

ANNUAL MEETING –
JUNE 11, 2020

Kentucky Auto Insurance Plan

Meeting Etiquette and Expectations

Keys to a successful meeting

- ▶ Please keep your phone on mute to keep background noise to a minimum.
- ▶ If you need to step away from the phone, please do not place us on hold, as your hold music would disrupt the presenter.

Participation

- ▶ Role Call: During role call please unmute your phone. We will call you by name and company. We ask that you verbally confirm you are in attendance.
- ▶ Voting: During voting we ask that you unmute your phone. We will ask for verbal affirmation as we do in our in-person meetings.
- ▶ Questions: You may ask your question(s) throughout the presentation by unmuting your phone or by typing in the chat box. You may also raise your hand, using the hand icon next to your name in the chat room.
- ▶ Motions: We ask those whom motion and second to identify themselves by name.

Annual Meeting Agenda

- ▶ **Call to Order**
- ▶ **Anti-Trust Preamble**
- ▶ **Approval of Minutes**
- ▶ **Election of Members of Governing Committee**
- ▶ **Other Business**
- ▶ **Adjournment**

ANTI-TRUST PREAMBLE

A COPY OF THE ANTI-TRUST PREAMBLE HAS BEEN PROVIDED TO EACH OF YOU IN YOUR MEETING DOCUMENTS.

WE REMIND EACH OF YOU THAT YOU ARE BOUND BY THE DIRECTIONS OF THIS ANTI-TRUST PREAMBLE

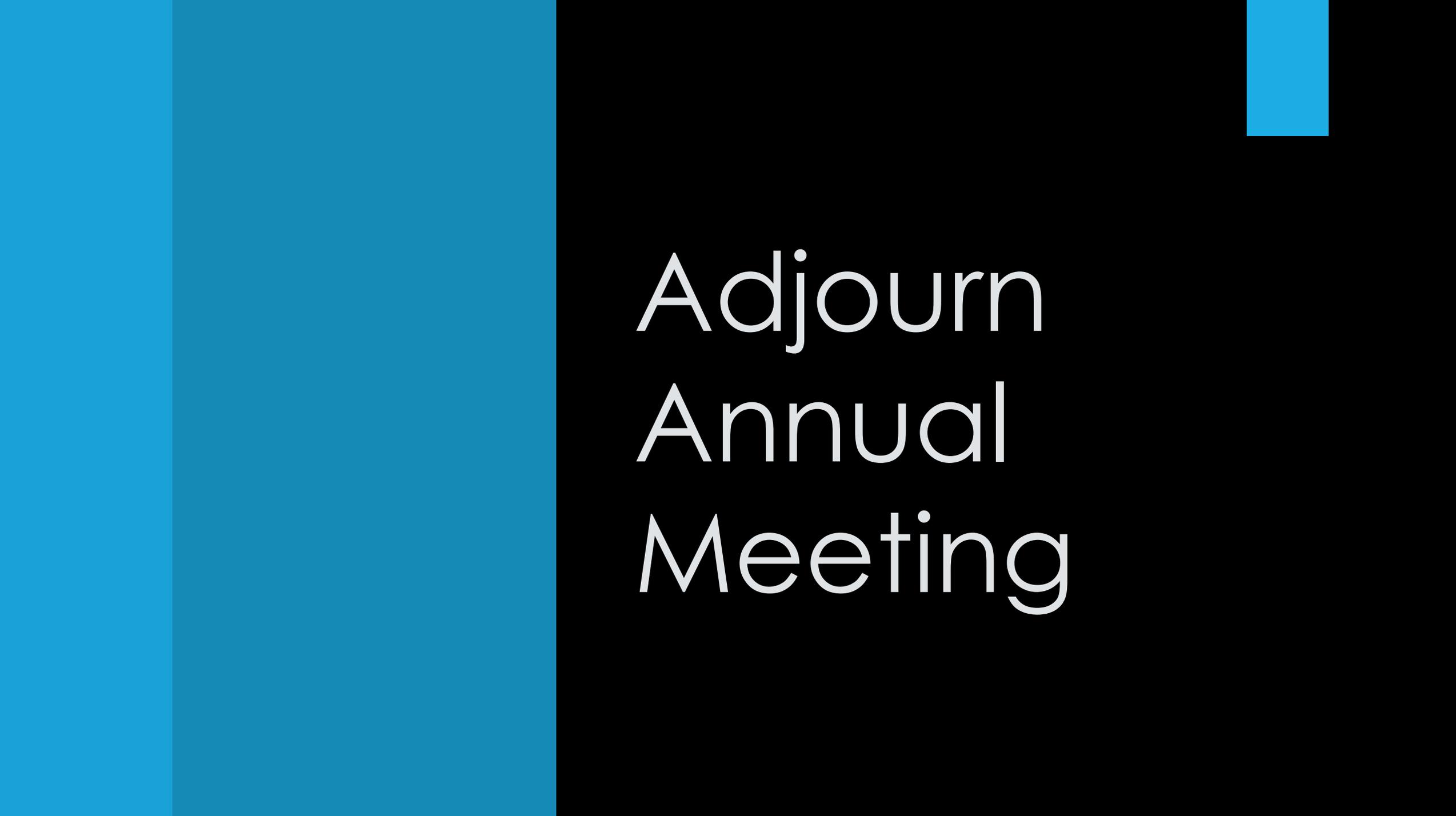
We are here to discuss and act on matters relating to the business of the KENTUCKY AUTOMOBILE INSURANCE PLAN and not to discuss or pursue the business interest of our individuals companies. We should proceed with caution and alertness towards the requirements and prohibitions of federal and state anti-trust 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 AUTOMOBILE INSURANCE PLAN 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.

