

Building

ABAG Pooled Liability
Assurance Network



Relationships

Statement of Benefits 2008-2009



Association of Bay Area Governments



Front Cover Photo: City Hall, City of Milpitas
Back Cover Photo: Central Park, Japanese Tea Garden, City of San Mateo
Photos provided by: cliparttoday.com, Brad Perks, and ABAG PLAN staff and members

CHAIR'S MESSAGE

DEAR MEMBERS AND FRIENDS:

I am honored to serve as the Chair of the Association of Bay Area Governments (ABAG) Pooled Liability Assurance Network (PLAN) Board of Directors during the 2008-2009 program year. During the next fiscal year, we will build on our successes of 2007-2008 to strengthen and grow ABAG PLAN.

Members and ABAG PLAN staff are poised to address fundamental risk sharing pool issues, including:

- Types of losses that are covered.
- How losses are shared among the members.
- How disputes are resolved.

The Board of Directors has recently revised the Memorandum of Coverage and agreed on a loss sharing formula to address a number of related items. The Board of Directors Executive Committee is also working to address outstanding concerns, bring solutions to the Board, and implement the members' objectives.

WHY ABAG PLAN?

ABAG PLAN has excelled at providing stable and efficient long-term funding of member claims. It is in times of economic concerns such as these that risk management, resources, and long-term working relationships are even more important. With an experienced claims staff that understands member requirements, and a network of risk management consultants to provide hands-on assistance, ABAG PLAN offers the best people to get the job done effectively.

Risk management is all about making better use of scarce resources, evaluating and prioritizing the risks that can prevent an organization from achieving its objectives. Natural disasters, lawsuits or budget shortfalls can each derail the best of plans. The best offense is to implement strategies to reduce the most critical risks, thus increasing the chances for success. ABAG PLAN will continue to promote and support member risk management activities.

BY THE NUMBERS

The liability program continues to maintain stable rates and has increased the total limit of coverage from \$20 to \$25 million. Net assets have decreased from \$29 to \$25 million, but outstanding liabilities remain unchanged at \$17 million. Most of the net assets decrease was due to two claim settlements, with underlying losses for all other claims less than \$1.5 million. Overall, we continue to see improved claims experience that is, in large part, due to improvement in member risk management programs.

The property program experienced stable results with rates dropping slightly. The total premium increased three percent while the insured values increased four percent to almost \$2 billion. Appraisals continue on all properties over \$5 million. Members also approved a method of funding the \$250,000 deductible for flood losses in flood-prone areas.

I look forward to working with our members and staff to meet any challenges that we face in 2009. I expect ABAG PLAN to build on our long-term relationships and continue to be a valuable resource well into the future.



Emma Karlen
Finance Director,
City of Milpitas
ABAG PLAN
Board of
Directors Chair



ABOUT ABAG POOLED LIABILITY ASSURANCE NETWORK

ABAG Pooled Liability Assurance Network (PLAN) Corporation is a non-profit corporation, formed to establish a stable, cost-effective self-insurance, risk sharing and risk management program for each member. Established in 1986 by 21 cities and towns, ABAG PLAN now has 31 members.

With an experienced staff, ABAG PLAN offers claims management, risk management, a liability insurance pool, a property insurance pool, and workers compensation insurance. The key to providing exceptional insurance and risk management services is relationships. ABAG assigns a claims examiner and risk management consultant for each member to work closely with them to identify and resolve claims and risk management issues.

