

STATEMENT OF BENEFITS AND PROGRAM HIGHLIGHTS 2004-2005



 Association of Bay Area Governments



Belvedere

The Town of Belvedere, an early member of ABAG PLAN, joined in September of 1986, after finding themselves without coverage. When the Town got notices of non-renewal from its provider the merits of self-insurance were apparent and, after reviewing the opportunities, ABAG PLAN was selected. According to Ed San Diego, Belvedere Town Manager, "ABAG PLAN's stability and high level of professional services are key. We get to direct our own destiny—every member has a say in the management of the organization." In his 18 years, he has seen few incidents where members' viewpoints were not seriously considered. "It helps that we all share the same ideals for limiting exposure. ABAG PLAN has taken big risks that have worked, like the mobile fire arms training simulator and driving simulators that other agencies outside PLAN have used as well."

Ed San Diego, Town Manager

San Mateo

The City of San Mateo is the newest member of ABAG PLAN, joining in July 2004. With a population of 93,721, San Mateo is our largest member. San Mateo was previously insured under a joint purchasing program, purchasing private insurance with other jurisdictions. The premium and SIR were doubled during one year and the city needed other opportunities. The new City Attorney had previous experience with ABAG PLAN and during his research found that our premiums were less and greater coverage was provided.

When asked to comment on ABAG PLAN, Shawn Mason, San Mateo City Attorney said, "The PLAN provides value beyond just saving dollars with attractive and sophisticated risk management

programs, such as the sewer loss program, training opportunities, and grant matching programs. Our police department is very interested in the taser grant matching program. ABAG PLAN is and will continue to be very helpful in addressing our risk issues."

Shawn Mason, City Attorney



Burlingame

Joining ABAG PLAN in 1992, the City of Burlingame has been an active member in all pools. According to Larry Anderson, Burlingame City Attorney, ABAG PLAN offers much beyond other insurance companies beginning with stability in premiums and management. "As a member of ABAG PLAN, we know we will be working with the same staff members year to year – with another insurance company you never know. This makes a difference. The biggest benefit is the ability for members to understand how premiums and how claims are settled. The membership's involvement in organization management makes PLAN's value much larger than just getting a reasonably priced bill."

Larry Anderson, City Attorney





Dear Members and Friends of ABAG PLAN:

During the past eighteen years, ABAG Pooled Liability Assurance Network (PLAN)

Corporation has grown far beyond providing pooled municipal liability coverage to 21 members. We now provide five different lines of coverage to 32 members and have assets totaling more than \$42 million. The emerging size and financial strength of PLAN results from detailed long-term planning by PLAN staff and the Board of Directors.

In 2004-2005, we again anticipate positive results from our efforts to reshape PLAN for the future. This past year the Board approved a new Claims Policy, revised our Bylaws, and strengthened our Funding Policy—all resulting from the Board's strategic planning activities over the past several years. We also updated and streamlined the Memorandum of Coverage to address the various changes in coverage and liability that have taken place since the last revision.

We continue to adapt strategically to our changing environment, as evidenced by our risk management assessment and sewer loss mitigation programs. Begun in 2004, the detailed risk assessments of each member include site surveys with follow-up consultation and training. The goal of the assessments is to establish best management practices that will shape risk management policy and, where appropriate, the

day-to-day operations of our members. They are halfway completed and have already resulted in sharing best practices in a number of critical areas.

The Sewer Loss Mitigation Program, a multi-tasked approach to address the increasing number of municipal sewer claims, has begun to show results, including a 50% decrease in the average cost of sewer claims. This effort is expanding with a new tree planting guide on our www.sewersmart.org website and new outreach activities, including lateral inspections at reduced rates for member residents.

And the long-term planning effort continues. The Board recently completed its strategic planning session focusing on the next 3-5 years. That discussion was highlighted by a generally held desire to both increase coverage limits and PLAN risk management services to the member cities. In the future the Board can expect new policy recommendations from staff that are intended to address the desires expressed through this strategic planning process.

I am pleased to serve as Chairman of the Board of Directors for ABAG PLAN for the 2004-2005 fiscal year. As we prepare to meet the challenges of the future, I look forward to working with our members and staff to develop those strategies that will ensure our continued success.

