



**2022
ANNUAL
REPORT**

Minnesota Counties
Intergovernmental Trust



MCIT MISSION

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

St. Cloud, Stearns County Seat



WORKING ON MEMBERS' BEHALF

Given that Minnesota Counties Intergovernmental Trust is a member-formed and -directed organization, the MCIT Board and staff consistently ask, "Is this action right for the membership?" This is a unique perspective that local governments do not often receive from other business partners.

MCIT is a risk sharing pool, which serves as an extension of counties and county member organizations to cover the cost and administration of claims, offer loss prevention recommendations and provide risk management services to each member. Distributing resources across the membership gives each member an affordable way to finance these operations.

MCIT takes its responsibilities to our members to heart. This annual report includes information about the financial and operational developments of the trust for the year 2022.

The risk environment for local public entities continues to evolve and present challenges to MCIT and its membership. During the year, MCIT was able to meet these challenges while maintaining financial stability and continue to offer effective programs and services to our members.

On behalf of the MCIT Board of Directors and staff, thank you for your support.

RON ANTONY, MCIT BOARD CHAIR



ABOUT MCIT

MCIT:

- Is a public joint powers entity formed in 1979 that functions as a risk sharing pool, not an insurance company.
- Is for Minnesota county governments and associated public entities.
- Provides property, liability, auto, cyber, bond and workers' compensation lines of coverage tailored to member exposures.
- Offers risk management and loss control services as part of membership.
- Has a board of directors made up of member commissioners, auditors/auditor-treasurers and an administrator/coordinator.
- Returns excess funds as a dividend to members when financially sound and fiscally prudent.

MCIT BOARD OF DIRECTORS



RON ANTONY - CHAIR
Yellow Medicine County Commissioner



DON WACHAL
VICE CHAIR
Jackson County Commissioner



RANDY SCHREIFELS
SECRETARY-TREASURER
Stearns County Auditor-treasurer



KURT MORTENSON
Otter Tail County Commissioner



TODD PATZER
Lac qui Parle County Commissioner



KIRK PEYSAR
Aitkin County Auditor



BRETT SKYLES
Itasca County Administrator



JACK SWANSON
Roseau County Commissioner



MARCIA WARD
Winona County Commissioner

BOARD MEMBERS DEPART

2022 MCIT Board Chair **Felix Schmiesing** retired as a Sherburne County commissioner at the end of the year, creating an open position on the MCIT Board for 2023. Schmiesing was an MCIT Board member for 16 years, serving four as chair. In February 2023, the board appointed Lac qui Parle County Commissioner Todd Patzer to the position, which expires Dec. 31, 2023.

During the 2022 MCIT Annual Meeting, the membership elected Otter Tail County Commissioner Kurt Mortenson to the open seat vacated by former Becker County Commissioner **Ben Grimsley** for a four-year term, expiring Dec. 31, 2026.

Kevin Corbid, Washington County administrator, concluded his two-year term in January 2023 as the appointed county administrator/coordinator representative on the MCIT Board. The board appointed Itasca County Administrator Brett Skyles in January 2023 to the position, which expires January 2025.



MORE AT [MCIT.ORG](https://www.mcit.org)



Find each board member's term and committee assignments under the About tab.

CLABAUGH REFLECTS ON FIRST YEAR WITH MCIT

MCIT's mission to provide best in class risk management services to our government partners across Minnesota is one we strive to accomplish daily at MCIT. Our members have a partner to help them manage those risks they encounter every day as they provide critical services to Minnesotans.

Membership in MCIT provides local governments assurance that they have a financially solid, experienced organization standing behind them.

Over the past year, I have had the pleasure of meeting and working with many of you, our members. Whether at meetings, special events or in the community, you have engaged me in the importance of your work and an appreciation of how MCIT supports it.

I am excited each day to come to the office and interact with our highly trained, experienced and member-focused staff. They understand our business and the important role we play in supporting members. I am proud to serve alongside them and support their work that, in turn, supports you.

I appreciate the diligence of our board of directors and the generosity of their time focused on the MCIT mission. I thank them for their commitment to service and the opportunity they have given me to join this outstanding team and work to strengthen our commitment to members.



GERD CLABAUGH, MCIT EXECUTIVE DIRECTOR



Gerd Clabaugh started as MCIT's executive director Jan. 3, 2022, after Robyn Sykes retired at the end of 2021. Clabaugh has more than 30 years of public service experience. Most recently before joining MCIT, he led the Iowa Department of Public Health for six years.

The year has also presented challenges. MCIT has faced increasing property damage claims resulting from weather events and experienced a potential interruption in the cyber coverage, which we were able to re-establish and improve for 2023. The staff continues to reach out to members in new ways to provide services they expect and also look for new opportunities to educate and deliver services.

I look forward to the next year, meeting more of our members, continuing to work with our staff and providing high-quality service.



**Caledonia,
Houston County Seat**

MIXED REINSURANCE MARKET

The MCIT Board of Directors remains committed to protecting the MCIT program from potential catastrophic losses across coverage lines. Purchasing reinsurance is one way to secure the program.

In exchange for MCIT's paying a premium, reinsurers agree to take on the cost of MCIT's large (catastrophic) claims, thus protecting the financial security of MCIT.

Property, Liability Reinsurance Markets Remained Tight

Consistent with recent years and given the risks associated with member operations, property and liability reinsurance carriers remained guarded in working with public entity pools in 2022. For 2022:

- **Property reinsurance premium increased 27.5 percent**, partially reflecting increased market value of insured buildings and new construction. 2022 total insured value exceeded \$6.8 billion, a 12 percent increase over the 2021 value.
- **Liability reinsurance premium rose by 43.4 percent**, driven exclusively by claims arising from law enforcement, in particular jail operations, excessive force and patrolling exposures. This claim experience is consistent with other governmental risk sharing pools participating in the Counties Reinsurance Limited reinsurance pool, through which MCIT obtains liability reinsurance.

Workers' Compensation Program Received Refund

MCIT is required by statute to be a member of the Workers' Compensation Reinsurance Association, which provides workers' compensation reinsurance to all insurance companies and self-insured employers providing coverage in Minnesota. For 2022, the **reinsurance costs increased 16 percent** compared to 2021 for the MCIT program.

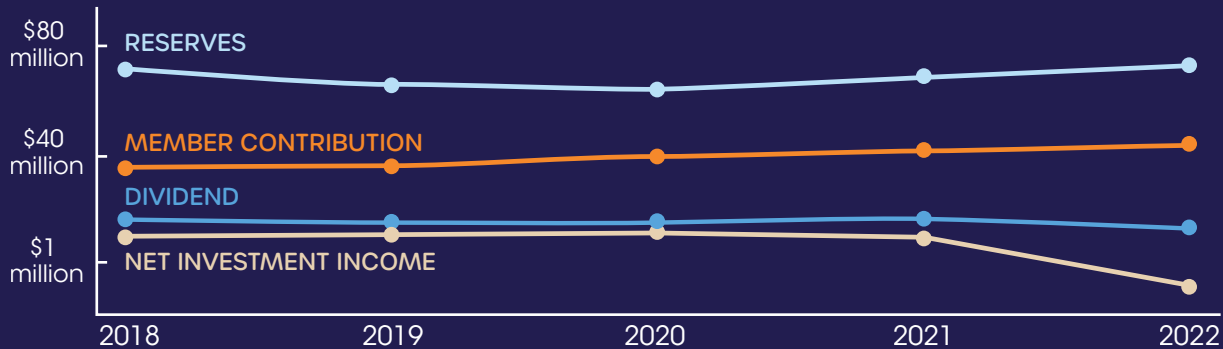
The WCRA announced a surplus in late 2021 and distributed a refund to its members in 2022. MCIT received \$11.3 million from WCRA, and the MCIT Board **returned \$9.6 million directly to MCIT members** that participate in the workers' compensation division. The remaining funds were reserved for MCIT operations.

MORE AT [MCIT.ORG](https://www.mcit.org)



Each November, the MCIT Board of Directors makes decisions regarding the purchase of reinsurance for the coming coverage year, including choosing a carrier and the terms of the coverage. The board's decision is announced soon thereafter under News.

