

1 AN ACT relating to workers' compensation.

2 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

3 ➔Section 1. KRS 342.0011 is amended to read as follows:

4 As used in this chapter, unless the context otherwise requires:

- 5 (1) "Injury" means any work-related traumatic event or series of traumatic events,
6 including cumulative trauma, arising out of and in the course of employment which
7 is the proximate cause producing a harmful change in the human organism
8 evidenced by objective medical findings. "Injury" does not include the effects of the
9 natural aging process, and does not include any communicable disease unless the
10 risk of contracting the disease is increased by the nature of the employment.
11 "Injury" when used generally, unless the context indicates otherwise, shall include
12 an occupational disease and damage to a prosthetic appliance, but shall not include
13 a psychological, psychiatric, or stress-related change in the human organism, unless
14 it is a direct result of a physical injury;
- 15 (2) "Occupational disease" means a disease arising out of and in the course of the
16 employment;
- 17 (3) An occupational disease as defined in this chapter shall be deemed to arise out of
18 the employment if there is apparent to the rational mind, upon consideration of all
19 the circumstances, a causal connection between the conditions under which the
20 work is performed and the occupational disease, and which can be seen to have
21 followed as a natural incident to the work as a result of the exposure occasioned by
22 the nature of the employment and which can be fairly traced to the employment as
23 the proximate cause. The occupational disease shall be incidental to the character of
24 the business and not independent of the relationship of employer and employee. An
25 occupational disease need not have been foreseen or expected but, after its
26 contraction, it must appear to be related to a risk connected with the employment
27 and to have flowed from that source as a rational consequence;

- 1 (4) "Injurious exposure" shall mean that exposure to occupational hazard which would,
2 independently of any other cause whatsoever, produce or cause the disease for
3 which the claim is made;
- 4 (5) "Death" means death resulting from an injury or occupational disease;
- 5 (6) "Carrier" means any insurer, or legal representative thereof, authorized to insure the
6 liability of employers under this chapter and includes a self-insurer;
- 7 (7) "Self-insurer" is an employer who has been authorized under the provisions of this
8 chapter to carry his or her own liability on his or her employees covered by this
9 chapter;
- 10 (8) "Department" means the Department of Workers' Claims in the Education and
11 Labor Cabinet;
- 12 (9) "Commissioner" means the commissioner of the Department of Workers' Claims
13 under the direction and supervision of the secretary of the Education and Labor
14 Cabinet;
- 15 (10) "Board" means the Workers' Compensation Board;
- 16 (11) (a) "Temporary total disability" means the condition of an employee who has not
17 reached maximum medical improvement from an injury and has not reached a
18 level of improvement that would permit a return to employment;
- 19 (b) "Permanent partial disability" means the condition of an employee who, due
20 to an injury, has a permanent disability rating but retains the ability to work;
21 and
- 22 (c) "Permanent total disability" means the condition of an employee who, due to
23 an injury, has a permanent disability rating and has a complete and permanent
24 inability to perform any type of work as a result of an injury, except that total
25 disability shall be irrebuttably presumed to exist for an injury that results in:
- 26 1. Total and permanent loss of sight in both eyes;
- 27 2. Loss of both feet at or above the ankle;