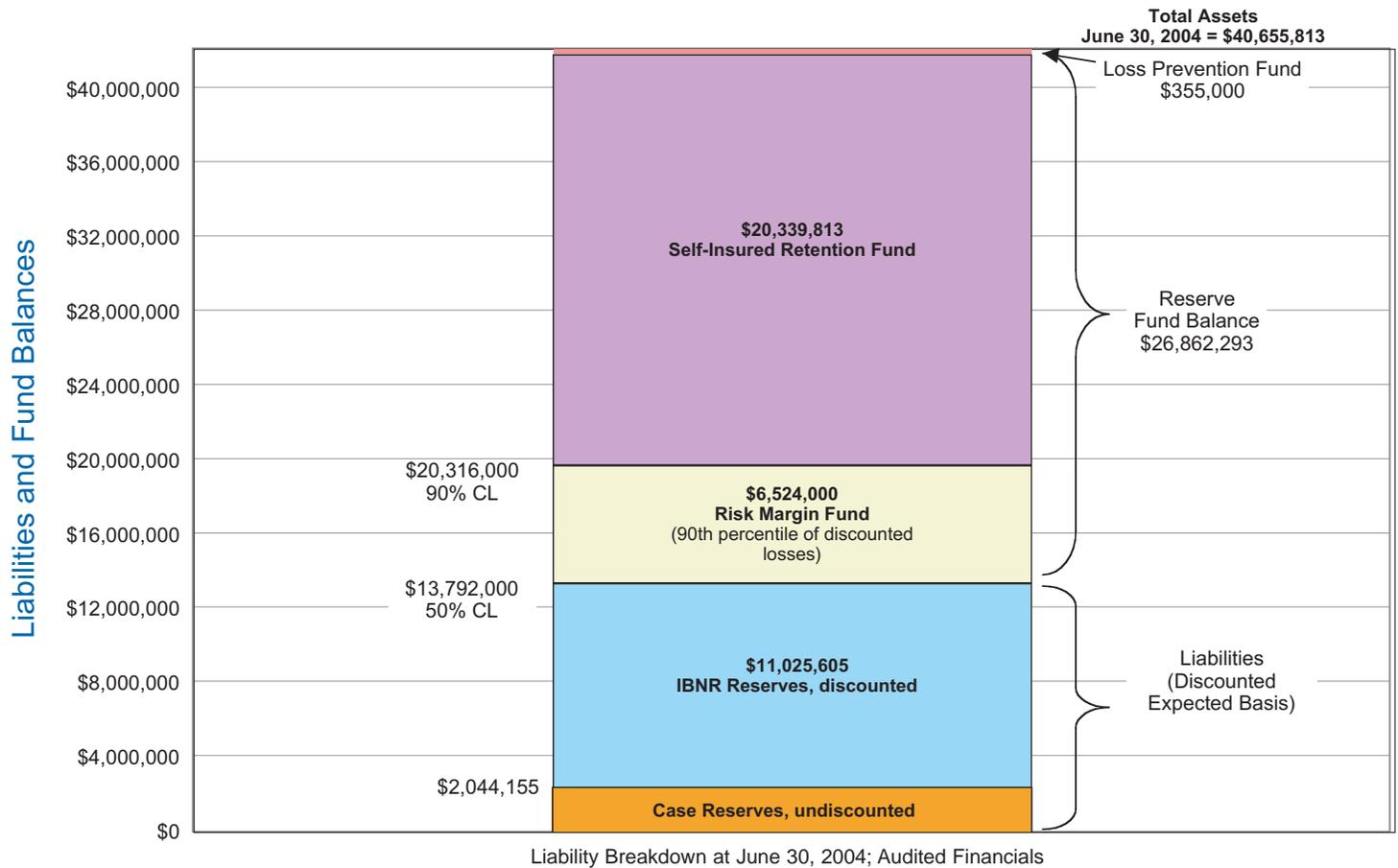
**Orry Korb, Chairman
Town Attorney, Town of Los Gatos**



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

LIABILITY PROGRAM



All charts are as of 6/30/04, unless otherwise identified.

Mission Statement

The purpose of the ABAG Pooled Liability Assurance Network (PLAN) Corporation is to benefit the citizens of each member community by establishing stable and cost-effective self-insurance, risk sharing, and risk management programs for each member.



