

1 Public Protection Cabinet  
2 Department of Insurance  
3 Division of Property & Casualty  
4 (Amendment)

5 806 KAR 12:095. Unfair claims settlement practices for property and casualty insurance.

6 RELATES TO: KRS 304.3-200(1)(e), 304.12-010, 304.12-220, 304.12-230, 304.12-235,  
7 304.14-400, 304.20-070, 304.20-150-304.20-180, 342.325

8 STATUTORY AUTHORITY: KRS 304.2-110[, ~~304.3-200(1)(e)~~]

9 NECESSITY, FUNCTION, AND CONFORMITY: KRS 304.2-110 authorizes the  
10 Commissioner [~~Executive Director~~] of Insurance to make reasonable administrative regulations  
11 necessary for or as an aid to the effectuation of any provision of the Kentucky Insurance Code.  
12 This administrative regulation establishes unfair property and casualty insurance claims settlement  
13 practices, effectuating KRS 304.3-200(1)(e), 304.12-010, and 304.12-230.

14 Section 1. Definitions.

15 (1) "Agent" means any person authorized to represent an insurer with respect to a claim;

16 (2) "Claimant" means either a first party claimant, a third-party claimant, or both and  
17 includes:

18 (a) The [~~the~~] claimant's designated legal representative, including [~~such as~~] an  
19 administrator, executor, guardian, or similar person, and

20 (b) A [~~includes a~~] member of the insured's immediate family designated by the claimant;

- 1 (3) "Claim file" means any retrievable electronic file, paper file, or both;
- 2 (4) "Commissioner" [~~"Executive Director"~~] is defined by KRS 304.1-050(1);
- 3 (5) "Days" means any day, Monday through Friday, except holidays;
- 4 (6) "First party claimant" means a person asserting a right to payment under an insurance  
5 policy, certificate, or contract arising out of the occurrence of the contingency or loss covered by  
6 the policy, certificate, or contract;
- 7 (7) "Insurer" is defined by KRS 304.1-040;
- 8 (8) "Investigation" means all activities of an insurer related to the determination of  
9 liabilities under coverages afforded by a policy, certificate, or contract;
- 10 (9) "Local market area" means a reasonable distance surrounding the area where a motor  
11 vehicle is principally garaged, or the usual location of the article covered by the policy. This area  
12 shall not be limited to the geographic boundaries of the Commonwealth;
- 13 (10) "Notification of claim" means any notification, whether in writing or by other means  
14 acceptable under the terms of the policy, certificate, or contract, to an insurer or its agent, by a  
15 claimant, which reasonably apprises the insurer of the facts pertinent to a claim;
- 16 (11) "Policy", or "certificate", or "contract" means any contract of insurance or indemnity,  
17 except for:
- 18 (a) Fidelity, suretyship, or boiler and machinery insurance; or
- 19 (b) A contract of workers' compensation insurance unless it satisfies the requirements of  
20 Section 2 of this administrative regulation.
- 21 (12) "Replacement crash part" means sheet metal or plastic parts which generally constitute  
22 the exterior of a motor vehicle, including inner and outer panels; and

1 (13) "Third-party claimant" means any person asserting a claim against any person under  
2 a policy, contract, or certificate of an insurer.

3 Section 2. Scope and Purpose of this Administrative Regulation.

4 (1) This administrative regulation establishes:

5 (a) Minimum [minimum] standards for the investigation and disposition of property and  
6 casualty insurance claims arising under policies, certificates, and contracts;

7 (b) Procedures and practices which constitute unfair claims settlement practices; and

8 (c) Standards for the commissioner in investigations, examinations, and administrative  
9 adjudication and appeals.

10 (2) This administrative regulation shall not cover claims involving:

11 (a) fidelity; ~~[5]~~

12 (b) suretyship; ~~[5-08]~~

13 (c) boiler and machinery insurance; or

14 (d) ~~[. This administrative regulation shall not cover claims involving]~~ workers'  
15 compensation if those questions arise under KRS Chapter 342 ~~[since those questions shall be~~  
16 ~~resolved by workers' compensation administrative law judges or arbitrators, pursuant to KRS~~  
17 ~~342.325.]~~

18 (3) This administrative regulation shall apply to claims for unearned premium refunds  
19 under workers' compensation policies ~~[since workers' compensation administrative law judges or~~  
20 ~~arbitrators do not have jurisdiction over those claims. This administrative regulation establishes~~  
21 ~~procedures and practices which constitute unfair claims settlement practices.]~~

22 (4) ~~[(2)]~~ Statement of enforcement policy. If complaints are filed with the commissioner  
23 ~~[executive director]~~, the commissioner ~~[executive director]~~ shall note violations of this

1 administrative regulation after the insurer or agent has been given an opportunity to pay the claim  
2 and any interest [~~thereon~~].

