



## MEMORANDUM

Date: July 27, 2011

To: Administration Committee  
From: Pamela A. Captain, City Attorney

RE: CVMIC Update/Renewal

Attached for your information are the following documents:

1. Two-Year Liability Renewal Package dated July 22, 2011
2. 2011 Liability Dividend Report dated July 22, 2011
3. 2012 Premium Projections as of 7/27/2011
4. Workers Compensation and Employer Liability 2012 premium estimate report

### LIABILITY COVERAGE

#### Renewal

Liability insurance renewal commitments for Cities and Villages Mutual Insurance Company (CVMIC) members for policy years 2013 and 2014 are due September 1, 2011. CVMIC's board has implemented a two-year pricing cycle to aid municipalities' budget planning efforts. The City is already committed through policy year 2012. See Resolution R-22-09.

Based on the City's current self-insured retention amount (\$25,000), the premium quoted amounts are:

\$50,752	2013
\$52,020	2014

#### Dividend

The CVMIC board has declared a dividend at its May 18<sup>th</sup> Board of Directors Meeting payable March 1, 2012 and is requesting payment instructions. Generally, the City requests that the dividend be paid at its earliest date.

**Recommended action:** 1) Forward the attached proposed Resolution to the common council for approval to continue membership in CVMIC and accepting CVMIC's premium proposal for years 2013 and 2014; and 2) Recommend Option 1 to the common council, payment of CVMIC dividends to Menasha on March 1, 2012.

RESOLUTION R-32-11

RESOLUTION APPROVING THE CITY OF MENASHA'S LIABILITY INSURANCE RENEWAL 2013-2014 THROUGH CITIES AND VILLAGES MUTUAL INSURANCE COMPANY (CVMIC)

Introduced by Mayor Merkes

WHEREAS, the City of Menasha has been a charter member of Cities and Villages Mutual Insurance Company (CVMIC) since 1988; and

WHEREAS, the renewal for 2013-2014 has been received from CVMIC;

NOW THEREFORE, BE IT RESOLVED, that the City of Menasha Common Council with the Mayor concurring elect to continue to participate in CVMIC; and

BE IT FURTHER RESOLVED that the City of Menasha accepts the liability insurance proposal dated July 22, 2011 from CVMIC and agrees to continue its membership in CVMIC for policy years 2013 and 2014 based on the premiums guaranteed by CVMIC for said policy years with the SIR at \$25,000.00.

Passed and approved this \_\_\_\_ day of \_\_\_\_\_, 2011.

\_\_\_\_\_  
Donald Merkes, Mayor

\_\_\_\_\_  
Deborah A. Galeazzi, City Clerk



July 22, 2011

Ms. Pamela Captain  
City of Menasha  
430 First Street  
Menasha, WI 54952

RE: Two-Year Liability Renewal Package

Dear Pamela:

Cities and Villages Mutual Insurance Company (CVMIC) is pleased to provide your community with its two-year liability renewal package. CVMIC continues to provide your community with the best possible public entity, general liability and auto liability protection available in Wisconsin. This re-pricing continues CVMIC's approach of providing a long-term solution to your liability insurance needs.

Bickmore Risk Services has completed an actuarial review of CVMIC losses from 1988 to present. Their analysis has indicated that we continue to have very stable losses. The Board of Directors requested that Bickmore Risk Services calculate each member's 2013-2014 premiums for both the current and next higher self-insured retention (SIR). Premium calculations were developed utilizing current loss data and the underwriting information members provided last Fall for the reinsurance renewal.

The proposed pricing limits the experience modification to premium increases no greater than 15% and reductions no greater than 10% for 2013. Increases for 2014 will be 2.5%.

Your premium options for the 2013 and 2014 policy years are set forth in Attachment One. These premiums are guaranteed for the two-year period, assuming that we achieve an adequate level of commitment for the renewal. In order to lock in these rates, we are asking that each member make their renewal commitment **by September 1, 2011**. Our general counsel, Mark Kircher of Quarles & Brady, has provided instructions for making this two-year commitment to CVMIC (Attachment Two).

CVMIC has grown to 44 member cities and villages. In addition to broad liability protection with \$5 million in limits, we also provide loss control services, risk management assistance and access to other insurance products through optional group purchases. These programs provide access to needed insurance coverage at substantial savings. This is in addition to the quantifiable benefits and direct cost savings your community has realized through participation in the CVMIC liability program. A comparison of the 23 years that City of Menasha has been with CVMIC with the final year with your previous carrier indicates that you have enjoyed total savings of \$4,194,283 since your community joined CVMIC (Attachment Four).

The Board of Directors continues to be committed to assisting members with their risk management and loss control programs. CVMIC's loss control representatives continue to work directly with members to provide loss control assistance. In addition, we have provided a wide range of free educational programs for your employees. These seminars have proven to be very popular and are highly rated by those attending. We believe these services have had a direct impact on losses and have helped keep premiums low. We will continue to expand our training efforts and encourage member participation. A copy of the preliminary training schedule for the fall/winter of 2011/2012 is attached (Attachment Three).

