

Aitkin County Board of Commissioners
Request for County Board Action/Agenda Item Cover Sheet



To: Chairperson, Aitkin County Board of Commissioners Date: 3-18-13

Via: Patrick Wussow, County Administrator

From: Patrick Wussow, County Administrator

Title of Item:

MCIT Annual Update

Requested Meeting Date: 3-26-13 Estimated Presentation Time: _____

Presenter: Jeff Holubar, MCIT Risk Management Consultant

Type of Action Requested (check all that apply)

- For info only, no action requested
- For discussion with possible action
- Let/Award Bid or Quote (attach copy of basic bid/quote specs or summary of complex specs, each bid/quote received & bid/quote comparison)
- Approve/adopt proposal by motion
- Authorize filling vacant staff position
- Request to schedule public hearing or sale
- Request by member of the public to be heard
- Item should be addressed in closed session under MN Statute _____
- Approve under Consent Agenda
- Adopt Ordinance Revision
- Approve/adopt proposal by resolution (attach draft resolution)
- Other (please list) _____

Fiscal Impact (check all that apply)

- Is this item in the current approved budget? Yes _____ No _____ (attach explanation)
- What type of expenditure is this? Operating Capital Other (attach explanation)
- Revenue line account # that funds this item is: _____
- Expenditure line account # for this item is: _____

Staffing Impact (Any yes answer requires a review by Human Resources Manager before going to the board)

- Duties of a department employee(s) may be materially affected. Yes No
- Applicable job description(s) may require revision. Yes No
- Item may impact a bargaining unit agreement or county work policy. Yes No
- Item may change the department's authorized staffing level. Yes No



Supporting Attachment(s)

- Memorandum Summary of Item
- Copy of applicable county policy and/or ordinance (excerpts acceptable)
- Copy of applicable state/federal statute/regulation (excerpts acceptable)
- Copy of applicable contract and/or agreement
- Original bid spec or quote request (excluding complex construction projects)
- Bids/quotes received (excluding complex construction projects, provide comparison worksheet)
- Bid/quote comparison worksheet
- Draft County Board resolution
- Plat approval check-list and supporting documents
- Copy of previous minutes related to this issue
- Other supporting document(s) (please list) Report

Provide (1) copy of supporting documentation NO LATER THAN Wednesday at Noon to make the Board's agenda for the following Tuesday. (If your packet contains colored copies, please provide (4) paper copies of supporting documentation as we do not have a color printer or copier.) Items WILL NOT be placed on the Board agenda unless complete documentation is provided for the Board packets.

AITKIN COUNTY ADMINISTRATION

Aitkin County Courthouse
217 Second Street N.W. Room 130
Aitkin, MN 56431
218-927-7276
Fax: 218-927-7374

**TO: Aitkin County Board of Commissioners and
Kirk Peysar, County Auditor**

FROM: Patrick Wussow, Aitkin County Administrator

RE: MCIT Annual Update

DATE: March 18, 2013

Jeff Holubar, MCIT Risk Management Consultant, will be here to present the MCIT annual report.

If you have any questions, please contact me at 927-7276.

2013 MCIT Report to

Aitkin County

MINNESOTA COUNTIES INTERGOVERNMENTAL TRUST (MCIT) IS A JOINT POWERS ENTITY MADE UP OF COUNTIES AND ASSOCIATED PUBLIC ENTITIES THAT POOL RESOURCES TO PROVIDE PROPERTY, CASUALTY AND WORKERS' COMPENSATION COVERAGE TO MEMBERS. MCIT ALSO PROVIDES RISK MANAGEMENT AND LOSS CONTROL SERVICES, SUCH AS PUBLICATIONS, TRAINING AND CONSULTATION.

Disciplined underwriting, aggressive claims handling, consistent and prudent reserving strategies, and conservative investment practices keep MCIT financially strong and fully funded. This ensures that MCIT has the ability to pay claims and operational expenses, purchase reinsurance, consider service enhancements to address member needs, and return fund balance when appropriate.

MCIT's success is attributable to members' commitment to risk management and loss control. Due to the responsible and responsive leadership of the MCIT Board of Directors, MCIT remains a dynamic organization that continues to evolve to meet the needs of its members.



Minnesota Counties
Intergovernmental Trust

POOLING BENEFITS MCIT MEMBERS

MCIT is a risk-sharing pool. The pooling concept has been embraced by municipalities for a variety of reasons.

Specialization:

- a homogenous group
- coverage tailored to the needs of the group, which is typically broader than the insurance market to address unique risks

Greater control:

- administration
- claims
- governance (a voice at the table)

Long-term savings:

- reduced regulatory constraints
- no profit motive
- tax exempt
- no commissions
- a share in the investment income

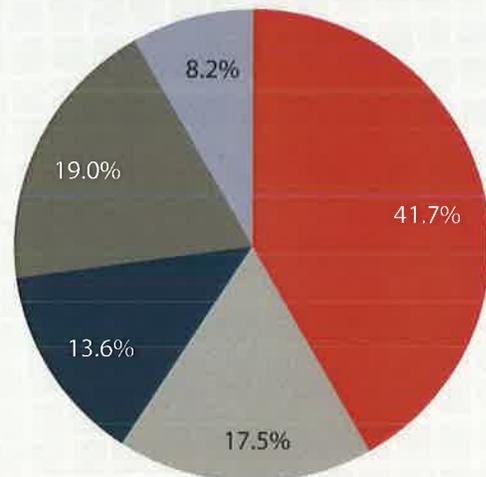
MONITORING AND MANAGING RISKS

The success of public entity pooling is due largely to risk management programs rather than risk financing programs, which is typical with insurance. MCIT monitors legislation, court rulings, operational changes, the economic landscape and claims to identify opportunities to help members manage emerging exposures.

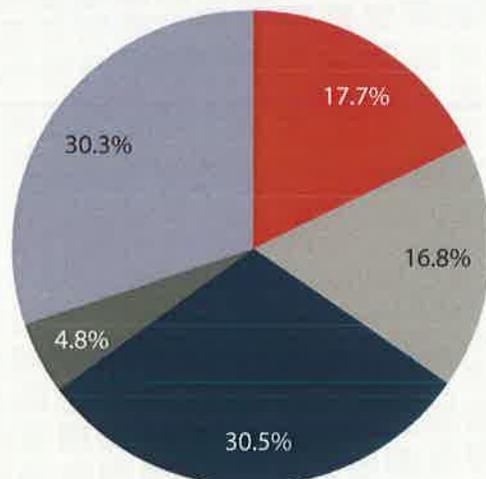
MCIT routinely reviews the coverage document to ensure that it considers changes that may expose members to risk. The MCIT staff develops programs and services designed to help members mitigate exposures to loss.

PROPERTY AND CASUALTY CLAIMS

- **Auto Physical Damage:** The most frequently reported claims include high frequency but low severity claims such as broken windshields and hail damage. More expensive losses are often due to hitting animals or other vehicles.
- **Auto Liability:** Generally less expensive claims include backing into another's vehicle. More costly claims will involve a third party when the driver or passenger in another vehicle is injured or killed.
- **Property/Inland Marine:** Typically large weather-related claims, such as damage from tornadoes, wind, lightning, fire and hail.
- **General Liability:** Many of these are slip, trip and fall accidents, and the cost is typically small for each. However, many small claims can add up to a large total dollar amount.
- **Public Employee Liability, Law Enforcement Liability and Land Use Defense:** This category includes claims related to employment (e.g., wrongful termination, discrimination, harassment), excessive force, inmate deaths and suicides, and land use. They are typically the most expensive claims because they fall under federal laws and are not subject to state tort caps and often allow recovery of plaintiff's attorney fees.



**MCIT PROPERTY/
CASUALTY CLAIM
FREQUENCY
5 YEAR TOTAL**

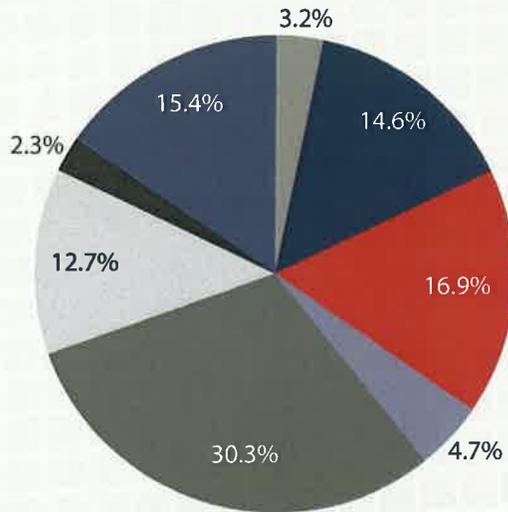


**MCIT PROPERTY/
CASUALTY CLAIM
SEVERITY
5 YEAR TOTAL**

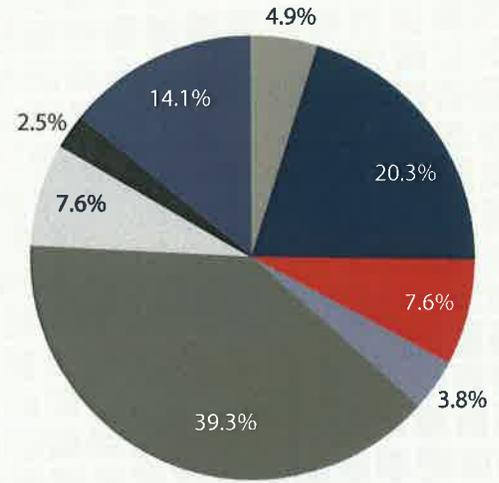


WORKERS' COMPENSATION CLAIMS

- The most frequent type of incident causing injury is slip and fall on the same level.
- The body part most frequently reported as being injured is the low back.
- Law enforcement has the highest frequency of reported claims of county departments. It also was the loss leader relative to the severity or cost of claims. Highway departments followed in second position.
- The aging workforce is having an impact on the cost of claims.



MCIT WORKERS' COMPENSATION CLAIM FREQUENCY 5 YEAR TOTAL



MCIT WORKERS' COMPENSATION CLAIM SEVERITY 5 YEAR TOTAL

EFFECTS OF WORKERS' COMPENSATION CLAIMS

The frequency and severity of work-related injuries and illnesses is used to develop each member's experience modification (MOD) factor. This unique factor then becomes part of the formula to determine a member's annual workers' compensation contribution. Another factor affecting the formula is the amount of payroll in each of the member's employee class codes. A MOD factor of 1.0 does not change contribution and reflects expected claim development. A factor greater than 1.0 can increase the contribution, whereas a factor less than 1.0 can decrease contribution.

AITKIN COUNTY WORKERS' COMPENSATION ANALYSIS

YEAR	BASE	EXP. MOD.	YOUR COST	COST DIFFERENCE
2013	\$169,104	1.178	\$199,205	\$30,101
2012	\$181,559	1.274	\$231,306	\$49,747
2011	\$192,221	1.395	\$268,148	\$75,927
2010	\$192,347	1.515	\$291,405	\$99,058
2009	\$184,619	1.006	\$185,727	\$1,108

MCIT REMAINS FULLY FUNDED

The birth of Minnesota Counties Intergovernmental Trust in 1979 changed the landscape of how counties and associated entities protect themselves in the event of a loss. Reliance on agents and being held hostage to the financial expectations of shareholders of an insurance company were replaced with having a voice at the table where decisions are made.

In exchange for the privilege of designing a program specific to their needs, members of MCIT assumed responsibility for their actions. Growing from a program designed to pay claims, MCIT has evolved into a

full-service risk sharing entity that places as much emphasis on loss prevention and mitigation as it does on aggressive claims administration.

During the past quarter century, MCIT has become a trusted partner for counties and other associated public entities. Members understand and recognize that MCIT is not a commodity to be purchased based on price. MCIT has become an institution carving out a place with members who appreciate that the organization is an extension of their claims handling and risk management activities.

How Members Reduce Costs

A dedication to risk management at all levels is key to reducing losses. Commissioners are encouraged to:

- support initiatives to improve safety, including the safety committee.
- participate in risk management training.
- recommend training and education for all employees.
- learn how coverage may apply before making final decisions.
- require a risk management review of contracts before signing or approving them.
- promote accountability for safety at all levels.

Contact MCIT at 1.866.547.6516 with any questions or concerns.

Rates Decrease for 2013

When calculating rates, MCIT's actuary must ensure that contributions are adequate to pay losses (claims) according to expected frequency and severity.

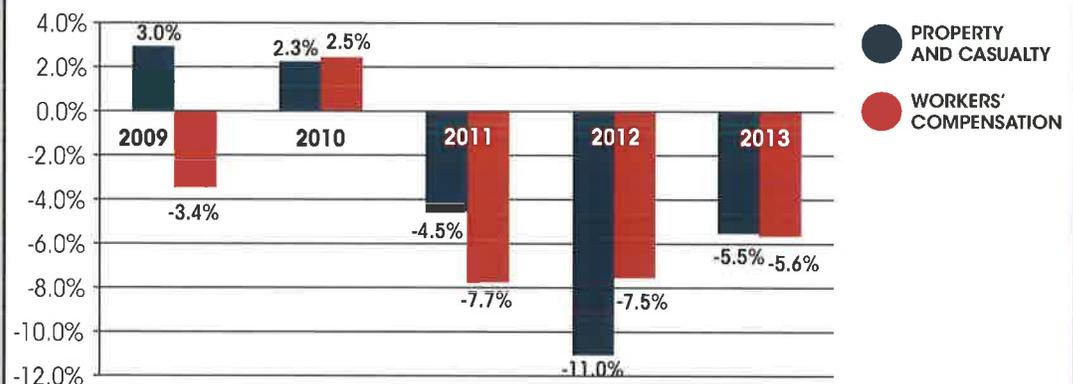
2013 aggregate rate changes:

- 5.5 percent decrease for property and casualty coverage
- 5.6 percent decrease for workers' compensation coverage

The rate reductions are largely attributed to continued favorable claim development in both severity and frequency.

In years when MCIT's aggregate rate(s) declines, an individual member's contribution may not have a corresponding decrease because of increases in the member's exposure base, such as growth in payroll, number of covered vehicles, the annual budget or workers' compensation experience modification factor.

MCIT ANNUAL AGGREGATE RATE CHANGES



Reinsurance Rates Increase for 2013

Reinsurance serves as a financial safety net against catastrophic losses that MCIT would otherwise be solely obligated to pay. MCIT retains a portion of the risk, essentially a deductible for catastrophic losses.

Each year, MCIT seeks bids for its property and casualty reinsurance. As part of the process, reinsurers review MCIT claims and exposures, and use that information to calculate the cost of coverage. 2013 property reinsurance is placed with Travelers, and casualty reinsurance is with Munich Re. Pursuant to state law, reinsurance for workers' compensation must be obtained through the Workers' Compensation Reinsurance Association.

This year, reinsurance rates for property increased 7.2 percent partly due to the market's response to losses from hurricanes Sandy and Irene and the past four years of increased storm activity in the Midwest. Casualty reinsurance rates increased 2 percent for 2013 because of increased inflationary pressures.

The cost of workers' compensation reinsurance has seen slight decreases during the past few years. MCIT continues to pay the Workers' Compensation Reinsurance Association special assessment from fund balance rather than including the cost in member rates.

The Importance of Fund Balance

Fund balance provides a safety net to address unexpected events or situations. Fund balance can:

- absorb unanticipated losses.
- fund unknown risks—e.g., changes in the legal climate or legislative changes.
- provide financial stability and sustainability.
- be used to enhance coverage.

Just as a member's workers' compensation contribution is partially determined by its experience, so too is MCIT's workers' compensation reinsurance rate. For the first time in 8 years, the experience modification factor for MCIT as a whole dropped below 1.0, indicating that claims and exposures were less than expected.

DIVIDENDS DISCUSSION

TOTAL DIVIDENDS: COMBINED MCIT MEMBERSHIP AND AITKIN COUNTY

	2008	2009	2010	2011	2012
MCIT Total Dividend	\$12,500,000	\$13,000,000	\$20,000,000	\$30,700,000	\$29,900,000
Aitkin County Total Dividend	\$142,209	\$140,246	\$185,994	\$314,287	\$344,502

Dividends are based on a retrospective review of a member's claims history and performance of MCIT's investments. Investment returns fuel dividends. MCIT only issues a dividend when it is actuarially sound and fiscally prudent. Dividends are not guaranteed. The MCIT Board of Directors has annually returned varying amounts of fund balance to its members for a total of more than \$258 million since 1991.



