

CERTIFICATION

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE
SEP 03 2015
FILED

September 3, 2015

I, Bruce R. Ramage, 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, 2014

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.



Bruce R. Ramage

DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Take notice that the proposed report of the financial examination of

NEBRASKA COMMUNITY COLLEGE INSURANCE TRUST

dated as of June 30, 2014, verified under oath by the examiner-in-charge on July 28, 2015, and received by the company on August 4, 2015, has been adopted without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3)(a).

Dated this 20 day of August 2015.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE



Justin Schrader
Chief Financial Examiner

STATE OF NEBRASKA

Department of Insurance

EXAMINATION REPORT

OF

Nebraska Community College Insurance Trust

as of

June 30, 2014



Lincoln, Nebraska
June 11, 2015

Honorable Bruce R. Ramage
Director of Insurance
State of Nebraska
941 "O" Street, Suite 400
Lincoln, Nebraska 68508

Dear Sir:

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

NEBRASKA COMMUNITY COLLEGE INSURANCE TRUST
100 North 12th Street, Suite 200
Lincoln, Nebraska 68508

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

INTRODUCTION

The Trust was last examined as of June 30, 2010, by the State of Nebraska. The current financial condition examination covers the intervening period to, and including, the close of business on June 30, 2014, and includes such subsequent transactions as were deemed pertinent to this report.

SCOPE OF EXAMINATION

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

A general review was made 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 Company". 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 By-Laws and Formation Agreement were reviewed, including appropriate filings of any changes or amendments thereto. The minutes of the meetings of the Members and Board of Trustees, held during the examination period, were read and noted. Attendance at meetings, proxy information, election of Directors and Officers, approval of investment transactions and authorization of salaries were also noted.

The fidelity bond and other insurance coverages protecting the Trust's property and interests were reviewed. Certificate of Authority to conduct the business of insurance in the State of Nebraska was 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 excess insurance 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 claims handling procedures pertaining to the adjustment and payment of incurred losses were also noted.

The assets were verified and evaluated, and the liabilities and reserves determined, in order to present herein a statement of the Trust's financial condition as of June 30, 2014. This included a review of selected workpapers prepared by Thomas, Kunc and Black, LLP, the Trust's auditors, in their examination of the Trust's accounts for the year ending June 30, 2014.

A portion 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. The aforementioned utilization of the auditor's workpapers was performed pursuant to Title 210 (Rules of Nebraska Department of Insurance), Chapter 56, Section 013. All accounts were reviewed during the current examination, however, none were deemed to require special emphasis.

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

DESCRIPTION OF COMPANY

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 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 Agreement states, "all Nebraska Community Colleges are eligible to make application for membership to the Trust". Article IX, Section C (2) states, "the College must enter this Agreement with approval of the proper governing authority". Article VII, Section C states, "a College may withdraw by providing

ninety days written notice to the Trust and to the Director of Insurance prior to an anniversary date of the Agreement. Such termination shall not be effective until approved by the Director as provided by Neb. Rev. Stat. Sec. 44-4309". Article VII, Section D further states, "after a College ceases to participate in the Trust, the College shall remain liable for any costs and obligations incurred by the Trust while the College was a participant, and any contractual obligations the College entered into with the Trust on or before the date of termination as provided by Neb. Rev. Stat. Sec. 44-4309".

Board of Trustees

Article IX, Section A of the Trust’s Formation Agreement states, “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”.

Members of the Board of Trustees, duly chosen by their respective colleges and serving the Trust as of June 30, 2014 were as follows:

<u>Name and Residence</u>	<u>Principal Occupation</u>	<u>Representing College</u>
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
William Knapper Scottsbluff, Nebraska	Vice President of Administrative Services	Western Community College
David W. Koebel Omaha, Nebraska	College Business Officer	Metropolitan Community College

<u>Name and Residence</u>	<u>Principal Occupation</u>	<u>Representing College</u>
Lynne Koski Creston, Nebraska	Vice President of Administrative Services	Northeast Community College
Mike Steele North Platte, Nebraska	Area Business Officer	Mid-Plains Community College

Officers

In accordance with Article II Section 1 of the By-Laws, “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”. Article II Section 2 states, “the Board may appoint such other Officers and agents as it shall deem necessary who shall hold office for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board”.

