

## Notice of Governing Committee Meeting

A meeting of the Kentucky Auto Insurance Plan Governing Committee will be held on June 29, 2021 following the Annual Meeting. This meeting will be held via teleconference.

### Agenda:

1. Roll Call.
2. Anti-Trust Preamble.
3. Approval of Minutes and Ratification of Mail Votes
4. Election of Officers.
5. 2020 KAIP and PAIP Independent Auditors Report.
  - a. DMLO Report to Management
  - b. DMLO Financial Statement
6. 2020 Kentucky CAIP Statutory Financial Statement.
7. 2022 CAIP Servicing Carrier Allowance.
8. Secretary Treasurer's Report.
9. Rate, Rule and Form Changes.
10. Other Business.
  - a. AIPSO CAIP Transition – Thomas Assad
11. Adjournment.

Mark Hillis



Secretary –Treasurer and Manager

Cc: Shawn Boggs, Kentucky Department of Insurance  
Thomas Assad, AIPSO

## 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.

# Kentucky Automobile Insurance Plan

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A Governing Committee Meeting of the Kentucky Automobile Insurance Plan was held following the Annual Meeting on June 11, 2020 via teleconference.

**Governing Committee:**

George Moore, (Chair)	CNA Commercial Insurance Company
Rod Shockley (Vice-Chair)	Kentucky National Insurance Company
Kristen Mellinger	Kentucky Farm Bureau Mutual Ins. Company
Rudy Schlich	Old Kentucky National Insurance
Rob Kepperling	Erie Insurance Company
Angie Haston	State Farm Mutual Insurance Company
Christopher Migliozi	Nationwide Insurance Company

**Kentucky Department:**

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

Sarah Antle	Deming, Malone, Livesay and Ostroff
Mike Donovan	National Continental / Progressive Insurance
Todd Feltman	State Farm Mutual Insurance Company

**Staff:**

Mark Hillis	Secretary/Treasurer & Manager
Melissa Chlon	Assistant Director – Kentucky Insurance Plans
Erin Lux	Assistant Plans Manager

**Call to Order**

Mr. Moore called the meeting to order. He noted that role was taken during the annual meeting and again confirmed that a quorum was present.

**Anti-Trust Preamble**

Mr. Moore advised the preamble was addressed in the Annual Meeting and participants were still bound.

**Approval of Minutes**

Ms. Haston moved and Ms. Mellinger seconded a motion to approve the minutes of the July 30, 2019 and October 28, 2019 meetings, and to ratify the actions of the Committee which included various prior mail votes. The motion carried.

**Election of Officers**

Ms. Mellinger nominated Mr. Moore as Chair, Mr. Shockley as Vice Chair and Mr. Hillis as Secretary-Treasurer. Ms. Mellinger called for other nominations from the floor, hearing none closed the nominations and asked for a motion to accept as stated. Mr. Schlich moved to close and accept the nominations. Mr. Migliozi seconded, and the motion passed unanimously.

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### **2019 PAIP Independent Auditors Report**

Mr. Hillis noted that DMLO was selected to audit the PAIP program as they have proven successful in auditing the FAIR Plan who is also on statutory accounting basis. He further noted, that DMLO was able to save the Plan over \$12k in the first year alone. Audit findings and financials have been submitted to the Kentucky Department of Insurance for review.

Mr. Hillis thanked Ms. Antle for her knowledge, patience, and partnership throughout the PAIP transition.

Ms. Antle presented the PAIP Independent Auditors Report. She indicated that no irregularities were noted and DMLO had issued a clean opinion based on the audit. Ms. Antle discussed the Service and Cost Sharing Agreement between the Kentucky Auto Insurance Plan, Kentucky FAIR Plan, Kentucky Insurance Guaranty Association, Kentucky Assigned Claims Plan and Kentucky Insurance Arbitration Association whereby personnel, office and other resources are shared with costs allocated to each Plan. She advised that the audit of PAIP includes the allocation of those expenses. She also advised that the Plan has a Retirement Savings Plan that is categorized as a defined contribution Plan, and briefly discussed the plan. She noted that the KFP had transitioned to the lead organization in 2019. She asked for questions, there were none and the report was accepted.

### **2019 KY CAIP Independent Auditors Report**

Mr. Hillis presented the 2019 KY CAIP Statutory Financial Statement prepared by Grant Thornton. The full report was provided in advance as part of the meeting documents. He asked for questions, there were none and the report was accepted.

### **CAIP Servicing Carrier Allowance**

The 2021 servicing carrier allowance (annual recalculation) was presented and discussed. These were: Expense Allocation of 18.3%; ALAE – direct reimbursement; and ULAE of 7%. Mr. Shockley moved that the 2021 allowance be approved, Ms. Haston seconded. The motion carried.

### **Secretary Treasurer's Report**

Mr. Hillis reported:

#### **1. Budget:**

- a. The Plans continued to focus on expense saving opportunities. He noted that the Executive Committee had approved a budget for 2020 of \$184,207 which was 3.2% lower than 2019. He noted that continued budget pressures come from health insurance. He reminded the committee that the Plan began to see returns from utilizing AIPSO as a service organization for the KAIP/PAIP in 2019 and he expected to continue to see those returns.
- b. Mr. Hillis noted that the Plan continued to focus on operational efficiencies, he thanked Mr. Assad, and Mr. Chrones and their AIPSO teams for assisting.
- c. Mr. Hillis noted that along with allocating employees amongst each Plan, that he has been working with Ms. Mellinger and Mr. Schlich to sell the FAIR Plan building

## Kentucky Automobile Insurance Plan

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located at 10605 Shelbyville Road and to find a more suitable location that reflects the needs of the Plans and allows for the focus to remain gaining efficiencies.

### 2. Plan Experience:

Mr. Hillis presented a PowerPoint presentation and discussed:

- a. Commercial auto results including PIF, written premium and net losses.
  - b. Personal auto earned premiums and experience from the new PAIP program.
  - c. Personal and Commercial auto application. 25 new applications were received through April in 2020 compared to 30 in 2019. 18 of these were Personal auto, and 7 were Commercial. Reduced applications and policies in force is an indication that the industry is doing a good job absorbing risks.
3. Mr. Hillis noted that through the PAIP program, they had seen just one policy move into term 2. He noted that the Plan reviews each application as well as each claim to ensure correct handling. He noted that so far, the PAIP program since 1/1/2019 had written 67 policies. Of those, 37 cancelled or expired. He indicated that the average days in force was just 120 days. And noted that there were just 30 policies in force at the end of April. The PIF and application count implies that the Plan is a short-term relief for drivers to get back to the standard market.

### Rate Reviews:

Mr. Hillis advised that AIPSO actuaries had completed a review of rates for Private Passenger and Commercial Auto for consideration by the Governing Committee.

#### a. Private Passenger Rate Review:

The Proposal includes adoption of an indicated rate need of +9.8 to be effective January 1, 2021 and only applying to the PAIP program, not prior LAD business. The actuaries also requested a small deviation of +/- 2.5% in the event updated information becomes available prior to the filing. Mr. Schlich made a motion to adopt the needed rate changes for Private Passenger effective January 1, 2021. It was seconded by Mr. Moore. The motion carried.

#### b. Commercial Auto Rate Review:

The Proposal will result in a proposed change of 1.9%. Mr. Hillis recommended these filing be made to keep the Plan on track with ISO loss cost filings as had been discussed in prior meetings. Ms. Mellinger moved to accept the rates as presented, Mr. Shockley seconded, and the motion was unanimous to approve the filing effective January 1, 2021.

### Other Business

- (1) Mr. Hillis reviewed one additional item with proposed changes to the Plan Manual. (1) With regards to the CAIP Inspected Units, the recommendation was to introduce and Inspected Units Form that must be completed by the producer when a commercial risk required FHA or FMCSA filings. The proposal will assist in improving premium development at the time of application. Mr. Moore moved to approve the commercial

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application and related manual changes as recommended to be effective 8/1/2021, Ms. Haston seconded. The motioned carried.