APPROVAL OF MINUTES OF THE JULY 30TH 2019 ANNUAL MEETING



Election of Members of Governing Committee

| | Company/Organization | Name and Address |
|-------------------------------------|----------------------------------|---|
| Chartered in Kentucky | Kentucky Farm Bureau | Kristen K.W. Mellinger Director of Underwriting Services (502) 495-5000 x 7499 Kristen.Mellinger@kyfb.com |
| Chartered Outside of Kentucky | Erie | Robert Kepperling Vice President 1146 Monarch Street, STE 140 Lexington, KY 40513 (859) 219-4959 Robert.Kepperling@erieinsurance.com |
| Independent Agent | | Rudy Schlich Old Kentucky Insurance 915 Lily Creek Road Louisville, KY 40243 (502) 451-8800 Rudy.Schlich@oldkyins.com |
| Chartered in Kentucky | Kentucky National | Rodney Shockley (Vice-Chair) Chief Executive Officer 2709 Old Rosebud Rd. Lexington, KY 40509 (859) 264-0030 roshockley@forchtgroup.com |
| Chartered Outside of Kentucky | Nationwide | Christopher Migliozi Business Consulting Manager 1 Nationwide Plaza (1-18-101) Columbus, OH 43215 B (614) 249-1637 C (330) 646-7939 (614) 677-0703 Fax cmiglio1@nationwide.com |
| Chartered Outside of Kentucky | State Farm | Angie Haston Underwriting Manager 2500 Memorial Blvd., Murfreesboro, TN 37131 (615) 692-6509, (615) 692-3091 Fax angie.haston.gidr@statefarm.com |
| Chartered Outside of Kentucky | CNA | George Moore (Chair) Vice President 550 Polaris Parkway Suite 100 Westerville, OH 43082 (614) 818-7801, (502) 851-4094 c, (614) 818-7870 Fax George.Moore@CNA.com |
| Insurance Department Representative | Kentucky Department of Insurance | Shawn D. Boggs, APIR Director Consumer Protection Division Kentucky Department of Insurance 500 Mero Street, 2 SE 11 Frankfort KY 40601 (502) 564-6034 shawn.boggs@ky.gov |
| Plan | Kentucky Auto Insurance Plan | Stephen "Mark" Hillis (Secretary-Treasurer, Manager) 10605 Shelbyville Road Suite 100, Louisville, KY 40223 (502) 327-8909, (502) 327-0851 Fax Shillis@kyfairplan.com |



Adjourn
Annual
Meeting

Governing Committee Meeting

- ▶ **Roll Call**
- ▶ **Anti-Trust Preamble**
- ▶ **Approval of Minutes and Ratification of Actions**
- ▶ **Election of Officers**
- ▶ **Review of KAIP/PAIP Independent Auditor Reports**
- ▶ **Review of Kentucky CAIP Financial Statement**
- ▶ **2021 CAIP servicing carrier allowance**
- ▶ **Secretary Treasurer's Report**
- ▶ **Rate, Rule and Form Changes**
- ▶ **Other Business**
- ▶ **Adjournment**

Election of Officers

- **Nominations– Kristen Mellinger**
 - ▶ **Chair: George Moore**
 - ▶ **Vice Chair: Rod Shockley**
 - ▶ **Secretary-Treasurer: Mark Hillis**
- **Nominations from the floor?**
- **Motion**

