

**NOTICE OF KIAA BOARD OF  
DIRECTORS MEETING**

# Kentucky Insurance Arbitration Association

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A Board of Directors Meeting will be held immediately following the Annual Membership meeting on May 14, 2020 held remotely from 10605 Shelbyville Rd., Louisville, KY 40223.

The Agenda is as follows:

1. Call to Order
2. Roll Call
3. Anti-Trust Preamble
4. Approval of minutes
5. Election of Officers
6. Auditor's Report and Financial Statement
7. Panel Secretary's Report
8. Other Business
9. Next Meeting
10. Adjournment

Sincerely,



Mark Hillis  
Panel Secretary

Cc: Board Members  
Shawn Boggs, Kentucky Department of Insurance

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## **KIAA BOARD AND APPROVED ALTERNATES**

**Kentucky Insurance Arbitration Association**

<b>Arbitrator and Board Member</b>	<b>Alternates</b>
<p>Karen Perdue, (2022)  <b>CHAIR</b>  <b>Kentucky Farm Bureau Mutual Ins. Co.</b>  P O Box 20700  Louisville, Kentucky 40250-0700  502-495-5000  FAX 502-495-7711</p>	<p>Todd Whittle, 888-673-8423  Chris Douglas, 800-538-8654  Richard Smith, 800-538-8650  Lona Giles, 877-496-8286  Brad Handley, 800-538-8656  Denise Crecelius, 800-782-3810  Anthony Patrick, 800-538-  Russ Carter, 800- 583-8657  Amy S. Hall, 606-784-7536  Brandon Tucker, 270- 886-8123  Mark Hildebrandt, 270-684-2165  Wendy L. Bray, 502-493-7650  James S. Zeller, 502-266-6100  Joshua P. Abbott, 270-765-4400  Reese W. Smoot, 800.782.3810  Michele E Reed, 859-525-6170  Michael P. Hansel, 800 538-8650  Kevin R. King ,606-666-2476  Angela J. Benningfield, 502-266-6100  Anthony T. Strobe, 606-207-2158  Daniel W. Rogers, 270-782-1300  Ericka Gocke, 502-495-5000  Jeff Smith, 606-864-9303  Art Longnaker, 502-266-6100  Dave Rose, 502-495-5000  Adam Blake, 859-412-7352</p>

## Kentucky Insurance Arbitration Association

<p>Jason Mahoney (2023) <b>Nationwide Insurance Company</b> 1050 Yard Street Grandview Heights, OH 43212 614-435-4223</p>	<p>Michael J. Pittman, 352-384-4059 Rebecca L. Monnig, 352-384-4452 Ruth Sequiera Osborne, 352-384-4073 Beth A. Freeman, 352-384-4820 Colleen Bentzen, 515-508/-2342 Natalie M. Lewis, 352-384-4659 Dianne Spalding, 502-693-1819 Kathleen Kwasnik, 352-384-5127 Sandra L. Stephens, 304-525-6144 Zachary Rice, 352-384-5251 Geary Poe, 352-384-5103 Brittany Fullerton, 352-384-5205 Catherine Prevatt, 352-384-4994 Kristin Pollex, 352-384-5217 Tracy Foret, 352-384-5148 Jeff Stokes, 352-384-4532 Darren Coffield, 352-384-4863 Greg Webb, 352-384-5140 Jennifer Kennington, 352-384-5387 Martha Vazquez, 352-384-5430 Neal Gillespie, 352-384-5350 Cheryl Gardner, 315-453-3547</p>
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## Kentucky Insurance Arbitration Association

<p>Christa Hobe (2022) Vice Chair <b>Liberty Mutual Insurance Company</b> 9450 Seward Road Fairfield, OH 45069 513-576-4857</p>	<p>Kara Turner, 513-603-7556 Tiffany Tinsley, 513-603-7558 Matthew Jacobs, 513-576-4799 Kimberly Berlin, 630-393-4530 Jennifer Franzen, 630-393-4805 Marissa Casella, 630-791-6261</p>
<p>Owen K. Caster (2021) <b>Progressive Insurance Company</b> 9520 Ormsby Station Road, Suite 200 Louisville, Kentucky 40223 502-909-3584 502-420-0862</p>	<p>Kristi Parker, 502-909-3584</p>
<p>Scot McFarland (2022) <b>Allstate Insurance Company</b> 555 Marriott Drive Suite 850 Nashville, TN 37214 615-884-6514 Fax 866-220-5414</p>	<p>Elizabeth Jones, 713-277-3910 Clara Rodriguez, 713-277-9383 Andrea Wharton, 713-277-9349 Shauna K. Vaughan, 713-277-9379 Sara L. Hajiebrahmimi, 713-277-9372 William T. Hodges, 713-277-9392 Elsa M. Sanchez, 713-277-9360 Jesus H. Alvarado, 713-277-9382 Steven W. Bobjak, 713-277-9399 Mark McPhail, 877-224-2641 Hanan Afrad, 713-277-9504 Jennifer Burch, 713-277-9550 Keren Soto Gonzalez, 713-277-9509 Jennifer Burch, 713-277-9550 Keren Soto Gonzalez, 713-277-9509 Cathy Neal, 615-884-6596 Kelley Ballentine, 615-884-6530 Ross Phillips, 615-884-6557 Alexandra Vera, 713-277-9395</p>

**Kentucky Insurance Arbitration Association**

<p>Kim McCollom (2022)  <b>State Farm Mutual Insurance Co.</b>                  2500 Memorial Blvd.                  Murfreesboro, TN 37131                  615-692-3319                  FAX 888-898-6532</p>	<p>David Johnson, 615-692-3462                  Phillip R. Vandiver, 615-692-7190                  Gregory T. Alverides, 615-692-7273                  James J. Duncan, 615-692-1765                  David Kingrey, 205-944-4902                  Brandi Osborne, 205-944-4761                  Ken Kuester, 615-692-7297                  Al Rahal, 615-692-7221                  Sis Thavongsa, 615-692-6598                  Portia Richardson, 205-944-4894                  Richard Spruell, 205-944-4972                  Sandy Williamson, 615-692-7198                  Tracy Baylor, 205-944-4811                  Bonnie Winslow, 615-692-7130                  Frenchelle Thompson, 205-944-4804                  Robert Kluttz, 205-944-4911                  Douglas Evans, 205-944-4934 Kelle                  Taylor, 205-944-4928                  John Brewer, 615-692-7269                  Sibyl Lapinski, 205-944-4961</p>
<p>Samuel McKenzie Carter (2022)  <b>Shelter Mutual Insurance Co.</b>                  1121 Monarch Street                  Lexington, KY 40513                  859-260-3490</p>	<p>Michelle M. Miller, 573-214-4145                  Heather Schmidt, 572-214-4312                  Catherine Bail, 573-214-4801                  Elizabeth Pfeiffer, 573-214-4130                  Melinda Hughes, 573-214-4120                  Janelle Wieland, 573-214-4216</p>
<p>Brooke McNeil (2021)  <b>Grange Insurance Company</b>                  PO Box 183243                  Columbus, OH 43218                  859-455-6483                  (Fax) 859-278-5481</p>	<p>Cathryn Tomlinson, 800-837-0801 ext. 263                  Erin Wethington, 800-837-0801 x267                  Tracy L. Senovitz, 800-605-4490 x229</p>

## Kentucky Insurance Arbitration Association

<p>Aaron Johnson (2023) <b>State Auto Ins. Companies</b> 518 East Broad Street Columbus, Ohio 43215 614-917-5378</p>	<p>Mary B. Souders, 614-917-5669 Kathryn K. Potter, 614-917-5955 Judd Leonard, 614-917-5255 Erin Nespor, 614-917-5700x4027 Jodi Whisenant, 614-917-5678 Debbie Russell, 614-917-4559 Kimberly Schwinnen, 614-917-4226 Ellie Patrick, 614-917-5836 Jamie Gustafson, 616-212-3671 Nathan Erhardt, 614-917-5569 Danyelle Cramer, 515-267-7570 Tom Corbet, 614-917-4891 Ben Van de Grift, 614-917-5545</p>
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**Kentucky Insurance Arbitration Association**

<p>Aubrey Chewning (2021)  <b>Travelers Insurance Company</b>          PO Box 430          Buffalo, NY 14240          216-643-2228</p>	<p>Karen M. Niemiec, 212-643-2191          Gwen K. Lawrence, 216-643-2206          Mark E. Urbanowicz, 216-643-2188          Andrew P. Riggins, 216-643-2224          Anne M. Connolly, 216-643-2116          Elizabeth Graf, 216-643-2195          Matthew Jones, 317-818-5308          Vivian Judy, 317-818-5205          Krystle Compton, 317-818-5127          Nikki Brunello, 317-818-5389          Kelly Capes, 317-818-5106</p>
<p><b>Kentucky Department of Insurance          Representative</b></p>	<p><b>Shawn Boggs</b>  <b>Kentucky Department of Insurance</b>          P.O. Box 517          Frankfort, Kentucky 40602-0517</p>
<p><b>KIAA Staff</b></p>	<p>Stephen "Mark" Hillis, Panel Secretary          Rebecca Darst</p>

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## ANTI-TRUST PREAMBLE

## Anti-Trust Preamble

We are here to discuss and act on matters relating to the business of the **Kentucky Insurance Arbitration Association** and not to discuss or pursue the business interest of our individual companies. We should proceed with caution and alertness towards the requirements and prohibitions of federal and state anti-trust laws. We should not engage in discussions – either at this meeting or in private conversations – of our individuals companies plans or contemplated activities. We should concern ourselves only with the business of the **Kentucky Insurance Arbitration Association** as set forth in the agenda for this meeting. Only shared market matters may be discussed at shared market meetings and each company’s voluntary market plans cannot be discussed.

**4B**

**OCTOBER 10, 2019 KIAA BOARD OF  
DIRECTORS  
MEETING MINUTES**

# Kentucky Insurance Arbitration Association Board Meeting Minutes

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A Board Meeting of the Kentucky Insurance Arbitration Association was held at 11:15 AM on October 10, 2019 at 10605 Shelbyville Rd, Louisville, KY 40223.

## Those in attendance were:

### Board of Directors:

Karen Perdue, CPCU, AIC, AIM, AU (Chair)	Kentucky Farm Bureau Ins. Co.
Christa Hobe (Vice Chair)	Liberty / Safeco Mutual Ins. Co.
Mark Ramsey (by proxy, Owen Caster)	Nationwide Mutual Ins. Co.
Owen K. Caster	Progressive Ins. Co.
Brooke McNeil	Grange Ins. Co.
Samuel McKenzie Carter	Shelter Mutual Ins. Co.
Tyler Pilkington (by proxy, Owen Caster)	State Auto Ins. Co.
Kimberly McCollom	State Farm Mutual Ins. Co.
Scot McFarland (by proxy, Owen Caster)	Allstate Ins. Co.
Aubrey Chewning	Travelers Ins. Co.

### Kentucky Department of Insurance:

John Melvin	Kentucky Department of Insurance
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### Guest:

Mike Thompson (by phone)	Liberty / Safeco Mutual Ins. Company
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### Staff:

Mark Hillis	Panel Secretary and Manager
Melissa Chlon	Assistant Director
Erin Lux	Assistant Plan Manager
Becky Darst	Plan Staff
Melissa Patrick	Plan Staff

## 1. Call to Order:

Ms. Perdue called the meeting to order.

## 2. Roll Call:

Board members and guests introduced themselves. Tyler Pilkington, Scot McFarland and Mark Ramsey were represented by proxy to Owen Caster. The Chair noted that a quorum was present.

**3. Anti-Trust Preamble:**

Ms. Chlon read the anti-trust preamble.

**4. Approval of Minutes:**

Ms. Hobe moved, and Ms. McCollom seconded to approve the amended minutes of the May 16, 2019 meetings and the motion carried unanimously.

**5. Panel Secretary's Report:**

**A. Arbitration Status Report:**

Ms. Darst presented PowerPoint slides showing new arbitration filings by month and in Assignments set for hearing. She indicated that new filings are down 3.2% when compared to the prior year. Hearing Assignments through August are also down compared to last year.

Ms. Lux shared the KIAA External Audit results. KIAA Staff will email the individual audit results to each carrier. Carrier results ranged from 96% to 100% with overall score of 99.6%.

Mr. Hillis noted Danny Hill, a retired Nationwide Director, completed the recent audit as he is familiar with the Plans. He asked the board if they know anyone with no-fault experience that would be willing to be an auditor to please let him know, we are consistently looking for individuals with industry experience.

**B. Financial Report:**

Mr. Hillis reported that the bank balance on deposit at Republic Bank as of August 31, 2019 was \$627,484.

**C. Budget and Assessment:**

The 2019 budget was projected to be (-3.22%) under budget at year-end.

A 2020 proposed administrative budget of \$400,816 was discussed with focus on:

- Health and Employee benefits.
- Online Maintenance System.
- Employee Allocation.

Mr. Hillis noted the decrease in health and employee benefits is due to staff retirements and increased efficiencies. He further noted that the Plan does not have a pension program, we offer a defined contribution plan. Ms. McCollom asked if the decrease in the salary budget centered allowed for merit increases for the Plan staff. Mr. Hillis advised PIPSO provides a report by Towers Watson annually reviewing exempt and non-exempt salary ranges and industry trends. That report is shared with the Employee Compensation Committee and a final recommendation is made to the Executive Committee who approve employee wages.

Mr. Caster moved and Ms. McCollom seconded to approve the budget and the motion carried unanimously.

**6. Other Business:**

Mr. Caster asked about tracking awarded v. non-awarded decisions by carrier. Mr. Hillis noted limitation of reporting with current system. Ms. McCollom noted other forums provide this reporting.

A brief discussion occurred regarding recent subrogation trends involving attorneys and potential impact on KIAA filings. Carriers have seen an increase in attorneys trying to collect a fee for recovery of PIP subrogation. Carriers currently notify attorneys in writing their intent to handle their own PIP subrogation. KRS 304.39-070 outlines the recovery right of a reparation obligor against a secured party. KRS 304.39-070(3) indicates a reparations obligor may intervene in a lawsuit filed by the injured party or file arbitration to assert their PIP subrogation claim.

Ms. Perdue noted the next meeting would be held May 14, 2020. This meeting will be held remotely. The Fall meeting will be held October 8, 2020.

**7. Adjournment:**

There being no further business, Mr. Caster moved, and Ms. Hobe seconded, and the motion was unanimously approved to adjourn the meeting.

Respectfully submitted,



Mark Hillis  
Panel Secretary

**6A**

**KIAA STATEMENTS OF CASH  
RECEIPTS AND  
DISBURSEMENTS 2019**



**KENTUCKY INSURANCE ARBITRATION  
ASSOCIATION**

**STATEMENTS OF CASH RECEIPTS AND  
DISBURSEMENTS**

**Years Ended December 31, 2019 and 2018**

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## **Independent Auditors' Report**

To the Board of Directors  
Kentucky Insurance Arbitration Association

We have audited the accompanying statements of cash receipts and disbursements of Kentucky Insurance Arbitration Association (a not-for-profit organization) for the years ended December 31, 2019 and 2018, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the statements of cash receipts and disbursements of Kentucky Insurance Arbitration Association as of December 31, 2019 and 2018, in accordance with the cash basis of accounting as described in Note 1.

**Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

*Deming, Malone, Lussary & Ostroff*

Louisville, Kentucky  
February 10, 2020

**KENTUCKY INSURANCE ARBITRATION ASSOCIATION**  
**STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS**  
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Cash Receipts</b>		
Assessments received from related organization	\$ 410,108	\$ 386,059
Filing fees	53,542	48,182
Interest income	5,302	2,147
Membership fees	<u>900</u>	<u>70</u>
<b>Total cash receipts</b>	<u>469,852</u>	<u>436,458</u>
<b>Cash Disbursements</b>		
Salaries	194,602	176,068
Computer	65,319	87,875
Health insurance	47,347	43,188
Pension	23,725	25,078
Payroll taxes	12,687	11,979
Rent	10,743	10,400
Insurance	9,917	9,754
Professional services	7,738	7,906
Matching contribution - 401(k) plan	5,142	5,402
Postage	5,019	6,869
Miscellaneous	3,690	5,296
Office supplies	2,369	3,021
Telephone	2,305	1,840
Travel and meetings	1,715	2,396
Repairs and maintenance	<u>1,396</u>	<u>2,311</u>
<b>Total cash disbursements</b>	<u>393,714</u>	<u>399,383</u>
<b>Excess cash receipts</b>	76,138	37,075
Cash at beginning of year	<u>415,756</u>	<u>378,681</u>
Cash at end of year	<u><u>\$ 491,894</u></u>	<u><u>\$ 415,756</u></u>

See Notes to Statements of Cash Receipts and Disbursements.

## KENTUCKY INSURANCE ARBITRATION ASSOCIATION

### NOTES TO STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS

#### **Note 1. Nature of Organization and Summary of Significant Accounting Policies**

##### **Nature of organization:**

Kentucky Insurance Arbitration Association (Association) was formed as a not-for-profit unincorporated legal entity to provide a mechanism for the arbitration of controversies involving reparation obligors and persons having the rights and obligations of a reparation obligor.

##### **Summary of significant accounting policies:**

This summary of significant accounting policies of Kentucky Insurance Arbitration Association is presented to assist in understanding the Association's financial statements. The financial statements and notes are representations of the Association's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles on the cash basis of accounting and have been consistently applied in the preparation of the financial statements.

##### **Basis of accounting:**

The Association prepares its financial statements on the cash basis, which presents a summary of the cash activity of the Association and does not present certain transactions (accrued revenues and expenses) that would be included in financial statements of the Association presented on the accrual basis of accounting. Cash basis statements are not in conformity with accounting principles generally accepted in the United States of America.

##### **Subsequent events:**

Subsequent events have been evaluated through February 10, 2020, which is the date the financial statements were available to be issued.

## NOTES TO STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS

### Note 2. Tax Status

The Association is exempt from federal, state and local income taxes as a not-for-profit entity as described under Internal Revenue Code Section 501(c)(6). The Association files an information return in the U.S. federal jurisdiction.

As of December 31, 2019 and 2018, the Association did not have any accrued interest or penalties related to income tax liabilities, and no interest or penalties have been charged to operations for the years then ended.

### Note 3. Related Party Transactions

Kentucky Automobile Insurance Plan (KAIP), Kentucky Insurance Guaranty Association, Kentucky Assigned Claims Plan (KACP), and Kentucky FAIR Plan Reinsurance Association (KFP) are related organizations under a cost sharing agreement. KAIP and KFP furnish personnel and administrative support for the Association and the above entities and allocates the charges to each. The cost sharing agreement was managed and administered by KAIP through December 31, 2018. Effective January 1, 2019, KFP began managing and administering the cost sharing agreement. Cash disbursements during 2019 and 2018 for these administrative services are included in the statements of cash receipts and disbursements.

Following is a summary of transactions and balances under the cost sharing agreements for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Payable at beginning of year	\$ 55,620	\$ 85,181
Expenses allocated during the year	393,013	369,803
Payments made during the year	<u>(393,714)</u>	<u>(399,365)</u>
Payable at end of year	<u>\$ 54,919</u>	<u>\$ 55,620</u>

## NOTES TO STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS

KACP collects assessments and holds cash in its account on behalf of the Association. Cash receipts of assessments from KACP during 2019 and 2018 are included in the statements of cash receipts and disbursements. An analysis of cash activity in 2019 and 2018 by KACP on behalf of the Association follows:

	<u>2019</u>	<u>2018</u>
Receivable from KACP, beginning of year	\$ 410,108	\$ 386,059
Assessments collected by KACP	400,816	410,108
Payments received from KACP	<u>(410,108)</u>	<u>(386,059)</u>
Receivable from KACP, end of year	<u>\$ 400,816</u>	<u>\$ 410,108</u>

### Note 4. Retirement Plans

The Association has a money-purchase pension plan that covers substantially all employees. Contributions are determined annually at the discretion of the Board of Directors. Cash disbursements for pension expense allocated to the Association were \$23,725 and \$25,078 for the years ended December 31, 2019 and 2018, respectively.

The Association also has a 401(k) defined contribution plan that covers substantially all employees. Annual expense provisions are based upon the Association matching a portion of the employees' contributions. Cash disbursements for the matching contribution allocated to the Association were \$5,142 and \$5,402 for the years ending December 31, 2019 and 2018, respectively.

Costs are allocated in accordance with the cost sharing agreement as described in Note 3.

