



MINNESOTA COUNTIES INTERGOVERNMENTAL TRUST

MCIT IS A RISK SHARING POOL; WHAT DOES THAT MEAN FOR MEMBERS?

MCIT is a risk sharing pool, where similar organizations (Minnesota counties and associated governmental entities) pool their funds to cover member claims and operate the pool.

Annual contribution is based on what is projected to be needed to cover these costs for the year. There is no profit motive, which adds no profit margin to members' contribution.



POOLING BENEFITS MEMBERS

Some of the other significant benefits MCIT members experience:

- MCIT is governed by a **representative board of directors** from member counties.
 - Board members make decisions that ensure the continued solvency of MCIT while meeting members' risk management needs.
 - Board members' counties feel the effects of the board's decisions.
- Together the **claim experience of all members is used to calculate rates** for property and liability. This can smooth fluctuations from year to year for individual entities.
- MCIT **does not drop an individual member entity** from coverage if its claims experience is overly adverse.
- MCIT staff and board **view the relationship with members as a partnership**. The organization emphasizes helping members avoid and reduce losses through services and programs that are part of membership.
- MCIT harnesses the **power of group leverage and public entity status to contain costs**:
 - When entities share risks, aggregate costs are less than the sum of participating entities' costs.
 - All members' contributions to MCIT help pay for any member's claims.
 - As a public entity, MCIT pays no taxes, employs no agents or other middlemen, which contains operational costs.
 - MCIT is an exclusive pool for county level public entities in Minnesota, so it has no need to market to potential members, saving expenses.
- **Specialized coverage lines meet many unique exposures of public entities** (e.g., law enforcement liability, K-9 coverage, land use defense, class 3 dams).
- MCIT maintains the perspective that it is the members' money and is used to cover claims and provide services. When fiscally prudent, **excess funds are returned to members** as a dividend.



MCIT STAYS FOCUSED ON THE MISSION AND MEMBERS

THE MCIT MISSION: Providing members with cost-effective coverage and comprehensive and quality risk management services.

MCIT has an important mission that drives the organization's decision making and keeps the focus on delivering coverage and services to benefit members.

BOARD OF DIRECTORS



RON ANTONY - CHAIR
Yellow Medicine County Commissioner



DON WACHAL
VICE CHAIR
Jackson County
Commissioner



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SECRETARY-TREASURER
Stearns County
Auditor-treasurer



LINDSEY MEYER
Wright County
Auditor-treasurer



KURT MORTENSON
Otter Tail County
Commissioner



TODD PATZER
Lac qui Parle County
Commissioner



BRETT SKYLES
Itasca County
Administrator



JACK SWANSON
Roseau County
Commissioner



MARCIA WARD
Winona County
Commissioner

MCIT MEMBERSHIP: A SMART CHOICE

Being a member of MCIT continues to be a smart decision for Minnesota counties and associated governmental entities:

- Board members and staff keep the best interest of members and the pool as a whole in mind when making decisions. Board members carefully weigh how decisions will affect the financial viability of MCIT, as well as member entities.
- MCIT is responsive to members' evolving risk exposures and operations. For example, over the past several years, MCIT has spent considerable time and dollars working with experts to assist sheriffs' offices in improving risk management for jails. Also, MCIT added a risk management consultant who assists members with data security risk exposures.
- MCIT understands the challenges of local government entities in Minnesota because MCIT only serves these organizations. Coverage, training events, programs and services are all tailored to meet the needs of our membership.

This report highlights other ways MCIT worked during 2024 to assist members and details the financial environment in which MCIT operates.

I am proud to continue to serve as board chair for this outstanding organization that was established to benefit Minnesota counties and continues to do so year in and year out.

Ron Antony,
MCIT Board Chair



2024: YEAR OF FINANCIAL RESILIENCE, SERVING MEMBERS

As we reflect on the past year, I am pleased to report that Minnesota Counties Intergovernmental Trust continued to uphold its mission of providing cost-effective coverage and comprehensive risk management services to Minnesota counties and associated public entities. As a joint powers entity, MCIT remains steadfast in its commitment to managing risks collectively, ensuring that members are well-equipped to serve their communities effectively.

In 2024, MCIT maintained its commitment to financial resilience and member support. MCIT is operated for the benefit of its members, and funds that are not necessary for the operation of the program are returned to members when financially prudent. Once again, the board determined that a dividend should be distributed to members from the workers' compensation division.

Notably, in pursuit of maintaining MCIT's fiscal strength while looking out for members, the board adjusted both property and liability reinsurance per claim retention levels to moderate steep increases for reinsurance premiums.



Gerd Clabaugh, MCIT Executive Director

Investment in member services included growing emphasis in training and outreach related to cybersecurity risks and employment risk management, and improving the workplace injury hotline.

We also continued to offer specialized training, such as PATROL for law enforcement, and have provided resources to assist members in managing unique exposures related to public entity operations.

As we look ahead, I want to share that I am stepping down as executive director effective Sept. 30, 2025, following nearly four years of service to MCIT. It has been a privilege to work alongside such a dedicated board, staff and membership. I am confident that MCIT will remain strong and responsive to the evolving needs of its members, guided by the same spirit of collaboration and stewardship that has defined its success. Thank you for the opportunity to serve.



LEADERSHIP ENGAGED WITH MEMBERS

MCIT's leadership also met with members in person during 2024:

- The MCIT executive director attended the Association of Minnesota Counties district meetings. This was a chance to hear the concerns commissioners had and to engage in conversation with them about the challenges facing local governments.
- The MCIT annual meeting in December gathered delegates from county members to receive a

status of the trust, including its finances, factors influencing operations and strategies MCIT employed to address the organization's challenges. Members also elected MCIT board members from within the membership. This included the election of Lindsey Meyer, Wright County auditor-treasurer, to the open seat following Kirk Peysar's retirement from Aitkin County.

INCREASED RETENTION LEVELS TEMPER JUMPS IN REINSURANCE PREMIUM

MCIT faced sharp increases for both property and liability reinsurance for 2024, which continued a years-long trend. MCIT purchases reinsurance to insulate the program from potential catastrophic losses.

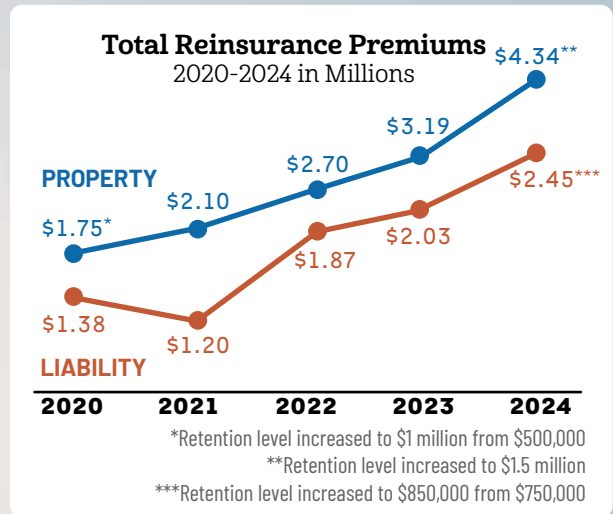
PROPERTY REINSURANCE LIMITED TO 36 PERCENT INCREASE

Property reinsurance carriers were again wary of working with public entity pools given the risks of their operations, as well as taking on more risk in general due to rising inflation, worldwide natural disasters and wars. Annually, MCIT markets its property program to private reinsurance carriers.

In 2024, carriers had limited capacity to cover MCIT's property program at the existing structure, which was a per occurrence coverage limit of \$200 million and a \$1 million per claim retention.

Fortunately, Travelers would continue its partnership with MCIT. But the cost to maintain the previous per claim retention level coupled with a year-over-year 8 percent increase to \$8.1 billion in the total insured value of all covered property was steep: an overall premium jump of 55 percent compared to 2023.