3 (5) [~~(3) This administrative regulation establishes standards for the executive director in~~  
4 ~~investigations, examinations, and administrative adjudication and appeals therefrom.~~] A violation  
5 of this administrative regulation shall be found only by the commissioner [~~executive director~~]. This  
6 administrative regulation shall not create or imply a private cause of action for violation of this  
7 administrative regulation.

8 Section 3. File and Record Documentation. Each insurer's claim files for policies,  
9 certificates, or contracts are subject to examination by the commissioner or the commissioner's  
10 designees. To aid in an examination:

11 (1) The insurer shall maintain claim data that are accessible and retrievable for  
12 examination. An insurer shall be able to provide the claim number, line of coverage, date of loss  
13 and date of payment of the claim, and date of denial or date closed without payment. This data  
14 shall be available for all open and closed files for the current year and the five (5) preceding years.

15 (2) The insurer shall maintain documentation in each claim file to permit reconstruction of  
16 the insurer's activities relative to each claim.

17 (3) The insurer shall note each relevant document within the claim file as to date received,  
18 date processed, or date mailed.

19 (4) If an insurer does not maintain hard copy files, claim files shall be accessible to  
20 examiners electronically [~~from a computer terminal available to examiners or micrographics~~] and  
21 be capable of duplication to legible hard copy.

22 Section 4. Misrepresentation of Policy Provisions. (1) Insurers and agents shall not  
23 misrepresent or conceal from first party claimants any pertinent benefits, coverages, or other

1 provisions of any insurance policy or insurance contract if the benefits, coverages, or other  
2 provisions are pertinent to a claim, pursuant to KRS 304.12-230(1).

3 (2) Insurers shall not deny a claim on the basis of failure to exhibit property unless there is  
4 documentation in the claim file of breach of the policy provisions.

5 (3) Insurers shall not deny a claim based upon the failure of a first party claimant to give  
6 written notice of loss within a specified time limit unless written notice of loss is a written  
7 condition in the policy, certificate, or contract and the first-party claimant's failure to give written  
8 notice after being requested to do so is so unreasonable as to constitute a breach of the first-party  
9 claimant's duty to cooperate with the insurer.

10 (4) Insurers shall not indicate to a first party claimant on a payment draft, check, or in an  
11 accompanying letter that payment is "final" or "a release" of any claim unless:

12 (a) The policy limit has been paid; or

13 (b) There has been a compromise settlement agreed to by the first party claimant and the  
14 insurer as to coverage and amount payable under the policy, certificate, or contract.

15 (5) Insurers shall not issue checks or drafts in partial settlement of a loss or claim under a  
16 specific coverage which contain language which releases the insurer or its insured from total  
17 liability.

18 Section 5. Failure to Acknowledge Pertinent Communications.

19 (1) Every insurer, upon receiving notification of a claim shall, within fifteen (15) days,  
20 acknowledge the receipt of the notice unless payment is made within that period of time. If an  
21 acknowledgement is made by means other than writing, an appropriate notation of the  
22 acknowledgement shall be made in the claim file of the insurer and dated. Notification given to an  
23 agent of an insurer shall be notification to the insurer.

1 (2) If an insurer receives an inquiry from the Department of Insurance respecting a claim,  
2 the insurer shall, within fifteen (15) days of receipt of the inquiry, furnish the Department of  
3 Insurance with an adequate response to the inquiry in duplicate.

4 (3) The insurer shall make an appropriate reply within fifteen (15) days on all other  
5 pertinent communications from a claimant which reasonably suggest that a response is expected.

6 (4) Every insurer, upon receiving notification of claim, shall promptly provide necessary  
7 claim forms, instructions, and reasonable assistance to first party claimants so that they can comply  
8 with the policy conditions and the insurer's reasonable requirements. Compliance with this  
9 subsection within fifteen (15) days of notification of a claim shall constitute compliance with  
10 subsection (1) of this section.

11 Section 6. Standards for Prompt, Fair, and Equitable Settlements Applicable to All  
12 Insurers.

13 (1)(a) Pursuant to KRS 304.12-230(5), an insurer shall, pursuant to KRS 304.12-235(1),  
14 affirm or deny any liability on claims within a reasonable time and shall offer any payment due  
15 within thirty (30) calendar days of receipt of due proof of loss. If claims involve multiple  
16 coverages, payments which are not in dispute shall be tendered within thirty (30) calendar days of  
17 receipt of due proof of loss.