- (2) An update was provided on the PAIP contract with AIPSO as Mr. Hillis reminded the Committee that the work with Kansas and Indiana was well served allowing for a more robust contract and agreement reflecting the needs of the industry.
- (3) Mr. Hillis provided an update on the quality of work and systems from AIPSO. He noted that the processing and underwriting has been done very well but noted that the Kentucky management had continued to need to provide claims oversight. Kentucky is now assisting Kansas with same. He reminded the committee that they had asked for at least a second claims vendor and noted that at this point, the system that is being used, still does not have a claims portal. He noted that at the onset of the PAIP operation, AIPSO had selected and contracted with York, and noted that the claims which York handled for Kentucky were not well done. He noted that Kentucky had caught issues early on and this allowed for corrections to be made, however after continued missteps, that he had used FAIR Plan connections to onboard Sedgwick/VeriClaim as the vendor for Kentucky and since that time, the claims handling has been quite good.

He reminded the committee that they had signed a joint letter with Kansas and Indiana operations which was sent to the AIPSO President in August of 2019 asking for system improvements which would allow for multiple claims vendors. And noted that in March of 2020, we received his response indicating that AIPSO will be building their own system, however it will be focused upon CAIP given that National Continental has informed the Committee that they will not renew the commercial contract, and that perhaps down the road, private passenger can be included.

He also noted that both he and the Kansas Manager had been asking AIPSO leadership to provide strong direction to York pertaining to claims expectations. This was done in April of 2020 which was many months after Kentucky had decided to terminate York as the handler.

Mr. Hillis reminded the Committee that should the need arise, the FAIR Plan system (Finys) could be expanded to include the Automobile Insurance Plan. All correspondence, underwriting and claim handling could be transitioned to inhouse.

- (4) Mr. Hillis showed a screen shot of the Plans initial PAIP Program Factors for Success and noted that for the most part, each item had been met with success. And noted that retaining management and oversight in Kentucky of the AIPSO processing and PAIP program continued to be critical.

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## **Executive Committee Review of 2020 Budget, Assessment, and Fall Meeting**

Mr. Moore then noted that the Governing Committee has typically asked the Executive Committee to review the 2021 budget and proposed assessments in lieu of having a fall meeting. If this was still the pleasure of the Governing Committee, he sought their approval of same.

Ms. Mellinger motioned to extend authority to the Executive Committee, composed of Mr. Moore, Mr. Shockley, and Mr. Hillis, to review and approve the budget and proposed assessments for the next year. Ms. Haston seconded, and the motion carried.

## **Kentucky Department of Insurance Comments**

Director Boggs thanked the committee members, and Mr. Hillis for the invitation and continued support. He noted that his contact information is available in the meeting documents and that he and his team are available to assist if needed. He expressed his appreciation to the Plan and the industry and indicated he looks forward to meeting in person.

## **Adjournment**

There being no further business, the meeting adjourned by unanimous consent.

Respectfully submitted,



Mark Hillis  
Secretary - Treasurer

# Kentucky Automobile Insurance Plan

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## Minutes

A meeting of the Kentucky Automobile Insurance Plan Executive Committee was held at 11:00 AM on October 29, 2020 virtually via Zoom meeting.

### In attendance

George Moore, Chair  
Rod Shockley, Vice Chair  
Mark Hillis, Secretary-Treasurer

CNA Commercial Insurance Co.  
Kentucky National Insurance Co.  
Kentucky Automobile Insurance Plan

#### 1. Call to Order

Mr. Moore called the meeting to order.

#### 2. Anti-Trust Preamble

Mr. Hillis reminded the Committee they were bound by the anti-trust preamble which was included in their documents.

#### 3. Draft Minutes

Mr. Hillis noted that the Minutes of the prior Executive Committee Meeting as well as the recent Compensation and Benefits Committee Meeting were included in the handouts and had been distributed electronically prior to the meeting. Mr. Shockley moved to accept the minutes. This was seconded by Mr. Moore.

#### 4. 2021 Budget and Assessment

Mr. Hillis recommended a KAIP administrative budget and assessment of \$174,188 for 2021 representing a 5.5% reduction over 2020.

Further, Mr. Hillis reviewed the PAIP program. He indicated that applications had remained consistent with year one of the program. He reminded the committee that they continued to hold \$500,000 in a Contingency Reserve. He recommended that the PAIP assessment of \$130,000 be included to reflect anticipated losses to the program for 2021. Mr. Hillis noted that the transition from a LAD program to the PAIP program appears to be saving the industry substantial money, and at the same time, providing security to consumers of the Commonwealth who needed coverage. Finally, Mr. Hillis noted that funds remaining from 2019 would be credited against the 2021 assessment. Those final figures are still in development, but these would offset the 2021 assessments to some degree.

Mr. Shockley moved to approve the KAIP Administrative Assessment as well as the PAIP Assessment. Mr. Moore seconded.

#### 5. Other Business

##### a. PAIP Claims – AIPSO

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Mr. Hillis noted that the continued opportunity for the PAIP program was claims, and this required Kentucky's continued oversight. He noted that the commercial programs would be coming to an end and the industry wished for AIPSO to take over the commercial piece of the business.

### **b. PAIP Process Audit**

Mr. Hillis noted that AIPSO had presented a bid for just over \$6k for an internal audit of their processing procedures. Mr. Hillis noted that this would include AIPSO's internal review of 50 of the 83 commercial and personal auto applications processed and assigned in the 9/2019 –9/2020 time period. And the audit would review the application processing controls and compliance with KY AIP Plan standards by the FiRST team on behalf of the Plan. This would include application receipt, review and assignment; application assignment system overrides; and application retractions. Other areas identified in the proposal included monitoring producer compliance and resolution actions; and administrative activities, such as imaging, mailing of assignment notices, business continuity planning, record retention and destruction practices, and user access controls and management of the related systems used to administer application services for KAIP. Mr. Hillis indicated that he questioned both the cost of this audit, as well as the sampling size and had reviewed with Kentucky's Auditor, Sarah Antle with DMLO as this didn't appear to follow recommended sampling sizes. Mr. Hillis recommended that the AIPSO internal audit include basics to ensure control and compliance are in place, and that sampling sizes reflect industry standards. Further, Mr. Hillis noted that costs should not exceed \$3,000.

### **c. KAIP Retirement Plan merger with KFP Retirement Plan**

Mr. Hillis noted that for years, there existed two retirement plans with the same language. One for employees of KIGA and KAIP, and the other for employees of KFP. He noted that he had asked the Director of KIGA two years ago to separate from the KAIP retirement plans given he had not authority over KIGA processes, procedures or employees and acting on their behalf potentially exposed the Plans he led. As such, effective 1/1/2021, KIGA employees will be spun off into their own KIGA Retirement Plan, copying the exact language of the KAIP and KFP Retirement Plans. At the same time, with a continued focus on cost savings, the KAIP Plan would merge with the KFP Plan. Once the paperwork is concluded, Mr. Hillis will present these documents to the Chair's and Vice Chairs of the FAIR Plan, and Auto Plan. The overall focus remains on (a) separating from the KIGA; and (2) focusing on operational efficiencies internally.

### **d. Compensation and Benefits Committee**

Mr. Hillis also distributed a copy of the Minutes of the Compensation and Benefits Committee which was established in 2017 to provide input from a Governing Committee or Board member of the Kentucky FAIR Plan Reinsurance Association; the Kentucky Assigned Claims Plan; and the

## Kentucky Automobile Insurance Plan

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Kentucky Insurance Arbitrations Association, all of whom participate in the Cost Sharing Agreement and who's organizations utilize the salary administration grid. He also provided copies of the Plans annual Willis, Towers, Watson survey addressing both Salary Range Adjustments and Merit Increase Budgets.

