

SIGFA Survey of State Self-Insurance Guaranty Funds

Response for: Kentucky

1

Name: **John Burkholder**
Job Title: Director
Company Name: KY Department of Workers' Claims
Work Phone: 502-782-4534
Email Address: John.Burkholder@ky.gov
Address: 657 Chamberlin Ave.
Frankfort, KY 40601

2 **What is the total future value of claims currently covered by self-insurance, including case reserves and IBNR if known?**

| Answer |
|--|
| <input type="radio"/> Less Than \$10 million dollars |
| <input type="radio"/> \$10,000,000 to \$25,000,000 |
| <input type="radio"/> \$25,000,001 to \$50,000,000 |
| <input type="radio"/> \$50,000,001 to \$100,000,000 |
| <input checked="" type="checkbox"/> Greater Than \$100,000,000 |

3 **Are self-insured employers/funds required to actuarially calculate their WC liabilities and report that figure to the state?**

| Answer |
|--|
| <input type="radio"/> Yes |
| <input checked="" type="checkbox"/> No |

Comment: Self-insured employers are required to certify their WC liabilities to the state, but we do not require an actuarial estimate from them.

4 **If self-insured employers/funds are required to actuarially calculate their WC liabilities and report that figure to the state... How often are they required to report?**

| Answer |
|--|
| <input checked="" type="checkbox"/> At Least Annually |
| <input type="radio"/> Every 2 Years |
| <input type="radio"/> Less Frequently Than Every 2 Years |
| <input type="radio"/> Other |

Comment: While self-insured employers are not required to prepare an actuarial estimate for the state, the state does audit the claims and uses an actuarial model as part of the process in setting the security requirement.

5 How many individually self-insured employers defaulted on their claims obligations since Jan 1, 2009?

| Answer |
|---------------------------------------|
| None |
| 1 |
| 2 |
| <input checked="" type="checkbox"/> 3 |
| 4 |
| 5 or more |

6 Describe the structure of how your state regulates self-insurance and covers the administration of claims of defaulting employers (e.g. a single state entity that does both, combination of state agency and private fund, etc.)

Claims which incurred prior to March 1, 1997 are paid from the security posted by the defaulting self-insured employer until exhausted; then those claims are paid from a Fund established from penalties imposed for violating Chapter 342 of the Kentucky Revised Statutes, the Workers' Compensation Act. Any employee that it is agreed or adjudicated as receiving and injury under the Act after March 1, 1997 will receive payment from the security held by the defaulting self-insured employer or the applicable guaranty fund (Individual self-insured employers, Group self-insured employers, and Coal self-insured employers).

7 Are individually self-insured employers required to carry specific excess insurance?

| Answer |
|---|
| <input checked="" type="checkbox"/> Yes |
| No |

8 If individually self-insured employers are required to carry specific excess insurance, what is the maximum amount of loss permitted to be retained by the self-insured employer before the specific excess insurance carrier begins paying?

| Answer |
|--|
| \$250,000 or Less |
| \$250,001 to \$500,000 |
| <input checked="" type="checkbox"/> \$500,001 to \$1,000,000 |
| \$1,000,001 to \$2,500,000 |
| \$2,500,001 to \$5,000,000 |
| More Than \$5,000,000 |
| Other |

Comment: \$1,000,000

9 If specific excess insurance is required, is it required to provide full statutory coverage once the self-insured retention point has been breached?

Answer

Specific Excess Insurance Is Not Required

Specific Excess Is Required To Pay Full Statutory Coverage

Specific Excess Is Not Required To Pay Full Statutory Coverage

Other: Statutory or \$10,000,000

10 How does the amount of loss permitted to be carried by the self-insured employer, through either a high or low self-insured retention, impact the amount of required security?

Any retention amount above \$1,000,000 requires prior approval and additional security on a 2:1 basis.

11 Are the carriers who provide the excess insurance required to be an admitted carrier?

Answer

Yes

No

12 Are carriers who provide excess insurance required to possess a minimum AM Best rating?

Answer

No

Yes, At Least A+ (Superior)

Yes, At Least A- (Excellent)

Yes, At Least B+ (Good)

Yes, B, B- (Fair)

Other

13 Does the state have access to financial statements of the individual self-insured employer?

Answer

Yes

No

14 Does the state monitor the credit strength of individual self-insured employers?

Answer

Yes

No

15 If the state monitors the credit strength of the individual self-insured employer, for what purpose?

As a factor in setting the required security

16 Is full statutory coverage provided by your state insurance guaranty association/fund in the event that the voluntary market excess carrier becomes insolvent? If not statutory, what is the maximum required payment?

Answer

No, Payment is Limited To Less Than Full Statutory Coverage

Yes, Full Statutory Coverage Is Provided

Other

17 In the event that the self-insured employer and the excess carrier both default on their payment obligations, what process is in place to guarantee payment of claims?

Security held, guaranty fund (post March 1, 1997), KRS 342.920 Fund (pre March 1, 1997 claims). Limited general Insurance Guaranty Fund recovery.

18 In the event that the self-insured employer and the surety bond carrier both default on their payment obligations, what process is in place to guarantee payment of claims?

Security held, guaranty fund (post March 1, 1997), KRS 342.920 Fund (pre March 1, 1997 claims). Limited general Insurance Guaranty Fund recovery.

19 If a domestic surety bond carrier defaults and is placed into rehabilitation / liquidation by your state insurance department, which creditor class will workers' comp surety bonds be considered?