18 (b) If there is a reasonable basis supported by specific information available for review by  
19 the commissioner [~~executive director~~] that a claimant has fraudulently caused or contributed to the  
20 loss, the insurer shall:

21 1. Be relieved from the requirements of this subsection; and

1           2. Advise the first party claimant of the acceptance or denial of the claim within a  
2 reasonable time for full investigation after receipt by the insurer of a properly executed proof of  
3 loss.

4           (2)(a) If the insurer needs more time to determine whether a first party claim should be  
5 accepted or denied, it shall [sø] notify the first party claimant within thirty (30) calendar days after  
6 receipt of the proofs of loss, giving the reasons more time is needed.

7           (b) If the investigation remains incomplete, the insurer shall, forty-five (45) calendar days  
8 from the date of the initial notification and every forty-five (45) calendar days thereafter, send to  
9 the first party claimant a letter stating the reasons additional time is needed for investigation.

10          (3) Insurers shall not fail to settle first party claims on the basis that responsibility for  
11 payment should be assumed by others except as may otherwise be provided by policy provisions.

12          (4) Insurers shall not continue negotiations for settlement of a claim directly with a first  
13 party claimant who is not legally represented if the first party claimant's rights may be affected by  
14 a statute of limitations or a time limit in a policy, certificate, or contract, unless the insurer has  
15 given the first party claimant written notice of the limitation. The notice shall be given to the first  
16 party claimant at least thirty (30) calendar days before the date on which the time limit expires.

17          (5) Insurers shall not make statements which indicate that the rights of a third-party  
18 claimant may be impaired if a form or release is not completed within a given period of time unless  
19 the statement is given for the purpose of notifying the third-party claimant of the provision of a  
20 statute of limitations.

21          (6) Subject to subsection (1)(a) of this section relating to first party claims, insurers shall  
22 affirm or deny liability on claims within a reasonable time and shall tender payment within thirty  
23 (30) days of affirmation of liability, if the amount of the claim is determined and not in dispute. If

1 claims involve multiple coverages, and if the payee is known, payments which are not in dispute  
2 shall be tendered within thirty (30) calendar days.

3 (7) Insurers shall not request or require any insured to submit to a polygraph examination  
4 unless authorized under the applicable policy, certificate, contract, or applicable law.

5 Section 7. Standards for Prompt, Fair, and Equitable Settlements Applicable to Motor  
6 Vehicle Insurance. (1) If the policy, certificate, or contract provides for the adjustment and  
7 settlement of first party motor vehicle total losses on the basis of actual cash value or replacement  
8 with another of like kind and quality, one (1) of the following methods shall apply:

9 (a) The insurer may elect to offer a replacement motor vehicle which is a specific  
10 comparable motor vehicle available to the insured, with all applicable taxes, license fees [{}if these  
11 fees cannot be refunded by the Transportation Cabinet[]], and other fees incident to transfer of  
12 evidence of ownership of the motor vehicle paid, at no cost other than any deductible provided in  
13 the policy. The offer and any rejection thereof shall be documented in the claim file;

14 (b) The insurer may elect a cash settlement based upon the actual cost, less any deductible  
15 provided in the policy, to purchase a comparable motor vehicle including all applicable taxes,  
16 license fees [{}if these fees cannot be refunded by the Transportation Cabinet[]], and other fees  
17 incident to transfer of evidence of ownership of a comparable motor vehicle. The actual cost shall  
18 be determined by any one (1) of the following:

19 1. The cost of a comparable motor vehicle in the local market area if a comparable motor  
20 vehicle is available in the local market area;

21 2. If a comparable motor vehicle is not available in the local market area, one (1) of two  
22 (2) or more quotations obtained by the insurer from two (2) or more qualified and licensed dealers

1 which engage in the buying and selling of comparable motor vehicles in the ordinary course of  
2 their business located within the local market area; or

3 3. Any source for determining statistically valid fair market values including nationally-  
4 recognized automobile evaluation publications that meet all of the following criteria:

5 a. The source shall give consideration to the values of vehicles in the local market area and  
6 may consider data on vehicles outside the area;

7 b. The source's data base shall produce values for at least eighty-five (85) percent of all  
8 makes and models for the last eight (8) model years taking into account the values of all major  
9 options for these vehicles;

