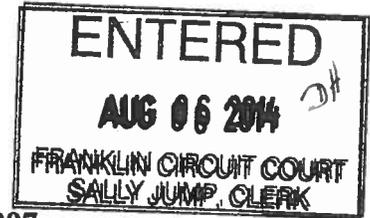


COMMONWEALTH OF KENTUCKY
FRANKLIN CIRCUIT COURT
DIVISION II
CIVIL ACTION NOS. 13-CI-1296 AND 13-CI-1297
CONSOLIDATED



SHARON P. CLARK, IN HER OFFICIAL
CAPACITY AS COMMISSIONER,
KENTUCKY DEPARTMENT OF INSURANCE

PETITIONER

VS. ORDER APPROVING SERVICE AGREEMENT

KENTUCKY SCHOOL BOARDS INSURANCE
TRUST, ETC., ET AL

RESPONDENTS

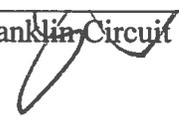
* * * * *

Sharon P. Clark, Commissioner, in her capacity as Rehabilitator of the KSBIT Property and Liability Fund, by counsel, moved the Court to enter an Order Approving Service Agreement between the KSBIT Property and Liability Fund and Assured NL Insurance Services, Inc., d/b/a Risk Management Services Company (RMSC”), and the Court being sufficiently advised.

IT IS HEREBY ORDERED that the Service Agreement, attached as Exhibit 1, between the KSBIT Property and Liability Fund and RMSC Company, whereby RMSC will act as the third party administrator for the run off of the KSBIT Property and Liability Fund, is hereby approved.

Entered on this 6 day of August, 2014.

**Signature on file with
original document**



Judge, Franklin Circuit Court

TENDERED BY:

**Signature on file with
original document**

Peter F. Ervin
La Tasha Buckner
Public Protection Cabinet
Office of Legal Services
Capitol Tower Plaza
500 Mero Street, 5th Floor
Frankfort, Kentucky 40601
(502) 564-7760

and

Shaun T. Orme
General Counsel
Kentucky Department of Insurance
215 West Main St.
Frankfort, KY 40601
(502) 564-6032

SERVICE AGREEMENT

THIS SERVICE AGREEMENT (this "Agreement") shall be effective as of the 1st day of September 2014, by and between Assured NL Insurance Services Inc., [dba Risk Management Services Company] a Delaware company ("Service Provider"), and Kentucky School Boards Insurance Trust Property and Liability Fund ("Client").

PRELIMINARY STATEMENTS

WHEREAS, Client desires for Service Provider to provide various services for and on the behalf of Client; and

WHEREAS, Service Provider agrees to perform such services on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and of the mutual promises and covenants hereinafter contained, the Parties agree as follows:

ARTICLE 1 - SERVICES PROVIDED

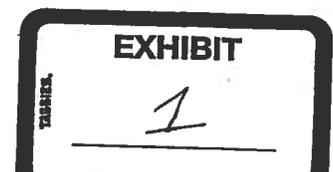
Subject to all other terms and conditions of this Agreement, Service Provider shall provide the services (the "Services") described in the proposal that is attached hereto as Exhibit A (the "Proposal").

ARTICLE 2 - PROPRIETARY RIGHTS

The Parties shall each retain all title, copyright, and other proprietary rights in and to all materials and systems, all works of authorship and all intellectual property created, utilized or developed by each of them or their representatives in the performance of the Services hereunder or otherwise in connection with this Agreement, including, without limitation, computer programs, computer equipment, products, software, designs, plans, specifications, computer output, valuations, estimates, reports, modules, formats, risk data record formats, procedures, documentation and every innovation, conception, improvement, discovery or invention and any and all intellectual property rights associated therewith. Any materials delivered by Client to Service Provider in connection with this Agreement shall be used by Service Provider only in connection with performance of the Services and shall not otherwise be disclosed to third parties. Upon demand by Client, Service Provider shall immediately return to Client all materials provided by Client to Service Provider, any compilations or analyses of Client data such as loss runs or claims histories, and any other intellectual property described above.

ARTICLE 3 - RELATIONSHIP OF PARTIES AND THIRD PARTIES

3.1. Service Provider, at all times, shall be an independent contractor, and employees of Service Provider shall in no event be considered employees of Client.



3.2. The Parties do not anticipate that Client or its representatives will provide Service Provider with any protected health information ("PHI") that is subject to protection under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") and the Standards for Privacy of Individually Identifiable Health Information and Security Standards for the Protection of Electronic Protected Health Information, 45 C.F.R. Part 160 and Part 164 ("Rules") in connection with the performance of the Services called for under the Agreement. In the event that it is deemed necessary for Client or its representatives to provide PHI to Service Provider in connection with the performance of the Services, the parties agree to take reasonable steps necessary to protect the security and confidentiality of such PHI in accordance with HIPAA, the Rules, and other laws relating to the privacy and security of PHI, which are now in force or which may hereafter be in force.

