



planning
for
tomorrow



2014 ANNUAL REPORT

Message From The Chairman

Greetings ICAP Members,

Author Alan Lakein has said that "Planning is bringing the future into the present so that you can do something about it now," and in 2014, that's just what the ICAP Board of Directors did. In June, the ICAP Board conducted a comprehensive two-day strategic planning session to lay plans for the future. As a result of the strategic planning session, the Board set forth a long-term plan to ensure that the hallmarks of the ICAP program (broad coverage, fair price, valuable member resources and strong financial health) continue both now and into the future. Here are some highlights of the ICAP Board's work in those key areas in 2014 and plans for 2015 and beyond:

Broad Coverage Gets Broader

For the past several years, ICAP introduced new and enhanced cyber-related coverages to stay ahead of this emerging exposure. With comprehensive cyber coverages in place, the Board turned its attention to expanding two existing benefits. With respect to the Broad Legal Defense Fund Benefit, ICAP removed the requirement that the injury arise out of a covered operation, thereby making a broad benefit . . . even broader. With respect to Machinery and Equipment Control Panel Coverage, ICAP removed several limitations thereby providing broader coverage for computers that control equipment. ICAP will continue to evaluate and enhance existing coverages and create new ones so that ICAP members have the coverage they need both now and into the future.

Member Resources

With broad coverages and a history of stable pricing in place, ICAP also has devoted time and effort into developing helpful member resources. In previous years, ICAP introduced a free legal access resource wherein ICAP members can obtain, annually, 90 minutes of free legal advice in a number of areas. In looking to expand that member resource, in 2014 the ICAP Board added two additional areas to the service:

- ▶ Indemnification Provision Review in Contracts: consultation on what these provisions mean and recommendations on what changes can and should be made before entering into contracts containing them; and
- ▶ Attorney-to-Attorney Consultation Resource: consultation between city and county attorneys representing ICAP members and municipal law specialists.

In addition to those new areas, ICAP members can use the service on inquiries involving employment law, zoning and land use, open records and open meetings by calling 877-374-9774.

Another member resource developed in 2014 was the Member Education Program. This program was designed to bring high quality educational opportunities, on a range of issues involving member operations, to ICAP members. For its inaugural educational summit, ICAP focused on cyber security and hosted an educational conference featuring a computer security specialist and privacy consultant. The first event was a success, leading ICAP to plan for more educational opportunities in 2015 and the years to come.



The two new member resources noted above are among many of the new member resources and programs that ICAP has introduced in recent years. A recap of those recent resources and programs, as well as a look ahead at what ICAP has in store for the future, can be found in the What's New & What's Next section on pages 7 and 8 of this report.

Fair Price and Returns of Member Equity

The many advantages of pooling – member-owned, no profit motive, no premium tax and tax exempt status, to name a few – assist in allowing ICAP to offer broad coverage at a fair price year in and year out. In addition to a fair price, ICAP members also benefit from distributions. In accordance with its surplus management and distribution policies, the ICAP Board conducts an annual review of operations to determine whether a distribution is in order. At its October 2014 meeting, the Board declared a casualty distribution in the amount of \$2,500,000 and a property distribution in the amount of \$500,000. More significantly, ICAP has returned \$31,120,569 back to its members since the Pool's inception. By carefully managing the financial aspects of the program, ICAP is able to both return a portion of surplus to its members today and retain surplus to meet the coverage and service needs of tomorrow.

Strong Financial Health

As you will see in the financial pages of this report, ICAP had another great year financially and closed out 2014 with a total fund balance of \$49,893,845, up from \$45,729,173 in 2013. We have you, our members, to thank for ICAP's success.

On behalf of the Board, I extend a sincere note of appreciation for your membership in ICAP. In planning for tomorrow, we will continue to be on the leading edge as, together, we make ICAP the premier local government risk sharing pool in the country.