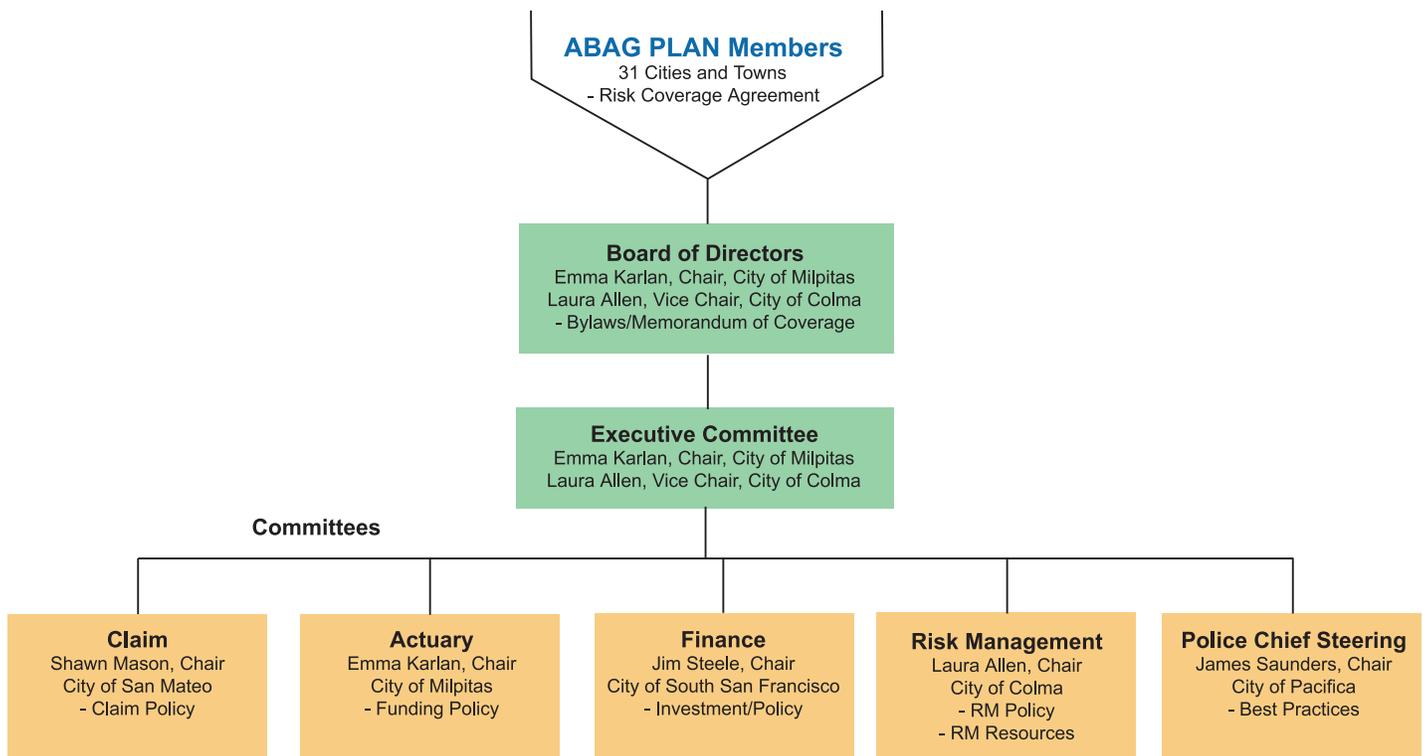
ABAG PLAN members also have access to a team of Pre-Qualified Consultants and Service Providers for additional general and technical risk management services.

ABAG PLAN is governed by its members. Members are responsible for amending the Memorandum of Understanding, called the Risk Coverage Agreement, and appointing a representative to serve on the Board of Directors. The Board of Directors is responsible for amending the Bylaws, including the Memorandum of Coverage.

The Executive Committee is comprised of a smaller set of representatives and meets frequently to make operating decisions, appoint committee members, authorize expenditures, and recommend policy.

Other committees examine and address significant topics, including risk management, actuary, claims, finance, and police risk management. The ABAG PLAN governance structure is shown below.

ABAG PLAN Governance Structure



CLAIMS ADMINISTRATION

ABAG PLAN assigns an experienced claims examiner to each member community to investigate, evaluate, negotiate, and resolve liability and property claims. The examiner works closely with member staff to resolve claims. This creates a strong working relationship, resulting in prompt investigation and response to reduce the impact of losses.

