

# Notice of KACP Annual Meeting

# Kentucky Assigned Claims Plan

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## Notice of Annual Meeting

Pursuant to Section 3, Rule 9, Rules and Regulations of the Kentucky Assigned Claims Plan, the Annual Meeting will be at 10:30 A.M. Thursday May 13, 2021 held via teleconference.

The Agenda will be:

1. Call to Order
2. Roll Call
3. Anti-Trust Preamble
4. Approval of Minutes
5. Selection of Governing Committee
6. Other Business
7. Adjournment

If you are unable to attend, please notify our office and consider providing a proxy.



Mark Hillis Manager

Cc: Governing Committee Members  
Shawn Boggs, Kentucky Department of Insurance

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KACP Governing Committee

**KENTUCKY ASSIGNED CLAIMS PLAN**  
**Governing Committee**

Owen K. Caster, Chairperson 502-909-3584  
**Progressive Insurance Company**  
9520 Ormsby Station Road, Suite 200  
P O Box 436989  
Louisville, Kentucky 40223  
Email Address: [owen\\_caster@progressive.com](mailto:owen_caster@progressive.com)

Allison "Brooke" McNeil, Vice-Chairperson 800-837-0801  
**Grange Insurance Company**  
PO Box 183243  
Columbus, OH 43218  
Email Address: [McNeilB@grangeinsurance.com](mailto:McNeilB@grangeinsurance.com)

Karen Perdue, CPCU, AIC, AIM, AU, FCLA 502-495-5000  
**Kentucky Farm Bureau Mut. Ins. Co.**  
9201 Bunsen Parkway  
P O Box 20700  
Louisville, Kentucky 40250-0700  
Email Address: [Karen.Perdue@kyfb.com](mailto:Karen.Perdue@kyfb.com)

Taylor Martin 352-384-5935  
**Nationwide Insurance Company**  
3300 SW Williston Road  
Gainesville, FL 32608  
Email Address: [taylor.martin@nationwide.com](mailto:taylor.martin@nationwide.com)

Scot McFarland 615-884-6514  
**Allstate Insurance Company**  
555 Marriott Drive  
Suite 850  
Nashville, TN 37214  
Email Address: [Scot.McFarland@Allstate.com](mailto:Scot.McFarland@Allstate.com)

Michael D. Thompson 866-548-5127  
**Liberty Mutual / Safeco Insurance Company**  
Marlton Executive Park- Ste 201  
701 Route 73 South  
Marlton, NJ 08053  
Email Address: [Michael0327.Thompson@LibertyMutual.com](mailto:Michael0327.Thompson@LibertyMutual.com)

Tyler Pilkington 614-917-5275  
**State Automobile Insurance Companies**  
518 E. Broad Street  
Columbus, OH 43215  
Email Address: [Tyler.Pilkington@stateauto.com](mailto:Tyler.Pilkington@stateauto.com)

**KENTUCKY ASSIGNED CLAIMS PLAN**  
**Governing Committee**

Aubrey Chewning 216-643-2228  
**Travelers Insurance Company**  
PO Box 430  
Buffalo, NY 14240  
Email Address: [ACHEWNIN@travelers.com](mailto:ACHEWNIN@travelers.com)

Kimberly McCollom 615-692-7023  
**State Farm Mutual Automobile Ins. Co.**  
2500 Memorial Blvd  
Murfreesboro, TN 37131  
Email Address: [kim.mccollom.ccdh@statefarm.com](mailto:kim.mccollom.ccdh@statefarm.com)

Shawn Boggs 502-564-3630  
Director, Division of Consumer Protection  
**Kentucky Department of Insurance**  
P.O. Box 517  
Frankfort, Kentucky 40602-0517  
Email Address: [Shawn.Boggs@ky.gov](mailto:Shawn.Boggs@ky.gov)

Mark Hillis 502-327-7105  
Secretary-Treasurer and Plan Manager  
**Kentucky Assigned Claims Plan**  
PO Box 436509  
Louisville, Kentucky 40243  
Email Address: [shillis@kyfairplan.com](mailto:shillis@kyfairplan.com)

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## KACP Anti-Trust Preamble

## Anti-Trust Preamble

We are here to discuss and act on matters relating to the business of the Kentucky Assigned Claims Plan 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 individual’s companies plans or contemplated activities. We should concern ourselves only with the business of the Kentucky Assigned Claims 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.

