

FCR 22

Office of the President
September 5, 2014

Members, Board of Trustees:

A RESOLUTION PROVIDING FOR THE AUTHORIZATION TO ENTER
INTO AN AGREEMENT WITH PNC BANK TO ISSUE A STANDBY
LETTER OF CREDIT FOR THE UNIVERSITY OF KENTUCKY ON
BEHALF OF CENTRAL KENTUCKY MANAGEMENT SERVICES, INC. IN
FAVOR OF SAFETY NATIONAL CASUALTY CORPORATION

Recommendation: that the Board of Trustees approve a Resolution authorizing the Treasurer to enter into an agreement with PNC Bank for a Standby Letter of Credit in the amount of \$250,000, the applicant being The University of Kentucky on behalf of Central Kentucky Management Services, Inc. ("CKMS"), naming Safety National Casualty Corporation (SN) as sole beneficiary and also authorizing the Treasurer to execute the appropriate documents. The Letter of Credit will have a term of a minimum of one (1) year and will be automatically extended (without amendment) on an annual basis.

Background: In June 2014, CKMS employees were included in the University of Kentucky's self-insured workers' compensation authorization. Subsequently the Kentucky Department of Workers' Claims determined that given the use of CKMS employees to staff Eastern State Hospital, the University could not include the CKMS employees in the University's self-insured program and CKMS would have to obtain commercial insurance. On August 1, 2014, CKMS selected a large deductible workers' compensation policy from SN. Under a large deductible policy, SN pays the claims and is then reimbursed by CKMS for the workers' compensation claims and related expenses. SN requires security for this arrangement in the form of a Standby Letter of Credit with the applicant being The University of Kentucky on behalf of Central Kentucky Management Services, in the amount of \$250,000.

Action taken: Approved Disapproved Other _____