Regional Risk Management Workshops

Every September MCIT presents workshops at locations around the state. Topics are based on trends in claims and emerging risks. Sessions are appropriate for commissioners, elected and appointed department heads, supervisors, human resources professionals and risk managers/safety coordinators. Registration opens May 1 at MCIT.org.

2013 LOCATIONS AND DATES

- Rochester: Sept. 5
- Marshall: Sept. 11
- Mankato: Sept. 12
- Thief River Falls: Sept. 18
- Grand Rapids: Sept. 19
- Fergus Falls: Sept. 25
- St. Cloud: Sept. 26

2013 WORKSHOP TOPICS

- Understanding the MCIT workers' compensation program
- Trends in workplace injuries and the workers' compensation response
- A discussion of joint powers entities and risk management
- Managing the risks and concerns of shared employees
- How auto coverage works and strategies to mitigate risks
- Getting the most out of property coverage
- Red flags in contracts and what to do about them
- Managing private data
- Risks to consider when employees use personal electronic devices for work purposes
- Pitfalls to avoid when hiring and interviewing
- Case studies of large losses and ways they could have been prevented
- Orientation to alternative/green energy systems and a discussion of their risks

PATROL (Police Accredited Training Online)

This Web-based training (offered in partnership with the League of Minnesota Cities Insurance Trust, Minnesota Sheriffs Association and Minnesota Chiefs of Police Association) is designed specifically for Minnesota law enforcement. It includes 12 POST-accredited classes each year, as well as mandated training for hazardous materials, blood borne pathogens, use of force, employee right to know and AWAIR, hearing conservation, and respiratory protection. A one-year subscription per person is \$85, which is just \$4.05 per course. Contact Laura Honeck from LMCIT at 651.281.1280 for details.

2013 PARTICIPATION BY COUNTY

Beltrami	Brown	Chisago	Lyon	Nobles	Scott	Steele
Benton	Carlton	Clearwater	Martin	Norman	Sherburne	Traverse
Big Stone	Carver	Goodhue	Mille Lacs	Redwood	Stearns	Wright

Defensive Driving Training

Auto physical damage claims continue to be the most frequently reported loss by members. Training drivers to be safe does more than protect a member's fleet from physical damage; it also helps prevent injuries to employees and citizens. Training is available online or on site. Contact MCIT at 1.866.547.6516 for details.

2012 PARTICIPATION BY COUNTY

Brown	Douglas	Koochiching	Nobles	Wabasha
Chisago	Fillmore	Martin	Pennington	Washington
Cook	Itasca	Meeker	Sherburne	Winona
Crow Wing	Jackson	Mille Lacs	Sibley	

Employee Assistance Program (EAP)

The program offers access to professional counselors for support and advice on personal issues that may affect an employee's work performance. The program is voluntary, confidential and delivered in a clinical setting or by phone to employees of MCIT members and their families. The service is provided as part of the cost of membership. Introduced as a risk management tool to reduce employment-related claims, history shows this is accomplished when member utilization is 4 percent. Access services by calling 1.800.550.MCIT (6248).

Aitkin County's 2012 participation level: 3.28 percent

Additional Resources

- Risk management and loss control consultation
- Statewide training seminars
- Member-specific training sessions
- Webinars
- MCIT website: MCIT.org
- Video library: Borrow at no cost
- Minnesota Safety Council membership

SUCCESSFUL TODAY, SUSTAINABLE FOR TOMORROW

During 2012, members reaped the benefits of participation in MCIT. There were the obvious benchmarks of success, such as the announcement of another significant return of fund balance to members and the downward trend in property, casualty and workers' compensation rates. Less obvious, but equally important, were the proactive efforts of members to seek out and implement risk management and loss control advice to control exposures better and MCIT's ability to respond to these needs.

Working together, the board, staff, service providers and members demonstrated they aspire to a standard of performance that ensures the ongoing financial success of MCIT.