SUBJECT: Athletic Insurance

History:
In June 2012, the Board of Regents approved a Student Athletic Insurance Policy and provided the Executive Director the approval to move forward with plan documentation and procedures for implementation. This was approved after a thorough two year review by several committees and staff within the Regents. The requirements of the plan included the following:

1. Creation of a secondary fully-insured plan that would cover all student athletes in NCAA Division I, NCAA Division II and NAIA sanctioned sports. Students are required to have a primary insurance plan through their parents, individual plan, etc.
2. Administration and cost of the plan will be managed by the university based on their athletic policy and needs.
3. Creation of a benefit plan structure will replicate that of SDSU’s and USD’s current plan and will be adjudicated by the vendor versus the campus staff.
4. Utilization of the current insurance vendor that South Dakota uses. The current vendor being utilized is:
   Dissinger Reed
   55 Corporate Woods
   9300 W. 110th Street, Suite 145
   Overland Park, KS 66210

Update:
Due to current implementation of this policy, there is a need for additional Regent discussion on continued management of the Athletic plan for Academic Year 2013-14. This insurance was reviewed by the SD public higher education system, in coordination with National Collegiate Athletic Association (NCAA) requirements. Specifically, we reviewed NCAA’s insurance coverage for medical expenses resulting from athletically-related injuries sustained while participating in defined covered events. In that review, we identified that the NCAA has continually required universities to adopt measures to eliminate a potential ‘gap’ of insurance

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RECOMMENDED ACTION OF THE EXECUTIVE DIRECTOR

Discussion of the three options for Athletic Insurance and recommendation by the Regents to select one of the options for Academic Year 2013-14 for BHSU, DSU, NSU, and SDSMT. SDSU and USD will continue to provide the secondary plan at their expense.
coverage for students. In addition, in 2005, the NCAA approved a measure that was designed to protect the student athletes and their parents from potential medical expense related to injuries. In consideration of this measure (NCAA Legislation), the campuses were required to implement a mechanism to certify insurance each year prior to the student engaging in any form of practice for the sport. Where students were not purchasing insurance or did not have adequate insurance, campuses were required to purchase coverage and bill the student or pay for the insurance. Failure to comply with this measure is considered a university violation and jeopardizes membership in the NCAA.

After that review, the COPS had agreed that providing an athletic insurance policy was important and necessary in light of insurance claims that have occurred when students did not have adequate insurance and their current procedures given the move to NCAA and certification of appropriate insurance gaps. The policy that was adopted was for secondary athletic insurance and is considered a blanket insurance policy, whereby all students are covered who participate in sanctioned sports. Since it is a blanket insurance policy, the premium is based on headcount and there is no provision for a negative check off procedure. The secondary insurance would pick up where primary insurance did not provide coverage for out-of-pocket expenses.

SDSU and USD have already implemented the athletic insurance at the university’s expense and have set policy due to Division I recruitment needs. DSU and SDSM&T made a decision to pay for this coverage as well during the initial year to ensure a comprehensive communication strategy could be engaged. BHSU and NSU opted for a different method due to budgetary concerns. They had decided to charge a fee to assist in covering costs of the plan [this is not an unusual practice/policy for some universities nationally]. During the implementation phase of the insurance, SDBOR had received complaints regarding the insurance fee. Due to the timing of the implementation for 2012-13 academic year, both BHSU and NSU then opted to pay the insurance.

We are at a point in time where a decision about how to proceed with athletic insurance is critical. There are three fundamental perspectives on athletic insurance that are before the Regents. Those include:

1. Under NCAA regulatory guidelines, it is important to have a secondary policy to mitigate liability for students and families and therefore, Universities should cover the insurance expense. This expense then is considered a part of providing athletics and should be a budgetary requirement.

2. Under NCAA regulatory guidelines, it is important to have a secondary policy to mitigate liability for students and families and therefore, a policy for Division II and NAIA would be established requiring the student athletes to cover expense. This would be required of all athletes, since it is a blanket policy and there is no provision for a negative check off.
3. Under NCAA regulatory guidelines, there is a provision to require the campuses to implement a strict management/administrative plan where universities will identify gaps and then require students who do not have the appropriate coverage to purchase a secondary insurance policy. This will require the Regents to identify what the required plan benefit structure is based on best practices. The universities would need to then ensure coverage is reviewed, documented and enforce compliance annually. The costs of a secondary insurance policy may be cost prohibitive to the student. For example, currently a rider that was created many years ago, costs a student approximately $541 for Football and $361 for all other sports. This coverage is limited to $3000 per injury. This plan would need to be modified to comply with NCAA/NAIA requirements.

4. The current secondary plan that was implemented in June of 2012 has a coverage limit up to $90,000 for NCAA and $25,000 for NAIA. The premium for the Division II universities was approximately $300 per athlete with that plan. The ability to negotiate premiums at this rate will not be amenable if this third option is selected by the Regents.

Summary:
In summary, the decision the Regents will need to make is important to comply with NCAA requirements. NCAA has determined that insurance gaps need to be managed to ensure liability is mitigated by families and student athletes. Any of the options will be satisfactory under the NCAA requirements. Each option has both positive and negative consequences.