices and services offered to include new aquatic safety guidelines and field audits, special events guidelines and training, police risk management, and compliance with new safety regulations.

The City of Dublin used the special events guidelines to great acclaim for the Dublin Lions' Club-sponsored St. Patrick's Day parade in 2007. We encourage others to review these guidelines for applicability in your jurisdiction.

I look forward to working with all of the members and the ABAG PLAN staff to build on our strengths to provide additional tools to meet the challenges we face today and in the future.

Sincerely,

Julie Carter  
Assistant to the City Manager, Dublin  
ABAG PLAN Board of Directors Chair

# SHARED RISK PROGRAMS

## POOLED LIABILITY PROGRAM

The 31 members of ABAG PLAN work together to self-insure general and auto liability claims by contributing to a shared risk pool. Each member chooses a deductible or self-insured retention (SIR) from \$25,000 to \$250,000.



*Foster City Hall construction insured by ABAG PLAN*

The pool pays claims covered by ABAG PLAN to a limit of \$5,000,000. Two excess insurance policies provide \$15,000,000 of additional coverage for a \$20,000,000 per occurrence limit. Coverage provides protection for Bodily Injury, Property Damage, Personal Injury, and Public Officials Errors and Omissions claims. ABAG PLAN also provides coverage for Employee Benefit Plan Administration Liability, with a limit of \$250,000, to cover damages related to acts, errors, or omissions in the administration of a qualified plan.

### Highlights

For Fiscal Year (FY) 2007-2008, total liability funding is \$5,588,000, a decrease of 1.3 percent from last year's funding. This substantial improvement compares with the 5.9 percent increase of FY 2006-2007 and comes in spite of an overall increase in member payroll of six percent. The decrease is due to improved claim results

and a slight drop in the price of excess insurance. Claim trends during FY 2006-2007 were favorable, with a decrease of \$1,600,000 in estimated ultimate losses and an increase of only 3.4 percent, or \$556,000, in our outstanding liabilities. ABAG PLAN members paid a total of \$4,780,000 in liability claims, with \$1,948,000 coming from pool funds. This is a significant improvement from the total of \$5,909,000 members paid in FY 05-06, with \$3,160,000 from pool funds.

The favorable claim results, combined with over \$2,000,000 in interest income, resulted in an increase in net assets of \$6,800,000 for the year. This is also a big improvement from last year's operating loss of \$546,531, due to a one-time increase in unallocated loss adjustment expense reserves.

ABAG PLAN's conservative funding strategy continues to allow leveraging reserves to maintain stable premiums and to provide an expanding level of risk management services. Administrative expenses for FY 07-08 remained stable at \$2,400,000 even with a new Risk Management Analyst position, which is funded from reserves. ABAG PLAN's net assets of \$29 million provide a healthy 5.8 to 1 ratio to the pool retention of \$5 million. Other ratios measuring financial strength placed ABAG PLAN at the top in a recent benchmark study of ten similar risk pools.

### Key Trends and Solutions

Damage from sewers, sidewalks, automobiles, and street trees continue to generate over half of the total number of claims. Three-fourths of total claims paid are as a result of civil rights violation, water damage, and road design claims, along with sewers and sidewalks.

Risk management services have focused on implementing best practices in these critical areas. As a

result, sewer losses have shrunk by almost 70 percent and there has been a steady decrease in sidewalk claims paid over the last three years. Sidewalk paid losses in FY 2006-2007 were less than 25 percent of FY 2002-2003 losses.

Ongoing risk management activities include the award winning "Sewer Smart" loss prevention program. The third "Sewer Summit" occurred in September 2007, with participants from the regulatory, plumbing, and system operation fields, sharing ideas for preventing and reducing the impact of backflows. The updated website, [www.sewersmart.org](http://www.sewersmart.org), has educational materials with a risk assessment including photographs illustrating homes at risk. The 2007-2008 Backflow Prevention campaign includes free backflow devices for qualified homeowners.