Mr. Hillis noted that he had three exceptional employees who contributed greatly to the success of the Plans in 2020.

- Melissa Chlon – the Assistant Director of the Plans. She shared Mr. Hillis' vision for the Plans, and worked diligently to lead the Plans to (1) Returning \$5m to the industry; (2) selling the old building and purchasing a new building returning \$1m to the equity of the FAIR Plan allowing for reduced rents to the other Plans; (3) reducing all budgets for the 3<sup>rd</sup> consecutive year; (4) expanding services beyond Kentucky in 2020 to both assist other Plans who were impacted by Covid, and resulting in the billing of nearly \$70k in 2020 which directly offsets Kentucky costs.
- Erin Lux – the Assistant Plans Manager. Erin further shared Mr. Hillis' vision and stepped away from a Director position with a national carrier to assist in moving the Plans forward. Erin works directly for Melissa and has been her righthand person.
- Tina Faleide – one of our two CPA's who stepped up incredibly over the past few months when the Illinois FAIR Plan lost one of their accountants. The Illinois Plans board and manager asked Kentucky to fill that role. Tina and her team have done that and have been working through moving Illinois to a new bank, providing additional operational efficiencies, and improving their system. Further, Tina will be moving the Illinois Plan to a new solution, replacing their old antiquated system, and working with DMLO – the Kentucky Auditing firm now also selected by the Illinois Plan, saving them over \$50k annually in auditing costs.

Mr. Hillis noted that he would be taking some additional actions in 2020, within 2020 budgets to recognize these individuals for the incredible cost savings and efficiencies they have provided to the Plans in Kentucky, and nationally now as well.

Mr. Hillis was asked to leave the meeting while Mr. Moore and Mr. Shockley reviewed documentation pertaining to the performance of the Plans, reviewed the Salary Study, and reviewed the Compensation and Benefits Committees feedback.

The Committee voted to authorize an aggregate increase of 3 percent for the employee group to be allocated by Mr. Hillis on a relative assessment basis effective the first pay period in January 2021. Further, the Committee provided Mr. Hillis with his evaluation to give Mr. Hillis an 8.1 percent salary increase. Mr. Moore will send Mr. Hillis an email confirming same.

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Prior to adjournment, it was agreed that Mr. Hillis would approach the Compensation and Benefits Committee regarding Goalsharing to perhaps limit the number of levels involved in that recognition, but also to seek feedback on the program as a whole.

6. **Adjournment:** There being no further business, the meeting was adjourned.

Respectfully submitted,



Mark Hillis  
Secretary-Treasurer

**Kentucky Auto Insurance Plan**  
**Personal Automobile Insurance Procedure (PAIP) Plan Manual Revisions – Proposal**  
**09448 June 1998 ISO to September 2018 Language**  
**Mail Vote**

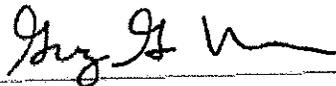
We recommend adopting the September 2018 edition of the Personal Auto Policy and related endorsements. We have developed the revised endorsements, Plan section, and manual rules to be utilized in introducing the September 2018 edition of the Personal Auto Policy to Kentucky Automobile Insurance Plan.

The recommendation of the Plan is to approve these changes to bring Plan language as up to date as possible.

A detailed overview of the entirety of the changes is attached, along with examples of the changes to the Plan Manual.

**Please indicate your preference below:**

- I Concur  
 I Do Not Concur  
 I Abstain  
 Hold for discussion at next meeting

Signed:  Date: 7/28/2020

Company: CNA Insurance

Please return by email to [shillis@kyfairplan.com](mailto:shillis@kyfairplan.com)

**Kentucky Auto Insurance Plan**  
Personal Automobile Insurance Procedure (PAIP) Plan Manual Revisions – Proposal  
09448 June 1998 ISO to September 2018 Language  
**Mail Vote**

We recommend adopting the September 2018 edition of the Personal Auto Policy and related endorsements. We have developed the revised endorsements, Plan section, and manual rules to be utilized in introducing the September 2018 edition of the Personal Auto Policy to Kentucky Automobile Insurance Plan.

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**Please indicate your preference below:**

- I Concur  
 I Do Not Concur  
 I Abstain  
 Hold for discussion at next meeting

Signed: *Tommy Shillis* Date: 9/24/2020

Company: Kentucky National Ins. Co.

**Please return by email to [shillis@kyfairplan.com](mailto:shillis@kyfairplan.com)**

**Kentucky Auto Insurance Plan**  
Personal Automobile Insurance Procedure (PAIP) Plan Manual Revisions – Proposal  
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**Please indicate your preference below:**

- I Concur  
 I Do Not Concur  
 I Abstain  
 Hold for discussion at next meeting

Signed: Christen Mellinger Date: 9/24/20  
 Company: Kentucky Farm Bureau

**Please return by email to [shillis@kyfairplan.com](mailto:shillis@kyfairplan.com)**

**Kentucky Auto Insurance Plan**  
Personal Automobile Insurance Procedure (PAIP) Plan Manual Revisions – Proposal  
09448 June 1998 ISO to September 2018 Language  
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**Please indicate your preference below:**

- I Concur  
 I Do Not Concur  
 I Abstain  
 Hold for discussion at next meeting

Signed: Christopher Migliozi Digitally signed by Christopher Migliozi  
Date: 2020.09.29 07:00:14 -04'00' Date: 09/29/2020

Company: Nationwide Insurance

Please return by email to [shillis@kyfairplan.com](mailto:shillis@kyfairplan.com)

**Kentucky Auto Insurance Plan**  
Personal Automobile Insurance Procedure (PAIP) Plan Manual Revisions – Proposal  
09448 June 1998 ISO to September 2018 Language  
**Mail Vote**

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**Please indicate your preference below:**

- I Concur  
 I Do Not Concur  
 I Abstain  
 Hold for discussion at next meeting

Signed: Angela Haston Date: 09/24/2020

Company: State Farm Mutual Automobile Insurance Company

**Please return by email to [shillis@kyfairplan.com](mailto:shillis@kyfairplan.com)**

**Kentucky Auto Insurance Plan**  
Personal Automobile Insurance Procedure (PAIP) Plan Manual Revisions – Proposal  
09448 June 1998 ISO to September 2018 Language  
**Mail Vote**

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**Please indicate your preference below:**

- I Concur  
 I Do Not Concur  
 I Abstain  
 Hold for discussion at next meeting

Signed: Rudy C. Schlich Date: 9/23/2020

Company: Old Kentucky Insurance

**Please return by email to [shillis@kyfairplan.com](mailto:shillis@kyfairplan.com)**

**Kentucky Auto Insurance Plan**  
Personal Automobile Insurance Procedure (PAIP) Plan Manual Revisions – Proposal  
09448 June 1998 ISO to September 2018 Language  
**Mail Vote**

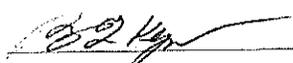
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**Please indicate your preference below:**

- I Concur  
 I Do Not Concur  
 I Abstain  
 Hold for discussion at next meeting

Signed:  Date: 10-5-20

Company: ETI

Please return by email to [shillis@kyfairplan.com](mailto:shillis@kyfairplan.com)

