University of Alabama
Insurance Coverage Summary

The University of Alabama (Tuscaloosa) is a participant in the Comprehensive General Liability Trust Fund ("CGLTF"), which includes the three institutions under control of the University of Alabama System (UAS) and entities tied the institutions such as foundations, alumni associations, and entities established to own specific assets or manage certain operations. The CGLTF provides protection against general liability, employment practices, management/trustee liability, non-medical professional liability, and educator liability claims. The CGLTF provides a $2 million per occurrence limit with no aggregate on general liability and non-medical professional liability claims and $500,000 per occurrence limit with no aggregate on employment practices, management/trustee liability, and educator liability claims.

Funding in the CGLTF is based on a biannual actuarial computation provided by the credential staff of Towers Watson. The CGLTF reserve balances are maintained at a 70% confidence factor based on the actuary’s funding recommendation.

The University is a participant in the UAB Professional Liability Trust Fund ("PLTF"), which provides protection against claims and claim-related expenses arising out of the performance of professional services in the rendering of patient care, or more commonly known as medical malpractice. The program includes all the three institutions under the UAS and related medical entities under control of the UAS and/or a member institution. The PLTF assumes the first $10mil per occurrence with no aggregate. This program is also funded based on an actuarial computation.

Travelers Insurance provides automobile liability insurance on a first-dollar basis with a limit of $1mil per accident to UAS. Certain vehicles are insured for physical damage (also known as comprehensive/collision) at the discretion of each institution or entity. In most cases vehicles that have a depreciated valued of less than $7,500 are not insured for physical damage.

The UAS maintains an extensive excess insurance liability insurance program for any claim(s) that may exceed the obligations of the CGLTF, PLTF or Travelers policy. The first layer of excess coverage is provided by United Educators with a limit of $18 million ($20 million total) excess of the CGLTF and $19 million ($20 million total) excess of the Travelers automobile liability policy. The United Educators policy does not provide excess coverage for the PLTF. There are additional layers of excess coverage (total up to $60 million) that also provide excess coverage of the PLTF and United Educators excess liability programs. The PLTF controls the excess program above the United Educators excess policy.

There are other insurance policies shared by UAS member institutions and provided by various insurance companies qualified under Alabama law to assume respective risks undertaken for programs to include:

- **Aviation Liability & Hull Insurance** - $60 million limit including hired/non-owned aircraft liability and hull coverage based on the value of the aircraft
- **Foreign Liability** - $2mil per occurrence/$2 million aggregate, $25,000 medical expenses
- **Foreign Travel Accident** - $100,000 medical expenses, $25,000 Accidental Death
- **Employee Dishonesty/Crime** - $10,000,000 per claim
- **Kidnap, Ransom & Extortion** – $20,000,000 occurrence/aggregate
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• **Fine Arts - $50,000,000 Limit**

The University's property insurance program is in a shared risk pool as required by statute (Alabama Code Section 41-15-1) established in 1923, and is administered by the Alabama Division of Risk Management (ALDORM), which operates under the Alabama Department of Finance.

The ALDORM program includes $1.5 billion of reinsurance above self-insured retentions assumed by ALDORM that vary by peril and location. This amount of coverage is shared among all program participants and the participants include state agencies, institutions and other agencies receiving state funding.

The University insures all real and personal property based on 100% of the estimated replacement value other than those buildings either scheduled for demolition or deemed to be functionally obsolete, which are insured on an actual cash value or salvage value basis.

The insured property is appraised every 4-6 years by either the ALDORM loss control staff or a qualified appraisal firm engaged by ALDORM. In the years following the appraisal up until the property is reappraised, the insurable values are reviewed and adjusted annually based on construction inflation/deflation factors provided the Marshall & Swift/Boeckh Appraisal Guide. The last appraisal was performed by ALDORM in May-August, 2013, and the updated appraisal report is pending. The prior appraisal was done in 2009 and will serve as the valuation up until the 2013 report is released.

