

**Iowa Communities Assurance Pool  
Board of Directors Meeting  
January 16, 2014  
West Des Moines City Hall, West Des Moines**

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Board members present: Jody Smith, Gary Mahannah, Dave Hageman, Tom Roth, Lois Huitink, Michael Bergan, Bill Peterson, Larry Burger and Alan Kemp. Present from York Risk Pooling: John Brockschmidt, Michele Chandler, J. T. Babish, Chris Dondzila and Kristin Smolek. Present from Bilbrey Insurance Services: Ken Bilbrey and Kasi Koehler. Present from PERSI: Frank Miller (from 9:00 a.m. to 9:45 a.m.). Present from Ahlers & Cooney: Beth Grob (from 11:00 a.m. to 12:00 p.m.).

Mr. Smith called the meeting to order on January 16, 2014 at 9:00 a.m. CT.

Upon motion by Mr. Mahannah, seconded by Ms. Huitink, the agenda was unanimously approved as printed.

**Election of 2014 Officers and Designation of Investment Committee**

Upon motion by Mr. Roth, seconded by Mr. Bergan, the board unanimously re-elected the 2013 slate of officers [Mr. Smith as Chair, Mr. Mahannah as Vice Chair and Mr. Hageman as Secretary] and the 2013 members of the Investment Committee [Mr. Smith, Mr. Mahannah and Mr. Hageman] for the 2014 calendar year. Mr. Roth expressed his appreciation for the continued work of the officers and the Investment Committee.

Upon motion by Mr. Bergan, second by Mr. Mahannah, the minutes from the October 10, 2013 ICAP Board meeting were approved as printed. Mr. Burger abstained from voting, as he did not attend the October meeting.

Mr. Smith indicated that if any member or citizen would like to address the board on an ICAP matter he or she was welcome to do so. No matters were brought forward.

**Claims Report**

Frank Miller presented the claims report as provided in the board book.

**Financial Report**

Mark Weaver telephonically presented the financial report as provided in the board book. With respect to casualty, he began by noting a \$7M dollar increase in cash and investments through November 2013. He then indicated that because of the light claim year, excess of revenue over expenses through November 2013 was \$4,680,585 compared to \$3,948,471 through November of last year.

Turning to property, Mr. Weaver noted an increase in contributions and claims compared to last year, resulting in \$1,767,812 excess of revenue over expenses through November 2013, compared to 1,500,276 through November of last year.

Mr. Weaver reviewed various fund components in both a current year and historic format, noting a total fund balance of \$47,024,396 through November 2013. He then reviewed casualty and property budgets to actual, noting favorable development in claims and reinsurance premiums. He concluded his presentation with a review of the 2014 budgets, as shown in the presentation.

Upon inquiry by Mr. Bergan, Mr. Weaver noted that the audit work is well underway and remains on schedule for presentation at the April board meeting.

### **CRF Update**

Ms. Chandler noted that per the Cumulative Reserve Fund (CRF) Maintenance Guideline, at the first meeting of each year, the board is to review lists of members whose CRF balance is less than 150% and 132.6% of the preceding year's basis rate, respectively, to determine what action, if any, to take with respect to same. Ms. Chandler then provided a brief background on the purpose and history of the CRF and provided the lists for board consideration. Lengthy board discussion ensued and the board resolved to maintain the status quo and revisit the two lists again in January 2015.

### **Investment Report**

Mr. Smith disseminated and reviewed portions of the Investment Report prepared by Graystone Consulting, starting with \$1,212,777 income for the 2013 calendar year. He noted the mutual fund holdings below the BB range and Graystone's recommendation to continue to hold them. He then relayed Graystone's 2014 outlook provided at the Investment Committee meeting [held on January 15, 2014], noting Graystone's forecast for strong domestic equity performance in the range of 8-16%. Mr. Smith next highlighted various performance metrics, noting that the portfolio outperformed both its objective and benchmark for the 2013 calendar year. He reviewed the results for the alternative investments and managed futures and noted that they are performing as expected, given the function they are structured to carry out [provide protection in a down market]. Mr. Smith noted that the portfolio was in full compliance with the Investment Policy constraints but slightly above the fixed income maturity distribution guideline for the 0 to 36 month term. He concluded his investment review noting that the diversified portfolio performed well in 2013.

### **Investment Policy Review**

Mr. Smith disseminated a draft of a revised Investment Policy incorporating the board's input from the September questionnaires and subsequent discussion at the October 2013 meeting. He then reviewed the changes being suggested by Graystone and board discussion ensued in favor of the proposed changes. Ms. Chandler noted that the investment firm provides compliance reports with each investment report. Ms. Grob noted an updated statutory citation. Upon inquiry by Mr. Peterson as to the role of the investment firm and administrator regarding compliance with the Investment Policy, Mr. Brockschmidt indicated that administrator will work with Graystone to propose revised language regarding roles for the board's formal consideration at either the February or April meeting.

### **Board Member Education**

Ms. Grob provided a presentation on how to avoid the most common board mistakes. She touched on various items including Iowa law regarding board member duties, asking questions,

conflict management, updating governance documents and cultivating board diversity. Upon inquiry by Mr. Burger, Ms. Grob indicated that she works with ICAP's lobbyists to stay abreast of any proposed legislation that would affect ICAP.

### **Loss Control Report**

Ms. Chandler reviewed the loss control report as provided in the board book, noting that 185 member visits and 58 property appraisals took place in the four-month reporting period. She then reviewed special requests and highlighted various issues raised by the membership, including ATV and golf cart ordinances, playground safety and bike trails. Ms. Chandler also reviewed member usage of various loss control resources, noting that resources are made available in a variety of convenient formats to meet the needs of ICAP members at all points along the technology continuum. Upon inquiry from Mr. Bergan, with respect to a claim involving a jail, Ms. Chandler indicated that the loss control team works with members in response to a claim and can use NavRisk to identify other members with similar exposures and share risk management knowledge. Mr. Babish expanded on NavRisk's capabilities and noted that the loss control team regularly shares knowledge with members with similar exposures. Mr. Peterson noted that the Iowa State Sheriffs & Deputies Association offers a "jail school" educational session and offered to facilitate an introduction with BISI, ARPCO and PERSI staff.

### **Marketing Report**

Mr. Bilbrey and Ms. Koehler provided an update on county and city marketing efforts, as noted in the board book.

### **Unfinished Business**

#### **a) Legal Access Update**

Ms. Chandler referenced the dashboard reporting tool in the board book, which summarized use of this service since inception. Upon inquiry by Mr. Bergan, Ms. Chandler indicated she will revisit the areas offered with Hugh Cain and report any thoughts on expansion to the Member Services Committee. Upon inquiry by Mr. Bergan, Ms. Chandler indicated that the agreement with Hopkins & Huebner runs through April and if there are any changes to the contract for 2014, she will report them to the board for consideration. Upon motion by Mr. Roth, seconded by Mr. Burger, the board unanimously agreed to continue to offer this service in 2014. Mr. Peterson suggested running an article promoting this service in the Iowa State Association of Counties magazine and Ms. Chandler offered to work with ISAC regarding same.

#### **b) Strategic Planning Update**

Ms. Chandler noted that in preparation for ICAP's strategic planning session in June, York and BISI staff members met to undertake a review of the issues facing the pooling industry. She then reviewed various issues on the horizon for public entity pooling, as provided in the board book. Regarding scheduling, the board indicated a preference to start the planning session on Thursday afternoon following the June board meeting, continuing on Friday, June 13, 2014 at Hyperion or the League's office and moving the April board meeting to ISAC's office. BISI will look into the availability of those locations and report back to the board at the next meeting.

## **New Business**

### **a) 2013 CQA Results**

Mr. Dondzila provided a detailed overview of the Continuous Quality Assurance (CQA) program and reported that the total weighted score for the 76 ICAP files audited in 2013 was 99.5%. Upon inquiry by Mr. Burger, Mr. Dondzila indicated that if an adjuster is performing below the targets, a corrective action plan is implemented with that adjuster.

### **b) APEEP Update**

Mr. Mahannah provided an update on various APEEP items, including the status of the Joinder Agreement revision. Mr. Mahannah indicated that he and Jody [ICAP's APEEP Representative and Alternate, respectively] put forth comments on the proposed draft, but felt those comments were not properly considered by APEEP. In order to have their comments more fully considered, they raised for ICAP board consideration the suggestion of having ICAP's counsel [Ivan Webber] appointed by the ICAP board as the Alternate to the APEEP Alternate [Jody Smith]. Mr. Smith also relayed concerns with the APEEP Claim Audit Committee's request for CQA results from the Member Pools. Board discussion ensued and upon motion by Ms. Huitink, seconded by Mr. Hageman, the board unanimously appointed ICAP's counsel as the Alternate to the APEEP Alternate.

### **c) Future Meeting Options**

Ms. Chandler provided location options for the 2016 Michigan meeting. Discussions will continue at the April meeting.

### **d) Potential Coverage Enhancements**

J. T. Babish proposed two conceptual coverage enhancements for future board consideration: (1) removing some of the exclusions that apply to control panels and (2) expanding the Broad Legal Defense Fund Benefit. The board indicated a desire to formally consider the enhancements. Mr. Babish then indicated he will provide specific draft language at the February meeting for board consideration. Upon inquiry by Mr. Bergan, Mr. Dondzila provided an example of how the proposed expansion of the Broad Legal Defense Fund Benefit would work.

Upon inquiry by Ms. Huitink, Mr. Dondzila provided background on the type of claim involving a failure to provide proper safeguards in a jail.

The meeting adjourned at 1:55 p.m.

Respectfully Submitted,

Dave Hageman

DH/mck

