

Member Community, City of Bellevue



# 2016 ANNUAL REPORT

# MESSAGE FROM THE CHAIRMAN

Greetings ICAP Members,

Congratulations on 30 years of success! With your dedication to pooling and your long-term commitment to the ICAP program, we have flourished to become the largest alternative to traditional insurance for public entities in Iowa.

In recognition of ICAP's 30th anniversary, ICAP introduced a grant program wherein ICAP members received up to \$1,000 for qualifying loss control or risk management items. The program was a tremendous success with 446 members receiving \$435,805 in 2016. Those grant funds helped to make your communities safer through the purchase of a range of safety and risk management items including AEDs, safety signage, drones, playground improvements and fall material, fire extinguishers, safety manuals, smoke detectors and many more.

And when it comes to making member communities safer, ICAP's programs extended into cyberspace as well. In 2016, ICAP added an Information Technology Loss Control Specialist to its team. The IT Loss Control Specialist conducts on-site consultations to review computer information controls and processes and provide recommendations to help members improve communication controls, backup and disaster recovery and system maintenance. But ICAP didn't stop there; in 2016 ICAP approved an increase to the Cyber Breach Expense limit. Effective January 1, 2017, all ICAP members are provided with \$250,000 in Cyber Breach Expense limit at no additional charge.

In addition to making member communities safer through the grant program and IT systems safer through the Loss Control Specialist Program, ICAP hosted an educational summit with the aim of making members' *people* safer. The 2016 Educational Summit featured Dr. Mike Clumpner, a law enforcement officer and Department of Homeland Security instructor with more than 25 years of experience in his field. Dr. Clumpner's presentation provided a comprehensive overview of the active shooter threat and related this threat specifically to Iowa public entities. Through his presentation and discussion with attendees, Dr. Clumpner provided information, recommendations and risk management measures to help members identify potential for such a threat and respond accordingly.



While introducing a number of programs in 2016 to assist our members in keeping their communities, IT systems and people safe, ICAP also stayed true to its long-time practice of returning surplus to its members. 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. The Board declared a 2016 casualty distribution in the amount of \$2,500,000 and a property distribution in the amount of \$500,000. 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.

As you will see in the financial pages of this report, ICAP had another great year financially and closed out 2016 with a total fund balance of \$54,522,701, up from \$51,423,505 in 2015. 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. We look forward to serving your community for the next 30 years as together we make ICAP the premier local government risk sharing pool in the country.



**JODY E. SMITH**, Chairman  
ICAP Board of Directors

# BOARD OF DIRECTORS



**Jody E. Smith, Chairman**  
**Representing the City of West Des Moines**  
[jesiaconsult@aol.com](mailto: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. Since retiring from the City of West Des Moines, Jody continues to represent that community on the Board of the Wastewater Reclamation Authority and as a Trustee of West Des Moines Water Works. Prior to working for the City of West Des Moines as Finance/Budget Director, Director of Administrative Services, 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](mailto: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 serving as Vice Chairman, Gary also serves on multiple committees for the ICAP Board and is the ICAP representative and Vice Chairman of the American Public Entity Excess Pool Board of Directors. He has 40 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**  
**Representing Winneshiek County**  
[hagemada@icloud.com](mailto: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**  
**The Combined Lake Delhi Rec Facility & Water Quality District**  
[lburger@speerfinancial.com](mailto: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 2012. This was the start of his second round of service to the Lake, as he also served a total of 12 years in the 1980s, 1990s and 2000s 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, schools and community colleges by assisting in financial advice and issuance of debt. Prior to this position, he gained experience in the public sector as a City Clerk/Finance Director and as a Deputy County Auditor.





**Tom Roth**

**Representing the City of Bellevue**

roth270@hotmail.com | 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 when he assumed the role of City Administrator for the City of Camanche, a role he filled until his retirement last year.



**Michael Bergan**

**Representing HAWC Partnerships for Children**

berganmr@gmail.com | 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**

**Representing Sioux County**

lois.jane.huitink@gmail.com | 605-212-7968

Lois joined the ICAP Board of Directors in August 2012. She began her career working for the Federal Government as a Civil Servant at the Pentagon in Arlington, Virginia. In 1984 Lois joined the staff of the Sioux County Auditor's office. She held the position of Sioux County Auditor from June 2006 until her retirement in December 2016. She has served on the Iowa Secretary of State Advisory Board and the State Election Administrator's Training Board. Currently Lois serves as the Clerk for Holland Township.



**Alan Kemp**

**Executive Director, Iowa League of Cities**

alankemp@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.