*From Left to Right: Larry Anderson, Burlingame City Attorney; Julie Carter, Dublin Assistant to the City Manager; Jean Quan, Oakland Councilmember; Marcus Beverly, ABAG PLAN Risk Manager.*

## Accomplishments

### In 2006-2007, ABAG PLAN:

- \* Increased per occurrence limit from \$10 million to \$20 million
- \* Funded over \$750,000 in risk management programs or members
- \* Maintained stable retention and reserve levels

## Plans

### In 2007-2008, ABAG PLAN will:

- \* Review governing documents and Funding Policy

- \* Fund up to \$1.2 million in risk management programs and services
- \* Maintain long-term funding strategies

## POOLED PROPERTY PROGRAM

Providing members with additional services, the ABAG PLAN Pooled Property Program began in 1992, with the formation of a risk sharing pool to cover losses above each member's \$5,000 deductible. Members purchase a comprehensive property insurance policy for losses above \$100,000. By pooling the losses below the insurance deductible and combining property values, members are able to significantly reduce their insurance costs.

The Program also provides physical damage coverage for member autos, with a deductible of \$10,000. Replacement cost coverage is provided for all scheduled high-value vehicles, such as fire trucks, to minimize the impact of replacing specialized equipment.

The Program has consistently exceeded expected results, allowing members to fund various risk management programs and providing a hedge against future market conditions or catastrophic losses. Covered losses are valued based on the repair or replacement cost of the damaged property. Other coverages provided, per the member's property schedule and terms of the policy, include:

- \* Flood Coverage
- \* Rental Income and Tax Interruption
- \* Landscaping and Athletic Fields
- \* Course of Construction



- \* Building Code Upgrades
- \* Boiler and Machinery

## Accomplishments

### In 2006-2007, ABAG PLAN:

- \* Reviewed and updated data for each member's insured property
- \* Conducted appraisals for key facilities and new properties

## Plans

### In 2007-2008, ABAG PLAN will:

- \* Continue property appraisals for new and key properties
- \* Conduct Boiler and Machinery inspections as scheduled
- \* Review estimates of earthquake losses and options for financing

## PURCHASING POOLS

ABAG PLAN offers a variety of group purchasing plans that allows members to customize their programs at group rates. These include:

### Bond Program

All members share in the group purchase of a Public Employee Commercial Crime Bond, providing a \$1,000,000 limit with a \$5,000 deductible. The coverage includes faithful performance/employee dishonesty, forgery/alteration, theft, disappearance and destruction, robbery and safe burglary, and computer fraud.

