Menasha

MEMORANDUM

Date: August 28, 2012

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

RE: CVMIC Update/Renewal

We are in the process of preparing for and submitting renewal applications for liability insurance for 2013.

Included with this memo is the 2012 Liability Dividend Report, with attachments, dated July 20, 2012.

LIABILITY COVERAGE

Renewal
You may recall that liability insurance renewal commitment for Cities and Villages Mutual Insurance Company (CVMIC) members for the 2013 policy year is already committed. *See* Resolution R-32-11 adopted August 15, 2011. As a reminder, based on the City's current self-insured retention amount ($25,000), the premium quoted amount for 2013 is $50,752. No further action is required.

Dividend
The CVMIC board has declared a dividend at its May 16th Board of Directors Meeting payable March 1, 2013 and is requesting payment instructions. Generally, the City requests that the dividend be paid at its earliest date.

Recommended action: Motion to Recommend Option 1 to the common council, payment of CVMIC dividends to Menasha on March 1, 2013.

AUTO PHYSICAL DAMAGE

For your information please review the attached 2012 Auto Physical Damage Dividend Recommendation indicating a 2012 APD dividend payable 3/1/2013 in the amount of $4,876.00. No further action is required.

2012 STRATEGIC PLANNING MEETING

At your convenience attached for your review is a written report generated from the April 2012 CVMIC strategic planning meeting along with a copy of CVMIC Mission Statement, Vision Statement, Core Values and Strategic Objectives.

NEW POLICY OFFERINGS

At the CVMIC summer meeting, new insurance policy offerings were introduced.

- Crime/Employee Dishonesty/POBS
- Blanket Environmental Liability & UST's
- Cyber Risk Liability
- Volunteers' Medical & Accidental Death and Dismemberment
- Government Property Insurance

Further information and recommendations is expected to be provided at the September 10th meeting.

2013 PREMIUM PROJECTIONS AS OF 8/28/12

Attached for your information are the 2013 premium projections we are working with for initial budgeting purposes.

Cities and Villages Mututal Insurance Company

DATE: July 20, 2012

TO: Ms. Pamela Captain, City of Menasha

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

RE: 2012 Liability Dividend Report

The purpose of this letter is to provide information regarding payment of the fifth (5th) liability program dividend to be paid directly to its members. This packet includes the following information:

- 2012 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 12/31/2011. 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 2012 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 16, 2012, the CVMIC Board of Directors approved the liability program dividend in the amount of $1,426,000. This dividend was based upon 12/31/11 operating results and will be paid March 1, 2013. The attached 2012 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 12/31/2011".

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 12/31/11" form is attached. Please review this form and return it to the CVMIC office no later than November 1, 2012. 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 2012 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.

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Email: mld@cvmic.com

Kenneth A. Horner, Director of Operations
Direct: 414-831-6000
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2012 Liability Program Dividend Recommendation

Background

In 1988 Cities and Villages Mutual Insurance Company (CVMIC) began writing liability coverage for 25 cities and villages in the State of Wisconsin. When the company was formed, the Wisconsin Municipal Insurance Company (WMIC) issued and sold $28,645,000 Wisconsin Municipal Commission Revenue Bond, Series 1987. This bond was refinanced by the $22,860,000 Taxable Revenue Refunding Bond, Series 1997. The final payment on the bond was made on April 1, 2007. All principal and interest payments were made by CVMIC on behalf of the members.

The Board of Directors developed a methodology that balanced the desire to maximize member dividends and build surplus to target levels. The first dividend was based on year-end 2008 operating results declared in 2009 and was paid March 1, 2010. A similar process is outlined below for calendar year 2010.

2012 Liability Program Dividend Recommendation

1. As part of closing of the books at the end of each fiscal, staff develops an estimate of the funds to be set aside as Dividend's Declared and Unpaid. For the year ending December 31, 2011 it is our recommendation that $1,426,000 be set aside for this purpose. This represents an approximate 3% increase in the liability dividend from December 31, 2010.
2. There are additional steps to be completed before the dividend can be declared. These steps include:
    a. Completion of the 2011 financial audit by Clifton Larson Allen LLP.
    b. Actuarial review and approval of reserves shown on the Annual Statement (Bickmore Risk Services).
    c. Approval of the year-end 2011 Equity Calculation by the Board of Directors.
3. Bickmore Risk Services has completed its review of the 12-31-11 financial and loss picture of the company. Based on this review they developed a Liability Dividend recommendation for the Board of Directors.
4. The financial audit, equity study and dividend recommendation each require Board review and approval. We anticipate these steps will be completed and a final dividend recommendation presented to the Board for review and approval at the May Board meeting. The Board will have an opportunity to review this recommendation to ensure the allocation of available funds between dividends and surplus is consistent with their long term strategy.
5. Staff will prepare a report to the membership for the summer meeting detailing each member's share of the declared dividend.

Equity Ownership Calculation-2011 MENASHA

	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
1998	$38,162	$0	$25,000
1999	$39,116	$0	$25,000
2000	$39,767	$0	$25,000
2001	$40,562	$0	$25,000
2002	$41,373	$55,885	$25,000
2003	$41,787	$0	$25,000
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	$12,000	$25,000
2011	$48,782	$0	$25,000
Total	$1,094,688	$233,098	$532,500

Bond-(D)	$1,031,220
CVMIC Net Premium-(F)	$63,908,689
CVMIC SIR-(H)	$44,870,000
CVMIC Bond-(J)	$42,175,723
Total Assets - Other-(M)	$16,963,125
Total Assets - Bond-(N)	$25,000,000
Total Assets-(O)	$41,963,125

Other Assets Calculation

Premium Calculation

Member Premium-(A)	$1,094,688
15% of Claims-(B-1)	$34,965
Member Net Premium-(E)	$1,059,723
CVMIC Net Premium-(F)	$63,908,689
Percentage Ownership-(G)	1.658%

SIR Calculation

Member SIR-(C)	$532,500
CVMIC SIR-(H)	$44,870,000
Percentage Ownership-(I)	1.187%

Other asset Ownership Percentage:-(L) 1.517%

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	$16,963,125	(M)	1.517%	(L)	$257,289	(P)
Bond Proceeds	$25,000,000	(N)	2.445%	(K)	$611,264	(Q)
Total	$41,963,125	(O)	2.070%	(S)	$868,553	(R)

Origional 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 collect 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 12/31/11.
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 12/31/11.
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.

City of Menasha

Notification of Liability Dividend Declared by the Board of Directors for the Policy Year Ending 12/31/11

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

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 12/31/11. An Equity Ownership Calculation worksheet is attached. The calculation is updated annually as of December 31st.

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 $1,426,000. 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 8th 2012 Board of Directors Meeting to be payable March 1, 2013. Your community's share of this declared dividend is $29,512.00. This is based on the total dividend approved, multiplied by your percentage of ownership of CVMIC (2.070%), which equals your dividend as of 12/31/11.

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 possible financial choices. These options are outlined below. **We request that the Member Representative sign, date and return this notification to CVMIC by November 1, 2012**. If this form is not returned by 11/1/12, CVMIC will pay the dividend as outlined in Option One. *Note: Option One is the default option if CVMIC has not received this signed form.*

The 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, 2013.

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 its investments. I further understand that I will get an annual accounting regarding any open balance.

Accepted and Agreed to This _____ day of _____, 2012.

City of Menasha

By _____
Name

Its _____
Title

2012 Auto Physical Damage Dividend Recommendation

Background

In 2007 Cities and Villages Mutual Insurance Company (CVMIC) began writing Auto Physical Damage Insurance. During the first two years of the program the loss ratio was much higher than historic averages and no dividend was recommended. During 2010 and 2011, loss results continued to improve to a point that staff can again recommend a dividend for the 2011 participants of that program.

2012 Auto Physical Damage Dividend Recommendation

1. As part of closing of the books at the end of each fiscal, staff develops an estimate of the funds to be set aside as Dividend's Declared and Unpaid. For the year ending December 31, 2011 it is our recommendation that $200,000 be set aside for this purpose. This represents the third dividend to be paid for this program.
2. There are additional steps to be completed before the dividend can be declared. These steps include:
    a. Completion of the 2011 financial audit by Clifton Larson Allen LLP.
    b. Actuarial review and approval of reserves shown on the Annual Statement (Bickmore Risk Services).
    c. Establish a dividend payout calculation that includes a level dividend to be paid to all participants and a loss dividend that will be paid to those members with a loss ratio below 60%. The dividend payout calculation will be reviewed with Bickmore Risk Services and included as a part of their final recommendation to the Board.
3. Bickmore Risk Services has completed their review of the 12-31-11 financial and loss picture of the company. Based on this review they will develop a recommendation for the Board of Directors regarding the Auto Physical Damage Program dividend.
4. The financial audit, equity study and dividend recommendation require Board review and approval. We anticipate these steps will be completed and a final dividend recommendation presented for review and approval at the May Board meeting. The Board, as a part of its review, will have the opportunity to review this recommendation to ensure the allocation of available funds between dividends and surplus is consistent with their long term strategy.
5. Following Board approval staff will prepare a report to the membership for the summer meeting detailing each participating member's share of the declared dividend.