- 1 3. Loss of both hands at or above the wrist;
- 2 4. Loss of one (1) foot at or above the ankle and the loss of one (1) hand at
- 3 or above the wrist;
- 4 5. Permanent and complete paralysis of both arms, both legs, or one (1)
- 5 arm and one (1) leg;
- 6 6. Incurable insanity or imbecility; or
- 7 7. Total loss of hearing;
- 8 (12) "Income benefits" means payments made under the provisions of this chapter to the
- 9 disabled worker or his or her dependents in case of death, excluding medical and
- 10 related benefits;
- 11 (13) "Medical and related benefits" means payments made for medical, hospital, burial,
- 12 and other services as provided in this chapter, other than income benefits;
- 13 (14) "Compensation" means all payments made under the provisions of this chapter
- 14 representing the sum of income benefits and medical and related benefits;
- 15 (15) "Medical services" means medical, surgical, dental, hospital, nursing, and medical
- 16 rehabilitation services, medicines, and fittings for artificial or prosthetic devices;
- 17 (16) "Person" means any individual, partnership, limited partnership, limited liability
- 18 company, firm, association, trust, joint venture, corporation, or legal representative
- 19 thereof;
- 20 (17) "Wages" means, in addition to money payments for services rendered, the
- 21 reasonable value of board, rent, housing, lodging, fuel, or similar advantages
- 22 received from the employer, and gratuities received in the course of employment
- 23 from persons other than the employer as evidenced by the employee's federal and
- 24 state tax returns;
- 25 (18) "Agriculture" means the operation of farm premises, including the planting,
- 26 cultivation, producing, growing, harvesting, and preparation for market of
- 27 agricultural or horticultural commodities thereon, the raising of livestock for food

1 products and for racing purposes, and poultry thereon, and any work performed as
2 an incident to or in conjunction with the farm operations, including the sale of
3 produce at on-site markets and the processing of produce for sale at on-site markets.
4 It shall not include the commercial processing, packing, drying, storing, or canning
5 of such commodities for market, or making cheese or butter or other dairy products
6 for market;

7 (19) "Beneficiary" means any person who is entitled to income benefits or medical and
8 related benefits under this chapter;

9 (20) "United States," when used in a geographic sense, means the several states, the
10 District of Columbia, the Commonwealth of Puerto Rico, the Canal Zone, and the
11 territories of the United States;

12 (21) "Alien" means a person who is not a citizen, a national, or a resident of the United
13 States or Canada. Any person not a citizen or national of the United States who
14 relinquishes or is about to relinquish his or her residence in the United States shall
15 be regarded as an alien;

16 (22) "Insurance carrier" means every insurance carrier or insurance company authorized
17 to do business in the Commonwealth writing workers' compensation insurance
18 coverage and includes the Kentucky Employers Mutual Insurance Authority and
19 every self-insured group operating under the provisions of this chapter;

20 (23) (a) "Severance or processing of coal" means all activities performed in the
21 Commonwealth at underground, auger, and surface mining sites; all activities
22 performed at tipple or processing plants that clean, break, size, or treat coal;
23 and all activities performed at coal loading facilities for trucks, railroads, and
24 barges. Severance or processing of coal shall not include acts performed by a
25 final consumer if the acts are performed at the site of final consumption.

26 (b) "Engaged in severance or processing of coal" shall include all individuals,
27 partnerships, limited partnerships, limited liability companies, corporations,

1 joint ventures, associations, or any other business entity in the Commonwealth
2 which has employees on its payroll who perform any of the acts stated in
3 paragraph (a) of this subsection, regardless of whether the acts are performed
4 as owner of the coal or on a contract or fee basis for the actual owner of the
5 coal. A business entity engaged in the severance or processing of coal,
6 including but not limited to administrative or selling functions, shall be
7 considered wholly engaged in the severance or processing of coal for the
8 purpose of this chapter. However, a business entity which is engaged in a
9 separate business activity not related to coal, for which a separate premium
10 charge is not made, shall be deemed to be engaged in the severance or
11 processing of coal only to the extent that the number of employees engaged in
12 the severance or processing of coal bears to the total number of employees.
13 Any employee who is involved in the business of severing or processing of
14 coal and business activities not related to coal shall be prorated based on the
15 time involved in severance or processing of coal bears to his *or her* total time;

16 (24) "Premium" for every self-insured group means any and all assessments levied on its
17 members by such group or contributed to it by the members thereof. For special
18 fund assessment purposes, "premium" also includes any and all membership dues,
19 fees, or other payments by members of the group to associations or other entities
20 used for underwriting, claims handling, loss control, premium audit, actuarial, or
21 other services associated with the maintenance or operation of the self-insurance
22 group;