# EXPANDING RESOURCES & COVERAGES

What started decades ago as an offering of sample documents and VHS tapes has continued to grow over the years into a robust, high quality, wide ranging, virtual eLibrary that offers a number of helpful resources in a variety of convenient and high tech formats. Visit the eLibrary to check out the following:

## DVDs

With access to over 2,000 DVDs that are conveniently mailed directly to your door, training has never been easier. Topics include: Communication Breakdown, Ergonomics, Playground Safety, Distracted Driving, Confined Space Entry: Keeping Public Employees Safe, Bucket Truck Safety Awareness and Trenching & Shoring Safety, to name a few.

## HR DATABASE

ICAP members can access a comprehensive HR Database through the eLibrary. Resources include: current state and federal employment laws, customizable forms, policies and procedures, an employee handbook generator and guides covering complex topics such as FMLA, background checks, drug and alcohol policies, exempt vs. non-exempt employee definitions, interviewing, safety orientations and terminations.



## ONLINE COURSES

With over 800 online courses available, ICAP members can continue along their educational paths right from their desktops or tablets. Examples include Avoiding Litigation Landmines, Ethics Leadership: Tone at all Levels, Discrimination & EEO, Defensive Driving for Governmental Employees, Data Security Awareness, among many more.

## WEBINARS & VIDEO STREAMING

Recognizing that members are busy and attending a conference in person can be a challenge, now the information comes to you through ICAP webinars & video streaming resources. Streamed videos and webinars include Recruiting & Hiring, Pregnancy in the Workplace, Workplace Violence, Asbestos Awareness, Electrical Safety, Cyber Webinar: Reduce the Risk and Winter Safety, to name a few.

## PUBLIC ENTITY UNIVERSITY

Public Entity University is a portal that provides more than 300 in-depth, interactive online training courses specifically tailored to public entities. Courses are conveniently organized into various "Workplace Colleges" including Employment Liability, Streets and Roads, Internet Security/Social Media, Fire and Health Departments, Law Enforcement, General Safety, Keeping Children Safe and Software Training, among others. Members can print course completion certificates upon the conclusion of the training.

## CONTINUING EDUCATION CREDITS

ICAP offers 14 courses approved by the Iowa Department of Natural Resources for continuing education credits for water and wastewater operators, allowing ICAP members to get the training they need - anytime, anywhere, at no cost to members.

## CYBER SPECIALIST

ICAP's Information Technology Loss Control Specialist works directly with members to confirm systems hardware inventory align with the property schedule, and identify any hardware, infrastructure or other related items that need to be added. In addition, the Information Technology Loss Control Specialist can review computer information controls and processes, and provide recommendations to help ICAP members improve cyber security.

# MARKETING REPORT

## How Two Special Events Made for a Spectacular Year!

SPECIALLY DEVELOPED  
CONTENT

PROFESSIONAL PRESENTERS &  
OUTSIDE CONSULTANTS

PEER NETWORKING  
OPPORTUNITIES

As noted, ICAP celebrated a special anniversary this year. We've officially been in business for 30 years, and we've been hosting educational seminars for nearly as long!

We have hosted such events with one primary goal: to benefit our members and local agents. That goal remains, and it will not change. Certain aspects of our events have changed, however, and we are excited to announce our 2016 educational events were our best yet!

We had record attendance numbers at both the Educational Summit and the Agent Seminar, and we received more positive feedback from attendees than we could ever have imagined.

***"This was the best seminar I have ever attended."***

***"I think everyone in the room was on the edge of their seat."***

***"The information was invaluable; it should be mandatory for all public officials."***



# EDUCATIONAL SUMMIT

ICAP's Educational Summit has gained esteem in recent years as a member exclusive event; in 2016, though, we did things a little differently.

The 2016 seminar focused on the threat of an active shooter, specifically as it relates to public entities. Dr. Mike Clumpner, President and CEO of Threat Suppression, Inc., headlined the event, and former Jackson County Supervisor, Larry "Buck" Koos, spoke about the harrowing Jackson County Courthouse shooting that took place in 2014.

Due to the relevance of the event and the content of the presentation, we invited non-ICAP member entities to attend as well. With nearly 200 municipal representatives and local insurance agents in attendance, we were thrilled with the results; it was evident attendees were, as well, with some stating, "this was the best seminar I have ever attended," "the information was invaluable; it should be mandatory for all public officials," and "I think everyone in the room was on the edge of their seat."

We received similar feedback after our annual **Agent Seminar**, which was held just a few months later. The Agent Seminar was a tremendous success, attracting nearly 200 individuals – more than ever before – from around the state. Participation in the event resulted in 169 local agents achieving 800 hours of continuing education (CE) credits, and leaving with a wealth of information regarding claim trends and coverage issues specific to municipalities.

