THE IOWA COMMUNITIES ASSURANCE POOL

FINANCIAL STATEMENTS WITH REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Iowa Communities Assurance Pool

Report on the Financial Statements

Opinion

We have audited the financial statements of The Iowa Communities Assurance Pool (the "Pool"), as of and for the years ended December 31, 2021 and 2020 and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pool as of December 31, 2021 and 2020, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pool, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.
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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, casualty claims development information, property claims development information, and reconciliation of claims and claim adjustment expense reserves by type of contract, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2022 on our consideration of the Pool's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Pool's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pool's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Fort Lauderdale, Florida
April 27, 2022

Using This Annual Report

This annual report consists of the statements of net position, statements of revenue, expenses, and changes in net position, and statements of cash flows. Along with the notes to the basic financial statements, it provides detailed financial information concerning The Iowa Communities Assurance Pool (the "Pool" or "ICAP"). The management's discussion and analysis (the "MD&A") provides a review of the Pool's operating results for the years 2019 through 2021, as well as its financial condition at December 31, 2021, 2020 and 2019. The MD&A should be read in conjunction with the basic financial statements and notes thereto.

Overview

ICAP is a local government risk pool that offers comprehensive liability and property coverage specifically tailored to meet the needs of Iowa public entities and provide them with an alternative to traditional insurance. ICAP differs philosophically from traditional insurance programs in that ICAP is an unincorporated, nonprofit organization and serves only its members' interests.

Historically, the property and casualty insurance industry has been unable to provide the consistency of pricing and coverage needed by governmental authorities. The national insurance crisis of the late 1980s, in which public entities in the State of Iowa were unable to purchase affordable insurance, led to the formation of local government risk pools. The transition from insurance to pooling has been so successful that there are approximately 500 governmental entity pools currently operating in the United States of America. ICAP was formed in 1986 and has grown steadily to 794 members today.

The growth and success of pooling is often attributed to the availability of broad coverage and price stability, which ICAP has consistently delivered since its formation. In addition to those advantages enjoyed by many pools, ICAP stands out by providing responsive claims handling, coverage specific to Iowa public entities, and customized risk control services, proving that its service-oriented philosophy has been a successful long-term solution for its members. ICAP is endorsed by the Iowa League of Cities, the Iowa State Association of Counties, and the Association of Iowa Fairs.

More recently, ICAP has implemented a variety of new member services in response to emerging risks and exposures to Iowa municipalities. Members can obtain on-site cyber risk control assessments, system evaluations and consultative services. ICAP members with police departments have access to several new tools to assist with law enforcement training, policies and procedures. Additionally, there is the ICAP Grant Program, which provides $1,000 annually per member to help finance risk management initiatives.

ICAP's Annual Report provides members with detailed financial information about the Pool. Additionally, ICAP's website provides members with information on news and events and contains links to valuable resources including a comprehensive online risk control library that contains numerous risk management and training materials in a variety of convenient formats.

ICAP continues to build on its longstanding success by consistently providing customized coverage at a fair and stable price and being responsible, loyal, and responsive to its membership.

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Administration

Sedgwick ("Sedgwick" or "Management") functions as the administrator of the Pool and provides program management, underwriting, claims, risk control, risk management and reinsurance services for the Pool. Sedgwick's pool administration team includes certified public accountants, credentialed underwriters, attorneys who specialize in public entity claims and a host of other subject matter experts, who have decades of experience in the successful management of public entity pools.

Financial Overview and Highlights

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

	2021	2020	2019
ASSETS			
Cash and cash equivalents	$ 8,705,586	$ 2,667,388	$ 4,110,469
Investments, at fair value	38,216,913	43,139,981	50,551,896
Member contributions to be billed in the future	28,133,077	30,485,119	25,906,388
Other assets	3,335,936	6,821,567	1,321,268
Total assets	78,391,512	83,114,055	81,890,021
LIABILITIES			
Claims and claim adjustment expense reserves	30,297,370	33,902,911	29,070,475
Unearned premium reserves	409,968	465,353	505,825
Other liabilities	2,094,329	1,558,180	1,760,604
Total liabilities	32,801,667	35,926,444	31,336,904
Net position - unrestricted	$ 45,589,845	$ 47,187,611	$ 50,553,117

Approximately 60 percent in 2021, 55 percent in 2020 and 67 percent in 2019, of total assets consist of cash, cash equivalents, and investments.

During the year ended December 31, 2021, the Pool experienced net investment earnings totaling $4,052,119 compared to net investment earnings of $3,947,527 during the year ended December 31, 2020. 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:

	2021	2020	2019
Corporate bonds	20%	19%	19%
Mutual funds	14%	22%	24%
Common and preferred stock	41%	32%	34%
Alternative investments	25%	27%	23%
Total	100%	100%	100%

(Continued)

In accordance with the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, member contributions, claims and claim adjustment expenses, and operating expenses are recognized in the statement of revenue, expenses, and changes in net position on an accrual basis of accounting. Pursuant to the Iowa risk management agreement signed by each member of the Pool, the budgetary funding requirement is based upon the estimated cash outflow of the Pool and surplus considerations on an annual basis. As a result of the long claim cycle for casualty claims, member contributions are collected from active members when the estimated claims and claim adjustment expenses are anticipated to be paid. These estimated amounts are accounted for in the statement of net position as "member contributions to be billed in the future." Changes to these estimates are reflected in the statement of revenue, expenses, and changes in net position, in a method similar to that of claim reserves, as detailed below. Because amounts are estimated in this manner, amounts will fluctuate from year to year due to changes in the estimate of the future cost of settling all existing claims.

The Pool's claims and claim adjustment expense reserves totaled $30,297,370, $33,902,911, and $29,070,475 as of December 31, 2021, 2020, and 2019, respectively. For known claims existing at December 31, the reserves are established based on known facts. For incurred but not reported reserves at year end, estimates are based on a variety of actuarial and statistical techniques that reflect recent settlements, past claim experience, claim frequency and severity, and other economic factors. Because these estimates are impacted by complex factors such as jury decisions, court interpretations, changes in doctrines of legal liability, damage awards, inflation, and legislative changes, the process used in estimating claim reserves does not necessarily result in an exact amount. Consistent with industry practices, adjustments to claim reserves are charged to expense in the periods in which the adjustments are made. During the year ended December 31, 2021, the Pool decreased its provision for claims incurred in prior years by $3,186,951. The favorable claim development in prior years was driven in large part by a $2.4 million reduction in estimates for property claims incurred during the 2020 accident year. Total claim payments increased by 13 percent, from $21,324,563 in 2020 to $24,143,420 in 2021.

Net position at December 31, 2021 decreased $1,597,766 from December 31, 2020, as a result of the continued increase in claim activity and rising property reinsurance costs driven by current market conditions.

(Continued)

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

	2021	2020	2019
Operating revenue			
Member contributions	$ 44,441,631	$ 39,519,779	$ 38,122,444
Reinsurance premiums ceded	(12,118,916)	(8,667,160)	(6,404,776)
Change in contributions that will be billed in the future to pay unpaid claims	(2,352,042)	4,578,731	4,400,865
Total operating revenue	29,970,673	35,431,350	36,118,533
Operating expenses			
Provision for claims	20,537,879	26,156,999	26,080,942
General and administrative expenses	14,887,244	13,515,057	13,675,504
Total operating expenses	35,425,123	39,672,056	39,756,446
Net operating loss	(5,454,450)	(4,240,706)	(3,637,913)
Nonoperating revenue (expense):			
Investment earnings - interest and dividends	365,422	642,594	1,085,364
Net realized and unrealized gains on investments	3,686,697	3,304,933	4,998,087
Budgetary distributions	(3,104)	(2,763,612)	(3,496,245)
Cumulative reserve fund distributions	(190,439)	(282,368)	(246,547)
Total nonoperating revenue	3,858,576	901,547	2,340,659
Withdrawals - Member capital	(1,892)	(26,347)	(1,112)
Change in net position	(1,597,766)	(3,365,506)	(1,298,366)
Net position, beginning of year	47,187,611	50,553,117	51,851,483
Net position, end of year	$ 45,589,845	$ 47,187,611	$ 50,553,117

The Pool's membership increased from 787 members in 2020 to 794 members in 2021. Member contributions increased 12 percent, from $39,519,779 in 2020 to $44,441,631 in 2021.

(Continued)

The Pool uses reinsurance and excess risk sharing arrangements to reduce its exposure to loss. These agreements permit recovery of a portion of the Pool's claims from reinsurers and a risk sharing pool, although they do not discharge the Pool's primary liability for such payments. The Pool is a member of American Public Entity Excess Pool ("APEEP"), which is also administered by Sedgwick. APEEP provides the Pool with an excess risk sharing program. Under this arrangement, the Pool retains risk up to an amount specified in the contracts (for 2020 and 2021, the Pool retained $500,000 for casualty claims and $250,000 for property claims). The Board of Directors and Sedgwick periodically review the financial strength of the Pool and other market conditions to determine the appropriate level of risk the Pool will retain. Reinsurance premiums ceded to APEEP and the Pool's excess reinsurers totaled approximately $12,119,000 and $8,667,000 for the years ended December 31, 2021 and 2020, respectively. In addition, amounts deducted from claims and claim expense reserves as of December 31, 2021 and 2020 for expected recoveries under the reinsurance and excess risk sharing agreements totaled approximately $17,430,000 and $21,878,000, respectively.

In accordance with generally accepted accounting principles, all investments maintained by the Pool must be reported at fair value (marked-to-market concept). As further detailed in Notes 1, 2 and 3 to the basic financial statements, approximately 55 percent of the investments maintained by the Pool have fair value determined using quoted prices in active markets. Alternative investments, representing approximately 25 percent of investments at December 31, 2021, require significant judgment to determine the fair value. ICAP's investment manager determines the fair values by applying the Pool's ownership percentage of each alternative investment to the overall estimated net asset value of the alternative investment, which is provided by the third-party administrators of each respective investment. Annual changes in these values are recognized in the statement of revenue, expenses, and changes in net position as unrealized gains or losses on investments.

Total operating expenses of the Pool in 2021 and 2020 were $35,425,123 and $39,672,056, respectively, or 80 percent and 100 percent, respectively, of member contributions. As a result of the Pool's historically favorable results in operating and investing activities, $193,543 was distributed to members during 2021. The cumulative distributions to members since ICAP's inception is $53,252,444 through the end of 2021.

Economic Facts and Next Year's Rates

The rates charged by the Pool for member contributions for the next year are expected to increase due to rising severity from weather-related claims and the corresponding hardening of the property reinsurance market. General and administrative expenses are expected to remain consistent with amounts reported in 2020. The provision for claim payments is expected to be consistent with historical trends and Management is unaware of any new economic or legislative events that would have a significant impact on the operations of the Pool.

Contacting the Pool's Management

This financial report is intended to provide ICAP members and regulators with a general overview of the accountability for the revenue ICAP receives. Additional information regarding the Pool is available on ICAP's website at www.icapiowa.com. If you have questions about this report or need additional information, contact John W. Brockschmidt, Senior Vice President - Pooling, Sedgwick at (248) 223-6322.

THE IOWA COMMUNITIES ASSURANCE POOL
STATEMENTS OF NET POSITION
December 31, 2021 and 2020

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 8,705,586	$ 2,667,388
Investment securities - at fair value	20,030,591	21,792,876
Member contribution receivable	818,644	719,465
Reinsurance receivable on paid claims	2,383,670	5,990,966
Deductible receivable	79,783	56,010
Member contributions to be billed in the future	15,000,000	15,900,000
Accrued investment income	53,839	55,126
Total current assets	47,072,113	47,181,831
Noncurrent assets:		
Investment securities, at fair value	18,186,322	21,347,105
Member contributions to be billed in the future	13,133,077	14,585,119
Total noncurrent assets	31,319,399	35,932,224
Total assets	78,391,512	83,114,055
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	1,122,002	765,576
Claims and claim adjustment expense reserves	17,164,293	19,317,792
Reinsurance premiums payable	972,327	792,604
Total current liabilities	19,258,622	20,875,972
Noncurrent liabilities:		
Claims and claim adjustment expense reserves	13,133,077	14,585,119
Unearned premium reserves	409,968	465,353
Total noncurrent liabilities	13,543,045	15,050,472
Total liabilities	32,801,667	35,926,444
Net position - unrestricted	$ 45,589,845	$ 47,187,611

See Notes to Basic Financial Statements.

