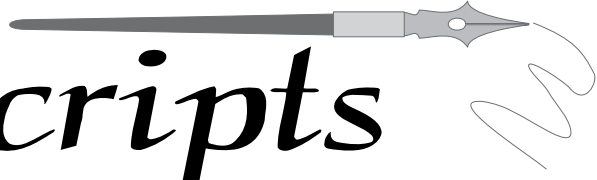


1979-2013
34
YEARS OF
EXCELLENCE

KENTUCKY ASSOCIATED GENERAL CONTRACTORS
SELF INSURERS' FUND NEWSLETTER
OUR A.M. BEST RATING IS A-, "EXCELLENT"

FundScripts



Volume 16, Number 4

2013

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HAPPY SWEET 19!

**DIVIDENDS WILL BE RETURNED TO
KENTUCKY AGC/SIF MEMBERS FOR THE
19TH CONSECUTIVE YEAR!**

The Kentucky AGC/SIF Board of Trustees approved the release of \$16,459,827 in dividends and Special Fund taxes to be paid in March of 2013 at its regularly held meeting on October 30, 2012. This dividend payment marks the 19th consecutive year that the Kentucky AGC/SIF has returned premium dollars to its members, bringing the total dividends and Special Fund taxes paid to over \$130 MILLION!!

Total premiums being returned to Fund members from the 2008 year are \$15,455,237 and the Special Fund taxes being returned are \$1,004,590, bringing the total being returned back to Fund members to \$16,459,827.

Dividends being released at the end of this month represent a 35% return of total premiums paid in for the 2008 Fund year as of October 31, 2012.

Historically, 94-95% of members have qualified for a dividend check. As of October 31, 2012, 97% of members who were in the Fund in 2008 and who remain in the Fund are eligible for a 2013 dividend check. How do you know if you will receive a dividend check? You must meet the following criterion:

- ◆ Have a loss ratio of less than 100% for the year in which the dividend is being paid (2008 year)
- ◆ Were a member in the year for which the dividend is being paid (2008 year)
- ◆ Be a CURRENT member at the time of the dividend payment (2013 year)
- ◆ Be current in ALL payment obligations to the Fund and the Trade Association of which you are a member

Currently available on the Kentucky AGC/SIF's website (www.kyagsif.com), members and agents can access **ESTIMATED** dividend returns that will be issued later this month. Registered users can log in, go to the reports menu and select "Estimated Dividend Report." If you are not currently a registered user, simply go to the website home page and click on "Need to signup?" in the upper right hand corner. Again, please note that the amounts shown are **ESTIMATES** only.

If you have any question whether your company may be eligible for a dividend paid in 2013, please contact the Fund Office at (800) 928-7135.

ANNUAL SAFETY SEMINAR A REMINDER

It seems as though Christmas was just here, however, we are already rolling into Spring! As we move farther into 2013, it is important to remember that all companies with effective dates prior to 1/1/13 are subject to the mandatory 2-hour safety seminar requirement.

As you were notified in your new policy year information, the deadline for complying with the safety seminar requirement is October 31, 2013. Don't wait!

Training sessions are already forming. To find a training session in your area, please visit: <http://www.kyagsif.com/safety/seminars>. Check this page regularly for updates throughout the year.



SOCIAL MEDIA UPDATE

FACEBOOK, LINKEDIN & TWITTER

As published in the last edition of the *FundScripts*, the Kentucky AGC/SIF has launched pages on *Facebook*, *LinkedIn* and *Twitter*. The purpose of launching these sites is to disseminate important Fund information in real-time, versus the traditional way via letters and/or *FundScripts* (Note: the Fund's website at www.kyagcsif.com contains all Social Media updates as well). An important point to clarify is that you do NOT have to be a member of these sites to view information. Simply go to the links below, and you can stay abreast of important Fund news such as dividends, rates, and tons of other great information! However, should you be a member of one of these sites, make sure you "follow" the Fund. By following the Fund, you will automatically be notified when new information is released. So come on, get connected today!

- ◆ **Facebook:** <http://www.facebook.com/KYAGCSIF> (Be sure to "Like" us!)
- ◆ **LinkedIn:** http://www.linkedin.com/company/2762201?trk=NUS_DIG_CMPY-fol
- ◆ **Twitter:** <http://twitter.com/KENTUCKYAGCSIF>

PREMIUM AUDIT TIME

TIME TO PREPARE FOR THE 2012

Premium Audit

The Kentucky AGC/SIF has begun the annual task of conducting the workers' compensation premium audits for the 2012 policy year. As always, we are committed to making this task as painless as possible for our members, but we need your cooperation in order to assure a satisfactory and equitable audit. The Fund employs the independent auditing firm of Chylstek and White Services (C & W), as well as Trina Haggard (the Fund's internal auditor). Please follow these helpful suggestions to make sure the audit process goes as smoothly as possible.