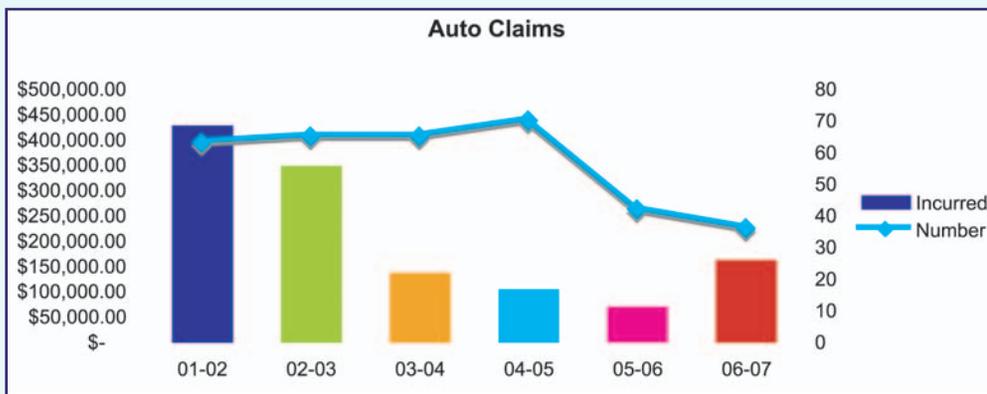
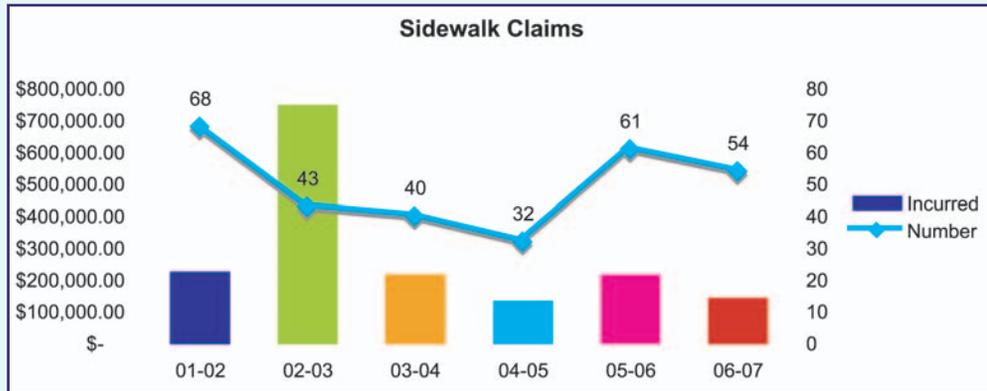
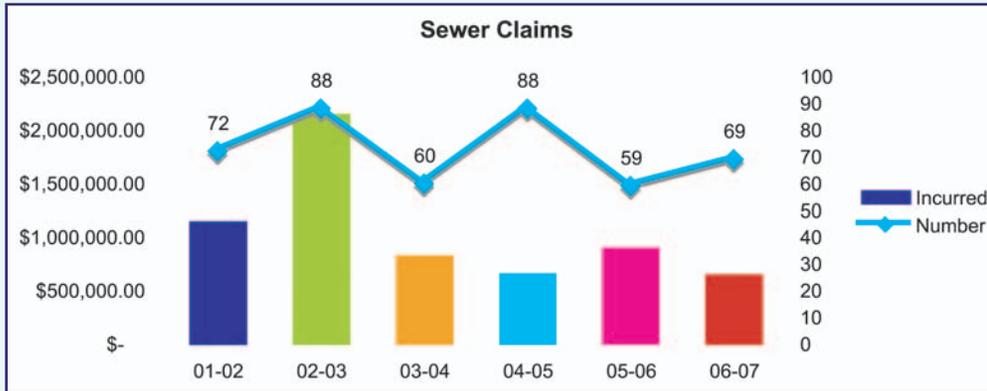
### Earthquake

Earthquake insurance is offered to members who choose to protect key facilities or who must maintain this coverage for publicly financed buildings.



