Re:  Status of KSBIT Plan for Workers Compensation Fund and KSBIT Liability and Property Fund

Dear Members and Superintendents:

The purpose of this letter is to bring you up to date on the status of KSBIT's corrective actions with respect to the Workers Compensation and Property and Liability Self Insurance Funds.  As you were notified in January, KSBIT stopped writing new business in these funds effective June 30, 2013.  Based on member feedback, KSBIT had been working on a novation reinsurance agreement to transfer all of these liabilities to a qualified reinsurer through a bid process and an assessment to fund the transfer and eliminate all existing fund liabilities for members including local school districts.   KSBIT then identified the best bid and filed a plan for the novation with the Kentucky Department of Insurance ("DOI") on July 3, 2013.   KSBIT also requested a hearing so that all members would have input into the plan. As that hearing date approached, the DOI informed KSBIT that it was pursuing other options.

Because of the development of a new option, the DOI informed KSBIT it would not approve its filed novation plan. Based upon this information KSBIT withdrew its novation plan and the hearing was cancelled.  Yesterday, KSBIT filed a new plan for a runoff option with a smaller overall assessment amount.  Under a runoff KSBIT will continue to pay all valid claims with current KSBIT funds.  While not in complete agreement with the DOI's proposed plans, KSBIT is working with the DOI to resolve differences on the new options in an effort to provide the softest landing for members.  Outstanding claims for members insured under the self-insured funds will continue to be processed as usual.

KSBIT's 2013 Financials were filed on October 28 and are posted on [www.ksbit.org](http://www.ksbit.org) for your review.  We believe that more information will be made available in the near future by the DOI.  The information will include the amount of overall assessments for those pools and each member's expected assessment for those pools for consideration in members' preparation of their budgets.  In addition, the bond financing arranged by KSBIT and Ross Sinclaire will still be available for school district members in both funds.

We will provide you more information as it is available.   Please feel free to contact the KSBIT hotline (1-877-208-5643) or email any questions to info@KSBIT.org.

On behalf of the KSBIT Board of Directors,

Doug Goforth,