

2001-2007



ABAG POOLED LIABILITY ASSURANCE NETWORK

1996-2000



1991-1995



2006-2007 STATEMENT OF BENEFITS

1986-1990



CHAIR'S MESSAGE



Dear Members and Friends:

I am pleased to serve as 2006-2007 Chair of the Association of Bay Area Governments (ABAG) Pooled Liability Assurance Network (PLAN) during our 20th anniversary. ABAG PLAN is celebrating two decades of providing cost-effective pooled insurance services to Bay Area cities, towns, and other municipal organizations.

In 1986, the first year of operation, ABAG PLAN provided 25 charter members with \$5 million in General Liability Coverage. The premium for that year was \$2,657,000 and losses were \$1,651,000. Today, we provide \$20 million in coverage to 31 members, have over \$40 million in assets, and offer a property program, various insurance purchasing pools, claims administration, recovery services, and risk management services. We have paid \$20 million in dividends and saved members over \$70 million in premiums since ABAG PLAN's inception.

The liability program continues to maintain stable rates while increasing the total limit of coverage. Total funding is up 5.4 percent, as compared with a 7.3 percent increase last year. This is due mostly to member payroll increases. In addition, we were able to purchase \$15 million in excess insurance within the members' approved budget for a total limit of \$20 million, twice the amount previously provided.

The property program saw a rate increase of 13.5 percent, due largely to the impact of Hurricane Katrina on the insurance market. Although our pool rate increased to \$0.58 per \$1,000 in Insured Value, some members saw a decrease in funding because of lower appraised values on some properties. All those factors considered, the coverage offered through ABAG PLAN is still a very good value when compared to other options.

ABAG PLAN provides a number of grant programs and training sessions in support of risk management activities, as detailed in this report. Two programs of note are the "Be Sewer Smart" public awareness campaign and our service credits to assist members in implementing our Risk Management Policy.

The award winning "Be Sewer Smart" campaign works with members and residents to reduce sewer backflows. Activities continued with the second "Sewer Summit" where participants from the regulatory, plumbing, and system operation fields shared ideas for working together to prevent and reduce the impact of backflows. Grants are also available to provide backflow prevention devices or to fund incentive programs for property owners to maintain and improve their systems. The website, www.sewersmart.org, provides residents timely information about sewer backup prevention.

Risk Management Policy implementation is ongoing, with close to half the members qualifying for grants. This member-developed policy guides each member 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. Members who meet the established standards receive a completion grant of \$10,000 and are eligible to receive a new matching grant for another \$10,000 for any risk management purpose.

More comprehensive information about ABAG PLAN's activities and future plans are detailed in this report.

I look forward to this 20th anniversary year and expect that ABAG PLAN will meet the challenges of the next 20 years with new services, strong leadership, and great staff, just as in the first two decades.



A handwritten signature in black ink, appearing to read "Larry Anderson".

ABAG PLAN
Board of Directors Chair
Larry Anderson
Burlingame City Attorney

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 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 \$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.

During Fiscal Year (FY) 2005-2006, total liability funding was just over \$5.1 million, an increase of 6.2 percent from FY 2004-2005's \$4.8 million. Almost half of the increase went to purchase an additional \$10 million in excess insurance, doubling the previous \$10 million limit and achieving a significant strategic goal. Member payroll increased by almost 3 percent, and the remaining increase was due to a combination of administrative expenses and loss funding.

Claim trends during FY 2005-2006 were mostly favorable, with a decrease of \$895,000 in estimated ultimate losses, due mainly to better than expected results for FY 2003-2004. Just under \$6 million was paid in claims with just over \$4 million of that coming from pool funds.

These payments are within average and are a significant improvement compared to last year's payments of over \$5 million. The number of claims has also dropped back to average after a high of 791 claims during FY 2002-2003. Our net operating loss of \$842,942 was entirely due to a one-time increase in our Unallocated Loss Adjustment Expenses, a move approved by the Board of Directors to be even more conservative in funding practices.

In spite of the record paid losses in FY 2004-2005, our conservative funding strategy continues to allow leveraging reserves to maintain stable premiums and provide an expanding level of risk management services. The SIR Fund stands at just over \$17.5 million, and ABAG PLAN's net assets of \$22 million provide a healthy 5 to 1 ratio of reserves to pool retention.

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 civil rights violation, water damage, and road design claims, along with sewers and sidewalks. Our risk management efforts focused on implementing best practices in these critical areas. 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 2005-2006 were less than a quarter of FY 2002-2003.



L to R: Marcus Beverly, ABAG PLAN Risk Manager; Dave Cortese, ABAG President and San Jose Vice Mayor; Katy Allen, San Jose Public Works Director; and Forrest Williams, San Jose Councilmember.

Ongoing risk management activities include the award-winning Sewer Smart loss prevention program. The second "Sewer Summit" occurred in June 2006, with participants from the regulatory, plumbing, and system operation fields sharing ideas for preventing and reducing the impact of backflows. The updated educational materials and website, www.sewersmart.org, includes a new risk assessment with photographs illustrating homes at risk. The winter 2006-2007 Backflow Prevention campaign included free backflow devices for qualified homeowners.

20 Year Highlights



1986

- ABAG PLAN formed
- 25 charter members
- Provides \$5 million in General Liability Coverage
- First year premium \$2,657,000
- First year losses \$1,651,000

1992-1993

- \$2.1 million in Dividends distributed
- Half Moon Bay and Burlingame newest members
- Chair, Alberto Huevo
- Newark Assistant City Manager

First Chair Harry Peacock, Saratoga City Manager

SHARED RISK PROGRAMS

Accomplishments

In 2005-2006, ABAG PLAN:

- Continued stable retention and reserve levels
- Maintained financial security with a reserve to retention ratio of 5:1
- Funded up to \$1 Million for Risk Management Programs from reserves

Plans

In 2006-2007, ABAG PLAN will:

- Review Claim Policy and Memorandum of Coverage
- Review Funding Policy
- Maintain long-term funding strategies
- Increase risk management program services

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 self-insuring the \$100,000 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.

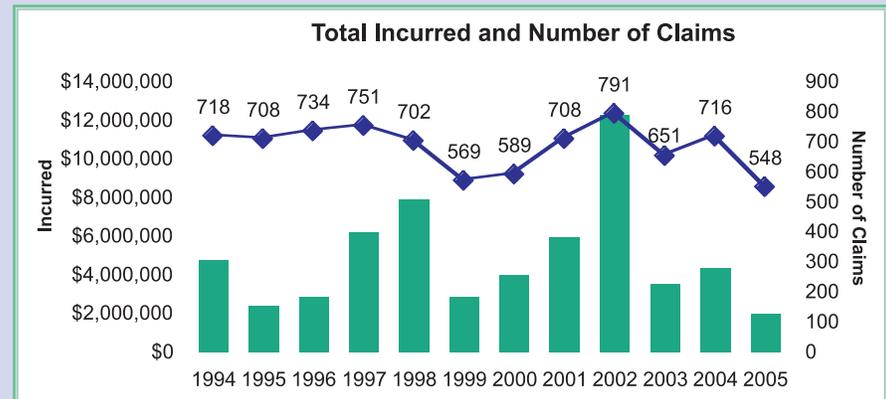
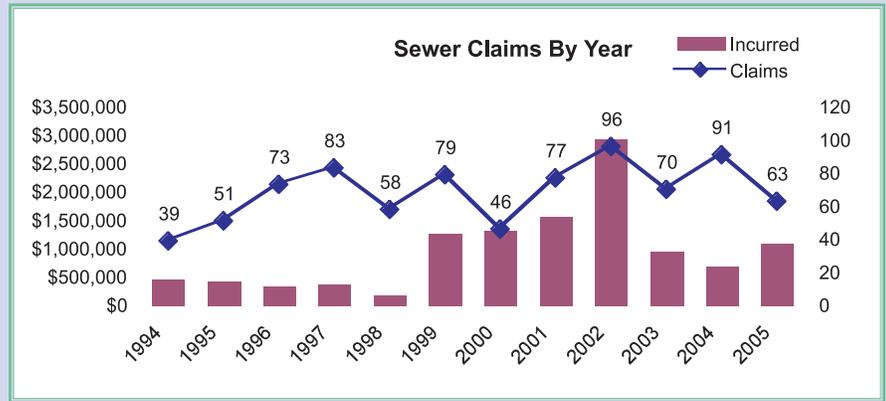
Replacement cost coverage is provided for all scheduled high-value vehicles, such as fire trucks, to minimize the impact of replacing specialized equipment.