Construction insured by ABAG PLAN

Photo: City of Gilroy



### Employment Practices Liability

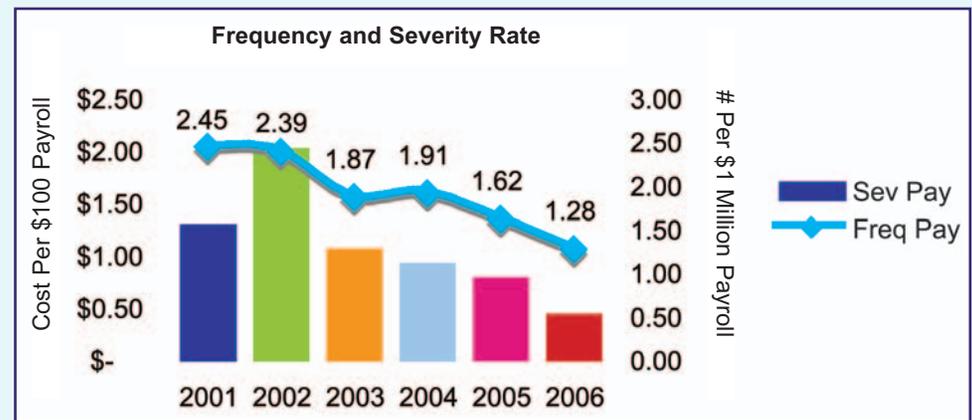
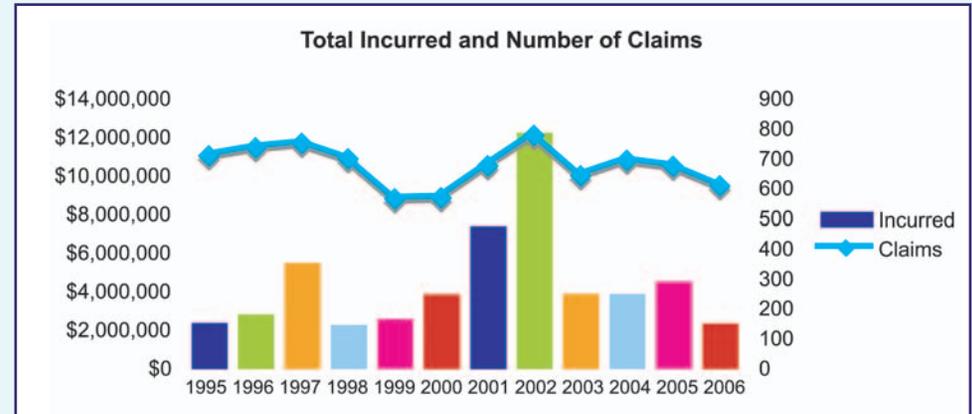
Members can purchase coverage for claims including wrongful termination, discrimination, sexual harassment, and other allegations of employment-related civil rights violations.

### Special Events and Services Liability

This insurance is offered to persons or organizations that rent or use public facilities for special events, including festivals, concerts, carnivals, and weddings. Coverage is also available for contractors, consultants, vendors, and recreational program instructors that provide services to the members and community.

### Excess Liability Options

Members may purchase additional excess liability insurance limits above the total of \$20 million provided by the pool to all members.



# OTHER SERVICES

## CLAIMS ADMINISTRATION

ABAG PLAN assigns an experienced claims examiner to each member community to investigate, evaluate, negotiate, and resolve liability and property claims. This close working relationship allows for a prompt investigation and response to reduce the impact of claims.

### Accomplishments

#### In 2006-2007, ABAG PLAN:

- \* Recovered over \$125,000 in damage claims for members

### Plans

#### During 2007-2008, ABAG PLAN will:

- \* Meet with members to review claims and response procedures
- \* Improve quarterly reports to members
- \* Conduct in-house technical training

## LITIGATION MANAGEMENT

ABAG PLAN maintains a list of expert legal counsel specializing in the unique civil claims members face. The attorneys agree to use ABAG PLAN case management guidelines under the supervision of a professional with over twenty years of experience in public entity litigation. As a result, ABAG PLAN members are able to successfully defend lawsuits at a reasonable cost.

### Recovery Services

Property pool members receive assistance in obtaining reimbursement from persons who cause damage to public property,

**\$3,000,000**  
recovered since  
1992

whether due to an auto accident, vandalism, or other cause. Since its inception in 1992, ABAG PLAN has recovered almost \$3 million on behalf of our members—money that goes back to serving the members of the community.

### Risk Management Services

In addition to managing the insurance and claims programs, ABAG PLAN provides a variety of risk management and pool administration services designed to meet members' needs.

