

Dear Fellow LMCIT members:

We understand you may have **questions** about our work in 2007 to provide the best coverage and guidance to cities, so we've put together this report to provide **answers**—and in a fun way—to test your knowledge.

For the past few years, we've been putting a lot of effort into developing LMCIT's loss control efforts. The goal is to focus more directly and more effectively on the areas that are actually producing the highest loss costs. This effort involves a couple of pieces—doing research and analysis to understand better what's really causing the losses and how those losses can be reduced; and putting that knowledge to use in the form of better tools, resources, and help for cities to address those high loss cost areas.

In this report, you'll find updates on a number of initiatives that have grown out of this effort—PATROL (Police Accredited TRaining OnLine), the OSHA/Safety Assistance Program, Land Use Loss Control Services, Contract Review Services and more.

All of these are works in progress that we'll continue to develop and hopefully make even stronger as we go.

During the coming year, we'll roll out some more new initiatives. Watch for new online training, regional safety groups to help with OSHA compliance, a resource toolkit on sewer backup liability, a focused effort to reduce police and firefighter injuries, and probably some experiments with incentives for participation in certain loss control activities. It's an ambitious effort, but the goal is to help members deliver services more efficiently, mitigate risks and control costs.

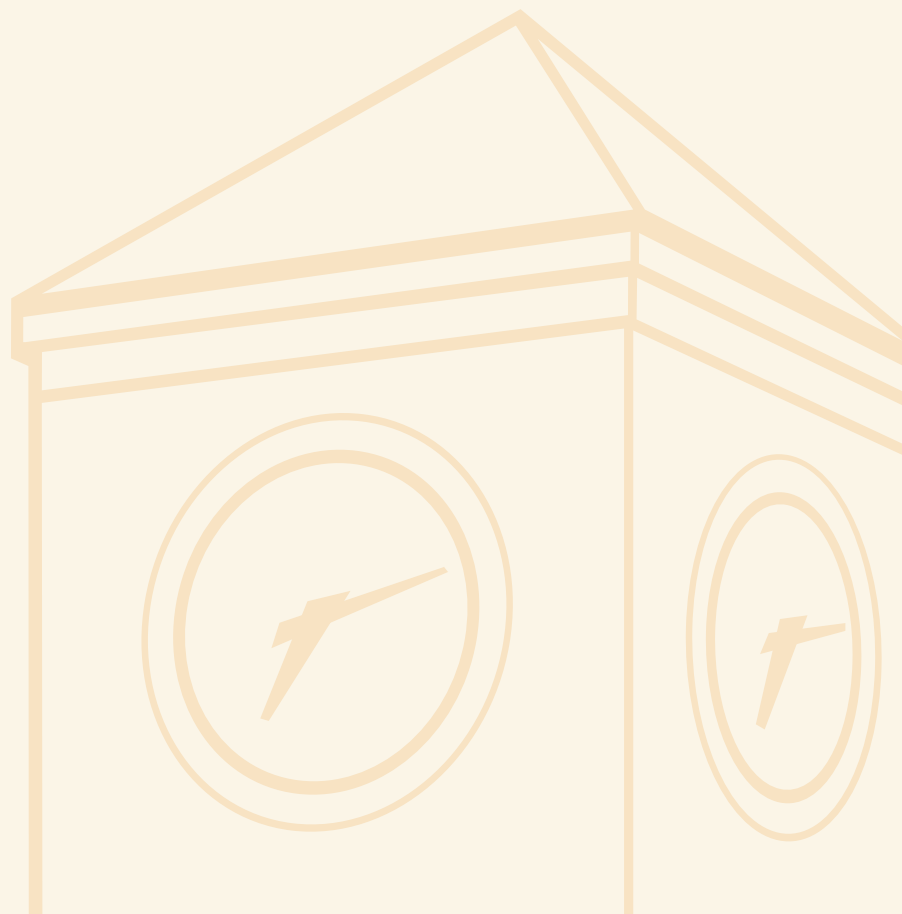
Of course, we also need to keep focused on other key things members expect of LMCIT—stable premium costs, financial strength to be there when it's time to pay the claims, and broad coverage designed to meet city needs. Here we will focus on continued solid performance and steady incremental improvement.