The claims staff closed 1,170 claims in Fiscal Year 2007-2008, with total pool payments of \$8,233,000, more than twice the yearly average. These payments included the settlement of outstanding litigation and a policy limit payment for a long-standing property development dispute. Members have responded by amending the Memorandum of Coverage (MOC) and the exclusion for inverse related claims.

The underlying claim trends — without the two settlements — continue to be favorable, with paid losses of less than \$1.5 million. Outstanding liabilities remain unchanged at \$17 million. ABAG PLAN investments yielded almost 4.4 percent, for over \$2 million in interest income.

These factors contributed to maintaining sufficient reserves in spite of a decrease in net assets of \$3,539,307 for the year. ABAG PLAN's net assets of \$25 million provide a healthy 5 to 1 ratio to the pool retention of \$5 million, and other key financial benchmarks continue to be well within the goals set by the Board. The conservative funding strategy allows members to leverage reserves to maintain stable premiums and provide an expanding level of risk management services.

Litigation Management

ABAG PLAN maintains a list of expert legal counsel, who specialize in the unique civil claims members face and who have worked with staff to successfully defend members over the years. The attorneys agree to use ABAG PLAN case management guidelines and work closely with staff and members to promptly evaluate the legal options and establish an agreed upon strategy. As a result, members are able to effectively manage litigation at a reasonable cost.

Recovery Services

ABAG PLAN claims examiners assist members in obtaining reimbursement from individuals who cause damage to public property, whether due to an auto accident, vandalism, or other cause. In 2007-08 recoveries exceeded \$316,000, and since 1992, ABAG PLAN has recovered over \$3.4 million on behalf of members—money that goes back to servicing the community.

Plans

During 2008-2009, ABAG PLAN will:

- Meet with members to review claims and response procedures
- Upgrade claim processing software
- Conduct in-house technical training.



RISK MANAGEMENT SERVICES

ABAG PLAN provides a variety of risk management and pool administration services designed to meet members' needs. Risk management efforts are focused on implementing best practices in the most critical areas, including sewer, sidewalk, auto, police, and roadway claims. Members select a risk management consultant to work with them to establish and maintain annual goals, provide hands-on assistance in meeting the goals, and coordinate activities to focus resources on the most critical areas.

These efforts have paid off over the last several years, with positive trends due at least in part to member focus on using risk management to improve their operations. The total number of liability claims and average paid have remained steady, with total paid at or below expected levels since 2002. (See page 3).

However, total claim frequency increased by over 10 percent in 2007, an indication that severity could also increase.

Results are a reminder that even with improvements over the last several years, risk management is a continuous process that requires constant attention. The following list highlights critical areas:

- **Sewer Claims**

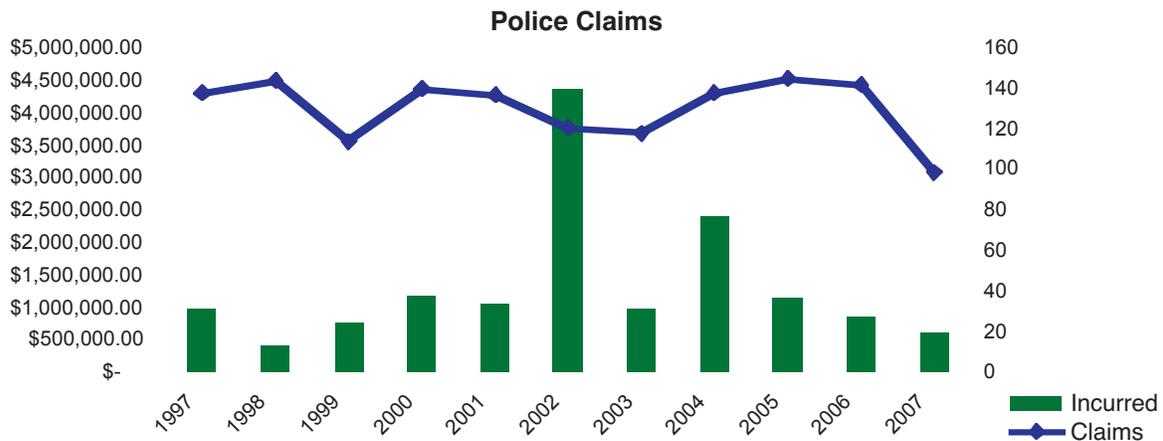
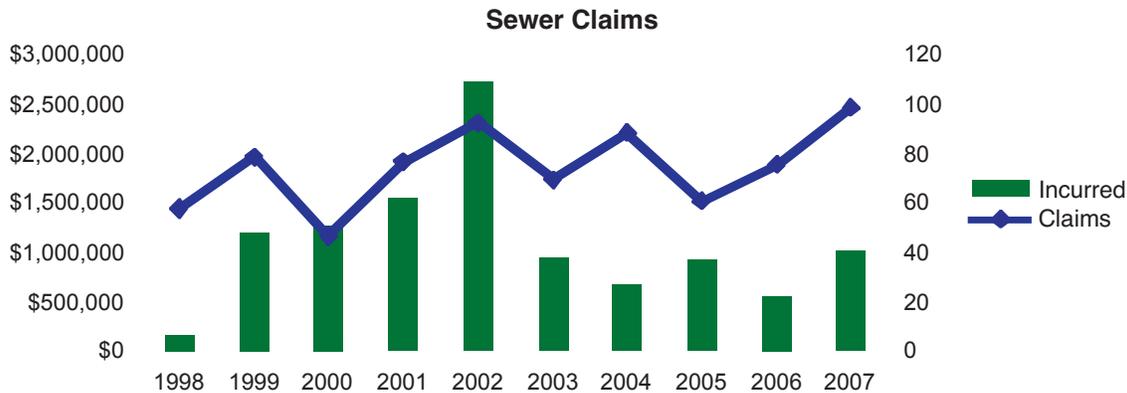
Costs continue to be less than half of their peak in 2002, but the frequency of claims increased 25 percent from 2006 to 2007, indicating a continued need to focus on maintenance and capital improvement.

- **Police Claims**

Frequency has remained fairly consistent. However, the amount paid has decreased steadily over the last three years, to less than a third of the amount paid in 2004.

- **Auto Claims**

Continue to be a major cause of loss, but frequency has decreased 20 percent over the last two years, and incurred amounts have decreased 26 percent since higher than average losses in 2006 to 2007. (See page 5).



GRANTS AND SERVICE CREDITS

Members are provided Service Credits up to five percent of their annual premium to assist in achieving and maintaining “Best Practice” status by implementing the recommendations in our Risk Management Policy. This member-developed Policy provides guidance for establishing a risk management framework (Framework) to effectively identify and analyze risks, implement recommended strategies (Best Practices) to minimize those risks, monitor effectiveness, and make changes as needed to maintain or improve results.



Playground Training

Members who have achieved Best Practice status are recognized by ABAG PLAN with a Certificate of Appreciation and additional grant funds. More than 80 percent of our members are now qualified and staff expects the remaining members will qualify in Fiscal Year 2008-2009.

ABAG PLAN provides a number of grant programs and training opportunities in support of member risk management activities. New offerings include employment practices, liability prevention, police ethics and hiring practices, cash handling procedures, and land use planning.

These grant programs include:

- Risk Management Services Credit – at least five percent of each member’s annual funding, averaging over \$10,000 per member.

