

MAR 10 2024

FILED

# CERTIFICATION

March 10, 2024

I, Eric Dunning, Director of Insurance of the State of Nebraska, do hereby certify that the attached is a full and correct copy of the Financial Examination Report of

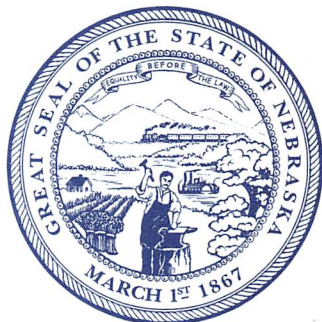
**NEBRASKA COMMUNITY COLLEGE INSURANCE TRUST**

**AS OF**

**JUNE 30, 2022**

The report is now on file and forming a part of the records of this Department.

I hereto subscribe my name under the seal of my office at Lincoln, Nebraska.



A handwritten signature in blue ink, appearing to read "Eric Dunning".

DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Notice of the proposed report for the financial examination of

**NEBRASKA COMMUNITY COLLEGE INSURANCE TRUST**

**8040 EIGER DRIVE**

**LINCOLN, NE 68516**

dated as of June 30, 2022, verified under oath by the examiner-in-charge on February 8, 2024, and received by the company on February 14, 2024, has been adopted without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 29<sup>th</sup> day of February 2024.

STATE OF NEBRASKA  
DEPARTMENT OF INSURANCE

A handwritten signature in black ink, appearing to read "L. Crawford", written in a cursive style.

Lindsay Crawford, CFE  
Chief Financial Regulator

**STATE OF NEBRASKA**

**Department of Insurance**

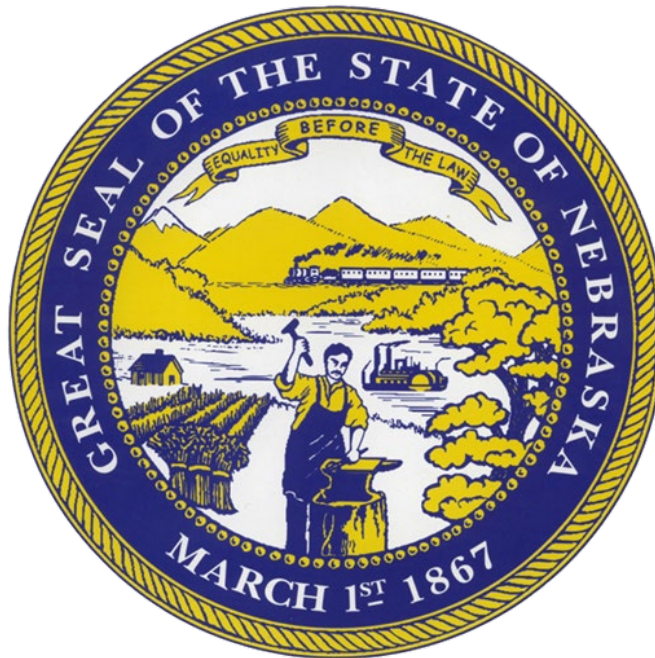
**EXAMINATION REPORT**

**OF**

**NEBRASKA COMMUNITY COLLEGE INSURANCE TRUST**

**as of**

**June 30, 2022**



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Lincoln, Nebraska  
January 4, 2024

Honorable Eric Dunning  
Director of Insurance  
Nebraska Department of Insurance  
1526 K Street, Suite 200  
Lincoln, Nebraska 68508

Dear Sir:

Pursuant to your instruction and authorizations, and in accordance with statutory requirements, an examination has been conducted of the financial condition and business affairs of:

**NEBRASKA COMMUNITY COLLEGE INSURANCE TRUST**  
**8040 Eiger Drive**  
**Lincoln, Nebraska 68516**

(hereinafter also referred to as the “Trust”) and the report of such examination is respectfully presented herein.