It's now 28 years that Minnesota cities have been working together through LMCIT, and maybe that makes us a mature organization. We're not quite sure what that means, but we're pretty sure that it doesn't mean that we stop connecting and innovating. Nice phrase, that—seems like we've heard it somewhere else.

Les Heitke
LMCIT Chair



Pete Tritz
LMCIT Administrator





Question:

Which number below most closely equals the total Property/Casualty dividend LMCIT has returned to members since 1987?

- A. \$4 million—**
The annual economic impact of Willmar's Sunshine Fest.
- B. \$7 million—**
The amount won in the lottery in 2007 by a Red Wing resident.
- C. \$171 million—**
The amount Minneapolis arts organizations spend.
- D. \$266 million—**
The amount of initial public offerings made by Minnesota companies in 2006.

A Answer: C

Since 1980, The League of Minnesota Cities Insurance Trust has delivered a strong, member-based Property/Casualty program that provides stable premium rate decisions, seeks to continually improve and enhance coverages, and has a long history of responsible dividend returns.

LMCIT's 816 city members and 300 special and joint powers districts have experienced relatively flat premium rates for core and optional liability coverages during recent years. While property rates generally have increased, liability rates have decreased. Overall, the effect has been flat or slightly decreased premium rates in the Property/Casualty program.

A key goal for LMCIT is to keep premium rates as stable as possible and avoid sudden shock increases in costs for cities. While premium costs can be kept reasonably predictable for cities at the front end, the natural variability in loss costs means dollars available to be returned as dividends vary from year to year. The variability in dividends is the result of an important trend—the increasing importance of property risks relative to liability. Property losses are inherently more variable and with

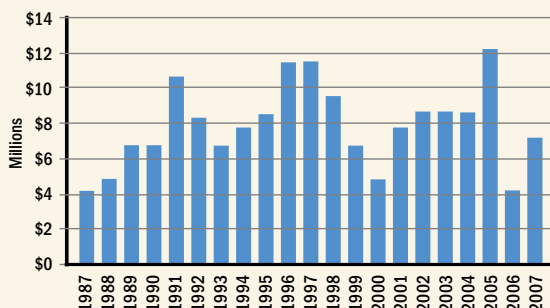
increases in the amount of risk LMCIT retains, members are likely to see more ups and downs in future dividend amounts. The experience of the past couple years is a good example, with dividends ranging from \$8 to \$4 million. Since 1987, LMCIT has returned \$171 million to members.

In 2007 and 2008, several coverage areas were simplified, including uninsured/underinsured motorist coverage. Some coverages were enhanced, including for crime coverage, newly acquired mobile equipment, and no-fault sewer coverage. In some cases, coverages were clarified with an eye toward protecting member assets—a good example is new limits on liability coverage for employee participation in outside organizations.

Whenever coverages change, the changes are shared with members and their agents in a variety of formats designed to describe the changes and any resulting decisions members might need to make. Feedback and comments always are appreciated, and help shape coverages.

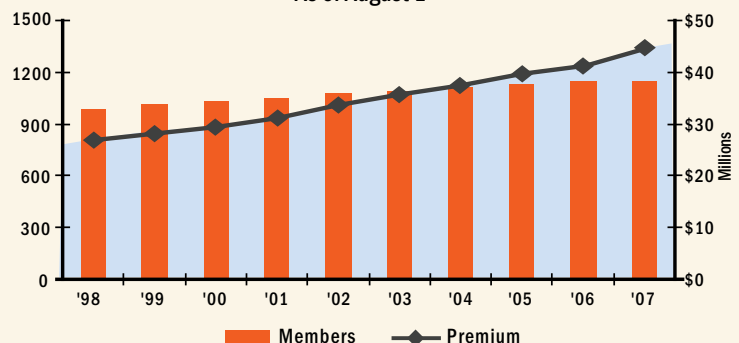
LMCIT will strive to continue delivering stable rates and unique coverages that serve city needs.

LMCIT Property/Casualty Dividends
\$171 million since 1987



LMCIT has returned \$171 million since 1987 to members in the Property/Casualty program.

Property/Casualty Program
As of August 1



LMCIT's Property/Casualty program has 816 city members and 300 special and joint powers districts. During recent years, premium rates have been generally flat.



