

# FCR 7

Office of the President  
December 10, 2019

Members, Board of Trustees:

## ELECTION TO OBTAIN PRIVATE PROPERTY LOSS INSURANCE

Recommendation: that the Board of Trustees authorize the Executive Vice President for Finance and Administration to:

1. Obtain private insurance to cover all property in the University's possession against loss by fire and other hazards, effective July 1, 2020, or later, provided such private insurance coverage is commensurate with or greater than the insurance coverage provided through the State Fire and Tornado Insurance Fund and is a better value;
2. Terminate the University's insurance coverage through the State Fire and Tornado Insurance Fund upon the effective date of the private insurance coverage by notifying the Secretary of the Finance and Administration Cabinet at least six months prior to the termination of the State Fire and Tornado Insurance Fund coverage; and
3. Execute any and all documents necessary for these actions.

Background: Until recently, all public postsecondary institutions in Kentucky have been required to insure all property from risk of fire and other hazards through payment of premiums into the State Fire and Tornado Insurance Fund. The 2018 Kentucky General Assembly, through House Bill 592, amended the law to allow state universities to obtain private insurance coverage for this need. As a result, the updated Kentucky Revised Statute (KRS) 164A.575(18) provides as follows:

- (a) Notwithstanding KRS 56.070, the governing board may obtain private insurance to cover any state property in the institution's possession against loss by fire and other hazards. The level of private insurance coverage shall be commensurate with or greater than the insurance coverage provided through the State Fire and Tornado Insurance Fund. An institution whose governing board elects to obtain private insurance shall notify the Secretary of the Finance and Administration Cabinet at least six months before terminating the institution's insurance coverage through the State Fire and Tornado Insurance Fund.

- (b) No later than January 1 of each year, an institution whose governing board elects to obtain private insurance instead of insurance coverage provided through the State Fire and Tornado Insurance Fund shall certify, in writing, to the secretary of the Finance and Administration Cabinet that the property is insured in accordance with paragraph (a) of this subsection and shall attach a copy of the private insurance policy.

The University again anticipates obtaining commensurate property insurance at a better value than the State Fire and Tornado Insurance Fund through the private insurance market. The University will follow the Kentucky Model Procurement Code when obtaining comparative insurance quotes. Further, the coverage and limits will be solely dedicated for the benefit of the University.

This action permits the University to notify the Secretary of the Finance and Administration Cabinet of its intention to terminate the institution's insurance coverage through the State Fire and Tornado Fund as soon as the end of the current fiscal year.

At the December 2018, the Board of Trustees authorized the Executive Vice President for Finance and Administration to conduct a similar review of private insurance market opportunities. The University elected not to leave the State Fire and Tornado Insurance Fund.

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