Dividend, Reserves, Member Contribution, Net Investment Income 2018-2022



DIVIDEND DECLARED FOR WORKERS' COMPENSATION DIVISION

Dividends reflect MCIT's past claim experience and the performance of MCIT's investments. For 2022, MCIT declared a **total dividend of \$7 million**, entirely allocated to the workers' compensation division. The dividend reflects better-than-expected claim development in the workers' compensation division.

MCIT only issues a dividend when it is actuarially sound and fiscally prudent. Although not guaranteed, the MCIT Board of Directors is committed to returning funds to members when appropriate.

This was the first time since dividends were initially declared in 1991 that the board was unable to support a dividend in the property/casualty division due primarily to continued escalation of claim costs arising from law enforcement and jail operations, as well as property claim costs, and the corresponding increase in the cost of reinsurance.

Collected property/casualty contributions remain sufficient to cover all operational costs and risk exposures of that division.

MORE AT [MCIT.ORG](https://www.mcit.org)



Every June the MCIT Board of Directors considers whether a dividend is financially sound and fiscally prudent. Each July they set contribution rates for the coming coverage year. These decisions are announced soon thereafter under News.

Rates Reflect Anticipated Expenses

Projections based on the historical cost of claims and other expenses associated with MCIT operations are used to determine the amount of contribution necessary for the coverage year. MCIT aims to collect only what is necessary to cover these costs.

For 2022:

- **Property and liability aggregate rate increased 6.1 percent** from 2021 levels. The most significant contributors to this increase were due to a multiyear trend of increased claim costs in the public employees liability and law enforcement liability coverage lines, and a sharp uptick in the cost of property claim costs. These increases were offset somewhat by a decrease in auto liability, general liability and inland marine lines of coverage.
- **Workers' compensation aggregate rate decreased 2.8 percent** compared to 2021 levels. The decrease aligns with national trends; however, MCIT's reduction was tempered to account for post-traumatic stress disorder claims, arising primarily from law enforcement and jail operations.

CYBER-COVERAGE PRESERVED, ENHANCED FOR 2023

After Hartford Steam Boiler informed MCIT in mid-2022 that it would not renew MCIT's cyber-coverage program for 2023, staff worked tirelessly to find a suitable replacement before the new coverage year would begin in January 2023.

Staff succeeded in not only securing a new coverage program but finding one that provided enhanced coverage in many ways for members.

For 2023, the new cyber-coverage program:

- Maintained similar coverage to the HSB-provided program, including endorsements for misdirected payment fraud and computer fraud

- Offered **increased aggregate coverage limits** for members (\$500,000 for county members and \$250,000 for noncounty members)
- Provided increased sublimits
- Offered retroactive coverage

COVERAGE TERMS CLARIFIED FOR 2022

Every year, MCIT reviews the coverage document and considers necessary adjustments. For 2022, the board approved several changes to clarify how coverage applies in certain circumstances.

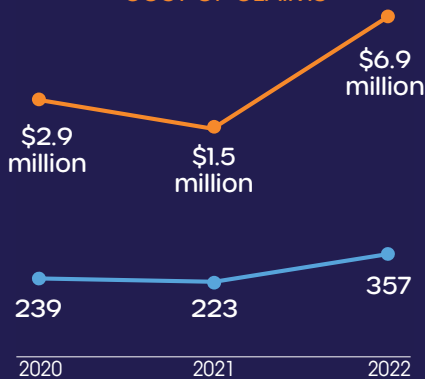
MORE AT MCIT.ORG



Details about lines of coverage provided through MCIT are noted in the Workers' Compensation and Property and Liability sections, including helpful guides, videos and forms.

Property Claims 2020-2022

NUMBER OF CLAIMS
COST OF CLAIMS



The jump in the total number and cost of property claims in 2022 is largely due to damaged buildings and property in the open caused by severe storms during the year.

SEVERE WEATHER DROVE PROPERTY CLAIMS

Minnesota experienced a series of severe storms in May and June 2022, which resulted in **nearly \$2.6 million in damage to members' buildings and other property**. * Claims included the total loss of several buildings; and damage to property in the open such as fences, equipment and heavy machinery. These losses contributed to \$6.9 million in property losses throughout the year.