**ELECTION OF OFFICERS: Kentucky Automobile Insurance Plan Governing Committee  
- 2021**

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Name and Address
<p><b>George Moore (Chair)</b> Vice President – CNA Insurance 550 Polaris Parkway Suite 100 Westerville, OH 43082 (614) 818-7801 <a href="mailto:George.Moore@CNA.com">George.Moore@CNA.com</a></p>
<p><b>Rodney Shockley (Vice-Chair)</b> Chief Executive Officer – Kentucky National Insurance 2709 Old Rosebud Rd. Lexington, KY 40509 (859) 264-0030 <a href="mailto:roshockley@forchtgroup.com">roshockley@forchtgroup.com</a></p>
<p><b>Stephen “Mark” Hillis (Secretary-Treasurer, Manager)</b> Executive Director – Kentucky Insurance Plans 10605 Shelbyville Road Suite 100, Louisville, KY 40223 (502) 327-8909 <a href="mailto:Shillis@kyfairplan.com">Shillis@kyfairplan.com</a></p>

**KENTUCKY AUTOMOBILE INSURANCE PLAN**  
**Year Ended December 31, 2020**

<b><u>Financial Highlights</u></b>	<b><u>12/31/2020</u></b>	<b><u>12/31/2019</u></b>
Cash and cash equivalents	\$ 1,145,759	\$ 1,174,008
Premiums receivable	\$ 5,039	\$ 8,828
Assessment receivables	\$ 202,807	\$ 166,788
Other receivables	\$ 106,853	\$ 157,487
Total admitted assets	\$ 1,460,458	\$ 1,507,111
Insurance reserves	\$ 313,723	\$ 93,374
Accounts payable and accrued expenses	\$ 38,540	\$ 32,559
Total liabilities	\$ 352,263	\$ 125,933
Net assets	\$ 1,108,195	\$ 1,381,178
Premiums earned	\$ 107,241	\$ 64,279
Change in premiums earned	66.8%	
Assessments	\$ 304,172	\$ 287,842
Underwriting expenses	\$ 491,514	\$ 115,488
Change in underwriting expenses	325.6%	
Management and general expenses	\$ 197,862	\$ 231,479
Change in net assets	\$ (272,983)	\$ 14,797
Net cash flow from operations	\$ (28,249)	\$ 1,042,247

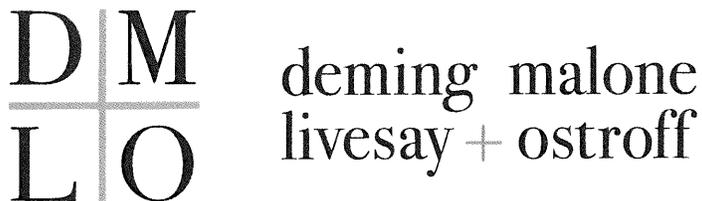
**Comments**

- Financial statements are prepared on the statutory basis of accounting as prescribed or permitted by the Kentucky Department of Insurance
- No new accounting policies adopted or changed during the year
- Major estimate in the financial statements is the estimate of the loss and loss adjustment expense reserves
- One adjustment made to adjust assessments which resulted in an increase in net assets of \$174,188
- One adjustment waived to accrue payroll and PTO with would have resulted in a decrease in net assets of \$3,692
- No internal control related findings to report

301 E. Elm Street  
New Albany, Indiana 47150  
T: 812.945.5236  
F: 812.949.4095

9300 Shelbyville Road  
Suite 1100  
Louisville, Kentucky 40222  
T: 502.426.9660  
F: 502.425.0883

131 E. Chestnut Street  
Corydon, Indiana 47112  
T: 812.738.3516  
F: 812.738.3519



To the Governing Committee  
Kentucky Automobile Insurance Plan

We have audited the financial statements of Kentucky Automobile Insurance Plan (Plan) for the year ended December 31, 2020, and have issued our report thereon dated March 3, 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 Automobile Insurance 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.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the loss and loss adjustment expense reserves. These estimates are based on losses reported and adjusted and estimates for loss and loss adjustment expenses incurred but not reported. The Plan relies on the actuarial opinion of AIPSO, a management organization and service provider for the residual market, in determining the estimate for loss and loss adjustment expenses incurred but not reported. We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of liability of loss and loss adjustment expenses in Note 3 to the financial statements. This disclosure is significant due to the information provided on the future liability of the Plan.

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. The following adjustments for the Plan, detected as a result of our non-attest services was recorded by management:

	<u>Change in Net Assets</u>
Record and adjust assessments	<u>\$174,188</u>

In addition, the schedule below summarizes an uncorrected adjustment of the financial statements. Management has determined that its effect is immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

	<u>Change in Net Assets</u>
Accrue payroll and PTO	<u>\$(3,692)</u>

*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 March 3, 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.

*Other Matters*

This information is intended solely for the use of the Governing Committee and management of Kentucky Automobile Insurance Plan and is not intended to be, and should not be, used by anyone other than these specified parties.



Louisville, Kentucky  
March 3, 2021

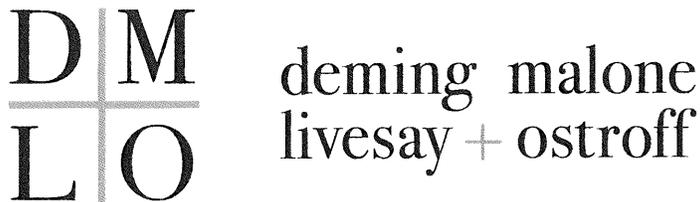
**KENTUCKY AUTOMOBILE INSURANCE PLAN**

**FINANCIAL STATEMENTS**

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

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### Independent Auditors' Report

To the Governing Committee  
Kentucky Automobile Insurance Plan

We have audited the accompanying financial statements of Kentucky Automobile Insurance Plan (a not-for-profit organization), which comprise the statements of admitted assets, liabilities, and net assets – statutory basis as of December 31, 2020 and 2019, and the related statements of revenue, expenses, and other changes in net assets – statutory basis and statements of cash flows – statutory basis for the years then ended, 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 financial reporting provisions prescribed or permitted by the Commonwealth of Kentucky Department of Insurance. 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.

**Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1 of the financial statements, the financial statements are prepared by Kentucky Automobile Insurance Plan in accordance with financial reporting provisions prescribed or permitted by the Commonwealth of Kentucky Department of Insurance, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Commonwealth of Kentucky Department of Insurance. The effects on the financial statements of the variances between the statutory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

**Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Kentucky Automobile Insurance Plan as of December 31, 2020 and 2019, or the changes in its net assets or its cash flows for the years then ended.

**Opinion on Statutory Basis of Accounting**

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the admitted assets, liabilities, and net assets of Kentucky Automobile Insurance Plan as of December 31, 2020 and 2019, and its revenue, expenses, and other changes in net assets for the years then ended, in accordance with the financial reporting provisions prescribed or permitted by the Commonwealth of Kentucky Department of Insurance as described in Note 1.

*Deming, Malone, Linsay & Petroff*

Louisville, Kentucky  
March 3, 2021

**KENTUCKY AUTOMOBILE INSURANCE PLAN**  
**STATEMENTS OF ADMITTED ASSETS, LIABILITIES, AND**  
**NET ASSETS - STATUTORY BASIS**  
December 31, 2020 and 2019

<b>Admitted Assets</b>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,145,759	\$ 1,174,008
Premiums receivable	5,039	8,828
Assessment receivables	202,807	166,788
Other receivables	<u>106,853</u>	<u>157,487</u>
<b>Total admitted assets</b>	<b><u>\$ 1,460,458</u></b>	<b><u>\$ 1,507,111</u></b>
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	<u>\$ 21,443</u>	<u>\$ 30,301</u>
Accrued expenses	<u>17,097</u>	<u>2,258</u>
Insurance reserves:		
Losses	225,139	43,941
Loss adjustment expense	22,014	4,832
Unearned premiums	44,183	40,918
Premium deficiency	<u>22,387</u>	<u>3,683</u>
	<u>313,723</u>	<u>93,374</u>
<b>Total liabilities</b>	352,263	125,933
<b>Net Assets</b>	<u>1,108,195</u>	<u>1,381,178</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 1,460,458</u></b>	<b><u>\$ 1,507,111</u></b>

See Notes to Financial Statements.