Question:

LMCIT sets Workers' Compensation rates by:

- A.** Calculating the pounds of SPAM served annually at the SPAM Museum in Austin.
- B.** Considering Eden Prairie's rank by Money Magazine as one of the top 100 places to live.
- C.** Carefully weighing expected losses, anticipated expenses, a margin for contingencies, and other factors.
- D.** Multiplying the days in the year by the amount of fish caught during the Firemen's Youth Fishing Contest in St. Peter.

LMCIT analyzes facts and data—including injury frequency, indemnity and medical benefit costs, investment income and membership—to determine adequate rates for Workers’ Compensation coverages.

LMCIT’s primary goal for the Workers’ Compensation program is the same as that for the Property/Casualty program—to keep rates as stable as possible and to avoid sudden increases in costs for cities.

For the past couple of years, rate increases for the program’s more than 900 members have been modest despite medical cost increases of 10-12 percent per year. Rate stability has been possible for a number of reasons, including a generally positive outlook on injury frequency and indemnity costs. Improved outlooks on investment income and stable membership also have played a role in maintaining stable Workers’ Compensation rates.

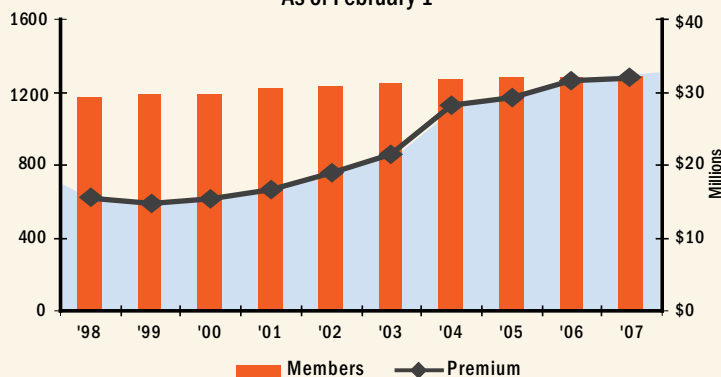
Another factor in maintaining stability has been LMCIT’s efforts to keep the margin on premiums fairly tight in recent years, so that the cost of losses is slightly less than or just above projected premiums. Keeping the margin tight to help ensure stable rates combined with increased medical costs, however, has meant that the Workers’ Compensation program has not returned a dividend for several years. Unfortunately, there is no evidence to suggest that medical costs will decrease in the coming years.

Keeping workers’ compensation costs under control really depends on two things: Avoiding injuries in the first place, and getting injured workers back to work as soon as possible after injuries do occur. One specific option available to members is managed care. During 2007, managed care participation appeared to have a modest impact on claims costs. As a result, LMCIT continues to offer a premium credit for members who choose managed care.

In the year ahead, LMCIT will work to maintain stable and fair rates, strong programs, and to deliver great service.

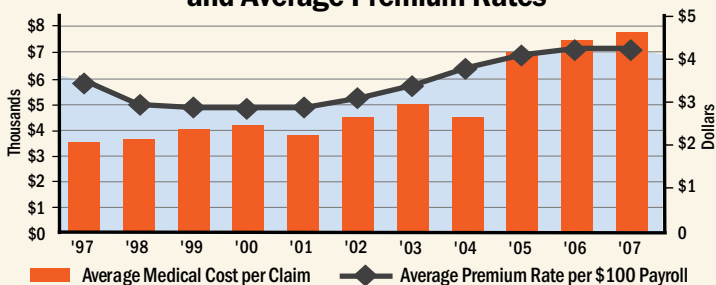
Workers’ Compensation Program

As of February 1



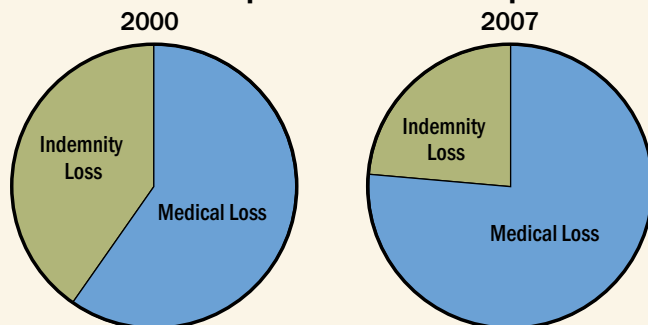
LMCIT’s Workers’ Compensation program has more than 900 members. In recent years, rate increases have been modest despite medical cost increase of 10-12 percent per year.