THE IOWA COMMUNITIES ASSURANCE POOL
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
Years Ended December 31, 2021 and 2020

	2021	2020
Operating revenue:		
Member contributions	$ 44,441,631	$ 39,519,779
Less reinsurance premiums expense	(12,118,916)	(8,667,160)
Change in contributions that will be billed in the future to pay unpaid claims	(2,352,042)	4,578,731
Total operating revenue	29,970,673	35,431,350
Operating expenses:		
Claims and claim adjustment expenses	20,537,879	26,156,999
Marketing and administrator fees	12,153,010	11,277,551
Other	2,734,234	2,237,506
Total operating expenses	35,425,123	39,672,056
Operating loss	(5,454,450)	(4,240,706)
Nonoperating revenue (expense):		
Investment earnings - interest and dividends	365,422	642,594
Net realized and unrealized gains on investments	3,686,697	3,304,933
Budgetary distributions	(3,104)	(2,763,612)
Cumulative reserve fund distributions	(190,439)	(282,368)
Total nonoperating revenue	3,858,576	901,547
Withdrawals - Member capital	(1,892)	(26,347)
Change in net position	(1,597,766)	(3,365,506)
Net position, beginning of year	47,187,611	50,553,117
Net position, end of year	$ 45,589,845	$ 47,187,611

See Notes to Basic Financial Statements.

THE IOWA COMMUNITIES ASSURANCE POOL
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Cash received from members	$ 44,287,067	$ 39,501,192
Cash received from reinsurance recoveries	22,479,746	6,434,697
Cash paid for claims	(43,039,643)	(33,322,007)
Cash paid for reinsurance premiums	(11,939,193)	(8,548,967)
Cash paid for administrative and general expenses	(14,530,818)	(13,835,674)
Net cash flows from operating activities	(2,742,841)	(9,770,759)
Cash flows from investing activities		
Investment income received	366,709	683,157
Purchase of investments	(16,299,635)	(18,935,662)
Proceeds from sales and maturities of investments	24,909,400	29,652,510
Net cash flows from investing activities	8,976,474	11,400,005
Cash flows from noncapital financing activities		
Payments for member withdrawals - capitalization	(1,892)	(26,347)
Payments for member budgetary distributions	(3,104)	(2,763,612)
Payments for member cumulative reserve fund distributions	(190,439)	(282,368)
Net cash flows from noncapital financing activities	(195,435)	(3,072,327)
Increase (decrease) in cash and cash equivalents	6,038,198	(1,443,081)
Cash and cash equivalents, beginning of year	2,667,388	4,110,469
Cash and cash equivalents, end of year	$ 8,705,586	$ 2,667,388

A reconciliation of operating loss to net cash provided by operating activities is as follows:

	2021	2020
Net operating loss	$ (5,454,450)	$ (4,240,706)
Changes in operating assets and liabilities:		
Member contributions receivable	(99,179)	21,885
Deductible receivable	(23,773)	60,932
Reinsurance receivable on paid claims	3,607,296	(5,623,679)
Member contributions to be billed in the future	2,352,042	(4,578,731)
Unearned premium reserves	(55,385)	(40,472)
Claims and claim adjustment expense reserves	(3,605,541)	4,832,436
Reinsurance premiums payable	179,723	118,193
Accounts payable and accrued expenses	356,426	(320,617)
Net cash flows from operating activities	$ (2,742,841)	$ (9,770,759)

See Notes to Basic Financial Statements.

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

The Pool was created in 1986 and organized under the laws of the State of Iowa as a local government risk pool. The Iowa League of Cities, the Iowa State Association of Counties, and the Association of Iowa Fairs endorse and promote the pool. A total of 794 cities, counties, and other public entities within the State of Iowa participate in the Pool. ICAP's primary objectives are to offer customized property and casualty coverage at a fair and stable price, provide a high level of service, and be responsive to the needs of its members.

Members entering the Pool agree to participate in the Pool for a period of not less than one year and provide capitalization contributions as defined in the agreement between the member and the Pool. Members electing to withdraw from the Pool may receive a partial refund of their capitalization contribution as defined by agreement, provided the member has given 60 days' written notice prior to its anniversary date. In addition, upon withdrawal, all payments for casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal.

The accompanying basic financial statements are presented using the full accrual method of accounting in conformity with accounting principles generally accepted in the United States of America as applicable to governmental entities.

The Pool distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with the Pool's principal ongoing operations. The principal operating revenue relates to member contributions. Operating expenses include claims and claim adjustment expenses and general and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating.

The Pool engages Sedgwick ("Sedgwick" or "Management") to serve as the administrator of the Pool. Sedgwick specializes in public entity risk pool management and provides a full spectrum of administrative services. As provided for in its administrative agreement, Sedgwick contracts with Bilbrey Insurance Services, Inc. ("BISI") to provide marketing services and with Public Entity Risk Services of Iowa ("PERSI") to perform claims and risk control services. PERSI is an affiliate of Sedgwick and BISI through common ownership. ICAP reimburses these organizations for their services pursuant to the terms of their respective agreements with Sedgwick.

Cash Equivalents: The Pool classifies certain securities with original maturity dates of three months or less from the date of purchase as cash equivalents. Cash equivalents are comprised of money market funds as of December 31, 2021 and 2020. Cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor, per bank. During the normal course of business, the Pool may maintain cash balances in excess of the FDIC insurance limit. It is the Pool’s policy to monitor the financial strength of the banks that hold its deposits on an ongoing basis.