City of Menasha 2012 APD Dividend payable, 3/1/13: $4,876.00

2012 Strategic Planning Meeting

American Club
Kohler, WI
April 26-27, 2012

Members in attendance:

Ms. Kaye Matucheski, City of Antigo
Mr. Mike Ciaramita, City of Beloit
Mr. Robert Scott, City of Brookfield
Mr. Russ Van Gompel, Village of Brown Deer
Mr. Todd Michaels, Village of Greendale
Mr. Steve Stanczak, City of Kenosha
Mr. Mike Easker, City of Neenah
Ms. Tami Mayzik, City of South Milwaukee
Mr. Paul Ziehler, City of West Allis

Also in attendance:

Ms. Susan Blankenburg, Arthur J. Gallagher Risk Management
Mr. Mike DeMoss, CVMIC
Mr. Ken Horner, CVMIC
Mr. Rick Bayer, CVMIC

Mr. Van Gompel welcomed participants to the 2012 strategic planning meeting. He indicated that unlike prior strategic planning meetings, the agenda for this meeting was based primarily on input from the member strategic planning meeting held on Wednesday, April 25th at the American Club, Kohler, Wisconsin. He then reviewed the agenda and asked if anyone had additional items for discussion. None were provided.

Review of Annual Member Survey Results. Mr. Horner reviewed the survey process, discussed response rates and highlighted responses to various questions. Participants were asked to address any issue of concern. The remainder of the discussion focused on member responses to open-ended questions. Staff indicated that while the responses were overwhelmingly positive there were a couple of issues raised that warranted discussion including: the cost of company meetings, better access to regional training and more access to on-site services.

Cost of company meetings. Mr. Horner indicated that this issue had been discussed several times during recent years. He indicated that one alternative would be to combine the meetings into a single, slightly longer conference style meeting. Participants

discussed the idea and concluded that while it had merit from a cost standpoint, it could result in lower attendance from some smaller members that could not afford the additional time out of the office. Secondly, there is no one date that would be convenient for everyone. Based on the discussion there was consensus that the meetings should not be changed.

Better access to regional training and more on-site services. Staff reported that they would be presenting a proposal at the May 16th Board meeting to create a full-time, limited term position to develop e-learning programs and webinars. They indicated distance learning provided the best opportunity to expand access to training. This issue will be discussed in more detail later in the meeting. The rest of the discussion focused on efforts to incorporate member training issues into their work plans and on efforts to coordinate programs regionally.

There was consensus that the overall satisfaction of members remains very high and that the results of the survey were consistent with the information obtained during the member strategic planning meeting.

Review of Board Surveys. Staff provided background information on the history of the surveys and discussed how the Board had used the survey results in the past to improve the format of their meetings and of the information they receive. The Board has continued to use the forms as way of monitoring their performance. Participants then reviewed the results of both surveys.

A question was raised regarding the committee appointment process and the method to elect committee chairs. Staff reported the authority to create Committees is established by CVMIC Bylaws and that each committee operates under Board approved bylaws that, among other things, establish a process for the election of a committee chair. They noted that in most cases committee appointments are based on two factors; an expression of interest on behalf of the member or based on the expertise of the individual.

It was suggested that many members don't really understand who the members of the Board of Directors are. **It was recommended that Board members sit in the front of the room for a portion of both the summer and annual meetings so members can identify them.**

A question was raised regarding the orientation process for new member representatives. Staff reported that the first portion of the Board Orientation Manual is the outline of the orientation manual for new member representatives. They indicated that it had been used for the past couple of years. Staff normally contacts all new member reps and tries to schedule a meeting. Normally this takes about 1-1/2 hours. During the first meeting the focus is on the duties and responsibilities of member reps, company history, services, company meetings and access to staff. Staff normally recommends a follow up meeting 6 – 9 months later. The follow up meeting is rarely scheduled but issues are addressed as they arise and we try to get them involved in membership meetings, work plan meetings, training, loss control activities, etc. **It was recommended that staff update the member**

rep job description and present it at the summer meeting and encourage member participation in committee activities by indicating that it is a requirement to serve on a committee before being elected to the Board.

A question was raised regarding Board composition and term limits for Board members. Staff reviewed several prior discussions of these issues. They reported that among various options discussed was one that would eliminate the at-large position and increase the number of member representatives to three from each membership category for staggered three year terms. As initially proposed there would be a limit of three consecutive terms. The Board has never formally considered a proposal to modify the composition of the Board, the election process or term limits.

It was noted that the interest in term limits has come primarily from the small communities. This group has unofficially imposed a two term limit on Board participation. The consensus has been that this will increase the opportunity for others to serve on the Board. A concern was expressed that this is inconsistent with the bylaws and may have a negative impact on member representatives from the small communities to serve in a leadership capacity.

A question was raised as to whether or not consideration had ever been given to modifying the election process to ensure geographical balance on the Board or to balance the number of communities in each membership category.

Mr. Ziehler and Mr. Horner reported that the membership categories were created to allay the concerns of small communities. Their concern was that if Board membership was based on equity that the large communities could always control the Board. The process that was developed ensured that smaller communities would always have an equal voice.

Participants then reviewed ways of adjusting representation to ensure geographical balance or to adjust the population parameters. It was noted that most members are located in the southeastern part of the State. As a result there was no easy way to balance Board representation on a regional basis. Various options were discussed but there was no consensus that any of them would provide a viable option.

Staff indicated that under the bylaws, the Board has the authority to modify the election process, impose term limits and redefine membership. Any or all of these changes could be made by modifying the bylaws and reporting the change to the membership.

Mr. Van Gompel asked if there were any additional questions from participants regarding issues for discussion during the strategic planning meeting. None were presented

A recommendation was made for staff to monitor legislative and legal issues and to send follow-up information out as appropriate. An example was cited regarding a recent legislative change that appeared to be significant but had no impact on municipalities.

Review of vision statements from Wednesday. Mr. Horner distributed information summarized during Wednesday's membership meeting regarding proposed new vision statements. Following discussion a recommendation was made for participants to vote on the vision statement they felt most accurately reflected what CVMIC should look like in the future. This process resulted in a tie between statements four and five. Following discussion, it was the recommendation of participants that staff combine the two statements to come up with the model vision statement.

VISION STATEMENT

We envision a financially stable municipal insurance company growing to 55 members while maintaining an AM Best rating of "A" and delivering annual dividends of 30% of premiums paid to members and offering a full line of services including property, health, life insurance and risk management services.

We envision CVMIC as the municipal insurance market leader, serving as a model for full service insurance products, innovative loss prevention solutions and risk management programming for our membership in a cost effective manner.

We envision CVMIC as a market leader for municipal insurance in Wisconsin offering innovative products, risk management services and educational opportunities of the highest quality while ensuring its members receive stable, competitive rates and value added dividends.

We envision CVMIC growing to be Wisconsin's market leader for municipal insurance providing essential insurance products cities and villages need while controlling costs by ensuring innovation, best practices, risk control services, and education/training for and utilized by all members.

Through selective and stable member growth, CVMIC will continue to be the model innovator in municipal insurance providing full risk management services and products while maintaining and improving financial stability.

Participants reviewed the issue of growth implied in the vision statements. There was consensus that it is important to distinguish define growth in terms of products, services or membership.

Review of Objectives. Staff distributed a copy of the consensus objectives developed during Wednesday's membership meeting. The objectives were categorized in the following four areas: financial objectives: customer objective: internal process and objectives and for people and learning objectives.

CVMIC Strategic Objectives from Member Meeting

Financial Objective

- Maintain cost effective competitiveness (equal to or less than 2012 levels)
- To ensure financial stability by maintaining stable, predictable and competitive insurance costs
- Increase dividends 2% annually
- Increase reserves 2% annually
- Financial stability of CVMIC – surplus, in house management of insurance programs, dividend/premium levels, third party rating (AM Best) (Loss ratio goals)
- Continue to provide quality insurance while keeping insurance premium costs down

Customer Objective

- Increase products offered to include life, property and health insurance
- Maintain current level of service while offering additional programs on an a la carte fee level
- 25% of training non-class room
- 100% of training available as distance learning
- Explore potential expansions into other service areas and product areas
- Establish clear criteria for membership eligibility and market to communities that match the defined criteria – target specific and potential customers for slow controlled growth

Internal Objectives

- Develop additional ways of training through e-learning, webinars and partnerships to provide additional training locations (technical colleges – locations with technical capabilities)
- Implement information technology which would improve member training capability with the goal of improving member accessibility by 50% within 5 years
- Ongoing exploration and research at least one new product annually
- Products/technology (NEOGOV, e-learning, distance learning)
- Develop e-learning opportunities
- Expand locations for training opportunities to a larger geographic area

People and Learning

- Develop a succession plan to continue services when CVMIC staff retires by 2013, to be reviewed annually
- Commit to a succession plan with focus on timeline and transfer of knowledge
- Annual review of staff v. member needs

- Maintain and improve knowledge, skills and ability of staff
- Exposure to succession planning for CVMIC

Staff recommended that the goals developed by members be summarized into two to three goals for each of the four objectives. That process resulted in the following:

Strategic Objectives

- **Financial**
  - Ensure financial stability
  - Maintain competiveness of insurance products
  - Develop methodology to manage growth and maintain rate stability

- **Customer**
  - Expand range of products/services and develop a menu of products/services available a la carte
  - Maintain base level of service
  - Establish and utilize criteria for membership eligibility and retention

- **Internal**
  - Utilize technology, e-learning, webinars, etc. to expand access to training programs and CVMIC resources
  - Develop additional opportunities for members to participate in regional training programs

- **People and Learning**
  - Maintain a plan ensuring continuing education and development of staff
  - Monitor staffing levels to ensure continuity of services to members
  - Maintain a staff succession plan ensuring continuity of CVMIC operations

Growth - It was the consensus of participants that adding members adds value to the organization for all members in terms of the availability of additional loss control services and program development opportunities.

Participants identified a variety of activities or measures for each of the four categories. Those are summarized below. Staff will review them and incorporate them into the final work plan.

Measures of financial stability or factors impacting financial stability. Surplus, reserves, income and dividends; AM Best rating; SIR utilization; member compliance with Liability Risk Management Guidelines; 3 year pricing of liability program (rate stability) and growth in members, services or products.

Customer strategic objective issues:

- Maintain actuarially sound criteria.
- Develop review process to evaluate loss experience of new members.
- Evaluate the ability of new members to comply with liability risk management guidelines.
- Assess the value added by a new member to CVMIC and the value added to the community from joining CVMIC.
- Develop a menu of services available through CVMIC. (Examples discussed include: consulting services, HR services, claim services, baseline testing for law enforcement and protect other protective services, safety services, accident investigation, healthcare consulting, human resource services, compensation systems, performance evaluation, organizational studies, consolidation studies and strategic planning.)
- Evaluate joint operations to determine whether these types of activities should be insured by CVMIC. Review should include situations in which not all participants are CVMIC members.

Internal processes strategic objectives

- Establish a goal that by 2017, 50% of suitable programs will be available through e-learning or webinars.
- Develop a proposal for the Board by January 2013 regarding the resources needed to implement webinars.
- Update website to maximize member access to resources.
- Develop research and development component for new products and services (à la cart menu).
- Explore options to expand regional programs in additional locations.

E-Learning Opportunity. Staff indicated that as result of hiring the intern approved in the 2012 budget, CVMIC was in a position to consider creating a limited term position whose sole function would be the creation of e-learning programs and webinars. Mr. Bayer reviewed the accomplishments of the intern noting that she had done an exceptional job creating the first e-learning program. He indicated that she currently works for an organization that offers e-learning programs and is solely responsible for producing several webinars each month.

Mr. Bayer indicated that one of the long standing desires of the membership is to have more access to CVMIC training and services. The only way to efficiently accomplish this is through distance learning using e-learning and webinars. CVMIC has struggled for several years to find a cost effective way to implement these programs. Based on the preliminary work of the intern we now have the opportunity to create a temporary position whose sole function would be the creation of e-learning programs and webinars. He recommended an 18 month trial with Board review after 12 months. During that time the position would be responsible for creating 18 to 24 new e-learning programs as well as developing a strategy for offering webinars. He indicated that both e-learning and webinars are marketable and could provide an offsetting stream of revenue in the future. Finally, the position would also be able to assist in the update of CVMIC's website.

He indicated that if there was interest, staff would develop a job description and a proposed salary range based for the position for consideration by the Board at their May 16th meeting. **Following discussion staff was directed to proceed with these tasks.**

People and learning objectives

- By October 2012 present succession plan to membership.
- Develop plan to preserve institutional knowledge of staff.
- Develop ongoing training to enhance member knowledge of insurance and risk management.
- Maintain staff development plans.
- Developing process and methodology to ensure staffing levels are adequate to maintain service and products to members.

Staff distributed a summary of the nine goal statements from the current work plan. Participants were then asked to review the new objectives to ensure that all key issues were addressed.

Except as noted there was consensus that items in the current work plan would be adequately addressed under the new objectives and the goals that are established.

- Communication should be added as an objective under customer service using the following statement: CVMIC shall strive to maintain effective channels of communication with all levels of member organizations and ensure members are aware of the available resources.
- Claims administration should be addressed under internal objective by stating that CVMIC shall provide high-quality, cost-effective liability, worker's compensation and physical damage claims administration. There was concern that member reps are not adequately aware of the claims handling process and **it was recommended that staff develop a program for the summer meeting to review the claims handling process.**
- Strategic Planning. It was the consensus of participants that members did not understand CVMIC's previous strategic planning efforts and, as a result, the information presented at the annual meeting regarding the work plan did not have the intended meaning. **It was recommended staff formalize future work plan updates at each annual meeting to capitalize on member participation in the recent strategic planning meeting to keep them involved on a five year membership meeting cycle.** A goal will be created to establish a process for member involvement including a mini work plan review every two to three years.
- Goal nine legislative activities – There was consensus that this item was not adequately addressed and that CVMIC should take a more active role in monitoring legislative activities, providing updates to the membership and working with other organizations to initiate legislative changes.

A recommendation was made that participants take a few minutes to identify any areas that were not otherwise addressed during the discussion process. A recommendation was made that an item should be added to the work plan to maintain AGRiP recognition.

Day One Wrap Up. Mr. Van Gompel reviewed issues discussed to determine if additional action was needed.

- Consolidation of summer and annual meetings to reduce expenses. Various options and benefits were discussed including a single longer meeting. It was agreed that this could yield a reduction in cost but would also restrict the ability of certain members to participate. Of particular concern was the impact on member reps from small organizations that may not be able to be out of the office for the extended period of time that would be required to participate in a conference style meeting. Based on their discussion it was the recommendation of participants to maintain the current format of the summer and annual meetings.
- Term limits, Board size and election or appointment process of Board members. The earlier discussion was reviewed and there was consensus that prior service on the Personnel or Finance Committees has been an important step in preparing to serve on the Board. There was also consensus that it takes three to four years for Board members to become truly comfortable with their role and responsibilities. A continuation of the "unofficial effort" by the small community would likely eliminate the option in the future for the Board president to be from a small community. At the conclusion of the discussion there was consensus that neither the board size or term limits should be addressed. **Staff was directed to update the Board job description to incorporate a requirement to have served on the Personnel or Finance Committee to be eligible to serve on the Board.**
- Member representative involvement – Concern was expressed about lack of involvement of some member representatives. A question was raised on what action should be taken if member representatives do not attend a certain number of summer or annual meetings. It was the consensus of participants that there are various reasons for not attending the meetings and their absence does not mean that they are not engaged or fulfilling their responsibilities as member representatives. **Staff was directed to address this issue as a training issue or as a part of the roundtable discussion at the summer meeting.**
- Board performance – Staff asked if participants saw a benefit to the continued use of the two surveys as a part of the strategic planning meeting. There was consensus that this information provided a useful tool and should be continued.
- Withdrawal or expulsion of members. **Staff was directed to review the current procedures as identified in the program coverage agreement and the bylaws that would be used to expel a member for failure to comply with requirements established by the program agreement or failure to comply with the requirements of liability risk management guidelines.**

  Staff reported that they are in the process of developing talking points regarding the process that would be followed if a member opted to leave the organization. The information is being prepared for a project assigned to the Finance

Committee. The talking points will also assist member representatives when they asked whether or not they should market the insurance program. The Finance Committee will meet on May 8. This issue is a part of a broader discussion to create a procedure to cover the payment of available assets upon withdrawal or expulsion.

Outline of Day Two Discussions. Staff reviewed the issues to be discussed on Friday morning:

- Review the updated objectives
- Review of current mission, vision and belief statements
- Review of issues presented by participants
- Other issues

Meeting adjourned at 4:30 pm.

Day Two – Meeting was called to order at 8:30 a.m.

Members in attendance:

Ms. Kaye Matucheski, City of Antigo
Mr. Mike Ciaramita, City of Beloit
Mr. Robert Scott, City of Brookfield
Mr. Russ Van Gompel, Village of Brown Deer
Mr. Todd Michaels, Village of Greendale
Mr. Steve Stanczak, City of Kenosha
Mr. Mike Easker, City of Neenah
Ms. Tami Mayzik, City of South Milwaukee
Mr. Paul Ziehler, City of West Allis

Also in attendance:

Ms. Susan Blankenburg, Arthur J. Gallagher Risk Management
Mr. Mike DeMoss, CVMIC
Mr. Ken Horner, CVMIC
Mr. Rick Bayer, CVMIC

Mr. Horner outlined issues for the morning's meeting:

- Any item from the Thursday session that any participant wanted to discuss.
- Review of objectives developed during day one (copy distributed)
- Review of the current mission, vision and belief statements.
- Where do we go from here with the strategic planning process?
- Review of new product opportunities.

A question was raised regarding the perceived cost/benefit relationship of using resort hotels for company meetings. Had the company considered the cost of this type of meeting and member perceptions? It was indicated that the issue had been discussed on numerous occasions. The following rational was provided:

- The timing of the strategic planning meeting is such that the company is able to take advantage of low season rates.
- Experience has shown that members are more likely to attend a meeting in a resort location.
- Based on the importance of member participation, the company feels it is important to provide the incentive to individuals that are required to give up personal time to participate.
- The importance of member involvement in educational programs, business decisions and the strategic planning process justify the expense incurred. None of the activities are at all extravagant.

Review of objectives developed during Thursday session.

Strategic Objectives

- **Financial**
  - Ensure financial stability
  - Maintain competiveness of insurance products
  - Develop methodology to manage growth and maintain rate stability

- **Customer**
  - Expand range of products/services and develop a menu of products/services available a la carte.
  - Maintain base level of service.
  - Establish and utilize criteria for membership eligibility and retention.

- **Internal**
  - Utilize technology, e-learning, webinars, etc. to expand access to training programs and CVMIC resources.
  - Develop additional opportunities for members to participate in regional training programs.
  - **Maintain effective communications and member involvement**.

- **People and Learning**
  - Maintain a staff succession plan ensuring continuity of CVMIC operations.
  - Maintain a plan ensuring continuing education and development of staff.
  - Monitor staffing levels to ensure continuity of services to members.

Review of mission, vision and belief statement - Staff distributed a copy of the current mission, vision and belief statements and indicated they felt it would be useful for participants to review them based on their experience of the last two days.

Mission Statement – Following discussion Mr. Horner offered the following modified version of the mission statement based on criteria outlined in the Strategic Planning training provided by Ms. Ozuna-Richards and comments made by participants and members. **"Cities and Villages Mutual Insurance Company (CVMIC) is dedicated to developing and maintaining high-quality, stable, affordable insurance and risk management services; supporting public services and serving the needs of its member owners."**

Vision Statement. Mr. Horner indicated that an updated vision statement based on the two following two model statements would be distributed for comment prior to the May 16th Board meeting.