Balance Sheet As of June 30, 2004

Assets

Cash and Cash Equivalents	\$	7,187,071
Investment at Fair Market Value		34,977,104
Interest Receivable		564,431
Accounts Receivable		289,494
Equipment, Net		154,585
TOTAL:	\$	43,172,685

Liabilities and Retained Earnings

Claims Reserves	\$	13,949,500
Other Payables		197,658
Retained Earnings		29,025,527
TOTAL:	\$	43,172,685

Expenses

Provisions for Claims and Claims Adjustments		5,140,298
Provisions for Unrealized Loss on Investments		119,000
Property Insurance		679,063
Depreciation		61,834
Management and Administration		1,701,644
Excess Insurance & Bonds		424,372
Contract Services and Other Expenses		373,862
Total Expenses		8,500,073
Net Program Operating Income		(1,377,391)

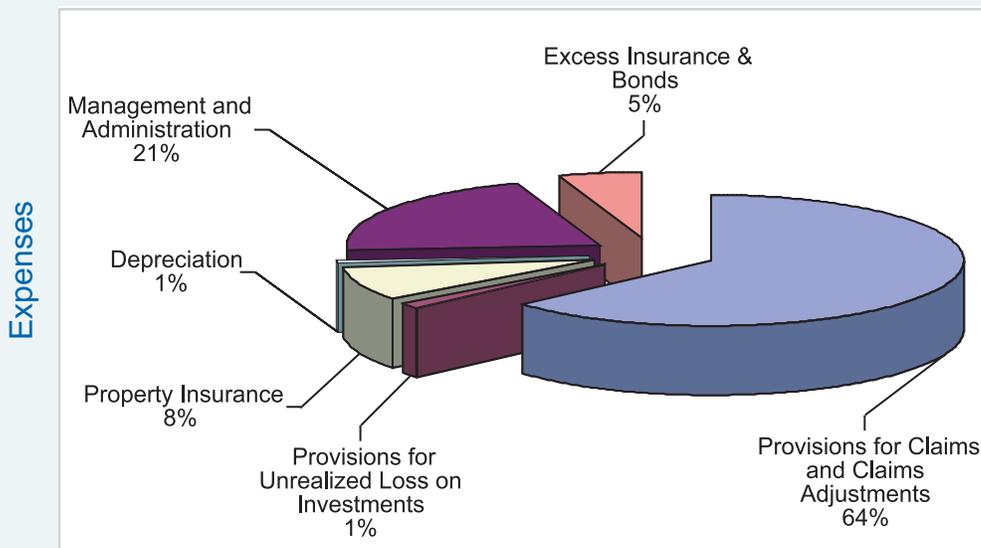
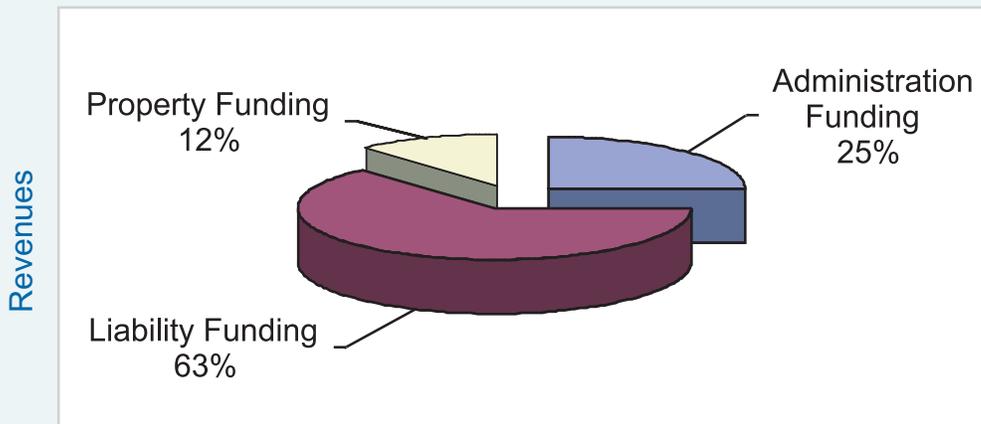
Income Statement

Revenue

Administration Funding	\$	1,800,004
Liability Funding		4,500,491
Property Funding		822,187
Total Revenue		7,122,682

General Revenue (Expenses)

Unrealized Loss on Investments		(1,308,813)
Investment Income		1,687,618
Total General Revenue (Expense)		378,805
Change in Net Assets		(998,586)
Beginning Net Assets		30,024,113
Change in Net Assets	\$	29,025,527