### Accomplishments

#### In 2006-2007, ABAG PLAN:

- \* Established Service Credits for each member to use in meeting Risk Management Policy best practices and risk assessment recommendations
- \* Provided professional risk management consultants to work directly with each member to implement recommendations
- \* Provided each member a Risk Management Manual customized to their exposures
- \* Conducted training in playground inspection, contract analysis, sewer loss prevention, and risk management basics
- \* Provided grants for customized member training, sidewalk repair, police equipment, tree removal, defibrillators, and other risk management products and services

### Plans During 2007-2008, ABAG PLAN will:

- \* Continue follow up with each member to implement the Risk Management Policy and develop an action plan for addressing their key exposures
- \* Continue training, grant, and public education programs
- \* Expand training opportunities by coordinating efforts with other pools
- \* Improve consistency and quality of data for risk management analysis

**\$6,800,000**  
Net  
Assets



Construction of Benicia Library insured by ABAG PLAN

## RELATED ABAG RESOURCES

### ABAG HAZARD MITIGATION PROGRAM

ABAG conducts natural hazard mitigation planning on a regional level to maintain and enhance a disaster resistant region by reducing the potential loss of life, property damage, and environmental degradation from natural disasters, while accelerating economic recovery after these disasters.

The ABAG Multi-Jurisdictional Local Government Hazard Mitigation Plan for the San Francisco Bay Area also meets the requirements of the Disaster Mitigation Act of 2000 (DMA 2000), which mandates that local governments prepare Local Hazard Mitigation Plans to receive hazard mitigation funds from FEMA. Working with local governments and professional organizations throughout the region, ABAG has developed and released strategies that both meet DMA 2000 requirements and serve as model “best practices.”

The plan includes extensive loss estimates, mitigation strategies, and links between risk assessment data and mitigation strategies. In addition, ABAG has compiled an extensive library of interactive natural hazard maps for the Bay Area that includes maps of earthquake hazards, as well as flooding, landslide, fire, and tsunami inundation that can be accessed online at [quake.abag.ca.gov](http://quake.abag.ca.gov). For more information, members may contact Jeanne Perkins at 510/464-7934 or [jeanep@abag.ca.gov](mailto:jeanep@abag.ca.gov).

### SHARED AGENCY RISK POOL

Since 1986, ABAG has managed a Workers’ Compensation risk-sharing pool, Shared Agency Risk Pool (SHARP). SHARP provides small to medium-sized municipalities and agencies benefits available to larger self-insured entities. Pooling gives SHARP members the benefits of primary coverage and the flexibility of self insurance without the added expense of a traditional insurance company. The end result is a Workers’ Compensation program that provides clients with more flexibility and control of the claims process, higher quality claims service, more stable pricing, and the satisfaction of knowing that the pool works with similar agencies to manage claims. For more information about SHARP, members can contact Marcus Beverly at (510) 464-7969 or [marcusb@abag.ca.gov](mailto:marcusb@abag.ca.gov).



### ONLINE HAZMAT SCHOOL

The ABAG Training Center conducts the Online Hazmat School, providing online hazardous waste, hazardous materials, and safety training in full compliance with OSHA and DOT requirements. Students who successfully complete the coursework receive OSHA and DOT certificates and continuing education units. Classes include hazardous waste operations, general hazardous materials, and industrial safety training for busy, time-constrained professionals. Course information and registration is available online at [www.hazmatschool.com](http://www.hazmatschool.com).



*Construction of San Mateo Public Library insured by ABAG PLAN*

*Photo: Doug Snowor*

# AVAILABLE GRANT PROGRAMS

In support of risk management activities, ABAG PLAN offers a variety of grant programs, as follows:

## Risk Management Framework & Best Practices

Grants up to \$10,000 are available for any purpose related to risk management, for completing risk management framework items (\$5,000) and at least 50 percent of the best practices related to risk exposures (\$5,000).

## Risk Management Services Credit

To make it easier for members to achieve, maintain, or improve upon the above items, credits of at least 5 percent of each member's total funding are available. These credits average over \$10,000 per member. The credit provides resources to address risk assessment recommendations and assist members in meeting the framework and best practice standards.

Staff and/or consultants will assist in developing an action plan and establishing a self-assessment process for continued improvement. Remaining funds are available for training, technical services, or other needs identified in the assessment.



