

CYBER

CONNECTION

EMERGING EXPOSURES

ICAP

Has You Covered.

2013



2013 Annual Report



Greetings ICAP Members,

We live in a fast-paced world where some things seem to change by the minute, and that's especially true when it comes to technology. ICAP continues to embrace technology to find new ways to bring useful resources to our members in a variety of convenient, user-friendly formats. And as our members continue to embrace technology in their daily operations, ICAP makes sure coverages and limit options are in place to protect against emerging cyber-related risks. Here are some highlights from 2013:

Optional Higher Limits for Cyber Breach Notification Expense Coverage

Iowa is among the 47 states that have enacted legislation requiring entities to notify individuals of a breach of security—an unauthorized acquisition of personal information, maintained in computerized form, that compromises the security, confidentiality, or integrity of personal information. In 2012, ICAP introduced the Cyber Breach Notification Expense Benefit which provided all members, free of charge, up to \$50,000 for necessary and reasonable expenses that members may become legally obligated to pay due to a cyber-breach event. Recognizing that some members continue to expand their use of technology and/or desire a higher limit, in 2013 the ICAP Board made optional limits up to \$250,000 available to the membership. As the world of technology changes and new exposures emerge, ICAP's coverage and limits are on the leading edge for the protection of our members. And ICAP's protection doesn't stop at coverage: an educational forum on *Protecting Your Entity from Cyber Crime* is right around the corner, planned for fall 2014.

Convenient Online Expanded Resources

We recognize our members are busy and may not always be able to attend educational forums, so we have partnered with industry experts to bring the education to you . . . to your computer, to be precise. Through ICAP's Online Resource eLibrary, members have access to new resources from two organizations: "In the Line of Duty" and "HRSentry." "In the Line of Duty" is an organization that provides reality-based video training programs for law enforcement personnel. In partnering with "In the Line of Duty," ICAP made four different law enforcement training modules (including online training videos, trainer's guides and tests) available to the membership on topics ranging from *Ethics* to *Ground Fighting*. With "HRSentry," an online employment and HR resource organization, members have access to a Human Resource System that contains a number of helpful forms, policies and procedures. ICAP members are also invited to participate in "HRSentry" webinars on a range of employment-related topics.

As ICAP embraced technology to deliver some resources, it also introduced new programs where ICAP members can obtain valuable information by interacting *with people*. ICAP recently introduced ICAP Legal Access and Risk Management Assessments.

ICAP Legal Access

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 provided by attorneys at the law firm of Hopkins & Huebner, P.C. Members may request consultation in the following areas, or any combination thereof: employment law, zoning and land use, open records law/open meetings law, and indemnification provision review, or use the service as an attorney-to-attorney consultation resource. ICAP's website—icapiowa.com—provides more detailed information about this new program.

On-Site Risk Management Assessments


ICAP performs Risk Management Assessments—a comprehensive property asset analysis in which a member of the ICAP team conducts an on-site visit to review all property and equipment to ensure an accurate accounting of assets. After completing the on-site visit, the ICAP team provides a detailed analysis to help members fully identify and protect their assets.

In the rush of this fast-paced world, some aspects of the ICAP program haven't changed.

Plante Moran, PLLC again issued an unmodified ("clean") opinion, which means ICAP's basic financial statements present fairly, in all materials respects, the financial position of the Pool at December 31, 2012 and 2013. Demotech, Inc., a financial analysis firm, conducted an analysis in four key areas: financial stability, loss reserves, administration and overall performance. Demotech again issued ICAP the highest rating of AAA (unsurpassed) in each area. Finally, the Government Finance Officers Association of the United States and Canada (GFOA) reviewed ICAP's financial information and again awarded ICAP a Certificate of Achievement for Excellence in Financial Reporting for the Fiscal Year Ended December 31, 2013.

As you will see in the financial pages of this report, ICAP had another great year financially and closed out 2013 with a total fund balance of \$45,729,173, up from \$39,392,912 in 2012.

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 will continue to be on the leading edge of this fast-paced world as, together, we make ICAP the premier local government risk sharing pool in the country.



Jody E. Smith
ICAP Chairman

BOARD OF DIRECTORS

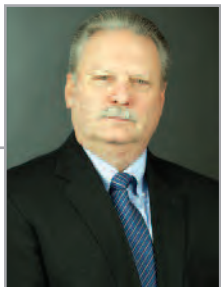


Jody E. Smith, Chair

Deputy City Manager/City Clerk, City of West Des Moines

jesconsult@mediacombb.net

Jody has been involved with local governments for more than 30 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 joining the City of West Des Moines in 1989, Jody gained experience as the City Clerk/Treasurer for the City of Clinton and as Mayor of the City of Ayrshire.



Gary Mahannah, Vice Chair

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 (APEEP) Board of Directors. He has a long history of participating on various area and state boards and previously served as President of the Iowa Municipal Finance Officers Association (IMFOA).



Dave Hageman, Secretary

Landfill Manager, Winneshiek County

dave.hageman@co.winneshiek.ia.us • 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 Board, as he also served twelve years in the 1980s and 1990s. Since 1993, Larry has been a Vice President at Speer Financial, an independent public financial consulting firm 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. Larry's distinguished history of serving Iowa public entities has earned him various acknowledgments, including recognition for his "outstanding service to Lake Delhi and its residents."

*as of December 31, 2013



Tom Roth
City Administrator, City of Camanche
(Representing the City of Bellevue)
tom_roth@mchsi.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 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 Winneshieck 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. Prior to her appointment, she worked in the Auditor's office for 22 years. Lois also currently serves as the President of the SEAT (State Election Administrator Training) Board and is a member of the Iowa Secretary of State's Advisory Board.



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 (ILOC) 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

Market conditions for 2013 remained "soft" as has been the case for the past couple of years. Despite 2013 remaining a "soft market," ICAP was thrilled to have added 25 new members to the Pool. As ICAP continues to grow, we continually reevaluate our service and coverages to ensure we are providing the most comprehensive, competitive coverage in the market.

The following information highlights 2013, which illustrates the top notch service and coverage that has become synonymous with ICAP.



Automatic External Defibrillator (AED) Giveaway

The ICAP Board kicked off 2013 on a healthy note, raffling AED units to 50 lucky members. AED units are lightweight, portable battery-operated devices. In the case of sudden cardiac arrest, AEDs check heart rhythm and send an electronic shock to the heart to restore natural rhythm.

After learning of members' need for the lifesaving equipment, the ICAP Board utilized a portion of the Pool's Member Services Fund to purchase the units, which were awarded to eligible members through a raffle.

Record Fair Membership

In March 2009, the Board of Directors for the Association of Iowa Fairs (AIF) unanimously endorsed ICAP as the association-sponsored property & casualty program for all Iowa fairs. Since the AIF's endorsement, ICAP membership grew to include 698 Iowa public entities of which 59 are Iowa fair boards.



Agent Seminar

Since 2012 was an off year for the Agent Seminars, we were very excited for 2013 and the chance to host another educational opportunity. On



November 6, over 130 agents attended the Agent Seminar, "The Right Stuff." The seminar highlighted a number of ethical decisions and moral dilemmas that may affect ICAP agents and what they can do to help overcome them.

Presenters included Executive Director of Character Counts, Iowa, Scott Raecker; President of Bilbrey Insurance Services, Kasi Koehler; and CRMS representative, Russ Sporer. Each presenter discussed the unique requirements of servicing public entities.

ICAP Legal Access

In March, the Pool unveiled ICAP Legal Access, a legal consultation program. The program, exclusive to ICAP members, entitles members to 90 minutes of free legal consultation per year.

Attorneys from Hopkins & Huebner, P.C. can provide members expertise in the follow areas:

- Employment law
- Zoning and land use
- Open records and open meeting laws
- Indemnification provision review
- Attorney-to-attorney consultation resource



Risk Management Assessments

ICAP is the only program in Iowa offering a Risk Management Assessment (RMA). The RMA is a comprehensive property asset analysis in which a member of the ICAP marketing team works with the entity and local agents to review all the member's assets.

The RMA process involves an onsite visit which can last several hours. Throughout the visit, the ICAP representative assesses property and

equipment and meets with as many department heads as possible to ensure an accurate accounting of assets.

After completing the onsite visit, the ICAP team provides a detailed report regarding coverage listed on the Statement of Values and what was discovered during the RMA. This tool has the ability to show members areas of vulnerability. In 2013, the ICAP marketing team discovered \$20 million of uncovered, member owned property.

Enhanced Cyber Coverage

ICAP continues to expand cyber liability coverage to provide the most comprehensive coverage possible to members. In the expanded Cyber Breach Notification Expense Coverage, the Pool offers the following:

- An automatic limit of \$50,000 in expense coverage, per occurrence/annual aggregate
- The option to increase limits to \$250,000 per occurrence/annual aggregate
- Coverage for members who need to address misinformation in the media or negative press regarding a cyber-breach event.



ICAP CYBER COVERAG

2011

CYBER LIABILITY

Cyber liability is added as a new liability benefit covering damages arising out of:

Failure to control access to your computer or communications network, including the failure to identify, authenticate, or limit access to electronic data

Electronic data is broadly defined to mean all data, information, texts, sounds, graphics, images, and other media stored, maintained, disseminated, modified, or otherwise captured within your computer or communications network

Denial of authorized access to your computer or communications network

Failure to prevent unauthorized disclosure of electronic data

Failure to protect against the introduction of, or the transmission of malicious code or a computer virus

Failure to comply with laws and regulations governing electronic data

2011

ELECTRONIC DATA

Electronic data coverage is added to property, providing a number of coverage enhancements including:

The addition of Electronic Data to covered property, which is defined broadly to include all data, information, texts, sounds, graphics, images, and other media stored, maintained, disseminated, modified, or otherwise captured within your hardware or software

Coverage for Extra Expense, meaning the reasonable and necessary expenses you incur to temporarily continue to conduct your operations and to expedite research, repair, replacement, restoration, and reproduction of electronic data

Coverage for expenses to extract computer viruses or malicious code and your loss resulting from the interruption of your business and any expenses to help you preserve electronic data and maintain normal operations

ON THE LEADING EDGE

2012 CYBER BREACH

Cyber breach notification expense benefit is added covering necessary and reasonable expenses as a result of a cyber breach event

Cyber breach event means the loss, theft, or accidental release or publication of electronic data including Social Security numbers or account numbers linked to an individual's name and address, which can be used to personally identify an individual

Necessary and reasonable expenses include the expenses you incur to:

Notify affected individuals of the cyber breach event

Establish a toll-free help line for questions and information regarding the cyber breach event

Provide credit monitoring services to affected individuals

Provide identity restoration services to any affected individual who is a victim of identity theft as a result of the cyber breach event

2013 BREACH EXPANSION

Cyber breach notification expense benefit is enhanced to include reasonable expenses that you incur to respond to adverse or unfavorable publicity or media attention due to a cyber breach event

Optional higher limits available

Limits up to \$250,000 event / \$250,000 annual aggregate

FINANCIAL OVERVIEW

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

Assets	2013	2012	2011
Cash and cash equivalents	\$ 4,125,050	\$ 1,842,078	\$ 1,302,383
Investment securities, At fair value	42,877,311	37,842,437	34,041,036
Member contributions to be billed in the future	13,165,508	12,629,434	13,094,186
Other assets	1,430,731	2,024,434	1,492,497
Total assets	\$ 61,598,600	\$ 54,338,383	\$ 49,930,102
Liabilities	2013	2012	2011
Claims and claim adjustment expense reserves	\$ 14,500,966	\$ 13,354,389	\$ 13,882,138
Unearned premium reserves	704,284	437,753	407,862
Other liabilities	664,177	1,153,329	639,384
Total liabilities	15,869,427	14,945,471	14,929,384
Net Position - Unrestricted	45,729,173	39,392,912	35,000,718
Total liabilities and net position	\$ 61,598,600	\$ 54,338,383	\$ 49,930,102

Approximately 76 percent in 2013, 73 percent in 2012, and 71 percent in 2011 of total assets consist of cash, cash equivalents, and investments.

The Pool's claims and claim adjustment expense reserves totaled \$14,500,966 in 2013, \$13,354,389 in 2012, and \$13,882,138 in 2011. During the year ended December 31, 2013, the Pool decreased its provision for claims incurred in prior years by \$192,242 as a result of a decrease in claim frequency from the original actuarial estimate and favorable outcomes on certain cases that settled or that are expected to be settled in the near future. Total claim payments increased by less than one percent, from \$10,715,148 in 2012 to \$10,787,079 in 2013.

Net position (after member distributions) at December 31, 2013 increased \$6,336,261 from December 31, 2012 as growth in membership and exposure, favorable investment results, lower than anticipated claim expenses and reductions in reinsurance rates more than offset the \$1,498,886 of budgetary distributions and \$895,419 of member distributions out of the cumulative reserve fund during 2013.

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

Operating Revenue	2013	2012	2011
Member contributions	\$ 30,363,621	\$ 28,982,013	\$ 27,751,840
Reinsurance premiums ceded	(4,192,622)	(4,581,381)	(4,787,623)
Change in contributions that will be billed in the future to pay unpaid claims	536,074	(464,752)	(864,063)
Total operating revenue	\$ 26,707,073	\$ 23,935,880	\$ 22,100,154
Operating Expenses	2013	2012	2011
Provision for claims	\$ 11,933,656	\$ 10,187,399	\$ 13,173,593
General and administrative expenses	9,848,875	9,361,013	8,845,153
Total operating expenses	21,782,531	19,548,412	22,018,746
Operating Income	4,924,542	4,387,468	81,408
Nonoperating Revenue (Expense)			
Investment earnings – Interest and dividends	1,101,133	1,079,163	1,172,727
Net realized and unrealized gains (losses) on investments	2,704,891	2,195,212	(1,712,946)
Budgetary distributions	(1,498,886)	(1,246,525)	(1,497,813)
Cumulative reserve fund distributions	(895,419)	(2,015,525)	(1,057,723)
Total nonoperating revenue (expense)	1,411,719	12,325	(3,095,755)
Member Capital – Withdrawals	-	\$ (7,599)	\$ (8,400)
Increased (Decrease) Net Position	\$ 6,336,261	\$ 4,392,194	\$(3,022,747)

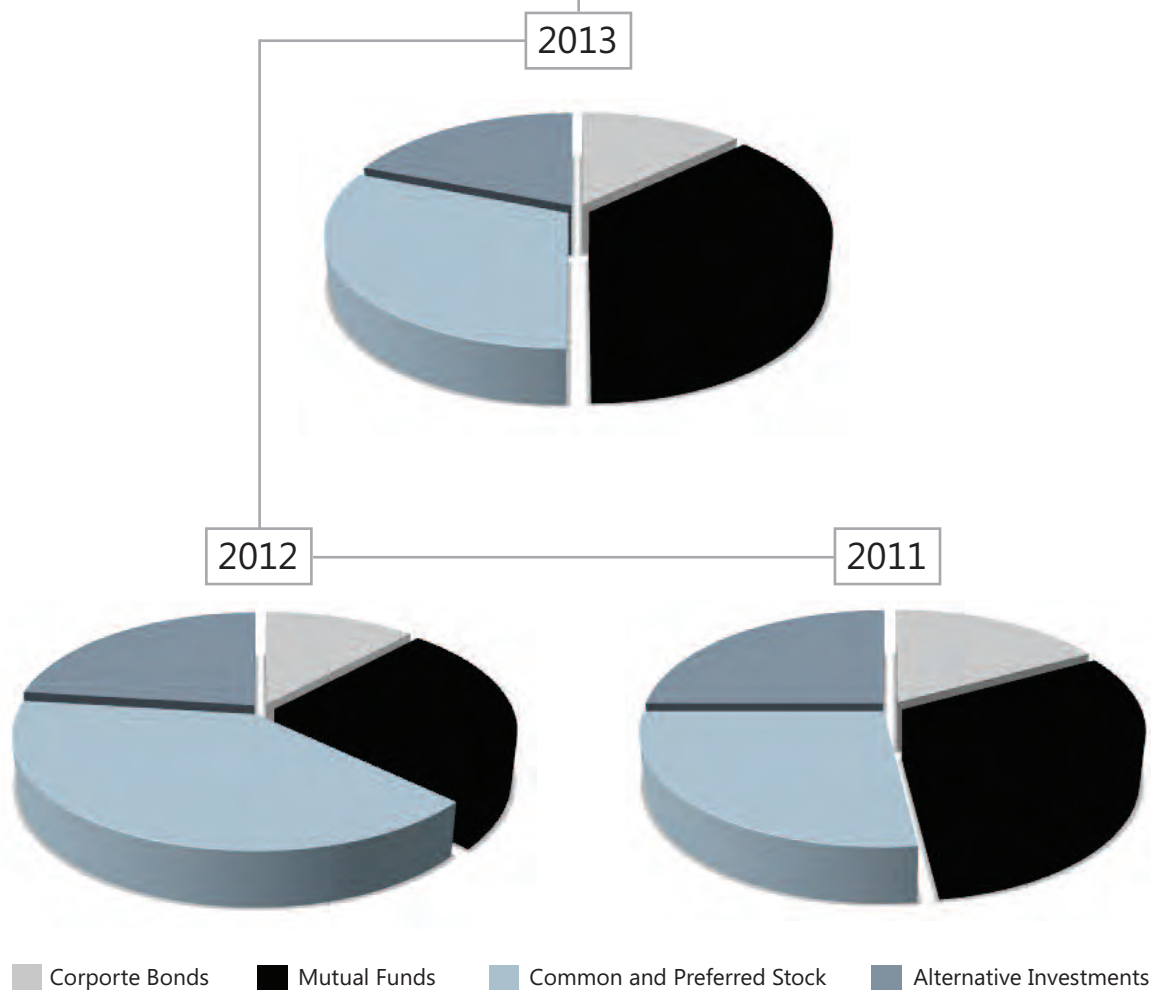
The Pool's membership increased from 676 members in 2012 to 693 members in 2013. As a result of this growth and the growth in member total insured values, along with the stability in rates, member contributions increased approximately 5.4 percent, from \$28,982,013 in 2012 to \$30,538,558 in 2013.