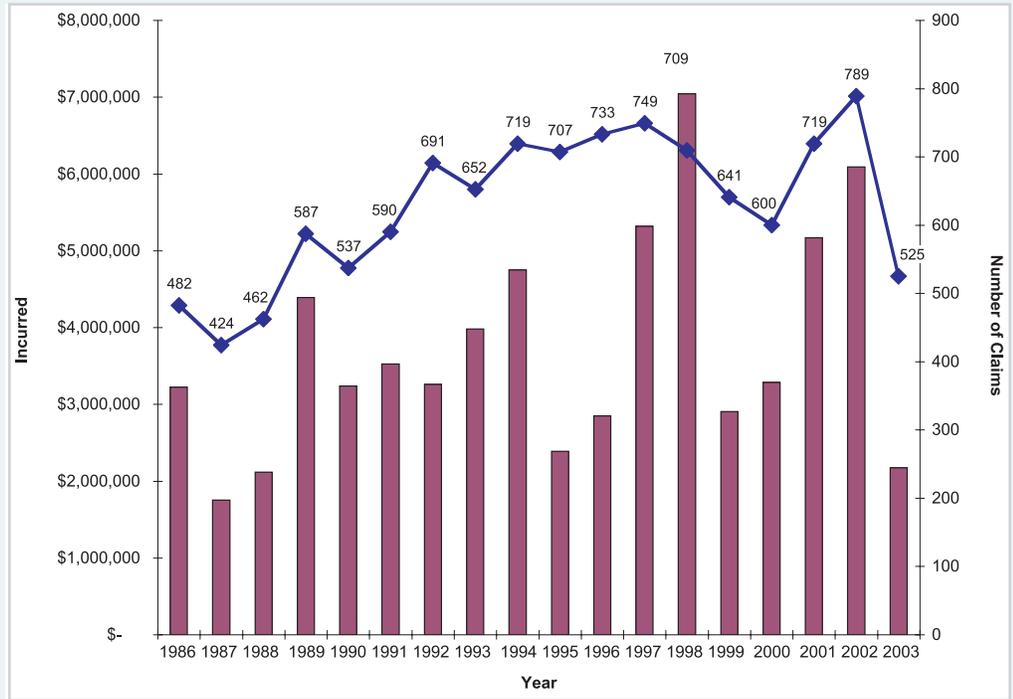
Shared Risk Programs

POOLED LIABILITY PROGRAM

The 32 members of ABAG PLAN self-insure their general and auto liability claims by contributing to a shared risk pool. Each member chooses a self-insured retention (SIR) from \$25,000 to \$250,000. The pool pays claims up to \$5,000,000, and an excess insurance policy provides \$5,000,000 of additional coverage, for a \$10,000,000 per occurrence limit. The coverage provides protection for Bodily Injury, Property Damage, Personal Injury, and Public Officials Errors and Omissions (E&O) claims.

Claim trends from FY 01-02 to FY 02-03 reveal a 10 percent increase in the number of claims and a 17% increase in total dollars incurred. ABAG PLAN's average loss increased by 7 percent, to \$7,719. Most of this increase can be attributed to a 20 percent increase in the number of sewer backup claims and a 123 percent increase in total incurred.

While sewer backflows continue to be a significant cause of loss, the recent trends are very positive. The total



Total Incurred and Number of Claims

number of claims is down 26 percent, total incurred dropped 60 percent, and the average claim dropped 45 percent, to \$16,815. We believe the comprehensive sewer loss prevention program ("Be Sewer Smart" campaign)

initiated by ABAG PLAN in 2002 is largely responsible for this favorable trend, and we expect our continued efforts to prevent and reduce the severity of these claims will further reduce member losses.