Class II

20 Does your state have a separate guaranty fund for individual self-insured employers?

| |
|---|
| Answer |
| <input checked="" type="checkbox"/> Yes |
| <input type="checkbox"/> No |

Comment: For post March 1, 1997 claims

21 Does your state have a separate guaranty fund for group self-insured funds?

| |
|---|
| Answer |
| <input checked="" type="checkbox"/> Yes |
| <input type="checkbox"/> No |

Comment: For post March 1, 1997 claims

22 If a self-insured employer guaranty fund exists in your state is it a governmental, quasi-governmental, or private entity?

| |
|---|
| Answer |
| <input type="checkbox"/> Governmental |
| <input checked="" type="checkbox"/> Quasi-Governmental |
| <input type="checkbox"/> Private |
| <input type="checkbox"/> No State Self-Insured Guaranty Fund Exists |
| <input type="checkbox"/> Other |

23 Does your self-insured employer state guaranty fund levy assessments against individual self-insurers?

| |
|--|
| Answer |
| <input checked="" type="checkbox"/> Yes, Assessments Are Levied Against Individual Self-Insurers |
| <input type="checkbox"/> No, Assessments Are NOT Levied Against Individual Self-Insurers |
| <input type="checkbox"/> We Have No Individual Self-Insured Employer Guaranty Funds |
| <input type="checkbox"/> Other |

24 **If assessments are levied against individual self-insurers, how are they calculated?**

Based on simulated premiums

25 **How are claim liabilities funded when a group self-insurer defaults?**

By Assessments

26 **How many employers are currently individually self-insured in your state?**

Answer

None, Individual Self-Insurance Is Not Allowed

Less Than 20 Employers Are Self-Insured

From 20 to 75

From 76 to 125

From 126 to 175

From 176 to 225

Over 225

Other

27 **What types of employers are eligible to individually self-insure their WC liabilities in your state (e.g. private [non-state] entities only, public and private, etc?)**

Answer

Privately Held Companies

Public Entities

Governmental Agencies

School Boards

Municipalities

Individual Self-Insurance Is Not Allowed

Other

28 **What are the minimum financial requirements for participation in self-insurance (e.g. minimum net worth, earnings, etc.?)**

\$10,000,000 Minimum Net Worth

29 Are individually self-insured employers allowed to self-administer their claims?

| |
|---|
| Answer |
| <input checked="" type="checkbox"/> Yes |
| <input type="checkbox"/> No |
| <input type="checkbox"/> Individual Self-Insurance Is Not Allowed |
| <input type="checkbox"/> Other |

30 If individual self-insured employers are allowed to self-administer claims, are there conditions imposed that do not exist for those employers who utilize a TPA?

| |
|---|
| Answer |
| <input type="checkbox"/> Yes |
| <input checked="" type="checkbox"/> No |
| <input type="checkbox"/> Individual Self-Insurance Is Not Allowed |
| <input type="checkbox"/> Other |

31 Is group self-insurance permitted in your state?

| |
|---|
| Answer |
| <input checked="" type="checkbox"/> Yes |
| <input type="checkbox"/> No |

32 How many group funds are operating in your state?

| |
|--|
| Answer |
| <input type="checkbox"/> None |
| <input type="checkbox"/> 1-5 |
| <input checked="" type="checkbox"/> 6-10 |
| <input type="checkbox"/> 10-15 |
| <input type="checkbox"/> More Than 15 |

33 Is group self-insurance permitted in your state for public entities (i.e. public schools)

| |
|---|
| Answer |
| <input checked="" type="checkbox"/> Yes |
| <input type="checkbox"/> No |
| <input type="checkbox"/> Other |

34 Are both heterogeneous and homogeneous group self-insurance funds permitted in your state?

Answer

- Yes, Both Heterogeneous & Homogeneous Groups Are Permitted
- No, Only Homogeneous Groups Are Permitted
- Other

35 How many employers are currently insured through self-insured group funds?

Answer

- None, Group Self-Insurance Is Not Permitted
- Less Than 500
- From 501 to 1,000
- From 1,001 to 2,500
- From 2,501 to 5,000
- From 5,001 to 10,000
- More Than 10,000

36 Are group self-insurers required to carry specific excess insurance

Answer

- Yes
- No
- Other

37 Are group self-insurers required to carry aggregate excess insurance?

Answer

- Yes
- No
- Other

Comment: Unless exempted

38 Are individual self-insured employers required to collateralize their self-insured liabilities by posting a surety bond, letter of credit, or other security with the state governing agency?

| Answer |
|---|
| <input checked="" type="checkbox"/> Yes |
| <input type="checkbox"/> No |
| <input type="checkbox"/> Other |

39 What forms of collateral or security are allowed?

| Answer |
|---|
| <input checked="" type="checkbox"/> Surety Bonds |
| <input checked="" type="checkbox"/> Letters of Credit |
| <input checked="" type="checkbox"/> Cash |
| <input checked="" type="checkbox"/> Securities |
| <input type="checkbox"/> Real Property |
| <input type="checkbox"/> Other |

40 How is the collateral obligation calculated? (e.g. formula based on case reserves, actuarially developed, etc?)

| |
|--|
| Financial strength, claims, actuarial model among other factors. |
|--|

41 How often is the collateral or security calculated and adjusted to reflect changes with the self-insured employer?

| Answer |
|---|
| <input type="checkbox"/> Yearly, Once Calculated The Amount Remains Unchanged For A Year |
| <input checked="" type="checkbox"/> Periodically As Needed, Changes May Occur During A Year |
| <input type="checkbox"/> Other |

Comment: Changes between the annual audits would be rare, but possible.

42 How does the state insure that the collateral is sufficient to cover the liabilities in the event of a failure to pay benefits by the individually self-insured employer?

| |
|---|
| Claim & financial audits and actuarial model. |
|---|