Officers serving the Trust as of June 30, 2014 were as follows:

<u>Name</u>	<u>Office</u>
David W. Koebel	President
Lynne Koski	Secretary
William Knapper	Treasurer

Committees

In accordance with Article III Section 1 of the By-Laws, “the Board may, by resolution passed by a majority of the whole Board, designate one or more committees”. In anticipation of Nebraska Risk Management Association, Inc. (NRMA) taking over the management activities of the Trust, the Board created four committees to facilitate communication between the Trust and NRMA. The four committees established by the Board on May 24, 2012 were the Finance and

Audit, Claims, Loss Prevention and Safety, and Policy Coverage and Review. Committees of the Board, and their membership, at June 30, 2014, included the following:

Policy & Coverage Review Committee

Dave Koebel, Chairperson
William Knapper, Vice-Chair
Lynne Koski

Loss Prevention & Safety Committee

Lynne Koski, Chairperson
William Knapper, Vice-Chair
Mike Steele

Finance & Audit Committee

Amy Jorgens, Chairperson
Joel King, Vice-Chair
Dave Koebel

Claims Committee

Mike Steele, Chairperson
Amy Jorgens, Vice-Chair
Joel King

SERVICE AGREEMENTS

Administrative Services Agreement

The Trust entered into an administrative service agreement with NRMA with an initial term effective July 1, 2012 through June 30, 2015. NRMA is a non-profit corporate entity governed by a Board of Directors which consists of five members. 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, 2013 to July 1, 2014 were \$43,000 each. Additionally, there is an annual fee of \$18,000 attributed to separately identified loss control activities.

Claims Service Agreement

The Trust entered into an agreement with 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 coordination

benefits, 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; 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.

The Trust agrees to pay the annual sum for these agreed upon services which was \$65,000 effective July 1, 2013. Compensation to NRMA is subject to audit adjustments at the 18th and 24th month from the inception date of the contract.

Additional service terms and conditions of the agreement include the following costs used for the year ending June 30, 2014: the Trust is billed \$775 per claim for each General Liability Bodily Injury claim reported, \$660 per claim for each Auto Liability Bodily Injury claim reported, \$505 per claim for each Auto Liability Property Damage claim reported, \$592 per claim for each General Liability Property Damage claim reported, \$505 per claim for each Auto Physical Damage claim reported, \$750 per claim for each Professional Liability claim reported, \$780 per claim for each Property claim reported, \$650 per claim for each Crime, Money, and Security claim reported, \$600 per claim for each Garage Keeper's Liability claim reported, \$210 per claim for each Workers' Compensation Medical Only claim reported, \$50 per claimant for each Workers' Compensation records only, \$50 per Incident Report and \$1,000 per claim for each Workers' Compensation Indemnity claim reported.

Beginning July 1, 2007 NRMA is to handle pre-existing claims that are open as of June 30, 2007. Take-Over claims and fees include the following costs: the Trust is billed \$80 per claimant for each Workers' Compensation Medical Only claim, \$450 per claimant for each Workers' Compensation Indemnity claim, and a flat fee of \$6,750 for all Property and Liability claims prior to 30 June, 2007.

Brokerage and Administrative Agreement

The Trust entered into an agreement with Arthur J. Gallagher & Co. (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, 2013, remained in force until June 30, 2014.

The agreement automatically renews for successive one-year terms until terminated. Either party may terminate this agreement with or without cause, upon the conclusion of the initial term or the conclusion of any successive renewal term by providing one hundred twenty (120) days prior written notice.

In lieu of commission, A.J. Gallagher shall receive an annual fee equal to \$47,500, which is due and payable on or before each August 15th during the term of this agreement.

