1979-2009 30 YEARS OF EXCELLENCE

KENTUCKY ASSOCIATED GENERAL CONTRACTORS SELF INSURERS' FUND NEWSLETTER

OUR A.M. BEST RATING IS A-, "EXCELLENT"

FundScripts

Volume 13, Number 3 **2009**

Dividends are Approved

$7.96 MILLION IN DIVIDENDS TO BE PAID TO KENTUCKY AGC/SIF MEMBERS

At its regularly held Board Meeting on October 27, 2009, the Kentucky AGC/SIF Board of Trustees approved the release of $7,957,615 in dividends and $716,185 in Special Fund tax to be paid in March of 2010. This payment marks the 16th consecutive year that the Kentucky AGC/SIF has returned premium dollars to its members.

After the dividends and Special Fund tax are released in March of 2010, the total dividends and Special Fund tax that have been returned to Fund members since 1994 will be over $87.8 MILLION DOLLARS!

In March of 2010, dividends will be released that represent a 12.4% return of total premiums paid in for the 2005 Fund year as of October 31, 2009.

What are the chances that your company will receive a dividend? Historically, 94-95% of members have qualified for a dividend check. As of November 3, 2009, 96% of members who were in the Fund in 2005 and who remain in the Fund are eligible for a 2010 dividend check. Here is how your company can qualify:

- $ Have a Loss Ratio of less than 100% for the year in which the dividend is being paid (2005 year).
- $ Have been a member in the year for which the dividend is being paid (2005 year).
- $ Be a CURRENT member at the time of the dividend payment (2010 year).
- $ Be current in all payment obligations to the Fund and to its participating Trade Associations.

Now available on the Kentucky AGC/SIF's website (www.kyagcsif.com), members and agents can access **ESTIMATED** dividend returns that will be issued in March of 2010. 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 Register" 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 2010, please contact the Fund Office at (502) 245-2007.

The Fund Freezes Rates for 2010

After analyzing and considering a multitude of statistical data, as well as anticipating future market conditions, the Kentucky AGC/SIF's Board of Trustees, at its regularly held Board Meeting on October 27, 2009, voted to maintain the Fund's current (2009) manual rates for the upcoming 2010 year. In other words, there will be ***NO RATE CHANGE*** for the 2010 year.

Available Information

The Records Branch of the Kentucky Department of Workers' Claims (DWC) is divided into four (4) sections: Data Entry, Electronic Data Interchange (EDI), Open Records and the Research Section. These sections work together to maintain data integrity in order to provide reliable and accurate information and can provide certain information to prospective employers.

The Open Records Section responds to requests for claim and first report information pursuant to KRS 61.872(2). One particular service offered to employers by this branch of the DWC is pre-employment screening. Pre-employment inquiries are the most frequently requested service from the Open Records Section. **Pre-employment requests are only granted after the Kentucky Department of Workers' Claims has received a written request, accompanied by a signed employee authorization form.** These requests can be submitted to the following address:

Department of Workers' Claims
ATTN: Records Branch
657 Chamberlain Avenue
Frankfort, KY 40601

(Visit the DWC website for additional information.)

Sponsored by the Following Trade Associations:

THE KENTUCKY AGC/SIF HONORS ITS "TOP PRODUCING" AGENTS AT ITS 12th ANNUAL AGENTS' AWARD CEREMONY

On October 26, 2009, the Kentucky AGC/SIF's Board of Trustees, its Association Executives and its Administration came together to pay tribute to its 2008 top producing agencies at its 12th Annual Agents' Award Ceremony.

The awards ceremony was initiated in 1998 in order to recognize those agencies that have produced not only significant premium levels, but have shown tremendous dedication and loyalty to the Fund. The three (3) categories in which awards were presented included: CRYSTAL, GOLD and SILVER.

<u>CRYSTAL AWARDS</u> were presented to those agencies which produced ***<u>$2 million</u>*** (or more) in premium for the 2008 year. The agencies and their representatives receiving crystal awards were: **BB & T Insurance Services**, represented by Mr. Joe Bauer and Ms. Faye Miller; the **Garrett-Stotz Company**, represented by Mr. Steve Garrett and Mr. Jeff Brown; **Logan Lavelle Hunt Insurance**, represented by Mr. John Lavelle; **Neace Lukens**, represented by Mr. Richard Lewis and Mr. Terry Gordon; **Van Meter Insurance**, represented by Ms. Darlene Newsome and Ms. Maria Roache; and **Wells Fargo Insurance**, represented by Mr. Walt Zolla, Mr. Brian Ayres and Mr. Fred Orthmeyer.