Independent Auditors Reports

- ▶ **2019 KAIP/PAIP Auditor's Report – Tab 5a and 5b:**
 - ▶ Deming, Malone, Livesay & Ostroff

- ▶ **2019 KY CAIP Statutory Financial Statement / Audit – Tab 6a and 6b:**
 - ▶ Grant Thornton

2021 Servicing Carrier Allowance (Tab 7)

▶ Administrative Expense Allowance

- 2018: 18.6%
- 2019: 18.4%
- 2020: 18.8%
- 2021: 18.3%

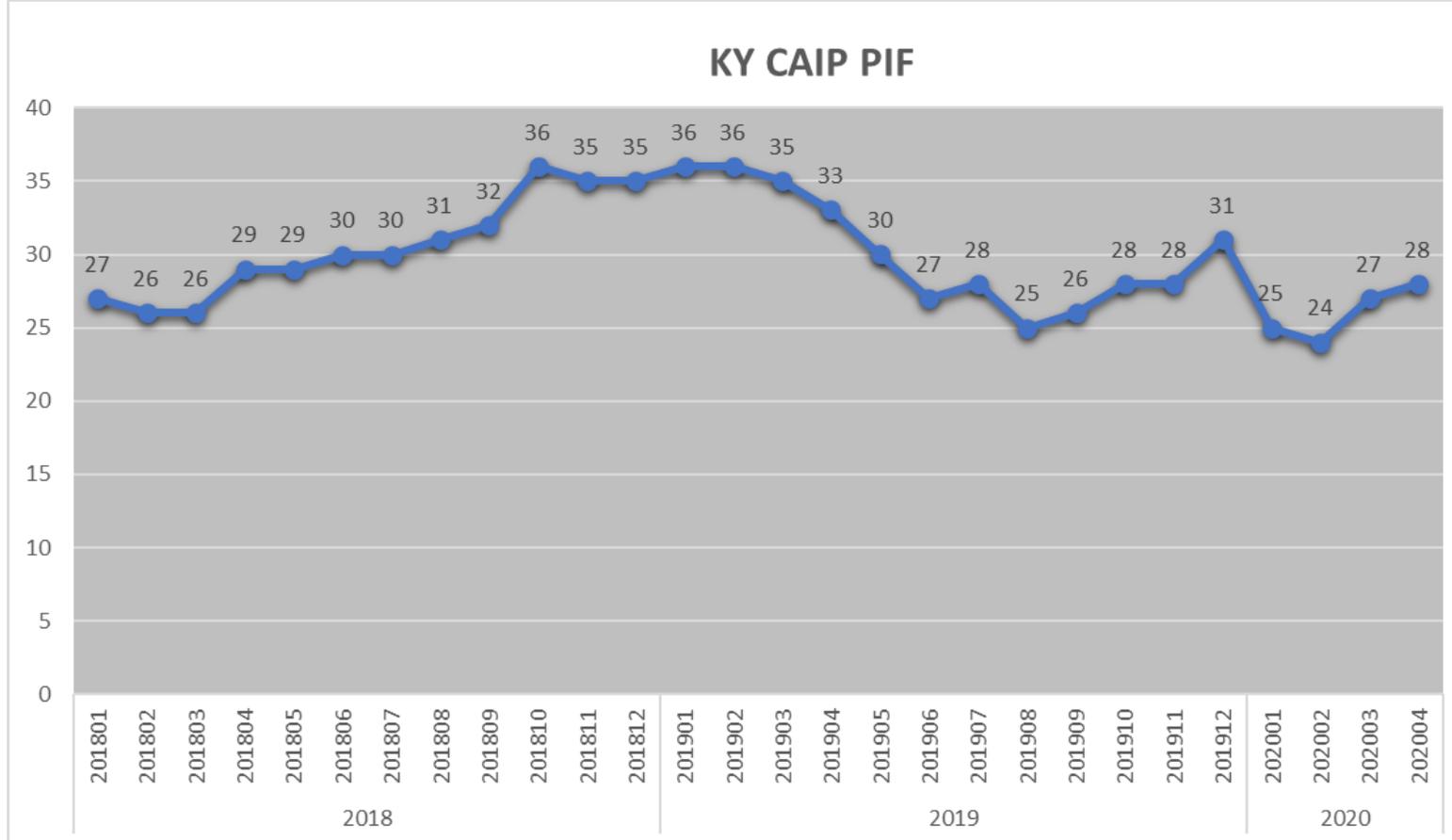
▶ Loss Adjustment Expense

- ▶ ALAE: direct reimbursement
- ▶ ULAE:
 - 2018: 13.9%
 - 2019: 13.4%
 - 2020: 8.9%
 - 2021: 7.0%