ARTICLE 4 - COMPENSATION

4.1. Service Provider shall be compensated by Client for the Services rendered hereunder in accordance with the Proposal, as listed in Exhibit A.

4.2. Service Provider may seek to adjust or amend its fees for the reasons set forth below. Upon notice from Service Provider regarding a proposed adjustment or amendment, Client agrees to review such proposal promptly and discuss the proposal with Service Provider in good faith. In no event will an adjustment or amendment be retroactive without eCourt approval.

a) the historical data upon which Service Provider's fees and service charges were developed were based upon erroneous, obsolete or insufficient information, or a change in Client's business will materially change the nature and/or volume of its business or needs as contemplated at the inception of the Agreement;

b) legislative and/or regulatory requirements materially impact or change the scope of Service Provider's services or responsibilities; or

c) Service Provider must, under any applicable law, utilize another service company as a provider of services hereunder.

4.3. Upon prior notice, Client shall be responsible for any sales, use, value added, , or similar taxes customarily attributable to a user of services, and Client shall pay such taxes to Service Provider in accordance with invoices submitted by Service Provider.

ARTICLE 5 - CLAIMS FUND

5.1 Client and Service Provider will establish an Claims Fund account at a banking institution of Client's choice. Said account will maintain a working balance and Client will promptly replenish the account as requested by Service Provider.

5.2 All of the funds in the Claims Fund Account shall at all times belong to Client. The interest earned by the Claims Fund Account will likewise accrue for the benefit of Client.

5.3 Service Provider will, upon request, provide Client with an accounting of funds and expenditures.

5.4 As soon as possible after the termination of this Agreement, Service Provider shall furnish client with a final reconciliation of client's funds as soon as possible, but in no event more than thirty (30) days after the termination of the Agreement.

ARTICLE 6 - TERMINATION

6.1. The term of this agreement shall be for three years beginning September 1, 2014 and ending August 31, 2017, at the rates set forth in the pricing proposal attached hereto as part of Exhibit A. Continuation of the Agreement past the initial term of this agreement is contingent upon the negotiation of terms and conditions for continuation which are agreed to by all parties and is subject to approval by the Court.

6.2. This Agreement may be terminated by either party at any time upon ninety (90) days prior written notice to the other party.

6.3. In the event of termination by either party, the Parties agree to cooperate with each other for any balance of the term of the Agreement and for a reasonable amount of time thereafter. Such cooperation will include, without limitation, return of each party's respective property, transfer by Service Provider of Client's information, including electronic records, and communicating with each other regarding all matters pertaining to the Agreement and its cessation.

ARTICLE 7 - CONDITIONS AND LIMITATIONS

7.1. Service Provider does not act as an insurer for Client, and this Agreement shall not be construed as an insurance policy or a contract or agreement of indemnity; it being understood that Service Provider is in no event financially responsible for the payment or satisfaction of claims, lawsuits, or any cause of action of any form, kind or nature against Client.

7.2. Service Provider's responsibility for the performance of Services as specified in this Agreement is conditioned upon Client fully cooperating with, and providing all reasonable assistance requested by, Service Provider; and the performance by Client of all other obligations under this Agreement. Service Provider likewise agrees to cooperate with Client fully in connection with this Agreement, including without limitation providing all reasonable assistance requested by Client relative to the Services under this Agreement.

7.3. Service Provider has the authority to pay any claim or settlement up to and including \$10,000.00 In order to pay any claim or settlement of a claim above \$10,000.00,

Service Provider must receive prior approval from the Rehabilitator or Special Deputy Rehabilitator.

7.4 The Services to be provided by Service Provider hereunder are not of a legal nature, and Service Provider shall in no event give, or be required to give, any legal opinions or provide any legal representation to Client.

7.5. Service Provider shall indemnify, defend and hold harmless Client , its direct and indirect parents, subsidiaries and affiliates, and each of their respective officers, directors, agents, employees, shareholders, managers, members, successors, and assigns from and against any and all claims, suits, demands, losses, costs, judgments, fines, liabilities, and damages, including reasonable attorneys' fees and court costs (hereinafter individually and collectively referred to as "Liabilities") incurred by or asserted against Client as a result of or arising from Service Provider's negligence, acts, omissions or misconduct. This indemnity shall not apply to any acts or omissions by Service Provider as a result of any directives or instructions issued by Client or its employees, attorneys or agents.-

7.6. SERVICE PROVIDER WARRANTS THAT IT WILL PERFORM THE SERVICES HEREUNDER IN ACCORDANCE WITH INDUSTRY STANDARDS AND IN A GOOD AND WORKMANLIKE MANNER. SERVICE PROVIDER EXPRESSLY DISCLAIMS ALL OTHER WARRANTIES, EITHER EXPRESS OR IMPLIED, AS TO SUCH SERVICES AND ITS PERFORMANCE HEREUNDER.

