

RECEIVED

JUL 20 2015

CITY OF WEST ALLIS
CAO



July 17, 2015

Ms. Rebecca Grill
City of West Allis
7525 W. Greenfield Avenue
West Allis, WI 53214

RE: Two-Year Liability Renewal Package
2017-2018

Dear Rebecca:

Cities and Villages Mutual Insurance Company (CVMIC) is pleased to provide your community with its two (2) 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 review 2017-2018 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 2015. Increases for 2016 will be as quoted in 2013.

Your premium options for the 2017 and 2018 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 15, 2015**. Our general counsel, Mark Kircher of

Quarles & Brady, has provided instructions for making this two-year commitment to CVMIC (Attachment Two).

CVMIC is currently comprised of 46 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.

The Board of Directors continues its commitment 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. The preliminary 2015-2016 fall/winter schedule has been posted on CVMIC's website.

Liability Program Dividends

On April 1, 2007 CVMIC retired the WMIC bond. This was accomplished with CVMIC paying all 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 20th meeting, the Board declared a liability dividend in the amount of \$1,511,352.00 for the policy period ending 12/31/14. This dividend will be paid on or around March 1, 2016. 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 Employment Practice Liability, Excess Worker's Compensation, Umbrella/Excess Liability, Crime, Boiler & Machinery and Special Events Liability Program insurance, and these programs have been offered in response to member requests to provide cost-effective options to meet their community's insurance needs. 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 (VI) 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 (VI) represents policyholder's surplus between \$25 Million and \$50 Million. The A. M. Best rating is reviewed annually. We are proud to report that CVMIC has maintained an A- or better rating each year since 1992.

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 of Governmental 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 are 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, as well as the AGRIP recognition, and continue to work hard to maintain and improve upon them.

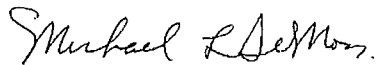
The Board implemented the two-year pricing cycle to ensure members will always know their liability insurance cost before beginning the budget process.

To confirm your community's commitment to CVMIC for the 2017-2018 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.

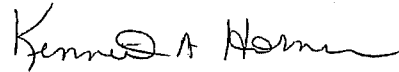
We look forward to continuing working with you. If you have any questions regarding re-pricing, please contact either Ken Horner or myself.

Yours very cordially,

CITIES AND VILLAGES MUTUAL INSURANCE CO.



Michael L. DeMoss
Executive Director



Ken Horner
Director of Operations

MLD:scp
Enc.



City of West Allis
ANNUAL PREMIUMS
 Policy Years 2016, 2017, 2018

ATTACHMENT ONE

- **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> \$150,000	<u>Optional SIR</u> \$175,000
<u>Policy Year</u>	<u>Option 1</u>	<u>Option 2</u>
2016	\$170,671	\$163,844
2017	\$171,221	\$164,372
2018	\$175,501	\$168,481

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 2016, 2017 and 2018.

ACCEPTANCE

The City of West Allis agrees to continue as a member of CVMIC for the policy years 2016, 2017 and 2018 as outlined in Option 1 _____ (\$150,000) [or] as outlined in Option 2 _____ (\$175,000) (*please indicate*) at the corresponding guaranteed premiums set forth on the previous page.

ACCEPTED AND AGREED TO this _____ day of _____, 2015.

City of West Allis

By _____
Name

Its _____
Title





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June 30, 2015

To: CVMIC Members
From: Quarles & Brady LLP
Re: Membership Commitment for Years 2017-2018

Attachment Two

Ladies and Gentlemen:

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

First, note that 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 _____ (City/Village) _____ accepts the Liability Insurance Proposal dated June 30, 2015, from Cities and Villages Mutual Insurance Company ("CVMIC") and agrees to continue its membership in CVMIC for policy years 2017 and 2018 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