After evaluating renewal options, MCIT **chose to moderate the jump** in premium **by raising the per claim retention** to \$1.5 million. This limited the premium increase to 36 percent over the previous year for a total premium cost of \$4.34 million.



LIABILITY REINSURANCE CONTAINED TO 16.7 PERCENT RISE

As a member of County Reinsurance Limited (CRL), a reinsurance risk sharing pool for county government risk pools, the trust relies on CRL for liability reinsurance.

For 2024, CRL's renewal for the existing program reflected a 33 percent increase in premium over 2023 levels and imposed per member annual aggregate limits of \$4 million separately for public employees liability claims and law enforcement liability claims.

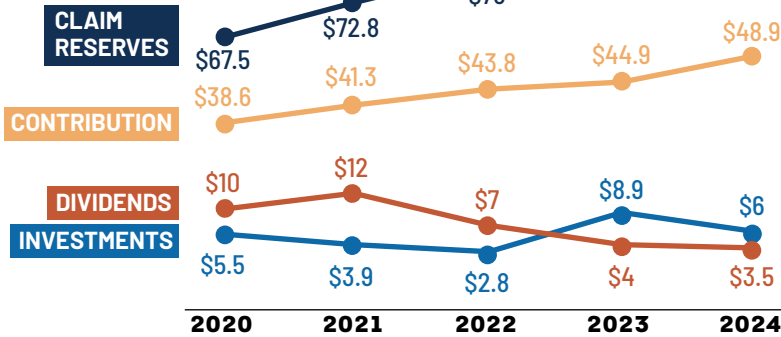
The rise in premium was due to elevated MCIT ratable claim development, a CRL group rates increase and continued loss development among CRL members particularly in law enforcement claims.

Looking to contain the premium increase while balancing risk to the MCIT program, MCIT ultimately renewed liability reinsurance at the existing \$2 million per claim coverage limit subject to a **higher \$850,000 per claim retention** (up from \$750,000), **and increasing the per member annual aggregate coverage limits for PEL and LEL claims** to \$6 million each.

Together these modifications resulted in a premium increase of 16.7 percent compared to 2023, for a total premium cost of \$2.4 million.



Claim Reserves, Member Contribution, Net Investment Income, Dividend (in Millions)



DIVIDEND FOR WORKERS' COMPENSATION DIVISION

MCIT delivered a \$3.5 million dividend to members from the workers' compensation division in 2024. The board is committed to returning funds to members that are unnecessary for the operation of MCIT when it is actuarially sound and fiscally prudent.

A slight improvement in investment income and MCIT's disciplined claims management, including a commitment to adequate claim reserving, made the dividend possible, even with aggregate rate reductions for 2021-2023.

PROPERTY/CASUALTY CONTRIBUTIONS MET OBLIGATIONS

Increased costs for property/casualty claims offset investment portfolio gains in 2023. As a result, actuarial analysis did not support a dividend in the property/casualty division. This is evidence that MCIT had accurately predicted and priced losses in that division, and contributions were sufficient to cover costs.

2024 RATES INCREASED MINIMALLY

Both MCIT program divisions had minimal aggregate rate increases:

- 1.7 percent for the property/casualty division
- 1 percent for the workers' compensation division

The actuarial analysis used to set rates included:

- Anticipated frequency and cost of future claims
- Member risks and initiatives
- Economic market outlook for future operating costs, most notably the cost of reinsurance

In setting rates, MCIT is committed to ensuring that rates reflect expected potential losses.