Current Vision Statement

"As a market leader for municipal insurance in Wisconsin, CVMIC will offer innovative products, services and educational opportunities of the highest quality to ensure its members are well informed consumers and knowledgeable owners."

Preferred Vision Statements from Member Meeting (Statements 3 & 4)

We envision CVMIC as a market leader for municipal insurance in Wisconsin offering innovative products, risk management services and educational opportunities of the highest quality while ensuring its members receive stable, competitive rates and value added dividends.

We envision CVMIC growing to be Wisconsin's market leader for municipal insurance providing essential insurance products cities and villages need while controlling costs by ensuring innovation, best practices, risk control services and education/training for and utilized by all members.

New Vision Statement

We envision CVMIC as a market leader for municipal insurance and risk management services in Wisconsin offering innovative products, services and educational opportunities of the highest quality, promoting compliance with best practices while providing stable pricing and dividends for its member owners.

Belief Statements – Mr. Horner reviewed the elements recommended by Ms. Ozuna-Richards in the strategic planning documentation. He then asked participants to review each of the 11 current belief statements to determine if changes should be made to make

them consistent with the above elements. That process resulted in the following changes:

- Modify statement 5 by replacing "**Should be fiscally**" with "**Is financially**" and eliminating the reference to **$25 million**.
- Modify the fifth statement by changing the word "**Has**" to "**Maintain**".
- Statement 7 will be rewritten as follows: **Board of Directors shall at all times act in accordance with the highest standards of ethics and integrity; make all decisions in an informed, open and transparent manner consistent with the best interests of the Company and all applicable administrative rules, laws and professional standards."**
- Current statements 8 & 9 will be combined and revised as follows: **"Respects and employs highly qualified, professional personnel and is committed to providing a challenging and rewarding work environment maximizing employee potential."**
- A new statement 9 will be added as follows: "**Respects its employees, provides a challenging and rewarding work environment."**
- Statement 10 will be eliminated and replaced with **"Shall comply with the best practices of the municipal insurance industry."**
- Goal 11 will be rewritten as follows: **"and its member partners must value innovation, utilize strategic thinking and planning to understand and meet the long terms of public entities."**
- Add the following new belief statement: **"Will comply with the Service Provider Bill of Rights conducting all transactions with its business partners, service providers and competitors in a respectful, open, ethical and transparent manner."**

Mr. Horner indicated revisions to the Mission, Vision and Belief Statements would be reviewed and distributed for comment prior to the Board meeting. To assist in the review process, a copy of the original language will be included.

Where do we go from here? Participants were asked to identify any changes they would like to see made in the strategic planning process for next year. No changes were recommended. He indicated that a survey will be sent to participants in Wednesday's membership planning session to obtain their feedback.

Mr. Horner indicated that the Strategic Planning meeting minutes and draft work plan will be reviewed by the Board of Directors at their May 16 meeting. The updated work plan will be distributed to the membership and discussed at the annual meeting along with the updated succession plan. He indicated the final work plan with updated goals for the new objectives would not be finalized for a few weeks.

New products -Susan Blankenburg distributed a copy of materials regarding the following four new group purchase products that are available for the membership: crime/employee dishonesty/public officials bonds: Environmental liability and underground storage tanks coverage; Cyber Risk liability coverage; and Volunteer's Medical, Accidental Death & Dismemberment. For each of the programs she provided

an overview of the coverage, discussed the limits, reviewed the need for coverage, discussed exclusions, provided examples of losses and provided individual member premium information based on a group purchase option.

Following the presentation and discussion, it was the recommendation of participants to move forward by gathering additional information, analyzing how the coverages would match with existing policies and updating exposure information. **An item will be placed on the agenda for the May 16 Board meeting. It was also recommended that CVMIC staff review the coverages provided by the new programs and develop specific recommendations to assist members as they review the programs.** It was the consensus of participants that a recommendation to the membership regarding the pros and cons of the purchase of additional coverages by CVMIC would be helpful. The membership has a high level of respect for CVMIC's recommendations and it is important to ensure they have the information they need to make a recommendation. A review of these coverages shall be presented at the summer meeting.

Following discussion, meeting adjourned at 10:30 a.m.

MISSION STATEMENT

"Cities and Villages Mutual Insurance Company (CVMIC) is dedicated to developing and maintaining high-quality, stable, affordable insurance and risk management services; supporting public services and serving the needs of its member owners."

VISION STATEMENT

We envision CVMIC as a market leader for municipal insurance and risk management services in Wisconsin offering innovative products, services and educational opportunities of the highest quality, promoting compliance with best practices while providing stable pricing and dividends for its member owners.