(Continued)

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments: The Pool accounts for its investments in accordance with GASB Statement No. 31, *"Accounting and Financial Reporting for Certain Investments and for External Investment Pools"* (Statement No. 31). Statement No. 31 establishes fair value standards on accounting for all investments held by governmental external investment pools and governmental entities. All investment income, including changes in the fair value of investments, is recognized in the statement of revenues, expenses, and changes in net position. Realized gains and losses on the sale of investments are recognized on the specific identification basis to determine the costs of the investments sold. The amortized cost of debt securities are adjusted using the interest method for amortization of premiums and accretion of discounts. Such amortization and accretion is included in net investment income. Investment purchases are recognized on the settlement date. Investments are stated at fair value based on quoted market prices or through a recognized pricing service.

In accordance with GASB Statement No. 40, *"Deposit and Investment Risk Disclosures an amendment of GASB Statement No. 3,"* certain disclosures regarding deposit and investment risks have been provided in Note 2.

Alternative investments consist of limited partnerships and other managed funds organized to provide investors with risk-adjusted capital appreciation over a long-term period through allocating funds to a number of money managers specializing in many market segments, including domestic and foreign equities, debt securities, and utilizing a broad range of investment hedging and trading strategies. ICAP's investment manager determines the fair values by applying the Pool's ownership percentage of each alternative investment to the overall estimated net asset value of the alternative investment, which is provided by the third-party administrators of each respective investment. Estimates are used in determining the fair value of the underlying assets and actual results could differ from those estimates. Alternative investments totaled $9,500,688 and $11,507,984, or 25 percent and 27 percent, of total investments at December 31, 2021 and 2020 respectively.

Member Contributions and Deductibles Receivable: Member contributions and deductibles receivable represent amounts billed and due from members of the Pool and are considered collectible.

Bad Debts: The Pool uses the allowance method to record bad debts. The Pool records an allowance for doubtful accounts against its outstanding member contributions and deductibles receivable, which is based on its estimation of bad debts in the near term. This estimate is based on the Pool's past experience with collecting its receivables from members and an analysis of current member contributions receivable. There was no allowance for doubtful accounts recorded as of December 31, 2021 and 2020. There was no bad debt expense recorded for the years ended December 31, 2021 and 2020.

Member Contributions to be Billed in the Future: Member contributions to be billed in the future represent the amounts recoverable from members that have not been billed as of December 31 and directly relate to current estimates of unpaid claims and claim adjustment expenses from prior certificate years. These amounts will be billed in the period when the estimated incurred claims, claim adjustment expenses, and related administrative expenses for each certificate year are anticipated to be paid.

Claims and Claim Adjustment Expense Reserves: Claims and claim adjustment expense reserves represent the estimated liability for unpaid claims and related claim expenses from reported claims and claims incurred but not reported. Expected recoveries under reinsurance and excess risk sharing agreements are deducted from claims and claim expense reserves. Changes to estimates are currently reflected in the statement of revenue, expenses, and changes in net position.

(Continued)

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capitalization Contributions: Casualty capitalization contributions are accounted for under the provisions of GASB Interpretation No. 4, *Accounting and Financial Reporting for Capitalization Contributions to Public Entity Risk Pools* (Interpretation No. 4). Under Interpretation No. 4, capitalization contributions to pools to which risk is transferred must be accounted for as revenue by initially recording such contributions as unearned premiums, then amortizing them into revenue over an appropriate period not to exceed 10 years. Unearned premium reserves resulting from the application of Interpretation No. 4 are being amortized pro rata over the funding period, the period over which a member makes casualty capitalization contributions. The amounts are reflected within member contributions in the basic financial statements.

Member Contributions: Member contributions are recognized under the accrual method of accounting and follow the provisions of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*. Member contributions reflect the amount to be contributed by members for estimated payment of claims and claim adjustment expenses, reinsurance expenses, related operating expenses and surplus maintenance for each certificate year, and are recognized when billed. Paid claims and claim adjustment expenses for the subsequent certificate year are estimated using a variety of actuarial and statistical techniques.

Budgetary Distributions: Budgetary distributions represent surplus funds maintained in the casualty or property budgetary funds that are authorized and approved by the Board of Directors to be paid to members. The amounts are reflected in the basic financial statements during the year of the distribution which coincides with the period of final approval.

Cumulative Reserve Fund Distributions: In accordance with the membership agreement, the Board of Directors may authorize distributions of cumulative reserve funds ("CRF") to members. Members must meet certain qualifications and their CRF account balance must exceed levels as determined by the Board of Directors. If the Board of Directors approves a CRF Distribution Plan, amounts to be distributed under this plan are determined annually based on a variety of factors including risk assumed by the Pool, operating results, changes in doctrines of legal liability, changes in damage awards, investment markets and other insurance industry developments. Amounts are reflected in the basic financial statements in the year the distribution is approved by the Board of Directors.

Use of Estimates: Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities, as of the statement of net position date, and the amounts of revenue and expenses during the reporting period, in order to prepare these basic financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

Tax Status: The Pool's income is excludable from gross income under Section 115 of the Internal Revenue Code and is thus exempt from federal income taxes. Management believes that the Pool operates in a manner whereby it continues to be tax exempt.

Reclassifications: Certain prior year disclosure amounts have been reclassified to conform to current year presentation. These reclassifications had no impact on beginning net position or current year change in net position.

Subsequent Events: Subsequent events have been evaluated through April 27, 2022, which is the date the financial statements were available to be issued.

(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS

The Pool designated Wells Fargo Bank for the deposit of its funds and Morgan Stanley for the managing of its investments.