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Jody E. Smith
ICAP Board of Directors Chairman

Board of Directors



Jody E. Smith, Chairman

jesiaconsult@aol.com • 515-202-5639

Jody has been involved with local Iowa governments for more than 38 years and has served as a member of the ICAP Board of Directors since 1987. In addition to serving as Chairman of the Board since 1992, Jody also serves as a member of the executive committee and oversees investments made on behalf of the Pool. Prior to working for the City of West Des Moines as a Finance/Budget Director, City Clerk, Deputy City Manager and twice as Interim City Manager, Jody gained experience as the City Clerk/Treasurer for the City of Clinton and as Mayor of the City of Ayrshire.



Gary Mahannah, Vice Chairman

City Administrator, City of Polk City

gmahannah@polkcity.org • 515-984-6233

Gary has been a member of the ICAP Board of Directors since 1987. He has been the City Administrator for the City of Polk City since 2005 and was employed as the City Administrator/Clerk for the City of Sac City for 23 years prior. In addition to Vice Chairman, Gary serves on multiple committees for the ICAP Board and is the ICAP representative and Vice Chairman for the American Public Entity Excess Pool Board of Directors. He has 39 years of experience working with local government and a long history of participating on various area and state boards and previously served as President of the Iowa Municipal Finance Officers Association.



Dave Hageman, Secretary

Landfill Manager, Winneshiek County

hagemada@icloud.com • 563-382-4073

Dave has been a member of the ICAP Board of Directors since 2000 and has been involved with municipal management in a variety of positions. He served five terms on the Winneshiek County Board of Supervisors and was the Allamakee County Maintenance Superintendent for two years before rejoining Winneshiek County as the County Landfill Manager in 2004. In addition to his involvement with various organizations and committees, Dave has served many years as a volunteer fireman for the Fort Atkinson Fire Department and as an adjutant for the Local American Legion Post.



Larry Burger

Vice President, The Combined Lake Delhi Recreational Facility and Water Quality District

lburger@speerfinancial.com • 319-291-2077

Larry was elected to the Board of Directors of The Combined Lake Delhi Recreational Facility and Water Quality District in August 2006. This was the start of his second round of service to the Lake, as he also served 12 years in the 1980s and 1990s on the Lake Delhi Recreation Association. Since 1993, Larry has been a Vice President at Speer Financial, a Registered Independent Municipal Advisor that serves Iowa cities, counties and schools. Prior to this position, he gained experience in the public sector as a city clerk/finance officer and as a deputy county auditor.



Tom Roth

City Administrator, City of Camanche (Representing the City of Bellevue)

troth@camancheia.org • 563-259-8342

Tom was elected to the ICAP Board of Directors in 1990, when he was employed as the City Administrator for the City of Bellevue. Eight years later, Tom assumed the position of Vice President/Compliance Officer for the Bellevue State Bank, where he obtained his Iowa Insurance License and became the only current Board member to hold the designation. In 2007, Tom returned to municipal management where he assumed the role of City Administrator for the City of Camanche.



Michael Bergan

Executive Director, HAWC Partnerships for Children

hawcmb@neitel.net • 563-382-4447

Michael was appointed to the ICAP Board of Directors in 2012 and has been serving as the Executive Director of the HAWC Partnerships for Children, an Early Childhood Iowa/Decategorization Area for Howard, Allamakee, Winneshiek and Clayton Counties since 2005. Prior to HAWC, Michael served on a number of local boards and commissions including the Winneshiek County Board of Supervisors (1997-2004), the Iowa Early ACCESS Council, the Iowa Empowerment Board, and the Mental Health Developmental Disabilities Commission, among others.



Lois Huitink

Auditor, Sioux County

loish@siouxcounty.org • 712-737-2216

Lois joined the ICAP Board of Directors in August 2012. She currently serves as the Sioux County Auditor and Commissioner of Elections, having been appointed to that position in 2006.