CORE VALUES

CVMIC:

- Shall provide high quality risk management, claims handling and loss control services to its members.
- Shall provide high quality and stable insurance products to its members.
- Shall be a vibrant, innovative and diversified organization.
- Shall be financially responsible providing services in a cost effective manner, maintain adequate surplus and reserves and provide stable dividends to members.
- Shall maintain the highest standard of ethics and integrity.
- Shall keep members informed and encourage active and positive participation in support of the organization.
- Board of Directors shall at all times strive to conform with the CVMIC Code of Conduct and act with the highest standards of ethics and integrity; make all decisions in an informed, open and transparent manner consistent with the best interests of the Company and all applicable administrative rules, laws and professional standards.
- Shall respect and employ highly qualified, professional personnel and be committed to providing a challenging and rewarding work environment maximizing employee potential.
- Shall require employees and members to comply with the CVMIC Code of Conduct when acting on behalf of the Company.
- Shall strive to conform to identified best practices of the municipal insurance industry.
- And its member partners will value innovation, utilize strategic thinking and planning to understand and meet the long terms of public entities.
- Shall comply with the Service Provider Bill of Rights conducting all transactions with its business partners, service providers and competitors in a respectful, open, ethical and transparent manner.

CVMIC Strategic Objectives

Financial Objectives

- Ensure financial stability using established criteria
- Maintain market competitiveness for insurance products
- Develop methodology to manage growth and ensure rate stability

Customer Objectives

- Expand range of products and services
- Maintain level of services provided to members and develop list of services available to members a la carte
- Establish and utilize criteria for membership eligibility

Internal Processes Objectives

- Utilize technology, eLearning, webinars, etc. to expand access to training programs and CVMIC resources
- Develop additional opportunities for members to participate in regional training programs
- Maintain effective communications and member involvement

People and Learning Objectives

- Maintain a staff succession plan ensuring continuity of CVMIC operations and continuing education and development of skills
- Monitor staffing levels to ensure continuity of services provided to members

2013 Premium Projections as of 8/28/12
City of Menasha

	2011	2012	2013-Low Range	2013-High Range	
CVMIC Liability Premium	$ 48,782	$ 50,002	$ 50,752	$ 50,752	$25,000 SIR.
CVMIC Liability Dividend	(26,369)	(28,146)	$ (29,515)	$ (29,515)	As of 12/31/11 your ownership percentage is estimated at 2.070% On May 16, 2012 the Board of Directors has declared the 2013 Dividend, Dividends amounts will be announced at the Summer Meeting.
CVMIC WC Projection	$ 163,303	$ 162,070	$ 165,007	$ 165,007	Low Range - Based on rates from 10/1/12 & Payroll no increase. High Range - Based on rates from 10/1/12 & Payroll no increase. Based on payrolls projected from the 2011 policy audit with no increase. Based on 2012 Normal Experience Modification of 0.81
Excess Liability Premium	$ 1,835	$ 1,835	$ 1,835	$ 1,963	Low Range - Based on no change in rates in rates. High Range - Based on 7% increase in rates. Based on payrolls projected from the 2011 WC Audit
Employment Practice Liability	$ 4,537	$ 4,537	$ 4,537	$ 4,764	Low Range - Based on a 0% change in rates. High Range - Based on 5% increase in rates. Based on no change in employment count.
Auto Physical Damage Coverage	$ 15,863	$ 16,179	$ 13,884	$ 14,578	Low Range - Based on no increase in rates. High Range - Based on 5% increase in rates. Based on actual fleet value on file as of 7/24/12 adjusted by 5%. Based on a $1,000 Deductible.
CVMIC APD Dividend	$ (3,340)	$ (3,271)	$ (4,876)	$ (4,876)	On May 16, 2012 the Board of Directors has declared the 2013 Dividend, Dividends amounts were announced at the Summer Meeting.
Boiler & Machinery Coverage	$ -	$ -	$ -	$ -	Low Range - Based on no change in rates. High Range - Based on 5% increase in rate. Based on a 3.8% increase in building value
	$ 204,611	$ 203,206	$ 201,624	$ 202,674	

Local Government Property Insurance Fund

Projected costs for 2013 are based on 10 public entity quotes on or after 7/1/12.
Of these 10 communities, the average inflation used by the LGPIF was a 3.8% increase.
The Loss Control Multiplier was increased from 1.058 to 1.217 which is a 15% increase.
At the $1,000 deductible level there was no change in discount for this deductible.

Auto Physical Damage				
Vehicle Value		$ 4,047,479	$ 4,249,853	
Vehicle Count		65		
Vehicles as of		7/24/12		
	2011 Rates	2012 Rates	2013 Low Rates	2013 High Rates
Rates:				
1,000		0.3267	0.32670	0.34304
2,500		0.2406	0.24060	0.25263
5,000		0.2080	0.20800	0.21840

Note: This is an estimate of the cost of insurance for the 2013 policy year. The WC rates effective 10/1/12 have been published by the WCRB and those rates have been used in this estimate. The experience modifications for 2013 have been issued by the WCRB. These estimates for the group purchase programs are based on our estimates as discussed at the Summer Meeting. The liability premium is the actual 2013 premium and the dividends have been declared for payment in 2013.