The pool has consistently exceeded expected results, allowing the members to fund

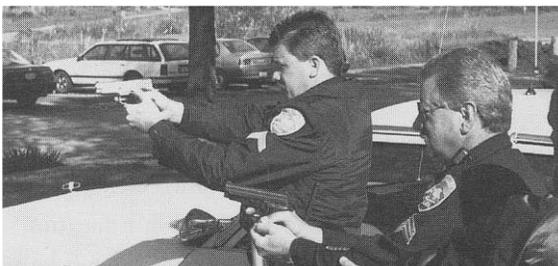
various risk management programs and providing a hedge against future market conditions or catastrophic losses.

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



20 Year Highlights



1993-1994

- Offers Property and Earthquake Coverage
- Offers Public Official Bond Insurance
- Chair, Town Manager Bob Kleinert

1994-1995

- Mobile Police Training Program Started
- \$2.3 Million Dividends distributed
- Chair, Los Gatos Assistant Town Manager Mark Linder

Mobile Police Training Program

- Landscaping and Athletic Fields
- Course of Construction
- Building Code Upgrades
- Boiler and Machinery

Accomplishments

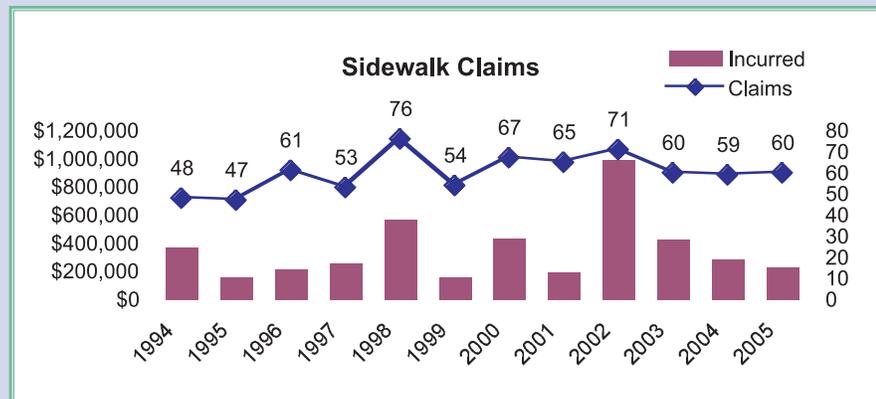
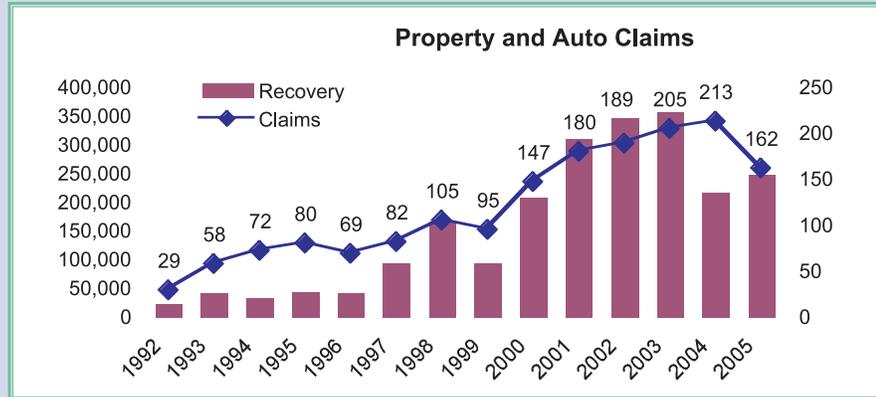
In 2005-2006, ABAG PLAN:

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

Plans

In 2006-2007, ABAG PLAN will:

- Continue property appraisals for new and key properties
- Conduct Boiler and Machinery inspections as scheduled
- Conduct training sessions including maintenance and emergency response



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.

1996-1997

- \$27 Million in Total Assets
- Chair, Millbrae Assistant City Administrator Jeff Killian

1997-1998

- Mobile Police Training Awarded from ICMA
- Returned \$3.2 Million in Dividends
- Chair, Gilroy Human Resources Director Phil Valenzuela



Saratoga Library

SHARED RISK PROGRAMS

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.

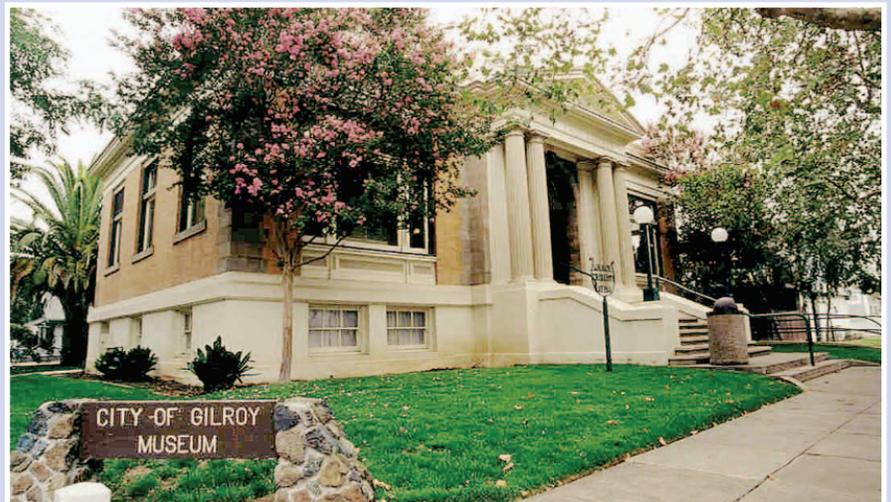
OTHER SERVICES

CLAIMS ADMINISTRATION

ABAG PLAN assigns an experienced claims examiner to each member community to investigate, evaluate, negotiate, and settle both liability and property claims. Working closely with the member allows quick information gathering and a prompt response to reduce the impact of claims.

Accomplishments
In 2005-2006, ABAG PLAN:

- Conducted member training on accident investigation
- Recovered over \$135,000 in damage claims for members
- Implemented electronic auditing of litigation expenses



Gilroy Museum

Plans
During 2006-2007, ABAG PLAN will:

- Meet with members to review claims and response procedures
- Continue to emphasize risk management approach to claims handling
- Conduct in-house technical training
- Evaluate effectiveness of legal audit program

20 Year Highlights



1998-1999

- Now Provides \$7 Million in General Liability Coverage
- Returned \$1.3 Million in Dividends to Members
- 30 Members
- Started In-car Police Video Program
- Chair, Foster City Assistant City Manager Kristi Chapelle

Ross Police and Fire Departments

1999-2000

- Introduced New Database Claims Program
- New Claims Manager Angela Salisbury

LITIGATION MANAGEMENT

ABAG PLAN maintains a list of preferred counsel specializing in the unique civil claims members face. Counsel agrees 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, whether due to an auto accident, vandalism, or other cause. Since its inception in 1992, ABAG PLAN has recovered over \$2 million on behalf of our members—money that goes back to servicing 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.