Average Medical Cost per Claim and Average Premium Rates



Despite medical cost increases of 10-12 percent per year during recent years, LMCIT has been able to maintain premium stability in part by keeping the margin on premiums fairly tight.

Workers’ Compensation Cost Components



Since 2000, medical loss costs have become a much larger portion of the Workers’ Compensation cost components.



Question:

**What's
hotter than
PATROL?**

- A. The chili cook-off at the Frostbite Festival in Fergus Falls.**
- B. The mercury reading during Summer Fest in Minnetonka.**
- C. The Naga Jolokia chile pepper (hottest in the world).**
- D. Nothing.**

A Answer: D

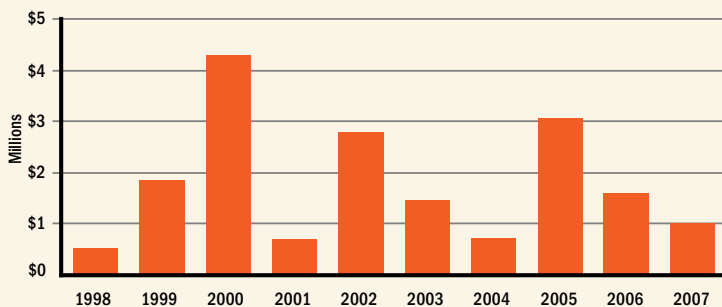
In 2007, more than 850 Minnesota peace officers were trained using PATROL, Police Accredited TRaining OnLine.

PATROL was designed to address key legal areas in order to reduce liability claims against police officers, which accounted for 19 percent of all liability losses from 2000-2007. Police liability loss costs can vary a lot from year to year, but have averaged about \$1.8 million per year during the past 10 years. The program, which debuted in September 2006, delivers POST-accredited training on legal liability issues unique to Minnesota. Participants receive monthly training in an easy-to-use online format, with content uniquely focused and tailored to current Minnesota law enforcement issues on which cities are most likely to face lawsuits and challenges.

Examples of topics covered in 2007 include use of force legal issues, traffic stops and vehicle searches, line of duty injuries and prevention, liability issues in pursuits and emergency vehicle operations, and more.

PATROL's web-based format means officers can access courses from any computer, anytime, wherever an Internet connection is

Liability Costs for Police: 1998-2007



Police liability loss costs can vary a lot from year to year, but have averaged about \$1.8 million per year during the past 10 years.

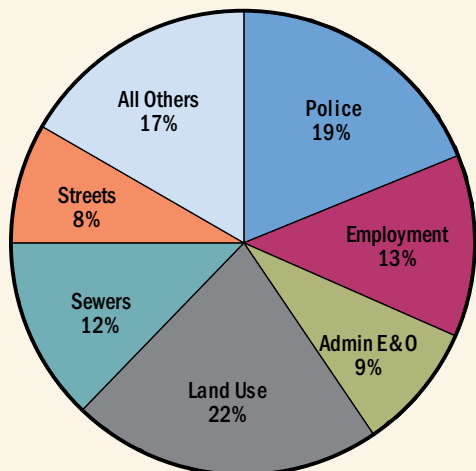
available. Officers don't have to leave town for training, saving departments overtime costs and helping avoid staffing issues during training.

Supporting PATROL course materials include legal memos based upon the latest Minnesota case law, developed and reviewed with input from police liability experts, insurance defense attorneys and local law enforcement agencies. This ensures the information officers receive is thorough and comprehensive. Automatic updates on PATROL course information means officers have continued access to important legal changes and developments that impact their jobs. In addition, city and county legal advisors and prosecutors also receive PATROL legal briefs so key staff are simultaneously kept up to date, and receive the same information from the same source.

PATROL is supported by the Minnesota Counties Insurance Trust, the Minnesota Chiefs of Police Association and the Minnesota Sheriffs' Association. This partnership allows the groups to coordinate training efforts and make the most of every program dollar, and enhances the legitimacy of the information and programming delivered.

PATROL is still in a pilot phase. The program is receiving overwhelmingly positive feedback in terms of content and relevance for Minnesota law enforcement. We've heard some complaints about operation of the PATROL website and term of PATROL's subscription year, so will be working in the coming year to address those concerns. LMCIT will revisit the PATROL program during 2008 to determine whether and how it should be continued.