2015 Mutual Member Participation Calculation

WEST ALLIS

	Premium-(A)	Claims-(B)	SIR-(C)		
1988	\$102,050	\$0	\$100,000		
1989	\$102,050	\$0	\$100,000		
1990	\$102,050	\$0	\$100,000		
1991	\$86,821	\$0	\$150,000		
1992	\$89,506	\$29,483	\$150,000		
1993	\$92,191	\$0	\$150,000		
1994	\$92,781	\$91,310	\$150,000		
1995	\$95,102	\$0	\$150,000		
1996	\$97,479	\$4,000	\$150,000	CVMIC Net Premium-(D)	\$34,534,221
1997	\$99,917	\$0	\$150,000	CVMIC SIR-(E)	\$25,315,000
1998	\$102,415	\$266,931	\$150,000	Total Assets-(F)	\$50,607,089
1999	\$104,975	\$0	\$150,000		
2000	\$113,953	\$478,939	\$150,000		
2001	\$116,232	\$0	\$150,000	Total Liabilities-(G)	\$15,652,033
2002	\$118,557	\$0	\$150,000	Min Permanent Surplus-(H)	\$14,000,000
2003	\$123,299	\$0	\$150,000	Unencumbered Reserve (I)	\$16,028,221
2004	\$126,381	\$0	\$150,000		
2005	\$135,607	\$0	\$150,000		
2006	\$138,997	\$0	\$150,000		
2007	\$147,956	\$0	\$150,000		
2008	\$151,655	\$0	\$150,000		
2009	\$155,366	\$0	\$150,000		
2010	\$158,473	\$0	\$150,000		
2011	\$162,979	\$0	\$150,000		
2012	\$167,053	\$0	\$150,000		
2013	\$167,053	\$0	\$150,000		
2014	\$170,395	\$0	\$150,000		
Total	\$3,321,293	\$870,663	\$3,900,000		
Total-10 Years	\$1,555,534	\$0	\$1,500,000		
	(A-1)	(B-1)	(C-1)		

Premium Calculation

Member Premium-(A-1)	\$1,555,534
15% of Claims-(B-2)	\$0
Member Net Premium-(J)	\$1,555,534
CVMIC Net Premium-(D)	\$34,534,221
Percentage-(K)	4.504%
Participation Percentage:-(M)	

SIR Calculation

Member SIR-(C-1)	\$1,500,000
CVMIC SIR-(E)	\$25,315,000
Percentage-(L)	5.925%
Participation Percentage:-(M)	4.931%

Participation Calculation

	Amount	Member Percentage	Mutual Member Position
Unencumbered Reserve	\$16,028,221 (I)	4.931% (M)	\$790,292 (N)

Original Principal Amount-(O)	Principal Retired by CVMIC-(P)
\$3,322,820	\$3,322,820

This is an estimate while every effort has been made to present an accurate calculation. Numbers used in the calculation are subject to change and there may be rounding errors and other discrepancies.

NOTES FOR MEMBER PARTICIPATION* – CALCULATION STEPS

Data Used for Calculation:

- A. Total premium paid to CVMIC for all years.
- A-1 Total premium paid to CVMIC for the last 10 years
- B. Total incurred claims (paid & reserved including expenses) excess of a member's SIR for all years.
- B-1 Total incurred claims excess of a member's SIR for the last 10 years.
- B-2. 15% of incurred claims excess of Member's SIR.
- C. Total per occurrence SIR for all years.
- C-1 Total per occurrence SIR for the last 10 year.
- D. CVMIC Net Premium equals the total of all premium collect for the last 10 years, minus 15% of all incurred claims (paid and reserved including expenses) excess of a Member's SIR for the last 10 years.
- E. CVMIC SIR is the total per-occurrence SIR for the last 10 years, for all Members.
- F. Total Assets equals the amount shown in the 12/31/14 audited financial statement.
- G. Total Liabilities equals the amount shown in the 12/31/14 audited financial statement for Losses and Loss Adjustment Expenses.
- H. Minimum Permanent Surplus is the minimum surplus required by the Board of Directors.
- I. Unencumbered Reserves equals the total Surplus as regards policyholders as shown in the 12/31/14 audited financial statement minus Minimum Permanent Surplus (H).
- J. Member's Net Premium equals Member's Premium (A-1) minus 15% of Claims (B2).
- K. Premium Calculation Percentage is developed by dividing the Member's Net Premium (J) by CVMIC's Net Premium (D).
- L. SIR Calculation – Percentage Ownership is developed by dividing the Member SIR (C) by CVMIC SIR (H).
- M. Participation Percentage is developed by taking the Premium Calculation Percentage (K) multiplied by seven-tenths (.7), plus SIR Calculation (L) multiplied by three tenths (.3).
- N. Participation Calculation is calculated by taking the Unencumbered Reserves (I) times the Participation Percentage (M).
- O. Bonds delivered to CVMIC at the time of joining.
- P. Principal Paid is the amount of Bond that has been retired.

*Refer to CVMIC Article VII of the Articles of Incorporations for details regarding Distribution on Dissolution.

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