TERRITORY AND PLAN OF OPERATIONS

The Trust is authorized to transact business in the State of Nebraska only. As evidenced by its current Certificate of Authority, the Trust is licensed to operate as a risk management pool and to provide group self-insurance to its members.

The Trust operates to provide cost effective insurance coverage for property, crime, mobile equipment, automobile liability, general liability, auto physical damage, employers' liability, school board legal liability, and workers' compensation to community colleges of the State of Nebraska. Membership consists of six community colleges as of June 30, 2014. Any new member will be billed a one-time entrance fee of \$1,000 to cover the cost of forming the pool.

Claims are handled by a third party administrator. 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.

FIDELITY BOND AND OTHER INSURANCE

The Trust is protected by two Employee Theft policies, which provides coverage up to \$1,000,000. The Trust has a policy with Selective Insurance Company of America providing

coverage of \$100,000 with retention of \$25,000. The Trust also has a policy with Travelers Casualty and Surety Company of America providing up to \$1,000,000 of coverage after a single loss retention of \$100,000. The Trust does not have any direct employees or physical assets and as a result does not carry additional insurance other than the employee theft policies.

EXCESS INSURANCE

The Trust’s excess insurance program for the fiscal year ending June 30, 2014 consists of two layers of coverage in excess of various self-insured retentions as defined in the various contracts.

The Trust has a Commercial Policy Package with Selective Insurance Company of America. This custom policy provides combined property, casualty and crime coverages on a surplus lines basis. The Excess Agreement is subdivided into five separate sections providing excess insurance coverage to the Trust very similar to what has been provided in previous years.

The excess coverage in-force for the 2013/2014 fiscal year was as follows:

Section I (Property)	\$400,000 XS of \$100,000 each loss, each occurrence
Sections II (Crime)	\$75,000 XS of \$25,000 each occurrence
Section III (General Liability)	\$1,900,000 XS of \$100,000 each occurrence
Section V (Stop Gap)	\$350,000 XS of \$150,000 each accident
Section VI (School Board Liability)	\$1,900,000 XS \$100,000 each claim
Section VIII (Police Professional Liability)	\$1,900,000 XS \$100,000 each occurrence
Section X (Automobile Liability)	\$1,900,000 XS \$100,000 each accident
Section XI (Workers’ Comp)	\$350,000 XS of \$200,000 each occurrence

In addition, each coverage is subject to the following sub-limits:

Coverage**Sub - Limits**

Section I (Property)

- | | |
|--------------------------|---|
| A. Flood & Surface Water | \$400,000 annual aggregate any flood loss |
| B. Earthquake | \$400,000 annual aggregates any earthquake loss |

Section II (Crime)

- | | |
|--------------------------|--------------------------|
| A. Money and Securities | \$75,000 each occurrence |
| B. Forgery or Alteration | \$75,000 each occurrence |
| C. Employee Dishonesty | \$75,000 each occurrence |

Section III (General Liability)

- | | |
|--------------------------------|---------------------------------|
| A. Each Occurrence | \$1,900,000 |
| B. Premises Medical Payments | \$5,000 any one person |
| C. Fire Damage | \$500,000 Legal Liability Limit |
| D. Annual Aggregate Per Member | \$3,800,000 |

Section IV (Abuse Liability)

Not Covered

Section V (Stop Gap)

- | | |
|--------------------------------|-----------|
| A. Each Accident | \$350,000 |
| B. Annual Aggregate Per Member | \$350,000 |
| C. Each Employee | \$350,000 |

Section VI (School Board Legal Liability)

- | | |
|--------------------------------|-------------|
| A. Each claim | \$1,900,000 |
| B. Annual Aggregate Per Member | \$2,900,000 |

Section VII (Public Officials Liability)

Not Covered

Section VIII (Police Professional Liability)

- | | |
|--------------------------------|-------------|
| A. Each occurrence | \$1,900,000 |
| B. Each person | \$1,900,000 |
| C. Annual Aggregate Per Member | \$1,900,000 |

Section IX (Pesticide and Herbicide Applicator)