Deposits and investments are reported in the basic financial statements for December 31, 2021 as follows:

	Cash and Cash Equivalents	Investment Securities
Deposits:		
Cash	$ 7,792,059	$ -
Money market funds	913,527	-
Total deposits	8,705,586	-
Investments:		
Corporate bonds	-	7,563,886
Common stock	-	15,415,590
Preferred stock	-	377,973
Mutual funds (debt)	-	4,171,032
Mutual funds (stock)	-	1,187,744
Alternative investments	-	9,500,688
Total investments	-	38,216,913
Total	$ 8,705,586	$ 38,216,913

Deposits and investments are reported in the basic financial statements for December 31, 2020 as follows:

	Equivalents	Securities
Deposits:		
Cash	$ 2,034,606	$ -
Money market funds	632,782	-
Total deposits	2,667,388	-
Investments:		
Corporate bonds	-	8,205,448
Common stock	-	13,486,914
Preferred stock	-	397,282
Mutual funds (debt)	-	5,996,758
Mutual funds (stock)	-	1,292,870
Mutual funds (U.S. Treasuries)	-	2,252,725
Alternative investments	-	11,507,984
Total investments	-	43,139,981
Total	$ 2,667,388	$ 43,139,981

(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

There are no limitations or restrictions on participant withdrawals for money market investment pools, which are recorded at amortized cost.

The Pool's cash and investments are subject to several types of risk, which are examined in more detail below.

Custodial Credit Risk of Bank Deposits: The Pool maintains balances in its deposit accounts to adequately cover current operating and claims payment expenses. At December 31, 2021 and 2020, the Pool had $8,344,563 and $3,871,723, respectively, in bank deposits that were uninsured and uncollateralized.

Custodial credit risk is the risk that, in the event of a bank failure, the Pool's deposits may not be returned to it. The Pool's policy related to custodial credit risk of bank deposits is to evaluate each financial institution with which it deposits funds and assess the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk: Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Pool's investment policy minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and limiting the average maturity in accordance with the Pool's cash requirements.

At December 31, 2021 the weighted average maturities of debt securities are as follows:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Corporate bonds	$ 7,563,886	4.12
Mutual funds (debt)	4,171,032	1.00
Total fair value	$ 11,734,918	
Portfolio weighted average maturity		3.01

(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

At December 31, 2020, the weighted average maturities of debt securities are as follows:

Investment Type	Fair Value	Average Maturity (Years)
Corporate bonds	$ 8,205,448	3.70
Mutual funds (debt)	5,996,758	1.00
Mutual funds (U.S. Treasuries)	2,252,725	1.00
Total fair value	$ 16,454,931	
Portfolio weighted average maturity		2.35

Credit Risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligations. In accordance with the Pool's investment policy, the Pool may invest in U.S. government securities, corporate bonds, certain equity securities, collateralized mortgage obligations, asset-backed securities, alternative investments, and certain mutual funds.

At December 31, 2021 and 2020, the credit quality ratings of alternative investments and debt securities by investment type (other than the U.S. Treasury securities) are as follows:

Investment Type - Rating	Fair Value 2021	Fair Value 2020
Corporate bonds:		
Aa2	$ 366,572	$ 248,999
A1	94,893	226,007
A2	951,905	1,239,294
A3	1,516,524	1,844,765
Baa1	2,195,296	2,004,648
Baa2	1,534,452	1,756,836
Baa3	115,764	119,813
Ba1	75,526	61,710
Ba2	37,412	70,930
Ba3	51,157	23,376
B1	-	32,362
B2	52,568	56,379
Not rated	571,817	520,329
Total	$ 7,563,886	$ 8,205,448
Alternative investments - not rated	$ 9,500,688	$ 11,507,984

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

The rating organization used by the Pool to rate its investments was Moody's.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Pool places no limit on the amount it may invest in any one issuer.

At December 31, 2021, the Pool had investments in issuers (excluding U.S. Treasury securities, mutual funds, and money market investment pools) greater than 5 percent of total investments of $2,387,167 in Pointer Offshore, LTD and $2,181,765 in Hamilton Lane; these investments represented 6.2 and 5.7 percent of the Pool's total investments, respectively.

At December 31, 2020, the Pool had an investment in an issuer (excluding U.S. Treasury securities, mutual funds, and money market investment pools) greater than 5 percent of total investments of $3,208,246 in Pointer Offshore, LTD; this investment represented 7.4 percent of the Pool's total investments.

Alternative Investments: Certain alternative investments held by the Pool are subject to various risk factors, including market, credit, and currency risk, and transact in short sales and various domestic and international derivatives, including forward foreign currency contracts, futures, and written and purchased options and swaps. These alternative investments may suffer losses if interest rates move in opposition to the investment manager's expectations. The risk of loss in certain derivative financial instruments is limited to the value of the respective investments at December 31, 2021 and 2020.

NOTE 3 - FAIR VALUE MEASUREMENTS

Accounting standards require certain assets and liabilities be reported at fair value in the basic financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Pool has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management’s own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

(Continued)

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

The following tables present information about the Pool's assets measured at fair value on a recurring basis at December 31, 2021 and 2020:

December 31, 2021	Level 1	Level 2	Level 3	Investments Measured at Net Asset Value (NAV)	Total
Corporate bonds	$ -	$ 7,563,886	$ -	$ -	$ 7,563,886
Common stock	15,415,590	-	-	-	15,415,590
Preferred stock	377,973	-	-	-	377,973
Mutual funds (debt)	4,171,032	-	-	-	4,171,032
Mutual funds (stock)	1,187,744	-	-	-	1,187,744
Alternative investments	-	-	-	9,500,688	9,500,688
Total	$ 21,152,339	$ 7,563,886	$ -	$ 9,500,688	$ 38,216,913

December 31, 2020	Level 1	Level 2	Level 3	Measured at Net Asset Value (NAV)	Total
Corporate bonds	$ -	$ 8,205,448	$ -	$ -	$ 8,205,448
Common stock	13,486,914	-	-	-	13,486,914
Preferred stock	397,282	-	-	-	397,282
Mutual funds (debt)	5,996,758	-	-	-	5,996,758
Mutual funds (stock)	1,292,870	-	-	-	1,292,870
Mutual funds (U.S. Treasuries)	2,252,725	-	-	-	2,252,725
Alternative investments	-	-	-	11,507,984	11,507,984
Total	$ 23,426,549	$ 8,205,448	$ -	$ 11,507,984	$ 43,139,981

The following summarizes the valuation methodology used in determining fair value measurements of the significant classes of the Pool's financial instruments:

Level 1 Measurements: The fair values of common stock, preferred stock, and mutual funds were determined using prices quoted in active markets.

