



## **Memorandum**

**To:** Dr. Kevin McGowan

**From:** Lou Alaimo, Assistant Superintendent for Administration

**Date:** May 31, 2022

**Re: Approval to Modify Insurance Reserve for Technology**

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Each June, the Board of Education and the District's Audit Committee review and approved the Reserve Fund Plan. During the preparation, the District evaluates its fund balance projections and financial position considering current and long-term risks and liabilities. Based on this analysis, the District has identified the need to modify the purpose and objective of one of its insurance reserves.

### **Background:**

The purpose of an Insurance Reserve is to fund certain uninsured losses, claims, actions or judgments for which the local government is authorized or required to purchase or maintain insurance, with a number of exceptions. An insurance reserve fund may also be used to pay for expert or professional services in connection with the investigation, adjustment or settlement of claims, actions or judgments.

In June 2017, the Board of Education authorized that the District establish an Insurance Reserve for the purpose of funding certain uninsured losses related to the expansion of instructional technology. The Reserve effectively allows the District to administer a self-funded insurance program to replace devices as they break or are lost.

A second Insurance Reserve fund was established at June 30, 2020 to account for claims under the Child's Victims Act.

### **Recommendation:**

The District's Insurance Reserve for technology has a current balance of \$645,000. However, over the last two operating budgets, the District has been able to establish a repair and replacement budget that mitigates the need for the Reserve. However, an emerging risk to the District where insurance coverage may be limited is cyber attacks and implementation of disaster recovery solutions.

A "Cyber Insurance Reserve" is intended cover uninsured costs involved with recovery from a cyber-related security breach or similar events. Some of the issues that the cyber insurance reserve will provide financial protection for includes:

- Data loss, recovery, and recreation
- Business interruption/ loss of revenue/uninsured expenses due to a breach
- Loss of transferred funds
- Computer fraud
- Cyber extortion

**RESOLVED:** That the Board of Education of the Brighton Central School District modifies the business purpose of the 2017 Insurance Reserve from replacement of damaged or stolen instructional technology to cover uninsured costs involved with the recovery from a cyber-related breach or similar events.

C: Dahlia Watts, Director of Finance