FACTORS AFFECTING RATES

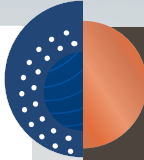
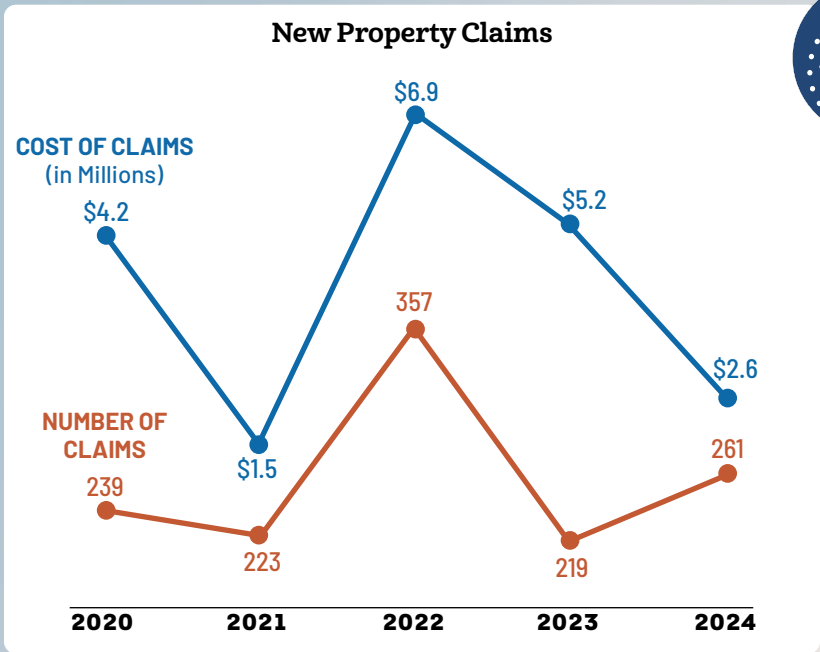
Drivers for the slight aggregate property/casualty rate increase:

- Higher-than-normal claim activity arising from automobiles: An uptick in larger auto losses resulted in increased auto liability claim settlements, and auto physical damage repairs were more costly due to inflation and vehicle sophistication
- Continued increases in the cost of property and liability reinsurance
- Moderated rates in the public employees liability and law enforcement liability coverages to the point that these lines saw slight rate decreases for the first time in several years

After several years of workers' compensation aggregate rate reductions, the rate of inflation on the cost of claims exceeded the rate of inflation on the cost of payroll, resulting in a modest aggregate increase for 2024.

WORKERS' COMPENSATION REINSURANCE

Workers' compensation reinsurance is secured through the Workers' Compensation Reinsurance Association, as required by Minnesota law.



PROPERTY APPRAISALS PHASE 2 COMPLETED

Values for scheduled buildings dictate the level of coverage available to a member should a loss occur. Inadequately valued property could mean that a member must shoulder more of the cost to rebuild and replace contents and equipment after a severe storm or fire.

To assist members in determining appropriate replacement costs for large buildings, MCIT engages an appraisal firm to inspect and appraise all buildings above \$100,000 scheduled value* every five years. In 2024, the second phase of building appraisals was completed for members in the central third of the state.

Any adjustments to building values based on the appraisals were made midyear after consideration by the MCIT Board of Directors. All members received an appraisal report that included the updated replacement and actual cash values.

*The scheduled value threshold is subject to change with every five-year cycle.

PROPERTY CLAIMS NORMALIZED

Although the number of property claims (buildings, property in the open, contents, inland marine) in 2024 was higher than the previous year (248 vs. 219), the number continued a return to a more normalized level after 2022 when a series of severe storms resulted in a large number of claims.

Even with more claims reported in 2024 than in 2023, the **amount paid for property claims was considerably less: \$2.6 million in 2024 compared to \$5.2 million in 2023.** This is because 2023 included costs associated with catastrophic claims related to the 2022 storms; whereas, 2024 did not include any further expenses associated with those claims nor any new large losses.



LIABILITY CLAIMS MOSTLY IMPROVED, LAW ENFORCEMENT LIABILITY STILL A CONCERN

The good news for 2024 liability claims was that **all coverage lines** (general liability, public employees liability, law enforcement liability and land use defense) **experienced a drop in the number of claims** reported, and half saw a decline in the total costs paid (see the table).

However, **paid law enforcement liability expenses increased 66 percent** from the previous year, and the dollars paid for public employee liability claims* were down just 3 percent, even though the number of new LEL claims decreased 25 percent and PEL claims dropped 21 percent from 2023.

Legal expenses jumped by 85 percent in 2024 compared to 2023, contributing to the overall increase in expenses related to law enforcement liability claims and the limited decline in PEL costs. The last year with higher legal expenses was 2020.

*PEL claims often include civil rights violations, including claims arising from law enforcement activities.



Percent Change in Number of Liability Claims and Expenses Paid 2023 to 2024

LINE OF COVERAGE	NUMBER OF CLAIMS	EXPENSES PAID
General Liability	↓ 10%	↓ 38%
Public Employee Liability	↓ 21%	↓ 3%
Law Enforcement Liability	↓ 25%	↑ 66%
Land Use Defense	↓ 28%	↑ 3%

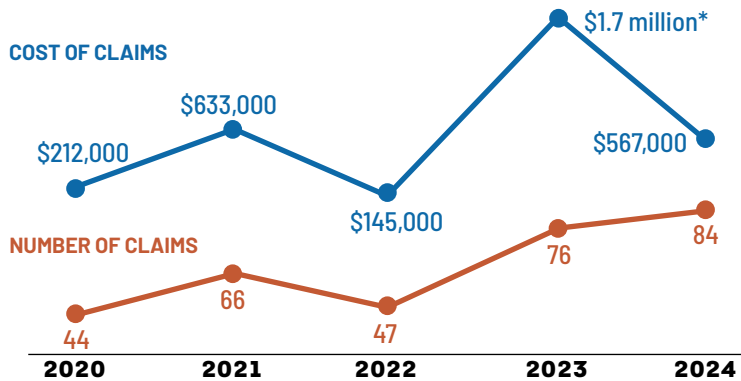
SUPPORT FOR LAW ENFORCEMENT OPERATIONS

MCIT has been working with members to curb liability claims related to law enforcement operations. Three key programs are:

- **PATROL** (Peace Officer Accredited Training Online) is a training service for Minnesota law enforcement agencies. The online courses provide deputies with legal updates, best practices and OSHA-required training. All courses are POST certified and specific to Minnesota laws and regulations. MCIT members qualify for a discounted subscription rate.

- MCIT has engaged **Benchmark Analytics** to evaluate jail-related claims data, inform sheriffs of patterns and then facilitate conversations regarding improvements in practices with the purpose of reducing incidents.
- **Sponsoring speakers at sheriffs' and jail administrator conferences** to share law enforcement and jail operations risk management best practices.

Total Cost and Numbers of Cyber Claims



* After restructuring the MCIT cyber program in 2023, MCIT covers a larger percentage of these claim costs, contributing to an outsized jump in claim severity for 2023.

NUMBER OF CYBER CLAIMS INCREASED AGAIN

The number of cyber claims for 2024 continued a general upward trajectory over the past five years, climbing 10.5 percent from 76 in 2023 to 84 in 2024.

However, the total cost of claims dropped steeply during the year compared to 2023 (down 66.5 percent), as there were no ransomware claims reported for the year.

Unlike powerful, unpredictable natural disasters that can wipe out a building and damage vehicles, many cyber claims are entirely preventable. The **combination of technical tools** (e.g., multifactor authentication and firewalls) **and employee vigilance can nearly eliminate the success of cyberattacks.**

RESOURCES HELP STRENGTHEN HUMAN FIREWALL

MCIT developed four digital messages for members to use to boost employee understanding of the pivotal role they play in keeping the organization's data secure. Essentially, each employee is a human firewall standing between threat actors and the data the attackers eagerly want.

The digital images **remind employees of four crucial steps they must take to prevent a successful attack:** use strong, unique and secret passwords; recognize and report phishing; keep a clean email inbox; and be suspicious of urgent requests, especially unexpected ones.

CONSULTANT ADDED FOR DATA SECURITY RISK MANAGEMENT

The field services team added a third risk management consultant in 2024, Richard Miede. The new position focuses on members' data security risk exposures and **offers risk management guidance to reduce and prevent data- and cybersecurity incidents.**

This new position was created to address this growing risk exposure for members. In his first year, Miede:

- Analyzed claim trends, including identifying leading vectors of attacks: email and employee behavior
- Assisted in developing employee awareness materials to strengthen the organization's data security
- Spoke at county associations conferences
- Authored newsletter articles on key areas of data security risk management for members, such as data management and IT vendor contracts
- Addressed individual member's questions and concerns
- Monitored existing and emerging loss trends

AUTO CLAIMS: PHYSICAL DAMAGE IMPROVED, MORE PAID FOR LIABILITY

Historically, auto physical damage and liability claims are among the most common and most costly as a whole of the property and liability claims each year. 2024 followed this pattern: The number of all auto claims represented 60 percent of all claims, and the dollars paid for auto claims were 28 percent of all claims.

AUTO PHYSICAL DAMAGE

- New claims decreased 10 percent from the prior year
- Expenses dropped 43 percent from 2023

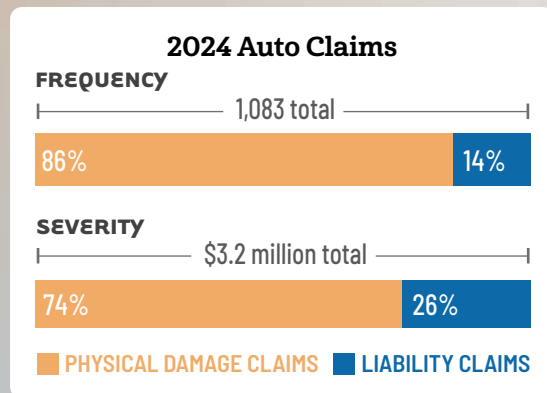
Despite that both the number and costs of auto physical damage claims were lower in 2024 compared to 2023, the **average cost of an auto collision claim jumped 72 percent**. This is due to an increase in labor rates and decreased availability of replacement parts that resulted in higher material costs.

AUTO LIABILITY

- New claims decreased 20 percent compared to 2023
- Costs increased 10.5 percent from 2023

The increase for expenses related to auto liability claims in 2024 despite a lower number of these new claims again is a result of increased labor costs and higher material costs.

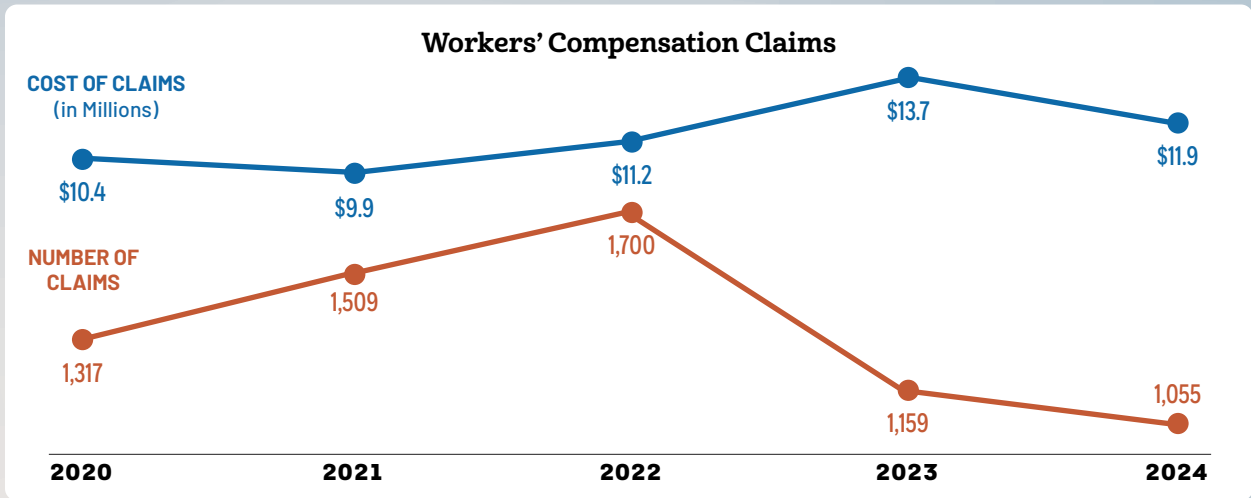
2024 showed an improvement in the average cost of an auto liability claim compared to 2022, a year that had 16 fewer of these claims. In 2022, the average cost per auto liability claim was \$8,342, but in 2024, it was \$5,466.



ENCOURAGING SAFE DRIVING ON THE JOB

MCIT provides several resources and tools for members to encourage safe driving among their employees. Two of note:

- **Defensive driving training**, provided on site at no cost to members, increases drivers' attention to their surroundings, anticipating situations and making safe, well-informed decisions based on road and environmental conditions.
- **Minnesota Safety Council membership** that unlocks access to MSC's robust menu of driving safety materials, such as videos, a newsletter, sample policies, hands-on distracted driving tools, safety awareness campaigns and more. MCIT provides each of its members with a Minnesota Safety Council membership at no additional cost.



WORKERS' COMPENSATION CLAIMS NUMBERS, DOLLARS PAID CONTINUED TO DROP

The number of new workers' compensation claims and dollars paid in 2024 continued a downward trend since 2022 when claim numbers jumped due to COVID-19 presumptions for certain employee groups.

For 2024:

- Overall, **new workers' compensation claims decreased 9 percent** compared to 2023
- The number of new indemnity claims (those involving lost wages, medical costs, rehabilitation expenses, retraining, etc.) dropped 23 percent year over year
- The number of new medical-only claims declined 3.7 percent from 2023

In total, **MCIT paid 13 percent less for workers' compensation claims** in 2024 compared to 2023, with all but one of the cost categories experiencing declines year over year:

- Medical expenses dropped 19 percent
- Indemnity benefits decreased 9 percent
- Other expenses dipped by 6 percent
- Rehabilitation had a slight increase of 1 percent


Winter 2024 was fairly mild, leading to fewer slips and falls and auto accidents due to hazardous weather conditions. These two factors contributed significantly to the decline in new indemnity claims for the year, along with the drop in medical expenses.

Post-traumatic stress disorder (PTSD) claims improved in 2024:

- Number of new claims dropped for the first time since 2020, with 13 cases having a date of injury for the year compared to 27 in 2023 and 29 in 2022*
- Number of open PTSD claims were 38, down from 53 in 2023
- PTSD claims represented 4 percent of all workers' compensation claims, a drop from 5 percent in 2023
- Dollars paid for PTSD claims dipped to 10 percent of all workers' compensation dollars paid from 15 percent in 2023

*Nearly all cases arose from law enforcement operations (deputies and jailers).





INDIVIDUALIZED CONSULTATION, ASSISTANCE FOR MEMBERS

As a member-focused organization, MCIT makes it a priority to meet one-on-one with each county member and to respond personally to individual requests for assistance.

During 2024, MCIT **risk management consultants discussed 10 risk management essentials with each county**. Consultants met in person with member representatives to discuss strategies for strengthening the member's risk control efforts, answer their questions and offer best practices tips.

Throughout the year, MCIT **loss control consultants** attended members' safety committee meetings. Consultants also **met with each county to discuss** the organization's **safety goals and initiatives**, **review** the organization's **workers' compensation experience**, and **explore how MCIT could help the entity achieve its safety goals**.

MCIT staff in all departments **responded to members' individual questions and requests for assistance** during 2024, for example:

- Staff counsel for risk control responded to inquiries around a number of concerns, such as compliance with the Open Meeting Law and Minnesota Government Data Practices Act and records retention, along with reviewing contracts from a risk management perspective.
- Underwriting technicians assisted members with their schedule changes and completing the annual risk assessment and payroll estimates.
- Claims representatives worked hand-in-hand with members throughout each claim, providing specific information and guidance along the way.



PROGRAM SUPPORTS EMPLOYEES' PERSONAL, PROFESSIONAL CHALLENGES

The MCIT Employee Assistance Program (EAP) is a risk management tool that supports member employees through a number of personal and professional challenges, enabling them to continue to be effective employees and may offer an alternative to filing a grievance or lawsuit.

The EAP offers these general support services:

- Counseling for a number of personal challenges, such as depression, anxiety, relationships, stress, loss and grief, professional concerns, substance use and others
- Unlimited supervisor consultation via telephone to help manage difficult workplace situations

- Life coaching, including parent coaching, and referrals for elder care and child care
- Financial counseling
- Legal consultation
- Substance abuse professional services

Another benefit of the EAP for members is that they may qualify for reimbursement of continuing health insurance benefits for disabled peace officers as a result of duty-related post-traumatic stress disorder diagnoses. The EAP meets the statutory requirement to provide an avenue for mental health treatment to these employees as part of the reimbursement criteria.

TRAINING EVENTS OFFER RISK MANAGEMENT GUIDANCE

For 2024, MCIT presented a robust collection of training opportunities for members. Much of the focus was on employment risk management. It is one of the largest risk exposures for members.

MCIT offered **three series of webinars** related to employment risks:

- **Hiring Toolkit:** Four webinars offered risk management best practices for the hiring process, addressing job applications, advertising and job descriptions; the Veterans Preference Act and candidate screening; interviewing; and reference checks, background checks and pre-employment testing
- **Employee Performance Management:** Four webinars reviewed foundations of performance management, employee discipline and performance improvement plan, how to manage substance use and addiction in the workplace relative to performance management, and strategies for effective difficult conversations
- **Serious Workplace Behavior:** Three webinars explained the legal standards and best practices relative to employers' providing an environment in which employees can work free of harassment and discrimination; and strategies to prevent or turnaround a toxic work environment

The **in-person seminar "How to Conduct an Employee Investigation"** identified ways investigators can meet requirements of fair and thorough investigations of allegations of employee misconduct that comply with the law.

OTHER 2024 TRAININGS EVENTS

- **"Navigating Key Land Use Issues"** covered pressing land use concerns for Minnesota counties and related governmental organizations.
- **"Open Meeting Law and Remote Participation"** webinar addressed common questions about the statutory provisions that allow remote participation by governing body members at open meetings.
- **"Cybersecurity for County Decision Makers,"** a collaboration with the Association of Minnesota Counties, explained key areas of cybersecurity for elected leaders to understand when being presented with and making decisions affecting the security of the organization's data and systems.
- **Cybersecurity workshops:** Along with AMC and League of Minnesota Cities, MCIT sponsored three FEMA-certified cybersecurity workshops in four locations across the state that explored cyber risk awareness for senior management, critical thinking and cyber risk management, and integrating cyber hazard response into exercise planning.

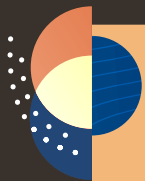
MCIT's training events are specifically developed to assist members in managing and reducing the operational risks they face. Each session delivered practical ideas members could apply immediately.

STAFF SPOKE AT ASSOCIATION CONFERENCES, MEMBER ENTITIES

In addition to MCIT-sponsored training events, staff also delivered 11 training sessions in 2024 for member employees and member-related associations. During 2024, staff delivered training sessions related to:

- Data management and cybersecurity
- First Amendment audits
- Minnesota Government Data Practices Act
- Minnesota Open Meeting Law
- Workers' compensation





MCIT 2024 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 at [MCIT.org/about](https://www.mcit.org/about).