23 (25) (a) "Premiums received" for policies effective on or after January 1, 1994, for
24 insurance companies means direct written premiums as reported in the annual
25 statement to the Department of Insurance by insurance companies, except that
26 "premiums received" includes premiums charged off or deferred, and, on
27 insurance policies or other evidence of coverage with provisions for

1 deductibles, the calculated cost for coverage, including experience
2 modification and premium surcharge or discount, prior to any reduction for
3 deductibles. The rates, factors, and methods used to calculate the cost for
4 coverage under this paragraph for insurance policies or other evidence of
5 coverage with provisions for deductibles shall be the same rates, factors, and
6 methods normally used by the insurance company in Kentucky to calculate
7 the cost for coverage for insurance policies or other evidence of coverage
8 without provisions for deductibles, except that, for insurance policies or other
9 evidence of coverage with provisions for deductibles effective on or after
10 January 1, 1995, the calculated cost for coverage shall not include any
11 schedule rating modification, debits, or credits. For policies with provisions
12 for deductibles with effective dates on or after January 1, 1995, assessments
13 shall be imposed on premiums received as calculated by the deductible
14 program adjustment. The cost for coverage calculated under this paragraph by
15 insurance companies that issue only deductible insurance policies in Kentucky
16 shall be actuarially adequate to cover the entire liability of the employer for
17 compensation under this chapter, including all expenses and allowances
18 normally used to calculate the cost for coverage. For policies with provisions
19 for deductibles with effective dates of May 6, 1993, through December 31,
20 1993, for which the insurance company did not report premiums and remit
21 special fund assessments based on the calculated cost for coverage prior to the
22 reduction for deductibles, "premiums received" includes the initial premium
23 plus any reimbursements invoiced for losses, expenses, and fees charged
24 under the deductibles. The special fund assessment rates in effect for
25 reimbursements invoiced for losses, expenses, or fees charged under the
26 deductibles shall be those percentages in effect on the effective date of the
27 insurance policy. For policies covering covered employees having a co-

1 employment relationship with a professional employer organization and a
2 client as defined in KRS Chapter 336, "premiums received" means premiums
3 calculated using the experience modification factor of each client as defined
4 in KRS Chapter 336 for each covered employee for that portion of the payroll
5 pertaining to the covered employee.

6 (b) "Direct written premium" for insurance companies means the gross premium
7 written less return premiums and premiums on policies not taken but
8 including policy and membership fees.

9 (c) "Premium," for policies effective on or after January 1, 1994, for insurance
10 companies means all consideration, whether designated as premium or
11 otherwise, for workers' compensation insurance paid to an insurance company
12 or its representative, including, on insurance policies with provisions for
13 deductibles, the calculated cost for coverage, including experience
14 modification and premium surcharge or discount, prior to any reduction for
15 deductibles. The rates, factors, and methods used to calculate the cost for
16 coverage under this paragraph for insurance policies or other evidence of
17 coverage with provisions for deductibles shall be the same rates, factors, and
18 methods normally used by the insurance company in Kentucky to calculate
19 the cost for coverage for insurance policies or other evidence of coverage
20 without provisions for deductibles, except that, for insurance policies or other
21 evidence of coverage with provisions for deductibles effective on or after
22 January 1, 1995, the calculated cost for coverage shall not include any
23 schedule rating modifications, debits, or credits. For policies with provisions
24 for deductibles with effective dates on or after January 1, 1995, assessments
25 shall be imposed as calculated by the deductible program adjustment. The cost
26 for coverage calculated under this paragraph by insurance companies that
27 issue only deductible insurance policies in Kentucky shall be actuarially

1 adequate to cover the entire liability of the employer for compensation under
2 this chapter, including all expenses and allowances normally used to calculate
3 the cost for coverage. For policies with provisions for deductibles with
4 effective dates of May 6, 1993, through December 31, 1993, for which the
5 insurance company did not report premiums and remit special fund
6 assessments based on the calculated cost for coverage prior to the reduction
7 for deductibles, "premium" includes the initial consideration plus any
8 reimbursements invoiced for losses, expenses, or fees charged under the
9 deductibles.

10 (d) "Return premiums" for insurance companies means amounts returned to
11 insureds due to endorsements, retrospective adjustments, cancellations,
12 dividends, or errors.

13 (e) "Deductible program adjustment" means calculating premium and premiums
14 received on a gross basis without regard to the following:

- 15 1. Schedule rating modifications, debits, or credits;
- 16 2. Deductible credits; or
- 17 3. Modifications to the cost of coverage from inception through and
18 including any audit that are based on negotiated retrospective rating
19 arrangements, including but not limited to large risk alternative rating
20 options;

21 (26) "Insurance policy" for an insurance company or self-insured group means the term
22 of insurance coverage commencing from the date coverage is extended, whether a
23 new policy or a renewal, through its expiration, not to exceed the anniversary date
24 of the renewal for the following year;

25 (27) "Self-insurance year" for a self-insured group means the annual period of
26 certification of the group created pursuant to KRS 342.350(4) and 304.50-010;

27 (28) "Premium" for each employer carrying his or her own risk pursuant to KRS

1 342.340(1) shall be the projected value of the employer's workers' compensation
2 claims for the next calendar year as calculated by the commissioner using
3 generally-accepted actuarial methods as follows:

4 (a) The base period shall be the earliest three (3) calendar years of the five (5)
5 calendar years immediately preceding the calendar year for which the
6 calculation is made. The commissioner shall identify each claim of the
7 employer which has an injury date or date of last injurious exposure to the
8 cause of an occupational disease during each one (1) of the three (3) calendar
9 years to be used as the base, and shall assign a value to each claim. The value
10 shall be the total of the indemnity benefits paid to date and projected to be
11 paid, adjusted to current benefit levels, plus the medical benefits paid to date
12 and projected to be paid for the life of the claim, plus the cost of medical and
13 vocational rehabilitation paid to date and projected to be paid. Adjustment to
14 current benefit levels shall be done by multiplying the weekly indemnity
15 benefit for each claim by the number obtained by dividing the statewide
16 average weekly wage which will be in effect for the year for which the
17 premium is being calculated by the statewide average weekly wage in effect
18 during the year in which the injury or date of the last exposure occurred. The
19 total value of the claims using the adjusted weekly benefit shall then be
20 calculated by the commissioner. Values for claims in which awards have been
21 made or settlements reached because of findings of permanent partial or
22 permanent total disability shall be calculated using the mortality and interest
23 discount assumptions used in the latest available statistical plan of the
24 advisory rating organization defined in Subtitle 13 of KRS Chapter 304. The
25 sum of all calculated values shall be computed for all claims in the base
26 period;

27 (b) The commissioner shall obtain the annual payroll for each of the three (3)

1 years in the base period for each employer carrying his or her own risk from
2 records of the department and from the records of the Department of
3 Workforce Development, Education and Labor Cabinet. The commissioner
4 shall multiply each of the three (3) years of payroll by the number obtained by
5 dividing the statewide average weekly wage which will be in effect for the
6 year in which the premium is being calculated by the statewide average
7 weekly wage in effect in each of the years of the base period;

8 (c) The commissioner shall divide the total of the adjusted claim values for the
9 three (3) year base period by the total adjusted payroll for the same three (3)
10 year period. The value so calculated shall be multiplied by 1.25 and shall then
11 be multiplied by the employer's most recent annualized payroll, calculated
12 using records of the department and the Department of Workforce
13 Development data which shall be made available for this purpose on a
14 quarterly basis as reported, to obtain the premium for the next calendar year
15 for assessment purposes under KRS 342.122;

16 (d) For November 1, 1987, through December 31, 1988, premium for each
17 employer carrying its own risk shall be an amount calculated by the board
18 pursuant to the provisions contained in this subsection and such premium
19 shall be provided to each employer carrying its own risk and to the funding
20 commission on or before January 1, 1988. Thereafter, the calculations set
21 forth in this subsection shall be performed annually, at the time each employer
22 applies or renews its application for certification to carry its own risk for the
23 next twelve (12) month period and submits payroll and other data in support
24 of the application. The employer and the funding commission shall be notified
25 at the time of the certification or recertification of the premium calculated by
26 the commissioner, which shall form the employer's basis for assessments
27 pursuant to KRS 342.122 for the calendar year beginning on January 1

- 1 following the date of certification or recertification;
- 2 (e) If an employer having fewer than five (5) years of doing business in this state
3 applies to carry its own risk and is so certified, its premium for the purposes
4 of KRS 342.122 shall be based on the lesser number of years of experience as
5 may be available including the two (2) most recent years if necessary to create
6 a three (3) year base period. If the employer has less than two (2) years of
7 operation in this state available for the premium calculation, then its premium
8 shall be the greater of the value obtained by the calculation called for in this
9 subsection or the amount of security required by the commissioner pursuant to
10 KRS 342.340(1);
- 11 (f) If an employer is certified to carry its own risk after having previously insured
12 the risk, its premium shall be calculated using values obtained from claims
13 incurred while insured for as many of the years of the base period as may be
14 necessary to create a full three (3) year base. After the employer is certified to
15 carry its own risk and has paid all amounts due for assessments upon
16 premiums paid while insured, the employer shall be assessed only upon the
17 premium calculated under this subsection;
- 18 (g) "Premium" for each employer defined in KRS 342.630(2) shall be calculated
19 as set forth in this subsection; and
- 20 (h) Notwithstanding any other provision of this subsection, the premium of any
21 employer authorized to carry its own risk for purposes of assessments due
22 under this chapter shall be no less than thirty cents (\$0.30) per one hundred
23 dollars (\$100) of the employer's most recent annualized payroll for employees
24 covered by this chapter;
- 25 (29) "SIC code" as used in this chapter means the Standard Industrial Classification
26 Code contained in the latest edition of the Standard Industrial Classification Manual
27 published by the Federal Office of Management and Budget;

- 1 (30) "Investment interest" means any pecuniary or beneficial interest in a provider of
2 medical services or treatment under this chapter, other than a provider in which that
3 pecuniary or investment interest is obtained on terms equally available to the public
4 through trading on a registered national securities exchange, such as the New York
5 Stock Exchange or the American Stock Exchange, or on the National Association
6 of Securities Dealers Automated Quotation System;
- 7 (31) "Managed health care system" means a health care system that employs gatekeeper
8 providers, performs utilization review, and does medical bill audits;
- 9 (32) "Physician" means physicians and surgeons, psychologists, optometrists, dentists,
10 podiatrists, and osteopathic and chiropractic practitioners acting within the scope of
11 their license issued by the Commonwealth;
- 12 (33) "Objective medical findings" means information gained through direct observation
13 and testing of the patient applying objective or standardized methods;
- 14 (34) "Work" means providing services to another in return for remuneration on a regular
15 and sustained basis in a competitive economy;
- 16 (35) "Permanent impairment rating" means percentage of whole body impairment
17 caused by the injury or occupational disease as determined by the "Guides to the
18 Evaluation of Permanent Impairment";
- 19 (36) "Permanent disability rating" means the permanent impairment rating selected by
20 an administrative law judge times the factor set forth in the table that appears at
21 KRS 342.730(1)(b); and
- 22 (37) "Guides to the Evaluation of Permanent Impairment" means, except as provided in
23 KRS 342.262:
- 24 (a) The fifth edition published by the American Medical Association; and
25 (b) For psychological impairments, Chapter 12 of the second edition published by
26 the American Medical Association.