



Kentucky
Department for Surface Mining
Reclamation and Enforcement

Reclamation Advisory Memorandum

From: Commissioner Elmore C. Grim E.C.G.
Subject: Clarification of Responsibility for Liability Insurance
and Letters of Credit

Date: August 25, 1982

RAM# 47

Liability Insurance

The purpose of this section is to clarify the need and responsibility for obtaining liability insurance as required under 405 KAR 10:030E, Section 4.

As the regulation states, it shall be the responsibility of the APPLICANT/PERMITTEE to obtain bona fide liability insurance. Proof of the legitimacy of said insurance shall be by submission of an original certificate issued by the insurance company. This original document should be submitted either as part of the comprehensive application package or at the time of bond submission.

In those cases in which the applicant wishes to subcontract all or portions of the mining operation, the applicant shall still be the responsible party to obtain and maintain insurance coverage. In the event that the applicant wishes the subcontractor to bear the expense, that arrangement should be settled privately; the certificate must still be issued to the applicant/permittee, and the policy must be maintained in full force during the entire term of the permit (including any renewal) by the applicant/permittee covering liability for persons injured and property damaged as a result of the surface coal mining and reclamation operations covered by the permit.

The minimum coverage terms of the required policy are as follows: Minimum coverage for bodily injury shall be \$300,000 for each occurrence and \$500,000 aggregate; and minimum coverage for property damage shall be \$300,000 for each occurrence and \$500,000 aggregate.

In the event that the insurance certificate is only issued for a term of one calendar year, it will be the responsibility of the permittee to obtain renewal and reissuance of the policy certificate. Failure to maintain continuous coverage throughout the operation (except where due to incapacity of the insurer) shall result in issuance of a notice of noncompliance with an order that operations cease until insurance is obtained.

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Letters of Credit

The department would like to reemphasize the importance of using the standard Letter of Credit form developed especially for the permitting process. This form clearly requests the items of information necessary for processing of this bond type. Letters from financial institutions sometimes fail to supply all the required information and therefore necessitate additional verification of bond details. Using the standard form will save time for both the department and the applicant.