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Minutes KACP 2020

Annual Meeting



**Kentucky Assigned Claims Plan  
Annual Meeting May 14, 2020  
Minutes**

The Annual Meeting of the Kentucky Assigned Claims Plan was held at 10:00 AM on May 14, 2020 via teleconference.

**Those in attendance were:**

**Governing Committee:**

Owen K. Caster (Chair)  
Brooke McNeil (Vice Chair)  
Jason Mahoney  
Scot McFarland  
Kimberly McCollom  
Karen Perdue  
Aaron Johnson (by Proxy)  
Michael D. Thompson  
Aubrey Chewning

Progressive Insurance Co.  
Grange Insurance Co.  
Nationwide Insurance Co.  
Allstate Insurance Co.  
State Farm Insurance Co.  
Kentucky Farm Bureau Insurance Co.  
State Automobile Ins. Co.  
Liberty Mutual, Safeco Ins. Co.  
Travelers Insurance Co.

**Staff:**

Mark Hillis  
Melissa Chlon  
Erin Lux  
Becky Darst

Secretary Treasurer  
Assistant Director  
Assistant Plans Manager  
Claim Manager

**Guests:**

Sarah Antle, CPA  
Christa Hobe  
McKenzie Carter  
Shawn Boggs

Deming, Malone, Livesay & Ostroff  
Safeco / Liberty Mutual Insurance Co.  
Shelter Insurance Co.  
Department of Insurance

**1. Call to Order**

Mr. Hillis thanked the Governing Committee and Director Boggs from the Kentucky Department of Insurance for being able to work and serve the insurance industry and for the ability to provide residual market support through the Kentucky Assigned Claims Plan, Kentucky Insurance Arbitration Association, Kentucky FAIR Plan and Kentucky Automobile Insurance Plan.

Mr. Caster called the meeting to order.

**2. Roll Call**

Mr. Caster asked members to identify themselves and noted a quorum was present. Aaron Johnson of State Auto had appointed Ms. Perdue as his proxy. Ms. Perdue was present.

**3. Anti-Trust Preamble**

Mr. Caster reminded everyone that we are bound by the Anti-Trust Preamble that was provided in the meeting documents.

**4. Approval of Minutes**

Ms. Perdue moved to accept the May 16, 2019 Annual Meeting Minutes as presented, Ms. McCollom seconded, and the motion passed unanimously.

**5. Selection of the Governing Committee**

Mr. Hillis advised that a roster of Governing Committee Members was included with the Agenda for the meeting and that the Kentucky Department of Insurance approves new Governing Committee Members. He noted the changes to the Governing Committee included DOI approval of Jason Mahoney of Nationwide and Aaron Johnson of State Auto.

Ms. McCollom made a motion to elect and seat the Governing Committee. Mr. McFarland seconded and the motion carried.

**6. Any Other Business**

There was no other business.

**7. Adjournment**

There being no further business Ms. McCollom made a motion to adjourn the 2020 Annual Meeting, Ms. McNeil seconded, and the motion carried to adjourn the meeting.

Respectfully submitted,



Mark Hillis  
Secretary Treasurer

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DOI Approval,

Chris Taylor Martin -

Nationwide Insurance



**PUBLIC PROTECTION CABINET**

**Department of Insurance**

P.O. Box 517  
Frankfort, Kentucky 40602-0517  
1-800-595-6053  
<http://insurance.ky.gov>

**Andy Beshear**

Governor

**Kerry B. Harvey**

Secretary

**Sharon P. Clark**

Commissioner

September 29, 2020

Mr. Stephen Mark Hillis  
Kentucky Assigned Claims Plan  
PO Box 437249  
Louisville, KY 40243

Re: Taylor H. Martin, Nationwide Insurance Company  
Appointment to Kentucky Assigned Claims Plan

Dear Mr. Hillis,

Pursuant to your communication of September 25, 2020, Taylor H. Martin is hereby appointed as Governing Committee Member for the Kentucky Assigned Claims Plan.