**LMCIT Liability Losses:
2000-2007**



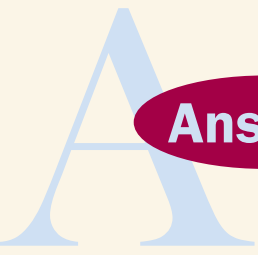
From 2000-2007, the police job class accounted for about 19 percent of LMCIT liability losses. Containing and reducing these costs was a key factor that led to the creation of PATROL, Police Accredited TRaining OnLine.



Question:

Why should your city participate in OSHA/Safety Assistance?

- A.** Employees are our most valuable resource.
- B.** Safety committee meetings are just plain fun!
- C.** Workplace accidents and injuries are expensive.
- D.** Providing a safe and healthy workplace is required by law.



Answer:

All. (OK, maybe not B)

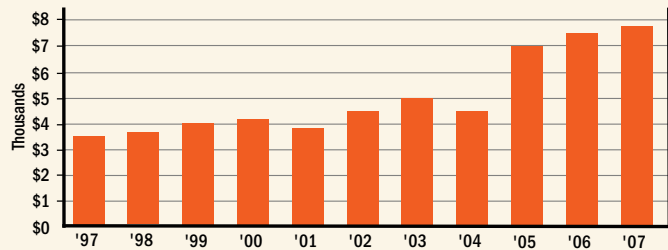
The purpose of LMCIT’s OSHA/Safety Assistance program is to help avoid employee injuries. That’s the only really effective way we have to control the rising costs of medical care for injured employees that are driving Workers’ Compensation costs.

LMCIT’s OSHA training sessions, conducted throughout the year, are a chance to convene safety coordinators to share technical information, safety management principles, and general safety program implementation and maintenance information. The blend of classroom and hands-on learning provides each safety coordinator the information needed to go back to their city and develop a comprehensive safety program.

The program delivers introductory, intermediate and advanced OSHA training, with topics ranging from safety committee creation and policy development, including from AWAIR and Employee Right-to-Know, to employee emergency procedures, ergonomics and confined space entry.

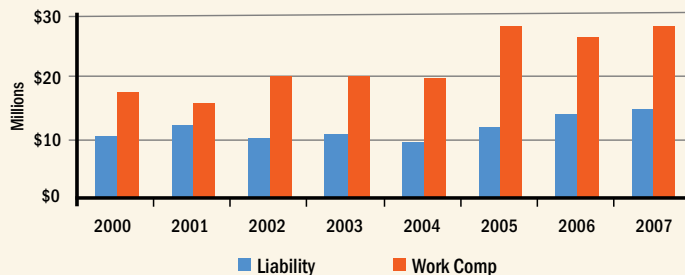
In 2007, OSHA program courses were attended by 231 employees from 130 cities. Another introductory level series will begin in the fall of 2008. At the same time, a repeat of the OSHA 300 series on ergonomics will be offered. Participation in the OSHA program has declined since its inception. Consequently, staff will monitor the program for new opportunities, improvements and changes.

Average Medical Cost per Claim



One of the primary cost drivers in the Workers' Compensation program is increasing medical costs for injured employees. Since 2004, average medical costs per claim have risen from \$4,600 to \$7,700 in 2007.

Comparison of Liability and Workers' Compensation Costs (2000-2007)



Since 2000, costs associated with the Workers' Compensation program have risen from nearly \$17 million to more than \$27 million in 2007.



Question:

Annual average land use claims costs are about the same as:

- A. \$2.5 million**—The same as the sum of damage done to the Backus area during the Minnesota Tornado Outbreak of 1969.
- B. \$4.5 million**—The same as the total received by the University of Minnesota for five renewable energy projects.
- C. \$6.5 million**—The same as the amount Minnesota Wild player Marian Gaborik makes in a year.
- D. \$8 million**—The same as the value of Minnesota's 1999 apple crop.



Answer: A

LMCIT members spend about \$2.5 million per year on land use claims, representing about 22 percent of all liability costs. The average cost of a land use claim is \$35,000. Of those costs, more than 85 percent is spent to cover defense costs. In other words, these claims generally are not about paying damages to someone, but rather are about paying for legal defense of the city.