#### Liability Program Dividends

On April 1, 2007 CVMIC retired the WMIC bond. This was accomplished with CVMIC all paying principal and interest payments on behalf of members. The retirement of the WMIC debt opened the door to return excess funds from the liability program to members in the form of dividends. The first dividend was declared in 2008 and paid in early 2009. At their May 18<sup>th</sup> meeting, the Board declared a liability dividend in the amount of \$1,356,326.00 for the policy period ending 12/31/10. This dividend will be paid on or around March 1, 2012. Specific information regarding this dividend will be provided in a separate letter. The goal of the Board is to provide stable dividends while maintaining surplus at target levels.

#### Other Insurance Purchase Options

In addition to the liability insurance program, CVMIC offers a first-dollar worker's compensation program, Auto Physical Damage program and several top quality insurance products on a group-purchase basis. Group purchase options include Special Events Liability Program, Employment Practice Liability, Excess Workers' Compensation, umbrella/excess liability and Boiler & Machinery insurance. These programs have been offered in response to member requests to provide cost-effective options to meet the insurance needs of their community. Renewal information for these programs will be provided at the summer meeting.

## Ratings and Awards

We are extremely pleased to inform the membership that CVMIC has maintained its 'A' rating from AM Best. A.M. Best is the foremost source for insurer ratings in the world. Best's initial rating of CVMIC covered the five-year period ending December 31, 1992. Their rating is based on a thorough review of the company's financial strength. On the basis of that review, A. M. Best awarded CVMIC an A (V) rating. A is for excellent which is assigned to companies which have achieved excellent overall performance when compared to the standards established by A. M. Best Company. Companies with an A rating have a strong ability to meet their policyholder and other contractual obligations over a long period of time. The financial size category (V) represents policyholder's surplus between \$10 million and \$25 million. The A. M. Best rating is reviewed annually. We are proud to report that CVMIC maintained an A- or better rating each year since 1992 and we are among a small group of insurers whose rating was raised.

In 1997, we refinanced the WMIC bond and had our financial ratings reviewed by Moody's. At that time, Moody's gave CVMIC a rating of Aa2. We were very pleased with the rating and felt it reflected Moody's belief of CVMIC's strong financial position. The recognition of CVMIC's success was further enhanced when we received the Association Governmental of Risk Pools (AGRIP) Pooling Advisory Standard Recognition Award. This award demonstrates CVMIC's compliance with recommended operational practices and documentation set forth in Pooling Advisory Standards. The criteria for this recognition is reviewed every three years. CVMIC has retained this recognition for many years.

We feel the A. M. Best rating, the Moody's rating and the recognition award from AGRIP provides the membership with the assurance and peace of mind that the company is operating in a professional and financially sound manner. One of the goals when CVMIC was founded was to achieve a Best Rating of B+. The fact that we exceeded this goal by three rating categories is significant and reflects the continuing emphasis on achieving excellence by improving the way the company operates, increasing CVMIC's financial strength, expanding the level of services provided to members and strengthening the commitment of members to CVMIC. We are extremely pleased and proud of these ratings and the AGRiP recognition and continue to hard to accomplish those things required to maintain and improve upon them.

The Board implemented the two-year pricing cycle to ensure members will always know their liability insurance cost before beginning the budget process.

To confirm your community's commitment to CVMIC for the 2013-2014 policy years as outlined in Attachment One, it will be necessary to complete and sign the acceptance form at the bottom of Attachment One and return one signed copy in the postage paid envelope provided.

We look forward to continuing working with you. If you have any questions regarding re-pricing, please contact either Ken Horner or myself.

Yours very cordially,

**CITIES AND VILLAGES MUTUAL INSURANCE CO.**



Michael L. DeMoss  
Executive Director



Ken Horner  
Director of Operations

MLD:scp  
Enc.

membrcorr/repricing 2013-2014reprice.ltr.doc

City of Menasha  
**ANNUAL PREMIUMS**  
Policy Years 2012, 2013, 2014

ATTACHMENT 1

- **Coverage includes:**
  - General Liability
  - Auto Liability
  - Excess Liability
  - Public Officials Liability
  - Law Enforcement Liability
  
- **Self-Insured Retention ("SIR")** is available at several levels.
  
- **Limits of Liability:**
  - \$5,000,000 per occurrence excess of SIR.
  
- **Defense Costs are included in the SIR.**

**ANNUAL PREMIUMS:**

**(SIR) Occurrence/Aggregate**

	<u>Current SIR</u>	<u>Optional SIR</u>
	\$25,000	\$37,500
<u>Policy Year</u>	<u>Option 1</u>	<u>Option 2</u>
2012	\$50,002	\$46,077
2013	\$50,752	\$46,768
2014	\$52,020	\$47,937

NOTE: The premiums stated herein are based on an expected number of renewals and are subject to review, depending on the actual number of renewals. With that qualification, they are guaranteed for the three-year policy period 2010, 2011 and 2012.

**ACCEPTANCE**

The City of Menasha agrees to continue as a member of CVMIC for the policy years 2012, 2013 and 2014 as outlined in Option 1 \_\_\_\_\_ (\$25,000) [or] as outlined in Option 2 \_\_\_\_\_ (\$37,500) (*please indicate*) at the corresponding guaranteed premiums set forth above.

ACCEPTED AND AGREED TO this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

City of Menasha

By \_\_\_\_\_  
Name

Its \_\_\_\_\_  
Title



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*Naples, Florida*  
*Chicago, Illinois*  
*Milwaukee and Madison, Wisconsin*

July 15, 2011

To: CVMIC Members  
From: Quarles & Brady  
Re: Membership Commitment for Years 2013-2014

Ladies and Gentlemen:

Mr. DeMoss has asked us to provide instructions as to how members may commit for the next two year period.

In order to join CVMIC, each City Council/Village Board adopted a resolution which, among other things, approved the Liability Insurance Coverage Program Agreement (the "Program Agreement"). After December 21, 1990, the Program Agreement automatically renews itself for one year periods and your membership continues automatically unless you opt to withdraw from coverage. Accordingly, there is no affirmative City Council/Village Board action which CVMIC requires in order for you to continue your membership.

The letter from Mr. DeMoss which accompanies this Memorandum sets forth the guaranteed annual premiums which CVMIC offers in exchange for a two year commitment of continued membership. All CVMIC requires is that you select your SIR and return a copy of Attachment 1 with the Acceptance Form executed by an authorized officer. If City Council/Village Board action is required for you to make the commitment, we suggest the following authorization language either in the form of a motion or resolution:

**RESOLVED**, that the City of Menasha accepts the Liability Insurance Proposal dated July 15, 2011, from Cities and Villages Mutual Insurance Company ("CVMIC") and agrees to continue its membership in CVMIC for policy years 2013 and 2014 based on the premiums guaranteed by CVMIC for said policy years.

Please contact me if you have any questions or if we can be of assistance in this regard.

Very truly yours,

QUARLES & BRADY LLP

Mark A. Kircher

MAK:rrr

# July-December 2011

## Upcoming Courses

(Updated 7/12/11)



**For complete course descriptions and to self-register please visit our web site: [www.cvmic.com](http://www.cvmic.com) then click on the training tab.**  
**NOTE: All programs are full day unless otherwise noted. CEU and CLE credits are available for many courses.**  
**If you have questions or require further assistance contact Diane Schillaci, Administrative Assistant at 262-784-5666 ext. 197 or [dms@cvmic.com](mailto:dms@cvmic.com)**

<u>MONTH</u>	<u>DATE</u>	<u>LOCATION</u>	<u>PROGRAM</u>	<u>PRESENTER</u>
July	21	Stevens Point Holiday Inn	<b>NEW!</b> Budget Amendment Act-Legal Update/Discussion <i>(Half-day program: 1:15 p.m. - 4:00 p.m.)</i>	Attorney Greg Guntia, Guntia & Reak, SC & Rick Bayer, CVMIC
	26	CVMIC	<b>NEW!</b> Budget Amendment Act-Legal Update/Discussion <i>(Half-day program: 8:30-Noon)</i>	Attorney Greg Guntia, Guntia & Reak, SC & Rick Bayer, CVMIC
August	1 & 2	Onalaska Omni Center	<b>Basic Risk Management/Safety/Security - CIS #3*</b> (Certificate in Supervision) <i>(CEU's apply to this program)</i>	Rick Bayer & Bruce Stenz, CVMIC
	3 & 4	Onalaska Omni Center	<b>Coaching Employees - CIS #4*</b> (Certificate in Supervision) <i>(CEU's apply to this program)</i>	Rick Bayer & Jean Cole, CVMIC
	17 & 18	Racine City Hall Annex	<b>Unacceptable Employee Behavior (CIS #8)*</b> (Certificate in Supervision) <i>(CEU's apply to this program)</i>	Rick Bayer, CVMIC
	30 & 31	CVMIC	<b>Employment Law - CIS #1*</b> (Certificate in Supervision) <i>(CEU's apply to this program)</i>	Rick Bayer & Jean Cole, CVMIC
September	8	Menasha Public Library	<b>Health and Safety - What you Need to Know**</b> (Certificate in Risk Management/Safety)	Pallin Allen & Ben Rank, CVMIC
	13 & 14	CVMIC	<b>Supervisor Resources &amp; Tools (CIS#2) *</b> (Certificate in Supervision) <i>(CEU's apply to this program)</i>	Rick Bayer & Jean Cole, CVMIC
	15	Menasha Public Library	<b>Hiring - Avoiding a lifetime of Regret****</b> (Certificate in Management)	Rick Bayer & Jean Cole, CVMIC