Alan Kemp

Executive Director, Iowa League of Cities

alan.kemp@iowaleague.org • 515-244-7282

Alan began serving as an *ex officio* member of the ICAP Board of Directors after he was named the Executive Director of the Iowa League of Cities in January 2008. Prior to joining the League in 1999, Alan gained experience in the public entity sector by serving as the City Administrator for the City of Mitchellville and as the Administrative Assistant for the City of Windsor Heights.



Bill Peterson

Executive Director, Iowa State Association of Counties

bpeterson@iowacounties.org • 515-244-7181

Bill has served as an *ex officio* member of the ICAP Board of Directors since the Iowa State Association of Counties (ISAC) endorsed the Pool in 2001. He has held a variety of positions within ISAC, dating back to 1979, when his primary role was to manage the Association's health insurance program and to assist counties with personnel issues. His job duties have changed multiple times, most recently in 1995, when he moved into his current role as ISAC's Executive Director.

Marketing Report

Year in Review

2014 was a year of growth for ICAP from the number of members, coverages, and educational opportunities. The Marketing team was especially pleased with the nearly 300 members and agents who attended one of the expanded educational opportunities: the Educational Summit and the Agent Seminar. Another exciting marketing event was the valuation pilot program, which involved performing comprehensive property appraisals for a small number of members.

While the Pool had a number of successful ventures, the following offers some of the year's most exciting highlights.

722
MEMBERS STRONG

Record Numbers

In April, the Pool hit a milestone when the 700th member joined. In fact, the Pool continued to grow throughout the year to a total of 722 members strong. The ever growing number speaks to the strength of the Pool, the excellent coverages offered and the top-notch customer service provided to members and agents.

Minimum Liability Limits Increased

Effective July 1, 2014, a minimum casualty limit of \$2,000,000 was encouraged for all ICAP members. The increase was solely for the benefit of the ICAP membership and was based on a few factors, namely the increase in judgments against public entities.



Kasi Koehler
ICAP Marketing

“ 2014 was a year of growth for ICAP from the number of members, coverages, and educational opportunities. In April, the Pool hit a milestone when the 700th member joined. ”

Given the landscape of insurance and rulings against public entities over the year, ICAP felt it was pertinent to increase the minimum Limit of Liability so members will be better protected in the event of a claim.

2014 Inaugural Educational Summit

The Inaugural Educational Summit was held during the Iowa League of Cities Annual Convention in Council Bluffs, Iowa. The event was met with much success! 156 individuals attended two identical sessions presented by Michael Bazzell, a renowned computer crime specialist.

Mr. Bazzell, a member of the FBI's Cyber Crimes Task Force, offered a comprehensive presentation on cyber security content, including real life examples of cyber breaches. The seminars provided an overview of what individuals and entities can do to help protect against cyber security crimes.

Agent Seminar Success

2014 marked the first time an Agent Seminar was held in what would historically be considered an off year. Previously, Agent Seminars were hosted every other year. The one-day seminar was very successful, with 140 agents in attendance.



The seminar covered a number of topics including: casualty coverage analysis, public entity field coverage, coverage of ICAP's technology system and case reviews of several ICAP claims and results. The presenters were: Jody Smith, ICAP Board of Directors Chairman, Ken Bilbrey and Kasi Koehler from ICAP Marketing, Kelly Hammond and J. T. Babisch from ICAP Underwriting and John Baum from ICAP Claims.

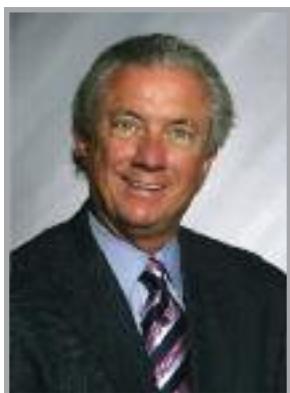
As a result of the success of the event, it was decided the Agent Seminar will be hosted annually.