Completed 2003-2004 Accomplishments

- ◆ Maintained Funding Stability with:
 - Total funding increase of 6 percent, less than total payroll increase of 10 percent
 - Stable limit and retention levels
 - A decrease in funding for 25 percent of members
- ◆ Improved Financial Security by increasing:
 - Total Reserve Fund by \$2.7 million
 - Self Insured Retention (SIR) Fund by 13 percent
 - Total Reserve Fund to SIR ratio from 5.16 to 5.7
- ◆ Admitted the City of San Mateo
- ◆ Funded \$350,000 for 2004-05 Risk Management Programs

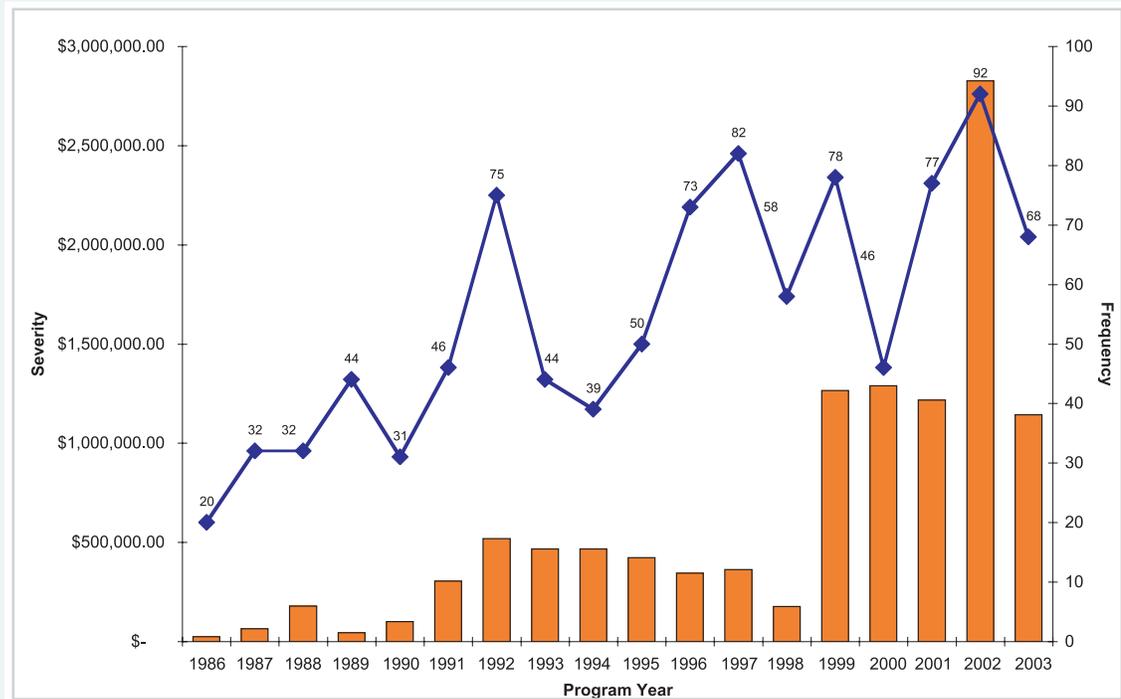
- ◆ Revised Memorandum of Coverage and Bylaws
- ◆ Added coverage for Employment Benefit Administration E&O
- ◆ Adopted a Claims Policy, including process for binding arbitration
- ◆ Revised Funding Policy to strengthen financial benchmarks

Planned 2004-2005 Activities & Services

- ◆ Conduct strategic planning workshop
- ◆ Complete Risk Management Assessments for all members
- ◆ Implement Risk Management Policy

- ◆ Adopt recommended risk management policies and procedures
- ◆ Revise long-term funding strategies

Sewer Claims Frequency and Severity



Welcome to ABAG's sewer backup prevention program:

HOME | LEARN ABOUT YOUR SEWER CONNECTION | AM I AT RISK? | SEWER SMART TIPS | WHAT TO DO IF I HAVE A BACKUP | PARTICIPANTS | CONTACT

Be Sewer Smart!

Prevent sewer backups this rainy season.

ABAG's Sewer Smart Home Inspection
Click here [Take our Sewer R.A.T. to see if you need one](#)

- [New! "ABAG's Sewer Smart Planting Guide"](#)
- [Be Sewer Smart! A homeowner's "How-To" guide](#)
- [What to do if you have a sewer backup!](#)
- [Backup Buster in the news](#)
- [See how backups occur](#)

You probably don't think much about what happens after you flush the toilet or wash the dishes. But what happens if your sewer system stops working, or worse -- backs up??

Protect your home. It's your most important investment. Let me show you how!

Is your home at risk? [click here](#)

Backup Buster

POOLED PROPERTY PROGRAM

The ABAG PLAN Pooled Property Program began in 1992 with the formation of a risk-sharing pool to cover losses above the \$5,000 deductible. The members purchase a comprehensive property insurance policy for losses above \$100,000. By self-insuring the pool layer 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.