Not Covered

Section X (Automobile Liability)

A. Automobile Medical Liability	\$1,900,000 each accident
B. Medical Payments	\$5,000 per person
C. Uninsured Motorist	\$1,900,000 each accident
D. Garagekeepers Coverage	\$425,000

The Trust has five contracts in place providing coverage in excess of the above limits as follows:

- A. Workers' Compensation & Employers' Liability-Safety National Insurance Company

Employers' Liability Maximum Limit \$500,000 per occurrence, up to Statutory Limits.
- B. Property-Travelers Insurance Company

Excess coverage providing up to \$350,000,000 in excess of \$500,000 per occurrence.
Flood and Earthquake year limit of \$10,000,000
Various sublimits per occurrence by type of coverage in addition to package policy limits detailed above.
- C. General Liability- Ironshore Specialty Insurance Company

1) Excess coverage providing up to \$9,000,000 in excess of \$100,000 per occurrence for Central and Southeast Community Colleges.
2) Excess coverage providing up to \$4,000,000 in excess of \$100,000 per occurrence for Metropolitan, Mid Plains, Northeast and Western Community Colleges.
- D. Employee Dishonesty & Crime-Travelers Casualty and Insurance Company

Employee theft limit \$1,000,000 excess of \$100,000 per loss
- E. Boiler & Machinery- Zurich American Insurance Company

Total limit per accident of \$100,000,000
Utility Interruption \$25,000,000
Ordinance of Law \$2,500,000
Data or Media \$2,500,000
Contingent Business Income and Extra Expenses \$2,500,000
Fungus, Wet Rot and Dry Rot \$100,000

These policies are written by insurers that are authorized in the State of Nebraska.

BODY OF REPORT

GROWTH

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

	<u>6/30/11</u>	<u>6/30/12</u>	<u>6/30/13</u>	<u>6/30/14</u>
Cash and short-term CDs	\$ 510,761	\$1,008,657	\$2,796,406	\$2,403,129
Short-term investments	717,499	1,097,597	151,446	760,018
Long-term CDs	2,420,061	1,936,044	2,063,592	2,051,785
Admitted assets	3,954,669	4,068,068	6,916,659	7,553,573
Loss reserve	1,637,873	1,459,416	1,694,506	1,701,049
Loss adjustment expense reserve	162,635	139,527	131,736	131,093
Total liabilities	2,684,714	2,473,471	5,280,752	5,176,531
Surplus	1,269,955	1,594,597	1,635,907	2,377,042
Premium earned (net)	1,945,775	1,387,196	1,574,140	1,823,949
Losses incurred (net)	806,002	757,172	872,882	393,779
Loss expenses incurred	262,668	242,110	172,488	161,857
Underwriting gain	677,404	260,647	281,559	1,012,414
Net investment income	58,702	33,940	23,080	28,721
Net income	36,106	324,642	304,639	1,041,135

FINANCIAL STATEMENTS

The following financial statements reflect the Trust's operations during the examination period and the financial condition of the Trust at June 30, 2014 and its transactions during the year 2014 as determined through this examination.

Nebraska Community College Insurance Trust
Balance Sheet as of June 30, 2014

	2014	<u>Breakdown by Policy Year</u>		
	Fiscal Year <u>Total</u>	<u>2014/2015</u>	<u>2013/2014</u>	<u>2012/2013</u>
Admitted Assets:				
Cash on deposit	\$1,461,981	\$ 714,720	\$ 435,720	\$256,762
Certificates of deposit	941,148		250,000	285,199
Short-term investments	760,018			125,023
Long-term certificates of deposit	2,051,785	305,669	650,000	254,515
Reinsurance recoverable on paid claims	19,928			
Accounts receivables	2,300,441	2,300,441		
Interest accrued	<u>18,272</u>	<u> </u>	<u>7,850</u>	<u>2,233</u>
 Total assets	 <u>\$7,553,573</u>	 <u>\$3,320,830</u>	 <u>\$1,343,570</u>	 <u>\$923,732</u>
Liabilities, Surplus and Other Funds:				
Loss reserves	\$1,701,049		\$ 931,257	\$309,192
Loss adjustment expense reserve	131,093		10,497	12,024
Unearned premiums	3,320,830	\$3,320,830		
Draft liability	23,050		2,010	16,951
Other liabilities	<u>509</u>	<u> </u>	<u> </u>	<u> </u>
 Total liabilities	 \$5,176,531	 \$3,320,830	 \$ 943,764	 \$338,167
 Surplus	 <u>2,377,042</u>	 <u> </u>	 <u>399,806</u>	 <u>585,565</u>
 Total liabilities and surplus	 <u>\$7,553,573</u>	 <u>\$3,320,830</u>	 <u>\$1,343,570</u>	 <u>\$923,732</u>

