



Board of County Commissioners Agenda Request

3C
Agenda Item #

Requested Meeting Date: June 27, 2013

Title of Item: MCIT Risk Management

<input checked="" type="checkbox"/> REGULAR AGENDA	Action Requested:	<input type="checkbox"/> Direction Requested
<input type="checkbox"/> CONSENT AGENDA	<input type="checkbox"/> Approve/Deny Motion	<input checked="" type="checkbox"/> Discussion Item
<input type="checkbox"/> INFORMATION ONLY	<input type="checkbox"/> Adopt Resolution (attach draft)	<input type="checkbox"/> Hold Public Hearing* <i>*provide copy of hearing notice that was published</i>

Submitted by: Jessica Seibert	Department: Administration
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Presenter (Name and Title): Tom Suppes, MCIT Risk Management Consultant	Estimated Time Needed:
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Summary of Issue:

Tom Suppes is helping Bob Goede with the County Board reports this year. He will be reviewing the attached 2017 MCIT Report with the Board at Tuesday's meeting.

Alternatives, Options, Effects on Others/Comments:

Recommended Action/Motion:

None.

Financial Impact:

Is there a cost associated with this request? Yes No

What is the total cost, with tax and shipping? \$

Is this budgeted? Yes No *Please Explain:*



Minnesota Counties
Intergovernmental Trust

2017
MCIT Report to
Aitkin County

MCIT's success can be attributed to its members' loyalty. MCIT has earned that loyalty by being willing to evolve to better address the changing needs and expectations of the counties.

OF THE COUNTIES, FOR THE COUNTIES

MCIT Mission: Providing Minnesota counties and associated members cost-effective coverage with comprehensive and quality risk management services.

Minnesota Counties Intergovernmental Trust 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, along with risk management and loss control services.

The MCIT Board of Directors is elected by member counties. The board sets the strategic direction, oversees finances, provides resources to achieve the goals and ensures the efficient and effective operations of the Trust.

Important Developments

In late 2014, the MCIT Board voted to conclude MCIT's 25 year partnership with its principle service provider, Meadowbrook Insurance Group (MIG). By 2018, underwriting and property/casualty claims administration will be the responsibility of MCIT. When this transition is complete, MCIT staff will perform all functions necessary to the program. As a result of this change, the MCIT staff will grow from 37 to nearly 50 to assume the duties previously performed by MIG.

To prepare for assuming these new functions and to update several existing software systems, MCIT is undertaking a massive software conversion. All MCIT claims, underwriting, financial, member services, risk management and loss control data will be consolidated into one fully integrated system by the end of 2017. The new system will enhance MCIT's ability to access data and respond to member inquiries, and is expected to increase efficiency and reduce operational costs. Conversion is occurring in phases during 2017 and is not expected to affect members.

POOLING BENEFITS MCIT MEMBERS

- Specialized coverage and services to meet members' needs
- Leadership's decision making is transparent
- Member representatives make up the board of directors and are responsive to member needs
- Reduced regulatory constraints
- No profit motive
- Tax exempt
- No commissions
- Investment income is shared with members as appropriate
- More aggressive defense strategies

MCIT MONITORS RISKS AND TAILORS COVERAGE

MCIT watches legislation, court rulings, operational changes, as well as the economic landscape and evolving role of county government.

When appropriate MCIT has modified coverage to address members' changing exposures. Recognizing the increasing exposure to counties of conducting business electronically, effective Jan. 1, 2017, MCIT replaced its data compromise expense endorsement with a comprehensive data compromise and computer attack coverage solution issued and administered by Hartford Steam Boiler (HSB).

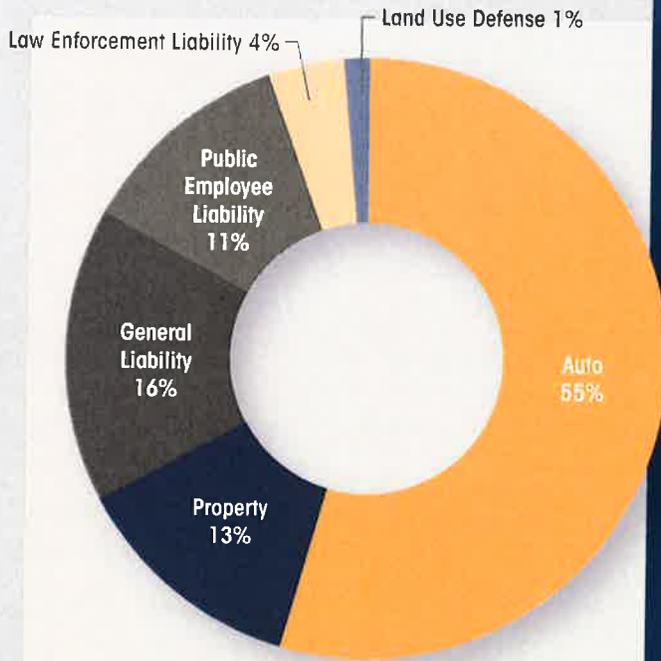
Coverage provides an annual aggregate limit of \$50,000 for each of the following coverage sections (some sublimits apply):

1. First-party data compromise response expense coverage (expense for notification, credit monitoring, legal review, outside computer experts)
2. Third-party data compromise defense and liability coverage (defense and associated liability costs arising from an individual affected by a data breach)
3. First-party computer attack coverage (hack or unauthorized access, virus or malware attack, cyber extortion or ransomware claims.)
4. Third-party network security coverage (defense and associated liability costs arising from a claim brought by a third party who alleges the members' systems security failed that resulted in damage to them)

The HSB program also offers a team of experts who are available to members in the event of a covered claim.

PROPERTY AND CASUALTY CLAIMS

2012-2016
MCIT PROPERTY/CASUALTY CLAIM FREQUENCY
5 YEAR TOTAL



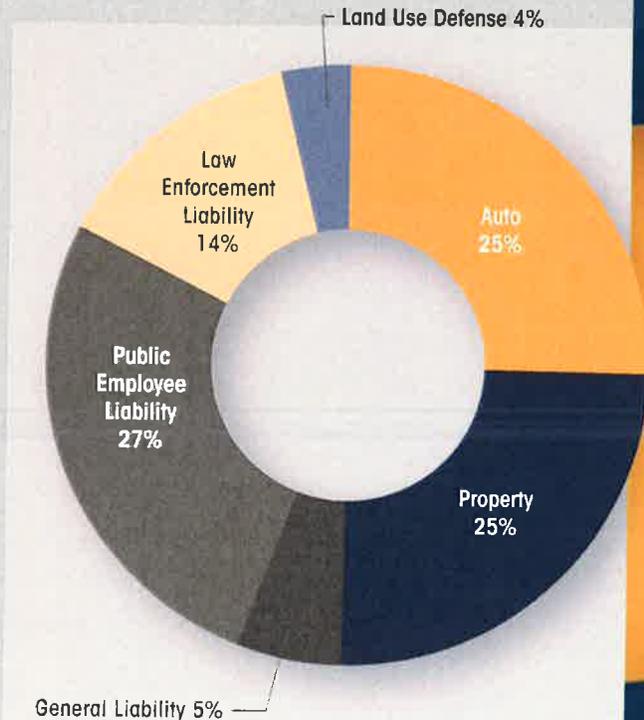
AUTO: This includes both physical damage and liability claims. The most frequently reported claims include high frequency but low severity claims such as broken windshields and hail damage. More expensive physical damage losses are often due to hitting animals or other vehicles. Generally less expensive liability claims include backing into another's vehicle. More costly liability claims involve a third party when the driver or passenger in another vehicle is injured or killed.

PROPERTY/INLAND MARINE: Typically these are 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 usually 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: These categories include claims related to employment (e.g., wrongful termination, discrimination, harassment), violations of the Driver's Privacy Protection Act, excessive force, inmate deaths and suicides, and land use decisions. 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.

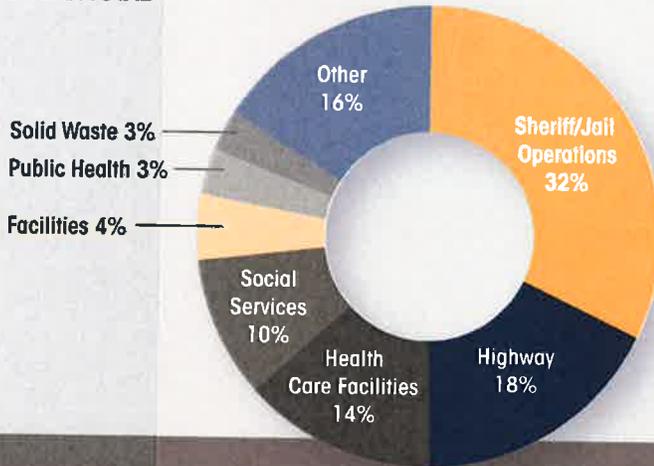
2012-2016
MCIT PROPERTY/CASUALTY CLAIM SEVERITY
5 YEAR TOTAL



