

1979-2010
31
YEARS OF
EXCELLENCE

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

FundScripts

Volume 13, Number 4

2010

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Dividends Are Coming!!!

Dividends Will Be Returned To Kentucky AGC/SIF Members For The 16th Consecutive Year

The Kentucky AGC/SIF Board of Trustees approved the release of \$8,673,800 in dividends and Special Fund tax to be paid in March of 2010 at its regularly held meeting on October 27, 2009. This dividend payment marks the 16th consecutive year that the Kentucky AGC/SIF has returned premium dollars to its members, bringing the total dividends and Special Fund tax paid to over \$87.8 MILLION!!

Total premium being returned to Fund members from the 2005 year is \$7,957,615 and the Special Fund Tax being returned is \$716,185, bringing the total being returned back to Fund members to \$8,673,800.

Dividends being released at the end of this month represent a 12.4% return of total premiums paid in for the 2005 Fund year as of February 28, 2010.

Historically, 94-95% of members have qualified for a dividend check. As of February 28, 2010, 96% of members who were in the Fund in 2005 and who remain in the Fund are eligible for a 2010 dividend check. How do you know if you will receive a dividend check? You must meet the following:

- \$ Have a loss ratio of less than 100% for the year in which the dividend is being paid (2005 year).
- \$ Were 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 the Trade Association of which you are a member.

Currently available on the Kentucky AGC/SIF's website (www.kyagcsif.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 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 or (800) 928-7135.

Sponsored by the Following Trade Associations:



Out-of-State (OOS)/Cross-Borders Program

As a response to ever-changing market conditions, and in keeping with the Fund's unwavering commitment to providing the most comprehensive workers' compensation insurance product to its members and participating Independent Agent population, the Fund has recently partnered with the Safety National Casualty Corporation (or Safety National) to provide an **OUT-OF-STATE (OOS)/CROSS-BORDERS PROGRAM** (the terms OOS and Cross-Borders are used interchangeably) solution for its membership population (Note: The Fund will continue to provide OOS coverage for its members who use Regularly Employed Kentucky Employees in states where the Fund is permitted to do so). So, who is Safety National?

Safety National was established in 1942 and is the longest provider of excess workers' compensation in the insurance industry. In fact, Safety National specializes in insurance products designed specifically for the self-insured industry. Furthermore, Safety National maintains an A.M. Best rating of **A, "Excellent"** with a Financial Size Category (FSC) rating of *\$500 - \$750 million*. Finally, as a result of an exhaustive vetting process, and after considering multiple other carriers for this program, it was decided that Safety National best suited the needs of the Fund's membership as a long-term partner in providing an OOS/Cross-Borders Program due to their exceptional financial strength and conservative philosophy. So, how does the OOS/Cross-Borders Program operate?

Current or prospective members must meet the following general underwriting criteria in order to be considered for coverage under this program:

- ◆ Must be a member of the Kentucky AGC/SIF (or plan to join) to utilize the program
- ◆ Class codes contemplated for the OOS/Cross-Borders Program must be the same as those class codes contemplated by the member's Fund policy
- ◆ Members must have a loss ratio of $\leq 60\%$ 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*)

If all necessary underwriting information is received by Safety National, they will offer a quote within **five (5)** working days (possibly longer for high risk accounts) to the Fund Office. Should a member qualify for the program and accept a quote from Safety National, a policy will be issued from Safety National for the out-of-state exposures specifically designated by the policy, while the Fund will retain the Kentucky exposures and any OOS exposures where, again, the Fund is permitted to do so. **In other words, you will continue to report payroll and premium for Regularly Employed Kentucky Employees to the Fund.**

Additionally, the Fund will provide loss control services for members covered under the OOS program whose premiums exceed \$25,000. Also, the Fund will be responsible for performing year-end premium audits for all policies issued by Safety National, in addition to the year-end premium audits currently performed by the Fund for Kentucky exposures and applicable OOS exposures. However, Safety National will be responsible for settling all claims occurring under the OOS policy.

In order to begin the process of procuring a quote from Safety National, the following information will be needed:

- ◆ ACORD application with member name and address
- ◆ Detailed description of the job or work being performed out of state
 - ◆ Proposed effective date
 - ◆ Estimated payrolls by class code
 - ◆ Three years of Kentucky and applicable out of state experience
 - ◆ Large loss details on all losses over \$50,000
 - ◆ Current workers' compensation Experience Mod (KY AGC/SIF Mod and/or NCCI Mod, if applicable)
 - ◆ Loss control reports for the most recent two inspections



Should you have any questions regarding the OOS/Cross-Borders Program, please contact the Fund Office at (502) 245-2007 or (800) 928-7135.

Electronic Checks Now Accepted

Kentucky AGC/SIF Now Accepting Electronic Check Payments For Workers' Compensation Premiums

The Kentucky AGC/SIF's website (www.kyagcsif.com) has been used by registered agents and members since 2006. Registered agents have access to an entire listing of their members, access to estimated dividend returns for their members, a year to date premium report and loss runs for their members. Registered members have access to their loss runs, access to their estimated dividend return, reports showing their payments to date, and the ability to pay their monthly premiums online!!

Previously, members that were registered to use the Fund's website had been able to pay monthly premiums through two different options: Mail-In payment and Credit Card payment. Both options allowed for simple premium calculation and payment remission. Now the Fund's website has expanded members' payment options to include **ELECTRONIC CHECK PAYMENTS!!!!**

Registered members can now take advantage of this quick, easy, safe and secure method to pay their Kentucky AGC/SIF workers' compensation premiums. A member only needs to log in, enter payroll information under "Express Pay" and select the "Electronic Check" payment method. There is a \$0.50 charge per transaction, but no mailing cost since nothing further has to be submitted to the Fund!!!

If you have not registered on the Fund's website, you can do so at any time. Simply go to www.kyagcsif.com and click on "Need to Register?" in the upper right hand corner of the home page. Follow the step by step instructions and wait for a final email stating the registration has been approved. Please contact the Fund Office if you have any questions regarding the above information at (502) 245-2007 or (800) 928-7135.



Premium Audit Time

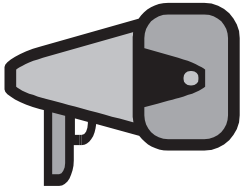
Time to Prepare for the 2009 Premium Audit



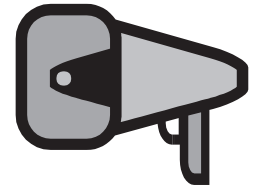
The Kentucky AGC/SIF has begun the annual task of conducting the workers' compensation premium audits for the 2009 year. We are committed to making this task as painless as possible for our members, but we need your cooperation in order to assure a satisfactory and equitable audit. The Fund employs the independent auditing firms of Overland Solutions, Inc. (OSI) and 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:
 - All payroll records in the form of ledgers and journals
 - 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.

If you have any questions, please contact the Fund Office at (502) 245-2007 or (800) 928-7135 to speak with the Audit Department.



A- “Excellent”



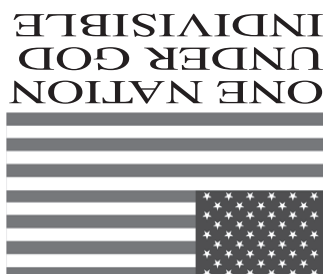
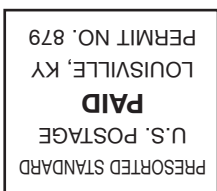
A.M. Best Renews the Fund’s Rating
For the 13th Consecutive Year

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 policyholder 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 becoming 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, 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 not to 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.kyagcsif.com.



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