**INTRODUCTION**

The State of Nebraska last examined the Trust as of June 30, 2018. The current financial condition examination covers the intervening period to and includes the close of business on June 30, 2022 and such subsequent events and transactions as were considered pertinent to this report. The State of Nebraska participated in this examination and assisted in the preparation of this report.

**SCOPE OF EXAMINATIONS**

The Nebraska Department of Insurance conducted this examination pursuant to and in accordance with the provisions of Section §44-4310(2) of the Nebraska Insurance Statutes.

The Nebraska Department of Insurance made a general review of the Trust’s operations and the manner in which its business has been conducted in order to determine compliance with

statutory and charter provisions. The Trust's history was traced and has been set out in this report under the caption "Description of Trust." All items pertaining to management and control were reviewed, including provisions for disclosure of conflicts of interest to the Board of Trustees and the departmental organization of the Trust. The Formation Agreement and By-Laws were reviewed, including appropriate filings of any changes or amendments thereto. The minutes of the meetings of the Board of Trustees, held during the examination period, were read and noted. Attendance at meetings, election of Officers, and approval of investment transactions were also noted.

Insurance coverages protecting the Trust's property and interests were reviewed. Certificates of Authority to conduct the business of insurance in Nebraska were inspected and a survey was made of the Trust's general plan of operation.

Data reflecting the Trust's growth during the period under review is reflected in the financial section of this report under the caption "Body of Report."

The Trust's reinsurance facilities were ascertained and noted, and have been commented upon in this report under the caption "Excess Insurance." Accounting records and procedures were tested to the extent deemed necessary. The Trust's method of claims handling and procedures pertaining to the adjustment and payment of incurred losses were also noted.

All accounts and activities of the Trust were considered in accordance with the provisions of Section §44-4310(2) of the Nebraska Insurance Statutes. This included a review of workpapers prepared by Thomas, Kunc and Black, LLP, the Trust's external auditors, during their audit of the Trust's accounts for the examination period. Portions of the auditor's workpapers have been incorporated into the workpapers of the examiners and have been utilized in determining the scope and areas of emphasis in conducting the examination. This utilization

was performed pursuant to Title 210 (Rules of the Nebraska Department of Insurance), Chapter 56, Section 013.

Any failure of items to add to the totals shown in schedules and exhibits appearing throughout this report is due to rounding.

## **DESCRIPTION OF THE TRUST**

### **HISTORY**

The Trust was organized on May 1, 1995 under the laws of the State of Nebraska pursuant to the Intergovernmental Risk Management Act, Section §44-4301 to §44-4339 of the Nebraska Insurance Statutes. The Trust was formed to provide property, general liability, errors and omissions, and workers' compensation coverages to Nebraska community colleges. On May 1, 1995, the Nebraska Department of Insurance granted the Trust a Certificate of Authority and it commenced business as of that date.

### **MANAGEMENT AND CONTROL**

#### **Membership**

Article IX, Section C of the Trust's Formation Agreements states that, "all Nebraska community colleges are eligible to make application for membership to the Trust..." The members at the examination date were Central Community College, Metropolitan Community College, Mid-Plains Community College, Northeast Community College, Southeast Community College, and Western Nebraska Community College.

#### **Board of Trustees**

Article IX, Section A of the Trust's Formation Agreement states that, "the Trust shall be operated by a Board of Trustees consisting of one representative from each signatory college hereto. The governing authority of each signatory college shall select a representative to serve

on the Board of Trustees. Each college may change its representative by providing written notice to the Trust. Each Trustee shall be entitled to one vote in all matters that come before the Board.”

Nebraska Revised Statute 44-5105(3) reads: "On no less than a quarterly basis, and more often if deemed appropriate, the board of directors or committee of the board of directors shall receive and review a summary report on the insurer's investment portfolio, investment activities, and investment practices engaged in under delegated authority, in order to determine whether the investment activity of the insurer is consistent with its written plan." It was noted that the Trust is only approving its investments on an annual basis rather than on a quarterly basis. It is recommended that the Trust’s Board of Trustees approve investment activity and transactions on a quarterly basis as set forth in Neb. Rev. Stat. 44-5105(3).

