
How MCIT Determines a Member's Contribution
MCIT WEBINAR


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The information contained in this webinar is intended for general information purposes only and does not constitute legal or coverage advice on any specific matter.

How MCIT Determines a Member's Contribution

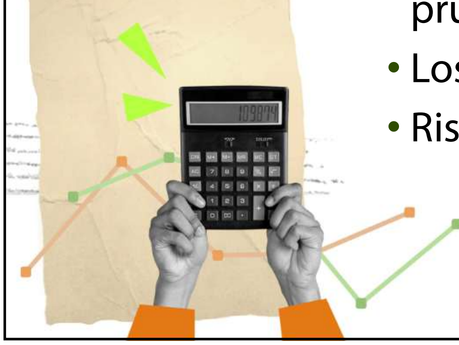
What MCIT Is and Is Not

MCIT Mission

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

How MCIT Determines a Member's Contribution

Risk Pooling



- Pool funds to pay claims and cover operations
- No profit motive
- Return a dividend when financially prudent
- Loss control
- Risk management

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Why and How

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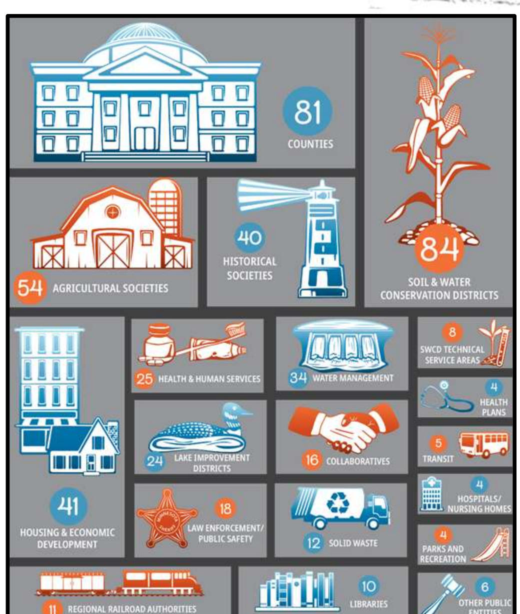
MCIT Membership



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What Is Underwriting?

- Private vs. pool
- Math and formula
- Not subjective

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How Contributions Are Determined

Rate x Exposure x Deductible Factor = Contribution

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How Rates Are Determined

- Independent actuaries
- Same for all members
- Approved and set by MCIT Board of Directors

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Dividend

- Not factored into rate calculation
- Claims experience
- Investment results

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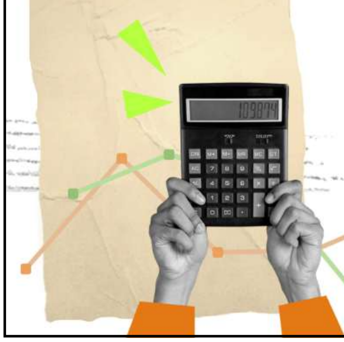
Exposure Data



- Annual risk assessment
- Annual payroll estimate
- Current schedule
- Data reporting cycle
  - Download at *MCIT.org/resources*

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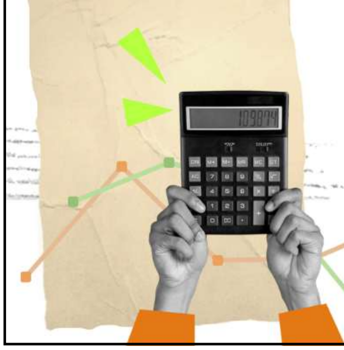
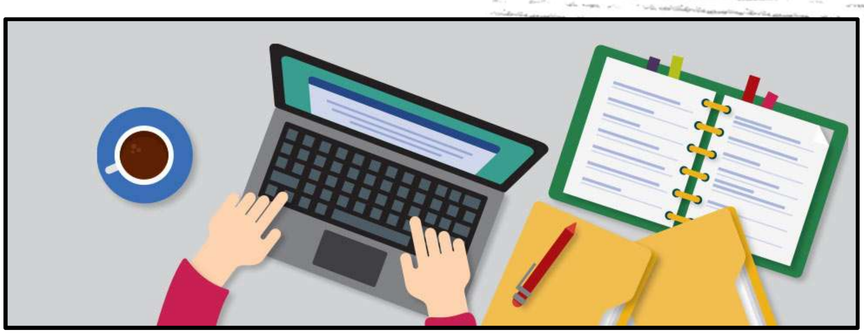
Contribution Estimate Timeline





- March-June: Gather information
- June: Develop rates (actuaries)
- July: MCIT board approves rates
- August: Mail estimates
  - Mindful of September levy deadline

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Contribution Calculation

Rate x Exposure = Contribution

Property/Liability	Workers' Compensation
• Budget • Employee count • Value of buildings • Contents • Vehicle types	• Payroll by classification

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How Much Does My Neighbor Pay?