<u>GOLD AWARDS</u> were presented to those agencies which produced ***<u>$1 million</u>*** (or more) (not to exceed $1,999,999) in premium for the 2008 year. The agencies and their representatives receiving gold awards were: **Associated Insurance Service**, represented by Mr. John Anderson and Mr. Chris Botner; **Center of Insurance**, represented by Mr. Bruce Barrick; **Energy Insurance**, represented by Mr. Todd Carlisle and Mr. Jeremy Fultz; **Powell-Walton-Milward**, represented by Mr. Kav Milward and Mr. Ike Van Meter; the **Roeding Group Companies**, represented by Mr. Ken Roeding; **Sterling G. Thompson**, represented by Mr. Tim Hafling; and **Underwriters, Safety & Claims**, represented by Mr. Mike Busick.

<u>SILVER AWARDS</u> were presented to those agencies which produced ***<u>$500,000</u>*** (or more) (not to exceed $999,999) in premium for the 2008 year. This year's silver awards were presented to the following list of agencies and their representatives: **Carroll & Stone Insurance**, represented by Mr. Steve Carroll and Ms. Christin Sims; the **Charles Bilz Agency**, represented by Mr. Jimmie Berger; **C.K. Ash & Associates**, represented by Mr. Brian Jones; **E.M. Ford & Co.**, represented by Mr. Lynn Holland; **GCH Insurance**, represented by Mr. John Hampton; **Greater Lexington Insurance**, represented by Mr. David Thornton; **Hyland, Block & Hyland**, represented by Mr. Terry Hyland and Mr. Nathan Huber; **Maverick Insurance**, represented by Mr. Duran Hall and Mr. Mark Bizer; **Morgan, Trevathan & Gunn**, represented by Mr. Chris Gunn; the **Peel & Holland Financial Group**, represented by Mr. Todd Anderson; **Schiff, Kreidler-Shell**, represented by Mr. Chad Bilz; and **Van Zandt, Emrich & Cary**, represented by Mr. Robert English.

The five (5) award winning agencies that were **<u>UNABLE</u>** to attend the ceremony this year were:
1) **Charles M. Moore Insurance** 2) **Crawford Insurance** 3) **Curneal & Hignite Insurance** 4) the **Putnam Agency** and 5) the **Western Rivers Corporation.**

<u>CONGRATULATIONS</u> to all of our award winning agencies on your accomplishments and we sincerely appreciate the continued support that you have shown the Kentucky AGC/SIF throughout the years.

Dividend Declared for the 2009 Year

At its regularly held Board Meeting on October 27, 2009, the Kentucky AGC/SIF Board of Trustees declared a **<u>dividend of $9,700,000</u>**. Once this declaration is added to the existing dividend pool (available for future payments to Fund members), it will bring the total in the dividend pool to over $45 million. If you have any questions regarding the dividend declaration, please contact the Fund Office at (502) 245-2007.

2010 Experience Mod Component Changes

As you may or may not know, the National Council on Compensation Insurance (NCCI) is the entity responsible for not only the formula used to determine a member's Experience Modification Rating (EMR), but also the components of the formula itself. While there are various components of the EMR formula, with the most important being payroll and loss experience, there are other important components that can significantly impact an EMR. Recently, NCCI revised how it determines some of the formula's components, namely the Expected Loss Ratios (ELRs) and Discount Ratios (D-ratios). These revisions were meant to "smooth" out the often significant fluctuations in the ELRs and D-ratios from year-to-year, and took effect on *October 1st, 2009*. Therefore, these revisions will have an impact upon the 2010 EMRs for employers all across the Commonwealth, including Kentucky AGC/SIF Fund members. **What does all of this mean?**

Each year, NCCI gathers payroll and loss information from insurance carriers in each state in which it services. With this information, NCCI determines various components of the EMR formula, including the ELRs and D-ratios. ELRs represent the expected losses per $100 of payroll for each class code. The purpose of the D-ratio is to split expected losses between primary and excess losses. Primary losses represent the first $5,000 of a claim, while excess losses are the portion of a claim above $5,000. The distinguishment between primary and excess losses is due to the fact that primary losses and excess losses are treated differently in the EMR formula.