In addition, participation in the Agent Seminar served as the final requirement to the 2016 ICAP Agent Academy, through which nine agents achieved designation as ICAP Certified Agents. These agents joined 26 others who have graduated the Academy with the ICAP Certified distinction.

With record breaking numbers, it's no wonder ICAP's 2016 events were such a success. We are already hard at work planning future events, and hope to see similar attendance numbers at our educational seminars next year!

# VALUE ADDED PROGRAMS



## PROPERTY VALUATION

Through ICAP's Property Valuation Program, ICAP members can obtain on-site professional property appraisal valuation services from an experienced and specialized vendor for structures valued above \$200,000, historical buildings and water/wastewater plants. Members are provided with a complete inventory of properties and accurate valuations to ensure their properties are properly identified, valued and insured.



## EDUCATIONAL SUMMIT

ICAP members stay informed on the hottest topics through ICAP's Educational Summit program. This program brings high quality educational opportunities to ICAP members on a range of issues involving member operations, such as Gauging the Risk of an Active Shooter Threat in Your Community. Look for additional educational opportunities in 2017 and beyond.



## LEGAL ACCESS

Legal Access provides ICAP members with three hours of free legal consultation on questions regarding any governmental operation or matter of general municipal law. Examples include employment matters, wage and hour issues, zoning and land use matters, law enforcement liability issues, questions relating to open records and meetings laws, public works liability issues, contract review and recommendations, governmental immunities and much more.



## LAW ENFORCEMENT PORTAL

ICAP has partnered with law enforcement vendor, Legal & Liability Risk Management Institute, to provide law enforcement policies to ICAP members. These policies are compliant with federal and state laws and include road operations, jail operations, suicide prevention, hostages, use of force, body cameras and sexual misconduct policies.

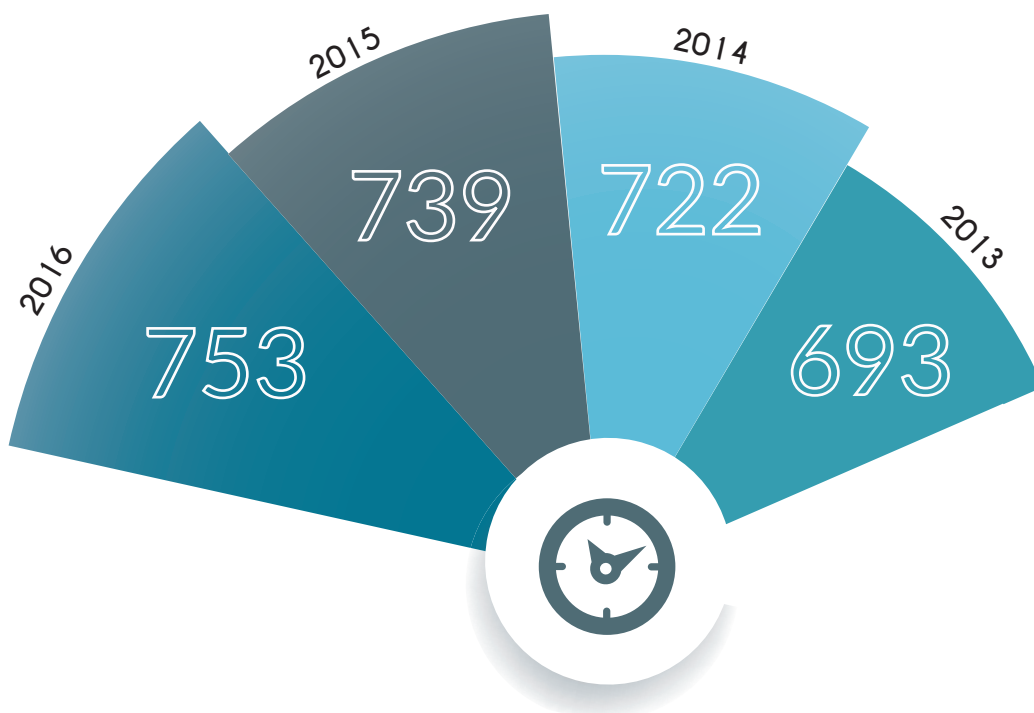


# FINANCIAL OVERVIEW

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

	2016	2015
<b>Assets</b>		
Cash and cash equivalents	\$5,187,984	\$4,508,301
Investments securities - At fair value	\$52,225,937	\$48,759,060
Member contributions to be billed in the future	\$14,382,755	\$13,325,130
Other assets	\$899,776	\$898,609
Total assets	\$72,696,452	\$67,491,100
<b>Liabilities</b>		
Claims and claim adjustment expense reserves	\$15,783,274	\$14,598,231
Unearned premium reserves	\$838,548	\$789,465
Other liabilities	\$1,551,929	\$679,899
Total liabilities	\$18,173,751	\$16,067,595
<b>Net Position - Unrestricted</b>	\$54,522,701	\$51,423,505

