

164A.577 Private loss insurance or self-insurance pool option -- Requirements -- Resumption of state insurance coverage -- Annual inspection -- Coverage requirements and minimums.

- (1) Notwithstanding KRS 56.065 to 56.180 and any other law to the contrary:
 - (a) Instead of insurance coverage provided through the Commonwealth's property and casualty insurance fund, the governing board of each institution may, subject to paragraph (b) of this subsection, elect to obtain insurance under this section to cover all of the state property in the institution's possession against loss by fire and other hazards;
 - (b) An institution whose governing board elects to obtain insurance under this section shall:
 1. Not be required to obtain approval by the Finance and Administration Cabinet or any other state agency or official to terminate the institution's insurance coverage through the Commonwealth's property and casualty insurance fund;
 2. Notify the secretary of the Finance and Administration Cabinet at least sixty (60) days before terminating the institution's insurance coverage through the Commonwealth's property and casualty insurance fund;
 3. Ensure that the insurance is in place immediately following termination of the institution's insurance coverage through the Commonwealth's property and casualty insurance fund;
 4. Comply with any bidding or advertising requirements under KRS Chapters 45A and 424; and
 5. Comply with subsection (2) of this section; and
 - (c)
 1. An institution that terminates the institution's insurance coverage through the Commonwealth's property and casualty insurance fund under this subsection shall be permitted to resume that coverage, without any need for approval by the Finance and Administration Cabinet or any other state agency or official, by providing the following notices to the secretary of the Finance and Administration Cabinet:
 - a. At least six (6) months prior to the effective date of the institution's resumption of coverage through the Commonwealth's property and casualty insurance fund, as provided under subparagraph 2. of this paragraph, a notice that the institution intends but is not obligated to resume coverage through the fund; and
 - b. At least three (3) months prior to the effective date of the institution's resumption of coverage through the Commonwealth's property and casualty insurance fund, as provided under subparagraph 2. of this paragraph, a notice that the institution is resuming coverage through the fund.
 2. Upon receipt of the notices required under subparagraph 1. of this paragraph, the Finance and Administration Cabinet shall insure all of the state property in the institution's possession against loss by fire and other

hazards through the Commonwealth's property and casualty insurance fund, and coverage shall become effective not later than:

- a. The next date of renewal of the coverage provided through the fund; or
 - b. Any other date agreed upon by the institution and the cabinet.
- (2) An institution that obtains insurance under this section shall ensure that an annual inspection is made of each state building and its contents in the institution's possession, for the purpose of determining the unnecessary causes of a fire hazard therein, and recommendations are received for corrective actions, by either:
- (a)
 1. Allowing the Finance and Administration Cabinet to have the inspection made and to make recommendations for corrective actions, consistent with the inspections and recommendations made under KRS 56.170.
 2. The institution shall pay a fee to the Finance and Administration Cabinet for an inspection made under this paragraph if:
 - a.
 - i. A fee is charged; and
 - ii. The fee is not in excess of the fee charged;to agencies for an inspection made under KRS 56.170; and
 - b. The fee is reasonable; or
 - (b)
 1. Having a qualified third party approved by the institution's insurer conduct the inspection and make recommendations for corrective actions.
 2. The institution may pay a reasonable fee for an inspection made under this paragraph if the fee is not included in the premium charged by the insurer.
- (3) Insurance obtained under this section:
- (a) May be provided:
 1. By an authorized insurer as defined in KRS 304.1-100; or
 2. Through a self-insurance pool if the pool is:
 - a. Adequately reinsured by an authorized insurer as defined in KRS 304.1-100; and
 - b. Capable of insuring all of the state property in the institution's possession;
 - (b) Shall state the following for each insured building and its contents:
 1. Estimated replacement cost; and
 2. The amount of coverage provided;
 - (c)
 1. Except as provided in subsection (4) of this section, shall insure each building and its contents for an amount equal to one hundred percent (100%) of the replacement cost determined through a certified replacement cost appraisal performed at the direction of the institution by an appraiser:
 - a. Licensed to perform appraisal services under KRS Chapter 324A; and

- b. Experienced in appraising commercial or governmental property.
 - 2. As used in this paragraph, "replacement cost" includes the increased cost of construction brought about by code changes that:
 - a. Have occurred since the original structure was built; and
 - b. Are required to be incorporated within a rebuilt structure;
- (d) Shall contain an agreed amount provision; and
- (e) Shall include:
 - 1. Ordinance and law coverage at not less than five million dollars (\$5,000,000);
 - 2. Debris removal coverage at not less than one million dollars (\$1,000,000);
 - 3. Extra expense coverage at not less than five million dollars (\$5,000,000); and
 - 4. For any building containing a steam boiler, boiler and machinery coverage at not less than the total value of the real and personal property in the building in which the steam boiler is located.
- (4) A governing board may obtain actual cash value coverage of a building and its contents if a certification signed by the governing board chair is attached to the insurance policy or contract, or self-insurance pool contract, stating that it would not be fiscally responsible to provide replacement cost coverage for the building being insured.

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History: Amended 2025 Ky. Acts ch. 136, sec. 13, effective March 31, 2025. --
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