Balance Sheet as of June 30, 2014, Continued

	<u>Breakdown by Policy Year</u>			
	<u>2011/2012</u>	<u>2010/2011</u>	<u>2009/2010</u>	<u>2008/2009</u>
Admitted Assets:				
Cash on deposit	\$ 25,009	\$ (3,727)		\$ 6,432
Certificates of deposit	104,346		\$201,603	
Short-term investments	150,013	49,564	43,547	80,010
Long-term certificates of deposit	210,089	105,173		
Reinsurance recoverable on paid claims	4,878			
Accounts receivable				
Interest accrued	<u>3,012</u>	<u>1,430</u>	<u>577</u>	<u> </u>
Total assets	<u>\$497,347</u>	<u>\$152,440</u>	<u>\$245,727</u>	<u>\$86,442</u>
Liabilities, Surplus and Other Funds:				
Loss reserves	\$167,950	\$151,007	\$ 51,946	\$18,513
Loss adjustment expense reserve	39,388	41,575	547	1,285
Unearned premiums				
Draft liability	68	693	407	
Other liabilities	<u> </u>	<u> </u>	<u> </u>	<u>509</u>
Total liabilities	\$207,406	\$193,275	\$ 52,900	\$20,307
Surplus	<u>289,941</u>	<u>(40,835)</u>	<u>192,827</u>	<u>66,135</u>
Total liabilities and surplus	<u>\$497,347</u>	<u>\$152,440</u>	<u>\$245,727</u>	<u>\$86,442</u>

Balance Sheet as of June 30, 2014, Continued

	<u>Breakdown by Policy Year</u>		
	<u>2007/2008</u>	<u>2006/2007</u>	<u>2005/2006</u>
Admitted Assets:			
Cash on deposit	\$ 5,669	\$ (1,001)	
Certificates of deposit		100,000	
Short-term investments	46,588	112,737	
Long-term certificates of deposit	416,729	109,610	
Reinsurance recoverable on paid claims			
Accounts receivable			
Interest accrued	<u>2,672</u>	<u>498</u>	<u>—</u>
Total assets	<u>\$471,658</u>	<u>\$321,844</u>	<u>\$ 0</u>
Liabilities, Surplus and Other Funds:			
Loss reserves	\$ 42,925	\$ 40,937	
Loss adjustment expense reserve	957	1,794	
Unearned premiums			
Draft liability		8	
Other liabilities			
Total liabilities	<u>\$ 43,882</u>	<u>\$ 42,739</u>	<u>\$ 0</u>
Surplus	<u>427,776</u>	<u>279,105</u>	<u>—</u>
Total liabilities and surplus	<u>\$ 471,658</u>	<u>\$321,844</u>	<u>\$ 0</u>