Total operating expenses of the Pool in 2013 and 2012 were \$21,782,531 and \$19,548,412, respectively, or 71 percent and 67 percent, respectively, of member contributions. The increase is due primarily to an increase in claims and claim adjustment expenses.

INVESTMENTS

During the year ended December 31, 2013, the Pool experienced investment earnings totaling \$3,806,024 compared to investment earnings of \$3,274,375 during the year ended December 31, 2012. Of the 2013 investment earnings, \$2,704,891 consisted of realized and unrealized gains compared to gains of \$2,195,212 in 2012.

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:



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 27 years of operation, ICAP has met all of its operating and claim payment obligations while building substantial financial equity for its members. ICAP's fund balance at December 31, 2013 was \$45,729,173 in net assets, 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.

1 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 2013, Plante Moran issued an unmodified opinion, which means that ICAP's basic financial statements present fairly, in all materials respects, the financial position of the Pool at December 31, 2012 and 2013, in conformity with generally accepted accounting principles. An independent auditor conducts an audit of the financial statements on an annual basis.

2 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 2013, Demotech issued ICAP the highest rating of AAA (un-surpassed) in each area.

3 The Government Finance Officers Association (GFOA) awarded ICAP a Certificate of Achievement for Excellence in Financial Reporting for the Fiscal Year Ended December 31, 2012. 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 17 consecutive years.

Membership Retention and Growth

Another measure of a Pool's success is in its growth and retention of its membership. ICAP added 25 new members in 2013 and had a 98.8% retention rate.

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 exclusively 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 insured through APEEP and Lexington Insurance.

MEMBER RESOURCES AND PROGRAMS

ICAP continues to look for ways to provide helpful resources and valuable programs to its members. 2013 highlights include:

RESOURCES

Through ICAP's Online Resource eLibrary, members have access to a number of resources including:

Online Training

Over 500 courses available, ranging from Ethics to Accident Investigations

HR Sentry

HR Sentry is an online employment and HR resource organization. Through HR Sentry, ICAP offered webinars on Hiring, Interviewing and Bringing a New Hire Onboard and offered ICAP members access to a Human Resource System that contains hundreds of helpful forms, policies and procedures, ranging from At-Will Employment Policy samples to Safety Orientation checklists

In the Line of Duty

In the Line of Duty (ILOD) is an organization that provides reality-based video training programs for law enforcement personnel. Through ILOD, ICAP offered the following training programs: Cops and Ethics, Pursuit Driving - Part 1, Pursuit Driving - Part 2 and Ground Fighting

ICAP Legal Access

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 provided by attorneys at the law firm of Hopkins & Huebner, P.C. Members may request consultation in the following areas, or any combination thereof: employment law, zoning and land use, open records law/open meetings law, and indemnification provision review, or use the service as an attorney-to-attorney consultation resource

PROGRAMS

On-Site Risk Management Assessments

ICAP performs Risk Management Assessments—a comprehensive property asset analysis in which a member of the ICAP team conducts an on-site visit to review all property and equipment to ensure an accurate accounting of assets. After completing the on-site visit, the ICAP team provides a detailed analysis to help members fully identify and protect their assets

SPECIALIZED MEMBER SERVICE TEAMS

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graph TD; A[SPECIALIZED MEMBER SERVICE TEAMS] --- B[Comprehensive Pool Administration]; A --- C[Investments]; A --- D[Experienced Marketing and Member Services]; A --- E[Independent Auditing Services]; A --- F[Specialized Claim Handling and Loss Control]; A --- G[Financial Stability Rating];
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Comprehensive Pool Administration

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

Investments

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

Experienced Marketing and Member Services

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

Independent Auditing Services

Plante Moran, PLLC
1111 Michigan Avenue
East Lansing, MI 48823
(800) 827-1280

Specialized Claim Handling and Loss Control

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

Financial Stability Rating

Demotech, Inc.
2715 Tuller Parkway
Dublin, OH 43017
(800) 354-7207

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