Level 2 Measurements: The Pool estimates the fair value of corporate bonds using other inputs such as quoted prices for identical or similar assets in markets that are not active, contractual cash flows, credit spreads, and interest rates and yield curves that are observable at commonly quoted intervals.

(Continued)

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

Investments in Entities that Calculate Net Asset Value per Share: The Pool holds shares or interests in alternative investments at year end where the fair value of the investments are measured on a recurring basis using net asset value (NAV) per share (or its equivalent) of the entities as a practical expedient. It is reasonably possible that these investments will be sold at an amount different than the calculated net asset value.

The fair value, unfunded commitments, and redemption rules of investments in entities that calculate net asset value per share are as follows at December 31, 2021 and 2020:

December 31, 2021	Fair Value/ NAV	Unfunded Commitments	Redemption Frequency If eligible	Redemption Notice Period
Hedge funds	$ 5,149,624	$ -	50 percent of capital; semi-annually	105 days
Private equity funds	2,413,423	772,635	Not permitted	Not permitted
Real estate	1,937,641	8,728	Annually	180 days
Total	$ 9,500,688	$ 781,363		

December 31, 2020	Fair Value/ NAV	Unfunded Commitments	Redemption Frequency If eligible	Redemption Notice Period
Hedge funds	$ 7,479,157	$ -	50 percent of capital; semi-annually	105 days
Private equity funds	2,221,837	895,757	Not permitted	Not permitted
Real estate	1,806,990	8,728	Annually	180 days
Total	$ 11,507,984	$ 904,485		

Multiple funds are sometimes held in each category. For reporting purposes, the redemption frequency and redemption notice period provided are the most restrictive of any of the funds in the category.

The hedge funds class includes investments in funds that achieve capital appreciation through multimanager and/or multistrategy investments. Within this group of funds, there is exposure to investment strategies including, but not limited to, credit, event- driven, equity, and relative value. The funds have the ability to invest across all markets and across all asset classes to implement their various strategies. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

The managed futures strategy is designed to produce capital appreciation by capturing returns related to the commodity and financial markets. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

(Continued)

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

The private equity funds class includes investments in funds that invest predominantly in equity securities of both U.S. and non-U.S. companies. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

The real estate funds investment objectives are to achieve attractive risk-adjusted returns and preserve investor capital by investing in a diversified portfolio of commercial real estate-related debt and preferred equity investments related to or secured by income-producing multifamily, commercial office, healthcare and selected other real estate assets in the United States. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

NOTE 4 - CLAIMS AND CLAIM ADJUSTMENT EXPENSE RESERVES

For known claims existing at December 31, the reserves are established based on known facts. For incurred but not reported reserves at year-end, estimates are based on a variety of actuarial and statistical techniques that reflect recent settlements, past claim experience, claim frequency and severity, and other economic factors. A provision for inflation in the calculation of estimated future claim costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Because these estimates are impacted by complex factors such as jury decisions, court interpretations, changes in doctrines of legal liability, damage awards, inflation, and legislative changes, the process used in estimating claim reserves does not necessarily result in an exact amount, particularly for coverage such as third-party liability; therefore, it is reasonably possible that a material change in the estimate will occur within the near term and thus the actual claims paid may be substantially different than these estimates. Consistent with industry practices, adjustments to claims reserves are charged to expense in the periods in which the adjustments are made.

The following summarizes changes in claims and claim adjustment expense reserves for the years ended December 31, 2021, 2020 and 2019 :

	2021	2020	2019
Claims and Claim Adjustment Expense Reserves, Beginning of year	$ 33,902,911	$ 29,070,475	$ 23,544,357
Incurred:			
Current year	23,724,830	23,434,447	24,388,137
Prior years	(3,186,951)	2,722,552	1,692,805
Total incurred	20,537,879	26,156,999	26,080,942
Paid:			
Current year	(10,297,704)	(8,833,221)	(10,600,658)
Prior years	(13,845,716)	(12,491,342)	(9,954,166)
Total paid	(24,143,420)	(21,324,563)	(20,554,824)
Claims and Claim Adjustment Expense Reserves, End of year	$ 30,297,370	$ 33,902,911	$ 29,070,475

(Continued)

NOTE 4 - CLAIMS AND CLAIM ADJUSTMENT EXPENSE RESERVES (Continued)

Reserves for claims and claims adjustment expense attributable to covered events in prior years changed as a result of re-estimation of unpaid claims and claims adjustment expenses. This change is generally a result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims. During the year ended December 31, 2021, the Pool decreased its provision for claims incurred in prior years by $3,186,951. The favorable claim development in prior years was driven in large part by a $2.4 million reduction in estimates for property claims incurred within the 2020 accident year. During the year ended December 31, 2020, the Pool increased its provision for claims incurred in prior years by $2,722,552. The unfavorable claim development in prior years was driven by the emergence of several large casualty claims in the 2017, 2018 and 2019 accident years during 2020.

NOTE 5 - REINSURANCE AND EXCESS RISK SHARING AGREEMENTS

The Pool is a member of American Public Entity Excess Pool ("APEEP"), which is also administered by Sedgwick. APEEP provides reinsurance and excess risk sharing programs for its member pools, all of which are public entity risk pools.

The Pool uses these reinsurance and excess risk sharing agreements to reduce its exposure to large specific and aggregate losses. These agreements permit recovery of a portion of its claims from reinsurers and APEEP, although they do not discharge the Pool's primary liability for such payments. The Pool does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers or excess risk sharing agreements. Premiums ceded to reinsurance carriers and APEEP during the years ended December 31, 2021 and 2020 totaled $12,118,916 and $8,667,160, respectively, and the amounts deducted from claims and claim adjustment expense reserves as of December 31, 2021 and 2020 for reinsurance and excess risk sharing agreements totaled approximately $17,430,000 and $21,878,000, respectively.

NOTE 6 - MEMBER DISTRIBUTIONS

Members must make contributions to the CRF for the first six years of membership. Qualifying members may receive distributions from the CRF pursuant to the formulas currently established by the Pool. CRF distributions charged to operations for qualifying members totaled $190,439 and $282,368 during the years ended December 31, 2021 and 2020, respectively.