Balance Sheet as of June 30, 2014, Continued

	<u>Breakdown by Policy Year</u>		
	<u>2003/2004</u>	<u>2002/2003</u>	<u>2001/2002</u>
Admitted Assets:			
Cash on deposit	\$ 15,360		\$ 7,037
Certificates of deposit			
Short-term investments		\$89,380	63,156
Long-term certificates of deposit			
Reinsurance recoverable on paid claims	15,050		
Accounts receivable			
Interest accrued	_____	_____	_____
Total assets	<u>\$30,410</u>	<u>\$89,380</u>	<u>\$70,193</u>
Liabilities, Surplus and Other Funds:			
Loss reserves	\$(16,887)	\$ 4,847	\$ (638)
Loss adjustment expense reserve	16,887	5,500	639
Unearned premiums			
Draft liability	2,905		8
Other liabilities	_____	_____	_____
Total liabilities	\$ 2,905	\$10,347	\$ 9
Surplus	<u>27,505</u>	<u>79,033</u>	<u>70,184</u>
Total liabilities and surplus	<u>\$ 30,410</u>	<u>\$89,380</u>	<u>\$70,193</u>

Nebraska Community College Insurance Trust
Statement of Income as of June 30, 2014

	2014	<u>Breakdown by Policy Year</u>		
	Fiscal Year	<u>2014/2015</u>	<u>2013/2014</u>	<u>2012/2013</u>
	<u>Total</u>			
<u>Underwriting Income:</u>				
Net premiums earned	<u>\$1,823,949</u>	<u>\$ 0</u>	<u>\$1,823,949</u>	<u>\$ 0</u>
Deductions:				
Losses incurred	\$ 393,779		\$1,096,613	\$(410,527)
Loss expenses incurred	161,857		78,202	(10,953)
Other underwriting expenses incurred	<u>255,899</u>	<u>—</u>	<u>257,435</u>	<u>—</u>
Total underwriting deductions	<u>\$ 811,535</u>	<u>\$ 0</u>	<u>\$1,432,250</u>	<u>\$(421,480)</u>
Net underwriting gain	<u>\$1,012,414</u>	<u>\$ 0</u>	<u>\$ 391,699</u>	<u>\$ 421,480</u>
<u>Investment Income:</u>				
Net investment income	<u>\$ 28,721</u>	<u>\$ 0</u>	<u>\$ 8,107</u>	<u>\$ 6,186</u>
Net income before dividends	\$1,041,135	\$ 0	\$ 399,806	\$ 427,666
Dividends	<u>300,000</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net income	<u>\$ 741,135</u>	<u>\$ 0</u>	<u>\$ 399,806</u>	<u>\$ 427,666</u>

Statement of Income as of June 30, 2014, Continued

	<u>Breakdown by Policy Year</u>			
	<u>2011/2012</u>	<u>2010/2011</u>	<u>2009/2010</u>	<u>2008/2009</u>
<u>Underwriting Income:</u>				
Net premiums earned	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Deductions:				
Losses incurred	\$(159,449)	\$(54,018)	\$(23,390)	\$(36,657)
Loss expenses incurred	62,783	33,428		(1,603)
Other underwriting expenses incurred	<u> </u>	<u> </u>	<u> </u>	<u>1,071</u>
Total underwriting deductions	\$ <u>(96,666)</u>	\$ <u>(20,590)</u>	\$ <u>(23,390)</u>	\$ <u>(37,189)</u>
Net underwriting gain	\$ <u>96,666</u>	\$ <u>20,590</u>	\$ <u>23,390</u>	\$ <u>37,189</u>
<u>Investment Income:</u>				
Net investment income	\$ <u>2,462</u>	\$ <u>901</u>	\$ <u>1,069</u>	\$ <u>200</u>
Net income before dividends	\$ <u>99,128</u>	\$ <u>21,491</u>	\$ <u>24,459</u>	\$ <u>37,389</u>
Dividends	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net income	\$ <u>99,128</u>	\$ <u>21,491</u>	\$ <u>24,459</u>	\$ <u>37,389</u>

