



EDUCATION AND LABOR CABINET

Andy Beshear
Governor

Department of Workers' Claims
Scott Wilhoit
Commissioner
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Jamie Link
Secretary

RE: Application for Self-Insurance—Kentucky Department of Workers' Claims

Employers seeking certification as a self-insured entity with the Kentucky Department of Workers' Claims must first submit their three (3) most recent audited financial statements and a completed Form SI-02 "Employers Application for Permission To Carry His Own Risk Without Insurance" at least two (2) months in advance of the proposed inception date for approval. Upon completion of the Department's review of the financial statements and Form SI-02 application, the Department of Workers' Claims will then notify the applicant if it will initially be considered for approval. If a company's financial statements are initially approved, the following completed forms and information must be submitted to the Department of Workers' Claims:

(1) All individual self-insurers must electronically submit loss report data on an annual basis in order to calculate the required security and simulated premium amounts. Loss data of 5 years is required. An example of the required format for the loss report (Form SI-08) is enclosed. Please note that updated loss data will be required annually for losses that may have occurred prior to becoming self-insured. These loss reports will be required to be submitted electronically and meet all the guidelines for loss data submitted for losses occurring while the employer was self-insured. For more detail, please visit the Self-Insurance Branch's webpage at: [Security and Compliance - Labor Cabinet \(ky.gov\)](http://www.labor.ky.gov) and select [Data Reporting Instructions](#).

(2) **Lost time Injury Reports** for the previous five years are required for calculation of the required security amount. The required security amount is based upon an average of indemnity and medical losses during the three (3) highest years of the preceding five (5) years, or a minimum security of **\$500,000**. Please note that if the applicant has less than five (5) years of doing business in this state there may be issues we will need to address concerning the simulated premium amount. For further information please contact Mike Watts, Assistant Director, at (502) 782-4510.

(3) After the security is calculated, the applicant will then be notified of the total security amount required by the Department of Workers' Claims. The Department of Workers' Claims currently allows the following surety instruments to be utilized: 1) Continuous Bond; 2) Letter of Credit. Please note: If a Continuous Bond is chosen as the surety instrument, the bonding company must have a current **AM Best** ranking of **A-** or **better**. Please note that any entity leaving the self-insurance program will be required to maintain their current security amount for a period not less than five (5) years with the Department of Workers' Claims. After this five-year period, the Department may reduce the amount of security on file, if applicable, with a written review request.

Please be advised, in accordance with 803 KAR 25:021 Section 5, subsection (5), if an employer is no longer self-insured, the amount of security shall be set by the Commissioner in accordance with the minimum amounts established as follows: a) A minimum security of \$250,000 shall be maintained for a period of ten (10) years; b) A minimum security of \$100,000 shall be maintained for the eleventh to twentieth year after the employer's departure from self-insured status.



- (4) The Department of Workers' Claims requires a **Self-Insurers' Guarantee Agreement** for all subsidiaries that are to be included under an applicant's self-insured program. Applicants are required to list the name and address of each location that is to be covered along with all pertinent Federal ID numbers.
- (5) Every application for individual self-insurance shall include: If the applicant is a corporation, a **Resolution** by the Board of Directors, authorizing and directing the corporation to undertake to self-insure.
- (6) Specific Excess Insurance: The Department of Workers' Claims requires each individually self-insured company to provide a policy of specific excess insurance that clearly states the following: A. Indemnity limit of either "**Statutory**" or at least **\$10,000,000 per occurrence**. B. Retention level of **\$1,000,000** or less. C. Documentation that all divisions and/or subsidiaries included in the self-insurance program are also covered by the excess policy. If the certificate or declaration page does not indicate this, please provide a copy of the attached addendum listing the entities which are covered.
- (7) If a service organization is utilized, Department of Workers' Claims regulations require a statement from the service organization and self-insured employer stating that the contract between the two parties meets the requirements set forth in 803 KAR 25:021 Section 3 subsection (4). (See attached service contract provision verification example).
- (8) In accordance with House Bill 1, as of March 1, 1997, (Non-Coal) entities approved for Self-insurance will be required to become members of the Kentucky Individual Self Insurers Guaranty Fund, and therefore be responsible for any and all assessments as required by the Fund. Note: By statute, Self-Insured Coal Companies maintain a separate Guaranty Fund.
- (9) Please be advised that all financial records submitted to the Department of Workers' Claims are considered to be of public record and therefore are subject to Commonwealth of Kentucky Open Records Laws.
- (10) **After final approval** by the Commissioner of The Department of Workers' Claims, newly self-insured companies will be forwarded an instruction packet in regards to the calculation of their required simulated premium. The initial premium calculation report must be submitted **within thirty (30) days** of the self-insurance inception date. After these required items are submitted, the applicant will then be notified of any additional filings required for certification. If you have any questions or need assistance in this process, please contact Mike Watts, Assistant Director, (502) 782-4510.