In 2020, the Board of Directors approved budgetary cash distributions to members of $2,800,000. For the year ended December 31, 2020, budgetary cash distributions paid to the members totaled $2,763,612. No such distributions were approved or paid for the year ended December 31, 2021, however $3,104 of distributions were made from the prior year approval.

(Continued)

NOTE 7 - MEMBER CONTRIBUTIONS

The following summarizes the components of member contributions for the years ended December 31, 2021 and 2020:

	2021	2020
Member contributions - Operating	$ 43,947,859	$ 38,902,858
Member contributions - Cumulative reserve fund	438,387	576,449
Change in unearned premium reserves	55,385	40,472
Total member contributions	$ 44,441,631	$ 39,519,779

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REQUIRED SUPPLEMENTARY INFORMATION

THE IOWA COMMUNITIES ASSURANCE POOL
CASUALTY CLAIMS DEVELOPMENT INFORMATION
Year Ended December 31, 2021

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1. Required contributions and investment income:										
Earned	$ 16,946,993	$ 18,498,279	$ 19,465,878	$ 19,040,760	$ 18,854,447	$ 21,009,826	$ 22,015,752	$ 20,951,974	$ 20,462,715	$ 23,363,033
Ceded	1,850,262	1,739,405	1,881,623	2,086,252	2,237,311	2,309,453	2,510,758	2,621,922	2,667,551	3,191,128
Net	15,096,731	16,758,874	17,584,255	16,954,508	16,617,136	18,700,373	19,504,994	18,330,052	17,795,164	20,171,905
2. Expenses other than allocated claim adjustment expenses	4,649,979	4,773,942	4,830,653	5,225,725	5,724,028	6,028,535	6,165,871	6,343,573	6,155,276	6,576,041
3. Estimated claims and allocated claims adjustment expenses - End of policy year:										
Incurred	10,245,668	7,446,403	8,342,738	8,662,201	8,980,958	13,009,031	15,516,494	17,111,723	18,443,058	16,616,937
Ceded	3,716,277	428,926	445,600	505,209	888,817	3,379,440	3,904,984	3,354,375	4,114,723	3,452,966
Net	6,529,391	7,017,477	7,897,138	8,156,992	8,092,141	9,629,591	11,611,510	13,757,348	14,328,335	13,163,971
4. Cumulative net paid and allocated claims adjustment expenses as of:										
End of policy year	1,457,442	1,682,585	2,132,468	2,459,894	1,947,990	2,764,958	2,898,803	2,882,479	2,742,621	2,498,688
One year later	2,458,386	3,354,181	3,323,280	3,932,374	4,007,277	5,321,283	5,184,702	6,021,300	5,471,187	-
Two years later	3,682,929	5,202,212	5,401,587	6,046,292	6,719,397	8,141,255	8,448,988	9,769,900	-	-
Three years later	4,540,365	6,471,083	6,665,187	7,121,108	9,420,718	10,994,294	11,642,248	-	-	-
Four years later	4,954,282	6,939,702	7,140,482	7,633,637	10,592,435	12,732,410	-	-	-	-
Five years later	5,436,299	6,967,196	7,414,373	7,756,837	10,911,454	-	-	-	-	-
Six years later	5,436,790	7,023,886	7,506,741	7,857,242	-	-	-	-	-	-
Seven years later	5,436,790	7,023,886	7,508,841	-	-	-	-	-	-	-
Eight years later	5,436,790	7,026,679	-	-	-	-	-	-	-	-
Nine years later	5,436,790	-	-	-	-	-	-	-	-	-
5. Reestimated ceded claims and expenses	4,479,249	3,987,561	179,807	3,081,817	1,219,851	985,230	7,965,569	564,437	4,838,340	3,452,966
6. Reestimated net incurred claims and allocated claims adjustment expenses:										
End of policy year	6,529,391	7,017,477	7,897,138	8,156,992	8,092,141	9,629,591	11,611,510	13,757,348	14,328,335	13,163,971
One year later	6,053,194	6,750,628	7,638,511	8,107,617	8,217,004	11,314,348	13,683,699	14,900,659	13,916,329	-
Two years later	5,482,105	7,301,101	7,977,950	8,603,187	11,357,624	11,973,814	14,346,517	15,063,000	-	-
Three years later	5,283,396	7,177,814	7,284,301	8,326,195	11,541,352	14,104,012	13,831,372	-	-	-
Four years later	5,383,622	7,292,721	7,771,134	8,065,092	11,319,722	13,826,466	-	-	-	-
Five years later	5,517,739	7,177,752	7,552,336	7,967,719	11,261,297	-	-	-	-	-
Six years later	5,436,790	7,023,886	7,515,756	7,941,548	-	-	-	-	-	-
Seven years later	5,436,790	7,033,926	7,508,841	-	-	-	-	-	-	-
Eight years later	5,436,790	7,026,679	-	-	-	-	-	-	-	-
Nine years later	5,436,790	-	-	-	-	-	-	-	-	-
7. (Decrease) increase in estimated net incurred claims and allocated claim adjustment expenses subsequent to initial policy year end	**$ (1,092,601)**	**$ 9,202**	**$ (388,297)**	**$ (215,444)**	**$ 3,169,156**	**$ 4,196,875**	**$ 2,219,862**	**$ 1,305,652**	**$ (412,006)**	**$ -**

