



KENTUCKY
AGC Self Insurers' Fund



FUNDSCRIPTS

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Solid Ground

2014 Kentucky AGC/SIF Financial Information

In addition to the Financial Statements, as posted on the Fund's website at www.kyagcsif.com, the following information is provided to you, and is a **summary** of the **2014 AUDITED FINANCIAL STATEMENT** for the Kentucky AGC/SIF:

REVENUES

2014

Premiums Earned.....	\$60,125,363
Net Investment Income.....	\$7,354,986
Net Realized Investment Gains (Losses).....	\$318,179
Other.....	594,390

TOTAL REVENUES **\$68,392,918**

EXPENSES

Claims Paid and Reserved.....	\$38,597,751
Service Fee.....	\$6,475,900
Commissions.....	\$5,979,595
Excess Insurance Premiums.....	\$996,750
Loss Control.....	\$875,486
Premium Audits.....	\$522,650
Other Operating Expenses.....	\$1,951,349

TOTAL EXPENSES **\$55,399,481**

Income BEFORE Dividends and Taxes.....	\$12,993,437
Dividends Declared to Members.....	\$12,375,000
Income BEFORE Income Tax Expense.....	\$618,437
Income Tax (Benefit) Expense.....	(\$192,478)

NET INCOME **\$810,915**

DIVIDENDS PAID to Members in 2015 for 2010 Year.....	\$6,487,156
SPECIAL FUND TAX returned to Members for 2010 Year.....	\$421,665
TOTAL DIVIDEND Distribution in 2015.....	\$6,908,821
TOTAL PREMIUM collected for Eligible Members in 2010.....	\$40,433,382
% OF PREMIUM RETURNED to Eligible Members.....	16%

TOTAL ASSETS.....	\$372,788,110
TOTAL LIABILITIES.....	(\$313,070,642)
MEMBERS' EQUITY.....	\$59,717,468

"The Fund had another strong year in 2014. Members' Equity increased by \$4.6 million and \$12.38 million was declared for future dividends.

The Fund remains well positioned for continued stability and future growth."

- Karl T. Ladegast, Administrator

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The Underwriter's Corner

Upcoming Changes to the Experience Modification Calculation

Once again, we are focusing on the upcoming change to the experience modification (e-mod) calculation. This change will not become effective in Kentucky until **10/1/15**. More importantly, it will not affect Fund e-mods until **1/1/16** (the immediate Fund rating period after 10/1/15). So what is the change and how will it affect you?

To recap from previous articles, over the past 20 years the National Council on Compensation Insurance (NCCI) 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. For the Fund, the current split-point is \$13,500. So, the first \$13,500 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 \$13,500, 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 did the split-point change?

As stated above, the NCCI did not change the split-point value for over 20 years. As one can imagine, the average cost of a claim tripled over that time. Thus, the \$5,000 split-point was no longer relative. As a result, the NCCI resolved to increase the split-point incrementally over a three-year period:

- **Year 1:** The split-point was increased to \$10,000 (2014)
- **Year 2:** The split-point was increased to \$13,500 (2015)
- **Year 3:** The split-point will be increased to \$15,000 (2016) plus two years of inflation adjustment (After this three-year period, subsequent split-point changes will be indexed to inflation.)

As noted in the past, individual contractors will be impacted differently. Contractors with losses in excess of the split-point could be negatively impacted as more of the losses will flow into the e-mod calculation. Why? Whereas the current split-point is \$13,500, the new split-point of \$15,000 (plus two years of inflation adjustment) allows

E-mod (continued)

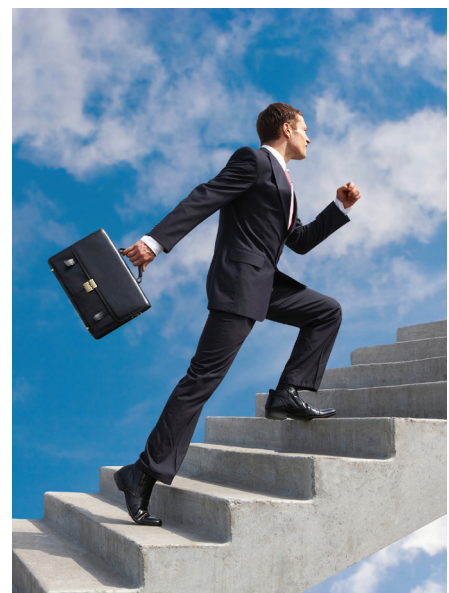
more of the loss to flow into the e-mod calculation, namely the difference between the old split-point of \$13,500, and the new and higher split-point. If you do not understand, or need any further clarifications regarding this issue, please contact the Fund Office at (800) 928-7135.

Moving on up....

The Fund is proud to announce the promotions of two (2) tenured employees.

Dina Green has been promoted from Claims Supervisor to **Director of Claims**. In her new role, Mrs. Green will be responsible for all facets of operations of the Claims Department. Mrs. Green has been with Ladegast & Heffner Claims Service, Inc., the Fund's Third-Party Administrator, since 1994.

Chris Hickman has been promoted from Underwriting Manager to **Assistant Administrator**. In his new role, Mr. Hickman will retain oversight of the Underwriting Department, but will also assume additional duties related to overall management of the Fund. Mr. Hickman has been with Ladegast & Heffner Claims Service, Inc. since 1997.



KY Department of Labor

The Division of Employment Standards, Apprenticeship and Mediation is responsible for the administration and enforcement of Kentucky's minimum wage, overtime, wage payment, child labor, wage discrimination, and the equal opportunities provisions including the rights of the physically disabled. The division is charged with investigating allegations of statute and regulation violations and rendering findings in a timely and efficient manner.

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www.labor.ky.gov

Source: KY Dept. of Labor



Kentucky Child Labor Law

Businesses Gear Up for Temporary Employment

Summer is nearly here! As always, many of our members will be employing temporary labor. Hiring workers under the age of 18 imposes additional restrictions upon employers. To assist you in planning, and to help avoid costly fines, please review the following information that the Fund has obtained from the Kentucky Department of Labor:

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

- Manufacturing or storing explosives
- Motor vehicle driver and outside helper
- Coal mining
- Logging or saw milling
- 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
- Pool or billiard room

****Construction (including demolition and repair) is a prohibited occupation for all minors 14, but not yet 16 years of age.****

FundScripts

KY AGC Self Insurers' Fund

P.O. Box 436949

Louisville, KY 40253-6949



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Kentucky Child Labor Law *(continued)*

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 & 15

- May not work BEFORE 7:00 A.M.
- May not work AFTER 7:00 P.M. (9:00 P.M. June 1-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 & 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.*

Additionally, you should know that minors under 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 14, but not yet 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.

Contact Us

Give us a call for more information about our services and products

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Visit us on the web at
www.kyagsif.com