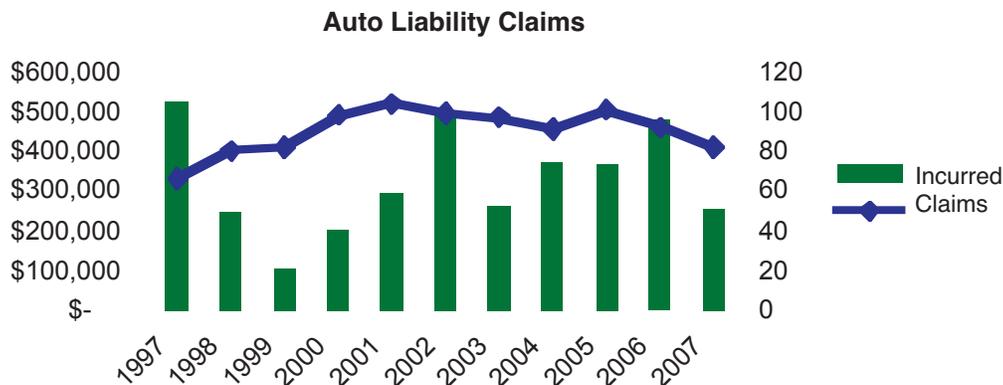
The credit provides resources to address risk assessment recommendations and assist members in meeting the Framework and Best Practice standards. Remaining funds are available for training, technical services, or other needs identified by the member.

- Risk Management Program Grants – ranging from \$10,000 to \$30,000, on a matching basis, to fund risk management programs.

For example, members may use grants to repair sidewalks, inspect or maintain trees, purchase safety equipment, upgrade playgrounds, provide training, or address their unique risk-related needs. New ideas and programs that can be shared are welcomed.

- Defensive Driver Training – both classroom and behind-the-wheel training is provided. A list of qualified trainers, including on-line training resources, and others recommended by members is available at <http://www.abag.ca.gov/plan/training.html>.

- Risk Management Training – up to \$3,000 each year is available for members. These funds are allocated to attend training or conferences, or to provide training in-house via personal or on-line delivery. Conferences and training include PARMA (www.parma.com), CAJPA (www.cajpa.org), PRIMA (www.primacentral.org), or other risk management and professional organizations, such as the IEA (www.ieatraining.com).





Police Training

On-line training is available on a variety of topics, including: Risk Management, Human Resources, Safety, and Environmental issues.

ABAG PLAN also continues to offer a free safety video lending library maintained by the

National Resource Safety Center, www.nrsc.com/video. Videos are available only through Bickmore Risk Services. Details are at <http://www.abag.ca.gov/plan/videos.html> or contact Christa Morris at (916) 244-1126 for more information.

- **Police Risk Management Grants**
General Orders: ABAG PLAN provides grants to assist member departments in meeting our Best Practice recommendations; including subscribing to a service for regular updates of a department's general orders. Once a member meets this requirement the following grants are available:
 - * Equipment grants: up to \$15,000 per year as a matching grant for video and audio recorders, less-lethal force options, or other risk management related equipment.
 - * Training grants: PLAN pays for reserve officer perishable skills training not covered by POST as well as training programs as suggested by members to address their risk management concerns.

- **Sewer Risk Management**
The Sewer Smart Program (www.sewersmart.org) continues with an extensive outreach campaign. The campaign includes updated public education

materials, back flow devices, and assistance for members in a variety of operational areas, including system maintenance, overflow response, and ordinance revision. The fourth annual Sewer Summit occurred in October 2008, with a focus on mitigating earthquake impact on sewer and water systems and advising the public on what to do if systems are inoperable. The website has updated educational materials for property owners including temporary sanitation procedures.

Accomplishments

In 2007-2008, ABAG PLAN:

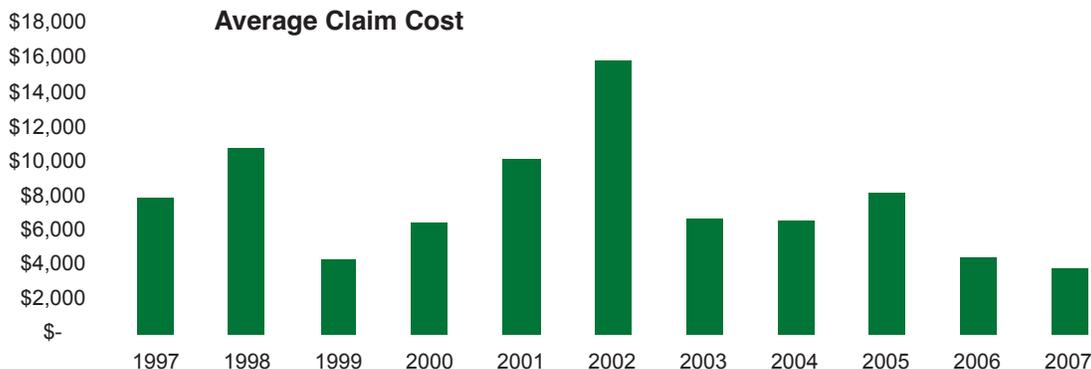
- Funded over \$850,000 in risk management programs for members
- Conducted training on a variety of topics, including playground inspection, contract analysis, sewer loss prevention, and risk management basics
- Provided grants for customized member training, sidewalk repair, police equipment, tree removal, defibrillators, and other risk management products and services.

Plans

During 2008-2009, ABAG PLAN will:

- Meet with each member to update action plans for addressing key risks
- Fund up to \$1.2 million in risk management programs and services
- Improve consistency and quality of data for risk management analysis.

To apply for a grant, make recommendations for training or grant programs, or for general information regarding these topics, ABAG PLAN members should contact Gertruda Luermann at (510) 464-7992 or gertrudal@abag.ca.gov or Marcus Beverly at (510) 464-7969 or marcusb@abag.ca.gov.



SHARED RISK PROGRAMS

POOLED LIABILITY PROGRAM

The 31 members of ABAG PLAN 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. The pool pays claims to a limit of \$5,000,000. Two excess insurance policies provide \$20,000,000 of additional coverage for a \$25,000,000 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.

For Fiscal Year 2008-2009, total liability funding is \$5,778,000, an increase of 5.5 percent from 2007-2008. This compares to a decrease of 1.3 percent last year and is due to an increase in member payroll of 4 percent and the increased cost of excess insurance. The base rate for coverage remains steady at \$1.03 per \$100 of payroll for a \$100,000 deductible.

Accomplishments

In 2007-2008, ABAG PLAN:

- Maintained per occurrence limit at \$20 million
- Maintained stable retention level and outstanding liabilities
- Revised the Memorandum of Coverage.

Plans

In 2008-2009, ABAG PLAN will:

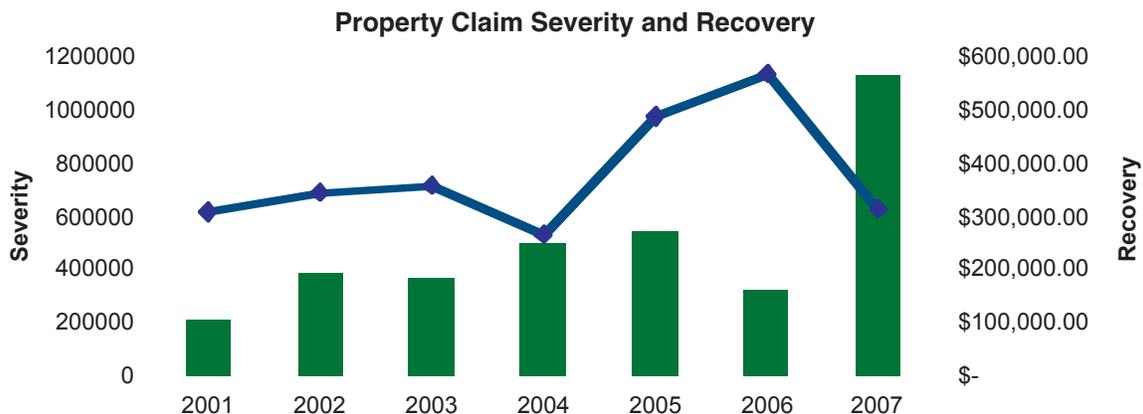
- Increase limit from \$20 to \$25 million
- Revise the Funding Policy and MOC
- Maintain stable long-term funding strategies.

POOLED PROPERTY PROGRAM

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 pool has consistently exceeded expected results, allowing the 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.



City of Pacifica Pier

Accomplishments

In 2007-2008, ABAG PLAN:

- Reviewed and updated data for each member's insured property
- Conducted appraisals for key facilities and new properties
- Expanded flood coverage within the pooled deductible.

Plans

In 2008-2009, ABAG PLAN will:

- Continue property appraisals for new and key properties
- Conduct Boiler and Machinery inspections as scheduled
- Review deductible and funding options for pooled coverage.

PURCHASING POOLS

ABAG PLAN offers a variety of group purchasing plans that allow 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.

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 who provide services to the members and community.

Excess Liability Options

Members may purchase additional excess liability insurance limits above the total provided by ABAG PLAN for all members.

RELATED ABAG SERVICES

ABAG Hazard Mitigation Program

ABAG is conducting regional natural hazard mitigation planning 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 from these disasters.

The Bay Area is known as earthquake country, but the area is also subject to fires, floods, and landslides.

Cities and towns need an advocate to help with disaster preparation and recovery. When a local government participates in the ABAG multi-jurisdictional Local Hazard Mitigation Plan, communities are helped with extensive loss estimates, mitigation strategies, and links between risk assessment data and mitigation strategies. Also, cities and towns can access additional state and Federal funding to cope with the inevitable disaster.



Firefighters in action

Funding sources include pre- and post-disaster recovery Federal Emergency Management Agency (FEMA) funds and state of California funds to cover the required local match for FEMA Public Assistance money. If City Hall needs a seismic retrofit, brush needs to be removed, or a small flood abatement project would protect a city bridge, FEMA funding is available. The state will pay the local match for FEMA Public Assistance money, which are the funds that the community receives from FEMA to reimburse cities for damage to their facilities. The funding can make a significant difference in how communities prepare for and recover from disasters.

ABAG is a disaster recovery partner for local communities. For more information on how to participate in the multi-jurisdictional Local Hazard Mitigation Plan for Bay Area local governments and other disaster preparedness and recovery efforts, members may contact Jeanne Perkins at (510) 464-7934 or jeannep@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.

Shared Agency Risk Pool

Since 1986, ABAG has managed a Workers' Compensation pool, the 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 first-dollar 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 members with more control, high-quality claims service, stable pricing, and the satisfaction of knowing that by working together to reduce claims the members will reap the savings. For more information about SHARP, contact Marcus Beverly at (510) 464-7969 or marcusb@abag.ca.gov.



Hazmat School courses available online at www.hazmatschool.com

FINANCIAL STATEMENT

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 managed by ABAG. Cash beyond the requirement for normal operations is invested in California's Local Agency Investment Fund and other appropriate securities.

Statement of Activities

Revenue

Administrative Premium	\$2,399,997
Liability Premium	5,505,627
Property Premium	891,937
Total Revenue	8,797,561