Millbrae Bay Front Park

Accomplishments

In 2005-2006, 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 2006-2007, 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

2000-2001



Ball players on community field

- Returned \$1.4 Million in Equity to Members
- East Palo Alto New Member Chair, Portola Valley Town Administrator Alex McIntyre
- New Risk Manager Marcus Beverly

2001-2002

- Strategic Planning Meeting identifies Objectives
- Chair, Suisun City Assistant City Manager Robert Sousa
- Recovery Services established

ABAG HAZARD MITIGATION PROGRAM

ABAG is conducting 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 from these disasters. 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.

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 local governments to prepare Local Hazard Mitigation Plans. Working with local governments and professional organizations throughout the region, ABAG has developed and released strategies to meet DMA 2000 requirements. The plan includes 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, members may contact Jeanne Perkins at 510/464-7934 or jeanep@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 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



Coastal landslides

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.

20 Year Highlights



2002-2003

- Chair, Belvedere Town Manager Ed San Diego
- Be Sewer Smart Campaign kick-off

2003-2004

- First Sewer Smart Summit
- Chair, Morgan Hill Finance Director Jack Dilles

Gwen Regalia, Walnut Creek Councilmember demonstrates pop-up device

AVAILABLE GRANT PROGRAMS FISCAL YEAR 2006-2007

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.

Risk Management Framework & Best Practices

Grants up to \$10,000 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).

New Risk Management Program Grants

Once a member has completed the Risk Management framework activities and best practices they are eligible for an additional \$10,000, on a matching grant basis, to fund any risk management program. This can include repair to sidewalks, inspection or maintenance of trees, purchase of safety equipment, provide training, or any other risk related program. Ideas for pilot programs that may be helpful for other members are welcomed.

Risk Management Services Credit

To make it easier to complete the above items, credits were established ranging from \$3,600 (members with populations < 20,000) to \$9,600 (34,000 > 54,000) and above. Credits were established to provide resources to address the recommendations in each member's risk assessment and to assist members in meeting the framework and best practices 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.

Defensive Driver Training

ABAG PLAN pays for defensive driver classroom and behind-the-wheel training for our members. The State of California and Safety Center are used for training. Other vendors, including on-line training, are used as recommended by members.

Risk Management Training

ABAG PLAN pays up to \$2,000 each year for members to attend training and/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 related organizations, such as (www.ieatraining.com).

A free safety video lending library continues to be available through the National Resource Safety Center, www.nrsc.com/video. Videos can be ordered through an ABAG PLAN account set up with Bickmore Risk Services. Details are on the website (www.abag.ca.gov/plan/) or contact Patti Bullen at 800-541-4591, ext. 1181, for more information.

Police Risk Management

General Orders: Grants are provided to assist member departments in meeting ABAG PLAN's best practices recommendations, including subscribing to a service for regular updates (at least annually) of a department's general orders. Once a member meets this requirement the following grants are available:

Equipment grants: up to \$10,000 per year as a matching grant for in-car video cameras, tasers, digital recorders, or other risk management related equipment.

Training grants: 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

ABAG PLAN continues the award winning Sewer Smart Program (www.sewersmart.org) featuring 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 are available for members to provide backflow prevention devices or to fund incentive programs for property owners to maintain and improve their systems.

2004-2005

- Chair, Los Gatos Town Attorney Orry Korb
- Risk Management Assessments begun

2005-2006

- Chair, South San Francisco Finance Director Jim Steele
- New Risk Management Policy

2006-2007

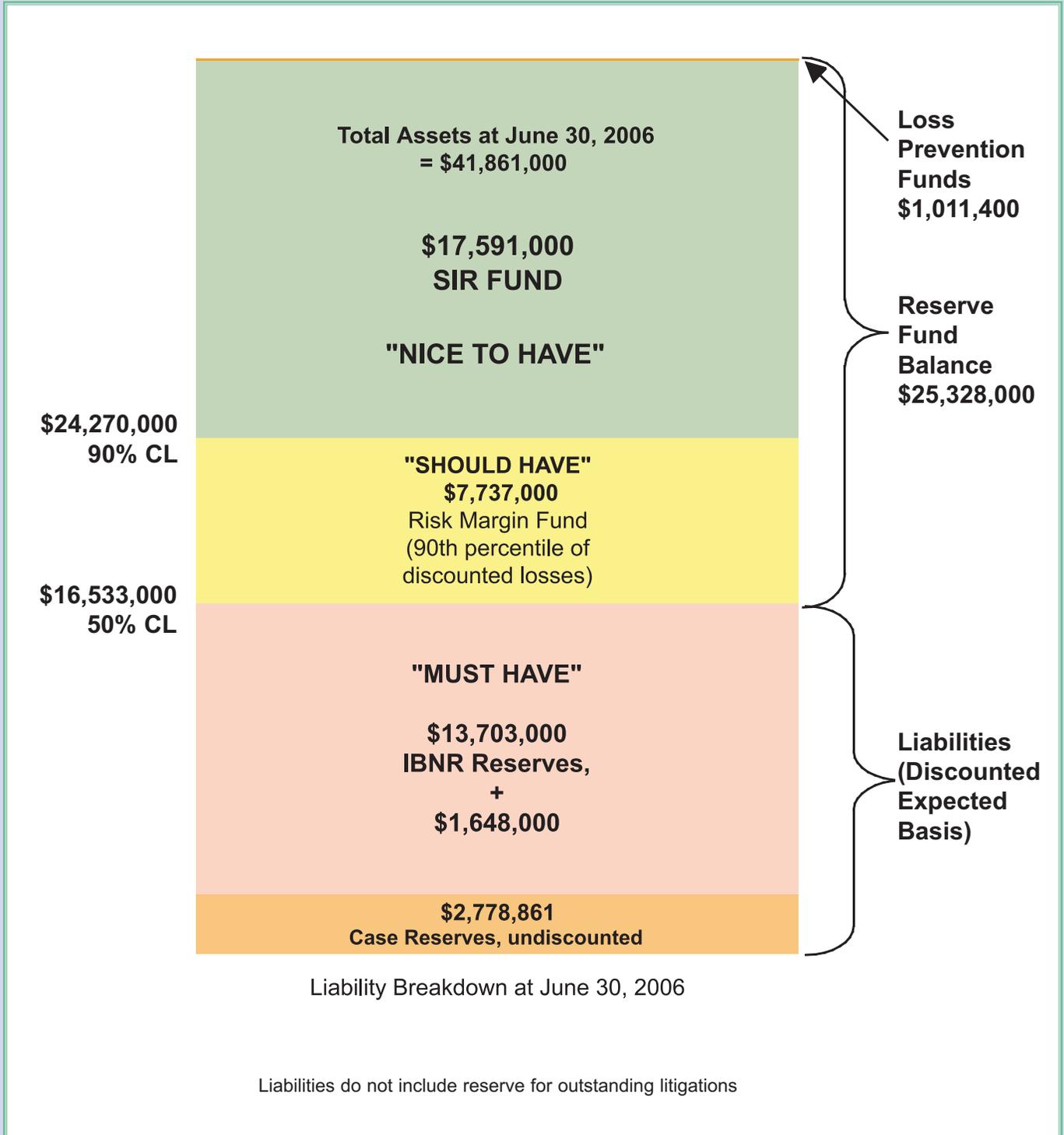
- Risk Management Service Credits and Grants established



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



BALANCE SHEET

STATEMENT OF NET ASSETS

Assets

Cash and Cash Equivalents	\$1,893,167
Investment at Fair Market Value	40,454,001
Interest Receivable	648,379
Accounts Receivable	241,577
Equipment, Net	68,935
TOTAL:	\$43,306,059

Liabilities and Retained Earnings

Claims Reserves	\$20,190,500
Other Payables	416,281
Retained Earnings	22,699,275
TOTAL:	\$43,306,057

STATEMENT OF ACTIVITIES

Revenue

Administration Premium	\$2,299,998
Liability Premium	5,175,369
Property Premium	893,217
Total Revenue	8,368,584

Expenses

Provisions for Claims and Claims Adjustments	4,346,801
Provision for Unallocated Loss Adjustment	884,000
Property Insurance	718,214
Depreciation	73,745
Management and Administration	1,895,908
Excess Insurance & Bonds	578,191
Contract Services and Other Expenses	714,667

Total Expenses 9,211,526

Net Program Operating Income (842,942)

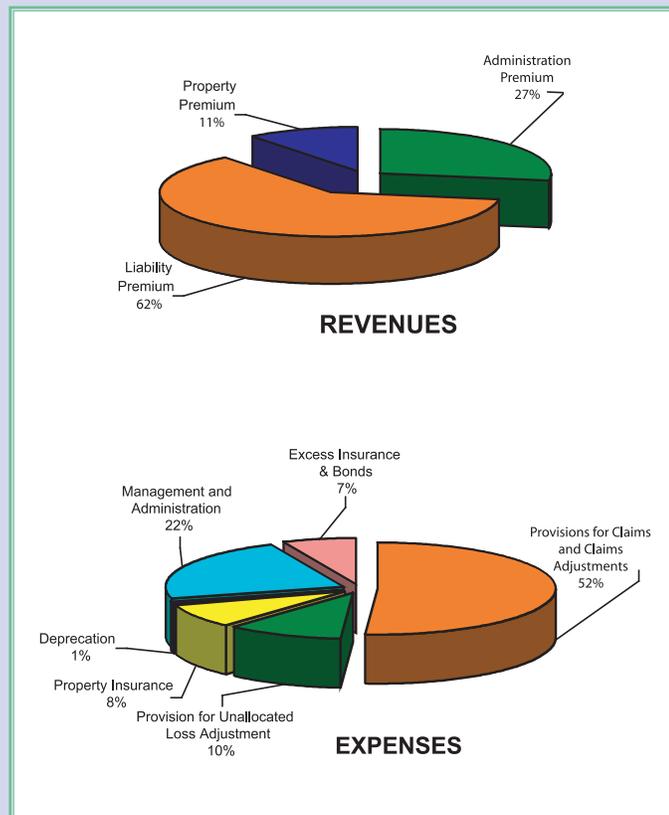
General Revenue (Expenses)

Unrealized Loss on Investments	(1,431,803)
Investment Income	1,897,528
Total General Revenue (Expense)	465,725

Change in Net Assets (377,217)

Beginning Net Assets 23,076,494

Net Assets \$22,699,277



Member Cities and Towns 2006-2007

American Canyon	Dublin	Los Gatos	San Bruno
Atherton	East Palo Alto	Millbrae	San Carlos
Belvedere	Foster City	Milpitas	San Mateo
Benicia	Gilroy	Morgan Hill	Saratoga
Burlingame	Half Moon Bay	Newark	South San Francisco
Campbell	Hillsborough	Pacifica	Suisun City
Colma	Los Altos	Portola Valley	Tiburon
Cupertino	Los Altos Hills	Ross	Woodside

ABAG PLAN Officers

Henry Gardner, President

Joseph Chan, Finance Director

Kenneth Moy, Corporate Counsel

Larry Anderson, Chair
Burlingame City Attorney

Julie Carter, Vice Chair
Assistant to the City Manager, Dublin

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*Photos provided by:
cliparttoday.com, Anne Ray, and
ABAG PLAN staff and members*



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