

# FCR 5

Office of the President  
June 19, 2015

Members, Board of Trustees:

A RESOLUTION PROVIDING FOR THE AUTHORIZATION TO ENTER INTO AGREEMENTS TO ISSUE STANDBY LETTERS OF CREDIT FOR THE UNIVERSITY OF KENTUCKY ON BEHALF OF ITSELF OR ITS AFFILIATES

Recommendation: that the Board of Trustees approve a Resolution authorizing the following:

- 1) That the Treasurer enter into an agreement with PNC Bank for a Standby Letter of Credit in an amount up to \$500,000 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.
- 2) That the Executive Vice President for Finance and Administration or Treasurer may enter into additional letters of credit, up to a total amount of \$1,000,000.00 on behalf of the University or University affiliates, for the purpose of acquiring or maintaining insurance coverage for the University or its affiliates or for other University business purposes.
- 3) That the Executive Vice President for Finance and Administration report any Letters of Credit to the Finance Committee and the Board of Trustees at the Board meeting held in June of each year.

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. Under a large deductible policy, SN pays the claims and is then reimbursed by CKMS for the workers' compensation claims and related expenses. On August 1, 2014, CKMS selected a large deductible workers' compensation policy from SN. SN required 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. The Board approved this Standby Letter of Credit under FCR 22 at its September 2014 meeting. SN now requires

additional Letters of Credit above the initial \$250,000 amount for upcoming policy renewal periods due to the amount of claims made under the policy thus far. In addition to the specific letter of credit listed above, the above resolution would allow additional letters of credit to be executed by the Executive Vice-President for Finance and Administration, up to a total amount of \$1,000,000, if required for future insurance purposes or other University business purposes. The Executive Vice President for Finance and Administration shall report on any such Letters of Credit executed on an annual basis at the June Board of Trustees meetings.

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Action taken:     Approved     Disapproved     Other \_\_\_\_\_