10 c. The source shall produce fair market values based on current data available from the  
11 local market area where the insured vehicle was principally garaged or a necessary expansion of  
12 parameters such as travel time and area to assure statistical validity;

13 4. Actual cash value as determined by the use of the source's database shall be adjusted to  
14 reflect any value of enhancements to the motor vehicle not accounted for by the database;

15 5. If the vehicle's condition does not meet the criteria for value used in source's database,  
16 the actual cash value amount may be adjusted; and

17 6. Absent an appraisal provision in the insurance contract, if the insured demonstrates, by  
18 presenting two (2) independent appraisals, based on measurable and discernable factors, that the  
19 vehicle would have a higher cash value in the local market area than the value reflected in the  
20 source's database, the local market value shall be considered when determining the actual cash  
21 value;

22 (c) Right of recourse. If the insurer is notified within thirty-five (35) days of the receipt of  
23 the claim draft that the insured cannot purchase a comparable motor vehicle for market value as

1 defined in paragraph (b)3 of this subsection, the insurer shall reopen its claim file and comply with  
2 the following procedures:

3 1. The insurer may locate a comparable motor vehicle by the same manufacturer, same  
4 year, similar body style, and similar options and price range for the insured for the market value  
5 determined by the insurer at the time of settlement. This vehicle shall be available through licensed  
6 motor vehicle dealers;

7 2. The insurer shall either pay the insured the difference between the market value before  
8 applicable deductions and the cost of the comparable motor vehicle of like kind and quality which  
9 the insured has located, or negotiate and effect the purchase of this motor vehicle for the insured;  
10 or

11 3. The insurer may conclude the loss settlement as prepared for under the appraisal  
12 provision of the insurance contract in force at the time of loss. This appraisal shall be considered  
13 as binding against both parties, but shall not preclude or waive any other rights either party has  
14 under the insurance contract or law; or

15 (d) If a first party motor vehicle's total loss is settled on a basis which deviates from the  
16 methods described in subsection (1)(a) and (b) of this section, the deviation shall be supported by  
17 documentation giving particulars of the motor vehicle's condition. Any deductions from the cost,  
18 including deduction for salvage, shall be measurable, discernable, itemized, and specified as to  
19 dollar amount and shall be appropriate in amount. The basis for the alternative method of  
20 settlement shall be explained fully to the first party claimant.

21 (2) The measure of damages in a third-party motor vehicle loss shall be the difference  
22 between the fair market value of the motor vehicle immediately before and after the loss,  
23 proportioned by the third party's contributory negligence, if any. Repair estimates or appraisers'

1 reports may be used to indicate the difference in fair market value. The measure of damages in a  
2 first party vehicle loss shall be governed by the policy of insurance issued to the first party and  
3 shall not include any measure of damages not specifically provided for in the policy.

4 (3) If liability and damages are reasonably clear, insurers shall not recommend that third-  
5 party claimants make claims under their own policies, certificates, or contracts solely to avoid  
6 paying claims under the insurers' policies, contracts, or certificates.

7 (4) Insurers shall not require a claimant to travel an unreasonable distance to inspect a  
8 replacement motor vehicle.

9 (5) If requested by the claimant, insurers shall include the first party claimant's deductible,  
10 if any, in subrogation demands. Subrogation recoveries shall be shared on a proportionate basis  
11 with the first party claimant, unless the deductible amount has been otherwise recovered.  
12 Deduction for expenses shall not be made from the deductible recovery unless an outside attorney  
13 is retained to collect the recovery. The deduction shall then be for only a pro rata share of the  
14 allocated loss adjustment expense.

15 Section 8. Repairs to Motor Vehicles.

16 (1) (a) If losses involving motor vehicle repairs are settled on the basis of a written estimate  
17 prepared by or for the insurer, the insurer shall supply the insured a copy of the estimate upon  
18 which the settlement is based.

19 (b) The estimate prepared by or for the insurer shall be reasonable, in accordance with  
20 applicable policy provisions, and of an amount which will allow for repairs to be made in a worker-  
21 like manner.

22 (c) If the insured subsequently claims, based upon a written estimate which the insured  
23 obtains, that necessary repairs will exceed the written estimate prepared by or for the insurer, the

1 insurer shall pay the difference between the written estimate and a higher estimate obtained by the  
2 insured, or promptly provide the insured with the name of at least one (1) repair shop that will  
3 make the repairs for the amount of the written estimate. If the insurer designates only one (1) or  
4 two (2) repair shops, the insurer shall assure that the repairs are performed in a worker-like manner.  
5 The insurer shall maintain documentation of all of these communications.