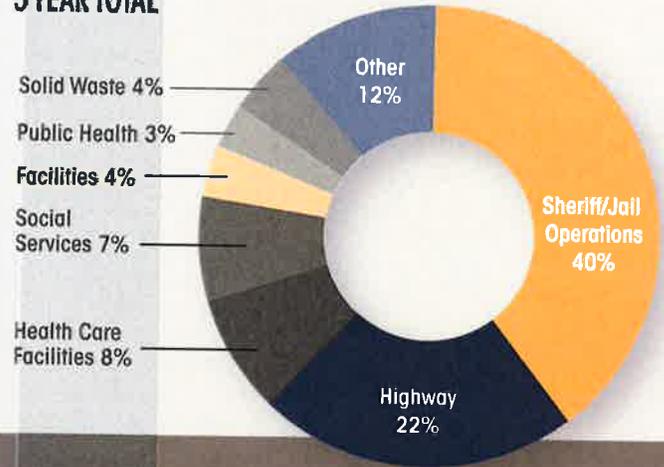
COUNTIES SHOULD BE PROUD OF THE ROLE THEY PLAYED IN FORMING MCIT IN 1979 AND THEIR CONTINUED COMMITMENT TO A PROGRAM THAT YEAR AFTER YEAR DEMONSTRATES ITS VALUE TO COUNTY OPERATIONS AND THE TAXPAYERS OF THE COUNTY.

WORKERS' COMPENSATION CLAIMS

**2012-2016
MCIT WORKERS' COMPENSATION CLAIM FREQUENCY
5 YEAR TOTAL**



**2012-2016
MCIT WORKERS' COMPENSATION CLAIM SEVERITY
5 YEAR TOTAL**



- Slip and falls remain prevalent, particularly on water, ice and snow, both on and off member property. Totaled, this injury type accounts for the highest cost.
- The body part most frequently reported as being injured is the low back closely followed by knees.
- Law enforcement has the highest frequency of reported claims of county departments. It also was the loss leader relative to the severity (cost) of claims. Highway departments followed in second position.
- Although the sixth most frequently reported type of claim, training injuries are the second most expensive and are almost exclusively for law enforcement.
- An increased emphasis on return to work programs is having a positive effect on the cost of claims.

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. Other factors affecting the member's contribution include amount of payroll in each employee class code and the rate for each class code. With all factors remaining the same, a mod 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	MOD	YOUR COST	COST DIFFERENCE
2017	\$162,170	1.259	\$204,172	\$42,002
2016	\$163,857	1.374	\$225,140	\$61,283
2015	\$163,695	1.421	\$232,611	\$68,916
2014	\$169,492	1.37	\$232,204	\$62,712
2013	\$169,104	1.178	\$199,205	\$30,101

EXPERIENCE CREATES FINANCIALLY SOUND PROGRAM

Since its creation in 1979, MCIT has grown from a fledgling organization into one of the nation's premier risk pools. The lessons learned about disciplined underwriting, aggressive claims handling, consistent and

prudent reserving strategies, and conservative investment practices have made MCIT a financially strong and fully funded member-run organization. This ensures that MCIT has the ability to pay operational expenses

and claims (both reported and incurred but not yet reported), purchase reinsurance, consider service enhancements to address member needs, and return fund balance when appropriate.

AGGREGATE CONTRIBUTION RATES DECREASE FOR 2017

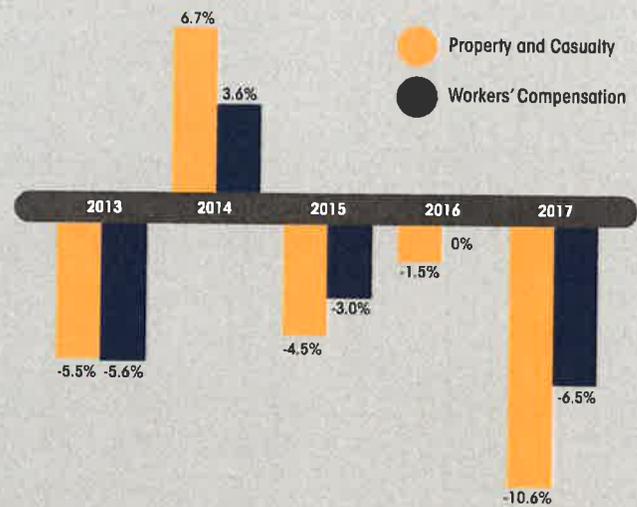
When calculating rates, MCIT's actuary must ensure that contributions are adequate to pay losses (claims) according to expected frequency and severity. The aggregate rate change for 2017 property/casualty coverage represents a 10.6 percent decrease and for workers' compensation a 6.5 percent decline.