<u>MONTH</u>	<u>DATE</u>	<u>LOCATION</u>	<u>PROGRAM</u>	<u>PRESENTER</u>
September <i>(continued)</i>	16	Menasha Public Library	Behaviorally Anchored Interviewing**** (Certificate in Management)	Rick Bayer & Jean Cole, CVMIC
	20	CVMIC	New Supervisor Orientation*	Jean Cole, CVMIC
	27 & 28	Comfort Inn Madison	Basic Risk Management & Safety (CIS #3) * (Certificate in Supervision) <i>(CEU's apply to this program)</i>	Rick Bayer & Bruce Stenz, CVMIC
	29	CVMIC	Health and Safety – What you Need to Know** (Certificate in Risk Management/Safety)	Pallin Allen & Ben Rank, CVMIC
October	4 & 5	CVMIC	Supervisory Competencies (CIPS 1)** (Pre-Supervisory Certification)	Rick Bayer & Jean Cole, CVMIC
	6	CVMIC	Liability Claims Investigation (Certificate in Risk Management/Safety)	Rick Bayer & Ben Rank, CVMIC
	11 & 12	Comfort Inn Madison	Coaching Employees (CIS #4) * (Certificate in Supervision) <i>(CEU's apply to this program)</i>	Rick Bayer & Jean Cole, CVMIC
	13	CVMIC	Behaviorally Anchored Interviewing**** (Certificate in Management)	Rick Bayer & Jean Cole, CVMIC
	14	CVMIC	Hiring – Avoiding a Lifetime or Regret**** (Certificate in Management)	Rick Bayer & Jean Cole, CVMIC
	18 & 19	CVMIC	Laws/Programs that Supervisors Must Know (CIPS 2)** (Pre-Supervisory Certification)	Rick Bayer & Jean Cole, CVMIC
	20	CVMIC	The True Cost of Loss*** (Certificate in Risk Management/Safety)	Rick Bayer, Mike De Moss, & Ben Rank, CVMIC
	25	Kimberly	New Supervisor Orientation*	Jean Cole, CVMIC
	25 & 26	CVMIC	Teams & Process Improvement (CIS #5) * (Certificate in Supervision) <i>CEU's apply to this program)</i>	Rick Bayer & Bruce Stenz, CVMIC
November	1 & 2	CVMIC	Managing the Process and Managing People (CIPS 3)** (Pre-Supervisory Certification)	Rick Bayer & Jean Cole, CVMIC
	3	Menasha Public Library	Safety Committee & Safety Awareness*** (Certificate in Risk Management/Safety)	Pallin Allen & Ben Rank, CVMIC
	8 & 9	CVMIC	Developing a Highly Effective Workforce (CIS #6) * (Certificate in Supervision) <i>(CEU's apply to this program)</i>	Rick Bayer & Jean Cole, CVMIC
	10	CVMIC	Safety Committee & Safety Awareness*** (Certificate in Risk Management/Safety)	Pallin Allen & Ben Rank, CVMIC

<u>MONTH</u>	<u>DATE</u>	<u>LOCATION</u>	<u>PROGRAM</u>	<u>PRESENTER</u>
November (continued)	17	Menasha Public Library	NEW! Team Building *** (Certificate in Management)	Rick Bayer, & Dave Kodel, CVMIC
	18	Menasha Public Library	NEW! Discipline & Wrongful Termination**** (Certificate in Management)	Rick Bayer, & Dave Kodel, CVMIC
	29 & 30	Green Bay Police Dept.	Understanding Employee Differences (CIS #7)* (Certificate in Supervision) (CEU's apply to this program)	Rick Bayer & Pallin Allen, CVMIC
December	1 & 2	Rhinelander	Developing a Highly Effective Workforce (CIS #6)* (Certificate in Supervision) (CEU's apply to this program)	Rick Bayer, CVMIC
	6	CVMIC	Employee Performance Evaluations **** (Certificate in Management)	Rick Bayer, CVMIC
	7	CVMIC	NEW! Discipline & Wrongful Termination**** (Certificate in Management)	Rick Bayer & Dave Kodel CVMIC
	8	CVMIC	NEW! Team Building**** (Certificate in Management)	Rick Bayer & Dave Kodel, CVMIC
	13 & 14	Green Bay Police Dept.	Unacceptable Employee Behavior (CIS #8)* (Certificate in Supervision) (CEU's apply to this program)	Rick Bayer & Jean Cole, CVMIC