Pilot Program for Property Appraisals

The ICAP Board of Directors approved a pilot program with a professional appraisal company that performs extensive appraisals utilizing a detailed on-site analysis of 20+ building components from the foundation to the roof of each building.

For one week in November, members of the Marketing, Claims and Loss Control teams worked with the company and representatives of the participating members to perform field inspection valuations on two ICAP members.

During the field inspection, a company representative performed physical measurements and did a walk-through of every building to calculate the square footage. The results produced an easy to read and understandable construction report including digital



Ken Bilbrey
ICAP Marketing

“ The ever growing number speaks to the strength of the Pool, the excellent coverages offered and the top-notch customer service provided to members and agents. **”**

images, site maps of buildings, and GPS coordinates. The report also included values representing new replacement cost, actual cash value, and a historical cost of each building.

Having an accurate and complete Statement of Values allows the Marketing and Underwriting teams the ability to discuss with each member ways to help determine the appropriate coverage necessary.

Upon completion of the pilot program, the Board will consider whether to hire the company to perform valuations over the next five years on all buildings within the Pool meeting the following criteria: valued at \$200,000 or above, all historical buildings, and all water treatment plants.

ICAPIowa TEAM

Staff Growth for Team ICAPiowa

The successful growth of the Pool also led to growth in the ICAPiowa team. To maintain the excellent customer service and member partnerships that continue to be a leader in the industry, the ICAPiowa team expanded by nine team members. The Loss Control department added four new Loss Control Representatives; the Claims department expanded its team by two Claims Adjusters and an Administrative Assistant; the Underwriting department added an Underwriting Assistant; and the Marketing department rounded out the team with the addition of a Communication Coordinator. Seven team members filled newly-created positions while two filled vacated positions. The nine additional staff members account for a 33% growth in the ICAPiowa team.



Iowa is among the 47 states that have enacted data breach notification legislation, which requires entities that have been subject to a specific type of data breach to notify affected parties about the breach. In recent years, ICAP introduced the Cyber Breach Expense Benefit, which provides all members, free of charge, with \$50,000 in limits for expenses incurred due to a cyber breach event, including expenses incurred in notifying the parties affected by a data breach, establishing a toll-free helpline, providing credit monitoring and identity restoration services and public relations. ICAP offers optional limits of up to \$250,000 for the Cyber Breach Expense Benefit. In addition to the Cyber Breach Expense Benefit, ICAP provides comprehensive third-party cyber liability coverage up to the limit for wrongful acts and broad first-party coverage for electronic data.



ICAP recognizes that its members are busy and, therefore, continues to look for ways to use technology to make more resources available in a variety of convenient formats. In addition to over 300 resources available through video streaming, ICAP also hosted the following employment-related webinars in 2014: Understanding the ADA, Practical Guidance on Wage and Hour Laws, A Guide to Managing Your HR Functions, Progressive Discipline and Hiring Smart.



In 2014, ICAP implemented a Member Education Program designed to bring high quality educational opportunities to ICAP members on a range of issues involving member operations. For its inaugural educational summit, ICAP featured a computer security specialist and privacy consultant who spoke on "Protecting Your Entity from Cyber Crime." Keep an eye out for more member educational opportunities in 2015.

What's New & What's

COMING IN 2015

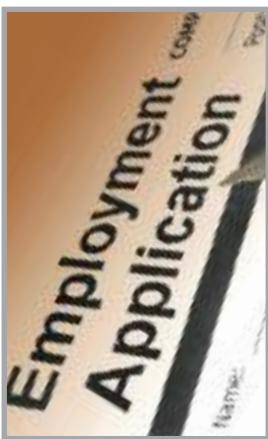
Through ICAP's Resource eLibrary, members have access to resources from In the Line of Duty, an organization that provides reality-based video training programs for law enforcement personnel. Through In the Line of Duty, ICAP has made a number of different law enforcement training modules available to the membership on topics ranging from Ground Fighting to Public Safety Response.