Members of the Board of Trustees, duly chosen by their respective colleges and serving the Trust as of June 30, 2022 were as follows:

<b><u>Name and Residence</u></b>	<b><u>Principal Occupation</u></b>	<b><u>Representing College</u></b>
Scott Gray Norfolk, Nebraska	Vice President of Administrative Services	Northeast Community College
Amy Jorgens Lincoln, Nebraska	Vice President of Administrative Services	Southeast Community College
Joel King Grand Island, Nebraska	Vice President of Administrative Services	Central Community College
Lynne Koski Gering, Nebraska	Vice President of Administrative Services	Western Nebraska Community College
Brenda Schumacher Omaha, Nebraska	College Business Manager	Metro Community College
Michael Steele North Platte, Nebraska	Vice President of Administrative Services	Mid-Plains Community College



**Officers**

Article II, Section 1 of the By-Laws states that, “the Board at its first meeting each year shall choose among its member Trustees a President, a Secretary and a Treasurer. The President shall chair each meeting and serve as Executive Officer for the Board. The Secretary shall maintain the minutes of each meeting. The Treasurer shall oversee the preparation of the financial statements and investments of the Trust and make reports to the Board as required by the Board.” It was noted that at the first Board of Trustees meeting of 2021 no officers were elected for the upcoming year. It is recommended that the Company comply with its By-Laws and elect and/or re-elect Officers at the first meeting each year.

The following is a listing of Officers serving the Company at June 30, 2022:

<b><u>Name</u></b>	<b><u>Office</u></b>
Lynne Koski	President
Mike Steele	Secretary
Amy Jorgens	Treasurer

**Committees**

Article III, Section 1 of the By-Laws states that, “the Board may, by resolution passed by a majority of the whole Board, designate one or more committees.” The Trust has established a Claims Committee, Finance, Audit, and Compliance Committee, Loss Prevention and Safety Committee, and a Policy and Coverage Review Committee.

The following persons were serving on the Claims Committee at June 30, 2022:

Michael Steele, Chair                      Amy Jorgens                      Joel King

The following persons were serving on the Finance, Audit and Compliance Committee at June 30, 2022:

Amy Jorgens, Chair                      Joel King                      Brenda Schumacher

The following persons were serving on the Loss Prevention and Safety Committee at June 30, 2022:

Lynne Koski, Chair                      Michael Steele                      Scott Gray

The following persons were serving on the Policy and Coverage Review Committee at June 30, 2022:

Lynne Koski, Chair                      Scott Gray                      Brenda Schumacher

**SERVICE AGREEMENTS**

**Claims Service Agreement**

Effective July 1, 2007, the Trust entered into an agreement with the Nebraska Risk Management Association, Inc. (NRMA) for specified contract services relating to claims administration and loss prevention. This agreement further states that NRMA shall provide information services – standard reporting, loss funding reporting, loss notice reporting, topical and breakdown reporting, shall be available for meetings, shall provide outside adjusting, and allow for the use of managed care services. This agreement establishes NRMA settlement authority at \$10,000.

As a result of this agreement, NRMA reviews all claims; conducts all investigations of claims; maintains all claim files; has the authority to adjust, settle or resist all qualified claims within stated discretionary settlement authority limits; performs all necessary administrative work in connection with each claim including preparation of checks, releases, agreements and other needed documents; assists in establishing banking arrangements for loss and expense payments; establishes and updates claim reserves; notifies excess insurance carriers of all qualified claims which may exceed the Trusts retention; coordinates investigations on litigated claims with attorney representing the Trust and representatives of the excess insurance carriers; reviews large

and unusual claims; investigates and pursues subrogation possibilities; maintains an automated loss and information system and provides necessary reporting; provides necessary forms; provides additional ad hoc information, analysis, reports and services on a time and expense basis; and assists the Trust in selecting appropriate experts and specialists as the claims may require.