MCIT was dedicated to helping members resolve their claims swiftly so they could start repair work as soon as

possible. MCIT hired a temporary claims representative to work exclusively on these storm claims to ensure timely responses.

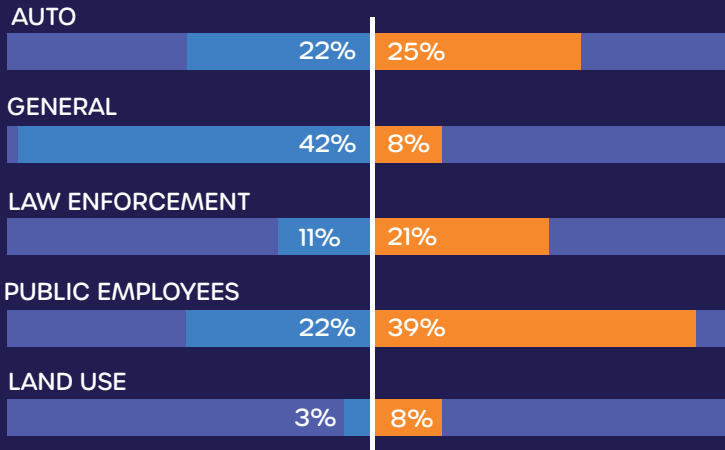
Because the total cost of the storm damage breached the \$1 million per claim retention level for reinsurance, MCIT's exposure was limited. This was the first time in three years that MCIT sought reinsurance recovery for property damage costs.

* All 2022 claims data are unaudited values. See MCIT's audited Financial Statements Dec. 31, 2022, for audited data at MCIT.org.

Liability Claims

2022

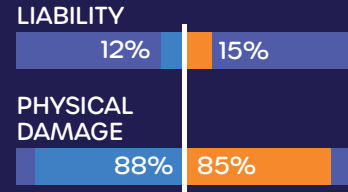
NUMBER OF CLAIMS COST OF CLAIMS



Auto Claims

2020-2022

NUMBER OF CLAIMS COST OF CLAIMS



Auto-related Claims Increased

When auto lines of coverage are combined (liability and physical damage) for 2022, they continued to be the most frequently reported (up 21 percent from 2021). Auto claims are typically the most costly (up 34 percent from 2021), but in 2022 they trailed just behind property claims in response to an active storm season.*

- As more employees returned to the work site and traveling for their jobs in 2022, the number of auto-related claims increased over the 2020 and 2021 pandemic experience.
- Although increasing sophistication in vehicle safety features, such as perimeter sensors, forward-looking range detection and blind-spot indicators, assist in accident reduction, they also contribute to a dramatic increase in physical damage repair costs.

*All 2022 claims data are unaudited values. See MCIT's audited Financial Statements Dec. 31, 2022, for audited data at [MCIT.org](https://www.mcit.org).

LIABILITY CLAIM TRENDS CONTINUED

The cost of **law enforcement and jail liability claims** dropped in 2022 compared to 2021 but continued to be of concern, representing **21 percent of total liability claims costs** but just **11 percent of the total number of liability claims**.* This compares to 24 percent of all liability claims costs and 7.5 percent of the total number of liability claims in 2021.

Public employee liability claims represented 22 percent of the total number of liability claims but were 39 percent of the total claim costs for the year. These claims often include civil rights violations, including claims arising from law enforcement activities.