ICAP Legal Access is a free legal consultation service provided to ICAP members. Every ICAP member is eligible to receive up to 90 minutes each year of free legal consultation in the following areas, or any combination thereof: employment law, zoning and land use, open records and open meetings, indemnification provision review, and attorney-to-attorney consultation. To use this complimentary service, ICAP members can call 877-374-9774.



Through ICAP's Resource eLibrary, members have access to resources from HRSentry, an online employment and HR resource organization, including access to a Human Resource database that contains a number of helpful forms, policies and procedures on a variety of topics including background checks, drug and alcohol policies, employee handbooks, exempt vs. non-exempt employee definitions, interviewing, job descriptions, performance appraisals, safety orientations and terminations.



Cyber Resource Portal

ICAP will introduce a member-only cyber portal that provides tools and resources to help entities understand exposures, establish a response plan and minimize the effects of a data breach. The portal will include risk management tools and information, access to expert help in responding to a data breach, and a News Center with the latest information on cyber events.



Cutting-Edge Law Enforcement Training

ICAP partnered with In the Line of Duty again in 2015 and will add six training packages to the Resource eLibrary over the course of the year, including Rapid Response to the Active Shooter, Body Cameras, Tragedy of Complacency, Verbal Judo and more.



Water and Wastewater Operators Continuing Education Credits

ICAP will offer 14 courses approved for continuing education credits by the Iowa Department of Natural Resources for Water and Wastewater Operators, allowing ICAP members to get the training they need – anytime, anywhere, at no cost to members.



Enhanced Employment and HR Resources

ICAP partnered with HRSentry again in 2015 to offer enhanced employment and HR resources, such as an Iowa-specific, fully customizable, employee handbook building tool providing members with an opportunity to build a handbook from scratch or select individual policies.



Next

Financial Overview

The analysis below presents a comparison of the Pool's current year financial position to prior years:

Assets	2014	2013	2012
Cash and cash equivalents	\$ 3,302,958	\$ 4,125,050	\$ 1,842,078
Investment securities, at fair market value	48,317,441	42,877,311	37,842,437
Member contributions to be billed in the future	12,333,426	13,165,508	12,629,434
Other assets	1,272,148	1,430,731	2,024,434
Total assets	\$ 65,225,973	\$ 61,598,600	\$ 54,338,383
Liabilities	2014	2013	2012
Claims and claim adjustment expense reserves	\$ 13,687,224	\$ 14,500,966	\$ 13,354,389
Unearned premium reserves	638,675	704,284	437,753
Other liabilities	1,006,229	664,177	1,153,329
Total liabilities	15,332,128	15,869,427	14,945,471
Net Position - Unrestricted	49,893,845	45,729,173	39,392,912

Approximately 79 percent in 2014, 76 percent in 2013, and 73 percent in 2012 of total assets consist of cash, cash equivalents, and investments.

The Pool's claims and claim adjustment expense reserves totaled \$13,687,224 in 2014, \$14,500,966 in 2013, and \$13,354,389 in 2012. During the year ended December 31, 2014, the Pool decreased its provision for claims incurred in prior years as a result of a decrease in claim frequency from the original actuarial estimate and favorable outcomes on certain cases settled or expected to be settled in the near future.

Net position at December 31, 2014 increased \$4,164,672 from December 31, 2013, as growth in membership and exposure and favorable investment results more than offset the \$2,485,062 of budgetary distributions and \$558,725 of actual and anticipated member distributions out of the cumulative reserve fund.