## Growth in Membership



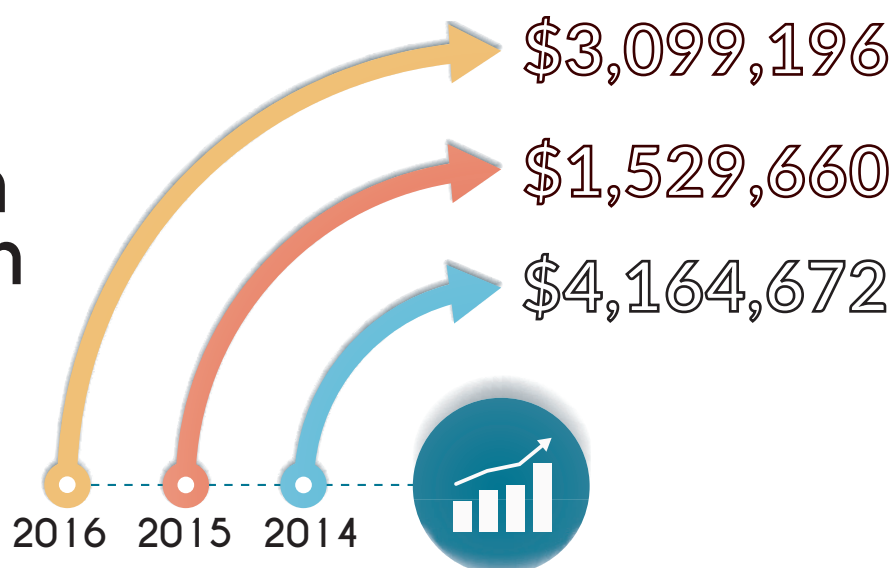
# FINANCIAL OVERVIEW

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

13

	2016	2015
<b>Operating Revenue</b>		
Member contributions	\$36,845,545	\$34,550,091
Reinsurance premiums ceded	\$(6,033,689)	\$(4,786,852)
Change in contributions that will be billed in the future to pay unpaid claims	\$1,057,625	\$991,704
<b>Total Operating Revenue</b>	<b>\$31,869,481</b>	<b>\$30,754,943</b>
<b>Operating Expenses</b>		
Provision for claims	\$14,164,932	\$13,929,545
General and administrative expenses	\$13,055,185	\$11,430,846
<b>Total operating expenses</b>	<b>\$27,220,117</b>	<b>\$25,360,391</b>
<b>Operating Income</b>	<b>\$4,649,364</b>	<b>\$5,394,552</b>
<b>Nonoperating Revenue (Expense)</b>		
Investment earning - Interest and dividends	\$1,128,904	\$990,985
Net realized and unrealized gains (losses) on investments	\$510,493	\$(1,730,714)
Budgetary distributions	\$(2,997,991)	\$(3,009,029)
Cumulative reserve fund distributions	\$(191,195)	\$(113,264)
<b>Total nonoperating (expense)</b>	<b>\$(1,549,789)</b>	<b>\$(3,862,022)</b>
<b>Withdrawals - Member Capital</b>	<b>\$(379)</b>	<b>\$(2,870)</b>
<b>Change in Net Position</b>	<b>\$3,099,196</b>	<b>\$1,529,660</b>

