



**PUBLIC PROTECTION CABINET**

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**BULLETIN 2024-04**

**The following Bulletin is to advise the reader of the current position of the Kentucky Department of Insurance on the specified issue.**

**TO:** All Insurers Licensed by the Kentucky Department of Insurance  
**FROM:** Sharon P. Clark, Commissioner  
**RE:** Changes to Error Tolerance Rates Applied in Market Conduct Examinations  
**DATE:** July 15, 2024

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The Kentucky Department of Insurance (the Department) has elected to adjust the error tolerance rates utilized in Market Conduct Examinations. The Department will utilize the following error tolerance rates, which either mirror the error tolerance rates recommended in National Association of Insurance Commissioners' Market Regulation Handbook or set a slightly stricter threshold. The error tolerance rates specified in this Bulletin shall supersede any error tolerance rates previously issued by the Department.

To that end, please be advised of the following error tolerance rates which are immediately effective as of the date of this Bulletin:

**MARKET CONDUCT EXAMS – HEALTH LINES OF BUSINESS**

AREA	ERROR TOLERANCE PERCENTAGE
Company Operations and Management	0%
Record Retention	5%
Complaints	10%
Marketing and Sales	0%

Licensing and Appointments	0%
Policyholder Service	10%
Underwriting and Rating Practices	10%
Claims Settlement Practices	5%
Utilization Review	5%

**MARKET CONDUCT EXAMS – P&C LINES OF BUSINESS**

<b>AREA</b>	<b>ERROR TOLERANCE PERCENTAGE</b>
Company Operations and Management	0%
Record Retention	5%
Complaints	10%
Marketing and Sales	0%
Licensing and Appointments	0%
Policyholder Service	10%
Underwriting and Rating Practices	10%
Claims Settlement Practices	5%
LGPT-Risk Allocation	10%

**MARKET CONDUCT EXAMS – LIFE LINES OF BUSINESS**

<b>AREA</b>	<b>ERROR TOLERANCE PERCENTAGE</b>
Company Operations and Management	0%
Record Retention	5%
Complaints	10%
Marketing and Sales	0%
Licensing and Appointments	0%

Policyholder Service	10%
Underwriting and Rating Practices	10%
Claims Settlement Practices	5%
LGPT-Risk Allocation	10%

Questions regarding this bulletin should be directed to the Market Conduct Division, Phone: 502-564-1936, or email: [DOI.MarketConductMail@ky.gov](mailto:DOI.MarketConductMail@ky.gov).



Sharon P. Clark, Commissioner  
Kentucky Department of Insurance