Needs motion and vote

SECRETARY TREASURER'S REPORT

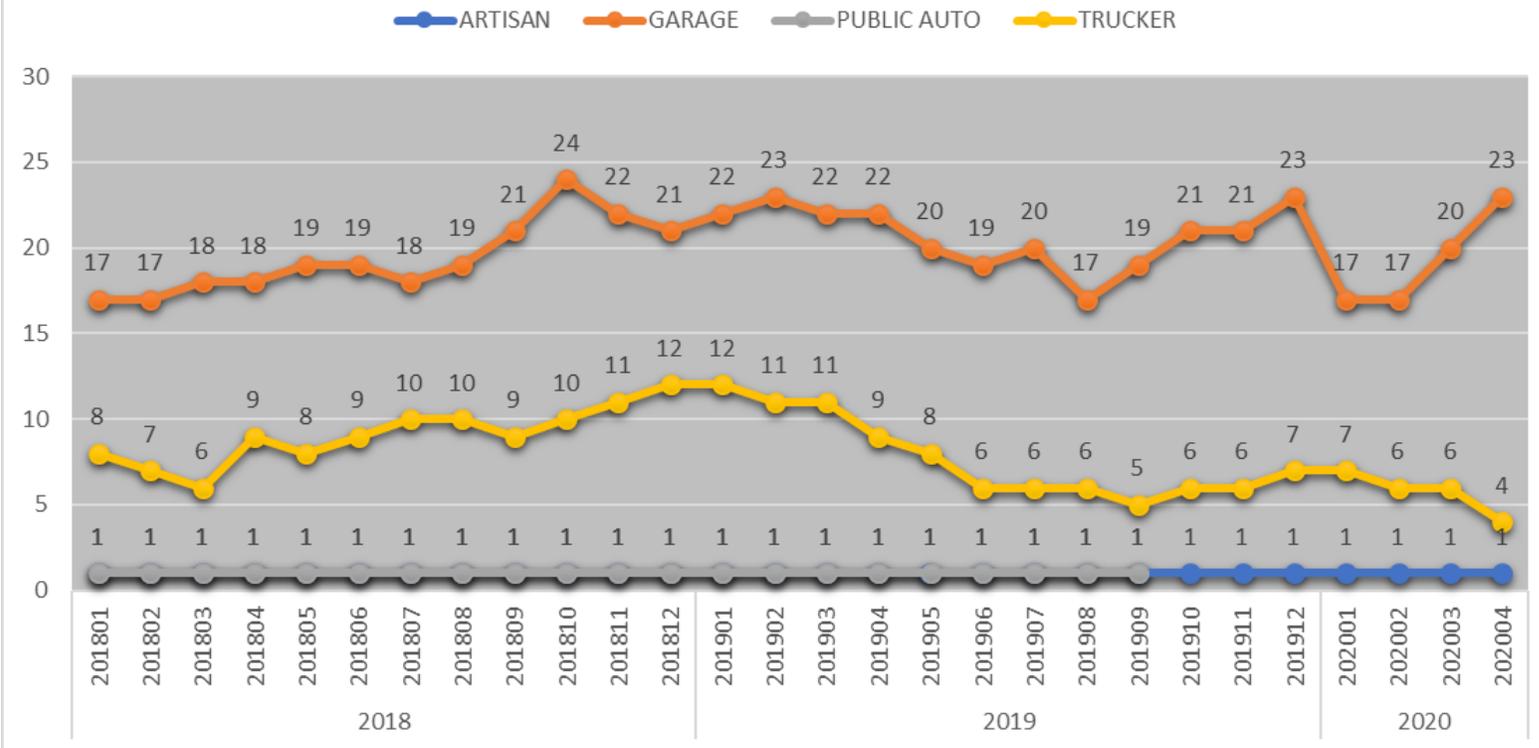
- ▶ **2020 Budget Status (YTD through April):
24.46% of budget (\$45,088.96 spent)**
 - 2019 Budget \$190,298 **2020 Budget \$184,327**
 - Plans continue to focus on cost savings through sharing resources as well as looking for efficiencies in all areas.
 - FAIR Plan sold the building and is searching for a new location that is more reflective of the needs of the Plans



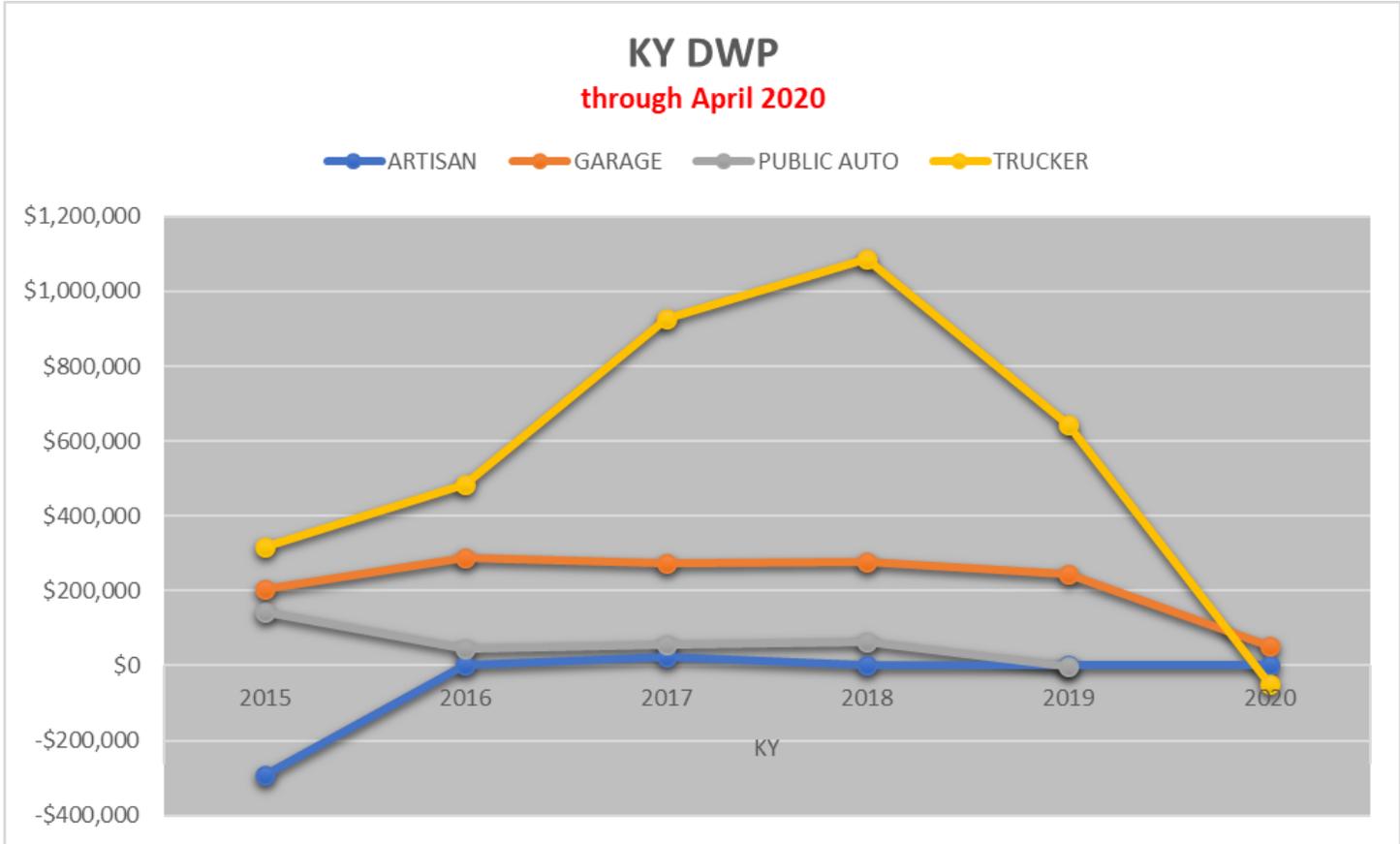
CAIP Results - PIF

KY CAIP PIF

by Risk Type



CAIP Results – Policy Mix



CAIP Results – Premium Mix

National Continental Insurance Company

Kentucky Automobile Insurance Plan

CAIP Loss Ratio Analysis

Current Quarter: February 2020

CAIP Results

| Kentucky TOTALS by Policy Year | | | | | | |
|-----------------------------------|----------------|----------------|-----------|-----------|--------------------------|------------|
| Policy Year | Earned Premium | Paid Losses | Paid ALAE | Reserves | Incurred Total Losses | Loss Ratio |
| 2017 | \$1,272,889 | \$644,594 | \$15,274 | \$151,221 | \$811,089 | 63.7% |
| 2018 | \$1,180,645 | \$128,194 | \$528 | \$435,724 | \$564,446 | 47.8% |
| 2019 | \$567,129 | \$98,541 | \$0 | \$826,492 | \$925,033 | 163.1% |
| 2020 | \$6,352 | \$0 | \$0 | \$0 | \$0 | 0.0% |

KENTUCKY PAIP
 Monthly Activity - Month Ending 12/31/2019

| | <u>Month End</u> | <u>YTD</u> |
|--|------------------|------------|
| Written Premium | \$7,800 | \$105,197 |
| Earned Premium | \$6,231 | \$64,279 |
| Unearned Premium | \$40,918 | \$40,918 |
| Advanced Written Premium | \$0 | \$0 |
| Written Commission | \$780 | \$10,520 |
| Surcharges | \$140 | \$1,894 |
| Losses Paid | \$0 | \$28,225 |
| Losses Unpaid (Reserved) | \$30,000 | \$30,000 |
| Adjustment Expenses Paid | \$1,758 | \$2,255 |
| Adjustment Expenses Unpaid | \$4,832 | \$4,832 |
| Defense and Cost Containment Expenses Paid | \$0 | \$0 |
| Defense and Cost Containment Expenses Unpaid | \$0 | \$0 |

Note: These numbers are preliminary and subject to change after the reconciliation process

PAIP Results 2019

KENTUCKY PAIP
Monthly Activity - Month Ending 04/30/2020

| | <u>Month End</u> | <u>YTD</u> |
|--|------------------|------------|
| Written Premium | \$14,042 | \$50,821 |
| Earned Premium | \$8,305 | \$31,118 |
| Change in Unearned Premium | \$5,737 | \$19,703 |
| Total Unearned Premium | \$60,621 | \$60,621 |
| Advanced Written Premium | \$0 | \$0 |
| Written Commission | \$1,404 | \$5,082 |
| Surcharges | \$253 | \$915 |
| Losses Paid | \$0 | \$14,240 |
| Losses Unpaid (Reserved) | \$150,003 | \$150,003 |
| Adjustment Expenses Paid | \$1,844 | \$1,988 |
| Adjustment Expenses Unpaid | \$5,343 | \$5,343 |
| Defense and Cost Containment Expenses Paid | \$0 | \$0 |
| Defense and Cost Containment Expenses Unpaid | \$0 | \$0 |

Note: These numbers are preliminary and subject to change after the reconciliation process

PAIP Results 2020 Through April

New Applications
Through April
2020

| LOB | 2019 | 2020 |
|------------------------|-------------|-------------|
| Personal Auto | 27 | 18 |
| Commercial Auto | 3 | 7 |
| Total | 30 | 25 |

Applications – In Force – Overview of the Market

| # | Last Name | Effective | Column1 |
|-----------|-------------|------------|----------------------|
| AAP16-001 | McIntire | 01/07/2019 | cancelled 11/20/19 |
| AAP16-002 | Felix | 01/11/2019 | expired 1/11/2020 |
| AAP16-005 | Lee | 01/16/2019 | expired 1/16/2020 |
| AAP16-006 | Abdo | 01/25/2019 | cancelled 7/23/19 |
| AAP16-007 | Binford | 01/24/2019 | expired 1/24/2020 |
| AAP16-008 | Booker | 01/29/2019 | cancelled 11/18/19 |
| AAP16-009 | Johnson | 01/23/2019 | cancelled 4/10/19 |
| AAP16-010 | Britt | 01/28/2019 | expired 1/28/2020 |
| AAP16-011 | Davis | 02/07/2019 | cancelled 3/25/19 |
| AAP16-012 | Hopkins | 02/22/2019 | cancelled 5/10/19 |
| AAP16-013 | Dawkins | 02/20/2019 | expired 2/20/20 |
| AAP16-014 | Seviour | 02/25/2019 | cancelled 5/13/19 |
| AAP16-015 | Buford | 02/27/2019 | cancelled 6/14/19 |
| AAP16-016 | Dawson | 03/01/2019 | cancelled 2/28/20 |
| AAP16-017 | Forney | 03/07/2019 | expired 3/7/20 |
| AAP16-018 | Beningfield | 03/12/2019 | expired 3/12/20 |
| AAP16-019 | richards | 03/13/2019 | cancelled 7/25/19 |
| AAP16-020 | Davis | 03/14/2019 | cancelled 5/2/19 |
| AAP16-021 | Brown | 03/14/2019 | cancelled 12/2/19 |
| AAP16-022 | Sparks | 03/19/2019 | cancelled 4/12/19 |
| AAP16-023 | Anand | 03/15/2019 | cancelled 4/9/19 |
| AAP16-024 | Ford | 03/22/2019 | expired 3/22/20 |
| AAP16-025 | Jarboe | 03/28/2019 | expired 3/28/20 |
| AAP16-026 | Shubeso | 03/26/2019 | cancelled 5/28/19 |
| AAP16-027 | Curry | 04/11/2019 | expired 4/11/20 |
| AAP16-028 | Williams | 04/09/2019 | cancelled 6/19/19 |
| AAP16-029 | Broadus | 04/23/2019 | cancelled 10/11/2019 |
| AAP16-030 | Pulliam | 06/04/2019 | cancelled 9/22/19 |

Applications – InForce – Overview of the Market

| | | | |
|-----------|------------|------------|--------------------|
| AAP16-031 | Rottner | 06/05/2019 | |
| AAP16-032 | Wadlington | 06/10/2019 | |
| AAP16-033 | Martin | 06/14/2019 | cancelled 6/14/19 |
| AAP16-034 | Perry | 07/02/2019 | cancelled 3/9/20 |
| AAP16-035 | Blackburn | 07/09/2019 | cancelled 8/27/19 |
| AAP16-036 | Reed | 07/24/2019 | |
| AAP16-037 | Buford | 07/30/2019 | |
| AAP16-038 | Arroyo | 08/13/2019 | cancelled 9/29/19 |
| AAP16-039 | Maize | 08/22/2019 | cancelled 11/18/19 |
| AAP16-040 | Baker | 09/27/2019 | cancelled 3/11/20 |
| AAP16-041 | Frillman | 10/01/2019 | cancelled 2/7/20 |
| AAP16-042 | Pulliam | 10/02/2019 | cancelled 11/12/19 |
| AAP16-043 | Bolling | 10/02/2019 | |
| AAP16-044 | Darnell | 10/25/2019 | |
| AAP16-045 | Broadus | 11/01/2019 | |
| AAP16-046 | Brooks | 11/01/2019 | |
| AAP16-047 | Durham | 11/01/2019 | |
| AAP16-048 | Brown | 12/03/2019 | |
| AAP16-049 | Jones | 12/02/2019 | |
| AAP16-050 | Young | 12/06/2019 | |
| AAP16-051 | Jones | 12/04/2019 | |
| AAP16-052 | Petty | 12/11/2019 | cancelled 1/31/20 |
| AAP16-053 | Kaelin | 01/03/2020 | |
| AAP16-054 | King | 01/06/2020 | |
| AAP16-055 | Pulliam | 01/03/2020 | |
| AAP16-056 | Thornton | 01/03/2020 | |
| AAP16-057 | Morris | 01/18/2020 | |

Applications – InForce – Overview of the Market

| | | | |
|-----------|----------|------------|--|
| AAP16-058 | James | 02/25/2020 | |
| AAP16-059 | Dale | 02/28/2020 | |
| AAP16-060 | Cheatham | 02/28/2020 | |
| AAP16-061 | White | 03/04/2020 | |
| AAP16-062 | Forney | 03/09/2020 | |
| AAP16-063 | Petty | 03/16/2020 | |
| AAP16-064 | Davis | 3/19/2020 | |
| AAP16-065 | White | 3/23/2020 | |
| AAP16-066 | Ford | 3/23/2020 | |
| AAP16-067 | Yates | 3/28/2020 | |
| AAP16-068 | Burk | 4/8/2020 | |
| AAP16-069 | Sloss | 4/21/2020 | |

Personal Auto Rate Review (Tab 9a)

Prior filings:

- 1/1/16: +11%
- 1/1/17: +4.7%
- 1/1/18: +6.4%
- 1/1/19: +23.0%
- 1/1/20: +13.2%

▶ 2020 Actuarial proposal – Effective 1/1/2021

- ▶ Adopt an indication of 9.8%, capping changes at 25% with an estimated monetary impact of just \$24,254 with an allowance of +/- 2.5% for any needed revisions.
- ▶ **RATE CHANGE IS FOR BUSINESS WRITTEN ONLY UNDER THE NEW PAIP PROGRAM**

Commercial Auto Rate Review (Tab 9b)

Prior filings:

1/1/16: -2.2%

1/1/17: -4.9%

1/1/18: +5.7%

1/1/19: +9.1%

1/1/20: +18.2%

▶ **2020 Actuarial proposal – Effective 1/1/2021**

- ▶ **Overall rate increase of: 1.9% with an estimated monetary impact of just \$34,654. Indication is +9.2%, but capped at 25% results in the 1.9% adjustment overall.**

Other Business

(1) Proposal CAIP Inspected Units Requirement (9.c. in your handouts) -

(2) Update on AIPSO Contract

(3) Update on AIPSO System – Letter sent to AIPSO President on 08/02/2019 responded to on 03/09/2020 (Item 10.a. in handout)

(4) York Claims Challenges and Kentucky Workarounds

* Kentucky utilized its FAIR Plan relationship with VeriClaim/Sedgwick to bring in the same contract and Kentucky based handlers through VeriClaim VP Troy Dowdy removing York from the handling.