## Risk Management Program Grants

Once members complete the framework and at least 50 percent of the best practices, grants to fund risk management program activities are available. The grants range from \$10,000 to \$30,000 on a matching basis. For example, members may use the grant to repair sidewalks, inspect or maintain trees, purchase

safety equipment, upgrade playgrounds, provide training, or any other risk related needs. Members are asked to submit ideas to address current needs and create programs that may be helpful to other members.

## Defensive Driver Training

ABAG PLAN pays for defensive driver classroom and behind-the-wheel training for our members. There is a list of qualified vendors and using other vendors is optional as recommended by members. This may also include online vendors.

## Risk Management Training

Members can use credits up to \$2,000 each year for attending training or conferences, or providing training in-house via personal or on-line delivery. Conferences and training include PARMA ([www.parma.com](http://www.parma.com)), CAJPA ([www.cajpa.org](http://www.cajpa.org)), PRIMA ([www.primacentral.org](http://www.primacentral.org)), or other risk management related organizations, such as the IEA, ([www.ieatraining.com](http://www.ieatraining.com)).

Access free safety video lending library through the National Resource Safety Center, [www.nrsc.com/video](http://www.nrsc.com/video). Videos must be ordered through an account with Bickmore Risk Services. Details are on the website or contact Patti Bullen at 800-541-4591, ext. 1181, for more information.

## Police Risk Management

General Orders: grants to assist member departments in meeting best practices recommendations, including subscribing to a service for regular updates (at least annually) of a department's general orders. Once a



*Town of Ross Best Practice Certification*

member meets this requirement the following grants are then available:

- \* Equipment grants: up to \$15,000 per year as a matching grant for in-car video cameras, tasers, digital recorders, or other risk management related equipment.
- \* Training grants: for reserve officer perishable skills training not covered by POST as well as training programs as suggested by members to address risk management concerns.

## Sewer Risk Management

ABAG PLAN's Sewer Smart Program ([www.sewersmart.org](http://www.sewersmart.org)) continues with public education materials, back flow devices, and assistance for members in a variety of operational areas, including system maintenance, overflow response, and ordinance revision.

