

KENTUCKY SCHOOL BOARDS INSURANCE TRUST (KSBIT) **ASSESSMENT**

BACKGROUND AND RATIONALE: Since 1979 the Fayette County Board of Education has participated in Kentucky School Boards Insurance Trust (KSBIT), a Kentucky School Boards Association (KSBA) program. KSBIT was created in 1978 to provide insurance to Kentucky school districts through self-insured pools that provided workers compensation, property and liability coverage. The organization stopped offering insurance coverage in 2013 as the program had incurred an estimated \$60 million deficit, on 116,000 claims and over 400 million dollars in claims expenses. All of Kentucky's public school districts and other education related entities that participated in KSBIT are responsible for eliminating the deficit. The Kentucky Department of Insurance (DOI) has taken over the KSBIT insurance programs and has placed them into rehabilitation to collect money owed by former participants. An assessment plan and collection methodology has processed through Franklin Circuit Court with some modifications being made by the judge and there is additional litigation that could impact the final amount owed by all members. The rehabilitator has invoiced all former KSBIT members and District staff and legal counsel are verifying Fayette County's pro-rata share of the assessment, currently estimated at \$3,621,110. The assessment plan has several payment options ranging from paying in full by August 31, 2014 to a twenty year bond issue. Staff is recommending a three-year pay back on the property and liability assessment and a six-year pay back on the workers' compensation assessment as there are no financing costs associated with these options. This would require approximately \$603,516 to be paid by August 31, 2014 and installment payments over the next five years to pay off the remaining balance.

COSTS: Estimated \$3,621,110

STAFF CONTACT: Myron Thompson, 381-3887

REFERENCE: KRS 304.48-035, KRS 342.350

RECOMMENDATION: A motion is in order to: "set aside funds and make required installment payments for assessments related to the Kentucky School Boards Insurance Trust member assessment. "

On motion by _____, seconded by _____,
the Board

John Price, Board Chair

Tom Shelton, Superintendent