



August 10, 2010

UPDATE: Amendments to the Kentucky Mine Subsidence Reinsurance Plan

On March 5, 2010 House Bill 268 amended, KRS 304.44-050, the Kentucky Mine Subsidence Reinsurance Plan to increase the applicable limits from a maximum of One Hundred Thousand Dollars (\$100,000.00) to a maximum of Three Hundred Thousand Dollars (\$300,000.00).

The Kentucky Department of Insurance (“DOI”) has advised our firm of the following:

- 1- At the time of renewal, the increase in coverage up to the applicable limit, Three Hundred Thousand Dollars (\$300,000.00), is automatically added to existing policies with an increased rate of premium charged.
- 2- Any new business would also include an increase in coverage up to the applicable limit, Three Hundred Thousand Dollars (\$300,000.00).

It is our understanding, the DOI bases this determination upon the following language in the statute: “After July 15, 1984, every insurance policy issued or renewed...” DOI substituted 2010 for 1984 and interprets “issued” as being new business and “renewed” as renewal of the policy. This means any policy issued or renewed after July 15, 2010 must include the increase in coverage up to the applicable limit. If the insured requests to increase the amount prior to renewal they may do so.

In special circumstances, such as when insurers renew 90-days in advance of the actual renewal date, they may miss the time frame in which to increase the coverage pursuant to the amendment. In that case, the DOI will read into the policy, through the liberalization clause, the increased limit, not to exceed Three Hundred Thousand Dollars (\$300,000.00).

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