The Trust agrees to provide funds for the payment of qualified claims, allocated loss expenses, and managed care fees. The agreement specifies all allocated expenses including specified managed care services are the responsibility of the Trust.

NRMA agrees that all claim files for claims incurred during the contract periods will be handled for no additional fees for as long as the Trust continues to renew its contract with NRMA. In the event of cancellation or non-renewal of this contract, NRMA will continue to manage all pending claims and claims incurring in this service term but not reported prior to the date of termination only if the Trust pays NRMA, within established terms, to continue handling open claims at NRMA's prevailing rate on the date of termination.

Effective July 1, 2021, the Trust agrees to pay an annual service fee of \$65,000 for these agreed upon services, as well as a per claim service fee.

#### **Administrative Services Agreement**

The Trust entered into an administrative service agreement with NRMA with an initial term effective July 1, 2012. The agreement has been renewed for additional terms of 1 to 3 years since and was most recently renewed for July 1, 2021 to June 30, 2024. NRMA provides administrative services and operational management for the day-to-day operation of the Trust. The Trust pays semi-annual installments to NRMA, which for the period of July 1, 2021 to June 30, 2024 were \$51,000 each. Additionally, there is an annual fee, mutually agreed upon by the

parties, attributed to separately identified loss control activities. The fee for the period ended June 30, 2022 was \$18,000.

### **Brokerage and Administrative Agreement**

The Trust entered into an agreement with Arthur J. Gallagher Risk Management Services, Inc. (A.J. Gallagher) to provide administrative, advising and insurance brokerage services. The current agreement is effective for a term of one year commencing July 1, 2021, remained in force until June 30, 2022. This Agreement shall automatically renew on the first anniversary of the Effective Date and annually thereafter for consecutive additional periods of one (1) year each. This Agreement may be terminated by either Party at any time upon thirty (30) days' prior written notice. In return, A.J. Gallagher's annual fee for the period ended June 30, 2022 was \$60,225.

### **TERRITORY AND PLAN OF OPERATIONS**

As evidenced by current or continuous Certificates of Authority, the Company is licensed to transact business in Nebraska as a risk management pool and to provide group self-insurance to its members.

The Trust operates to provide insurance coverage for property, general liability, errors and omissions liability, and workers' compensation to community colleges of the State of Nebraska. Membership consists of six community colleges as of June 30, 2022.

Claims are handled by a third party administrator, NRMA. The Board of Trustees is responsible for setting contribution rates. Administrative costs incurred by the Trust for accounting, audit and legal retainer fees are billed to members based on each member's proportion of the total premium.

## EXCESS INSURANCE

The Trust's excess insurance program for the fiscal year ending June 30, 2022 consisted of multiple layers of coverage in excess of various self-insured retentions as defined in the various contracts.

The Trust has a higher education excess of loss agreement underwritten by Brit Syndicates LTD (BRIT). The policy provides combined property, casualty and workers compensation coverages on a surplus lines basis.

The policy coverage in-force for the 2021/2022 fiscal year was as follows:

Section I (Property including Auto Physical Damage)	\$250,000 XS of \$250,000 each loss, each occurrence
Section II (General Liability)	\$1,900,000 XS of \$100,000 each occurrence
Section III (Automobile Liability)	\$1,900,000 XS \$100,000 each occurrence
Section IV (Educators Liability)	\$1,900,000 XS of \$100,000 each occurrence
Section V (Excess Workers' Comp)	\$350,000 XS of 200,000 each occurrence
Section VI (Employee Benefits Liability)	\$1,900,000 XS \$100,000 each claim
Section VIII (Campus Security Liability)	\$1,900,000 XS \$100,000 each occurrence
Section IX (Student Practices Liability)	\$1,900,000 XS \$100,000 each occurrence

