



KENTUCKY
AGC Self Insurers' Fund

435 North Whittington Parkway, Suite 125 | Louisville, KY | 40222 |
Ph: 502-415-7878 | www.kyagcsif.com

FUND FACTS

Policies and Procedures



AGC
KENTUCKY CHAPTER
THE CONSTRUCTION
ASSOCIATION



TABLE OF CONTENTS

Introduction, Trade Associations and Agents' Advisory Committee	Pages 3-4
Staff Directory	Pages 5-7
Fund Member Restrictions.....	Page 8
Dividend and Assessment Plans.....	Page 9
Safety & Educational Training Program	Page 10
Uninsured Contractors	Page 11
Volunteer Laborers	Page 12
Out of State Coverage & Cross-Borders Program.....	Page 13
The Fund's Excess Insurance	Page 14
Longshoremen's (USL & H) Coverage	Page 15
The Fund's Premium Discounts.....	Page 16
Coverage for Sole Proprietors and Partnerships	Page 17
Limited Liability Companies (LLC)	Page 18
Corporations.....	Page 19
Premium Collection.....	Pages 20-21
Included and Excluded Payroll	Pages 22-23
Maintaining Adequate Records.....	Pages 24-25
Premium Final Audits	Page 26
Tips on Classifications	Pages 27-28
Underwriting Guidelines	Pages 29-30
Ownership Changes and Combination of Entities	Page 31
Claims Filing Guide	Pages 32-33
Sample Forms.....	Pages 34-35

INTRODUCTION

Contractors of all types and sizes rely on workers' compensation to protect their employees in the instance of accident or injury. For the past 40 years, the Kentucky AGC Self Insurers' Fund has provided stable workers' compensation coverage to members.

Formed in 1979 by contractors in need of workers' compensation, the Fund has grown remarkably over its history and continues to add members through trade association memberships every year.

The intent of this manual is to answer any questions that you may have as well as explain current policies and procedures of the KY AGC Self Insurers' Fund.

If you have any questions, please contact us directly.

Kentucky AGC Self Insurers' Fund

435 N Whittington Pkwy, Suite 125

Louisville, KY 40222

Phone: 502-415-7878

Email: TheFund@agcsif.com

Contact Info for New Claim Reporting:

Phone: 1-855-397-0134

Email: AGCSIF@sedgwick.com

Online: <https://intake.sedgwick.com/u/AGC/Intake>,

Access code: claim

Access code: Midwest (out of state claims)

Contact Info for Claims reported prior to 10/12/22:

Phone: 502-515-1320

Fax: (502) 515-1702

Email: claims@agcsif.com

Premium Payments

Kentucky AGC Self Insurers' Fund

PO Box 713104

Chicago, IL 60677-0304

Email: payables@agcsif.com

TRADE ASSOCIATIONS

AGC of Kentucky

120 West State Street • Frankfort, Kentucky 40601

P.O. Box 457 • Frankfort, Kentucky 40602

www.agcky.org

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AGC of Western Kentucky

2201 McCracken Blvd. • Paducah, Kentucky 42001

www.agcwkky.org

Chris Nelson, Executive Director

Builders Exchange of Kentucky

2300 Meadow Drive • Louisville, Kentucky 40218

P.O. Box 5398 • Louisville, Kentucky 40255-0398

(502) 459-9800

www.bxkentucky.com

Lynn Stetson, Executive Director

Home Builders Association of Kentucky, Inc.

1040 Burlington Lane • Frankfort, Kentucky 40601

(800) 489-4225

www.hbak.com

Anetha Sanford, Executive Director

Kentucky Association of Highway Contractors, Inc.

119 West Broadway • Frankfort, Kentucky 40601

P.O. Box 637 • Frankfort, Kentucky 40602

(502) 223-3422

www.kahc.org

Chad LaRue, Executive Director

Kentucky Association of Master Contractors

2123 Commercial Drive • Frankfort, Kentucky 40601

(502) 352-2575

www.kaphcc.com

Ron Faulkner, Executive Director

Kentucky Crushed Stone Association

119 W. Broadway • Frankfort, Kentucky 40601

P.O. Box 326 • Frankfort, Kentucky 40602

(502) 223-2379

www.kycsa.org

Nick Rodgers, Executive Director

Any information contained in this booklet is subject to change without notice by the Kentucky AGC SIF Board of Trustees.



Contact List

Executive Team

Name	Title	Email	Office	Cell
Stephen Lewis	Chief Executive Officer	Stephen.Lewis@agcsif.com	502-415-7887	502-931-6595
George Moore	Chief Underwriting Officer	George.Moore@agcsif.com	502-415-7886	502-671-3737
Porter O'Brien	Chief Operating Officer	Porter.OBrien@agcsif.com	502-415-7880	312-810-8849

Underwriting

Name	Title	Email	Office	Cell
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Risk Control

Name	Title	Email	Office	Cell
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Claims

Name	Title	Email	Office	Cell
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Christina Sharp	Claims Adjuster	Christina.Sharp@agcsif.com	502-415-7894	
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Alexis Faye	Claims Technician	Alexis.Janes@agcsif.com	502-415-7897	
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Operations

Name	Title	Email	Office	Cell
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Josh Eller	Sr. Technology Manager	Josh.Eller@agcsif.com	502-276-7151	

Finance

Name	Title	Email	Office	Cell
Wes Vance	Chief Financial Officer	Wes.Vance@agcsif.com	502-415-7865	502-751-3346
Julie Boston	Operations Manager	Julie.Boston@agcsif.com	502-515-7103	502-345-8590

Claims Contact Info (SEDGWICK)

Type	Contact Info
Phone	1-855-397-0134
Fax	866-222-8765
Email	AGCSIF@sedgwick.com
Online	https://intake.sedgwick.com/u/AGC/Intake Access code: claim Access code: midwest (out of state claims)

Premium Payment Address

Mailing Address
Kentucky AGC Self Insurers' Fund PO Box 713104 Chicago, IL 60677-0304

