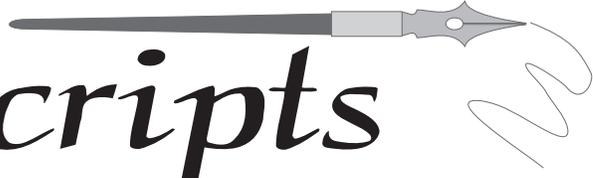


FundScripts



Volume 17, Number 1

2013

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PAYROLL FORMS MAKING CHANGES

Please note that if you recreate the Fund's payroll reports in your own computer system, you MUST pay attention to changes in certain items from year to year including class codes, rates, experience mods, discount factors and the Special Fund Tax Rate.

Do not assume that all values are the same from year to year, as they are NOT. Each month, the Fund processes numerous errors which costs the Fund time and money; your time and money.

Should you have any questions about the values on your payroll reports, please contact the Fund's Underwriting Department at (502) 245-2007 or (800) 928-7135.

LIKE A ROCK

2012 KENTUCKY AGC/SIF FINANCIAL INFORMATION

In addition to the Financial Statements, as posted on the Fund's website (www.kyagscif.com), the following information is provided to you, and is a **summary** of the **2012 AUDITED FINANCIAL STATEMENT** for the Kentucky AGC/SIF:

<u>REVENUES</u>	<u>2012</u>
Premiums Earned	\$58,481,676
Net Investment Income	\$8,661,624
Net Realized Investment Gains (Losses)	\$1,006,478
Other	\$771,443
<u>TOTAL REVENUES</u>	\$68,921,221
 <u>EXPENSES</u>	
Claims Paid and Reserved	\$42,719,977
Service Fee	\$6,333,566
Commissions	\$5,848,168
Excess Insurance Premiums	\$840,000
Loss Control	\$893,104
Premium Audits	\$564,136
Other	\$1,666,065
<u>TOTAL EXPENSES</u>	\$58,865,016
Income Before Dividends and Taxes	\$10,056,205
Dividends Declared to Members	<u>\$9,300,000</u>
Income Before Income Tax Expense	\$756,205
Income Tax Expense (Benefit)	<u>\$5,928</u>
<u>NET INCOME</u>	\$750,277
 <u>DIVIDEND INFORMATION</u>	
DIVIDENDS PAID to Members in 2012 for 2007 Year	\$13,918,314
SPECIAL FUND TAX returned to Members for 2007 Year	\$904,691
TOTAL DIVIDEND Distribution in 2012	\$14,823,005
TOTAL PREMIUM collected for 2007	\$70,942,914
% OF PREMIUM RETURNED to Members	20.0%



KENTUCKY CHILD LABOR LAW

With the school year drawing to a close, over the next few months, high school students around the state will be available to join Kentucky's workforce. Some will no doubt choose the construction industry, thereby affording many Kentucky AGC/SIF members the opportunity to temporarily employ some labor-oriented help.

Hiring these high school employees will impose additional restrictions on employers. Kentucky's Child Labor Laws are applicable to all minors under the age of 18. There are both prohibited occupations and a limitation of hours worked that exist to protect both the safety and well-being of these individuals. **CONSTRUCTION-RELATED WORK, REGARDLESS OF TYPE OF OPERATION, IS STRICTLY PROHIBITED FOR MINORS 14, BUT NOT YET 16 YEARS OF AGE.** Violations of the child labor laws are subject to monetary fines.

To help you avoid an unnecessary fine, please review below for information that the Fund has obtained directly from the Kentucky Labor Cabinet.

