

BOARD OF TRUSTEES OF THE NEBRASKA STATE COLLEGES
ITEMS FOR DISCUSSION AND ACTION\FISCAL, FACILITIES AND AUDIT

ACTION: **First and Final Round Approval of Board Policy 6609; Risk Loss Trust**

Policy 6609 is a new policy establishing guidance regarding the use, funding, and operation of the risk loss trust established by Neb. Rev. Stat. 85-330 and Policy 6701. The risk loss trust will be used to offset deductibles over \$50,000 up to \$200,000 for the Colleges in the event of a covered loss under the College's property or liability insurance coverage.

In order to grow the trust, the Colleges will be required to repay the trust over a three (3) year period. Additionally, the Colleges will contribute to the trust a total of \$100,000, increasing 5% annually. Any dividends received from insurers and all earned interest will be retained in the fund and commencing FY2025.

The use, funding, and operation of the risk loss trust will be reviewed every two (2) years.

The System Office recommends approval of the Board Policy 6609; Risk Loss Trust.

ATTACHMENTS:

- Board Policy 6609 (PDF)

Board of Trustees of the Nebraska State Colleges

Business and Finance

POLICY NAME: Risk Loss Trust

POLICY NUMBER: 6609

A. PURPOSE

To provide guidance regarding the use, funding and operation of the risk loss trust established by Policy 6701.

B. DEFINITIONS

None

C. POLICY

1. General

- 1.1. Beginning with FY2024, the risk loss trust will be available to partially offset deductibles for claims under the Board's general, excess, and educator's legal liability coverages and property coverages.
- 1.2. The Board will continue to procure liability and property coverages, and the cost of premiums will be allocated to the Colleges.
 - Liability related premiums will be allocated between the Colleges based upon the distribution of funds.
 - Property premiums will be allocated between the Colleges based upon the statement of values.

2. Funding the Risk Loss Trust

- 2.1. The Colleges will be required to contribute to the trust on an annual basis commencing FY2025.
 - The contribution to the trust for FY2025 will be a total of \$100,000, increasing five percent (5%) annually.
 - The total contribution will be allocated between the Colleges based upon the percentage of premiums paid by each College for property, general liability, excess liability, and educators' legal liability coverages for the prior fiscal year.

- 2.2. Any additional dividends or refunds paid due to our prior participation in the MHEC master property program, through UE, or another insurance program or provider will be deposited into the trust.
- 2.3. Any interest earned will be retained by the risk loss trust.

3. Withdrawals

- 3.1. In the event the College experiences a covered loss, as the policy is currently drafted, the College is responsible for the first \$50,000 of any loss before it can access the risk loss trust which should be covered by the College's operating budget.
- 3.2. To the extent additional deductible and damages exist beyond the first \$50,000, the College will then have access to the risk loss fund to offset up to \$200,000 of additional deductible. Any remaining deductible will be the College's responsibility.
- 3.3. The College may submit a request to utilize reserve funds pursuant to Policy 6005 if needed to cover any remaining deductible not covered by the risk loss trust.
- 3.4. No individual College can access more than a total of \$200,000 at any given time regardless of the number of claims.

4. Repayment

- 4.1. The Colleges will be required to reimburse the trust for any amounts expended on their behalf over a three (3)-year period commencing the fiscal year following the closing of the claim. This repayment period could be adjusted by the Board for good cause.

5. Reporting and Review

- 5.1. The Colleges will be required to track and report all claims and losses incurred under the property, general liability, excess liability, and educators' legal liability coverages regardless of whether the risk loss trust is implicated.
- 5.2. The use, funding, and operation of the risk loss trust will be reviewed every two (2) years to ensure the trust is satisfying its intended purpose.

FORMS/APPENDICES:

None

SOURCE:

Legal Reference: Neb. Rev. Stat. 85-330 Risk-loss trusts authorized; requirements;
applicability of provisions; Attorney General;
State Claims Board; duties.

Policy Adopted: September 2023

Policy Revised: