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CITY OF WEST ALLIS
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Cities and Villages
MUTUAL INSURANCE
COMPANY

DATE: July 17, 2015

TO: Ms. Rebecca Grill, City of West Allis

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

RE: 2015 Liability Dividend Report

The purpose of this letter is to provide information regarding payment of the 2015 liability program dividend. This packet includes the following information:

- 2015 Liability Program Dividend Recommendation.
- Notification of Liability Dividend Declared by the Board of Directors for the Policy Year Ending 12/31/2014. 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 2015 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 to ask for clarification.

Background: On May 20, 2015, the CVMIC Board of Directors approved a liability program dividend in the amount of \$1,511,352. This dividend was based upon operating results of the liability program for the period ending 12/31/14 and will be paid on or after March 1, 2016. The attached 2015 Liability Dividend Recommendation outlines the criteria the Board followed in declaring the current dividend. The methodology is consistent with that of 2014.

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 12/31/14" form is attached. Please review this form and return it to the CVMIC office no later than November 1, 2015. This form must be signed by the Member Representative, Mayor or other individual with the authority to sign on behalf of your community. If you fail to return the form 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.

Michael L. DeMoss, Executive Director

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Kenneth A. Horner, Director of Operations

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City of West Allis

Notification of Liability Dividend Declared by the Board of Directors for the Policy Year Ending 12/31/14

The Liability dividend 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 financial condition of the company for the year ending 12/31/14. The first 50% of the dividend declared is paid on a level basis, and the balance is based on the loss history of your community. This calculation is reviewed and 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 \$1,511,352. 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 20th 2015 Board of Directors Meeting to be payable March 1, 2016. Your community's share of this declared dividend is \$89,919.00.

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, 2015.** If this form is not returned by 11/1/15, 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 West Allis 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, 2016.

Option 2: X Pay all declared dividends to my community as soon as possible after 9/3/15 (specify date).

Option 3: _____ Hold dividends declared for the liability program 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 3 day of September, 2015.

City of West Allis

By Rebecca Hill
Name

Its City Administrator
Title



2015 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. For the years 2009-2013, loss results continued to improve to a point that staff can again recommend a dividend for the 2014 participants of that program that are still members as of the date of declaration.

2014 Auto Physical Damage Dividend Recommendation

1. As part of closing of the books at the end of each fiscal year, staff develops an estimate of the funds to be set aside as Dividend's Declared and Unpaid. For the year ending December 31, 2014 it is our recommendation that \$226,250 be set aside for this purpose. This represents the 5th dividend to be paid for this program.
2. The following steps must be completed before the dividend can be declared.
 - a. Completion of the 2014 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 12-31-14 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. These steps were completed and a final dividend recommendation presented for review and approval by the Board of Directors at the May 20, 2015 Board meeting.
5. Following Board approval, management will present the calculation to the membership for the summer meeting detailing each participating member's share of the declared dividend.

APD Dividend Payable to City of Baraboo, payable 3/1/16: \$5,671.00