\*Certificate in Supervision

\*\*Pre-Supervisory Certification

\*\*\*Certificate in Risk Management/Safety

\*\*\*\* Certificate in Management

**MEMBER MENASHA**

Effective Date of Coverage 1-1-88

Years in Program 23

**Cost of CVMIC's Liability Insurance Program**

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total	Average Costs	
SIR Utilization	10,000	10,000	10,000	17,500	17,500	17,500	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	507,500	
Annual Premium	73,925	73,925	73,925	39,272	40,341	41,702	33,749	34,583	35,458	37,231	38,162	39,116	39,767	40,582	41,374	41,787	42,832	43,560	44,649	47,250	48,431	46,823	47,672	47,672	1,045,305	45,474
Incurred Claims	5,356	2,552	2,239	82,204	5,942	33,836	112,853	29,166	42,510	5,932	2,469	15,601	4,633	4,003	84,666	2,323	4,547	3,047	80,387	6,406	8,658		1,371	540,700	23,509	
Losses Excess of SIR	0	0	0	43,308	0	7,862	79,562	0	8,140	0	0	0	0	0	55,885	0	0	-	26,331			0	0	0	221,284	9,613
Claims Cost	1,955	2,436	1,580	3,330	1,775	3,393	700	1,400	1,050	0	1,050	350	1,050	1,050	700	0	700	0	1,125	400	425	0	0	24,469	1,064	
Cost	81,236	78,913	77,744	81,496	48,058	71,049	67,750	65,161	70,878	43,163	41,681	55,067	45,450	45,815	70,855	44,110	48,079	46,607	99,830	54,056	57,514	46,023	49,043	1,389,979	60,434	
Annual Prem. prior to joining CVMIC	242,794	242,794	242,794	242,794	242,794	242,794	242,794	242,794	242,794	242,794	242,794	242,794	242,794	242,794	242,794	242,794	242,794	242,794	242,794	242,794	242,794	242,794	242,794	242,794	5,584,262	0
Estimated Annual Savings	161,558	163,881	165,050	161,296	194,736	171,745	175,044	177,633	171,916	199,631	201,113	187,727	197,344	197,179	171,939	198,684	194,715	196,187	142,964	188,738	185,280	198,171	193,751	193,751	4,194,283	0
SIR Utilization (Incurred Basis) as a Percentage of Aggregate S	13.39%	6.38%	5.60%	55.57%	8.49%	37.08%	33.30%	29.17%	34.37%	5.93%	2.47%	15.60%	4.63%	4.00%	28.78%	2.32%	4.55%	3.05%	54.06%	6.41%	8.66%	0.00%	1.37%	1.37%	15.74%	
Risk Management & Loss Control Assessment Score as a Percentage of total points								809	704		706	730	0	786	0	2092	0	3839	0	0	0	0	0	0	0	0
								-12.98%		50.0%	52.0%		62.0%		0	68.0%		85.0%								

**Annual Premium Adjustments & their Percentage**

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Average
Annual Premium at \$10,000 SIR	73,925	73,925	73,925	68,122	70,229	72,336	75,336	77,219	79,150	84,692	86,809	88,979	87,412	89,160	90,943	93,217	95,547	97,172	99,601	102,092	104,644	100,737	103,003	105,402	108,037	86,442
Annual Premium at \$17,500 SIR		0.00%	0.00%	-7.85%	3.09%	3.00%	4.15%	2.50%	2.50%	7.00%	2.50%	2.50%	-1.76%	2.00%	2.00%	2.50%	2.50%	1.70%	2.50%	2.50%	2.50%	-3.73%	2.25%	2.33%	2.50%	1.56%
Annual Premium at \$25,000 SIR				39,272	40,341	41,702	43,787	44,682	46,004	48,765	49,984	51,233	52,258	53,303	54,369	55,728	57,122	58,093	59,545	61,034	62,560	60,224	61,579	63,013	64,588	52,089
Annual Premium at \$50,000 SIR				2.72%	3.37%	5.00%	5.00%	2.50%	2.50%	6.00%	2.50%	2.50%	2.00%	2.00%	2.00%	2.50%	1.70%	2.50%	2.50%	2.50%	2.50%	-3.73%	2.25%	2.33%	2.50%	2.41%
Annual Premium at \$50,000 SIR							33,749	34,583	35,458	37,231	38,162	39,116	39,767	40,582	41,374	41,787	42,832	43,560	44,649	47,250	48,431	46,823	47,672	48,782	50,002	41,342
Annual Premium at \$50,000 SIR							2.50%	2.50%	5.00%	2.50%	2.50%	2.50%	2.00%	2.00%	2.00%	1.00%	2.50%	1.70%	2.50%	2.50%	2.50%	-3.73%	2.25%	2.33%	2.50%	2.20%
Annual Premium at \$50,000 SIR										34,215	35,070	35,947	36,666	37,399	38,147	38,529	37,514	38,152	40,519	40,519	41,532	42,536	40,687	41,634	42,675	36,388
Annual Premium at \$50,000 SIR										2.50%	2.50%	2.50%	2.00%	2.00%	2.00%	1.00%	-2.63%	1.70%	6.20%	0.00%	2.50%	2.42%	-4.35%	2.33%	2.50%	1.37%