* Kentucky reviews all claims in the system, and in meetings when needed with AIPSO, and VeriClaim

* Kentucky is assisting Kansas in a weekly review of the claims handling and the Kansas claims results

* AIPSO leadership has now met with York to our repeated attempts to get things handled corr



Kwolek, Charles <Charles.Kwolek@aipso.com>

To Stephen M. Hillis; Domer, Gary

Cc Pensabene, Frank

 Reply  Reply All  Forward 

Fri 4/24/2020 10:52 AM

 You replied to this message on 4/24/2020 1:33 PM.

***** CAUTION:** This email originated from outside of the KYINS Plans. *******

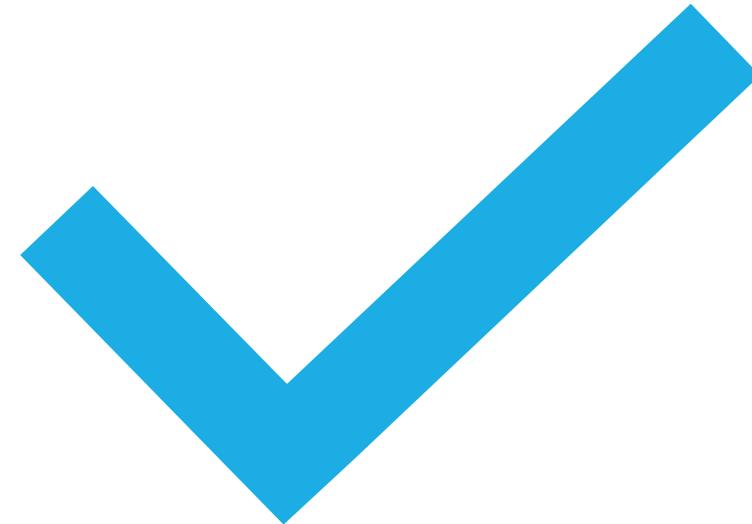
Hello gentlemen. Hope all is well. Just dropping a note to let you know we met with representatives of York via teleconference yesterday. Frank and I expressed our concern about the claims handling, and emphasized that the smaller states MUST be handled with all due care and professionalism just as the large states. They emphasized their commitment to getting things better and that their team was working hard to make it right. The proof, as they say, will be in the pudding.

Stay safe, Chuck.

PAIP Program Factors for Success

An AIPSO Solution

- ▶ Plan will oversee individual state results and monitor regulatory compliance under licensing authority
- ▶ Policies must be handled just like the insurance industry would handle
 - ▶ Clear Requirements
 - ▶ AIPSO will have Kentucky Specific Best Practices in place for Underwriting Standards, Claims Standards, Financial Standards prior to launch
 - ▶ Will NOT simply be a “processing” mechanism – and Kentucky Operations will audit AIPSO work to confirm compliance
 - ▶ At least a second claims vendor with Kentucky experience and “feet on the ground” shall be solicited with the intent of engaging at or shortly after go live
- ▶ AIPSO will have a clear Disaster Recovery plan and back up plan in place
- ▶ AIPSO will comply with all Insurer NAIC, and regulatory requirements
- ▶ AIPSO will have a clearly defined Plan B in place to address the “what if’s” are addressed – (what if the system isn’t ready?)



Two years ago, I indicated that during my travel back and forth to AIPSO, I stole a line from a movie, "The Post". That line was: "We don't always get it right, it isn't always perfect, but we just keep on. It's the job."

We found ourselves in that situation and we made decisions and we moved forward. As a reminder of the items I had initially outlined:

(1) You hired me to lead

(2) There will be road bumps and challenges

(3) I will make mistakes, but we will recover and succeed

(4) I have full confidence that because of the partnership and commitment from AIPSO Leadership Chuck Kwolek, Frank Pensabene, Tom Assad, Jim Chrones, Dave Amaral, Tim Messier, Dave Maynard, Chris Young, and my team, we will transition successfully for the benefit of the consumer and the insurance industry.

We have been and remain diligent in moving forward for the protection of the consumer and industry in providing a long term, stable solution.

Other Business

- ▶ Does Governing Committee want to have a fall meeting or approve the Executive Committee to review the 2021 budget and proposed assessment? (If so, it needs a motion and vote)
- ▶ Kentucky Department of Insurance Comments
- ▶ Thank You!