Claims Contact Info (FUND)

Type	Contact Info
Phone	(502) 515-1320
Fax	(502) 515-1702
Email	Claims@agcsif.com

Department Emails

Department	Email Address
General	TheFund@agcsif.com
Accounting	Payables@agcsif.com
Underwriting	Underwriting@agcsif.com
Claims	Claims@agcsif.com
Online Access	WebAdmin@agcsif.com

FUND MEMBER RESTRICTIONS

- No prospective members are accepted with annual normal premiums under \$1,000.00.
Current members with annual normal premiums under \$1,600.00 must be **on an annual billing basis**.
- **All policies are subject to a \$1,000.00 minimum yearly normal premium regardless of paying method (annual or monthly).** Policies cancelled before the end of the year expiration date will be subject to a pro-rated minimum normal premium based on the \$1,000.00 yearly minimum normal premium times the percentage of the year the policy was effective. The minimum premium and/or pro-rated minimum premium is **not subject to an experience rating modification**.
- To maintain an active policy with The Fund policy holders must maintain membership within one (1) of the seven (7) corresponding trade associations.

Upon acceptance into the Fund:

- New members must tender a 25% deposit before coverage begins. The deposit is based on your normal annual premium that has been modified and discounted. This deposit is **not** used as premium but is maintained in escrow until such time the member leaves the Fund. Upon clearance of all additional premiums due to the Fund and satisfactory compliance with all obligations (audits after cancellation), the deposit will be returned (minus any amounts due the Fund).
- The 25% deposit must always be on account with the Fund. Amounts of deposit may be reviewed and updated on an annual basis.
- **Surcharge payment:** All members are required to pay a \$100.00 surcharge annually. The surcharge is collected once every calendar year. New members are required to pay the surcharge upon acceptance into the Fund. The amount due is **not** pro-ratable. The gross amount of \$100.00 is required regardless of the date in the year joined. The surcharge is not considered premium and is not added to payments received for premium obligations.
- The date we receive the deposit check (**certified or agency check**) and all requested additional information is the date coverage is bound (unless a later coverage date is requested). **Coverage cannot be bound orally, by voice mail or by e-mail. NO EXCEPTIONS!** All policies provide coverage through December 31st of each year and are automatically renewed on January 1st. All other members are on a January 1st through December 31st policy period with automatic renewal on January 1st or until cancellation date.
- If accepted on a monthly pay basis, the first month's premium is due within 30 days of acceptance.
- **RETURNED CHECKS FOR DEPOSITS AND/OR PREMIUM PAYMENTS.** Should your deposit and/or premium check be returned for insufficient funds, all further checks must be certified. Failure to comply with the aforementioned policy may result in cancellation.

KENTUCKY AGC SIF DIVIDEND AND ASSESSMENT PLAN

DIVIDEND PLAN:

1. Determine the total amount of dividend to be paid.
2. Determine employers that are eligible for a dividend:
 - a. Must be current members (must be current in all their obligations to the Fund and to the association to which they belong).
 - b. Their premium exceeds their losses (paid and reserved) for the dividend year.
 - c. Must have been a member in the year for which the dividend is being paid.
3. Determine the sum of all eligible employers' excesses (sum of each employer's premiums minus their losses).
4. Determine the DRF (Dividend Return Factor) by dividing #1 result by #3 result.
5. Determine each member's dividend by multiplying its excess by the DRF.
6. Determine each member's Funding Commission tax refund by multiplying the dividend by the appropriate Funding Commission tax rate (ex: 6.5%).
7. Determine the total amount to be returned to each member by adding #5 and #6.

EX: Total Dividend to be paid = \$8,500,000
Sum of all eligible employers' excesses (premiums minus losses) = \$15,000,000
DRF = 0.5667 (8,500,000/15,000,000)
Member's excess = \$5,000
Member's dividend = \$2,833.50 (0.5667 * \$5,000)
Tax refund = \$184.18 (assume 6.5% Funding Commission rate for dividend year)
Member's total dividend refund = \$3,017.68 (\$2,833.50 + \$184.18)

ASSESSMENT PLAN:

1. Determine the total amount of the assessment to be levied by Trustee Resolution.
2. Determine the loss ratio for the entire Fund for the year of the assessment. (FLR)
3. Determine each member's loss ratio (Total Incurred/Premium). (MLR)
4. Apply the following formula to determine each member's assessment:

$(0.3+MLR)/(FLR) * (Member\ Premium/Total\ Fund\ Premium) * Total\ Assessment.$

EX: Total assessment = \$10,000,000
Fund loss ratio = 1.2 (120%)
Member loss ratio = .5 (50%)
Member premium = \$20,000
Total Fund premium = \$60,000,000
Member's Assessment = $(0.3 + .5) / (1.2) (20,000/60,000,000) (10,000,000) =$
 $\$2,222.22$ Ex #2: (0% loss ratio) = $(0.3) / (1.2)(20,000/60,000,000)(10,000,000) =$
 $\$833.33$
* (Note: Both the Dividend and Assessment Plans were approved by the Kentucky Department of Insurance in November of 2005.)

RISK MANAGEMENT

Members are expected to pursue safety and loss control programs in their day-to-day operations. The Kentucky AGC Self Insurers' Fund offers a full suite of complementary Risk Control services to supplement member safety programs through a team of in-house consultants, best-in-class technology, and training materials. By effectively assessing potential risks and putting into practice strategies and action items to address and reduce those, we can help to improve safety and mitigate risk for all members. Our loss control services are designed to supplement risk control programs already in place by the member company, as well as corresponding trade association safety support. At any point, we will work with members to analyze and address safety concerns, guide towards helpful materials, and discuss training opportunities.