IN NO EVENT SHALL EITHER PARTY TO THIS AGREEMENT BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR THE SERVICES PROVIDED HEREUNDER.

7.7. Neither party shall be in breach of this Agreement if there is a total or partial failure by it in its duties and obligations occasioned by any act of God, fire, act of foreign, federal, state or local government, war, civil commotion, insurrection, embargo, prevention from or hindrance in obtaining any raw materials, energy or other supplies, labor disputes or whatever nature, or any other reason beyond its reasonable control. In the event of delay in performance due to any such cause, the date of the delivery or time for completion will be extended by a period of time reasonably necessary to overcome the effect of such delay.

7.8. Any recommendations by Service Provider hereunder are advisory only for the sole purpose of assisting Client. All surveys and reports shall be based upon the conditions observed and the information supplied by Client during any Service Provider visit of Client's location(s) or otherwise and Service Provider shall be under no obligation to verify or investigate the accuracy or completeness of the data and information provided by Client. Any survey performed by Service Provider pursuant hereto is not a comprehensive safety inspection. Client acknowledges that Service Provider does not guarantee, assure or warrant: (1) the safety of any

of Client's locations, properties or operations; (2) that Client or its locations, properties or operations are in compliance with federal, state and local laws, statutes, ordinances, recommendations, regulations, consensus codes or other standards; or (3) that compliance with, or implementation of, Service Provider's recommendations will eliminate or reduce any or all hazards, accidents or other losses. Service Provider assumes no responsibility for management or operation of loss control and safety procedures and Client acknowledges that Service Provider shall not be deemed to be acting for or on behalf of Client's safety, risk management or other similar department.

7.9. Neither party may assign this Agreement, or its rights hereunder, without the prior written consent of the other party hereto.

7.10. All notices to be given pursuant to this Agreement shall be in writing, and shall be deemed to have been duly given when personally delivered or when mailed by United States first class mail, postage prepaid, to the following addresses:

If to Client:

Joseph N. Pope, Jr., CPA, CFE
Deputy Rehabilitator
KSBIT Property and Liability Fund
10400 Linn Station Road, Suite 211
Louisville, KY 40223

If to Service Provider:

Risk Management Services Co.
2211 River Road
Louisville, KY 40206
Attention: Jeff Rausch

7.11. The terms of this Agreement shall be governed by the laws of the Commonwealth of Kentucky, except for its conflict of law rules.

7.12. The Parties mutually agree that this Agreement is intended by them to be solely for the benefit of the parties hereto and that no third parties may rely on any reports, analyses or other material provided by Service Provider or shall obtain any direct or indirect benefits from this Agreement, have any claim or be entitled to any remedy under this Agreement or otherwise in any way be regarded as third party beneficiaries of this Agreement.

7.13. This Agreement and the attached addenda constitute the entire understanding and agreement between the Parties, and supersede all prior or contemporaneous agreements or understandings, written or oral, of the Parties. This Agreement may be amended or modified only in a writing executed by both parties. No waiver of one or more provisions of this Agreement shall constitute a waiver of any other provision.

IN WITNESS WHEREOF, the parties have executed this Service Agreement as of the day and year first above written.

Assured NL Insurance Services, Inc.

KSBIT Property and Liability Fund

BY: Charles J. Runch

BY: [Signature]

TITLE: Senior Vice President

TITLE: Deputy Rehabilitator

EXHIBIT A

SERVICES and FEE SCHEDULE

PERIOD 12:00 A.M. September 1, 2014 ,
THROUGH MIDNIGHT August 31, 2017 .

1. In consideration of the services to be provided hereunder, Client agrees to pay Service Organization service fees as follows:

	Annual Per Claim Costs
Auto Liability - PD/BI	\$275
Auto Physical Damage	\$125
Property Damage	\$150
Crime	\$325
Criminal Defense	\$325
Educators Liability	\$325.
General Liability - PD/BI	\$275
Errors & Omissions	\$325
Bad Faith	\$325
Subrogation	20% of recovery
Hourly Rate to attend hearings, depositions, etc....	\$85/hr
Data conversion - At cost, estimated	\$25,000

Annual Administration Fee -

Includes:

\$15,000

Account Setup, Claim Intake,
Indexing ,

System Access and Mgmt. Reports

Incident Only Reporting, MMSEA Reporting

Other Regulatory Reporting,

Aggregate

Reporting, Claims Review meetings,

etc

The fees listed above do not include Allocated Loss Adjustment Expenses including but not limited to; medical cost containment, attorney fees, expert witness fees, transcription fees, etc.

Contract extension terms will be negotiated by the parties at the expiration of the initial three year term.

2. An invoice will be issued September 1st each year based on the number of open claims plus the Annual Administration Fee. Fees to attend hearings, depositions, etc. which are billed hourly will be invoiced monthly as incurred.
3. Client agrees to pay Service Organization within thirty (30) days of the invoice.