Six liability claims breached MCIT's \$750,000 reinsurance

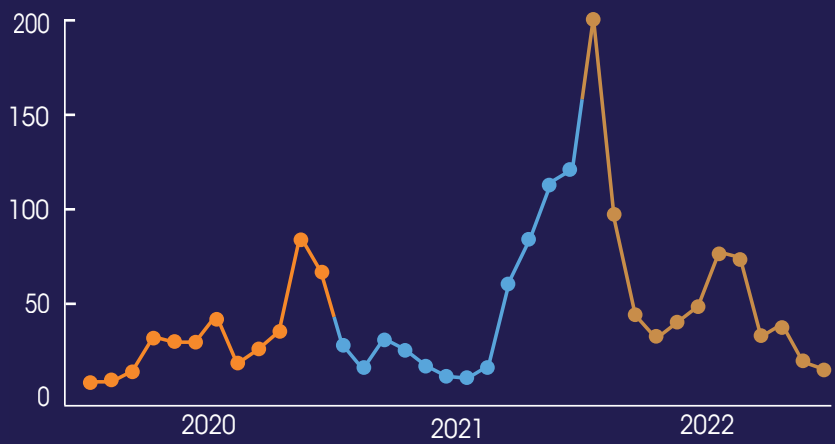
threshold in 2022, compared to 12 in 2021.

Cyber-fraud and -security claims experienced a drop in the number of incidents for the first time since MCIT began offering coverage in 2017, with a 20 percent decline from 2021.

The most costly cyber-incidents MCIT members experienced in 2022 included a misdirected payment fraud case and a data breach case that exposed more than 60,000 client records. One of the top claim's total cost exceeded \$500,000, of which MCIT's exposure was limited to \$164,000.

*All 2022 claims data are unaudited values. See MCIT's audited Financial Statements Dec. 31, 2022, for audited data at [MCIT.org](https://www.mcit.org).

Number of COVID-19 Claims 2020-2022



COVID-19 INFLUENCE WANED ON WORKERS' COMPENSATION CLAIMS

COVID-19 dominated workers' compensation claims again in 2022, but began a lasting downward trend by yearend, accounting for **39 percent of all new claims** compared to 32 percent in 2021.* The omicron variant significantly boosted cases in early 2022, with reported cases in January (2022) representing 30 percent of the year's total COVID claims. However, in November and December, MCIT received just 18 new COVID claims combined.**

Overall, new workers' compensation claims increased 13 percent in 2022 over 2021, which was already high compared to pre-pandemic levels.

- The number of **new indemnity claims** (those involving lost wages, medical costs, rehabilitation expenses, retraining, etc.) **increased**

17 percent in 2022 over 2021. Generally, employees needed to quarantine following exposure to the coronavirus, thus raising the number of indemnity claims. Adjusting for COVID-19 claims, the number of indemnity claims dropped 8 percent from 2021.

- The number of **new medical only claims increased 9 percent** in 2022 over 2021. Medical only claim numbers are nearing pre-pandemic levels, likely due to more employees returning to the workplace from remote situations.

Post-traumatic stress disorder (PTSD) claims continued the trend of year-over-year increases, with 19 cases having a date of injury in 2022 compared to 14 in 2021 and 8 in 2020. Nearly all cases arose from law enforcement operations. Open PTSD claims represent just 5 percent



Trials, Hearings Return to Pre-pandemic Scheduling

The pandemic delayed a number of trials and hearings, particularly those scheduled with the Office of Administrative Hearings and Department of Labor and Industry due to shutdowns. Although some hearings resumed in person in 2022, a large number were conducted virtually. During the year, scheduling and consistency of conferences moderated to pre-pandemic levels.

of all workers' compensation claims but 13 percent of dollars reserved.

Paid medical expenses increased 10 percent over 2021, largely due to normalized availability of nonemergency services and elective procedures at hospitals and clinics.

*All 2022 claims data are unaudited values. See MCIT's audited Financial Statements Dec. 31, 2022, for audited data at MCIT.org.

**The statutory COVID-19 presumption for specified first responders for workers' compensation purposes expired in January 2023.