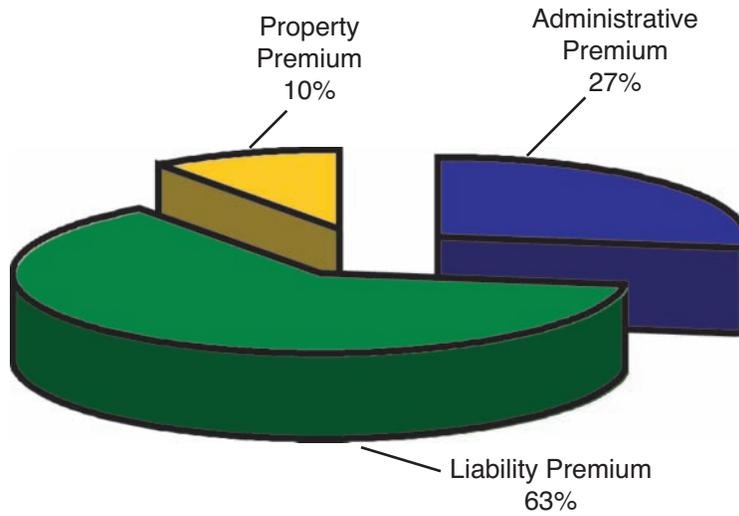
Expenses

Provisions for Claims and Claims Adjustment	10,063,560
Property Insurance	726,937
Depreciation	13,179
Management and Administration	2,063,912
Excess Insurance & Bonds	709,719
Contract Services and Other Expenses	1,403,659
Total Expenses	14,980,966
Net Program Operating Income	(6,183,405)

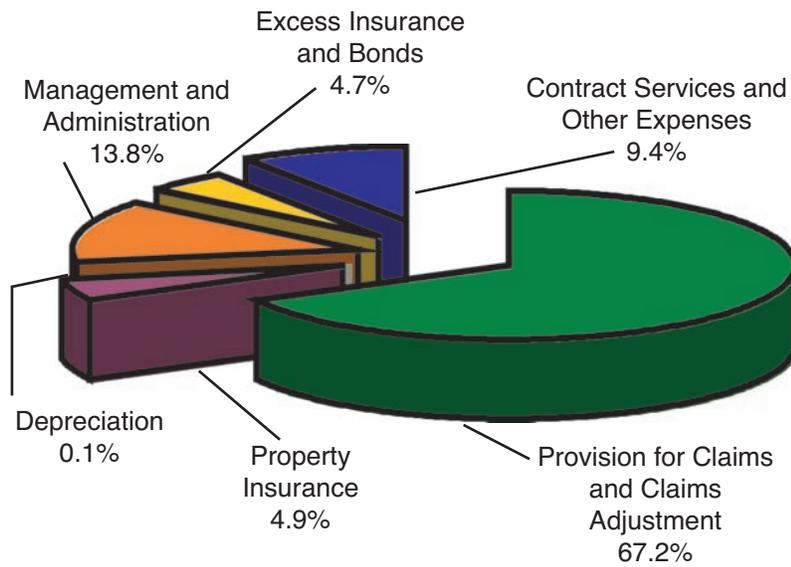
General Revenue (Expenses)

Unrealized Gain on Investments	331,142
Investment Income	2,312,956
Total General Revenue (Expenses)	2,644,098
Change in Net Assets	(3,539,307)
Beginning Net Assets	29,511,324
Net Assets	\$25,972,017

Revenue



Expenses



ABAG PLAN PEOPLE

Officers

Emma Karlen, *Chair*
Finance Director, Milpitas

Laura Allen, *Vice Chair*
Interim City Manager, Colma

Henry Gardner, President

Marcus Beverly, Secretary

Herbert Pike, Finance Director

Kenneth Moy, Corporate Counsel

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ABAG PLAN Staff 2008 (Left to Right and Front to Back): Marcus Beverly, Marken Hew, Angela Salsbury, Chantelle Coleman-Doan, Brenda Brown, Carol Johnson, Jim Nagal, Lynn Shea, Gertruda Luermann, and Bruce Carey.

MEMBER CITIES AND TOWNS 2008-2009

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

For more information about ABAG PLAN membership, contact
Marcus Beverly, ABAG PLAN Managing Director at (510) 464-7969 or marcusb@abag.ca.gov.



City of Campbell Water Tower



 Association of Bay Area Governments

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510-464-7900 • www.abag.ca.gov/plan