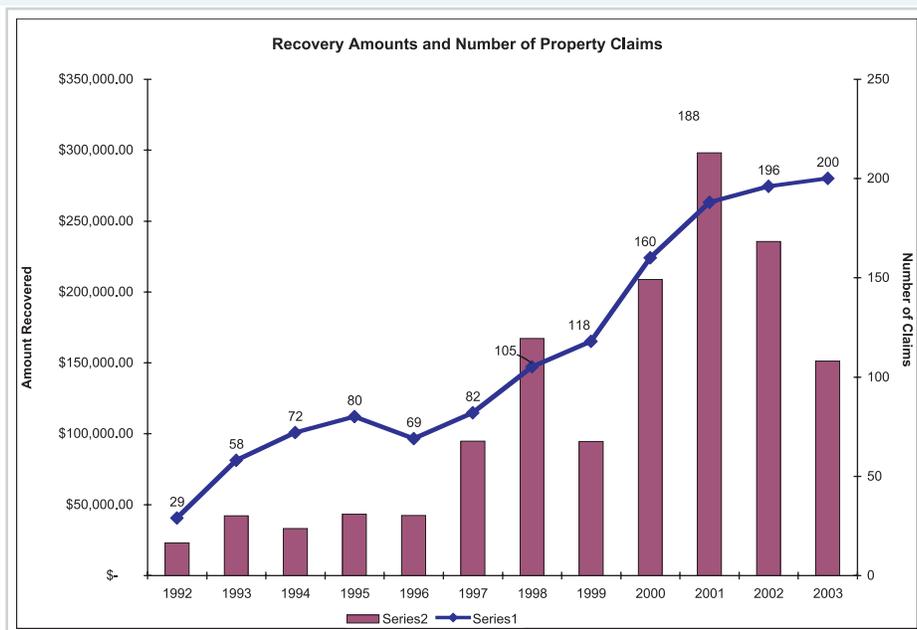
Replacement cost coverage is provided for all scheduled high-value vehicles, such as fire trucks, to minimize the impact of replacing specialized equipment. The pool has consistently exceeded expected results, allowing the members to fund various risk management programs and providing a hedge against 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 Upgrade Costs
- Boiler and & Machinery

Completed 2003-2004 Accomplishments

- ◆ Increased insured values to over \$1.2 billion
- ◆ Expanded renewal coverage with no rate increase
- ◆ Reviewed and updated data for each member's insured property
- ◆ Conducted appraisals for key facilities and new properties



Recovery Amounts and Number of Claims

Planned 2004-2005 Activities & Services

- ◆ Appraisals of key properties
- ◆ Boiler and Machinery inspections

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 and Flood**
Difference in Conditions (DIC) 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 that provide services to the members and community.

◆ Excess Liability Options

Members may purchase additional excess liability insurance limits above the total of \$10 million provided by the pool to all members.

Other Services

CLAIMS ADMINISTRATION

We assign a claims examiner to each member to investigate, evaluate, negotiate, and settle both liability and property claims. Working closely with the member allows us to gather information quickly and respond promptly to reduce the impact of claims.

Litigation Management

ABAG PLAN maintains a list of preferred counsel specializing in the unique civil claims our members face. They agree to use our case management guidelines under the supervision of a professional with over twenty years of experience in public entity litigation. As a result, our members have successfully defended a large number of lawsuits at a reasonable cost.

Recovery Services

Property pool members receive assistance in obtaining reimbursement from persons who cause damage to public property, whether due to an auto accident, vandalism, or other cause. Since its inception in 1992, ABAG PLAN has recovered over \$1,000,000 on behalf of our members—money that goes back to servicing the members of the community.



