

RESOLUTION

A RESOLUTION APPROVING AN INVESTMENT POLICY AND AUTHORIZING VARIOUS OFFICIALS TO EXECUTE INVESTMENT TRANSACTIONS.

WHEREAS, the Iowa Communities Assurance Pool has been created for the purpose of managing and funding third-party liability claims against its members;

WHEREAS, the Iowa Communities Assurance Pool accumulates funds for the purpose of paying current claims and providing reserves for paying future claims;

WHEREAS, the Iowa Communities Assurance Pool has determined that funds in excess of that required to pay immediate claims and administrative expenses shall be invested in order to obtain an investment return;

WHEREAS, the Iowa Communities Assurance Pool has determined that investment guidelines should be established for the purposes of maximizing yield relative to appropriate standards of safety and liquidity;

WHEREAS, the Iowa Communities Assurance Pool has previously retained Smith Barney, a professional investment firm, for achieving the investment purposes;

WHEREAS, the Iowa Communities Assurance Pool has determined that the Executive Committee of the Board of Directors is hereby authorized to enter into written agreement(s) by which additional firm(s) may be retained to assist the Pool in achieving the investment objectives.

WHEREAS, the Iowa Communities Assurance Pool has determined that certain members of the Executive Committee of the Board of Directors be authorized to execute investment transactions and grant investment discretion pursuant to the investment policy.

THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE IOWA COMMUNITIES ASSURANCE POOL:

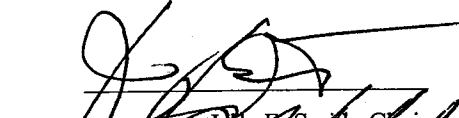
- SECTION I. The Pool's original Investment Policy dated January 27, 1993 is hereby modified by the attached document dated October 11, 2007.
- SECTION II. Smith Barney, Des Moines, Iowa shall continue to be hired and retained to serve as the investment firm for the Pool.
- SECTION III. The Executive Committee of the Board of Directors is hereby authorized to enter into written agreement(s) by which additional firm(s) maybe retained to assist the Pool in achieving the investment objectives.
- SECTION IV. Jody E. Smith, a member of the Board's Executive Committee, is hereby authorized as the primary individual to transfer funds between the investment and operating accounts or among discretionary investment managers and/or execute investment transactions pursuant to the policy adopted herein. Instances where Mr. Smith is not available on a timely basis, Gary Mahannah or Richard Hansen (and his successor), both members of the Board's Executive Committee, are hereby authorized to transfer funds between the investment and operating accounts or among discretionary investment managers and/or execute investment transactions pursuant to the Policy adopted herein.

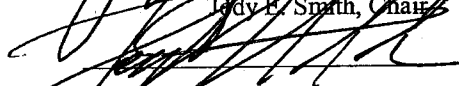
APPROVED AND ADOPTED BY THE BOARD OF DIRECTORS, this 11th day of October, 2007.

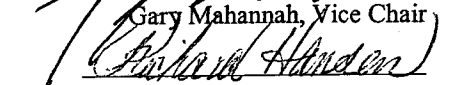
APPROVED:

ACKNOWLEDGED:

ATTEST:


Jody E. Smith, Chair


Gary Mahannah, Vice Chair


Richard Hansen, Secretary

Iowa Communities Assurance Pool

Investment Policy

Purpose and Scope

The purpose of this investment policy is to provide guidelines for the investment of funds held by the Iowa Communities Assurance Pool (ICAP) in accordance with appropriate standards of safety, yield, and liquidity. It is intended to provide sufficiently specific objectives and procedures, but flexible enough to be practical and serve ICAP's present needs as well as into the future.

Background

ICAP was formed in August, 1986 for the primary purpose of managing and funding third-party liability claims against its members pursuant to the authority granted by Iowa Code Section 613A. Membership is available to cities, counties, and other public entities as permitted by law and as determined by the Board of Directors.

The ICAP Board of Directors (Board) consists of seven members who provide guidance and recommendations to American Risk Pooling Consultants (Administrator) consistent with an intergovernmental contract. The Administrator, as directed by the Board, contracts with various service providers/contractors and performs such duties

as settling and paying claims, providing financial reports, marketing and underwriting new members, investing pool funds and other administrative tasks.

The funds of the Pool consist of an annual budgetary fund component and a cumulative reserve fund component. Annual contributions to the budgetary fund are applied towards the payment of current year expenses and prior claims to be paid in the current year. Annual contributions to the cumulative reserve fund represent capital to be used to fund a shortage in the budgetary fund or to refund contributions to terminated or withdrawn members.

The Board, by resolution, has determined that it is in ICAP's best interest to contract the investment of pool funds with a professional investment firm. In September, 1988 the Board selected the firm now known as Smith Barney to provide investment services for ICAP.

Investment Objectives

The investment portfolio shall be designed to attain at least a market-average rate of return throughout budgetary and economic cycles, taking into account ICAP's investment risk constraints and the cash flow characteristics of the portfolio. Specific objectives for investment returns are described as follows:

1. The long-term overall investment objective for all investments is to obtain a rate of return of at least three percent (3%) over the rate of inflation measured by the consumer price index (CPI);
2. The long-term equity investment objective is to obtain a rate of return of at least equal to the Russell 3000 Index;
3. The long-term fixed income investment objective is to obtain a rate of return at least equal to the Intermediate Lehman Brothers Government / Corporate Index;
4. The short-term investment objective is to obtain a rate of return at least equal to the return on 90 day U.S. Treasury Bills, or the average rate of Federal Reserve Bonds funds, whichever is higher.

Long-term Growth of Capital is the foremost objective of ICAP. The primary measure of risk is the loss of capital over the investment horizon.

