

Iowa Communities Assurance Pool
Board of Directors
Thursday, January 13, 2011

West Des Moines City Hall, West Des Moines

Board members present: Jody Smith, Gary Mahannah, David Hageman, Pam Ward, Tom Roth, Larry Burger and Holly Fokkena. Board members absent: Bill Peterson and Alan Kemp. Present from American Risk Pooling Consultants: John Brockschmidt, Michele Chandler and J.T. Babish. Present from Bilbrey Insurance Services: Kenneth Bilbrey, Kasi Koehler and Megan Roth. Present from Public Entity Risk Services of Iowa: Frank Miller.

The meeting was called to order at 9:00 a.m. CT by Mr. Smith, Chairman.

The agenda provided in the Board handbook was approved and no member/citizen comments were brought forward.

Mr. Hageman moved to approve the minutes from the October 2010 Board meeting. Upon second by Mr. Mahannah, the minutes were unanimously approved.

Election of 2011 Officers and Designation of Investment Committee

Ms. Fokkena moved to have the 2010 officers and Investment Committee members remain in place for 2011. Mr. Burger seconded and the motion was unanimously approved.

Claims Report

Mr. Miller reviewed new and active claims with reserves or payments of \$100,000 or more.

Marketing Report

Ms. Koehler, Mr. Bilbrey and Ms. Roth discussed recent marketing endeavors.

Financial Report

Via teleconference, Mr. Mark Weaver (ARPCO) reviewed the financial reports as of September 30, 2010. He presented an overview of the statement of assets and provided details related to the operating surplus, investments and CRF. He indicated a continuing positive outlook for the Pool, commenting ICAP invested assets were \$39 million at quarter-end, up approximately \$4 million from the beginning of the year; he mentioned year-end expectations of roughly \$37.8 million in invested assets.

He reviewed the balance sheet and commented on seasonal variations and time aspects with regard to liabilities, claim activity and distributions. Because most of ICAP's revenue comes in the first nine months of the year, there is an expected drop in operating results

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and fund balances during the fourth quarter.

Mr. Weaver then provided an analysis of the casualty statement of operations, indicating revenue rose slightly, while claim-related expenses showed a small decrease. He discussed the difference in the contributions to the risk-sharing pool, commenting on the nearly \$3.5 million operating surplus. He commented the budgetary distribution remains virtually the same as the previous years, while the CRF has decreased substantially. He noted that property results were very similar in 2010 to 2009 through September of each year.

Mr. Weaver indicated that investments results remain positive in light of economic performance. He noted that much of the favorable investment results from 2009 were attributed to recovering from the losses in the portfolio during 2008.

Mr. Weaver further discussed handouts provided to the Board. He reviewed reprojections for 2010, which resulted in a \$1.1 million operating surplus (\$1.6 million better than expected) for casualty and a \$.07 million operating deficit (\$1.4 million unfavorable to projections) for property. He concluded by stating that realized and unrealized investment results will be \$2 million greater than anticipated, which will drive overall year-end fund balances to \$55.4 million, roughly \$2.2 million higher than anticipated when the 2010 budgets were established.

Investment Report

Mr. Smith reviewed the investment report provided to the Board and discussed recent actions of the investment committee. He stated why the Pool sold the Knight Ridder and Tribune bonds and commented on the Pool's retention of the GMAC bonds notwithstanding their rating, which are currently above par and which will mature this fall..

Mr. Smith discussed future planned investments in an effort to further diversify the portfolio.

He reviewed several other standings and concluded with a statement that, in all, the Pool's investment outlook remains in good shape.

Loss Control Report

Ms. Chandler reviewed the Loss Control Report provided in the Board handbook. She spoke on the 174 member site visits that were conducted during the last four months, indicating ICAP members are taking a proactive approach to loss control.

Ms. Chandler discussed new loss control materials, with reference to the HR webinars conducted in conjunction with HR Sentry. She indicated new resources are continually being added to the Online Resource Library.

She discussed two large training sessions and indicated the Online Training Program is

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gaining recognition and use, as ICAP members participated in 104 online training sessions in 2010, compared to 30 sessions in 2009 and 28 in 2008. She related this to the Board's decision to provide free online training and the increased promotion of this resource.

Ms. Chandler then discussed future plans to make some aesthetic changes and add new resources to the Online Resource Library.