THE IOWA COMMUNITIES ASSURANCE POOL
PROPERTY CLAIMS DEVELOPMENT INFORMATION
Year Ended December 31, 2021

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1. Required contributions and investment income:										
Earned	$ 13,300,435	$ 14,570,000	$ 15,591,287	$ 16,708,560	$ 17,681,847	$ 18,901,329	$ 19,048,328	$ 18,695,679	$ 19,749,486	$ 23,466,154
Ceded	2,584,380	2,314,114	2,437,263	2,915,041	3,330,930	3,690,063	3,233,367	3,898,772	5,999,609	8,411,031
Net	10,716,055	12,255,886	13,154,024	13,793,519	14,350,917	15,211,266	15,814,961	14,796,907	13,749,877	15,055,123
2. Expenses other than allocated claim adjustment expenses	4,711,030	5,074,933	5,424,338	6,205,124	7,331,149	7,308,827	7,329,836	7,331,931	7,359,781	8,311,203
3. Estimated claims and allocated claims adjustment expenses - End of policy year:										
Incurred	4,799,574	7,950,331	10,229,023	5,880,713	6,003,780	10,177,743	18,085,292	16,224,910	25,643,752	12,898,598
Ceded	535,322	2,890,735	3,188,403	360,864	575,190	1,747,550	9,754,190	5,634,063	16,593,213	2,337,739
Net	4,264,252	5,059,596	7,040,620	5,519,849	5,428,590	8,430,193	8,331,102	10,590,847	9,050,539	10,560,859
4. Cumulative net paid and allocated claims adjustment expenses as of:										
End of policy year	3,687,927	3,884,852	5,832,037	4,548,579	4,405,254	6,617,596	6,615,968	7,678,237	6,090,600	7,799,016
One year later	4,267,019	4,928,891	6,511,602	5,552,316	5,028,124	8,480,117	8,156,536	9,274,710	7,890,075	-
Two years later	4,296,339	4,918,430	6,753,135	5,389,277	5,061,417	8,453,001	8,267,420	9,444,513	-	-
Three years later	4,309,201	4,833,844	6,808,924	5,389,084	4,889,182	8,492,585	8,256,966	-	-	-
Four years later	4,282,084	4,832,266	6,804,309	5,374,702	4,993,007	8,492,048	-	-	-	-
Five years later	4,282,050	4,829,622	6,802,766	5,374,747	4,993,516	-	-	-	-	-
Six years later	4,283,109	4,828,272	6,801,099	5,374,747	-	-	-	-	-	-
Seven years later	4,283,109	4,826,922	6,804,451	-	-	-	-	-	-	-
Eight years later	4,283,109	4,828,196	-	-	-	-	-	-	-	-
Nine years later	4,279,302	-	-	-	-	-	-	-	-	-
5. Reestimated ceded claims and expenses	260,852	2,175,523	2,741,523	296,692	234,260	1,154,943	8,525,720	5,204,360	22,978,123	2,337,739
6. Reestimated net incurred claims and allocated claims adjustment expenses:										
End of policy year	4,264,252	5,059,596	7,040,620	5,519,849	5,428,590	8,430,193	8,331,102	10,590,847	9,050,539	10,560,859
One year later	4,427,167	5,010,327	6,639,780	5,736,537	5,025,485	8,641,361	8,181,485	9,579,498	6,667,089	-
Two years later	4,348,390	4,924,669	6,767,762	5,418,676	5,164,030	8,567,444	8,221,649	9,666,571	-	-
Three years later	4,312,254	4,842,546	6,828,755	5,421,694	4,982,266	8,669,825	8,260,003	-	-	-
Four years later	4,284,192	4,836,886	6,819,695	5,375,472	5,000,271	8,697,802	-	-	-	-
Five years later	4,283,241	4,833,511	6,809,150	5,374,747	5,000,024	-	-	-	-	-
Six years later	4,283,109	4,832,161	6,807,305	5,374,747	-	-	-	-	-	-
Seven years later	4,283,109	4,830,811	6,988,454	-	-	-	-	-	-	-
Eight years later	4,283,109	4,829,999	-	-	-	-	-	-	-	-
Nine years later	4,279,302	-	-	-	-	-	-	-	-	-
7. (Decrease) increase in estimated net incurred claims and allocated claim adjustment expenses subsequent to initial policy year end	**$ 15,050**	**$ (229,597)**	**$ (52,166)**	**$ (145,102)**	**$ (428,566)**	**$ 267,609**	**$ (71,099)**	**$ (924,276)**	**$ (2,383,450)**	**$ -**

THE IOWA COMMUNITIES ASSURANCE POOL
RECONCILIATION OF CLAIMS AND CLAIMS ADJUSTMENT EXPENSE RESERVES BY TYPE OF CONTRACT
Years Ended December 31, 2021 and 2020

	Fiscal and Policy Years Ended December 31					
	2021			2020		
	Casualty	Property	Total	Casualty	Property	Total
Claims and Claim Adjustment Expense Reserves -						
Beginning of year	$ 30,485,119	$ 3,417,792	$ 33,902,911	$ 25,906,388	$ 3,164,087	$ 29,070,475
Incurred Claims and Claim Adjustment Expenses						
Provision for claims incurred in current year	13,163,971	10,560,859	23,724,830	14,383,910	9,050,537	23,434,447
Change in provision for claims incurred in prior years expenses	(1,127,293)	(2,059,658)	(3,186,951)	3,585,023	(862,471)	2,722,552
	12,036,678	8,501,201	20,537,879	17,968,933	8,188,066	26,156,999
Payments						
Claims and claim adjustment expenses paid for claims incurred in current year	(2,498,688)	(7,799,016)	(10,297,704)	(2,742,621)	(6,090,600)	(8,833,221)
Claims and claim adjustment expenses paid for claims incurred in prior years	(11,890,032)	(1,955,684)	(13,845,716)	(10,647,581)	(1,843,761)	(12,491,342)
Total payments	(14,388,720)	(9,754,700)	(24,143,420)	(13,390,202)	(7,934,361)	(21,324,563)
Claims and Claim Adjustment Expense Reserves -						
End of year	$ 28,133,077	$ 2,164,293	$ 30,297,370	$ 30,485,119	$ 3,417,792	$ 33,902,911

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
The Iowa Communities Assurance Pool

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Iowa Communities Assurance Pool (the "Pool"), which comprise the statement of net position as of December 31, 2021, and the related statements of revenue, expenses and changes in net position, and cash flows for the year then ended, and related notes to the financial statements, which collectively comprise the Pool’s basic financial statements, and have issued our report thereon dated April 27, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Pool’s internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pool's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Pool's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pool's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Fort Lauderdale, Florida
April 27, 2022