1. You will receive advanced written notice of the upcoming premium audit. Please utilize the time to prepare for your audit by gathering documentation for the auditor.
2. The pertinent documentation should include the following for ALL named insureds on the policy:
 - All payroll records (including payroll records for Regularly Employed Kentucky Employees who worked out of state) in the form of ledgers and journals
 - All Out of State payroll records for members with Safety National policies
 - All federal and state quarterly tax returns
 - All cash disbursement journals
 - All Certificates of Insurance for subcontractors used (Note: You will be charged premium for any subcontractor for which you do not have a Kentucky Workers' Compensation Certificate of Insurance.)
 - All 1099s
3. Prepare a list of any questions you may have about your audit before the auditor arrives.
4. Either the owner or officer of the company or bookkeeper/accountant should be present during the audit to have a clear understanding of the process.



THE UNDERWRITER'S CORNER

UPCOMING CHANGES TO THE EXPERIENCE MODIFICATION CALCULATION

ATTENTION EVERYONE!! Beginning in 2013, there will be MAJOR changes coming 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.

Given the sensitive nature of this subject, this issue will be examined in all subsequent editions of *FundScripts* for 2013. Should you have any questions, please contact the Fund Office at (800) 928-7135.

GETTING UPGRADED!

DEPARTMENT OF WORKERS' CLAIMS DEVELOPS ONLINE OPEN RECORDS SYSTEM

In December 2012, the Kentucky Department of Workers' Claims began offering an Online Open Records System. The system will allow users to purchase (via credit card) records online with an electronic document retrieval system. The pricing for the system is as follows:

- ◆ \$0.15 per page for computer copies plus a \$2.50 processing fee per request
- ◆ \$0.75 per page for microfilm copies plus a \$5.00 processing fee per request
- ◆ \$5.00 per request for certification
- ◆ 4% credit card fee per online request

Additionally, the Department of Workers' Claims will require pre-payment for all pre-employment requests. The requests must be mailed with payment at the time of the request. To process a request, the DWC needs the person's name, full social security number, the requesting party's return mailing address, as well as \$2.00 per name requested. For more information, visit the DWC's website at <http://www.labor.ky.gov/workersclaims/Pages/Department-of-Workers%27-Claims.aspx>

FundScripts

KY AGC Self Insurers' Fund
P.O. Box 436949
Louisville, KY 40253-6949
502/245-2007



AND THE BEAT GOES ON...

**A.M. BEST RENEWS THE FUND'S RATING
FOR THE 16TH CONSECUTIVE YEAR**

The Kentucky AGC/SIF is once again very pleased to offer Fund members the security of having an A.M. Best **Financial Strength Rating** category of **A- (Excellent)**. An A- rating category is assigned to companies which, in A.M. Best's opinion, have an "excellent" ability to meet their ongoing obligations to policyholders. Ratings are issued only after A.M. Best has conducted a comprehensive quantitative and qualitative evaluation of a company's balance sheet strength, operating performance, and business profile. **The Kentucky AGC/SIF has maintained a category A- rating since its initial rating in 1998.**

The Fund is also pleased to announce that A.M. Best's **Financial Size Category** for the Fund is maintained at a category VII. To enhance the usefulness of ratings, A.M. Best assigns each letter rated (A++ through D) insurance company a Financial Size Category (FSC). The FSC is designed to provide a convenient indicator of the size of a company in terms of its statutory surplus and related accounts. A category VII indicates an adjusted policyholders' surplus of \$50 million to \$100 million.

The Kentucky AGC/SIF was formed to offer an alternative workers' compensation insurance product for the construction industry. Low rates and dividends are by far the most popular benefits that Fund members want to claim by joining and remaining in the Kentucky AGC/SIF, but the A.M. Best rating is a benefit as well. Not many self insurance groups have an A.M. Best rating, including no other self insurance groups in Kentucky. And while A.M. Best's evaluation is not the only test that the Fund undergoes to balance and maintain its financial integrity, it is undoubtedly a very important one. It is the report card that allows agents and Fund members alike to have added confidence in the Fund's **continued** ability to not just offer its product, but to provide a stable product and benefits.

If you would like to view the Kentucky AGC/SIF's A.M. Best rating, you can do so at www.ambest.com (the Fund's A.M. Best number is 55002) or click on the A.M. Best link from the Fund's website at www.kyagscif.com.