Date: January 5, 2012

To: ABAG Board of Directors

From: James Hill
PLAN Risk Management Officer

Subject: Pooled Liability Assurance Network (PLAN) - Annual Overview

ABAG PLAN Corporation provides property, liability and crime coverage to 30 cities and towns in the greater Bay Area. ABAG PLAN has over $47 million in assets and has returned over $20 million in dividends to its members since inception. ABAG PLAN has afforded its members significant premium savings over time. The program has invested over $5 million dollars in Loss Control and Safety programs in the past three years. In addition, the SHARP (Shared Risk Pool) program provides affordable Workers Compensation coverage to its member cities.

The ongoing success of ABAG PLAN has enabled its members to improve their organization's financial performance and also improve the lives of those within their communities. By focusing on key areas of municipal exposure to loss and by placing emphasis on the cost/benefit of our Risk Management grant program(s), we have assisted members in hazard mitigation and in the implementation of loss control techniques to reduce losses in public playgrounds, parks, police operations and those related to sidewalks, sewers and trees.

In 2012, ABAG PLAN will continue to work with its members providing Risk Management and Loss Control consulting services, as well as, superior Claims Administration services. Our goal is to provide high quality service to PLAN members which will allow them to effectively manage the complex risk they face as municipal enterprises.

PLAN Service Components

Through ABAG PLAN, members have at their disposal, a wide array of resources to assist them in maintaining or improving the health and safety of their citizens and employees. ABAG and its members are working together to share resources and best practices that will help members rise to meet the challenges they face.

Following is the wide array of services offered to PLAN members:

Claims Administration

1. Claims Adjusting
2. Claims Investigation (including Field Examination)
3. Claim Valuation (Liability and Property)
4. Claim Recoveries (Subro, Salvage and Deductible Reimbursements)
5. Defense Counsel Management and Administration
6. Governance (Claims Committee)

Claims MIS (Reporting)

1. Member Claims Activity Reports (Periodic)
2. Member Claims ADHOC Reports (Audit, Financial, etc)
3. Member Deductible Billing reports (Invoicing)
4. Indexing and CMS Reporting (Regulatory)

Risk Management and Insurance

1. Risk Management and PLAN program consultation
2. Excess Insurance Placements and Broker Relations
3. Contractual Risk Transfer (Certificate Reviews and Coverage Analysis)
4. Loss Control and Safety Consultation
5. Best Practices (Procedures, position papers, protocol)
6. Best Practices Audit Program
7. Grant Program management and administration
8. Training and Education workshops and resources
9. Governance (Boards and Committees)

RMIS/Website

1. PLAN Website
2. Automated Certificate processing
3. Automated Property reporting and tracking (OASYS)
4. Member Portal – Online Best Practices, procedures, documents, papers.
5. Special Events Program/Contractor's Program
6. Customized Management Data Reports (MDRs)
7. Customized Internal Management Reports (Aggregate tracking, reserve analysis, activity reports, trend analyses)

Financial Highlights – Fiscal Year Ending June 30, 2011

ABAG PLAN is a well managed, fiscally sound and adequately funded risk sharing pool demonstrated by the following financial highlights:

- Total PLAN Assets were $47.2 million.
- Total Revenue, including program and general revenues, were $9.7 million
- Total Net Assets (Member Equity) was $26.5 million.
- The PLAN program is funded at the 90% (high) confidence level.

Claims Highlights – Fiscal Year Ending June 30, 2011

ABAG PLAN claims examiners are highly qualified and seasoned claims professionals who handle an average claims load of approximately 600 claims annually. The claims examiners have been rated "superior" as evidenced by their most recent audit (June 2011). The current total case load is declining a result of a downward trend in losses.

- General Liability claims paid in FY were $6.6 million.
- Property Claims paid in FY were $375 thousand.
- Open claim inventory at FYE was approximately 400 claims.

PLAN claim frequency over the past five years, by type of claim, can be illustrated as follows (% of total claims over 5 year period – FY 2006 thru 2011):

- Auto (1st and 3rd Party) - 13.4%
- Trees - 12%
- Sewers – 10.3%
- Police – 10.1%
- Sidewalks – 10%

Police claims rank the 4th highest in terms of claims frequency and also rank the highest in claims severity (total paid per claim). The total number of claims adjusted over the five year period was approximately 3,500.

Major Accomplishments in FY 2011

PLAN notes the following activities as significant accomplishments in FY 2011. These activities were all focused on improving operating efficiency and enhancing customer service delivery.

- Introduction of "Guest Link" – Deductible Billing System Interface (test group)
- 2011 Sewer Summit – Record Attendance (+140 attendees)
- Training Seminars – 2010 ADA Regulations; Workplace Violence; Sexual Harassment; Risk Management 101; Contractual Risk Transfer.
- Cost Allocation Study and Comparative Cost Analysis
- Board Retreat and Strategic Planning Session

Fiscal Year 2012-2013 Objectives:

ABAG PLAN has established the following objectives for 2012-2013.

Insurance Programs

- Provide stable loss funding rates for the Liability Program
- Provide stable premium and broad coverage for the Property Program
- Explore risk transfer mechanisms for Employment Practices Liability

Risk Management Program

- Provide a broad range of training focused on the unique needs of our members.
- Continue our award-winning Sewer Smart Summit program and expand to include Storm Water Management.
- Provide grants supporting Risk Management Best Practices and Loss Control programs
- Work closely with members to ensure they have developed a Local Hazard Mitigation Plan and Business Continuity Plans for disaster (EQ) recovery.
- Encourage members to become a part of the Bay Area Regional Disaster Resilience Action Plan Initiative.

Claims Administration

- Full implementation of an automated deductible billing process, including on-line client access to our iVOS claims system
- Improved MIS platform with enhanced reporting capabilities.
- Maximize recovery and subrogation opportunities to reduce "net" loss and save members significant claim dollars.
- Continue our ongoing claim file reviews for member cities0
- Continue to manage the ITC portfolio for pre 7-1-08 claims
- Conduct ongoing efficiency study to maximize operating efficiencies.