**KENTUCKY AUTOMOBILE INSURANCE PLAN**  
**STATEMENTS OF REVENUES, EXPENSES, AND OTHER**  
**CHANGES IN NET ASSETS - STATUTORY BASIS**  
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Revenues</b>		
Assessments	\$ 304,172	\$ 287,842
Premiums earned	107,241	64,279
Net investment return	2,630	9,578
Other income	<u>2,350</u>	<u>65</u>
<b>Total revenues</b>	<u>416,393</u>	<u>361,764</u>
<b>Expenses</b>		
Program - underwriting expenses:		
Losses	371,846	72,165
Other	55,192	14,597
Loss adjustment	40,138	7,086
Service provider fees	13,287	11,120
Commissions	<u>11,051</u>	<u>10,520</u>
	<u>491,514</u>	<u>115,488</u>
Management and general:		
Salaries and wages	69,232	76,167
Professional fees	41,568	35,876
Management fees	30,855	23,880
Health insurance	19,552	16,517
Retirement	10,711	15,075
Other	8,667	22,417
Rent	7,676	6,806
Payroll taxes	4,897	5,590
Computer	<u>4,704</u>	<u>29,151</u>
	<u>197,862</u>	<u>231,479</u>
<b>Total expenses</b>	<u>689,376</u>	<u>346,967</u>
<b>Change in net assets</b>	(272,983)	14,797
Net assets at beginning of year	<u>1,381,178</u>	<u>1,366,381</u>
Net assets at end of year	<u>\$ 1,108,195</u>	<u>\$ 1,381,178</u>

See Notes to Financial Statements.

**KENTUCKY AUTOMOBILE INSURANCE PLAN**  
**STATEMENTS OF CASH FLOWS - STATUTORY BASIS**  
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from customers, members and others	\$ 432,463	\$ 1,295,177
Cash paid to suppliers, employees and others	(466,311)	(261,952)
Net investment and other income received	<u>5,599</u>	<u>9,022</u>
<b>Net cash (used in) provided by operating activities</b>	<u>(28,249)</u>	<u>1,042,247</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	(28,249)	1,042,247
Cash and cash equivalents at beginning of year	<u>1,174,008</u>	<u>131,761</u>
Cash and cash equivalents at end of year	<u>\$ 1,145,759</u>	<u>\$ 1,174,008</u>
<b>Reconciliation of Change in Net Assets to Net Cash (Used in) Provided by Operating Activities</b>		
<b>Change in net assets</b>	\$ (272,983)	\$ 14,797
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Changes in assets and liabilities:		
(Increase) decrease in:		
Premiums receivable	3,789	(8,828)
Assessment receivables	(36,019)	796,376
Other receivable	50,634	113,969
Increase (decrease) in:		
Accounts payable	(8,858)	30,301
Accrued expenses	14,839	2,258
Insurance reserves	<u>220,349</u>	<u>93,374</u>
<b>Net cash (used in) provided by operating activities</b>	<u>\$ (28,249)</u>	<u>\$ 1,042,247</u>

See Notes to Financial Statements.

## KENTUCKY AUTOMOBILE INSURANCE PLAN

### NOTES TO FINANCIAL STATEMENTS

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

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

The Kentucky Automobile Insurance Plan (Plan) is a statutory, not-for-profit, unincorporated legal entity which provides two residual market mechanisms for vehicle liability coverage in Kentucky, one for personal vehicles and the other for commercial vehicles. The Plan's members are insurance companies authorized to write automobile liability insurance in Kentucky.

Effective January 1, 2019, the Plan's personal vehicle component, Personal Auto Insurance Program (PAIP), policies are issued on Kentucky Automobile Insurance Plan paper. Issuance of the policies and claims handling is administered by Automobile Insurance Plan Service Office (AIPSO). This activity is included in the accompanying financial statements.

The Plan's commercial vehicle component, Kentucky Commercial Automobile Insurance Procedure (KCAIP), policies are not issued on Kentucky Automobile Insurance Plan paper. The Plan receives applications and forwards each properly completed application to a single servicing carrier which underwrites the commercial vehicle policies, collects the premiums, handles all claims and adjustment expenses, charges its pre-approved fees, and remits the remaining funds to AIPSO if applicable, or charges the industry for losses beyond premiums earned. AIPSO operates a pooling arrangement on behalf of the Plan and its members under which the profits and losses from the operation of KCAIP are spread among the Plan's members. From time to time, the members pay assessments to AIPSO or receive distributions from AIPSO in connection with the pooling arrangement. This activity is not included in the accompanying financial statements.

The Plan periodically assesses all member insurance companies for their pro-rata share of PAIP and administrative expenses. Each member is assessed in the same proportion that the member's voluntary direct premiums written during the preceding calendar year bear to the total of such direct premiums written by all members during the preceding calendar year.

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

This summary of significant accounting policies of Kentucky Automobile Insurance 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 statutory basis of accounting and have been consistently applied in the preparation of the financial statements.

## NOTES TO FINANCIAL STATEMENTS

### **Basis of accounting:**

The Plan prepares its financial statements on the statutory basis of accounting as prescribed or permitted by the Commonwealth of Kentucky Department of Insurance for insurance companies. Prescribed statutory accounting practices include a variety of publications of the National Association of Insurance Commissioners (NAIC), as well as state laws, regulations, and general administrative rules.

Statutory accounting principles is a special purpose framework that varies in some respects from accounting principles generally accepted in the United States of America (GAAP). The more significant differences are as follows:

- Certain costs of acquiring insurance business, principally commissions, are expensed as incurred rather than deferred and amortized as the related premiums are earned.
- Salvage and subrogation recoveries are recognized when received rather than accrued.
- Nonadmitted assets, principally certain deposits, premium receivables greater than 90 days past due, and furniture and equipment, are charged directly to net assets rather than recorded as an asset, net of any valuation allowance.
- Investments in available-for-sale securities having a fixed term, rate and face value are stated at amortized cost rather than fair value.

### **Net assets:**

Net assets are available for use in general operations and are not subject to any donor restrictions. Net assets include funds designated as a contingency fund by the Governing Committee.

### **Use of estimates:**

The preparation of financial statements under accounting practices prescribed or permitted by the Commonwealth of Kentucky Department of Insurance requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Premiums, assessments and underwriting expense:**

Insurance premiums are earned ratably over the terms of the underlying policies. Assessments are earned when assessed. Commissions and other costs related to acquiring business are charged to operations as incurred.

## NOTES TO FINANCIAL STATEMENTS

### **Cash equivalents:**

Cash equivalents are short-term, highly liquid investments with original maturities of three months or less. Cash equivalents include the Plan's share of a liquid asset trust, a commingled investment account administered by AIPSO on behalf of participating plans.

### **Receivables:**

Premiums receivable consist of unsecured amounts due from policyholders. Amounts are considered past due based on policy terms. If unpaid per policy terms, the policy is cancelled, and related unearned premium is reversed. Any receivable outstanding more than 90 days are considered nonadmitted assets.

Assessment receivables consist of unpaid amounts due from member insurance companies. Amounts are written off when deemed uncollectible.

The Plan considers all receivables at December 31, 2020 and 2019 to be fully collectible. Accordingly, there is no allowance for doubtful accounts.

### **Nonadmitted assets:**

Assets included in the financial statements are at admitted asset value. Nonadmitted assets, which are specifically designated by statutory accounting principles as assets that cannot be readily realized for the benefit of policyholders, are excluded through a direct charge to net assets.

### **Loss and loss adjustment expense reserves:**

Loss and loss adjustment expense reserves are based on losses reported and adjusted and estimates for loss and loss adjustment expenses incurred but not reported. The Plan relies on the actuarial opinion of AIPSO, a management organization and service provider for the residual market, in determining the estimate for loss and loss adjustment expenses incurred but not reported. Loss and loss adjustment expense reserves are based on estimates, and the ultimate liability may vary significantly from such estimates. Changes in estimates are recorded in the year in which the Plan becomes aware of the need for revision.