The Trust has five contracts in place providing coverage in excess of the BRIT higher education package as follows:

Travelers Excess and Surplus Lines Company Property	\$100,000,000 XS of \$500,000 each occurrence
Chubb European Group SE Property	\$250,000,000 XS of \$100,000,000 each occurrence
Hanover Insurance Company Automobile Physical Damage	\$5,000,000 XS of \$500,000 each occurrence
Genesis Insurance Company General Liability	\$5,000,000 XS of \$2,000,000 each occurrence
Automobile Liability	\$5,000,000 XS of \$2,000,000 each occurrence
Educators Liability	\$5,000,000 XS of \$2,000,000 each occurrence
Employee benefits Liability	\$5,000,000 XS of \$2,000,000 each occurrence
Campus Security Liability	\$5,000,000 XS of \$2,000,000 each occurrence

Student Practices Liability \$5,000,000 XS of \$2,000,000 each occurrence

Safety National Casualty Corporation Workers' compensation limits \$500,000 EPL of \$550,000, up to statutory workers compensation limits

The Trust obtained boiler and machinery coverage through an agreement with Travelers Property and Casualty Company of America with a limit of \$250,000,000 and does not retain any risk beyond a deductible of \$2,500.

The Trust obtained Crime coverage through an agreement with Travelers Casualty and Surety Company of America with a limit of \$1,000,000 and does not retain any risk beyond a deductible of \$50,000.

The Trust obtained cyber security insurance through a policy with Beazley USA, whereby the Trust retains \$50,000 and has coverage up to \$6,000,000.

## **BODY OF THE REPORT**

### **GROWTH**

The following comparative data reflects the growth of the Trust during the period covered by this examination:

	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>
Cash and short-term certificates of deposit	\$ 5,310,936	\$10,535,733	\$ 7,245,568	\$ 3,297,385
Long-term certificates of Deposit	3,737,940		3,055,094	5,349,719
Admitted assets	10,754,430	13,381,122	12,827,812	13,069,959
Loss reserve	1,576,960	1,525,996	1,490,583	1,713,975
Total liabilities	5,585,756	8,065,851	8,325,166	6,183,416
Surplus	5,168,674	5,315,271	4,502,646	6,886,543
Premium earned (net)	1,826,509	1,734,669	2,946,736	2,501,916
Net investment income	155,429	169,395	90,842	70,536
Losses incurred (net)	175,884	592,429	596,382	805,834
Net income	1,331,419	746,597	1,995,674	775,598

## **FINANCIAL STATEMENTS**

The following statement of admitted assets and liabilities, together with the accompanying summary of operations, reflects the financial condition of the Trust on June 30, 2022 and its transactions during the year as determined through this examination. A reconciliation of the capital and surplus account for the period under review is also included.

### **FINANCIAL STATEMENT**

**June 30, 2022**

#### **Assets**

Cash on deposit	\$ 2,775,776
Certificates of deposit	521,609
Long-term certificates of deposit	<u>5,349,719</u>
Subtotal, cash and invested assets	\$ 8,647,104
Reinsurance recoverable on paid claims	60,054
Accounts receivable	4,305,028
Interest accrued	<u>57,773</u>
Total assets	<u>\$13,069,959</u>

#### **Liabilities and Surplus**

Loss reserves	\$ 1,713,975
Loss adjustment expenses	572,037
Unearned premiums	3,795,244
Draft liability	<u>102,160</u>
Total liabilities	\$ 6,183,416
Surplus	<u>6,886,543</u>
Total liabilities and surplus	<u>\$13,069,959</u>

## STATEMENT OF INCOME – 2022

### Revenue

Premiums earned, direct	\$ 6,575,360
Premiums earned, transferred by excess	<u>(4,073,444)</u>
Net premiums	\$ 2,501,916
Investment income	<u>70,536</u>
Total revenues	<u>\$2,572,452</u>