Two major factors influenced the decision to reduce property/casualty aggregate rates for 2017. Over the past five years, auto physical damage, general liability and law enforcement liability have remained fairly stable or trended down. Even the public employees liability line of coverage has remained fairly stable, particularly when Driver's Privacy Protection Act (DPPA) violation claims are removed.

Several efforts resulted in reducing costs for workers' compensation claims in the past few years, leading to the reduction in aggregate rates for 2017. Some of the significant factors are improved return to work efforts, closure of many files, and recovery efforts using subrogation and restitution.

In years when MCIT's aggregate rates decline, an individual member's contribution may not have a corresponding decrease

MCIT ANNUAL AGGREGATE RATE CHANGES



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.

REINSURANCE RATES FAVORABLE FOR 2017

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. 2017 casualty reinsurance is placed with Munich Re and property reinsurance is through Hartford Fire. Pursuant to state law, reinsurance for workers' compensation must be obtained through the Workers' Compensation Reinsurance Association.

This year, MCIT has a small increase in casualty reinsurance—4.2 percent—due to the expectation that defense costs for remaining DPPA claims will be significant, as well as the growth in claims related to jail operations. The cost of property reinsurance decreased 14.4 percent for 2017 influenced by no major catastrophic losses in previous years.

DIVIDEND DISCUSSION

Dividends are based on a retrospective review of a member's claim history and the 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. Since 1991, the MCIT Board of Directors has annually returned varying amounts of fund balance to its members for a total of more than \$313 million.

Total Dividends: Combined MCIT Membership and Aitkin County

	MCIT Total Dividend	Aitkin County Total Dividend
2012	\$29,900,000	\$ 344,502
2013	\$19,000,000	\$ 202,484
2014	\$13,000,000	\$ 134,306
2015	\$11,400,000	\$127,574
2016	\$12,213,000	\$125,016

MORE THAN COVERAGE: MCIT RESOURCES HELP COUNTIES MANAGE RISKS, REDUCE LOSSES

MCIT provides several services to assist members in reducing losses and mitigating risks. Most are provided as part of membership.

CONSULTATION SERVICES

Loss Control: All members have an assigned loss control consultant who can assist them with written safety programs; hazard identification, such as workplace safety surveys and reports; ergonomic assessments; interpretation of OSHA standards; and employee injury data analysis. Consultants also can participate in safety committee meetings, conduct employee safety training and provide loss prevention education resources.

A fifth loss control consultant position was added in 2016. The consultant primarily concentrates on assisting members in reducing law enforcement work-related injuries and illnesses.

Recent initiatives include:

- Loss prevention best practices guides focusing on public works, solid waste management, and parks and recreation operations.
- Discussion items and resource books related to workers' compensation and employees who work off site.
- Step Wisely slip, trip and fall awareness and prevention materials.
- "Training Safety Officer Program: Guide to Reducing Injuries from Training Activities."

Risk Management: Each member has an assigned risk management consultant who can respond to coverage, liability and risk management concerns. They review contracts and joint powers agreements from a risk management perspective. They assist members in identifying potential risks and offer advice about how members could manage them.

Recent initiatives include:

- "2017 MCIT Coverage Review" webinar.
- Discussions with county staff about the 10 essentials of risk management.
- Webinar "I Was Supposed to Save What? The What, When and How of Litigation Holds."
- In-person training and discussion with new member primary contacts for MCIT.

Call MCIT at 1.866.547.6516 to be connected to your assigned loss control and risk management consultants.

PATROL

(Peace Officer Accredited Training Online)

Better trained deputies lead to better decisions and better results for citizens, law enforcement agencies and county government. PATROL is Web-based training specific to Minnesota laws and safety standards. Courses provide classroom components of annual requirements and address hot topics in law enforcement, such as responding to mental health issues in the field, persuasion and de-escalation, and legislative and case law updates.

MCIT members pay a discounted yearly subscription of \$90 per person, which is just \$2.50 per course. PATROL is a joint effort of MCIT, the Minnesota Sheriffs' Association, Minnesota Chiefs of Police Association and League of Minnesota Cities Insurance Trust. Contact Kristen LeRoy with PATROL at 651.281.1268 or patrol@lmc.org for details.