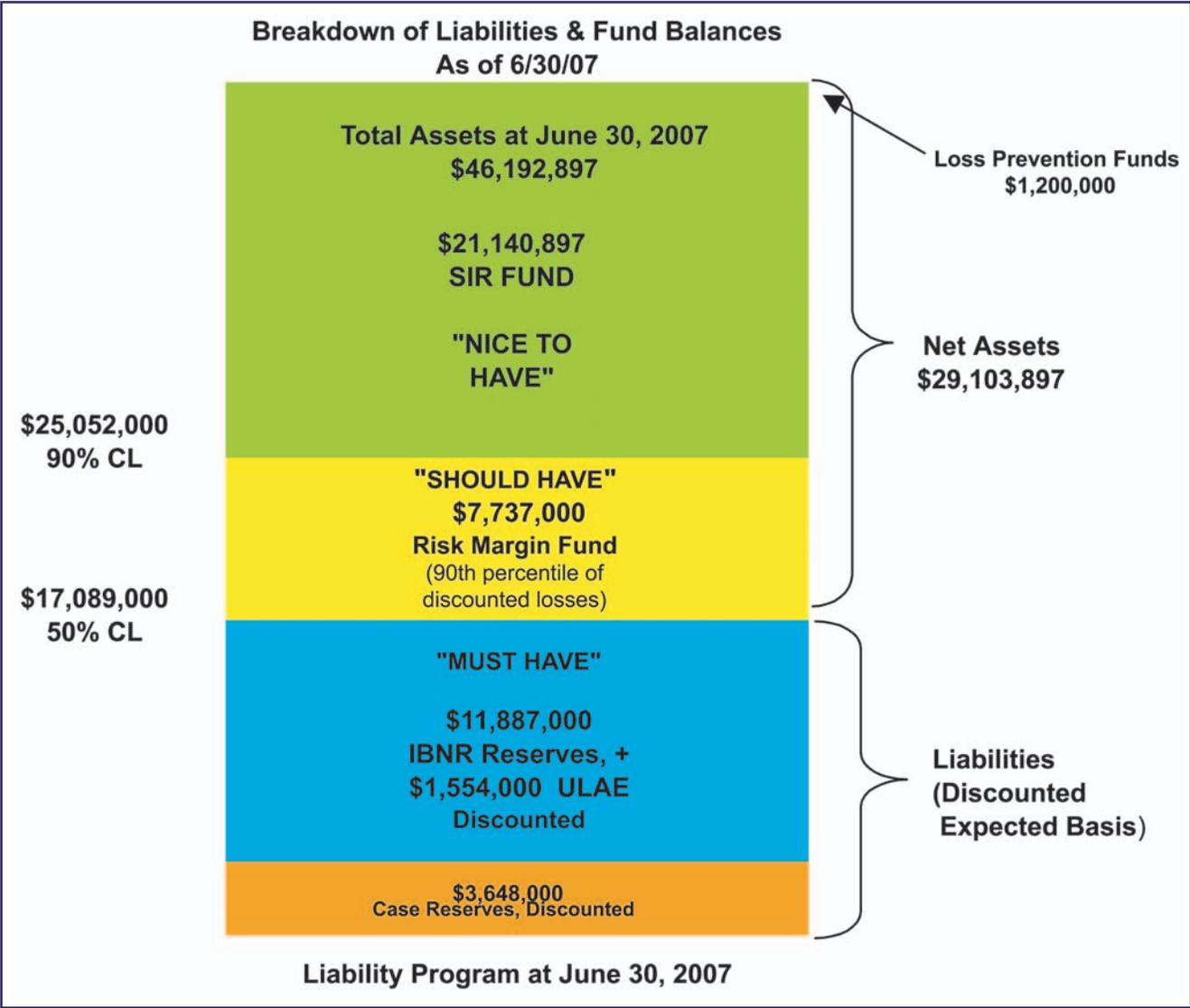
Grants can provide Backflow Prevention Devices or fund incentive programs for property owners to maintain and improve systems.

*To apply for a grant (typically an invoice submittal), make recommendations for training or grant programs, or have any questions; members should contact Marcus Beverly at (510) 464-7969 or [marcusb@abag.ca.gov](mailto:marcusb@abag.ca.gov) or Gertruda Luermann at (510) 464-7992 or [gertrudal@abag.ca.gov](mailto:gertrudal@abag.ca.gov).*

# FINANCIAL STATEMENT

## LIABILITY PROGRAM

The ABAG PLAN Corporation keeps its financial records in accordance with Government Accounting Standards Board (GASB) recommendations and procedures, and publishes an independently audited financial statement each year. Investments are governed by a Board approved policy and procedure. Cash beyond the requirement for normal operations is invested in California's Local Agency Investment Fund and other appropriate securities.



## Statement of Net Assets

### Assets

Cash and Cash Equivalents	\$ 4,143,120
Investment at Fair Market Value	42,773,117
Interest Receivable	670,038
Accounts Receivable	352,731
Equipment, Net	24,839

TOTAL: \$ 47,963,845

### Liabilities and Related Earnings

Claims Reserves	\$ 18,201,361
Other Payables	251,160
Retained Earnings	29,511,324

\$ 47,963,845

## Statement of Activities

### Revenue

Administrative Premium	\$ 2,400,012
Liability Premium	5,684,870
Property Premium	1,004,155
Total Revenue	<u>9,089,037</u>

### Expenses

Provisions for Claims and Claims Adjustment	502,079
Provision for Unallocated Loss Adjustment	
Property Insurance	857,987
Depreciation	44,096
Management and Administration	1,981,854
Excess Insurance & Bonds	792,424
Contract Services and Other Expenses	756,983