### **Functional allocation of expenses:**

The costs of program and supporting services are presented in the statements of revenues, expenses, and other changes in net assets. The functional expenses on those statements present the natural classification detail of expenses by function. Costs have been directly allocated to program and supporting services based on type of costs.

### **Capitalization policy:**

The Plan's policy is to capitalize asset purchases in excess of \$2,000 with a useful life exceeding one year.

## NOTES TO FINANCIAL STATEMENTS

### Subsequent events:

Subsequent events have been evaluated through March 3, 2021, which is the date the financial statements were available to be issued.

### Note 2. Liquidity and Availability

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of December 31, 2020 and 2019, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$645,759	\$ 674,008
Receivables	<u>314,699</u>	<u>333,103</u>
	<u>\$960,458</u>	<u>\$1,007,111</u>

Additional cash equivalent funds designated by the Governing Committee as a contingency fund in the amount of \$500,000 could be made available for general expenditure if necessary.

The Plan manages its liquidity and reserves following two guiding principles: operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs.

### Note 3. Liability for Loss and Loss Adjustment Expenses

Activity in the liability for loss and loss adjustment expenses as of and for the years ended December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Reserves, beginning of year	\$ 48,773	
Incurred loss and loss adjustment expenses:		
Provision for insured events of current year	130,035	\$79,251
Increase in provision attributable to prior year events	<u>310,647</u>	
Total incurred	<u>440,682</u>	<u>79,251</u>
Payments:		
Attributable to current year events	65,447	30,478
Attributable to prior year events	<u>176,855</u>	
Total paid	<u>242,302</u>	<u>30,478</u>
Reserves, end of year	<u>\$247,153</u>	<u>\$48,773</u>

## NOTES TO FINANCIAL STATEMENTS

### Note 4. 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 5. Related Party Transactions

Kentucky Assigned Claims Plan, Kentucky Insurance Guaranty Association, Kentucky Insurance Arbitration Association, and Kentucky FAIR Plan Reinsurance Association (KFP) are related organizations under a cost sharing agreement. The Plan and KFP furnish personnel and administrative support for the Plan and the above entities and allocate the charges to each.

Following is a summary of transactions and balances under the cost sharing agreement for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
(Payable) receivable at the beginning of the year	\$ (29,633)	\$ 271,456
Expenses allocated during the year	(154,740)	(206,644)
Payments received during the year		(271,456)
Payments made during the year	<u>162,435</u>	<u>177,011</u>
Payable at the end of year	<u>\$ (21,938)</u>	<u>\$ (29,633)</u>

### Note 6. Retirement Plans

The Plan has a money-purchase pension plan and 401(k) defined contribution plan that cover substantially all employees. Contributions to the money-purchase pension plan are determined annually at the discretion of the Governing Committee. Annual expense provisions for the 401(k) defined contribution are based upon the Plan matching a portion of the employees' contributions. Total expense for these plans was \$10,711 and \$15,075, for the years ended December 31, 2020 and 2019, respectively.

Costs are allocated in accordance with the cost sharing agreement as described in Note 5.

## NOTES TO FINANCIAL STATEMENTS

### **Note 7. Operating Lease**

The Plan leases office space from the Kentucky FAIR Plan Reinsurance Association under an operating lease through December 31, 2021. This 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 not less than 30 days prior to expiration of the term of the lease. Future minimum rental commitments under the lease are \$6,400 for the year ending December 31, 2021. Rent expense was \$7,676 and \$6,806 for the years ended December 31, 2020 and 2019, respectively.

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

The Plan maintains its cash and cash equivalents at various financial institutions and in a liquid asset trust held by AIPSO. The total balance at each financial 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 \$901,000.

### **Note 9. Commitments**

The Plan has entered into a service agreement with AIPSO to administer the Personal Auto Insurance Program (PAIP). Under the agreement, AIPSO will provide underwriting, policy issuance and administration, and claims handling services for all PAIP applications. The Plan may terminate the agreement with six months written notice to AIPSO. During the years ended December 31, 2020 and 2019, the Plan incurred expenses of \$47,500 and \$35,000, respectively, under the terms of the agreement. As part of the agreement, AIPSO holds the Plan's funds in a liquid asset trust. As of December 31, 2020 and 2019, the Plan had a receivable due from AIPSO of \$40,191 and \$104,900, respectively, for Plan funds that have not been allocated to the Plan's share of the liquid asset trust. This amount is included in other receivables on the statements of assets, liabilities, and net assets.

### **Note 10. Contingency**

On March 11, 2020, the World Health Organization classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and significant impact on the global economy. As of December 31, 2020, economic and public health uncertainties exist which may have negative effect on the Plan's future operations and cash flows. The total impact of the COVID-19 outbreak is unknown at the date the financial statements were issued. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.



**KENTUCKY COMMERCIAL AUTOMOBILE  
INSURANCE PROCEDURE**

Financial Statements  
and  
Statements of Cash Receipts and Disbursements  
Accounted for by the Central Processor

August 31, 2020 and 2019

(with Independent Auditors' Report Thereon)



**KENTUCKY COMMERCIAL AUTOMOBILE  
INSURANCE PROCEDURE**

Financial Statements

August 31, 2020 and 2019

(with Independent Auditors' Report Thereon)



KPMG LLP  
 One Financial Plaza, Suite 2300  
 Providence, RI 02903

## Independent Auditors' Report

Governing Committee  
 Kentucky Automobile Insurance Plan:

We were engaged to audit the accompanying financial statements of the Kentucky Commercial Automobile Insurance Procedure (the "CAIP"), which comprise the statement of assets, liabilities, and accountability of members as of August 31, 2020, and the related statement of operations, and statement of changes in accountability of members for the year then ended, 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 financial reporting provisions of Section B of the Commercial Automobile Insurance Procedure Accounting and Statistical Requirements Manual dated June 2009 (the Manual); this includes 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 conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### *Basis for Disclaimer of Opinion*

Our procedures on the underwriting accounts (as defined in Note 2 to the financial statements, "*Underwriting Account Accumulations*") were restricted under the terms of our engagement, and did not allow us to obtain evidence as to the existence, completeness, accuracy, and valuation of the underlying data reported to the CAIP by individual servicing carriers as of August 31, 2020. As a result, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded amounts in the underwriting accounts, and the related elements making up the statement of assets, liabilities and accountability of members, statement of operations, and statement of changes in accountability of members.

### *Disclaimer of Opinion*

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

### *Basis of Accounting*

We draw attention to Note 2 to the financial statements, which describes the basis of accounting to meet the requirements of financial reporting provisions of the Manual. The financial statements are prepared by the Central Processor (AIPSO) on the basis of the financial reporting provisions of Section B of the Manual, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.



*Other Matter*

The accompanying financial statements of the Kentucky Commercial Automobile Insurance Procedure as of August 31, 2019 and for the year then ended were audited by other auditors whose report thereon dated July 30, 2020, expressed a disclaimer of opinion on those financial statements on the basis of a restriction to their engagement that did not allow them to obtain evidence as to the existence, completeness, accuracy, and valuation of the underlying data reported to the CAIP by individual servicing carriers as of August 31, 2019.

*Restriction on Use*

Our report is intended solely for the information and use of the governing committee, management, AIPSO, member companies of the CAIP and state insurance departments to whose jurisdiction the CAIP is subject and is not intended to be and should not be used by anyone other than these specified parties.