Statement of Income as of June 30, 2014, Continued

Breakdown by Policy Year

	<u>2007/2008</u>	<u>2006/2007</u>	<u>2005/2006</u>
<u>Underwriting Income:</u>			
Net premiums earned	\$ 0	\$ 0	\$ 0
Deductions:			
Losses incurred	\$ (9,861)	\$ (8,902)	
Loss expenses incurred			
Other underwriting expenses incurred	_____	_____	\$(2,607)
Total underwriting deductions	<u>\$ (9,861)</u>	<u>\$ (8,902)</u>	<u>\$(2,607)</u>
Net underwriting gain	<u>\$ 9,861</u>	<u>\$ 8,902</u>	<u>\$ 2,607</u>
<u>Investment Income:</u>			
Net investment income	<u>\$ 7,836</u>	<u>\$ 1,384</u>	<u>\$ 0</u>
Net income before dividends	<u>\$ 17,697</u>	<u>\$10,286</u>	<u>\$ 2,607</u>
Dividends	<u>300,000</u>	_____	_____
Net income	<u>\$(282,303)</u>	<u>\$10,286</u>	<u>\$ 2,607</u>

Statement of Income as of June 30, 2014, Continued

Breakdown by Policy Year

	<u>2003/2004</u>	<u>2002/2003</u>	<u>2001/2002</u>
<u>Underwriting Income:</u>			
Net premiums earned	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Deductions:			
Losses incurred	\$(30)		
Loss expenses incurred			
Other underwriting expenses incurred	<u>—</u>	<u>—</u>	<u>—</u>
Total underwriting deductions	<u>\$(30)</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net underwriting gain	<u>\$ 30</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Investment Income:</u>			
Net investment income	<u>\$ 0</u>	<u>\$255</u>	<u>\$321</u>
Net income before dividends	<u>\$ 30</u>	<u>\$255</u>	<u>\$321</u>
Dividends	<u>—</u>	<u>—</u>	<u>—</u>
Net income	<u>\$ 30</u>	<u>\$255</u>	<u>\$321</u>

**Nebraska Community College Insurance Trust
Surplus Account**

	<u>6/30/11</u>	<u>6/30/12</u>	<u>6/30/13</u>	<u>6/30/14</u>
Surplus, end of prior period	\$1,233,849	\$1,269,955	\$1,594,597	\$1,635,907
Net income	\$ 736,106	\$ 324,642	\$ 304,639	\$1,041,135
Dividends	<u>(700,000)</u>	<u> </u>	<u>(263,329)</u>	<u>(300,000)</u>
Change in surplus	<u>\$ 36,106</u>	<u>\$ 324,642</u>	<u>\$ 41,310</u>	<u>\$ 741,135</u>
Surplus, end of current period	<u>\$1,269,955</u>	<u>\$1,594,597</u>	<u>\$1,635,907</u>	<u>\$2,377,042</u>

EXAMINATION CHANGES IN THE FINANCIAL STATEMENTS

No changes were made to the financial statements as a result of this examination.

Surplus (Members' fund balance) of \$2,377,042, as stated by the Trust in the June 30, 2014 audited statement, was accepted for this examination. Examination findings, in the aggregate, were considered to have no material effect on the Trust's financial condition.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

No recommendations were made as a result of the previous examination.

COMMENTARY ON CURRENT EXAMINATION FINDINGS

There were no comments or recommendations made as a result of the current examination.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

There were no comments or recommendations made as a result of this examination.

ACKNOWLEDGEMENT

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

In addition to the undersigned, Ms. Kim Stevenson, Financial Examiner, and Gary Evans, 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 "Kevin L. Stubbs", written over a horizontal line.

Kevin L. Stubbs, CFE
Examiner-in-Charge
Department of Insurance
State of Nebraska

State of Nebraska,

County of Lancaster,

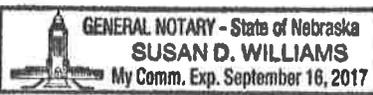
Kevin Stubbs, being duly sworn, states as follows:

1. I have authority to represent the Department of Insurance of the State of Nebraska in the examination of the **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 the **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.

R. J. Hill
 Examiner-in-Charge's Signature

Subscribed and sworn before me by Kevin Stubbs on this 28 day of July, 2015.

(SEAL) 

Susan D. Williams
 Notary Public

My commission expires 9/16/2017 [date].