Total Expenses 4,935,423

Net Program Operating Income 4,153,614

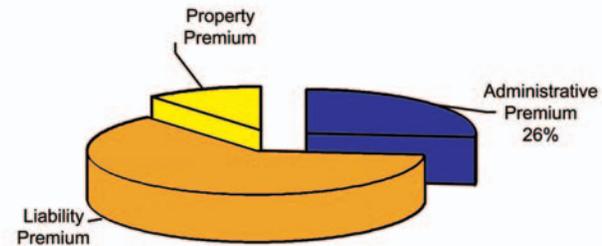
General Revenue (Expenses)	
Unrealized Loss on Investments	482,240
Investment Income	2,176,193
Total General Revenue (Expenses)	2,658,433

Change in Net Assets 6,812,047

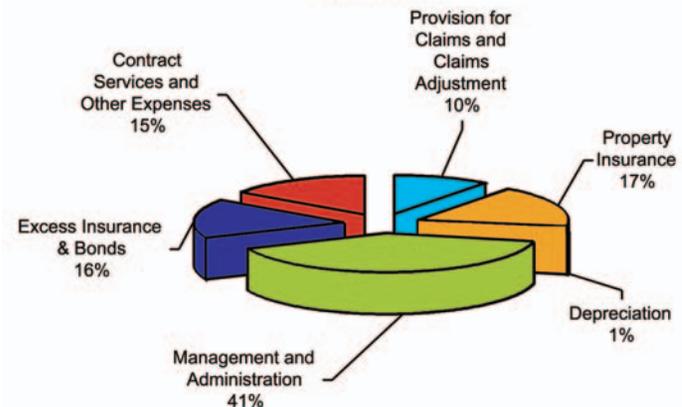
Beginning Net Assets 22,699,277

Net Assets \$ 29,511,324

### Revenue



### Expenses



# ABAG PLAN PEOPLE

## Officers

**Henry Gardner**, President

**Joseph Chan**, Finance Director

**Kenneth Moy**, Corporate Counsel

**Julie Carter**, Board of Directors Chair  
Assistant to the City Manager, Dublin

**Emma Karlen**, Board of Directors Vice Chair  
Finance Director, Milpitas

## Committee Chairs

### Executive Committee

**Jim Steele**, Finance Director, South San Francisco

### Risk Management Committee

**Larry Anderson**, City Attorney, Burlingame

### Actuary Committee

**Emma Karlen**, Director of Finance, Milpitas

### Claim Committee

**Orry Korb**, Town Attorney, Los Gatos

### Finance Committee

**Jim Steele**, Finance Director, South San Francisco

### Police Chief Steering Committee

To Be Determined



## Staff

*Listed below in photo order -  
Back Row, left to right:*

**Chantelle Coleman-Doan**  
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chantelled@abag.ca.gov

**Marken Hew**  
Claims Examiner  
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**Jim S. Nagal**  
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**Eileen Barr**  
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**Marcus Beverly**  
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**Gertruda Luermann**  
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**Brenda Brown**  
Secretary  
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**Bruce Carey**  
Property Damage Specialist  
brucecc@abag.ca.gov

*(not pictured)*  
**Terry Hickman**  
Litigation Supervisor  
terryh@abag.ca.gov



## Association of Bay Area Governments

MetroCenter, 101 Eighth Street, Oakland 94607-4756  
510-464-7900 • [www.abag.ca.gov/plan](http://www.abag.ca.gov/plan)

## Member Cities and Towns 2007–2008

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American Canyon

Atherton

Benicia

Burlingame

Campbell

Colma

Cupertino

Dublin

East Palo Alto

Foster City

Gilroy

Half Moon Bay

Hillsborough

Los Altos

Los Altos Hills

Los Gatos

Millbrae

Milpitas

Morgan Hill

Newark

Pacifica

Portola Valley

Ross

San Bruno

San Carlos

San Mateo

Saratoga

South San Francisco

Suisun City

Tiburon

Woodside