Completed 2003-2004 Accomplishments

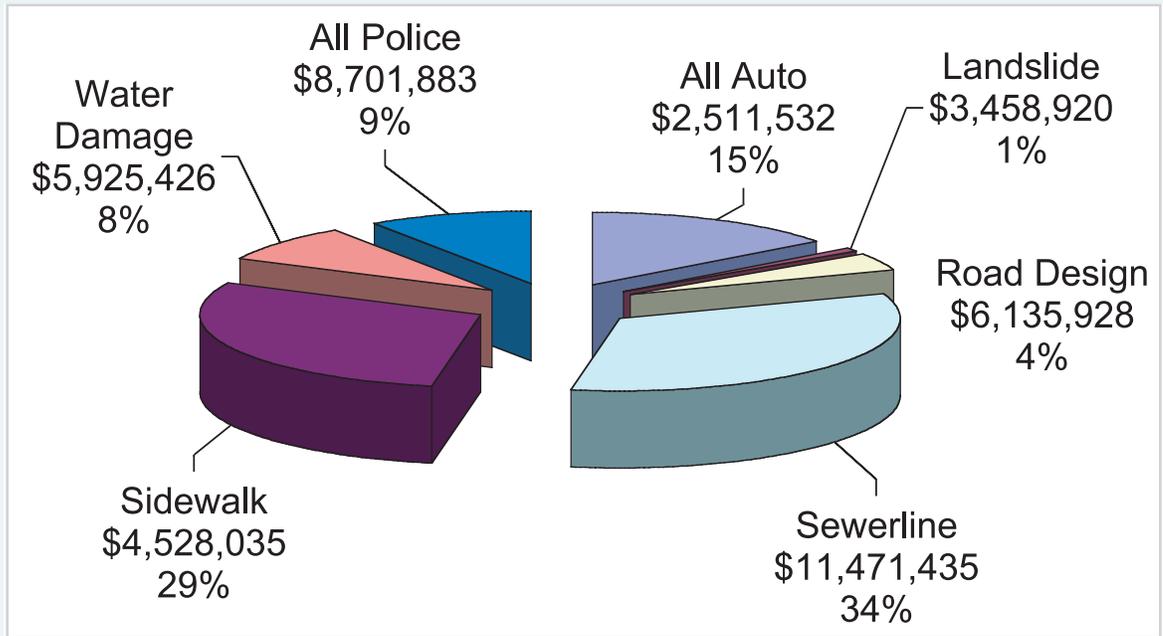
- ◆ Conducted member training on effective claim response
- ◆ Recovered over \$100,000 in damage claims for members
- ◆ Successfully passed claim administration audit

Planned 2004-2005 Activities & Services

- ◆ Meet with members to review claims and response procedures
- ◆ Continue to emphasize risk management approach to claims handling
- ◆ In-house technical training
- ◆ Litigation Management Audit



Largest Causes of Loss* 1991 to 2003
 * does not include all losses
 % is total of all losses



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 our members' needs.

Completed 2003-2004 Accomplishments

- ◆ Implemented award-winning Sewer Smart public education program, including launch of www.sewersmart.org, designed to reduce costly backups

- ◆ Began comprehensive risk assessment for each member
- ◆ Defensive Driving training, including classroom, driving, and driving simulation
- ◆ Police Risk Management Training
- ◆ Risk Transfer and Insurance Training
- ◆ Liability 101 training: an overview of risk management activities tailored for each city
- ◆ Grants for police car video cameras
- ◆ Grants for customized member risk management training
- ◆ Established comprehensive safety video lending library



Planned 2004-2005 Activities & Services

- ◆ Complete risk management assessments for all members
- ◆ Expand police grant program to include purchase of tasers
- ◆ Continue sewer loss prevention training and public education programs
- ◆ Defensive Driving training
- ◆ Risk management education grants
- ◆ Sidewalk repair grants
- ◆ Other risk management programs as needed



Related ABAG Resources

ABAG Hazard Mitigation Program

Earthquakes are a fact of life in California. ABAG has been publishing geologic and hazard maps for the Bay Area since the 1960s. However, earthquakes are not the only natural disasters for which California, its residents, and jurisdictions need to be prepared. Natural hazard mitigation planning is being done 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 from these disasters. This program also meets the requirements of the new Disaster Mitigation Act of 2000 (DMA 2000), which mandates local governments to prepare Local Hazard Mitigation Plans.

Working with local governments and professional organizations throughout the region, ABAG has developed and released draft strategies in 2004 to meet DMA 2000 requirements. The plan is scheduled for completion by early 2006 and will include extensive loss estimates, mitigation strategies, and links between risk assessment data and mitigation strategies. For more information about the Multi-Jurisdictional Local Government Hazard Mitigation Plan for the San Francisco Bay Area, please contact Jeanne Perkins at 510/464-7934 or jeanep@abag.ca.gov.