*KPMG LLP*

Providence, Rhode Island  
May 13, 2021

**KENTUCKY COMMERCIAL AUTOMOBILE  
INSURANCE PROCEDURE**  
**Statements of Assets, Liabilities, and Accountability of Members**  
**August 31, 2020 and 2019**

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	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 270,106	\$ 617,183
Accounts receivable - member companies	59,869	194,037
Accounts receivable - servicing carriers	601,435	-
Accrued interest receivable	17	358
	<u>          </u>	<u>          </u>
Total assets	<u>\$ 931,427</u>	<u>\$ 811,578</u>
<b>LIABILITIES AND ACCOUNTABILITY OF MEMBERS</b>		
<b>LIABILITIES</b>		
Loss reserves	\$ 1,969,124	\$ 1,335,904
Allocated loss adjustment expense reserves	80,960	74,730
Unearned premiums	884,842	274,725
Premium deficiency reserve	27,133	-
Accounts payable - member companies	590,047	193,013
Accounts payable - servicing carriers	-	207,113
Accounts payable - AIPSO	1,191	1,518
Accrued expenses	19,935	19,147
	<u>          </u>	<u>          </u>
Total liabilities	3,573,232	2,106,150
<b>ACCOUNTABILITY OF MEMBERS</b>	<u>(2,641,805)</u>	<u>(1,294,572)</u>
	<u>          </u>	<u>          </u>
Total liabilities and accountability of members	<u>\$ 931,427</u>	<u>\$ 811,578</u>

*See accompanying notes to the financial statements.*

**KENTUCKY COMMERCIAL AUTOMOBILE  
INSURANCE PROCEDURE**  
**Statements of Operations**  
**Years ended August 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Premiums earned	\$ 824,018	\$ 1,200,207
Losses incurred	1,025,988	522,847
Allocated loss adjustment expense incurred	35,658	20,289
Unallocated loss adjustment expense allowance	90,900	164,060
Change in premium deficiency reserve	27,133	(134,254)
Administrative expense allowance	267,901	121,822
Commissions expense	84,315	42,788
Premium tax expense	<u>28,683</u>	<u>13,177</u>
Total underwriting expense	<u>1,560,578</u>	<u>750,729</u>
Underwriting (loss) gain	(736,560)	449,478
Premiums (charged off) recovered	(6,432)	26,138
Insolvent company recovered	10,885	-
Indemnification expense	(443)	(19,147)
Central processor expense	(14,059)	(13,772)
Miscellaneous (expense) income	<u>(702)</u>	<u>7,405</u>
(Loss) gain from operations	<u>\$ (747,311)</u>	<u>\$ 450,102</u>

*See accompanying notes to the financial statements.*

**KENTUCKY COMMERCIAL AUTOMOBILE  
INSURANCE PROCEDURE**  
**Statements of Changes in Accountability of Members**  
**Years ended August 31, 2020 and 2019**

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	<u>2020</u>	<u>2019</u>
<b>Accountability of members, beginning of year</b>	\$ (1,294,572)	\$ (1,982,590)
Settlement activity for period		
Change in settlement	(599,922)	237,916
(Loss) gain from operations	<u>(747,311)</u>	<u>450,102</u>
<b>Accountability of members, end of year</b>	<u><u>\$ (2,641,805)</u></u>	<u><u>\$ (1,294,572)</u></u>

*See accompanying notes to the financial statements.*

# **KENTUCKY COMMERCIAL AUTOMOBILE INSURANCE PROCEDURE**

## **Notes to Financial Statements**

### **Years ended August 31, 2020 and 2019**

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#### **1. NATURE OF BUSINESS**

The primary responsibility of the Kentucky Automobile Insurance Plan (the Plan) is to provide automobile insurance to applicants that are eligible for coverage under the Plan. The Commercial Automobile Insurance Procedure (CAIP) was implemented to provide for the servicing of risks as defined in the CAIP section of the Plan Manual. The Kentucky CAIP was adopted by the Governing Committee and approved by the Commissioner of Insurance of the State of Kentucky.

The Governing Committee has appointed servicing carrier(s) to issue insurance policies, collect premiums, pay commissions, and adjust claims. They are paid a fee for these services. Any insurance company writing commercial automobile insurance in the state is required to become a member of the Plan (member company). Funds are collected and disbursed to servicing carriers and member companies on a quarterly basis, based on net cash activity. In the event that a company is declared insolvent, all remaining companies are responsible for the insolvent company's share of the Plan deficit.

AIPSO has been appointed by the Governing Committee to act as the Central Processor to perform accounting and statistical functions for which the CAIP is charged a service fee. AIPSO is responsible for the disbursement and collection of funds attributable to the servicing carriers' CAIP experience.

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Basis of Presentation**

The accompanying financial statements of the Kentucky Commercial Automobile Insurance Procedure, domiciled in Kentucky, have been prepared in accordance with the financial reporting provisions of Section B of the Commercial Automobile Insurance Procedure Accounting and Statistical Requirements Manual (the Manual).

The financial reporting provisions of the Manual vary from U.S. generally accepted accounting principles primarily in that underwriting results and related accounts presented in accordance with the Manual would not be recorded and expenses directly associated with the acquisition of new policies are charged to current operations as incurred rather than deferred and amortized over the term of the policy. The aggregate effect of the differences has not been determined. In addition, a statement of cash flows has not been presented.

##### **Cash and Cash Equivalents**

Cash and cash equivalents represent the CAIP's share of the AIPSO Liquid Asset Trust (LAT) managed by AIPSO and cash on hand. The investments of the LAT are limited to U.S. Treasury notes and bills, government-sponsored enterprises, money market accounts, commercial paper, and overnight repurchase agreements and are recorded at cost, which approximates fair value. LAT investments have less than three month maturities from the acquisition date and, therefore, are considered cash equivalents.

# **KENTUCKY COMMERCIAL AUTOMOBILE INSURANCE PROCEDURE**

## **Notes to Financial Statements**

### **Years ended August 31, 2020 and 2019**

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#### **Underwriting Account Accumulations**

Servicing carriers report to AIPSO underwriting account accumulations, including premiums, commissions, losses, loss adjustment expenses, premium taxes, loss reserves, loss adjustment expense reserves, administrative expenses, guaranty fund and other assessments, other underwriting expenses, premiums charged off, commissions charged off, collection fees and related receipts, and disbursements, as applicable. AIPSO accumulates this underwriting account information and derives the related asset and liability accounts, as well as operating accounts, which form the basis for preparation of the accompanying statements of assets, liabilities and accountability of members and statements of operations and changes in accountability of members. The appropriate share of these underwriting accounts, including other operating expenses of the CAIP, is allocated to each member company. This allocation is based upon participation ratios, which approximate each member company's voluntary writings to the total voluntary writings within the state.

#### **Change in Settlement**

Each quarter, the Central Processor estimates the projected cash needs of the CAIP based upon the last four quarters cash requirements and CAIP market trends and includes an appropriate contingency fund to cover potential cash shortfalls in the CAIP. The change in settlement is a combination of the change in contingency fund, as well as the cash results of the CAIP, which are allocated to and settled with the member companies based on their voluntary market share in the state.

#### **Premiums**

Premiums earned are recognized ratably over the terms of the policies. Unearned premiums represent that portion of written premiums applicable to the unexpired period of the policy. Earned but unbilled premium represents estimated audit premiums and are recorded as an adjustment to earned premium. The amount of earned but unbilled premium at August 31, 2020 and 2019 was \$1,846 and \$12,980, respectively, which is included in unearned premiums in the statement of assets, liabilities, and accountability of members.

#### **Loss and Allocated Loss Adjustment Expense Reserves**

The liability for losses and allocated loss adjustment expense represents case basis estimates of reported losses, estimates of incurred but not reported losses, as reported by the servicing carriers, and estimated salvage and subrogation recoverable, as calculated by AIPSO. The estimated salvage and subrogation recoverable at August 31, 2020 and 2019 was \$16,992 and \$15,116, respectively, which is included in loss reserves in the statement of assets, liabilities, and accountability of members.