Sincerely,

Sharon P. Clark, Commissioner

Shawn Boggs  
Director, Division of Consumer Protection

Kentucky Department of Insurance  
(502) 564 3630  
[Shawn.Boggs@ky.gov](mailto:Shawn.Boggs@ky.gov)

**Notice of KACP Governing  
Committee Meeting**

# Kentucky Assigned Claims Plan

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## Notice of Governing Committee Meeting

A Governing Committee Meeting will be held immediately following the May 13, 2021 Annual Meeting via teleconference.

The Agenda is as follows:

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



Mark Hillis  
Manager

Cc: Governing Committee Members  
Shawn Boggs, Kentucky Department of Insurance

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KACP Governing Committee



**KENTUCKY ASSIGNED CLAIMS PLAN**  
**Governing Committee**

Owen K. Caster, Chairperson 502-909-3584  
**Progressive Insurance Company**  
9520 Ormsby Station Road, Suite 200  
P O Box 436989  
Louisville, Kentucky 40223  
Email Address: [owen\\_caster@progressive.com](mailto:owen_caster@progressive.com)

Allison “Brooke” McNeil, Vice-Chairperson 800-837-0801  
**Grange Insurance Company**  
PO Box 183243  
Columbus, OH 43218  
Email Address: [McNeilB@grangeinsurance.com](mailto:McNeilB@grangeinsurance.com)

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**Kentucky Farm Bureau Mut. Ins. Co.**  
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Louisville, Kentucky 40250-0700  
Email Address: [Karen.Perdue@kyfb.com](mailto:Karen.Perdue@kyfb.com)

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Email Address: [taylor.martin@nationwide.com](mailto:taylor.martin@nationwide.com)

Scot McFarland 615-884-6514  
**Allstate Insurance Company**  
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Nashville, TN 37214  
Email Address: [Scot.McFarland@Allstate.com](mailto:Scot.McFarland@Allstate.com)

Michael D. Thompson 866-548-5127  
**Liberty Mutual / Safeco Insurance Company**  
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701 Route 73 South  
Marlton, NJ 08053  
Email Address: [Michael0327.Thompson@LibertyMutual.com](mailto:Michael0327.Thompson@LibertyMutual.com)

Tyler Pilkington 614-917-5275  
**State Automobile Insurance Companies**  
518 E. Broad Street  
Columbus, OH 43215  
Email Address: [Tyler.Pilkington@stateauto.com](mailto:Tyler.Pilkington@stateauto.com)



**KENTUCKY ASSIGNED CLAIMS PLAN**  
**Governing Committee**

Aubrey Chewning 216-643-2228  
**Travelers Insurance Company**  
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Email Address: [ACHEWNIN@travelers.com](mailto:ACHEWNIN@travelers.com)

Kimberly McCollom 615-692-7023  
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Shawn Boggs 502-564-3630  
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Louisville, Kentucky 40243  
Email Address: [shillis@kyfairplan.com](mailto:shillis@kyfairplan.com)

# 3

## KACP Anti-Trust Preamble

## Anti-Trust Preamble

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**4b**

**Minutes KACP 2020**

**Governing Committee Meeting**

## Kentucky Assigned Claims Plan Governing Committee Meeting Minutes

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A Governing Committee Meeting of the Kentucky Assigned Claims Plan was held remotely at 10:30 AM on October 1, 2020.

**Those in attendance were:**

**Governing Committee:**

Owen K. Caster (Chair)	Progressive Ins. Co.
Brooke McNeil (Vice Chair)	Grange Mutual Ins. Co.
Karen Perdue, CPCU, AIC, AIM, AU	Kentucky Farm Bureau Ins. Co.
Kimberly McCollom (proxy)	State Farm Mutual Ins. Co.
Jason Mahoney	Nationwide Mutual Ins. Co.
Michael Thompson	Safeco / Liberty Mutual Ins. Co.
Aaron Johnson	State Auto Ins. Co.
Scot McFarland	Allstate Ins. Co.
Aubrey Chewning	Travelers Ins. Co.

**Kentucky Department of Insurance:**

Shawn Boggs	Kentucky Department of Insurance
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**Guests:**

Samuel McKenzie Carter	Shelter Insurance
Christa Hobe	Safeco / Liberty Mutual Ins. Co.

