

FCR 7

Office of the President
September 13, 2019

Members, Board of Trustees:

A RESOLUTION PROVIDING ADDITIONAL AUTHORITY FOR THE
EXECUTIVE VICE PRESIDENT FOR FINANCE AND ADMINISTRATION OR
TREASURER 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 Executive Vice President for Finance and Administration or Treasurer to enter into letters of credit, up to a total amount of \$2,500,000.00 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.

Background: In June 2014, Central Kentucky Management Services (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, the insurance carrier 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. The insurance carrier 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 CKMS, in the amount of \$250,000.00. The Board approved this Standby Letter of Credit under FCR 22 at its September 5, 2014 Meeting. Since that initial request, the insurers requested additional letters of credit due to the amount of claims made under the policy, thus the Board of Trustees approved additional letter of credit authority at its meeting on June 19, 2015 in FCR 5.

The insurers recently requested additional letters of credit due to increased claims activity, necessitating additional authorization from the Board. In addition to letters of credit related to CKMS, described above, the resolution would allow additional letters of credit to be executed by the Executive Vice President for Finance and Administration or Treasurer, up to a total amount of \$2,500,000.00, if required for future insurance purposes or other University business purposes. The EVPFA shall report on any such letters of credit executed on an annual basis at the June Board of Trustees meetings.

Action taken: Approved Disapproved Other _____