MEASURES CONTAIN, RECOVER COSTS

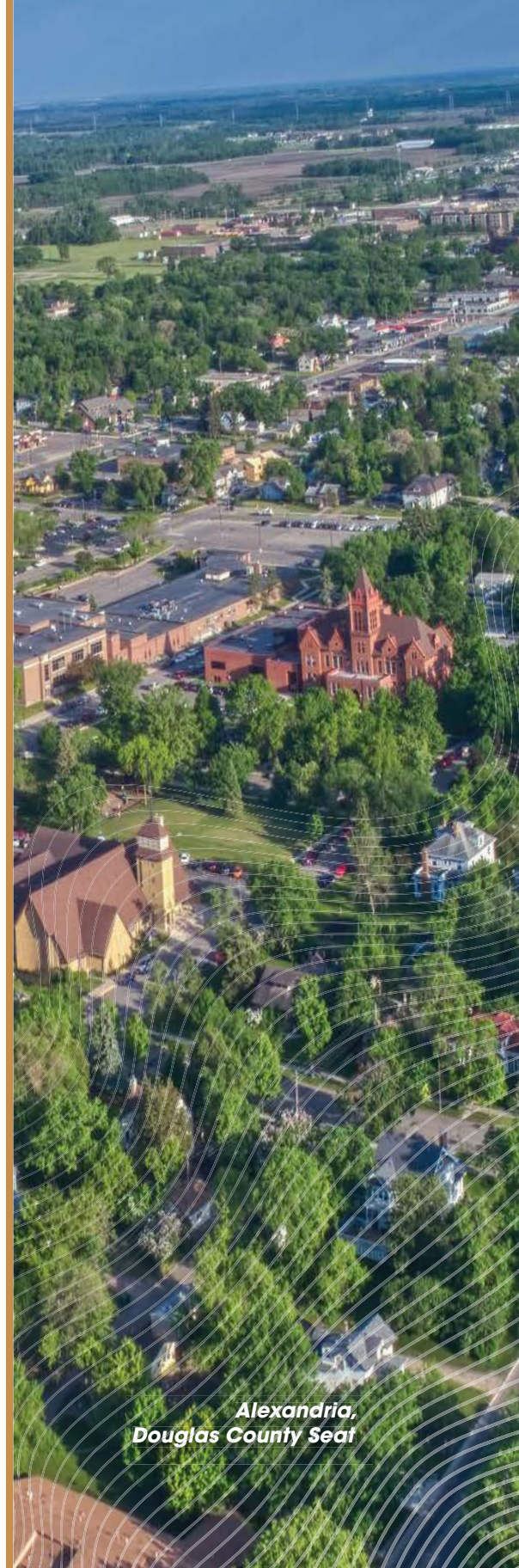
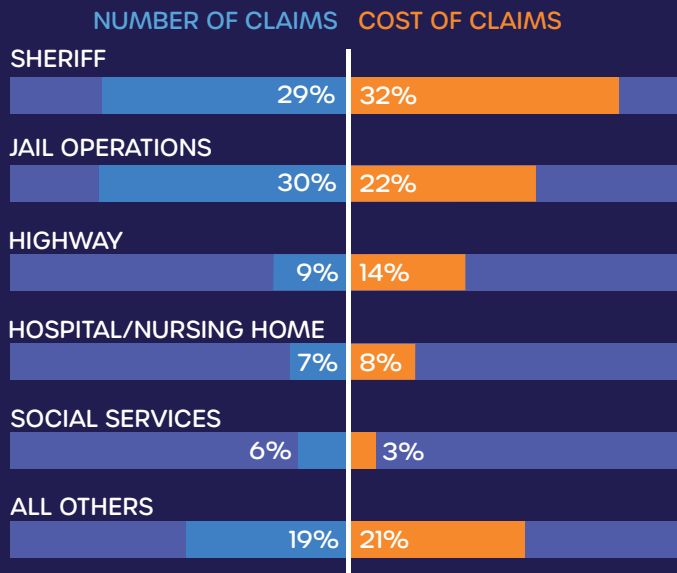
MCIT makes it a priority to minimize the costs of administering the program and to recover funds where available. These actions help limit the contribution required from members.

Three key ways MCIT contained costs and recovered funds in 2022 were:

- Pursuing recoveries:** When a claim involves a third party who is legally responsible for the loss in whole or in part, MCIT pursues recovery of those funds on the members' behalf. In the past five years, MCIT recovered nearly \$3 million. In 2022 alone, MCIT recovered \$577,202 for property and liability claims.
- Medical bill review:** MCIT uses a vendor to review medical bills for workers' compensation claims to ensure that they align with Minnesota's fee schedule and to capture additional savings based on pricing available through preferred provider organizations. In 2022, MCIT's service provider realized an average 56.3 percent reduction per bill.
- Pharmacy benefit manager:** This outside service helps limit the cost of filling prescriptions under workers' compensation benefits. In 2022, the service maintained an average 25 percent cost saving per prescription.