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Dirt and Liquid Saving Territory 1	
Auto • 2 vehicles • 2 trailers	$1,075
Property and Equipment • Manure spreader • Tree planter • Drone • Office contents	$282
Liability • $1 million budget • 5-member board • 5 full time employees	$533: general liability $2,843: public employee liability
Workers' Compensation • $250,000 office payroll • $385,000 field staff payroll • Mod Factor: 1.0	$6,433
Total Contribution	$11,166

Dirt and Liquid Saving Territory 2	
Auto • 9 vehicles (7 pickups, 1 private passenger)	$,4,873
Property and Equipment • EDP and misc. equipment • Building and contents	$6,096
Liability • $2.95 million budget • 5-member board • 18 full-time employees • 10 part-time employees	$305 general liability $6,823 public employee liability
Workers' Compensation • $277,000 office payroll • $1.4 million field staff payroll • Mod Factor: 0.72	$16,213
Total Contribution	$34,310

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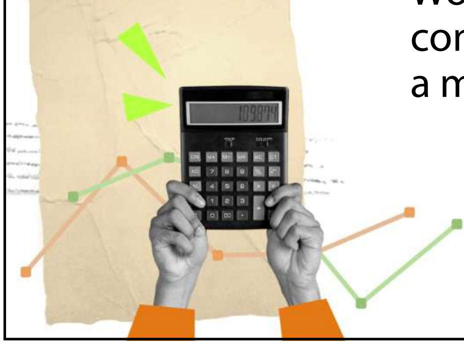
Effect of Claims on Contribution



- MCIT does not experience rate individual members for property or liability
- Workers' compensation uses a mod factor

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Mod Rate

- 3 year rolling calculation
- Same for all carriers, all states
- Compares actual to expected losses
- Your mod stays with you

1+[W X (A-E) + (1-W) X (AP-EP)]

(E+B)

WHERE:
A= ACTUAL LOSSES
AP = ACTUAL PRIMARY LOSSES
AE = ACTUAL EXCESS LOSSES
E = EXPECTED LOSSES
EP = EXPECTED PRIMARY LOSSES
EE = EXPECTED EXCESS LOSSES
W = WEIGHT FACTOR (FROM TABLES)
B = BALLAST (FROM TABLES)

$$\frac{E}{E+B}=\frac{E}{E+E\frac{.1E+2570\cdot G}{E+700\cdot G}}=\frac{1}{1+\frac{.1E+2570\cdot G}{E+700\cdot G}}=\frac{1}{1+\frac{.1E+2.57\cdot SACC}{E+.7\cdot SACC}}$$

$$=\frac{E+.7\cdot SACC}{E+.7\cdot SACC+.1E+2.57\cdot SACC}=\frac{E+.7\cdot SACC}{1.1E+3.27\cdot SACC}$$

$$\left(3(1-f)\frac{E+.7\cdot SACC}{1.1E+3.27\cdot SACC}-1\right)\Delta A_p$$

$$3\cdot MP\cdot\frac{dm}{dA_p}\Delta A_p-\Delta A_p=\left(3\cdot MP\cdot\frac{dm}{dA_p}-1\right)\Delta A_p$$

$$=\frac{E+.7\cdot SACC}{E+.7\cdot SACC+.1E+2.57\cdot SACC}=\frac{E+.7\cdot SACC}{1.1E+3.27\cdot SACC}$$

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$$3\cdot MP\cdot\frac{dm}{dA_p}\Delta A_p-\Delta A_p=\left(3\cdot MP\cdot\frac{dm}{dA_p}-1\right)\Delta A_p$$

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How Can You Decrease Your Contribution?

Individually

- Adjust deductible
- Maintain current and accurate schedules

Collectively

- Have and use return to work program
- Control losses
- Manage risks

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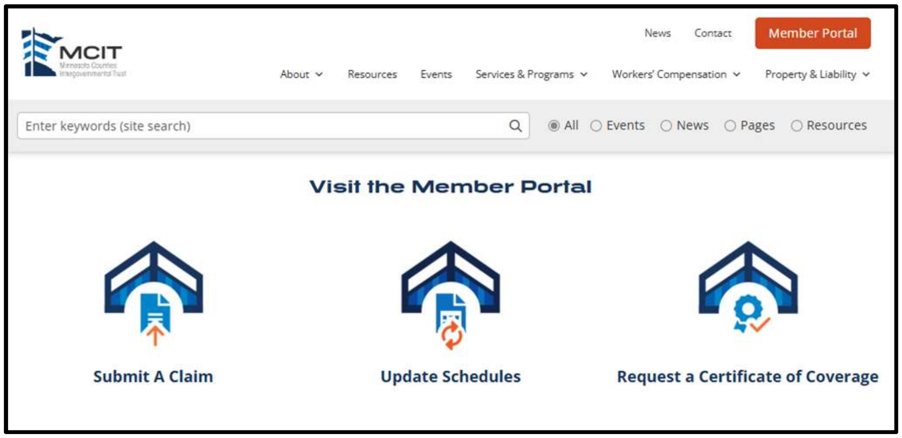
Member Portal



