

# Board of Trustees of the Nebraska State Colleges

## Auxiliary Operations

POLICY  
NAME: Auxiliary System Insurance

POLICY  
NUMBER: 9003

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### **A. PURPOSE**

A. To identify insurance requirements related to the Auxiliary System.

### **B. DEFINITIONS**

1. Auxiliary System: Facilities comprised of housing facilities, buildings and structures used for athletic and wellness purposes, student centers, medical centers and parking facilities that are pledged under a revenue bond resolution.
2. Bond Resolution: The legal document between the bond issuer and the bondholder(s) containing the details related to the bond issue, including the purpose, obligations of the issuer, rights of bondholders, and includes the Master Resolution.
3. Master Resolution: The Board adopted a Master Resolution on June 11, 2002 that created a combined system of housing and auxiliary facilities for the three Colleges. The Master Resolution contains the bond covenants and is also considered a Bond Resolution.

### **C. POLICY**

#### **1. Insurance Requirements**

The Master Resolution requires that the Board carry comprehensive liability insurance, property insurance, and either the Board or the contractor shall carry builder's risk insurance. If an independent insurance consultant determines that either liability insurance or property insurance is not available or is not available at reasonable costs, and the consultant recommends an alternative risk management program, the Board may adopt an alternative approach to those insurance types as outlined in the Master Resolution.

##### 1.1 Property Insurance

Insurance to cover loss by fire, vandalism, damage from storms or other hazards, will be carried on Auxiliary System buildings, contents, and movable equipment housed therein.

- **Coverage Amounts**  
Policies with standard extended coverage endorsements shall be obtained by appropriate bidding procedures from responsible insurers and carried in amounts sufficient to provide for the greater of the full insurable value thereof, as determined from time to time by the insurer, or the estimated replacement costs as determined by the Board. If insurance coverage obtained is less than the full insurable value of the facilities, or the estimated replacement cost, , the Colleges should have appropriate surplus funds or reserves to cover the difference should a loss occur.
- **Appropriate and Manageable Deductibles**  
The deductibles should reflect what is available in the market, should be manageable, and should not put the System at risk of failing to meet coverage requirements as identified in the Master Resolution. Sufficient surplus funds or reserves should be available to cover the deductibles.
- **Business Interruption**  
The Colleges shall also obtain business interruption insurance in an amount sufficient to enable the Board to deposit in the Bond Fund, out of the proceeds of such insurance, an amount equal to the sum that would normally have been available for deposit in such Fund from the revenues of the damaged building during the time the damaged building is non-revenue producing.

## 1.2 Builder's Risk Insurance

Any auxiliary system building or facility under construction or major renovation shall be insured by the contractor under a Builder's Risk Policy in the amount equal to the contract for the project. Such policy shall run until Final Completion Status has been given to the project by the Board.

## 1.3 Insurance Proceeds

The proceeds of the Property and Builder's Risk insurance policies shall be payable to the Board and all monies collected on account of loss or damage covered by the policies shall be held in trust by the Board. Upon occurrence of any damage covered by insurance, the Board shall use the proceeds of the insurance to 1) promptly restore the properties so destroyed or damaged; 2) erect and equip, or substitute, in place of the building damaged or destroyed, other facilities which produce revenues and fees comparable to those produced by the damaged or destroyed facility. If the facility destroyed or damaged was, at the time of the destruction, unserviceable, inadequate, obsolete or unfit to be used or no longer required for use in connection with the security and payment on the bonds, the Board may apply the proceeds to purchase property which

shall be a part of the auxiliary system facilities or may deposit the proceeds into the Surplus Funds.

#### 1.4 Comprehensive General Liability

The Board will procure and maintain comprehensive general liability insurance with such limits as are customary and necessary for similar entities engaged in public education activities. The coverage shall be adequate to protect the Board and its operations from claims for such bodily injury or death which may arise from the operation of any of the facilities within the Auxiliary System.

#### 1.5 Third Party Liability Insurance

The Colleges shall require third parties to have comprehensive general liability insurance be maintained and a certificate evidencing such insurance before any external party or private person's use, occupancy or possession of College premises or facilities. Such insurance shall provide for coverage set at reasonably negotiable limits for injury or death, occurring to any person or persons as a result of an accident, and such insurance shall name both the Board and College, and the external entity as insureds.

Except for claims arising out of acts caused by the affirmative negligence of the College or its agents or employees, the college shall require the external party using College facilities to further indemnify, defend and hold harmless the Board and College, at its expense, from and against all claims for personal injuries and death, or loss, expenses, damages, or liabilities arising from any act or negligence of the external party or its agents, employees, licensees or invitees.

### **FORMS/APPENDICES:**

None

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### **SOURCE:**

**Policy Adopted:** March 1994

**Policy Revised:** November 2023