The following table shows major components of income from operations for the current year compared to prior years:

Operating Revenue	2014	2013	2012
Member contributions	\$ 32,422,799	\$ 30,363,621	\$ 28,982,013
Reinsurance premiums ceded	(4,443,852)	(4,192,622)	(4,581,381)
Change in contributions that will be billed in the future to pay unpaid claims	(832,082)	536,074	(464,752)
Total operating revenue	\$ 27,146,865	\$ 26,707,073	\$ 23,935,880
Operating Expenses	2014	2013	2012
Provision for claims	\$ 12,188,284	\$ 11,933,656	\$ 10,187,399
General and administrative expenses	10,254,990	9,848,875	9,361,013
Total operating expenses	22,443,274	21,782,531	19,548,412
Operating Income	4,703,591	4,924,542	4,387,468
Nonoperating Revenue (Expense)	2014	2013	2012
Investment earnings – interest and dividends	1,059,148	1,101,133	1,079,163
Net realized and unrealized gains (losses) on investments	1,445,873	2,704,891	2,195,212
Budgetary distributions	(2,485,062)	(1,498,886)	(1,246,525)
Cumulative reserve fund distributions	(558,725)	(895,419)	(2,015,525)
Total nonoperating revenue (expense)	(538,766)	1,411,719	12,325
Member Capital – Withdrawals	(153)	\$ -	\$ (7,599)
Increased Net Position	\$ 4,164,672	\$ 6,336,261	\$ 4,392,194

The Pool's membership increased from 693 members in 2013 to 722 members in 2014. As a result of this growth and the growth in member total insured values, along with the stability in rates, member contributions increased approximately 6.8 percent, from \$30,363,621 in 2013 to \$32,422,799 in 2014.

Total operating expenses of the Pool in 2014 and 2013 were \$22,443,274 and \$21,782,531, respectively, or 69 percent and 72 percent, respectively, of member contributions.

Investments

During the year ended December 31, 2014, the Pool experienced investment earnings totaling \$2,505,021 compared to investment earnings of \$3,806,024 during the year ended December 31, 2013. Of the 2014 and 2013 investment earnings, \$1,445,873 and \$2,704,891, respectively, consisted of realized and unrealized gains.

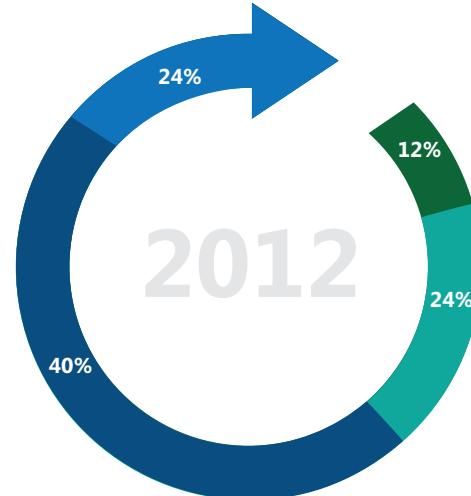
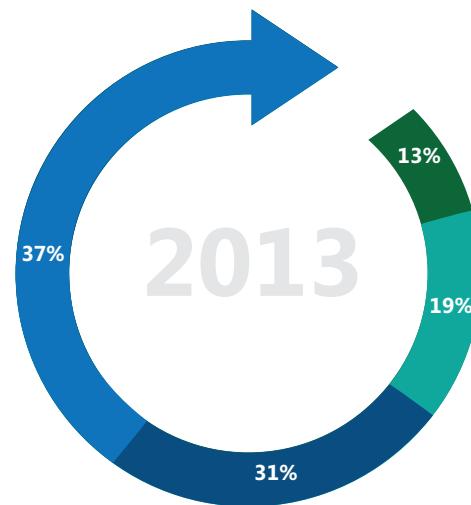
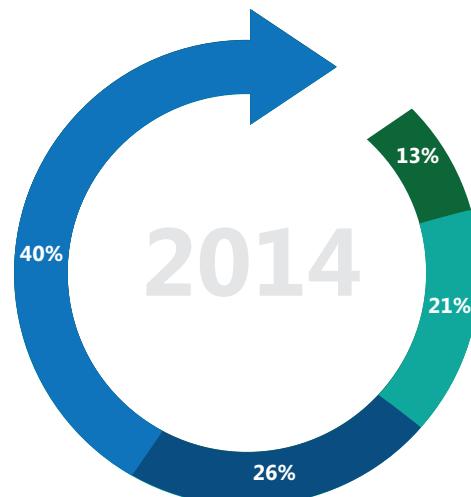
The Pool's policy of structuring the investment portfolio so that securities mature to meet cash requirements of ongoing operations minimizes the need to sell securities in a volatile market. The Pool maintains a well-diversified investment portfolio, as depicted here:

MUTUAL FUNDS 

COMMON AND
PREFERRED STOCK 

ALTERNATIVE INVESTMENTS 

CORPORATE BONDS 





Performance Overview

There are many measures of success for a group risk sharing program such as ICAP. None speak as well as the fact that, after 28 years of operation, ICAP has met all of its operating and claim payment obligations while building substantial financial equity for its members. ICAP's net position at December 31, 2014 was \$49,893,845, making ICAP the largest member-owned risk sharing pool of its kind in Iowa.

Evaluation and Oversight

ICAP works with three organizations to obtain independent analysis and audits of its financial operations.

Plante Moran, PLLC audits the financial statements of the Pool, which includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made, as well as evaluating the overall basic financial statement presentation. In 2014, Plante Moran issued an unmodified opinion, which means that ICAP's basic financial statements present fairly, in all material respects, the financial position of the Pool at December 31, 2013 and 2014, in conformity with generally accepted accounting principles. An independent auditor conducts an audit of the financial statements on an annual basis.

Demotech, Inc., a financial analysis firm with over 25 years of experience in providing independent opinions on the financial stability of property and casualty insurance companies, title underwriters and government risk pools, conducts an analysis in four key areas: financial stability, loss reserves, administration and overall performance. In 2014, Demotech issued ICAP the highest rating of AAA (unparalleled) in each area.

The Government Finance Officers Association (GFOA) awarded ICAP a Certificate of Achievement for Excellence in Financial Reporting for the Fiscal Year Ended December 31, 2013. This Certificate signifies that ICAP has excelled in explaining the financial information and all of the supporting data that goes with the numbers. ICAP has earned this Certificate of Achievement for 19 consecutive years.

Membership Retention and Growth

Another measure of a Pool's success is in its growth and retention of members. ICAP's membership count increased by 29 in 2014 and ICAP's 2014 member retention rate was 99.7%.

Reinsurance

Adequate and appropriate reinsurance is essential to protect the financial integrity of a group self-insurance program. ICAP is a member of a reinsurance risk sharing arrangement known as American Public Entity Excess Pool (APEEP). This reinsurance arrangement is composed of public entity pools that mirror ICAP in their operation and as such, ICAP members benefit from the advantages of pooling at both the primary and reinsurance levels. ICAP, through its administrator and APEEP, works with reinsurers to make individual arrangements for members that require excess limits. Casualty claims are reinsured through APEEP, General Reinsurance and Argonaut Insurance. Property and vehicle losses are reinsured through APEEP and Lexington Insurance.



Specialized Member Service



Comprehensive Pool Administration

York Risk Pooling Services, Inc.
31555 W. Fourteen Mile Road
Suite 110
Farmington Hills, MI 48334
(800) 367-4818

Specialized Claim Handling and Loss Control

Public Entity Risk Services of Iowa
5701 Greendale Road
Johnston, IA 50131
(888) 520-4074

Experienced Marketing and Member Services

Bilbrey Insurance Services, Inc.
5701 Greendale Road
Johnston, IA 50131
(800) 383-0116



Teams

Investment Managers

Greystone Consulting, Inc.
505 Market Street
Suite 300
West Des Moines, IA 50266
(800) 488-0411

Independent Auditing Services

Plante Moran, PLLC
1111 Michigan Avenue
East Lansing, MI 48823
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Financial Stability Rating

Demotech, Inc.
2715 Tuller Parkway
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