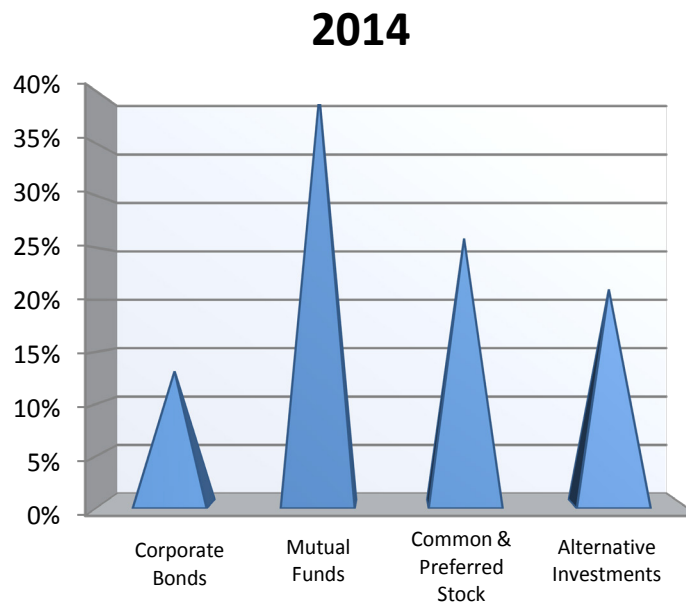
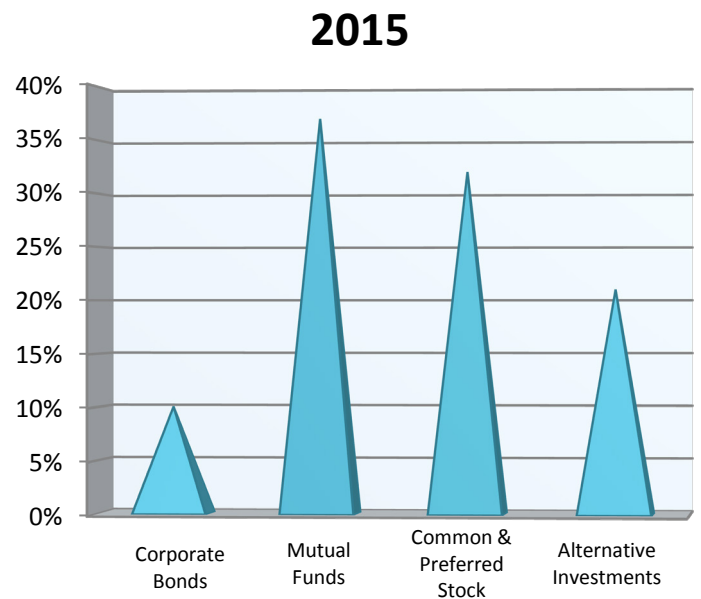
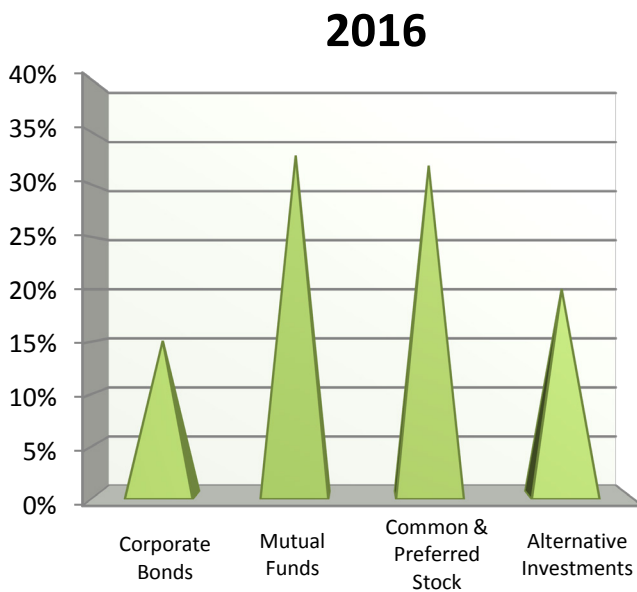
**Increase in  
Net Position**





# INVESTMENTS

During the year ended December 31, 2016, the Pool experienced investment earnings of \$1,128,904 compared to \$990,985 during the year ended December 31, 2015. When adjusted for realized and unrealized gains (losses), the 2016 and 2015 net investment earnings (losses) were \$1,639,397 and (\$739,729), respectively. 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 detailed below:



# EVALUATION & OVERSIGHT

ICAP works with three organizations to obtain independent review, analysis and audit of its financial operations.

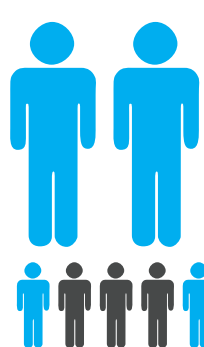
**Plante Moran, PLLC** audits the financial statements of the Pool, which includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made, as well as evaluating the overall basic financial statement presentation. In 2016, 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, 2015 and 2016, 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 2016, Demotech issued ICAP the highest rating of AAA, *Unsurpassed* 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, 2015. 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 21 consecutive years.

## 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). 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 Market Insurance. Property and vehicle losses are reinsured through APEEP and Lexington Insurance.



Number of New Members  
in 2016:

24

2016 Member Retention Rate:

98.6%

Member Community, City of Oakland



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