Because land use costs to Minnesota cities are significant, and because the only way to avoid many land use claims is by making informed, thoughtful and appropriate land use decisions, LMCIT offers a unique loss control program to address these risks.

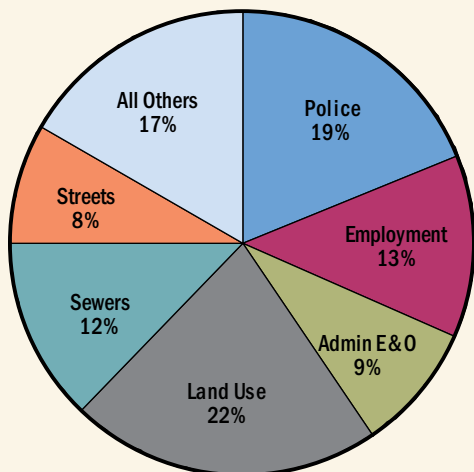
LMCIT’s team of land use attorneys works with members to provide customized information and training, and acts as a resource to elected and appointed city officials and city attorneys. Land use loss control staff addresses topics including the different roles elected officials must play in making land use decisions, and specific legal requirements related to things like planning, zoning, development, redevelopment, franchising, and more.

In 2007, the team worked with more than 460 elected and appointed officials from nearly 260 cities through training at the League’s Leadership Conferences; Issues in Focus sessions; and customized, city-specific trainings. City sign ordinances and regulation of dynamic signs (electronic billboards) were hot topics in 2007. LMCIT helped cities research these issues, provided guidance on city reactions to emerging technology, and helped members craft ordinance language to meet their specific needs and legal expectations.

Since the land use loss control program’s inception, the number of land use claims per year has been steady at about 70 per year—a positive sign that hopefully reflects improved city awareness and practices.

Going forward, additional land use loss control programs will be explored including development of online training and additional resource kits.

**LMCIT Liability Losses:
2000-2007**



Land Use liability losses accounted for 22 percent of LMCIT’s liability losses from 2000-2007.



Question:

The most common risk issue LMCIT identifies in reviewing city contracts and agreements is:

- A. Too little insurance.**
- B. Too little clarity.**
- C. Too much time between reviews.**
- D. Too many references to Paul Bunyan and Babe the Blue Ox.**



Answer: A, B and C

In the past year, LMCIT developed the Contract Review Services program to help guard member cities against common contract liability exposures by identifying defense and indemnification language that may be problematic.

Staff looks for trouble areas such as incomplete or unclear decision-making processes, unclear definitions of responsibility, liability, and identification of the party serving as employer, and more. As part of the service, advice and recommendations on insurance coverage also are provided to help ensure contracted activities fall within the scope of LMCIT coverages.

Expert LMCIT staff will review most contracts, but especially want to review all joint powers agreements and mutual aid agreements. These kinds of agreements may contain defense and indemnity provisions that aren't in the best interest of two LMCIT members working together. LMCIT staff work to ensure contracts clearly define channels of authority, responsibility and liability so cities can work with others to efficiently deliver services.

In 2007, staff reviewed nearly 150 contracts, including mutual aid and joint powers agreements and service contracts for police, fire, emergency services, sanitary districts, garbage removal, building inspection and more. A variety of other contracts reviewed range in topic from naming rights for a city building to leasing of water tower space, and from operation of a food shelf to employment contracts.

LMCIT's review does not replace the services of city attorneys. In fact, staff often works directly with city attorneys during the review process. Review can be as broad or as narrow as needed to respond to specific member concerns, and to protect members' interests.

Please contact LMCIT the next time your city begins to draft an agreement, or during review of an existing agreement.



Question:

The average number of pounds a Certified Nursing Assistant (CNA) lifts during the course of a 2-week period in a nursing home is closest to:

- A. 2.5 tons—**
The weight of the Macgillivray Pipe Band that performs at Little Canada Days.
- B. 4 tons—**
The weight of Alexandria's Big Ole, a 28-foot tall Viking statue.
- C. 8.7 tons—**
The weight of Darwin's Ball of Twine.
- D. 20 tons—**
The weight of World's Largest Stucco Snowman in North St. Paul.



