



PUBLIC PROTECTION CABINET

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BULLETIN 2023-001

The following Bulletin is to advise the reader of the current position of the Kentucky Department of Insurance ("Department"), 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: February 27, 2023

The Kentucky Department of Insurance (the "Department") has elected to adjust certain error tolerance rates utilized in Market Conduct Examinations. These modifications will allow for a more thorough analysis of insurance operations conducted in Kentucky, and more effective enforcement of the Kentucky Insurance Code and corresponding regulations. To that end, please be advised of the following error tolerance rate changes:

MARKET CONDUCT EXAMS – HEALTH LINES OF BUSINESS

AREA	CURRENT ERROR TOLERANCE PERCENTAGE	ERROR TOLERANCE PERCENTAGE EFFECTIVE JULY 1, 2023
Company Operations and Management	0%	0%
Record Retention	5%	0%
Complaints	10%	0%
Marketing and Sales	0%	0%
Licensing and Appointments	0%	0%
Policyholder Service	10%	5%

Underwriting and Rating Practices	10%	5%
Claims Settlement Practices	5%	5%
Utilization Review	5%	5%

MARKET CONDUCT EXAMS – P&C LINES OF BUSINESS

AREA	CURRENT ERROR TOLERANCE PERCENTAGE	ERROR TOLERANCE PERCENTAGE EFFECTIVE JULY 1, 2023
Company Operations and Management	0%	0%
Record Retention	5%	0%
Complaints	10%	0%
Marketing and Sales	0%	0%
Licensing and Appointments	0%	0%
Policyholder Service	10%	5%
Underwriting and Rating Practices	10%	5%
Claims Settlement Practices	5%	5%
LGPT-Risk Allocation	10%	10%

MARKET CONDUCT EXAMS – LIFE LINES OF BUSINESS

AREA	CURRENT ERROR TOLERANCE PERCENTAGE	ERROR TOLERANCE PERCENTAGE EFFECTIVE JULY 1, 2023
Company Operations and Management	0%	0%
Record Retention	5%	0%
Complaints	10%	0%
Marketing and Sales	0%	0%
Licensing and Appointments	0%	0%

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

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



Sharon P. Clark, Commissioner
Kentucky Department of Insurance