In addition to direct damage to University real and personal property, the ALDORM program includes business interruption coverage for loss of income, increased expenses to reestablish operations that are disrupted due to covered loss and expediting expenses incurred to reduce the period of recovery. The amount of business interruption insurance is reviewed and updated annually based on projected revenues and expenses for the coming fiscal period.

The University maintains an insurance program outside the ALDORM program with a commercial insurer(s) for the loss of income exposure on the University-owned residential buildings. This **loss of rents insurance program** provides a period of indemnity for the entire academic year (August move-in to May move-out), as compared to the 30 days provided in the ALDORM program. Depending on the timing of a material loss, this added period of indemnity protects the University should students living in residential units be released from a rental contract and not return to the damaged residential unit once the restored to a point normal occupancy.

In addition to the ALDORM property insurance program, **there are supplemental insurance programs to cover perils, property or loss of income** that are either not specifically covered or excluded in the ALDORM coverage language or the coverage provided is not sufficient and requires the purchase of supplement property insurance policies including:

- **Builders Risk** – Covers damage to construction projects and also extends to on/off-site storage of materials, material in transit and includes certain perils excluded by the ALDORM policy that are unique to construction projects.
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- **Loss of Rents** – Covers the loss or rents on residential buildings resulting from a covered peril and extends until the occupancy can be restored to the same level as prior to the loss.
- **Mobile Equipment/Property** – Covers property that is mobile in nature and property that is not within 100 feet of a building covered in the ALDORM property insurance program. This includes athletic equipment, grounds equipment, research equipment, parking/transportation equipment, game-day equipment, etc.
- **Flood** – ALDORM has arranged flood coverage for several key participants including UA, UAB and Auburn. This program has a $100mil limit per occurrence and the participating institutions share this limit.

There are several insurance programs specifically tied to Athletics, which include:

- **Play/Practice** – Covers serious and catastrophic injuries with a $10,000 deductible per injury and also provides death benefit to the athlete’s direct family and disability benefits for athletes with career-ending injuries. This program extends to all athletes in the NCAA programs. This program supplements the NCAA play/practice insurance program that has a $90,000 deductible and has limited accidental death and disability benefits.
- **Travel Accident** – There are two programs currently in place – one applies to key personnel and pays a named beneficiary in the event of a death or disabling injury due to team or athletic-related business travel and the other travel accident insurance program provides a benefit to the University in death or disabling injury cases to cover the cost to recruit and hire a replacement.
- **Event Cancellation** – Protects against the loss of revenues for football and men’s basketball in the event of a cancellation due to non-appearance of the opposing team, chemical/biologic threats, terrorist activity or threats, pandemic outbreaks, etc.

The programs explained above that are shared with other UAS institutions are reviewed biannually by the Risk Finance Committee and annually the Property/Casualty Committee. Both committees are comprised of members from each of the three academic institutions, representatives of related healthcare entities operated by UAB and representatives from the UAS. If necessary, these committees will schedule additional meetings to address critical topics, respond to a matter that may create a change in the risk profile of the UAS institutions, or to review issues that may prompt the need for a change in the risk control or risk financing programs.

The Workers' Compensation Act of the State of Alabama does not apply to The University of Alabama. The University provides and pays for The University of Alabama **On-the-Job Injury/Illness (OJI) Program** to cover an employee's approved medical expenses and lost wages incurred as a result of an on-the-job injury or work-related illness. The OJI program functions in a similar manner to worker's compensation in providing medical benefits, lost wages and other benefits for employees suffering disabling injuries. The University funds the On-the-Job Injury/Illness Program as a current budgeted expense with a reserve balance, which is same method as other employer-paid benefit programs.

Any uninsured losses will be funded and recorded on the financial statements in accordance with generally accepted accounting principles or as directed by the University’s auditor. Decisions to pay
uninsured losses will be made by the senior leadership team or the Board of Trustees based on the
circumstances. The University’s auditors and bond underwriters have not noted any concerns with
potential uninsured losses. At present, there are no uninsured claims that will have a material
financial impact.