Worker's Compensation Claims by Department

2022



Alexandria,
Douglas County Seat

LOSS CONTROL CONSULTANTS FOCUSED ON SAFETY COMMITTEES, SELF-SERVICE MATERIALS

Efforts to assist members in preventing and controlling their losses focused on connecting with safety committees and developing self-service materials for members' use.

As safety committees are the nexus of an organization's safety efforts, MCIT loss control consultants emphasized **attending committee meetings throughout the year**. Consultants served as an in-the-moment resource on issues at hand and explained how MCIT materials and services could assist members in their loss control and workplace safety initiatives.

During the past several years, MCIT has developed a number of self-service programs that members can implement to promote workplace safety and injury prevention. In 2022, MCIT released the **Type Like a T-rex program** to help employees reduce discomfort from working on a computer.

Members can use as many of the items in the program as fits their circumstances to educate their employees about proper posture when keyboarding. The program includes a light-hearted instructional video, poster, pop-up table tent and digital image.

Nick Lindberg, MCIT loss control team lead, says,

“It can be easy for workplace hazards to fade into the background for those who are in a workspace day to day. Often my role is to provide members an outsider's view in identifying hazards and claim exposures, as well as offer technical loss prevention recommendations.”



Step Wisely Program Hits 10-year Mark

Step Wisely is a slip, trip and fall awareness program first launched in winter 2012, and 10 years later, it is still an effective means of reducing workplace injuries. The program addresses a number of common causes of slip, trip and fall incidents. It gives individual employees knowledge to recognize, report and remedy hazards, as well as to make behavioral changes to avoid injury.

The winter 2022 materials used the Walking in a Winter Blunderland theme and introduced new employee engagement activities.

Step Wisely provides members with options on how to use the program to meet the organization's specific needs, including wall posters, a video, digital images, Quick Takes on Safety training scripts, checklists and handbook.

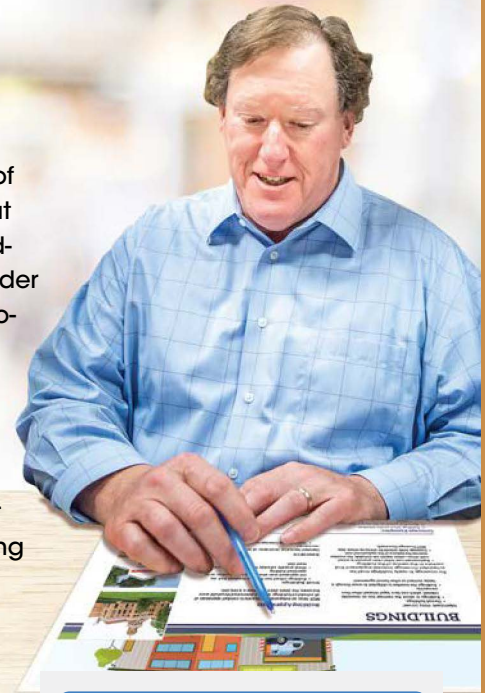
RISK MANAGEMENT CONSULTANTS ASSISTED MEMBERS WITH PROPERTY SCHEDULES

MCIT's risk management consultants met with members throughout 2022 to assist them in understanding their property loss exposures and how to ensure adequate coverage if the member were to experience a property or auto physical damage loss.

The meetings **discussed key points of coverage and reviewed the member's schedules** to identify which items must be scheduled

for coverage to apply. The goal of each meeting was to ensure that the member had all items scheduled it wanted to be covered under the correct line and at the appropriate coverage limits (values).

Risk management consultants noted that the meetings were a good occasion to interact with numerous staff, and answer their specific coverage and scheduling questions.



Tom Suppes, MCIT risk management consultant says,

“ These meetings give us the opportunity to help members get the most from their coverage by ensuring that all items are listed on a member's schedules, at the right values and under the optimum lines of coverage. ”



MORE AT MCIT.ORG



Each member has a risk management and a loss control consultant assigned to it. Learn more about services they provide and their territories under Programs and Services.