Online Hazmat School

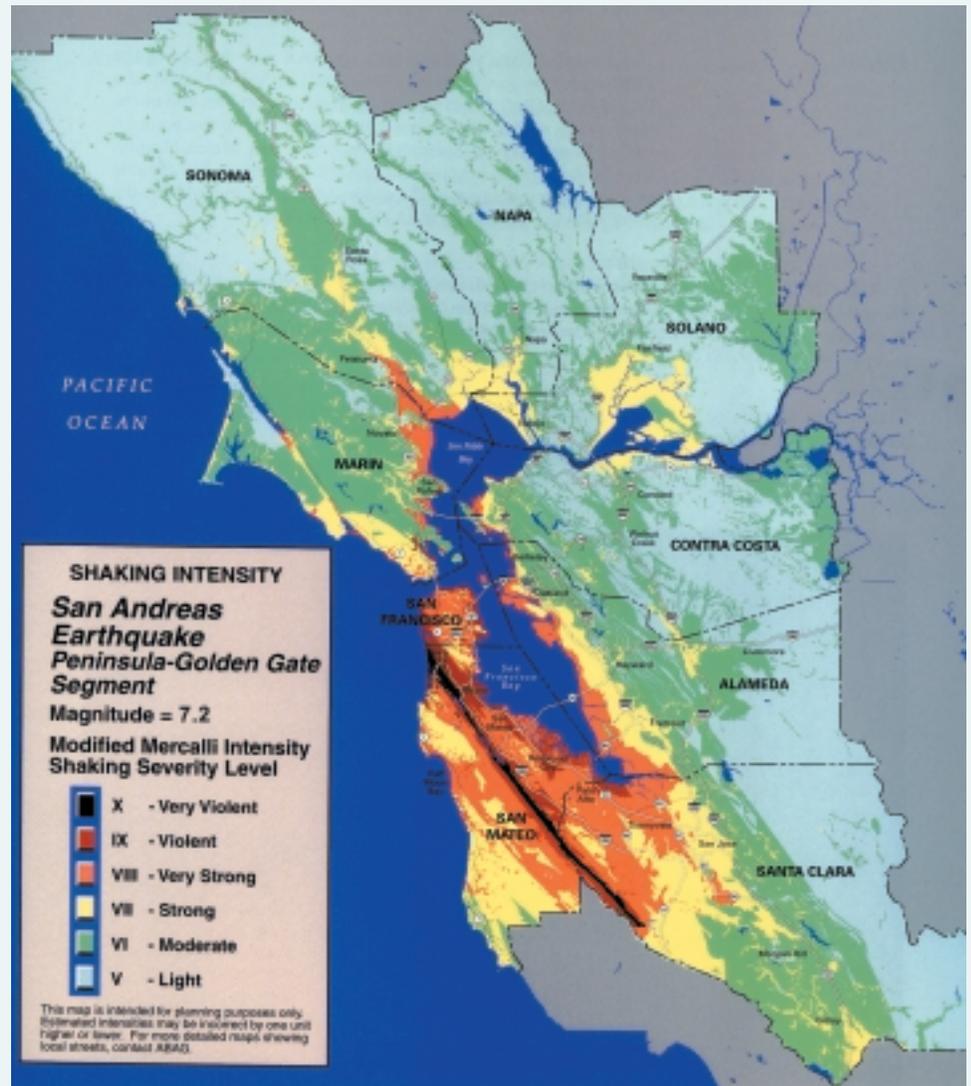
This program is an effort of the ABAG Training Center, run by the Association of Bay Area Governments and ABAG, Inc. Online Hazmat School provides online hazardous waste, hazardous materials, and safety training in full compliance with OSHA and DOT requirements, issuing OSHA

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 <http://www.hazmatschool.com>.

Shared Agency Risk Pool

Since 1986, ABAG has managed a Workers' Compensation risk-sharing pool, Shared Agency Risk Pool (SHARP). It is designed to provide small to medium-sized municipalities and agencies the 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 this is a pool, working with similar agencies to manage claims. For more information about SHARP, please contact Marcus Beverly at (510) 464-7969 or marcusb@abag.ca.gov.



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Henry Gardner, Incoming President

Joseph Chan, Finance Director

Kenneth Moy, Corporate Counsel

Orry Korb, Chairman
Town Attorney, Town of Los Altos

Jim Steele, Vice Chairman
Finance Director, City of South San Francisco

Member Cities and Towns 2004-2005

American Canyon

Atherton

Belvedere

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

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