**Staff:**

Mark Hillis	Panel Secretary and Manager
Melissa Chlon	Assistant Director
Erin Lux	Assistant Plans Manager
Becky Darst	Claims Manager

**1. Call to Order:**

Mr. Caster called the meeting to order.

**2. Roll Call:**

Roll Call was conducted to confirm attendees. Kim McCollom represented by proxy to Owen Caster. The Chair noted a quorum was present either in person or by proxy.

**3. Anti-Trust Preamble:**

Mr. Caster reminded the Committee that that everyone was bound by the Anti-Trust Preamble that was provided in the meeting documents.

**4. Approval of Minutes:**

Ms. Perdue moved, and Ms. McNeil seconded, and the motion passed unanimously to approve the minutes of the May 14, 2020 Annual and Governing Committee meetings.

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

**A. Claims Summary:**

Ms. Lux presented PowerPoint slides showing open and closed claims, paid claims, expenses, and subrogation for the years of 2015-2019 with current data through 8/31/20 as well as 2020 year-end projections. Details are included in the assessment worksheet.

General discussion took place as to the weakening subrogation efforts of the Servicing Carriers. Given the current environment carriers are slower to respond. The Plan will have a better gauge if subrogation has rebounded at the next meeting.

**B. Financial Report:**

Mr. Hillis shared the balance on deposit as of 8/31/2020 with Republic Bank was \$4,674,699; \$885,885 was held in the checking account and \$3,788,814 in an Insured Cash Sweep (ICS) account to take advantage of multiples of FDIC protection.

**C. 2021 Budget, Assessment and System Update:**

**Budget:**

The 2020 budget was projected to be (-5.5%) under budget at year-end.

A 2021 proposed administrative budget of \$354,555 was distributed and the following items were discussed:

- Health and Employee benefits
- Allocation of employee wages and benefits.
- Rents and expenses impacted through the recent sale (\$1.7M) and subsequent purchase (\$710,000) of the building by the Kentucky FAIR Plan

Mr. Hillis reminded the Governing Committee the Plans start each year with a zero-dollar budget and review each line item for appropriateness. Mr. Hillis indicated health insurance typically increases year over year however those costs are not yet determined for 2021.

**Assessment:**

An assessment of \$3,280,483 was proposed for 2021 and a worksheet was distributed and discussed. The assessment includes the administrative budgets of KACP and KIAA subject to the approval of its Board of Directors. Mr. Hillis discussed the claims data supporting the assessment and pointed out a decreasing trend when reviewing amounts through 2014.

**System Update:**

Ms. Chlon provided a system update. The new system will provide efficiencies and enhanced reporting capabilities to better serve the industry. Server space is set up and testing continues. A demonstration will be offered in Q4 2020 to all Servicing Carriers. The system will go live in Q2 2021, with a soft go live in 2021 with a select group of Servicing Carriers.

Following discussion, Mr. Caster moved, and Mr. Mahoney seconded to approve the 2021 pure assessment of \$3,280,482 and the 2021 budget of \$354,555. The motion carried unanimously.

**6. Other Business:**

Shawn Boggs conveyed appreciation to the Plans on behalf of himself, the Department of Insurance and Commissioner Sharon Clark. Mr. Boggs appreciates being involved in the meetings as well as the level and frequency of communication between the Plans and the Department.

Mr. Caster advised the next meeting is scheduled for May 13, 2021 This will be our 2nd remote meeting. The Fall meeting will be held September 30, 2021.

**7. Adjournment:**

There being no further business, Ms. Perdue moved, and Mr. McFarland seconded, and the motion unanimously approved that the meeting be adjourned.