To illustrate how these components operate, let's use an example of an electrical contractor whose applicable class code is 5190. The experience periods to be used in the 2010 EMRs are 2006, 2007 and 2008. So, let's assume that our electrical contractor had $30,000 in payroll for the 2008 policy year. The 2010 ELR for class code 5190 is 1.71, while the D-ratio is .18. Therefore, the expected losses for this contractor for the 2008 policy year are $513 ($30,000 X .0171), and the expected primary losses are $92 ($513 X .18). This information is compared to the electrical contractor's actual losses in determining the electrical contractor's EMR. Should the electrical contractor's actual losses be higher than the expected losses, the contractor's EMR will likely be higher than a 1.0. However, should the contractor's actual losses be less than the expected losses, the contractor's EMR will likely be lower than a 1.0.

Now that we have a basic understanding of the ELRs and D-ratios, let's examine the two (2) changes that NCCI recently made to these EMR components. 1) In the past, ELRs were divided between serious and non-serious categories. NCCI has done away with these categories and is now dividing ELRs into indemnity (lost-time) and medical categories. Furthermore, the claims that are used in an employer's EMR are capped and this amount varies by state. Each ELR for every class code reflects this cap by applying an excess loss adjustment factor. Due to other changes (beyond the scope of this article) in NCCI's class ratemaking, this factor has been updated for 2010. 2) As for D-ratios, NCCI use to divide them between serious and non-serious categories. NCCI has done away with those categories and is now calculating D-ratios by Hazard Group, separately by indemnity (lost-time) and medical.

IN SUMMARY, and as previously mentioned, these changes were implemented by NCCI for the long-term to "smooth" out the often significant fluctuations in the ELRs and D-ratios from year-to-year. In the short-term, should your EMR increase or decrease with no significant changes in your payroll or loss experience, those changes will *likely be directly attributable* to the changes in the ELRs and D-ratios for your specific classification codes used. Again, it must be understood that the aforementioned changes are beyond the control of the Kentucky AGC/SIF and apply equally to each and every carrier writing workers' compensation insurance in the state of Kentucky. Hopefully, this information, although somewhat technical and complicated, will provide you with a better understanding as to how your EMR is affected by changes in EMR components (*other than your payroll or loss experience*). In the event that you need additional information and/or clarification regarding this matter, please contact the Fund Office at (502) 245-2007 or toll free at (800) 928-7135.

More Money for You to Save

Effective January 1, 2010, the Kentucky Special Fund Assessment Tax Rate will be 6.5%; **unchanged** from the 2009 year. This will be the fifth consecutive year that the rate has been at 6.5% and remains at the lowest Assessment Tax Rate that Kentucky Employers have experienced since 1989.

How does the Assessment Tax Rate affect your company? It is the rate you multiply your normal premium by each month (or one time per year if you pay your entire premium at the beginning of the policy year) to determine the applicable tax amount you must pay as part of your total monthly workers' compensation insurance premium payment.

SAFETY AND EDUCATIONAL 2010 PROGRAM

During the October 27, 2009 Board of Trustees meeting, the structure for the 2010 Safety and Educational Program was unanimously passed. The Fund's Safety and Educational Program for 2010 will require all policies with an effective date through December 31, 2009 to attend, by October 31, 2010, a two (2) hour safety seminar offered by one of the Fund's seven (7) participating Trade Associations or the Fund's Loss Control Provider, J.V. Resources, Inc.

Look for more information to come from the Trade Association of which you are a member of, or from J.V. Resources, Inc., regarding training opportunities.

New members coming into the Fund with effective dates of January 1, 2010 (or after) will continue to be required to view the Fund's new member education video: "*Avoiding Jeopardy - Safety Pays!*" within thirty (30) days of receiving their new member packet.

Members with a loss ratio above the designated trigger ratio set for 2010 will continue to be required to participate in the Personal Review of Watch List (P.R.O.W.L.) program.

If there are any questions regarding the Fund's Safety and Educational Program for 2010, please contact the Fund Office at (502) 245-2007.

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