Answer: D

Certified Nursing Assistants lift weight in excess of 24 tons every 2 weeks. This fact clearly illustrates the physical realities of care giving—there just isn't a safe way to manually lift or move a physically dependent adult.

A number of LMCIT members have municipal health care facilities, many with a high rate of injury among personnel. The majority of workers' compensation claims from these facilities are related to severe back, shoulder and neck injuries resulting from repetitive lifting, transfer and repositioning of patients.

Such injuries may be mostly preventable through use of no-lift technology and equipment. To help municipal health care facilities reduce employee injuries and control work comp loss costs, LMCIT partnered with Field Crest Care Center of Hayfield to demonstrate the impact of no-lift equipment by installing no-lift systems, training staff, and educating stakeholders about the value of this equipment.

Using Field Crest Care Center as a model, other city health care facilities have been encouraged to explore no-lift patient handling equipment. Success at Field Crest will be mea-

sured in terms of employee safety and morale, absenteeism and turnover. In addition, Field Crest Care Center will be available for touring by other LMCIT members. A complete package of documentary materials about the project also is available as a resource to other municipal health care facilities. Despite promising results from this project so far, this project has faced a number of challenges common in the health care industry, including high staff turnover and budget concerns.

As health care facilities seek to comply with the new safe patient handling law that requires every licensed health care facility in Minnesota to have a written safe patient handling policy in place by July 1, 2008, much can be learned from the Field Crest Care Center project.

In the year ahead, LMCIT will continue to encourage municipal health care facilities to seek manners in which to reduce the physical burden on caregivers and help decrease injuries to employees and patients, while maintaining a compassionate care environment.



Question:

Why does LMCIT do what it does?

- A.** Because we care about Minnesota cities.
- B.** To provide unique coverages specifically designed for Minnesota cities.
- C.** To ensure cities have a stable source of insurance coverage, regardless of private insurance industry cycles.
- D.** It's kind of fun.



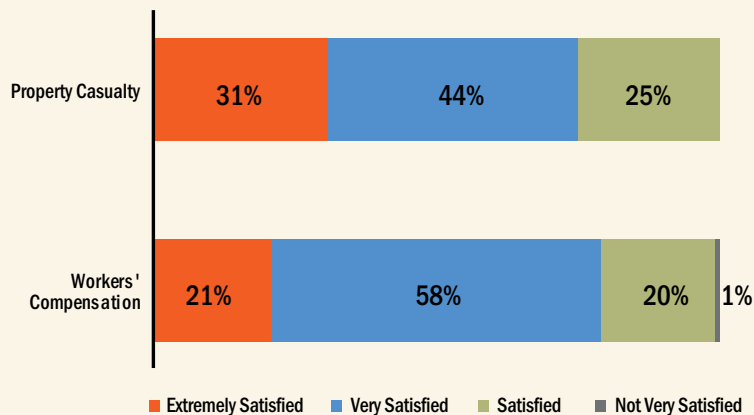
Answer: A, B, C and D!

LMCIT is Minnesota’s cooperative, joint-powers organization, and one of the first municipal self-insurance pools in the country. For 28 years, LMCIT has existed to meet the unique risk management and insurance needs of Minnesota cities by anticipating needs, analyzing trends and developing coverages.

LMCIT also works to promote effective risk management programs, and provide stable rates for Property/Casualty and Workers’ Compensation that are as low as possible.

Member surveys consistently demonstrate high rates of satisfaction with LMCIT. Overall, 100 percent of members in the Property/Casualty program and 99 percent of Workers’ Compensation members report being satisfied with the work and services provided by LMCIT.

2007 Member Satisfaction



During 2007, 100 percent of members in the Property/Casualty and 99 percent of members in the Workers' Compensation program report being satisfied with the work and service provided by LMCIT.

Please contact LMCIT with questions and comments at (651) 281-1200 or (800) 925-1122



Question:

Who do I contact with more questions or to help me with my coverage needs?

- A. Your mom.**
- B. Call (651) 281-1200 or (800) 925-1122.**
- C. Board of Trustees.**
- D. LMCIT staff.**



Answer: B, C and D

LMCIT staff is here to assist you with your questions and needs. Please feel free to contact staff at the numbers and emails listed. If you are unsure who you need to talk with, call LMC's main numbers—(651) 281-1200 or (800) 925-1122.

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