**Exposure Analysis by Year**

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010		
General Liab. (Total Payoff)	3,643,555	3,725,320	3,933,071	5,781,014	6,284,230	6,405,041	6,776,988	8,120,788	8,179,398	8,439,910	8,552,328	8,878,820	6,463,439	6,784,205	6,532,979	6,012,448	5,892,367	6,152,401	6,332,036	6,531,789					
Percentage change		2.24%	5.58%	46.98%	8.70%	1.92%	5.81%	19.83%	0.72%	3.18%	1.33%	3.82%	-27.20%	4.65%	-3.42%	-7.97%	-2.00%	4.41%	2.92%	3.15%					
Auto Liability Exposure (Units)	67	67	67	67	67	68	69	70	70	72	82	82	82	88	88	88	88	94	63	64	64	67	67	70	
Percentage change		0.00%	0.00%	0.00%	0.00%	1.49%	1.47%	1.45%	0.00%	2.86%	13.89%	0.00%	0.00%	7.32%	0.00%	0.00%	0.00%	6.82%	-32.96%	1.59%	0.00%	4.69%	0.00%	4.48%	

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DATE: July 22, 2011

TO: Ms. Pamela Captain, City of Menasha

FROM: Mike DeMoss, Executive Director  
Ken Horner, Director of Operations

RE: 2011 Liability Dividend Report

The purpose of this letter is to provide information regarding payment of the fourth (4<sup>th</sup>) liability program dividend to be paid directly to members. This packet includes the following information:

- 2011 Liability Program Dividend Recommendation.
- The Equity Ownership Calculation for your community.
- Notification of Liability Dividend Declared by the Board of Directors for the Policy Year Ending 12/31/2010. Note: This document includes the amount of the dividend to be paid to your community.

We feel it is important that all members understand the dividend process. This letter will be distributed as part of a presentation at the 2011 Summer Meeting and will be sent via email to all member representatives that do not attend the Summer Meeting. If you have any questions, or if any aspect of the process is unclear, please do not hesitate ask for clarification.

On May 18, 2011, the CVMIC Board of Directors approved the liability program dividend in the amount of \$1,356,326. This dividend was based upon 12/31/10 operating results and will be paid March 1, 2012. The attached 2011 Liability Dividend Recommendation outlines the criteria the Board followed in declaring the current dividend. It is the Board's intent to comply with these criteria when considering future liability program dividends.

The Equity Ownership Calculation was adopted by the membership at the 1993 Summer Meeting and has been reviewed with the membership periodically since that time. The equity calculation establishes your community's percentage ownership of the Company. Your community's share of the total dividend was determined by multiplying the total dividend declared by your ownership percentage. This amount is shown on the attached "Notification of Liability Dividend Declared for the Policy Year Ending 12/31/2010".

Each member has the option of determining when they receive the dividend payment. A copy of the "Notification of Liability Dividend Declared by the Board of Directors for the Policy Year Ending 12/31/10" form is attached. You should review this form and return it to the CVMIC office no later than November 1, 2011. If you fail to return the form signed by the Member Representative, Mayor or other individual with the authority to sign on behalf of your community by the stated deadline, payment will be issued based on Option 1. You are encouraged to review this form and contact Mike DeMoss or Ken Horner if you have any questions.

One of the primary goals at the 2011 Summer Meeting is to review the member equity calculation and the dividend process. It is important that members understand the methodology used to pay dividends for the liability program. If you have any questions regarding this process or need additional information, please feel free to contact Mike DeMoss or Ken Horner at the CVMIC office at your convenience.

**City of Menasha**

**Notification of Liability Dividend Declared  
by the CVMIC Board of Directors  
for the Policy Year Ending 12/31/10**

**The Liability divided calculation is based on the General Liability, Auto Liability, Excess Liability, Public Official Liability and Law Enforcement Liability Coverage.**

The Liability dividend paid to your community is based on the Member Ownership Percentage (Item S) that is derived from the Equity Ownership Calculation for your community as of 12/31/10. An Equity Ownership Calculation worksheet is attached. The calculation is updated annually as of December 31<sup>st</sup>.

**Dividend Authority:** Section 9. Dividends from the by-laws states "The Board of Directors may declare dividends from surplus held in excess of all liabilities. Dividends shall be in such amount as the Board of Directors shall determine is fair and reasonable and shall not be made contingent upon the continuance or renewal of the policy".

**Recommended Dividend:** Staff recommended to the Board of Directors a total dividend of \$1,356,326. This recommendation has been reviewed and approved by the company's actuary prior to the final approval by the Board of Directors. This dividend was approved by the Board of Directors at their May 18<sup>th</sup> 2011 Board of Directors Meeting to be payable March 1, 2012. Your community's share of this declared dividend is \$28,147.00. This is based on the total dividend approved multiplied by your percentage ownership of the CVMIC of 2.075 equals your dividend as of 12/31/10.

**Dividend Options:**As part of this Liability Dividend declared by the Board of Directors, there are three payment options available to your community. The intention of these options is to provide your community with the broadest possibly financial choices. These options are outlined below. We request that the Member Representative sign, date and return this notification to CVMIC by November 1, 2011. If this form is not returned by the above date, CVMIC will pay the dividend as outlined in Option One. Note: Option One is the default option if the CVMIC has not received this signed form.

**The City/Village of City of Menasha has reviewed the dividend options that are available and instructs the CVMIC staff to account for the dividend as marked.**

**Option 1** - \_\_\_\_\_ Pay all dividends to my community on March 1, 2012.

**Option 2** - \_\_\_\_\_ Pay all declared dividends to my community as soon as possible after \_\_\_\_\_  
(specify date).

**Option 3** - \_\_\_\_\_ Hold all dividends declared until you are provided further instructions. I understand that interest will be paid based on the rate earned by CVMIC on it's investments. I further understand that I will get an annual accounting regarding any open balance.

**Accepted and Agreed to This \_\_\_\_\_ day of \_\_\_\_\_, 2011.**

**City of Menasha**

**By** \_\_\_\_\_  
**Name**

**Its** \_\_\_\_\_  
**Title**

# Equity Ownership Calculation-2010 MENASHA

Year	Premium-(A)	Claims-(B)	SIR-(C)		
1988	\$73,925	\$0	\$10,000		
1989	\$73,925	\$0	\$10,000		
1990	\$73,925	\$0	\$10,000		
1991	\$39,272	\$43,308	\$17,500		
1992	\$40,341	\$0	\$17,500		
1993	\$41,702	\$7,882	\$17,500		
1994	\$33,749	\$79,552	\$25,000		
1995	\$34,593	\$0	\$25,000		
1996	\$35,458	\$8,140	\$25,000		
1997	\$37,231	\$0	\$25,000	Bond-(D)	\$1,031,220
1998	\$38,162	\$0	\$25,000	CVMIC Net Premium-(F)	\$60,624,573
1999	\$39,116	\$0	\$25,000	CVMIC SIR-(H)	\$42,135,000
2000	\$39,767	\$0	\$25,000	CVMIC Bond-(J)	\$42,175,723
2001	\$40,562	\$0	\$25,000	Total Assets - Other-(M)	\$16,979,453
2002	\$41,373	\$55,885	\$25,000	Total Assets - Bond-(N)	\$25,000,000
2003	\$41,787	\$0	\$25,000	Total Assets-(O)	\$41,979,453
2004	\$42,832	\$0	\$25,000		
2005	\$43,560	\$0	\$25,000		
2006	\$44,649	\$26,331	\$25,000		
2007	\$47,250	\$0	\$25,000		
2008	\$48,432	\$0	\$25,000		
2009	\$46,623	\$0	\$25,000		
2010	\$47,672	\$0	\$25,000		
<b>Total</b>	<b>\$1,045,906</b>	<b>\$221,098</b>	<b>\$507,500</b>		

## Other Assets Calculation

### Premium Calculation

Member Premium-(A)	\$1,045,906
15% of Claims-(B-1)	\$33,165
Member Net Premium-(E)	\$1,012,741
CVMIC Net Premium-(F)	\$60,624,573
Percentage Ownership-(G)	1.671%

### SIR Calculation

Member SIR-(C)	\$507,500
CVMIC SIR-(H)	\$42,135,000
Percentage Ownership-(I)	1.204%

Other asset Ownership Percentage:-(L)

1.531%

### Bond Surplus Calculation

Member Bond-(D)	\$1,031,220
CVMIC Bond-(J)	\$42,175,723
Percentage Ownership-(K)	2.445%

## Equity Calculation

	Total Assets		Member Ownership Percentage		Members Ownership of Total Assets	
Other Assets	\$16,979,453 (M)		1.531% (L)		\$259,904 (P)	
Bond Proceeds	\$25,000,000 (N)		2.445% (K)		\$611,264 (Q)	
<b>Total</b>	<b>\$41,979,453 (O)</b>		<b>2.075% (S)</b>		<b>\$871,168 (R)</b>	

Original Principal Amount-(D)	Principal Paid-(T)	Principal Amount Outstanding (12/31/10)-(U)	Member WMIC Bond Obligation (V)	Due from Other Governments - (W)
\$1,031,220	\$1,031,220	\$0	\$0	\$0

Every effort has been made to present an accurate calculation. However, there may be minor rounding errors and other discrepancies.