Respectfully submitted,



Mark Hillis  
Secretary - Treasurer

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KACP Financials



**KENTUCKY ASSIGNED CLAIMS PLAN**  
**STATEMENTS OF CASH RECEIPTS AND**  
**DISBURSEMENTS**

**Years Ended December 31, 2020 and 2019**

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deming malone  
livesay + ostroff

### **Independent Auditors' Report**

To the Governing Committee  
Kentucky Assigned Claims Plan

We have audited the accompanying statements of cash receipts and disbursements of Kentucky Assigned Claims Plan (a not-for-profit organization), for the years ended December 31, 2020 and 2019, 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 Assigned Claims Plan as of December 31, 2020 and 2019, 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 17, 2021

## KENTUCKY ASSIGNED CLAIMS PLAN

### STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash Receipts</b>		
Assessments	\$ 3,285,584	\$ 3,401,771
Subrogation recovery	2,371,000	2,868,456
Interest income	3,742	17,384
Membership fees	<u>810</u>	<u>1,500</u>
<b>Total cash receipts</b>	<u>5,661,136</u>	<u>6,289,111</u>
<b>Cash Disbursements</b>		
Claims paid	<u>5,537,039</u>	<u>5,738,077</u>
Assessments remitted to related organization	<u>400,816</u>	<u>410,108</u>
Administrative expenses:		
Computer	145,846	198,763
Salaries	166,094	173,521
Health insurance	43,022	40,419
Retirement	26,784	24,970
Rent	12,039	10,743
Professional services	11,793	10,508
Payroll taxes	11,643	10,843
Insurance	7,285	10,629
Miscellaneous	6,813	6,991
Telephone	3,095	2,305
Office supplies	2,801	3,118
Postage	<u>768</u>	<u>1,127</u>
<b>Total administrative expenses</b>	<u>437,983</u>	<u>493,937</u>
<b>Total cash disbursements</b>	<u>6,375,838</u>	<u>6,642,122</u>
<b>Excess cash disbursements</b>	(714,702)	(353,011)
Cash at beginning of year	<u>6,533,726</u>	<u>6,886,737</u>
Cash at end of year	<u>\$ 5,819,024</u>	<u>\$ 6,533,726</u>

See Notes to Statements of Cash Receipts and Disbursements.

**KENTUCKY ASSIGNED CLAIMS PLAN**

**NOTES TO STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS**

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

**Nature of organization:**

Kentucky Assigned Claims Plan (Plan) was formed as a not-for-profit unincorporated legal entity to handle claims from persons claiming an entitlement to benefits pursuant to KRS Chapter 304, Subtitle 39. The Plan makes an assignment of such claims to various servicing insurers. The servicing insurers investigate the claims, render a decision, and make the settlement.

**Summary of significant accounting policies:**

This summary of significant accounting policies of Kentucky Assigned Claims Plan is presented to assist in understanding the Plan's financial statements. The financial statements and notes are representations of the Plan'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 Plan prepares its financial statements on the cash basis, which presents a summary of the cash activity of the Plan and does not present certain transactions (accrued revenues and expenses) that would be included in financial statements of the Plan 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 17, 2021, which is the date the financial statements were available to be issued.

**Note 2. Assessment of Members**

The Plan periodically assesses all member insurance companies for their pro-rata share of claims and operating expenses. Assessments of members were \$2,903,326 and \$3,603,667 for the years ended December 31, 2020 and 2019, respectively. Uncollected assessments at December 31, 2020 and 2019, were approximately \$1,018,100 and \$1,060,200, respectively.

## NOTES TO STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS

### Note 3. Tax Status

The Plan 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 Plan files an information return in the U.S. federal jurisdiction.

As of December 31, 2020 and 2019, the Plan 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 4. Related Party Transactions

Servicing insurers utilized by the Plan are reimbursed their actual costs plus an amount for administrative expenses from the Plan. Servicing insurers for the Plan at December 31, 2020 and 2019 were the following: Allstate Insurance Company, Kentucky Farm Bureau Mutual Insurance Company, Safeco Insurance / Liberty Mutual Group, State Automobile Mutual Insurance Company, State Farm Mutual Insurance Company, Grange Mutual Casualty Company, Nationwide Mutual Insurance Company, Travelers Insurance Company and Progressive Casualty Company. These servicing insurers are also members of the Governing Committee of the Plan, as they are among the largest insurers in Kentucky.