Access at *MCIT.org*

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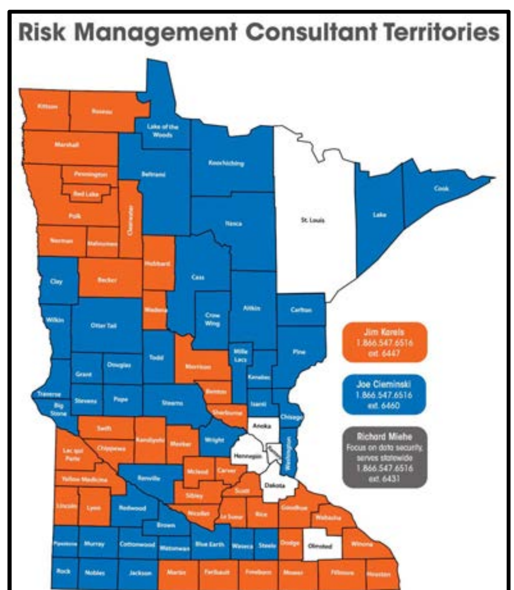
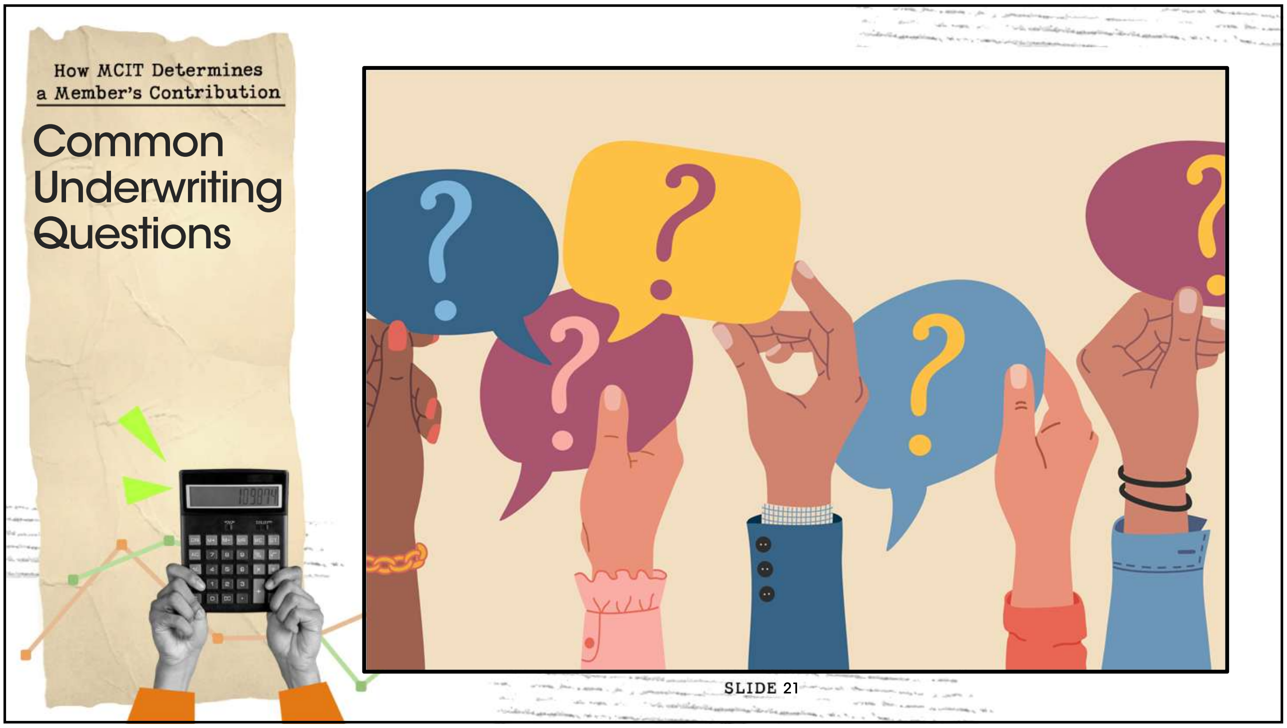
Who to Contact

- Risk management consultants:
  - Review contracts for risk management
  - Coverage discussions and explanations
  - Advice on how best to manage risks
  - Training about specific topics
- *MCIT.org/contact*

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Common
Underwriting
Questions
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THANK YOU
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