### Expenses

Losses incurred, direct	\$9,968,241
Losses incurred, transferred by excess	<u>(9,162,407)</u>
Net losses	\$ 805,834
Loss expense incurred	559,646
Other underwriting expenses incurred	<u>431,374</u>
Total expenses	<u>\$1,796,854</u>
Net income	<u>\$ 775,598</u>

## CAPITAL AND SURPLUS ACCOUNT

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Capital and surplus, beginning	<u>\$4,137,255</u>	<u>\$5,168,674</u>	<u>\$5,315,271</u>	<u>\$4,502,646</u>
Net income	\$1,331,419	\$ 746,597	\$1,995,674	\$ 775,598
Dividends	(300,000)	(600,000)	(300,000)	(900,000)
Change in non-admitted assets	_____	_____	<u>(2,508,299)</u>	<u>2,508,299</u>
Net change for the year	<u>\$1,031,419</u>	<u>\$ 146,597</u>	<u>\$ (812,625)</u>	<u>\$2,383,897</u>
Capital and surplus, ending	<u>\$5,168,674</u>	<u>\$5,315,271</u>	<u>\$4,502,646</u>	<u>\$6,886,543</u>

### EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of \$6,886,543 as reported in the Trust's 2022 Annual Statement, has been accepted for examination purposes. Examination findings, in the aggregate, were considered to have no material effect on the Trust's financial condition.



## **COMPLIANCE WITH PREVIOUS RECOMMENDATIONS**

The recommendations appearing in the previous report of examination are reflected below together with the remedial actions taken by the Trust to comply therewith:

**Third Party Provider Review** –It is suggested that a review of third party service providers be conducted and documented at least annually. This can be accomplished by a review of a Statement of Operating Controls (SOC) report, or review of external audit reports.

**Action:** The Company has complied with this recommendation.

## **COMMENTARY OF CURRENT EXAMINATION FINDINGS**

There are no additional comments or recommendations that have been made as a result of this examination.

## **SUMMARY OF COMMENTS AND RECOMMENDATIONS**

The following comments and recommendations have been made as a result of this examination:

**Election of Officers** - It is recommended that the Trust comply with its By-Laws and elect and/or re-elect Officers at the first meeting each year.

**Investment Approvals** - It is recommended that the Trust's Board of Trustees approve investment activity and transactions on a quarterly basis as set forth in Neb. Rev. Stat. 44-5105(3).

**ACKNOWLEDGMENT**

The courteous cooperation extended by the Officers and employees of the Trust during this examination is hereby acknowledged.

In addition to the undersigned, Alexis Anderson and Santosh Ghimire, CFE, Financial Examiners; and Gary Evans, CISA, AES, CFE, Information Systems Specialist; all with the Nebraska Department of Insurance, participated in this examination and assisted in the preparation of this report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Skyler Lawyer". The signature is written in a cursive style with a large, looping initial 'S'.

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Skyler Lawyer, CFE  
Supervisory Examiner  
Department of Insurance  
State of Nebraska

State of Nebraska,

County of Lancaster,

Skyler Lawyer, being duly sworn, states as follows:

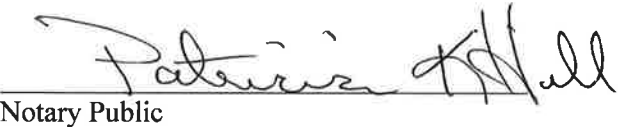
1. I have authority to represent the Department of Insurance of the State of Nebraska in the examination of Nebraska Community College Insurance Trust.
2. The Department of Insurance of the State of Nebraska is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of Nebraska Community College Insurance Trust was performed in a manner consistent with the standards and procedures required by the Department of Insurance of the State of Nebraska.

The affiant says nothing further.

  
Examiner-in-Charge's Signature

Subscribed and sworn before me by Skyler Lawyer on this 8 day of Feb, 2024.



  
Notary Public

My commission expires 8-8-27 [date].