Hundreds of training materials available to address risk control for members are available at www.kyagcsif.com/safety. Handbooks, manuals, brochures, case studies, newsletters, PowerPoints, policies, and toolkits are just some of the available materials that you have immediate access to upon joining The Fund. For those looking for more in-depth training modules, we have access to industry-leading training programs that can be assigned to your employees and accessed in a variety of formats. Our Risk Control Consultants are also available to conduct virtual or in-person training sessions or can connect you with the right materials

UNINSURED CONTRACTORS

The Kentucky AGC SIF charges premium on uninsured contractors (includes independent contractors, subcontractors, contract/casual labor, as well as sole proprietorships and partnerships with no employees) who have not provided our member with a Certificate of Workers' Compensation Insurance for the period worked. There are no waivers, Form-4's or other contractual agreements that can be submitted that are acceptable to the Fund. See your policy, Part Five-Premium, Section C, #2 located on page 6 or Endorsement #2 for additional details.

Premium Computation for Uninsured Contractors

If the member does not provide satisfactory evidence that the uninsured contractor had workers' compensation insurance in force covering the period the work was performed, additional premium shall be charged as follows:

The full contract price will be used for premium computation purposes unless:

- 1) A complete payroll record of the employees of the uninsured contractor is provided. If provided, *the actual payroll will be based on the classifications which would have applied if the employees of the contractor had been employees of the member.* Note: Contractors working for your uninsured contractors are not automatically covered under your Kentucky AGC SIF Workers' Compensation policy. Please contact the Fund Office for clarification if needed.
- 2) If invoices submitted to the member from the uninsured contractor disclose that a definite amount of the full contract price represents payroll, such amount shall be the payroll for the additional premium computation. In contracts for labor and material, *the payroll shall not be less than 50% of the contract price.* Invoices must be on the contractor's own letterhead, providing actual breakdowns. Only actual invoices are acceptable, not letters stating or estimating material costs. Estimated percentage breakdowns are not acceptable. *An additional premium will be based on the classifications which would have applied if the employees of the uninsured contractor had been employees of the member.*
- 3) If an experience modification factor has been established for the member, such experience modification factor shall be applied to the premium developed for the uninsured contractor.

IMPORTANT: If your company hires a contractor from out-of-state, a certificate of insurance from the contractor must specify coverage for the state of Kentucky (if the work was performed in Kentucky). If not, the contractor will be treated as an uninsured contractor.

VOLUNTEER LABORERS

All Volunteer Laborers may be eligible for workers' compensation insurance benefits if a work-related injury occurs. Therefore, payroll must be reported, and premium paid on Volunteer Laborers based on the average wages paid to your regular employees who perform similar or like work.

Please contact the Fund Office at (502) 415-7878 or TheFund@agcsif.com should you have any questions regarding Volunteer Laborers.

OUT-OF-STATE COVERAGE

The Kentucky AGC SIF provides Workers' Compensation coverage to companies with regularly employed Kentucky employees.

The definition of a Regularly Employed Kentucky Employee is as follows:

An employee who is a resident of Kentucky and/or employed by a resident Kentucky employer or is hired from a resident Kentucky union hall and performs work within the scope of said employment for said employer for a minimum period of eight (8) hours in the Commonwealth of Kentucky prior to performing any work in any other state, with said period evidenced by payroll records from said employer. This statement shall not conflict with KRS 342.670 (1) (a, b, c, or d).

Should you perform work outside the state of Kentucky, please contact your agent and/or the state in which you will be working to determine applicable coverage requirements. If your work outside the state of Kentucky requires you to have a policy for that respective state, the Fund may be able to provide a solution through its Other States (Cross-Borders) Coverage Program.

OTHER STATES (CROSS-BORDERS) COVERAGE

The Kentucky AGC SIF partners Midwest Employers Casualty (MEC) to provide coverage options for exposures in other states (Note: The Kentucky AGC SIF continues to provide out-of-state coverage for its members who use Regularly Employed Kentucky Employees in states where the Kentucky AGC SIF is permitted to do so.) To obtain access to the Other States (Cross-Borders) Coverage Program, the following general underwriting criteria must be met:

- Must be a current member of the Kentucky AGC SIF (*or plan to join*)
- Class codes contemplated by the program must be the same as those class codes contemplated by the member's Fund policy (*Note: some classes are prohibited - contact the Fund Office for details*)
- Members must have a loss ratio of < 60% for the past three (3) years (*exceptions may be considered on a case-by-case basis*)
- Designated states only
- Limited out-of-state exposure (*generally 40% or less of total annualized payroll*)

To begin procuring a quote for the Other States (Cross-Borders) Coverage Program, the following information will be needed:

- ACORD application (*Completed in its entirety*)
- Detailed description of the job or work being performed out-of-state.
- Proposed effective date.
- Estimated payroll by class code
- Three years of Kentucky and applicable out-of-state experience
- Large loss details on all losses over \$50,000
- Current NCCI workers' compensation Experience Modification Factor Worksheet (*if applicable*)
- Loss control report for the most recent inspection

THE FUND'S EXCESS INSURANCE

The Kentucky AGC SIF purchases Statutory Excess insurance to protect it from specific catastrophic losses and Employers' Liability with four and a half million dollars per occurrence with no aggregate limit. This, in effect, guarantees the Fund a stop loss threshold for specific occurrences in a given year and generally satisfies the underlying limit requirements of most umbrella carriers for employers' liability.

LONGSHORE AND HARBOR WORKERS' COMPENSATION COVERAGE

Since January 1, 1997, the Fund has afforded Longshore and Harbor Workers Coverage (also known as: Longshoremen's or USL & H coverage) for those Fund Members with

> INCIDENTAL EXPOSURE ONLY <

For purposes of this limited scope of coverage, the Fund **defines** an **"incidental exposure"** as: A work-related exposure comprising no more than 10% of the total annualized payroll for the policy year in which the exposure exists.

Please be advised that incidental USL & H exposures require prior approval by the Fund's Excess Carrier. For more information regarding USL & H Coverage please contact the Fund Office for details.