Kentucky Automobile Insurance Plan (KAIP), Kentucky Insurance Guaranty Association, Kentucky Insurance Arbitration Association (KIAA), 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 Plan and the above entities and allocate the charges to each. The cost sharing agreement is managed and administered by KFP. Cash disbursements made during 2020 and 2019 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>2020</u>	<u>2019</u>
Payable at beginning of year	\$ 39,496	\$ 77,695
Expenses allocated during the year	432,640	455,734
Payments made during the year	<u>(436,745)</u>	<u>(493,933)</u>
Payable at the end of year	<u>\$ 35,391</u>	<u>\$ 39,496</u>

## NOTES TO STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS

The Plan collects assessments and holds cash in its account on behalf of KIAA. Cash receipts and disbursements of assessments collected on behalf of KIAA during 2020 and 2019 are included in the statements of cash receipts and disbursements. An analysis of cash activity in 2020 and 2019 by the Plan on behalf of KIAA follows:

	<u>2020</u>	<u>2019</u>
Payable to KIAA, beginning of year	\$ 400,816	\$ 410,108
Assessments collected on behalf of KIAA	377,157	400,816
Assessments remitted to KIAA	<u>(400,816)</u>	<u>(410,108)</u>
Payable to KIAA, end of year	<u>\$ 377,157</u>	<u>\$ 400,816</u>

### Note 5. Retirement Plans

The Plan has a money-purchase pension plan that covers substantially all employees. Contributions are determined annually at the discretion of the Governing Committee. Cash disbursements for pension expense allocated to the Plan were \$22,143 and \$20,569 for the years ended December 31, 2020 and 2019, respectively.

The Plan also has a 401(k) defined contribution plan that covers substantially all employees. Annual expense provisions are based upon the Plan matching a portion of the employees' contributions. Cash disbursements for the matching contribution allocated to the Plan were \$4,641 and \$4,401 for the years ended December 31, 2020 and 2019, respectively.

Costs are allocated in accordance with the cost sharing agreement as described in Note 4.

### Note 6. Operating Lease

The Plan leases office space from the Kentucky FAIR Plan Reinsurance Association under an operating lease through December 31, 2021. 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 30 days prior to expiration of the term of the lease. Future minimum rental commitments under the lease are \$11,200 for the year ending December 31, 2021. Cash disbursements for rent expense allocated to the Plan were \$12,039 and \$10,743 for the years ended December 31, 2020 and 2019, respectively.

Costs are allocated in accordance with the cost sharing agreement as described in Note 4.



## NOTES TO STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS

### **Note 7. Contingencies**

In the normal course of operations, the Plan is contingently liable for claims (and expenses related to such claims) it has assigned to servicing insurers. Should claims and related expenses prove to be greater than anticipated, the Plan would assess member insurance companies to cover additional costs.

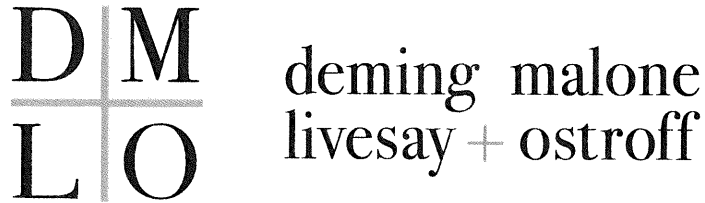
On March 11, 2020, the World Health Organization classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and significant negative impact on the global economy. As of December 31, 2020, economic and public health uncertainties exist which may have a negative effect on the Plan's future cash receipts and disbursements.

### **Note 8. Concentration of Credit Risk**

The Plan maintains its cash accounts 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, 2020, the Plan's uninsured cash balance totaled approximately \$2,331,000.

**6b**

**KACP Letter to  
Governing Committee**



To the Governing Committee  
Kentucky Assigned Claims Plan

We have audited the statements of cash receipts and disbursements of Kentucky Assigned Claims Plan (Plan) for the year ended December 31, 2020, and have issued our report thereon dated February 17, 2021. 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 19, 2020. 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 Assigned Claims Plan 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 2020. We noted no transactions entered into by the Plan 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 17, 2021.

*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 Plan'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 Plan'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 Governing Committee and management of Kentucky Assigned Claims Plan and is not intended to be, and should not be, used by anyone other than these specified parties.