The following is a list of **prohibited occupations** for all minors **under the age of 18**:

- ◆ Jobs in or around plants that make or store explosives or articles containing explosive components
- ◆ Motor vehicle driver and outside helper
- ◆ Coal mining operations
- ◆ Logging or saw milling operations
- ◆ Operation of power-driven woodworking machines
- ◆ Exposure to radioactive substances
- ◆ Operation of power-driven hoisting apparatus
- ◆ Operation of power-driven metal-forming, metal-punching & metal-shearing machines
- ◆ Mining (other than coal)
- ◆ Slaughtering, meat packing or processing
- ◆ Operation of power-driven bakery machines
- ◆ Operation of paper product machines
- ◆ Manufacture of brick, tile and similar products
- ◆ Operation of circular saws, band saws and guillotine shears
- ◆ Wrecking, demolition and shipwrecking operations
- ◆ Roofing
- ◆ Excavating operations
- ◆ Liquor operations

****CONSTRUCTION (INCLUDING DEMOLITION AND REPAIR) IS A PROHIBITED OCCUPATION FOR ALL MINORS 14, BUT NOT YET 16 YEARS OF AGE. ****

Minors that are **14 years of age**, but not yet 18, have **restrictions** regarding the hours they are permitted to work. These restrictions are as follows for the respective age group:

AGES 14 and 15

- ◆ May not work BEFORE 7:00 A.M.
- ◆ May not work AFTER 7:00 P.M. (9:00 PM June 1 through Labor Day)
- ◆ Maximum hours when school is in session:
 - > 3 hours per day on a school day
 - > 8 hours per day on a non-school day
 - > 18 hours per week
- ◆ Maximum hours when school is not in session:
 - > 8 hours per day
 - > 40 hours per week

AGES 16 and 17

- ◆ May not work BEFORE 6:00 A.M.
- ◆ May not work AFTER 10:30 P.M. preceding a school day or 1:00 A.M. preceding a non-school day
- ◆ Maximum hours when school is in session:
 - > 6 hours per day on a school day
 - > 8 hours per day on a non-school day
 - > 30 hours per week*
- ◆ Maximum hours when school is not in session:
 - > NO RESTRICTIONS

(*A minor that is 16 or 17 years of age may work up to 40 hours per week when school is in session if a parent or legal guardian gives permission in writing, and the principal or head of the school the minor attends certifies in writing that the minor has maintained at least a 2.0 grade point average in the most recent grading period. The school certification will remain valid for one (1) year unless revoked sooner by the school authority. Both the parental permission and the school certification shall remain at the employer's place of business.)

KENTUCKY CHILD LABOR LAW (CONTINUED)

Additionally, you should know that minors under eighteen (18) years of age shall NOT be permitted to work more than five (5) hours continuously without an interval of at least thirty (30) minutes for a lunch period. It should also be noted that proof of age is required for all minors fourteen (14), but not yet eighteen (18) years of age. This may include a driver's license, birth certificate or government document with date of birth.

Employers are also required to maintain the following information in their records for any minor that is employed: name, age, address, the time of the beginning and ending of each work shift and each meal period. A child labor poster, including prohibited duties, is required to be posted by employers.

For additional information, you can contact the Kentucky Department of Labor at the following location:

Kentucky Department of Labor
Division of Employment Standards, Apprenticeship and Mediation
1047 US Hwy 127 S, Suite 4
Frankfort, KY 40601-4381
Phone (502) 564-3070 Fax (502) 564-2248
www.labor.ky.gov

WHAT AN HONOR!

INAUGURAL "HALL OF FAME" GROUP INDUCTED

Throughout its 34-year history, the Fund has been influenced by numerous contributions from many different individuals. On Monday, April 29th, 2013, the Board of Trustees, Association Executives and Administrators came together to honor a group of eleven (11) individuals for their years of exceptional **LEADERSHIP**, **SERVICE** and **DEDICATION** to the Fund. In order to be recognized, an individual must have served in an administrative capacity (i.e., Trustee, Association Executive or Third-Party Administrator) for a minimum of 20 years. Individuals honored included:

- ◆ **Clements, Paul** - Mr. Clements served the Fund from 1991 to 2012 as a Trustee on behalf of the Builders Exchange of Kentucky.
- ◆ **Gray, Ron** - Mr. Gray began serving the Fund in 1993 as an Association Executive for the Kentucky Association of Highway Contractors. Currently, Mr. Gray serves as an Association Executive for the Kentucky Crushed Stone Association.
- ◆ **Hacker, Bill** - Mr. Hacker served the Fund from 1988 to 2010 as a Trustee on behalf of the Associated General Contractors of Kentucky.
- ◆ **Heffner, Paul** - Mr. Heffner began serving the Fund in 1984 as a principal of the Fund's Third-Party Administrator, Ladegast & Heffner. Currently, Mr. Heffner serves as an Administrator.
- ◆ **Kelly, John** - Mr. Kelly began serving the Fund in 1979. Currently, Mr. Kelly serves the Fund as the Association Executive Emeritus for the Builders Exchange of Kentucky.
- ◆ **Ladegast, Karl T.** - Mr. Ladegast began serving the Fund in 1989 as a member of the Fund's Third-Party Administrator, Ladegast & Heffner. Currently, Mr. Ladegast serves as an Administrator and Director of Underwriting.
- ◆ **Ladegast, Larry** - Mr. Ladegast began serving the Fund in 1984 as a principal of the Fund's Third-Party Administrator, Ladegast & Heffner. Currently, Mr. Ladegast serves as an Administrator.
- ◆ **Pohlman, John** - Mr. Pohlman served the Fund from 1992 to 2012 as a Trustee on behalf of the Home Builders Association of Kentucky.
- ◆ **Stevens, Gary** - Mr. Stevens served the Fund from 1987 to 2011 as a Trustee on behalf of the Associated General Contractors of Kentucky.
- ◆ **Sutherland, Mary Margaret** - Mrs. Sutherland began serving the Fund in 1985 as a member of the Fund's Third-Party Administrator, Ladegast & Heffner. Currently, Mrs. Sutherland serves as an Administrator and Director of Claims.
- ◆ **Weiss, Bob** - Mr. Weiss began serving the Fund in 1985. Currently, Mr. Weiss serves as the Association Executive for the Home Builders Association of Kentucky.

FundScripts

KY AGC Self Insurers' Fund
P.O. Box 436949
Louisville, KY 40253-6949
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THE UNDERWRITER'S CORNER

UPCOMING CHANGES TO THE EXPERIENCE MODIFICATION CALCULATION

As stated in the March edition of the *FundScripts*, we will once again focus on the coming changes to the experience modification (e-mod) calculation. These changes will not become effective in Kentucky until **10/1/13**. More importantly, they will not affect Fund e-mods until **1/1/14** (the immediate Fund rating period after 10/1/13). So what are these changes and how will they affect you?

For the past 20 years, the National Council on Compensation Insurance (NCCI) has held the “split-point” in the e-mod calculation at \$5,000. The split-point is the point at which losses are used in the e-mod calculation. The first \$5,000 of a claim, known as the primary loss, is given full weight in the e-mod calculation and reflects frequency. The amount of a loss in excess of \$5,000, known as the excess loss, is given partial weight in the e-mod calculation and reflects severity. The split-point exists so contractors with one large loss are not severely impacted versus other similar contractors with multiple smaller losses. So why is this split point changing?

As stated above, the NCCI has not changed the split point value in over 20 years. As you can imagine, the average cost of a claim has since tripled. Thus, the \$5,000 split point is no longer relative as it does not accurately reflect current conditions. As such, the NCCI has resolved to increase the split-point incrementally over the next three years as follows:

- ◆ **YEAR 1:** The split-point will initially be increased to \$10,000
- ◆ **YEAR 2:** The split-point will increase to \$13,500
- ◆ **YEAR 3:** The split-point will increase to \$15,000 plus two years of inflation adjustment (After this three-year transition period, subsequent split-point changes will be indexed to inflation.)

As a result of these changes, individual contractors will be impacted differently. For example, if none of a contractor's losses exceed \$5,000, they will likely see a decrease in their e-mod, as their actual losses are less than what is expected. However, if a contractor has losses that exceed \$5,000, that contractor's e-mod will likely increase. Why? Because more of the losses will flow into the e-mod resulting in losses that are more than what is expected. Whereas the cap was at \$5,000 for full weighting prior to the change, the 2013 value of \$10,000 means that any loss exceeding \$5,000 will be given full weight up to \$10,000.

If you do not understand, or need any further clarification, regarding this issue, please contact the Fund Office at (800) 928-7135.