FUND DISCOUNTS

Fund members are automatically entitled to a **premium volume discount** if their annual modified premium exceeds \$3,000.00 as shown below:

STANDARD PREMIUM	DISCOUNT
\$0 - 3,000	0 %
3,001 - 4,000	1
4,001 - 5,000	2
5,001 - 6,000	3
6,001 - 7,000	4
7,001 - 8,000	5
8,001 - 9,000	6
9,001 - 10,000	7
10,001 - 11,500	8
11,501 - 13,000	9
13,001 - 15,000	10
15,001 - 17,500	11
17,501 - 20,000	12
20,001 - 22,500	13
22,501 - 25,000	14
Over 25,001	15

At the beginning of each year (or at policy inception), annual and estimated billings are provided with ESTIMATED DISCOUNTS based on payroll estimates. The final audit determines ACTUAL discounts afforded as the estimated discount is adjusted according to the above schedule.

New Members who join the Fund after 1/1 of each year:

The discount as applied to this policy is based on an estimated twelve (12) months of payroll and premium. The discount is adjusted to the level of estimated normal premium for the pro-rated twelve (12) month policy, which expires on 12/31 despite the effective date. (Please note that all Kentucky AGC SIF policies expire on 12/31 and automatically renew on 1/1.) The final audit determines **ACTUAL** discounts afforded as the estimated discount is adjusted according to the above schedule. This policy has remained unchanged since the Fund's inception. Upon completion of the final audit, the premium discount will be reinstated but determined only by the modified premium for the time in which the adder was not in effect.

COVERAGE FOR SOLE PROPRIETORS AND PARTNERSHIPS

SOLE PROPRIETORSHIPS and PARTNERSHIPS: The owner/partners are *not* included for premium computations and are *not* covered under the policy. If coverage is desired, an **ORIGINAL ELECTION NOTICE** must be filled out and submitted to the Fund Office to afford coverage. If this coverage is elected, the premium will be based on a flat standard payroll amount of \$52,900 (2024) for the owner or for each partner who elects coverage. This flat payroll amount is used regardless of the actual amount paid to you by your company. To rescind a previous election, the insured must complete and submit an **ORIGINAL NOTICE TO RESCIND ELECTION** to be excluded from coverage. Either notice is only valid once received in the Fund Office and cannot be backdated.

Please Note: The Flat Standard Payroll Amount is provided annually by the National Council on Compensation Insurance (NCCI) and adopted by the State of Kentucky. If there are questions concerning the current year's flat payroll amount, please call the Fund Office.

IMPORTANT: If your company changes its entity status (i.e., change from a partnership to a corporation), contact the Fund Office immediately. Failure to do so could result in additional premiums being assessed for officers who did not want to be covered under this policy.

LIMITED LIABILITY COMPANIES (LLC'S)

Members are **NOT COVERED AUTOMATICALLY**. For members to be covered, an ORIGINAL ELECTION NOTICE must be filled out and submitted to the Fund Office. If this coverage is selected, charges will be the same as the preceding page concerning Sole Proprietorships and Partnerships.

IMPORTANT:

If your company changes its entity status, contact the Fund Office immediately. Failure to do so could result in additional premiums being assessed for officers who did not want to be covered under this policy.

CORPORATIONS (INCLUDING SUB-CHAPTERS and OTHER TYPES)

If your company is incorporated, the officers of the corporation are employees of that company and ***are included*** for coverage and premium development. The minimum and maximum payroll that can be used for premium computation purposes for 2024 are:

Minimum: \$1,000/week or \$52,000/year (amounts change yearly) Maximum:
\$4,100/week or \$213,200/year (amounts change yearly)

If you are on a monthly reporting basis, begin excluding payroll on your monthly reports for officers after they receive \$213,200 in the year.

Instructions for Officers Written Notice of Rejection or "Form - 4"

Pursuant to KRS 342.395, a Rejection Notice does not become effective until the **original** of the Form 4 is received and accepted for filing by the Department of Workers' Claims. The only way for an officer to reject workers' compensation coverage is using Form-4. The mailing address is **Department of Workers' Claims, ATTENTION: Enforcement Branch, Prevention Park, 657 Chamberlin Avenue, Frankfort, KY 40601. Also, please send a copy to the Fund Office.**

The employer must keep file copies of all Rejection Notices signed by current officers. The Department of Workers' Claims has the authority to conduct an investigation at any time. To be accepted by the Department of Workers' Claims, a Form 4 must be complete in all respects and the date of the officer's signature, and the date of the notary's signature must be the same.

An officer has the right to withdraw the rejection of coverage by notifying the employer of his or her decision to withdraw the rejection. A Form-5 must be filed with the Department of Workers' Claims. Please notify the Fund Office of this change so we may verify the date of filing.

IMPORTANT: If your company changes its entity status, **CONTACT THE FUND OFFICE IMMEDIATELY.** Failure to do so could result in additional premiums being assessed for officers who did not want to be covered under the policy.

FORM 4 - EMPLOYEE REJECTION NOTICES

As a reminder to all Kentucky AGC SIF Members and Participating Agents, the Fund charges premium on ALL employees and does **NOT** accept: ***Form 4s (Written Notice of Rejection of the Workers' Compensation Act), waivers, or any other contractual agreements*** that may suggest a waiver of the Workers' Compensation Act for employees. Additionally, Form 4s are **ONLY** recognized for Officers or Owners of a company and when filed correctly. (Please note that a Form 4 Rejection Notice does not become effective until the original of the Form 4 is received from the employer and accepted for filing by the Department of Workers' Claims.)

If you are *not* currently reporting payroll for an employee in which a Form 4 or other waiver has been filed, please take prompt action to report said payroll to avoid any unnecessary differences upon the completion of the year - end Final Payroll Audit.

Please note that the above policy has remained unchanged since the inception of the Kentucky AGC SIF in 1979. Should you have any questions regarding any of the above information, please contact the Kentucky AGC SIF Office at thefund@agcsif.com at your convenience.

PREMIUM COLLECTION PROCEDURES & MONTHLY INTERIM PAYROLL REPORTS

If your premium is paid on an ANNUAL basis, you are required to pay the total annual premium by the **10th of February each year**. You can pay your total annual premium bill online by electronic check or credit card at www.kyagcsif.com.