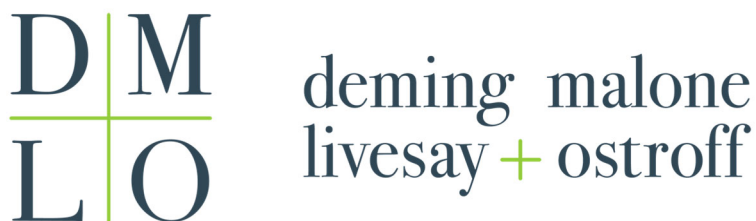
*Deming, Malone, Lussary & Ostroff*

Louisville, Kentucky  
February 17, 2021

**6c**

**KACP Financial  
Highlights**

Supporting Information



**KENTUCKY ASSIGNED CLAIMS PLAN**  
**Year Ended December 31, 2020**

<u>Financial Highlights</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
Cash	\$ 5,819,024	\$ 6,533,726
Assessments received	\$ 3,285,584	\$ 3,401,771
Subrogation recovery	\$ 2,371,000	\$ 2,868,456
Interest income	\$ 3,742	\$ 17,384
Membership fees	\$ 810	\$ 1,500
Total cash receipts	\$ 5,661,136	\$ 6,289,111
Change in cash receipts	-9.99%	
Claims paid	\$ 5,537,039	\$ 5,738,077
Assessments remitted	\$ 400,816	\$ 410,108
Salaries and benefits	\$ 247,543	\$ 249,753
Computer	\$ 145,846	\$ 198,763
Rent	\$ 12,039	\$ 10,743
Other	\$ 32,555	\$ 34,678
Total cash disbursements	\$ 6,375,838	\$ 6,642,122
Change in cash disbursements	-4.01%	
Excess cash receipts	\$ (714,702)	\$ (353,011)

**Comments**

- Financial statements are prepared on the cash basis of accounting
- No new accounting policies adopted or changed during the year
- No internal control related findings to report

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 F: 812.738.3519

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**Managers Report,  
Year Ending 2020**

## Kentucky Assigned Claims Plan

### Report of Activity

Year	2017	2018	Δ 2018 from 2017	2019	Δ 2019 from 2018	2020	Δ 2020 from 2019
<b><u>New Claims:</u></b>							
Received	930	905	-2.7%	864	-4.5%	794	-8.1%
Rejected	118	102	-13.6%	90	-11.8%	70	-22.2%
Assigned	786	785	-0.1%	850	8.3%	718	-15.5%
Closed	854	920	7.7%	946	2.8%	965	2.0%
<b><u>Claims Open:</u></b>							
Open/Active	730	758	3.8%	684	-9.8%	659	-3.7%
Pending Subro	426	411	-3.5%	348	-15.3%	312	-10.3%
Uninsured	679	568	-16.3%	539	-5.1%	396	-26.5%
Judgments	607	633	4.3%	670	5.8%	655	-2.2%
Benefits Paid	\$5,325,833	\$4,522,813	-\$803,020	\$4,579,539.8	\$56,727	4,463,435.42	-\$116,104



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**KACP Budget 2020 Results**

## Kentucky Assigned Claims Plan

### Budget Status

	2020 Budget	2020 Final
Wages (W-2)	\$ 174,046	\$ 161,143
Payroll Taxes	\$ 17,405	\$ 11,643
Pension Benefits	\$ 22,974	\$ 22,143
401K Match	\$ 5,221	\$ 4,641
Office Supplies and Equip.	\$ 4,600	\$ 2,801
Professional Services	\$ 8,260	\$ 6,956
Human Resources	\$ 1,500	\$ 1,599
Rent	\$ 12,144	\$ 12,039
Telephone and Tel.Equip.	\$ 2,100	\$ 3,095
Travel	\$ 3,200	\$ 1,564
Meals and Entertainment	\$ 1,200	\$ 192
Insurance - P & C	\$ 11,833	\$ 7,285
Health and Employee Benefits	\$ 37,517	\$ 43,022
Postage	\$ 2,100	\$ 768
Computer and Systems	\$ 75,850	\$ 35,642
Dues & Subscriptions	\$ 500	\$ 562
Board Meetings	\$ 350	\$ 81
Education	\$ 300	\$ 102
Miscellaneous	\$ 1,300	\$ 1,057
<b>Totals</b>	<b>\$ 382,400</b>	<b>\$ 316,335</b>