### Note 5. Operating Lease

The Association leases office space from the Kentucky FAIR Plan Reinsurance Association under an operating lease through December 31, 2023. The lease has an automatic renewal provision which allows for the lease to automatically renew and extend an additional year unless either party gives written notice of intent not to renew at least 180 days prior to expiration of the term of the lease. Rent is based on actual utilities, maintenance, taxes, insurance and related expenses associated with the property. Cash disbursements for rent expense allocated to the Association were \$10,743 and \$10,400 for the years ended December 31, 2019 and 2018, respectively.

Costs are allocated in accordance with the cost sharing agreement as described in Note 3.



## NOTES TO STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS

### **Note 6. Concentration of Credit Risk**

The Association maintains its cash at various financial institutions. The total balance at each institution is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2019, the Association's uninsured cash balance totaled approximately \$242,000.

**6B**

**KIAA REPORT TO MANAGEMENT  
2019**



To the Board of Directors  
Kentucky Insurance Arbitration Association

We have audited the statements of cash receipts and disbursements of Kentucky Insurance Arbitration Association (Association) for the year ended December 31, 2019, and have issued our report thereon dated February 10, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 11, 2019. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Kentucky Insurance Arbitration Association are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period. The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We detected no such misstatements as a result of our audit procedures.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated February 10, 2020.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Association’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Kentucky Insurance Arbitration Association and is not intended to be, and should not be, used by anyone other than these specified parties.

*Deming, Malone, Lussary & Petroff*

Louisville, Kentucky  
February 10, 2020

**7A**

**KIAA 2019 BUDGET RESULTS**

**Kentucky Insurance Arbitration Association****Budget**

	<b>2019 Budget</b>	<b>2019 Final</b>
Wages (W-2)	<b>\$193,214</b>	<b>\$173,782</b>
Payroll Taxes	<b>\$19,321</b>	<b>\$12,247</b>
Pension Benefits	<b>\$25,504</b>	<b>\$17,475</b>
401K Match	<b>\$5,796</b>	<b>\$4,441</b>
Office Supplies and Equip.	<b>\$4,850</b>	<b>\$3,490</b>
Professional Services	<b>\$9,125</b>	<b>\$4,738</b>
Human Resources	<b>\$1,500</b>	<b>\$2,093</b>
Rent	<b>\$12,766</b>	<b>\$9,879</b>
Telephone	<b>\$2,400</b>	<b>\$2,144</b>
Travel	<b>\$2,400</b>	<b>\$1,282</b>
Meals and Entertainment	<b>\$1,000</b>	<b>\$235</b>
Insurance - P & C	<b>\$11,096</b>	<b>\$5.80</b>
Health and Employee Benefits	<b>\$52,432</b>	<b>\$40,499</b>
Postage	<b>\$6,440</b>	<b>\$3,458</b>
Computer and Systems	<b>\$60,063</b>	<b>\$49,295</b>
Dues & Subscriptions	<b>\$500</b>	<b>\$408</b>
Board Meetings	<b>\$400</b>	<b>\$253</b>
Education	<b>\$300</b>	<b>\$196</b>
Miscellaneous	<b>\$1,000</b>	<b>(\$381)</b>
<b>Total</b>	<b>\$410,108</b>	<b>\$325,540</b>

**7B**

**4TH QUARTER 2019 REPORT  
TO KIAA BOARD**

## Kentucky Insurance Arbitration Association

### Quarterly Report of Activity to Board of Directors

<u>Category</u>	<u>4th Qtr. 2018</u>	<u>2018 YTD</u>	<u>4th Qtr. 2019</u>	<u>2019 YTD</u>	<u>YTD % Chg</u>
Files Received	308	1359	331	1363	0.3%
Decisions Rendered	164	639	154	609	-4.7%
Files Withdrawn	146	587	148	645	9.9%
Files Rejected	4	29	11	46	58.6%
Duplicate Filings	0	0	0	1	0.0%
Files Deferred	118	429	120	462	7.7%
Files Opened	316	1280	352	1355	5.9%
Files Set for Hearing	242	903	207	817	-9.5%
Total: Returned & Currently Pending Addt'l Docs	5	---	5	---	---
Total: Currently Pending Fees	29	---	35	---	---
Total: Currently Set for Hearing	118	---	108	---	---
Total: Currently Open	94	---	145	---	---
Total: Currently Deferred	621	---	659	---	---
Filing Fees	\$11,945	\$48,182	\$13,348	\$52,582	9.1%