If your premium is paid on a MONTHLY basis, you will file monthly reports based upon your prior month's payroll figures. You can file your monthly reports and pay your monthly premium online by electronic check, credit card or mail-in (mail-in allows you to file your monthly report online but send in a check).

If you should choose to pay your annual or monthly premiums by check, please make checks payable to KY AGCSIF and **mail to PO Box 713104, Chicago, IL 60677-0304**. Please include your policy number with any correspondence.

- **10th of each month** - payroll report and payment due for previous month's payroll. **If you have no payroll, a monthly report must be filed showing zero payroll and premium due.**
- **20th of each month** - if payroll report and payment due have not been received, a delinquent notice will be issued to the member.
- **27th of each month** - if payroll report and payment due have not been received in the Fund Office, a thirty (30) day **CANCELLATION NOTICE** will be sent to the member.

Members who do not pay their monthly payments on time result in increased business expenses to the Fund. To help maintain current rates, please pay promptly!

Overtime

Figure workers' compensation premium due on all overtime hours worked at the straight time rate.

COMPLETING MONTHLY PAYROLL REPORTS:

The easiest and most convenient method to complete your monthly payroll reports is to file them online. Register at www.kyagcsif.com.

If you choose to manually complete monthly payroll reports, please follow the steps below:

1. Enter payroll amount in column 3 for each code and classification.
2. To calculate premium, take Payroll X Rate equals Premium (an easy way to do this as the rate is per \$100.00 of payroll is to move the decimal point of the payroll over two (2) places to the left and then multiply it by the rate).
3. Add the premium column down, this will be the "Total Manual Premium".
4. The next step is to multiply the Total Manual Premium by the Experience Modification. One of the following three examples will apply:
 - If the Exp. Mod. is a 1.00, the Total Manual Premium and the Total Standard Premium will be the same.
 - If the Exp. Mod. is more than 1.00, multiply the Total Manual Premium by the Exp. Mod. **Do not add or subtract this amount**, the figure calculated is what the Total Standard Premium is and should be greater than the Total Manual Premium.
 - If the Exp. Mod. is less than 1.00, multiply the Total Manual Premium by the Exp. Mod. **Do not add or subtract this amount**, the figure calculated is what the Total Standard Premium is and should be less than the Total Manual Premium.
 - Discount: If a discount applies, multiply the Total Standard Premium by the discount rate to get the Total Normal Premium.

KY Assessment Tax: The KY Assessment Tax is determined annually by the KY WC Funding Commission. Please refer to your Estimated or Annual Billing for the current rate.

If the Total Amount Due and the amount of the check are not the same, please explain why there is a difference so that we may process your account accordingly.

PLEASE NOTE: MONTHLY REPORTING IS A PAYMENT PLAN ONLY. The amount of payroll reported, use of classifications, and assignment of employees, casual laborers, or uninsured subcontractors to classifications are subject to change at audit.

WHAT IS TO BE INCLUDED AND EXCLUDED ON PAYROLL REPORTS

The following list of items are to be ***included*** when reporting payroll:

Gross payroll including:

- 1) Wages or salaries including retroactive wages or salaries.
- 2) Total cash received by employees for commissions and draws against commissions.
- 3) Bonuses including stock bonus plans.
- 4) Pay for holidays, vacations, or periods of sickness.
- 5) The rental value of an apartment or a house provided for an employee based on comparable accommodations.
- 6) Payments to employees on any basis other than time worked, such as piece work, profit sharing or incentive plans.
- 7) The value of lodging, other than an apartment or a house as in (5) above, is provided as a part of pay.
- 8) The value of meals received by employees as a part of pay to the extent shown in the payroll records.
- 9) Payment by an employer of amounts that would have been withheld from employees to meet statutory obligations for insurance or pension plans such as the Federal Social Security Act or Medicare.
- 10) Payments for salary reduction, employee savings plans, retirement, or cafeteria plans (**IRC 125**) which are made through employee-authorized salary reductions from the ***employee's*** gross pay.
- 11) Davis - Bacon wages or wages from a similar prevailing wage law paid to employees as listed in their gross pay before deductions. (Prevailing wages)
- 12) Annuity plans.
- 13) The value of store certificates, merchandise, credits, or any other substitute for money received by employees as part of their pay.

The following list of items are to be ***excluded*** when reporting payroll:

- 1) Tips and other gratuities received by employees.
- 2) Payments by an employer to group insurance or group pension plans for employees. (These payments would not show up in the employee's gross payroll before deductions.)
- 3) Dismissal or severance payments ***except for time worked or accrued vacation.***
- 4) Payments for active military duty.
- 5) Expense reimbursements to employees to the extent that an employer's records substantiate that the expense was incurred as a valid business expense.
- 6) Food money for late work.
- 7) Work uniform allowances.

8) Sick pay paid to an employee by a third party such as an insured's group insurance carrier which is paying disability income benefits to a disabled person.

9) Employer provided perquisites ("perks") such as:

- An automobile.
- An airplane flight.
- An incentive vacation (i.e., contest winner).
- A discount on property or services.
- Club memberships.
- Tickets to entertainment events.

10) Premium Overtime (See page 14 - Overtime section).

11) Payments by an Employer into third-party pension trusts for the Davis-Bacon Act or a similar prevailing wage law may be excluded, provided the pension trust is qualified under IRC Sections 401(a) and 501(a). Note: 401(k) and IRC 125 plan contributions by EMPLOYEES are still INCLUDED for premium computations.

If there is ever any question about whether an item is to be included or excluded, please contact Payables@agcsif.com.

MAINTAINING ADEQUATE RECORDS

Premium savings can be obtained by way of proper record keeping. For construction or erection companies, the payroll of an individual employee may be divided and allocated to more than one classification (subject to the rules and limitations of each individual classification). If payroll records are not maintained providing these divisions, payroll for these employees must be assigned to the **highest** rated classification representing any part of their work.

Another example of premium savings through proper record keeping would be the exclusion of premium overtime. Records should be maintained to show premium overtime by individual and/or classification. If overtime is not properly maintained in your records, this deduction cannot be used.

Thus, it is very important to maintain adequate records. Some examples of the records needed to be maintained for the premium audit include but are not limited to:

- **Payroll journals or other type records:** Proper records will maintain gross payroll by company, individual, and classification. Overtime will be maintained providing a year-to-date breakdown by classification and/or employee. Other deductions will be separated in the records for deduction by the auditor. (Examples are Tips for restaurants, hand tools allowances, automobile allowances, among others.) If the records do not indicate these separations, these deductions cannot be allowed. Consequently, if classification payroll breakdowns are not maintained, all payroll is assigned to the highest rated classification on your policy. **Estimated payroll breakdowns are not acceptable to the Fund.**
- **Quarterly Federal & State Wage Reports (If filed by your company):** Should be provided to the auditor at the time of the audit. Auditors must verify gross payroll by way of a second source of records other than journals or other type of records. If there is a discrepancy between the audited records and Quarterly reports, the auditor will, on some occasions, use a third source of records to determine the gross payroll of your company or an individual's payroll. Some examples of a third source for payroll verification could be: W-2's and W-3's, 1040 Federal Tax Returns, Corporate Tax Returns, among others.
- **Cash Disbursements Journals:** Used by the auditor to 1) verify payroll amounts if other records are not maintained or available, and 2) used to procure and/or verify payments made to contract or casual laborers. Contract or casual labor is chargeable for Workers' Compensation purposes. A number of claims are filed by these laborers every year and premiums must be developed for this exposure. If cash disbursements journals are not maintained by your company, other examples of records the auditors might request are check book registers, 1099's, 1096's, etc.
- **Subcontractor Costs and Certificates of WC Insurance:** A yearly summary for subcontractors should be maintained providing the following information:
 - Name, total contract cost, and type of work performed for each subcontractor, monthly if possible.
 - Certificates of Insurance (COI) for **Workers' Compensation coverage**. If the subcontractor does not have coverage, invoices (on the subcontractor's own letterhead) providing materials/ labor breakdowns should be provided to the auditor. A good rule all companies should implement is Certificates of Insurance should be on file before a subcontractor begins the job. If they are uninsured, bills providing a materials/labor breakdown should be procured. Obtaining Certificates of Insurance will avoid any surprises at audit time and protect your company if an unfortunate accident were to occur.

- **For other information pertaining to the charging of uninsured subcontractors, please see the uninsured subcontractor section of this manual.**
- Please note: If you are on a monthly reporting basis: Your monthly reports do not constitute adequate records for classification breakdowns. Auditors will develop payroll from the records you used to develop the amounts on your monthly reports. Records other than the monthly payroll records must be maintained, or all payrolls will be placed in the highest rated classification.

PREMIUM AUDITS

A premium audit will be conducted on every member yearly except for the following members:

- New members who joined the Fund after December 15

New members who join the Fund between 11/1 - 12/15 will be subject to either a voluntary (mail) audit or a physical audit at the discretion of the Audit Department.

Audits for the preceding year begin in February of each year. Due to the number of members, audits are usually not completed until October. This is due to all policies having an ending date of December 31.

Cancellation audits: For those members who leave the Fund, a cancellation audit will be conducted for the portion of the year the former member was in the Fund. This will be conducted as soon as possible after the cancellation date, but no less than 45 days after cancellation.

Audit discrepancies: A **Final Audit Invoice** will be mailed to the member after the audit has been reviewed and/or corrected by our internal audit review staff. Any discrepancies **MUST** be reported to the Fund Office (by mail, fax, phone or e-mail) no later than 10 days after the invoice date. Discrepancies will be reviewed and/or corrected as soon as possible. If a reaudit becomes necessary, the Fund Office or an auditor will contact you to arrange an appointment. If no changes can be made to the **Final Audit Invoice**, you will be contacted by phone or letter. Please pay the invoice promptly after the discrepancy is corrected. Any discrepancies reported after 10 days of the audit invoice date may not be considered for review, and further changes will be at the discretion of the Audit Department.

Premium audits adjust your final premium due. The following are examples of changes that can be made at audit:

- Overpayment of premium during the policy period.
- Underpayment of premium during the policy period.
- Incorrect classification usage.
- Individual employees' mis-assigned to classifications.
- Uninsured subcontractors used but not reported.
- Contract or casual laborers used but not reported.
- Additional classifications added due to work performed during the period.
- Under reporting of payroll on monthly reports (if on a monthly reporting basis).
- Estimated discount factor adjusted to correct premium for the period.

Refunds: If the premium audit results in a refund due to your company, a **Final Audit Invoice** will be sent indicating the amount of refund due. Refund checks are usually mailed within thirty days after the audit has been processed. No refund checks will be processed until all outstanding audits have been satisfied.

TIPS ON CLASSIFICATION

Abbreviations and trade terms used:

NPD - No payroll division

NOC - Not otherwise classified

Governing Classification - The classification other than a standard exception classification that produces the greatest amount of payroll.

Standard Exception Classification are:

- a. Clerical - Code 8810
- b. Drafting - Code 8810
- c. Drivers, chauffeurs, messengers, and their helpers - Code 7380
- d. Salespersons or collectors - outside - Code 8742

Employees within the definition of a Standard Exception Classification are not included in a basic classification unless the basic classification specifically includes those employees.

Classifying miscellaneous employees

The NCCI Manual provides the following definition for miscellaneous employees: *"Miscellaneous employees are those who perform duties conducted in common for separate operations which are subject to more than one basic classification. The payroll of any miscellaneous employees shall be assigned to the classification with the majority of payroll (governing classification). Such employees include general superintendents, maintenance or power plant employees, shipping or receiving clerks and yard workers."* Janitors, who clean your office or building, are also considered miscellaneous employees, and are assigned to the governing class.

Interchange of labor

Some employees who are not miscellaneous employees, may perform duties directly related to more than one classification. An example is an employee who from time-to-time interchanges between operations subject to more than one classification. When there is such an interchange of labor, the entire payroll of employees who interchange shall be assigned to the highest rated classification representing any part of their work. An exception to this is: For construction, erection, stevedoring, or part time aircraft operations (in connection with Code 7421), the payroll of an individual employee may be divided and allocated to more than one classification (unless specifically prohibited by the individual classes the work was performed in), provided proper records providing the payroll breakdowns are maintained. AN ESTIMATED OR PERCENTAGE ALLOCATION OF PAYROLL IS NOT PERMITTED.

The following classes MUST be specifically accepted by the KYAGC SIF:

- | | |
|------|--|
| 0106 | Tree Pruning, Spraying, Repairing - All Operations & Drivers |
| 1164 | Mining NOC - Not Coal - Underground & Drivers |
| 1624 | Quarry - NOC & Drivers |
| 1710 | Stone Crushing & Drivers |
| 1803 | Stone Cutting or Polishing NOC & Drivers |
| 3726 | Boiler Installation or Repair - Steam |
| 5037 | Painting - Metal Structures - Over Two Stories in Height & Drivers |

- 5040 Iron/Steel Erection - Frame Structures
- 5057 Iron/Steel Erection - NOC
- 5059 Iron/Steel Frame Erection - Frame Structures Not Over Two Stories in Height
- 5160 Elevator Erection or Repair
- 5222 Concrete Construction in connection with Bridges or Culverts
- 5551 Roofing - All Kinds & Drivers
- 5610 Cleaners - Debris Removal
- 5703 Building Raising or Moving
- 6003 Pile Driving
- 6204 Drilling NOC & Drivers
- 7421 Aviation - Transportation of Personnel in Conduct of Employer's Business - Flying Crew
- 7538 Electric Light or Power Line Construction & Drivers
- 7600 Telecommunications Co. - Cable TV, or Satellite - All Other Employees & Drivers

The above class codes may NOT be added to your policy until Special Acceptance has been granted by our Excess Carrier, please contact the Fund with such requests.

Class 7380 – Drivers

Demands careful attention. If any other classification on your policy reads "*and drivers,*" class code 7380 cannot be used and the payroll goes into the classification that includes drivers.

Superintendents and Foremen

Those employees who provide direct supervision of the employees at the job site **DO NOT** qualify for class 5606 - Executive Supervisor. Payroll shall be applicable to the proper construction classification.

UNDERWRITING GUIDELINES

1. Review audits for the previous four (4) years. ("DEC" sheet for the current policy.)
 - premium for each year
2. Review loss runs for the previous four (4) years, notably:
 - loss ratios for each year (loss ratio = losses / premium)
 - aggregate loss ratio for all four (4) years
 - loss frequency - upward or downward trend
3. The E-Mod will be calculated with the information from numbers one (1) & two (2) above.
4. Review statement of net worth and/or financial statement.
(Per KRS Chapter 304.50 - 095).
5. Prospective members have 30 days after the policy's inception date to provide proof of membership to one of the Fund's seven (7) participating Trade Associations. Membership in a Trade Association must be maintained for the duration of membership of the Fund.
6. Soliciting Agent to the Fund is required to have proof of membership to one of the participating Trade Associations.
7. Prospective Members may be subject to a safety inspection by the Fund's Safety Engineer prior to admittance to the Fund.
8. Miscellaneous Membership Requirements:
 - No prospective member accepted with an annual normal premium under \$1,000.00.
 - 25% deposit up front of normal annual premium (modified/discounted) to be held in escrow for duration of membership in the Fund. Fund Members may be subject to an annual deposit update.
 - A \$100.00 surcharge must be tendered up front and paid once a year. This processing fee is an annual expense and defrays the cost associated with annual membership expenses (i.e., annual premium audit).
 - If the member is a monthly payor, the first month's premium is due within 30 days of acceptance.
 - If the member is an annual payor, the premium is due upon renewal date.
9. Quarterly Agent's commission:
 - New Business – 20% (effective 1/1/22)
 - Renewal Business – 10%(Note: Commissions are not payable on unallocated deposits.)
10. All members are subject to a final annual premium audit.
 - All premiums will be adjusted accordingly by way of a refund or additional billing.

11. Current AGC SIF “(aggregate/assessment) tax.”

- This is subject to change by resolution of the Kentucky Workers’ Compensation Funding Commission.

14. Additional general underwriting criteria reviewed for membership consideration:

- Own, operate or lease an aircraft/watercraft?
- Exposure to flammables, explosives, caustics or fumes?
- Exposure to radioactive materials?
- Work performed underground or above 15 feet.
- Work performed on barges, vessels, or docks.
- Engagement in any other type of business?
- Use of ANY subcontractors? (Certificates of Insurance required)
- Subletting without CI’s?
- Formal safety program in operation?
- Is group/individual transportation provided?
- Employees under 16 or over 60 years of age?
- Part time employees or seasonal help?
- Employees with physical handicaps?
- Work out of state? (See pages 6 and 6a for out of state exposures.)
- Sponsorship of athletic teams, etc.?
- Requirement of pre-employment physicals?
- Previous declination, cancellation, or non-renewal prior to application to the AGC SIF? If so, what was the reason?
- Any previous OSHA violations and subsequent fines?
- Any exposure to asbestos? (The Fund does not cover asbestos-related operations.)
- Any exposure to coal? (The Fund does not cover coal-related operations such as hauling or mining.)

12. If a prospective member has NEVER carried workers’ compensation insurance before, or if the company has less than four (4) years of workers’ compensation insurance experience, the Underwriting Department will need to review the following information before it will further the underwriting process:

- The exact date the company started business. If workers’ compensation insurance was carried, please identify the years.
- Work experience of the officers of the company (i.e., 23 years of work experience as a Mason).
- A statement from the owner or officer stating the following (if applicable): The owner, nor any of his/ her employees, have ever filed a workers’ compensation claim or passed one on to another party. **This statement must be signed and dated.**
- Are subcontractors used? If so, how much of the total payroll can be attributed to subcontract labor? Are any uninsured sub-contractors hired? If so, have any claims been filed by these uninsured subcontractors?
- Prospective members may be subject to a pre-enrollment safety inspection.
- It is important to note that additional information may be requested depending on each individual risk.

13. Please be advised that reapplication for membership to the Fund does not constitute a reinstatement of any previous policies with the Fund.

14. **All FORMER Fund Members REAPPLYING** for membership to the Fund **will be subject to identical underwriting criteria reserved for new applicants.** Additionally, any premium disputes arising from a previous policy must be resolved to proceed with the underwriting process.
15. It is incumbent that the Trustees, Administrators, Staff, Agents, and Members understand, to the best of their ability, the Kentucky Laws governing Self Insured Group Funds (KRS Chapter 304.50).

OWNERSHIP CHANGES AND COMBINATION OF ENTITIES

Please be advised that according to NCCI Rule 3 - Reporting Requirements, a notification of a change in ownership (see explanation below) must be reported to the Fund within 90 days of the date of change. Failure to report the change may be considered modification evasion and as a result lead to policy termination. The following forms of notification are the **only** forms of notification that are acceptable:

- A completed Confidential Request for information Form (ERM-14) or
- The information in narrative form on the letterhead of the insured, signed by an officer of the insured entity.

Types of Ownership Changes

An ownership change may be defined as:

- Sale, transfer, or conveyance of all or a portion of an entity's ownership interest
- Sale, transfer, or conveyance of an entity's physical assets to another entity that takes over its operations.
- Merger or consolidation of two or more entities
- Formation of a new entity that acts as, or in effect is, a successor to another entity that:
 - a) has dissolved.
 - b) is non-operative or
 - c) may continue to operate in a limited capacity.
- An irrevocable trust or receiver established either voluntarily or by court mandate.

Other Types of Policy Changes

In addition to ownership changes, the following list represents additional policy changes that must be reported to the Fund Office:

- Address changes
- Name changes
- Officer/member changes
- Legal status changes (corporation, LLC, sole proprietorship, partnership, etc.)
- Addition/removal of named insureds
- Federal Employer Identification Number (FEIN) changes

Should any of the above changes occur with respect to your company, you must report such changes to the Fund Office immediately to ensure the appropriate modification of your Fund policy. Please be advised that failure to notify the Fund Office could result in coverage issues.

CLAIMS FILING GUIDE

You may elect any method below to report a new claim to the Kentucky AGC SIF:

- Online: <https://kyagcsif.com/employers/claim/>, **Use access code: claim**
- Email: AGCSIF@sedgwick.com
- Phone: **(855) 397-0134**
- Fax: **(866) 222-8765**

ONLINE CLAIMS REPORTING allows you to file a workers' compensation claim First Report of Injury (FORM IA-1) electronically, saving you time and improving compliance.

By law, workers' compensation claims must be filed within three (3) days from the time an injured worker notifies an employer of a work-related injury. Please take this opportunity to review these procedures/guidelines, and if you have any questions, please contact the Fund's Claims Department at (502) 515-1320.

The online reporting is set up to guide you through completing the first report accurately and completely which will avoid delays in claims processing caused by incomplete reports.

Please read the following before you begin filing a FORM IA-1 online:

- You are required to complete ALL mandatory fields.
- Please be sure you have ALL the information before beginning FORM IA-1, as the form cannot be saved for completion later. After the claim has been successfully submitted you will be emailed a claim number and a copy of the claim report for your records.
- The NCCI Job Classification Code required on the FORM IA-1 can be found on your Monthly Interim Payroll Report Forms. The Job Class Code used should be the code which the Injured Worker was working at the time of the accident/occupational illness.
- If an Injured Worker notifies you of an accident/occupational illness but does not elect to seek medical attention **OR** if you elect to pay a claim out-of-pocket, a FORM IA-1 must still be filed. Simply answer "YES" to the "**File Down**" question when prompted. We will keep the form on file for reference should developments occur later. It will not be factored into your loss experience.
- Please notify the claims office immediately should a **File Down** claim need to be converted to an active claim. Requests for reimbursement will be subject to our investigation and determination of the claim's validity. All reimbursements will be subject to applicable limits set forth in Chapter 342.

IF YOU ELECT TO FILE THE CLAIM VIA ONLINE OR EMAIL

Visit: <https://kyagcsif.com/employers/claim/> and use access code: claim to file a claim online.

If you elect to file your claim via email, please utilize the Workers' compensation Form 1A-1.

If you have any questions, contact us at claims@agcsif.com or your adjuster directly.

IF YOU ELECT TO FILE THE CLAIM BY MAIL OR FAX:

Complete the FORM IA-1 IN ITS ENTIRETY (ALL UNSHADED AREAS). Submit FORM IA-1 within three (3) days of being notified of the injury or occupational illness.

- The NCCI Job Classification Code required on the FORM IA-1 can be found on your Monthly Interim Payroll Report Forms. The Job Class Code used should be the code which the Injured Worker was working at the time of the accident/occupational illness.
- If an Injured Worker notifies you of an accident/occupational illness but does not elect to seek medical attention **OR** if you elect to pay a claim out-of-pocket, a FORM IA-1 must still be filed. Simply answer "YES" to the "**File Down**" question when prompted. We will keep the form on file for reference should developments occur at a later date. It will not be factored into your loss experience.
- Please notify the claims office immediately should a Medical Only **File Down** claim need to be converted to an active claim. Requests for reimbursement will be subject to our investigation and determination of the claim's validity. All reimbursements will be subject to applicable limits set forth in Chapter 342.
- Please fax or mail any other claims related information such as medical bills, off-work documentation and/or any other information you may have relative to the claim. Additionally, if you doubt the validity of a claim, file a FORM IA-1 as required by law, but please mail or fax your concerns and/or facts to the Claims Department.