Investment Guidelines

1. **Types of Assets**

The following classification of assets are available for selection by the Pool's investment advisor.

- | | |
|--------------------------|--------------------------------|
| A. Common Stocks | E. Real Estate |
| B. Preferred Stocks | F. Money Market & Cash Equivs. |
| C. Treasury & Agcy Bonds | G. Alternative Investments |

- D. Corporate Bonds H.
Convertible Securities

2. **Equity Investments**

- A. It is recognized that to improve the probability of achieving the performance goals it may be necessary to seek issues outside the New York Stock Exchange. The use of the American Stock Exchange, Regional Exchanges, over-the-counter issues, American Depository Receipts, International Ordinary Shares, Convertible Securities, and Private Equity are considered acceptable.
- B. Stocks held need not represent a cross section of the economy. The investment advisor may invest up to five percent (5%) of the total portfolio (at cost) in one industry, (such as drugs, auto, retail, utilities, etc.) and not more than one percent (1%) of the total portfolio (at cost) in one company. Investments shall not exceed more than one percent (1%) of the issuing company's outstanding stock.

In the event that changes in the equity portfolio render the Pool out of compliance with the above guidelines, the investment manager shall notify the Board's Executive Committee immediately so that corrective action may be taken or a waiver of compliance issued by the Executive Committee. In no event shall the above guidelines

require the investment manager to buy or sell investments disadvantageously in order to comply with the Investment Policy.

3. **Fixed Income Investments**

- A. Fixed income investments shall be continuously managed and reviewed.
- B. Any fixed income investments purchased shall have a rating BB or better as designated by S & P or Moody's Rating Service.
- C. When, and if, a fixed income investment which meets the above rating constraints at the time of purchase is downgraded, the investment advisor shall report, at least quarterly, the downgrade to the Board's Executive Committee as to appropriate action.
- D. The investment advisor may not invest more than five percent (5%) (at cost) of the fixed income portfolio in any one company. Fixed income portfolio shall be defined as investments in Treasury and Agency bonds and corporate bonds. Obligations of the U.S. Government are exempted from this requirement.

In the event that changes in the fixed income portfolio render the Pool out of compliance with the above guidelines, the investment manager shall notify the Board's Executive Committee immediately so that corrective action may be taken or a waiver of compliance issued by the Executive Committee. In no event shall the above guidelines require the investment manager to buy or sell investments disadvantageously in order to comply with the Investment Policy.

- E. Governments are defined as direct or indirect obligations of the U.S. Government and Agency paper only.

4. **Real Estate and Private Securities**

- A. Real estate and private securities will represent no more than ten percent (10%) of total investable assets. Any single property must be income producing and limited to one percent (1%) of total investable assets.

5. **Money Market Funds**

- A. All cash, wherever and whenever possible, be invested in interest bearing securities and completely liquid.

Investment Constraints

The standard of prudence to be used by the investment advisor shall be the "prudent person" and shall be applied in the context of managing an overall portfolio. The types of investment and general allocation guidelines of the overall portfolio are as follows:

Cash or cash equivalents	5% to 50%
Fixed income securities	35% to 90%
Real Estate / Alternative Investments	0% to 25%
Equities	0% to 40%

The value of the overall portfolio shall be measured in accordance with generally accepted accounting principles (i.e. cash or cash equivalents valued at cost, fixed income securities valued at amortized cost and equities valued at market). Real estate investments and Private Securities shall be valued at cost for the purposes of the above guidelines. The overall portfolio shall be defined as all investable assets in the Salomon Smith Barney, Inc. accounts.

The allocation guidelines for durations of investments with defined duration (cash, cash equivalents and fixed income securities) are as follows:

Duration from 0 to 36 months	20% to 40%
Duration from 0 to 60 months	30% to 50%
Duration from 0 to 84 months	40% to 60%
Duration from 0 to 120 months	50% to 100%
Duration from 0 to 180 months	70% to 100%

These allocation guidelines represent targeted maturities for Pool funds, however, noncompliance with these goals is not intended to require immediate investment action by the investment manager or the Board in order to achieve compliance.

Delegation of Authority

Investment management consulting responsibility for the portfolio is delegated to the Salomon Smith Barney, Inc. investment firm, who shall observe all conditions of this policy. The investment firm, through its selected investment advisor or portfolio manager, is required to send confirmation of each transaction to a member of the Board's Executive Committee (designated by the Board of Directors) pursuant to the constraints prescribed in this policy.

The Board's designee and investment firm will regularly consult with the Administrator to determine parameters for investment maturities.

The Board shall review the written investment policy on an annual basis.

Internal Controls

The Administrator shall establish a system of internal controls all of which shall be documented in writing and shall be reviewed by the Board of Directors and ICAP's auditor. The controls shall be designed to document transfers of funds from Bilbrey Insurance Services Incorporated (BISI), as delegated by the Administrator, to the investment firm, require proper authorization and review of all transactions, and prevent

losses of ICAP funds from fraud, employee error, and misrepresentation until such time that said funds are under the control of the investment firm.

Reporting

The investment firm shall submit monthly investment reports that disclose all investment transactions and current investments by investment types and individual securities, including original acquisition cost, current market value, disposition proceeds, maturity date, yield and administrative expenses. Any extraordinary losses shall be reported to the Board's Executive Committee immediately. The investment firm shall provide an annual report that summarizes recent market conditions, economic developments and anticipated conditions. The annual report shall also summarize the past performance; current portfolio in terms of securities, maturities, risk characteristics and other features; and include the total investment return (net of management fees and other expenses) as compared with investment objectives and appropriate bond indexes, stock indexes and the performance of similar funds.

On an annual basis, the Administrator shall submit to the Board a report regarding ICAP's compliance with the investment policy guidelines and constraints.