6 (2) If the amount claimed is reduced because of betterment or depreciation, all information  
7 for the reduction shall be contained in the claim file. These deductions shall be itemized and  
8 specified as to dollar amount and shall be appropriate for the amount of deductions.

9 (3)(a) Betterment deductions shall be allowed only if the deductions reflect a measurable  
10 decrease in the market value and general overall condition of the motor vehicle.

11 (b) The deductions set forth in paragraph (a) of this subsection shall be measurable,  
12 itemized, specified as to dollar amount, and documented in the claim file.

13 (c) Insurers shall not require the insured or claimant to supply parts for replacement.

14 (4) Insurers shall not require the use of replacement crash parts in the repair of a motor  
15 vehicle unless the replacement crash part is at least equal in kind and quality to the part to be  
16 replaced in terms of fit, quality, and performance. Insurers specifying the use of replacement crash  
17 parts shall consider the cost of any modifications which may be necessary when making the repair.

18 (5) Insurers shall not require a claimant to travel an unreasonable distance:

19 (a) To obtain a repair estimate; or

20 (b) To have the motor vehicle repaired at a specific repair shop.

21 Section 9. Standards for Prompt, Fair, and Equitable Settlements Applicable to Fire and  
22 Extended Coverage Type Policies with Replacement Cost Coverage.

1 (1) If the policy, contract, or certificate authorizes the adjustment and settlement of first  
2 party losses based on replacement cost, the following shall apply:

3 (a) If a loss requires repair or replacement of an item or part, any consequential physical  
4 damage incurred in making the repair or replacement not otherwise excluded by the policy shall  
5 be included in the loss. The insured shall not have to pay for betterment nor any other cost to the  
6 extent of replacement cost, except for the applicable deductible.

7 (b) If a loss requires replacement of items and the replaced items do not reasonably match  
8 in quality, color, and [ø] size, the insurer shall replace all items in the area so as to conform to a  
9 reasonably uniform appearance. This applies to interior and exterior losses. The insured shall not  
10 bear any cost over the applicable deductible.

11 (2) Actual cash value.

12 (a) If the insurance policy provides for the adjustment and settlement of losses on an actual  
13 cash value basis on residential fire and extended coverage, the insurer shall determine actual cash  
14 value as follows: replacement cost of property at the time of the loss less depreciation, if any. If  
15 provided for in the policy, depreciation may include the costs of goods, materials, labor,  
16 equipment, overhead and profit, taxes, fees, and services necessary to replace, repair, or rebuild  
17 the damaged property. If requested by the insured, the insurer shall provide a copy of the claim  
18 file worksheets showing any and all deductions for depreciation.

19 (b) If the insured's interest is limited because the property has nominal or no economic  
20 value, or a value disproportionate to replacement cost less depreciation, the determination of actual  
21 cash value as set forth in paragraph (a) of this subsection shall not be required. If requested by the  
22 insured, the insurer shall provide a written explanation of the basis for limiting the amount of  
23 recovery along with the amount payable under the policy.

806 KAR 12:095  
READ AND APPROVED:

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Sharon P. Clark  
Commissioner, Department of Insurance

Date

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Kerry B. Harvey  
Secretary, Public Protection Cabinet

Date

## PUBLIC HEARING AND PUBLIC COMMENT PERIOD

A public hearing on this administrative regulation shall be held at 9:00 AM on July 23rd, 2021 at 500 Mero Street, Frankfort, KY 40602. Individuals interested in being heard at this hearing shall notify this agency in writing by five workdays prior to the hearing, of their intent to attend. If no notification of intent to attend the hearing is received by that date, the hearing may be canceled. This hearing is open to the public. Any person who wishes to be heard will be given an opportunity to comment on the proposed administrative regulation. A transcript of the public hearing will not be made unless a written request for a transcript is made. If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted through 11:59 PM on July 30, 2021. Send written notification of intent to be heard at the public hearing or written comments on the proposed administrative regulation to the contact person below.

Contact Person: Abigail Gall  
Title: Executive Administrative Secretary  
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Phone: +1 (502) 564-6026  
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Email: [abigail.gall@ky.gov](mailto:abigail.gall@ky.gov)

## REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

Regulation: 806 KAR 12:095

Contact Person: Abigail Gall

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(1) Provide a brief summary of:

(a) What this administrative regulation does: This administrative regulation establishes unfair property and casualty insurance claims settlement practices, effectuating KRS 304.3-200(1)(e), 304.12-010, and 304.12-230.

(b) The necessity of this administrative regulation: The necessity of this regulation is to establish the unfair claims settlement practice regarding property and casualty insurance claims settlement practices.

(c) How this administrative regulation conforms to the content of the authorizing statutes: KRS 304.2-110 authorizes that the Commission shall promulgate necessary administrative regulations or as an aid to the effectuation of any provision of the Kentucky Insurance Code.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: The responsibility of the Department is to protect consumers. This administrative regulation establishes what claims practices are unfair regarding property and casualty insurance settlement claims.

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

(a) How the amendment will change this existing administrative regulation: The amendments change the existing regulation by including vehicle size in the listing of replacement requirement determination; this amendment is based on comments made during an ARRS meeting on December 12<sup>th</sup>, 2017. The industry has recommended that labor and goods cost may be included in depreciation cost, this amendments is based on the Advisory Opinion (20-01) adopted by the Department relating to the Hicks v. State Farm case. In addition, the amendments to this administrative regulation are to conform to the statutory draft requirements set forth in Chapter 13A.

(b) The necessity of the amendment to this administrative regulation: The primary amendments are necessary to ensure practices are fair and that the regulation is updated to meet recent recommendations from industry and DOI experience with these practices.

(c) How the amendment conforms to the content of the authorizing statutes: KRS 304.2-110 authorizes that the Commissioner shall promulgate regulations and thus, amend said regulations if necessary to aid in the effectuation of the Insurance Code. KRS 304.3-200(1)(e) states that the Commissioner may refuse, suspend or revoke and insurers certificate of authority, this administrative regulation and the amendments set the parameters that the commissioner may more specifically act upon property & casualty insurance claims settlements practices.

(d) How the amendment will assist in the effective administration of the statutes: KRS 304.2-110 authorizes that the Commissioner shall promulgate regulations and thus, amend said regulations if necessary to aid in the effectuation of the Insurance Code.

(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation: Property and Casualty insurers writing business and handling settlement claims.

(4) Provide an analysis of how the entities identified in the previous question will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment, including: The entities must include size in the replacement match processes and depreciation may include the costs of goods, materials, labor, and services necessary to replace, repair, or rebuild the damaged property

(a) List the actions each of the regulated entities have to take to comply with this regulation or amendment: Entities must retain files electronically if not hard copy, include size in consideration for replacement matches, and may now include cost of goods, materials, labor/services to replace property.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities: There is no associated cost in complying with this administrative regulations.

(c) As a result of compliance, what benefits will accrue to the entities: Entities will be meeting the requirements to ensure they are following fair claims settlement practices and avoid consequences determined by the commissioner.

(5) Provide an estimate of how much it will cost the administrative body to implement this administrative regulation:

(a) Initially: Implementation of this amendment is not anticipated to have an initial cost on the Department of Insurance.

(b) On a continuing basis: Implementation of this amendment is not anticipated to have an on-going cost on the Department of Insurance.

(6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation: The Department will use funds from its current operational budget to perform the tasks necessary.

(7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment:

(8) State whether or not this administrative regulation established any fees or directly or indirectly increased any fees: No this administrative regulation does not establish fees.

(9) TIERING: Is tiering applied? Explain why or why not. Tiering is not applied because this administrative regulation applies to all property and casualty insurers writing business and processing settlement claims.

## FISCAL NOTE ON STATE OR LOCAL GOVERNMENT

Regulation: 806 KAR 12:095

Contact Person: Abigail Gall

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(1) What units, parts or divisions of state or local government (including cities, counties, fire departments, or school districts) will be impacted by this administrative regulation? The department as the implementer.

(2) Identify each state or federal statute or federal regulation that requires or authorizes the action taken by the administrative regulation. KRS 304.2-110, 304.3-200(1)(e), 304.12-010, and 304.12-230

(3) Estimate the effect of this administrative regulation on the expenditures and revenues of a state or local government agency (including cities, counties, fire departments, or school districts) for the first full year the administrative regulation is to be in effect. If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation.

(a) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for the first year? No revenue is expected to be generated.

(b) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for subsequent years? No revenue is expected to be generated.

(c) How much will it cost to administer this program for the first year? No cost is expected.

(d) How much will it cost to administer this program for subsequent years? No cost is expected.

Note: If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation.

(4) Revenues (+/-): Neutral

(5) Expenditures (+/-): Neutral

(6) Other Explanation: