



SUMMARY MINUTES

Actuary Committee
 101 Eighth St., Oakland, CA
 Conference Room B
 Oakland CA 94607
 April 29, 2009

Presiding

Emma Karlen - arrived Item 3 – 10:15

Committee Members Present:

Paul Rankin

Bronda Silva

Gary Broad

Alvin James – arrived Item 4 – 10:25

Barbara Powell

Members Absent:

Jesus Nava

Consultant(s) Present:

Michael Harrington

Seth Cole

Staff Present:

Marcus Beverly, ABAG PLAN Risk Manager

Gertruda Luermann, ABAG PLAN – Risk Management Analyst

Carol Taylor – ABAG PLAN Secretary

Jurisdiction

Milpitas

Dublin

American Canyon

Ross

East Palo Alto

San Bruno

Burlingame

Bickmore Risk Services

Alliant Risk Services

1. **Call To Order:**
Meeting to order at 10:12 a.m., a quorum of 4 present

2. **Public Comments:**
None

3. **Approval of Minutes, May 1, 2008**
Minutes approved as presented.
/M/Rankin/S/Silva/C/unanimously approved

4. **Actuarial Review of the Self Funded Liability Program as of June 30, 2009:**

Michael Harrington of Bickmore Risk Services presented his firm's analysis of the program's outstanding liabilities and funding for the 2009-10 Program Year. Outstanding liabilities are estimated to decrease to just under \$16 million, from over \$17 million last year. Estimated ultimate losses decreased by \$2 million in spite of an increase of almost \$4 million in 1002-93 due to the Half Moon Bay settlement.

Funding for FY09-10 remains steady due to a decrease in the loss rate from \$1.03 to \$1.01. Payroll increased by 4% overall and the discount rate remains at 4%. Admin and excess insurance charges remain the same at \$2.5 million and \$700,000, respectively. Total funding increased by 0.8% or \$63,000 based on increase in loss funding.

Information only, no action taken.

5. **Excess Liability and Property Funding Options:**

Seth Cole of Driver Alliant Risk Services presented an overview of the insurance market and options for 2009-10. He provided an update regarding the PLAN's current excess insurers, once part of AIG and now part of a separate corporation, AIU Holdings. The insurance operations remain financially strong and the separation of the insurance group is meant to provide further distance between the organizations.

Initial estimates for the liability renewal are a 5% increase, with other markets being approached for comparison. The property insurance is expected to increase 12%, with no significant change in terms. Both the liability and property insurance will have endorsements enabling replacement of the coverage with no penalty should the insurers' financial strength ratings decline.

Information only, no action taken.

6. **Funding Recommendations**

Marcus Beverly presented recommended funding options to the committee and an update on the PLAN's progress in achieving its funding benchmarks. All of the changes this year are positive, with assets increasing \$3 million and net assets up \$4.3 million or 17%. The Net Asset to SIR ratio for a \$5 million SIR is approaching 6:1, with the ratio for a \$10 million SIR just under the minimum of 3:1.

Funding for FY 09-10 remains relatively flat overall, with 2 members hitting the 30% increase cap and one capped at a 30% decrease. Members reviewed and discussed the results and the change in each component of the funding formula. Staff recommended maintaining the funding the same as FY 08-09, at a 50% confidence level, discounted at 4%, with a \$5 million SIR and \$20 million in excess insurance.

The Property Program has proposed changes to the member deductible, reducing it to \$5,000 from \$10,000 for auto losses and eliminating it entirely for losses above \$25,000. In addition, total loss vehicles will be settled at Replacement Cost as long as they are listed on the property schedule. Committee members and staff reviewed the changes and estimated costs in the staff report. Committee members requested a reminder to the membership to review the values of their vehicles to make sure they are updated and to make it clear this is a one-year expansion of coverage that will need to be closely monitored and reviewed on an annual basis.

After further discussion and review the members approved the funding for both programs as recommended, with an amendment to review the property program enhancements in one year.
/M/Powell/S/Karlen/C/unanimously approved

7. **Funding Policy Revisions**

Marcus Beverly Risk Manager, presented revisions to the ABAG PLAN funding policy for review and approval. Mike Harrington was asked to prepare the amendment to document the formula approved by the Board on October 22, 2008, to be used in the event of termination of the corporation. Mike also requested a minor change to the definitions of Expected Liabilities and Expected Losses.

After discussion and review the amended Funding Policy was approved as presented.
/M/Rankin/S/Broad/C/unanimously approved

8. **Executive Committee Appointment:**

Members were requested to appoint a representative to the Executive Committee to fill the position vacated by Emma Karlen by virtue of being the Board Chair.

After discussion Gary Broad of the Town of Ross was appointed to be representative to the Executive Committee. /M/Rankin/S/Karlen/C/unanimously approved

9. **Strategic Planning and Loss Allocation Discussion**

Marcus Beverly presented a brief overview of strategic funding topics including the need to decide on a withdrawal formula. A more immediate concern potentially impacting the PLAN funding is how to manage the Inverse Tail exposure. A facilitated discussion is planned for the Board meeting in October.

Beverly also discussed a comparison he requested showing what Belvedere would have paid had the city stayed in the PLAN versus what they have paid in the CJPIA pool. Over the last four years Belvedere would have saved over \$100,000 had they stayed in the PLAN. Staff will distribute the results to the PLAN members as well as Belvedere.

10. **Other Business:**

None

11. **Adjournment:**

1:10 p.m.

Respectfully Submitted,



Marcus Beverly
Risk Manager & Secretary

/ct