

# Commonwealth of Kentucky

## Department of Insurance

### Explanatory Notes For forms WC SIG: LC-1 & LC-2

Workers' compensation self-insured groups may file modifications to the prospective loss costs in the Reference Filing based on their own anticipated loss experience. This includes modification to any loss adjustment expenses that may be reflected in the advisory organization's Reference Filing. Supporting documentation may be required for any modifications (upward or downward) to the prospective loss costs in the Reference Filing.

Advisory organization loss costs may not fully reflect all loss adjustment expenses. Each Reference Filing will clearly explain what loss adjustment expenses are included in the loss costs. Item 3 in the "Calculation of Loss Cost Multiplier" (WC SIG: LC-1) shall be used to provide for those loss adjustment expenses not included in the prospective loss costs. Modification to any loss adjustment expense provisions included in the advisory organization's prospective loss costs should be included in the Loss Cost Modification in Item 2.b of the WC SIG: LC-1 form.

- If the Reference Filing does not include a provision for **any** loss adjustment expenses, the filing shall make provision for **all** loss adjustment expenses.
- If the Reference Filing includes a provision for only **allocated** loss adjustment expenses, the filing shall make provision for **unallocated** loss adjustment expenses.
- If the Reference Filing includes a provision for **all** loss adjustment expenses, the filing shall make **no** provision for loss adjustment expenses, other than any modification to the advisory organization's reflection of loss adjustment expenses being made based on the file's own experience. Enter a factor of 1.000 for Item 3 on the WC SIG: LC-1 form.

Expense loads may be varied by individual classification. Variable or fixed expense loads or a combination of these may be used to establish expense loadings. The Expense Constant Supplement, WC SIG: LC-2 or other identified alternative methodology may be used to file an expense constant.