

Iowa Communities Assurance Pool
Board of Directors
Thursday, October 15, 2009

HoneyCreek Resort, Moravia, IA

Board members present: Jody Smith, Gary Mahannah, Dave Hageman, Pam Ward, Holly Fokkena, Tom Roth, Larry Burger, Bill Peterson and Alan Kemp. Present from American Risk Pooling Consultants: John Brockschmidt, J.T. Babish, Bal Capote, Chris Dondzila, Mark Weaver and Michele Chandler. Present from Public Entity Risk Services of Iowa: Frank Miller. Present from Graystone Consulting: Keith Swanson and Bob Chleborad. Present from York: John Stanzi. Present from Bilbrey Insurance Services: Ken Bilbrey, Val Bilbrey and Kasi Koehler.

The meeting was called to order at 9:11 a.m. CST by Mr. Smith, Chairman.

Upon motion by Ms. Fokkena, second by Ms Ward, the agenda was unanimously approved.

No Member/citizen comments were brought forward.

Upon motion by Mahannah, second by Mr. Roth, the minutes of the August 14-15, 2009 meeting were unanimously approved.

Investment Report

Mr. Swanson and Mr. Chleborad reviewed the ICAP investment report valued as of September 30, 2009 and discussed the current investment market as well as tactical moves that can be taken in light of possible future developments.

Mr. Swanson identified three bonds remain below the Investment Policy compliance: The Tribune and Co., the General Motors Acceptance Corp., and Knight Ridder. The Investment Committee has elected to continue to hold the bonds.

Mr. Swanson reported that the ICAP portfolio has outperformed the overall market.

Mr. Chleborad discussed recommendations that have been made to the Investment Committee: terminate Principal Spectrum preferred stocks account, utilizing the proceeds to buy more fixed income issues; move funds from Lazard International to the emerging markets fund; and adding proceeds from UBP liquidations, as received, to manage futures.

Mr. Swanson discussed the recent merging of Morgan Stanley, Smith Barney and Graystone Consulting, in which the Swanson Group participates.

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Claims Report

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

Loss Control Report

Ms. Chandler reviewed the loss control report for August and September, 2009 and discussed field reports, special requests, Member usage of loss control resources and online training, recent and upcoming mailings and e-alerts. She recommended the loss control budget line item amount of \$560,000 remain constant for 2010. Upon her inquiry, the board discussed the continuation of limited “free” on-line training to Members in 2010.

Upon motion by Mr. Mahannah, second by Ms. Ward, it was unanimously resolved to offer unlimited on-line loss control courses to Members in 2010.

Mr. Brockschmidt and Mr. Kemp reported that discussions continue regarding sharing of on-line resources between ICAP and the IMWCA.

Ms. Ward inquired about recommendations for policies relating to use of cell-phones and blue tooth devices while driving.

Marketing / BISI Administration Report

Mr. Bilbrey and Ms. Koehler reported on the Marketing Report as provided in the Board handbook.

Unfinished Business

a) Endorsement Fees other than Cities, Counties and Fairs

Ms. Koehler and Mr. Bilbrey discussed three possible utilizations of unallocated endorsement fees: webinar presentations for new and existing members; an annual event for specified associations aligned with public entities (engineers, law enforcement, etc) with nationally recognized speakers; or events planned in conjunction with ILOC and ISAC conventions. Ms. Koehler emphasized that a program can be developed to incorporate all three. Discussion followed. Mr. Kemp and Mr. Peterson reported that the ILOC and ISAC have successfully utilized webinar formats, but Mr. Kemp commented there have been statements that municipal officials could be accused of surfing the internet while at work. Ms. Fokkena and Mr. Peterson recommended offering national known speakers to associations other than ILOC or ISAC (for instance, law enforcement, engineers or attorney association) – particularly those groups who have a strong impact on ICAP loss experience. Mr. Kemp encouraged utilizing professional production assistance.

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Financial Report/2010 Budget/2010 Member Distribution/CRF Review

Mr. Weaver reviewed the 2009 financial report as of June 31, 2009 and the proposed 2010 budget. He reported that claim frequency has decreased slightly and severity has increased. He proposed 5% casualty and 10% property distributions for 2010.

Ms. Chandler discussed the development and current status of the Cumulative Reserve Fund. She compared the CRF fund totals with the Iowa statutory insurance company capitalization minimums and solvency ratios.

She reviewed the ICAP Board's decision in 2006 to refund a portion of the CRF to Members who have exceeded 6 years of membership on a pro-rated basis over a three-year period. She presented and discussed considerations for future CRF distributions.

Mr. Bilbrey discussed marketing implications and Mr. Capote provided further information regarding the CRF and the Board's decision to decrease the CRF percentage requirement. Mr. Smith reported that he had requested ARPCO's study of the CRF requirements.

Mr. Capote recommended review of the IRMA and the agreement's affect on withdrawing members and Mr. Mahannah requested a discussion of same at the January 2010 Board meeting. Mr. Peterson urged a conservative approach.

Upon motion by Mr. Mahannah, second by Mr. Hageman, it was unanimously resolved to approve the proposed 2010 casualty budget, including a casualty distribution totaling \$664,000.

Upon motion by Mr. Mahannah, second by Mr. Roth, it was unanimously resolved to approve the proposed 2010 property projections including a property distribution of \$1,190,000.

Upon motion by Mr. Mahannah, second by Mr. Burger, it was unanimously resolved that Risk Based Capitalization requirement be reconsidered in 2010 with additional information from the administrator.

New Business

a) York Insurance Services Group Update

Mr. Stanzi discussed the York/ARPCO relationship and developments since the York acquisition in July 2008. He reviewed the York core values and surmised that those coordinate with those of ICAP and ARPCO. Mr. Smith expressed appreciation for Mr. Stanzi's attendance and York's dedication and commitment to ARPCO.

b) Ms. Bilbrey reported that the January 2010 Board meeting will be held at West Des Moines City Hall and that beginning in 2010, Megan Roth will assume the responsibility for Board minutes.

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- c) Mr. Smith indicated that a Board subcommittee, chaired by Mr. Hageman and including Ms. Fokkena and Mr. Burger, will begin work on the ARPCO contract renewal.

- d) Recognizing his pending retirement from ARPCO, Mr. Smith acknowledged the contributions of Mr. Capote and his service to the ICAP organization.

Mr. Smith adjourned the meeting at 2:20 p.m. CST.

Respectfully submitted,

David Hageman

Secretary

DH/vjb