2017 MCIT Member Participation*

- | | | |
|---------------------|---------------------|--------------------|
| • Beltrami County | • Jackson County | • Renville County |
| • Benton County | • Kanabec County | • Scott County |
| • Big Stone County | • Kittson County | • Sherburne County |
| • Brown County | • Lake County | • Sibley County |
| • Carlton County | • Lincoln County | • Stearns County |
| • Carver County | • Lyon County | • Steele County |
| • Cass County | • Marshall County | • Stevens County |
| • Chisago County | • Martin County | • Todd County |
| • Clearwater County | • Mille Lacs County | • Traverse County |
| • Cook County | • Morrison County | • Wabasha County |
| • Crow Wing County | • Nobles County | • Waseca County |
| • Dodge County | • Norman County | • Wilkin County |
| • Fillmore County | • Pine County | • Wright County |
| • Goodhue County | • Polk County | |
| • Hubbard County | • Redwood County | |
| • Isanti County | | |

*As of March 13, 2017

EMPLOYEE ASSISTANCE PROGRAM

The Employee Assistance Program offers access to professional counselors for MCIT officials, department heads, member employees and their dependents who seek advice about personal issues or work-related concerns that may affect their ability to do their jobs. The program is voluntary, confidential and delivered in a clinical setting or by phone. The service is provided as part of membership.

Programwide in 2016:

- 90 percent of users reported that as a direct result of EAP services, they were able to do better at work.
- 16 people reported that the EAP gave them an alternative to filing a grievance or lawsuit.

Introduced as a risk management tool to help reduce employment-related claims, history shows this is accomplished when member utilization is 4 percent. Members

can access services by calling 1.800.550.MCIT (6248).

No-cost, On-site Training Program Coming in 2017

Once again, MCIT has partnered with its Employee Assistance Program provider, Sand Creek, to develop training for county members to be delivered on-site throughout 2017. This program is in response to member requests for more training related to ideas presented in the 2014-2016 Resilience Training program. Like the previous program, "Resilience II" includes a module for all employees and one for supervisors. Both modules focus on providing practical strategies for building resilience, the ability to bounce back from adversity.

To schedule this training, members should contact Sand Creek at 1.800.550.6248 or info@sandcreekeap.com.

BALANCING LEADERSHIP AND RISK WHILE SERVING THE PUBLIC: NEXT STEPS IN COUNTY GOVERNMENT FOR NEW COMMISSIONERS

Sept. 6, MCIT Building, St. Paul

By September, new commissioners will have eight months of service under their belts and will have encountered issues and circumstances that may have left them with even more questions than they had when they first took office. Co-sponsored with the Association of Minnesota Counties, this seminar is specifically developed for elected officials to enhance their knowledge and skills to serve the public while complying with laws and managing various risks. The seminar uses scenarios and work groups, giving participants the opportunity to practice applying techniques to the real world of county government. More information about this event will be provided later in the year at MCIT.org.

AITKIN COUNTY'S EAP PARTICIPATION LEVELS

• 2015: 5.81 percent • 2016: 2.36 percent

DEFENSIVE DRIVING TRAINING

Auto-related claims continue to be the most frequently reported loss. 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 or info@mcit.org for details.

2015-2016 MCIT Member Participation

- | | | | |
|---------------------|----------------------|---------------------|---------------------|
| • Aitkin County | • Douglas County | • Le Sueur County | • Sherburne County |
| • Big Stone County | • Fillmore County | • McLeod County | • Sibley County |
| • Blue Earth County | • Goodhue County | • Nicollet County | • Swift County |
| • Carlton County | • Houston County | • Norman County | • Wabasha County |
| • Cass County | • Isanti County | • Otter Tail County | • Wadena County |
| • Chisago County | • Itasca County | • Redwood County | • Washington County |
| • Clay County | • Jackson County | • Rice County | • Winona County |
| • Cook County | • Koochiching County | • Scott County | • Wright County |

ADDITIONAL RESOURCES

- Statewide training seminars
- Member-specific training sessions presented on-site
- MCIT website: MCIT.org
- MCIT Bulletin newsletter
- Video library: Borrow at no cost
- Webinars
- Minnesota Safety Council membership

HOW MEMBERS REDUCE COSTS

Each member's efforts to manage risks and control losses help contribute to poolwide rate stability. Dedication to risk management at all levels within a member organization is key to containing costs. Commissioners are encouraged to:

- Support initiatives to improve safety, including the safety committee, and return to work programs.
- Participate in risk management training.
- Recommend training and education for all employees.
- Learn how coverage may apply before making final decisions.
- Have a risk management review of contracts before signing or approving them.
- Promote safety at all levels.