Unfinished Business

a) CRF/IRMA Update

Ms. Chandler provided a brief history of the Cumulative Reserve Fund (CRF) and the Board's recent decision to lower the CRF maintenance level and authorize another CRF distribution to fully vested members. The Iowa Risk Management Agreement (IRMA) was revised to provide flexibility with respect to the CRF maintenance level and several other changes were made and approved by ICAP legal counsel.

Ms. Chandler provided an in-depth review of the proposed changes to the document and responded to various questions from the Board.

At Mr. Smith's suggestion, Ms. Fokkena moved to approve the proposed IRMA changes, effective February 1, 2011, subject to inclusion of the revisions discussed at this meeting, as well as to final review by ICAP legal counsel. Mr. Mahannah seconded and the motion was unanimously approved.

b) Budgetary Guidelines Update

Ms. Chandler reviewed the budgetary guidelines and referred to Mark Weaver's October 2010 Financial Presentation to walk-through the formulas with numbers. She then reviewed the CRF distribution and maintenance guidelines.

Mr. Brockschmidt offered additional explanation of the guidelines, rational and relation to the IRMA.

c) APEEP Meeting

Ms. Chandler and Mr. Brockschmidt provided details regarding the upcoming APEEP Annual Conference, which will be held February 16-19, 2011, in Florida. He discussed the sessions, workshops and topics that will be covered.

ICAP will hold a Board meeting on Saturday, February 19, immediately after the APEEP Board meeting concludes.

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New Business

a) Proposed Coverage Enhancements

Mr. Babish discussed potential coverage enhancements for 2011. He described coverages for cyber liability, electronic data coverage and damage to downspouts/gutters that is caused by snow or ice.

He indicated ICAP's reinsurers are supportive of these enhancements and suggested they be provided at no additional cost to ICAP members.

Mr. Mahannah moved to approve the proposed coverage enhancements effective April 1. Mr. Roth seconded and the motion was unanimously approved.

At Mr. Babish's suggestion, Mr. Mahannah moved to amend the motion to make coverage for downspouts and gutters effective January 1, 2011. All were in favor and the original motion was amended.

b) Underwriting System

Mr. Babish discussed efforts related to a new, up-to-date underwriting system and expressed his hopes to have this system in place prior to the end of the year. He discussed some of the features of the system with respect to data and portfolio analysis. Mr. Babish also noted that the system will assist with reinsurance analysis and working with ICAP's reinsurers.

At Mr. Smith's request, Mr. Babish will provide a demo of this system at the August meeting, which will be held at the ARPCO offices in Southfield, Michigan.

c) APEEP Highlights

Mr. Mahannah discussed highlights from APEEP's most recent board meeting. He commented on APEEP's 2010 Demotech Rating and commended APEEP for its continued excellence.

He reviewed the property reinsurance structure and noted a reduction in the property rate charged by APEEP. He also discussed the casualty reinsurance structure, noting the changes in the casualty reinsurance structure from 2010 to 2011. In addition to the change in structure, Mr. Mahannah noted the involvement of a new reinsurer, Argonaut.

Mr. Babish provided additional detail about the reinsurance structures and suggested these changes will provide more flexibility to APEEP, which should prove beneficial as the organization continues to grow.

Mr. Mahannah commented on several other highlights, including an increase in the

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APEEP per diem and a decision by APEEP to reimburse expenses of APEEP alternates.

d) BOD Election Results

Ms. Koehler announced both Pam Ward and Jody Smith have been re-elected to the ICAP Board. Both will remain in their current position for the term ending December 31, 2014.

e) ICAP's 25th Anniversary

Ms. Roth offered suggestions for recognition of ICAP's 25th Anniversary. Various options were discussed and, at the Board's request, Ms. Roth agreed to gather more information and develop a detailed proposal for the Board's February meeting.

f) 2012 Board Meeting Calendar

Ms. Roth presented the proposed 2012 board meeting calendar for consideration. The calendar will be presented for additional review and approval at the Board's April 2010 meeting.

g) Next Regular Meeting

Ms. Roth announced the next regularly scheduled meeting of the ICAP Board of Directors will be held Thursday, April 14, at Hyperion Field Club in Johnston.

h) York Update

Mr. Brockschmidt informed the Board that, at year-end, ABRY Partners, LLC, a Boston-based company, became the majority owner of York, replacing Odyssey.

Mr. Smith adjourned the meeting at 1:47 p.m. CT.

Respectfully submitted,

Dave Hageman, Secretary

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DH/mmr