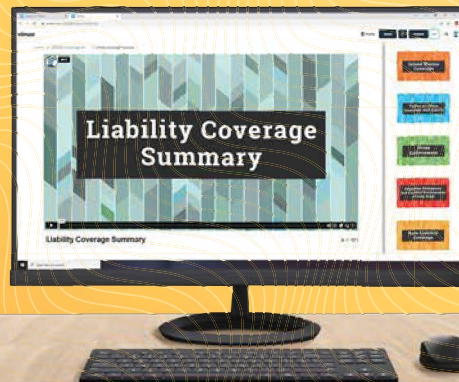
VIDEO SERIES EXPLAINS MCIT LINES OF COVERAGE

In 2022, MCIT released a series of 43 videos explaining the various lines of coverage. Each video provides a summary of a specific type of coverage or key aspects of the coverage, such as conditions or exclusions.

The short videos, each about four minutes or less, make it **easy for members to find the information they need in the moment**, including details for how and when to submit a claim. The videos can be streamed at [MCIT.org](https://www.mcit.org).

Individuals who are new to the role of working with MCIT coverage, such as new county administrators or coordinators, risk managers, SWCD district managers, entity executive directors, etc., will find these videos particularly helpful.

Each year, these videos will be updated to reflect any adjustments to coverage.



MEMBER TRAINING TOOK SEVERAL FORMATS

Emerging from the pandemic in 2022, MCIT offered traditional in-person seminars, hosted its first hybrid training event and offered a series of educational webinars. The format for each event was intentionally chosen to fit its content and audience best.

In-person seminars meet key needs: Employment risks and land use decisions were covered in the “Managing the Human Resource” and “Navigating Key Land Use Decisions” seminars respectively. Both sessions met attendee expectations and needs, as 99.5 percent of survey respondents would recommend the session they attended.

Strong participation at first hybrid event: Participants of “Essentials of Data Practices for Responsible Authorities” chose to either attend in person or virtually. Overall attendance exceeded expectations at 117 individuals from 59 member entities. This first hy-

brid event for MCIT was a success from the perspective of attendee satisfaction, where 100 percent of survey respondents would recommend the session.

Virtual format allows for flexibility: MCIT presented a series of nine Risk Management Workshops as webinars in fall 2022. Seven of the sessions were developed and presented by MCIT staff; two were created and presented by Sand Creek representatives (Sand Creek is the administrator of the MCIT Employee Assistance Program). One of the benefits of virtual sessions is their flexibility:

- With the only cost to MCIT being staff development time, webinars can target niche topics or audiences.
- Webinars offer ease of attendance for members, as a 60-minute session is simple to fit into schedules, members pay no fee to attend and they do not have to travel to participate.

MCIT PRESENTED AT ASSOCIATION EVENTS

MCIT engaged with members at various association events throughout the year, providing pertinent information to each group’s membership. In 2022, MCIT presented to 10 associations on topics, such as Minnesota Open Meeting Law, Minnesota Government Data Practices Act and cyber risks and coverage.

Sponsored Keynote Address at AMC Conference

MCIT was pleased to sponsor the keynote address by Gordon Graham, J.D., at the 2022 Association of Minnesota Counties conference. For the gathered audience of county commissioners and administrators, Graham presented the concept that all risks can be divided into 10 families and responses structured around recognizing the risk, ranking the risk and mobilizing to change outcomes.

Graham’s dynamic address was well-received by those who attended and offered much for counties to consider in their risk management.

Graham is a national speaker, author for Lexipol materials and experienced law enforcement officer. He uses this background to teach others how to identify and manage their risks effectively.

[MORE AT MCIT.ORG](https://www.mcit.org)



The Events section includes information about all coming MCIT training events.



MCIT 2022 FINANCIAL STATEMENTS

Every year, MCIT undergoes a financial audit, performed by the independent audit firm Eide Bailly LLP. The completed audit report, including financial statements, is available mid-year at [MCIT.org](https://www.mcit.org).

Shakopee, Scott County Seat