## NOTES FOR EQUITY OWNERSHIP – CALCULATION STEPS

### Data Used for Calculation:

- A. Total premium paid to CVMIC for all years.
- B. Total incurred claims (paid & reserved including expenses) excess of a member's SIR.
- B-1. 15% of incurred claims excess of Member's SIR.
- C. Total per occurrence SIR for all years.
- D. Bond delivered to CVMIC at the time of joining.
- E.\* Member's Net Premium equals Member's Premium (A) minus 15% of Claims (B1).
- F. CVMIC Net Premium equals the total of all premium collected for all years, minus 15% of all incurred claims (paid and reserved including expenses) excess of a Member's SIR for all years.
- G. Other Assets – Premium Calculation Percentage Ownership is developed by dividing the Member's Net Premium (E) by CVMIC's Net Premium (F).
- H. CVMIC SIR is the total per-occurrence SIR for all years, for all Members.
- I. Other Assets SIR Calculation – Percentage Ownership is developed by dividing the Member SIR (C) by CVMIC SIR (H).
- J. Bonds delivered to CVMIC by all Members.
- K.\* Bond Surplus Calculation – Percentage Ownership is developed by dividing the Member Bond (D) by CVMIC Bonds (J).
- L. Other Asset Ownership Percentage is developed by taking Other Assets – Premium Calculation Percentage Ownership (G) multiplied by seven-tenths (.7), plus other Assets – SIR Calculation – Ownership Calculation (I) multiplied by three tenths (.3).
- M. Other Assets – Amount of assets earned excess of Bond Proceeds.
- N. Bond Proceeds - \$25,000,000.
- O. Total Assets equals Bond Proceeds (N) plus other Assets (M) as of 12/31/10.
- P. Other Assets – Members Ownership of Total Assets is developed by taking other Assets – Total Assets (M) multiplied by Other Assets – Member Ownership Percentage (L).
- Q. Total Member's Ownership of Total Assets is developed by adding Other Assets – Member Ownership of Total Assets (P) plus Bond Proceeds – Member Ownership of Total Assets (R).
- R. Total Member Ownership Percentage is developed by dividing the Total Member's Ownership of Total Assets (R) by the Total Assets (O).
- S. Bond Proceeds – Member's Ownership of Total Assets is developed by taking Bond Proceeds – Total Assets (N) multiplied by Bond Proceeds – Ownership Percentage (K).
- T. Principal Paid is the amount of Bond that has been retired.
- U. Principal Amount Outstanding is the current audited Bond Balance as of 12/31/10.
- V. Member's WMIC Bond Obligation is developed by subtracting the Principal Amount Outstanding (U) on the Member's Bond from the Bond Obligation due from other governments (W).
- W. Balance due from Other Governments is the amount shown in the WMIC audited financials as due to other governments.

\*Refer to CVMIC Fundamental Principals of Capitalization and Equity Ownership.

**EVERY EFFORT HAS BEEN MADE TO PRESENT AN ACCURATE CALCULATION; HOWEVER, THERE MAY BE MINOR ERRORS OR DISCREPANCIES DUE TO ROUNDING.**



# Cities & Villages Mutual Insurance Company

Workers Compensation and Employers Liability Insurance Policy  
 2012 Premium Estimate Report-with 10/1/11 rates and 2011 Normal Modification

Insured: City of Menasha  
 Policy Number: CWC-15-019  
 Policy Period: 1/1/12 to 1/1/13  
 Information Page: Renewal Pricing  
 Type of Adjustment: 2012 Premium Estimated completed by Mike DeMoss

## State of Wisconsin

Code No.	Classification	Premium Basis Estimated Total Annual Remuneration	Rates per \$100 of Remuneration	Estimated Annual Premium
7710	Civil Defense workers and volunteer rescue squads - including members serving as auxiliary police at emergencies	31,200	10.41	3,248
7720	Police officers & drivers	2,174,770	3.72	80,901
8810	Clerical office employees NOC	2,066,067	0.30	6,198
9019	Bridge or Vehicular Tunnel Operations & Drivers	53,880	2.15	1,158
9412	Municipal operations - miscellaneous - City	3,050,379	3.91	119,270
<b>Total classification premium for the state</b>				<b>210,776</b>
<b>Total Payroll used for the 2012 Premium Estimate</b>		<b>7,376,296</b>		
<b>Percentage Increase in payroll from the 2010 WC Audit</b>		<b>0.0%</b>		
<b>Premium for increased Limits Part Two</b>			<b>100/500/100</b>	<b>-</b>
<b>Total Premium Subject to Experience Modification</b>				<b>210,776</b>
<b>Premium modified to reflect Experience Modification of:</b>			<b>0.840</b>	<b>177,052</b>
<b>Total Estimated Standard Premium</b>				<b>177,052</b>
<b>Subject to Premium Discount</b>				<b>\$ 177,052</b>
<b>Less Premium Discount</b>				<b>15,202</b>
<b>Estimated Annual Premium</b>				<b>\$ 161,850</b>
<b>Expense Constant</b>				<b>220</b>
<b>Total 2012 Estimated Annual Premium</b>				<b>\$ 162,070</b>

Preliminary Experience Modification used is effective 1/1/11.  
 Rates used are effective 10/1/11  
 2010 Audited payroll was used to project 2012 Premium. No increase used.