Reserve estimates are based on past loss experience modified for current claim trends as well as prevailing social, economic, and legal conditions. Final claim payments, however, may ultimately differ from the established reserves. Reserve estimates are continually reviewed and updated and any resulting adjustments are reflected in current operating results.

The loss reserves and allocated loss adjustment expense reserves contained in the financial statements have been subjected to the NAIC loss reserve statement of opinion process as contained in the Manual. Each servicing carrier has provided to AIPSO a loss reserve statement of opinion that covers the following points: a) the reserves meet the requirements of the insurance laws of "state of domicile"; b) are computed in accordance with accepted loss reserving standards and principles; and c) make a reasonable provision for all

**KENTUCKY COMMERCIAL AUTOMOBILE  
INSURANCE PROCEDURE  
Notes to Financial Statements  
Years ended August 31, 2020 and 2019**

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unpaid loss and loss expense reserving obligations of the servicing carrier under the terms of its policies and agreements.

**Unallocated Loss Adjustment Expense Allowance**

Unallocated loss adjustment expense allowance is computed by AIPSO as a percentage of earned premiums.

**Administrative Expense Allowance**

Administrative expense allowance is computed by AIPSO as a percentage of premiums written.

**Use of Estimates**

The Central Processor and the servicing carriers have made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues, and expenses to prepare these financial statements in conformity with the basis of accounting described in Note 2. Actual results could differ from those estimates.

**Premium Deficiency Reserve**

Premium deficiency reserve represents the excess of anticipated losses, loss adjustment expenses, commissions and other acquisition costs, and maintenance costs over unearned premiums. The amount of the premium deficiency reserve at August 31, 2020 and 2019 was computed by AIPSO and was \$27,133 and \$0, respectively.

**3. INCOME TAXES**

The CAIP represents an administrative procedure of the Plan. The tax status of the Plan and any tax positions of the Plan do not impact the CAIP.

**4. MEMBER COMPANIES IN REHABILITATION**

There is no amount included in accounts receivable or payable member companies at August 31, 2020 and 2019, due from/(due to) members in rehabilitation/conservation by court order. If an amount is a receivable which becomes uncollectible, it would be written off and assessed to the other member companies of the CAIP. The write-off of insolvent companies is accomplished through a reallocation of the insolvent companies' inception-to-date CAIP experience, including amounts paid and unpaid by the insolvent member, with no net impact on accountability of members or accounts receivable (payable) member companies in the aggregate.

**5. COMMITMENTS AND CONTINGENCIES**

The CAIP is involved in various legal proceedings arising out of and incidental to its business.

In accordance with the CAIP servicing carrier agreement, a servicing carrier is entitled to have certain legal and other claim related costs indemnified by the CAIP if it is determined that there was no criminal or willful misconduct on the part of the servicing carrier. During the fiscal years ended August 31, 2020 and 2019, the CAIP incurred indemnification expenses of \$443 and \$19,147, respectively.

**KENTUCKY COMMERCIAL AUTOMOBILE  
INSURANCE PROCEDURE**  
Notes to Financial Statements  
Years ended August 31, 2020 and 2019

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Management of the CAIP, based on its review with counsel, does not anticipate that the losses, if any, incurred as a result of these legal proceedings, or CAIP indemnification, would materially affect the financial position or results of operations of the CAIP.

**6. LIABILITY FOR LOSS RESERVES AND ALLOCATED LOSS ADJUSTMENT EXPENSE RESERVES**

Activity in the liability for loss reserves is summarized as follows:

	<u>2020</u>	<u>2019</u>
<b>Balance at September 1</b>	\$ 1,335,904	\$ 1,370,219
Incurring (recovered) related to		
Current year	789,222	762,344
Prior years	236,766	(239,497)
Total incurred	<u>1,025,988</u>	<u>522,847</u>
Paid related to		
Current year	94,246	84,069
Prior years	298,522	473,093
Total paid	<u>392,768</u>	<u>557,162</u>
<b>Balance at August 31</b>	<u>\$ 1,969,124</u>	<u>\$ 1,335,904</u>

Activity in the liability for allocated loss adjustment expense reserve is summarized as follows:

	<u>2020</u>	<u>2019</u>
<b>Balance at September 1</b>	\$ 74,730	\$ 71,815
Incurring (recovered) related to		
Current year	(47)	24,503
Prior years	35,705	(4,214)
Total incurred	<u>35,658</u>	<u>20,289</u>
Paid related to		
Current year	-	1,864
Prior years	29,428	15,510
Total paid	<u>29,428</u>	<u>17,374</u>
<b>Balance at August 31</b>	<u>\$ 80,960</u>	<u>\$ 74,730</u>

## **KENTUCKY COMMERCIAL AUTOMOBILE INSURANCE PROCEDURE**

### **Notes to Financial Statements**

#### **Years ended August 31, 2020 and 2019**

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Detailed loss information is captured by the servicing carrier on an accident and policy year basis for reporting purposes. Therefore, the current year, as reported above, includes the accident year results and the prior accident year results, which were reported in the first quarter of the current fiscal year.

The CAIP is unable to determine the reasons for the change in the provision for incurred losses and allocated loss adjustment expense reserves, which are attributable to insured events of prior years. This information resides with the servicing carriers and is not reported to the Plan. Refer to Note 2 for further information.

#### **7. RISKS AND UNCERTAINTIES**

In 2020, there is only one active servicing carrier in the CAIP Program. However, on January 13, 2020, the servicing carrier informed the CAIP of its intention to exit the servicing carrier program, effective August 31, 2022. The CAIP is currently pursuing other alternatives to ensure that there no disruption to the program.

Widespread health emergencies, such as the recent coronavirus outbreak, can disrupt our operations through their impact on our employees, customers and their businesses, and the communities in which we operate. Disruptions to our customers could result in increased risk of non-payment of premiums, a decline in new policies generated, higher than expected cancelations and changes in claims frequency. Any additional expenses associated with this pandemic are covered by the member companies and would be collected through the normal assessment process.

#### **8. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through May 13, 2021, which is the date the financial statements were available to be issued.



**KENTUCKY COMMERCIAL AUTOMOBILE  
INSURANCE PROCEDURE**

Statements of Cash Receipts and Disbursements  
Accounted for by the Central Processor

August 31, 2020 and 2019

(with Independent Auditors' Report Thereon)



KPMG LLP  
One Financial Plaza, Suite 2300  
Providence, RI 02903

## Independent Auditors' Report

Governing Committee  
Kentucky Automobile Insurance Plan:

We have audited the accompanying statement of cash receipts and disbursements of the Kentucky Commercial Automobile Insurance Procedure for the year ended August 31, 2020, and the related notes (the financial statement).

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

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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 statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Kentucky Commercial Automobile Insurance Procedure for the year ended August 31, 2020, in accordance with the cash basis of accounting described in Note 2.

### *Basis of Accounting*

We draw attention to Note 2 to the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.



*Other Matter*

The accompanying statement of cash receipts and disbursements of the Kentucky Commercial Automobile Insurance Procedure for the year ended August 31, 2019 was audited by other auditors whose report thereon dated July 30, 2020, expressed an unmodified opinion on that financial statement.

*Restriction on Use*

Our report is intended solely for the information and use of the governing committee, management, AIPSO, member companies of the CAIP and state insurance departments to whose jurisdiction the CAIP is subject and is not intended to be and should not be used by anyone other than these specified parties.

*KPMG LLP*

Providence, Rhode Island  
May 13, 2021

**KENTUCKY COMMERCIAL AUTOMOBILE  
INSURANCE PROCEDURE**  
**Statements of Cash Receipts and Disbursements**  
**Accounted for by the Central Processor**  
**Years ended August 31, 2020 and 2019**

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	<u>2020</u>	<u>2019</u>
RECEIPTS		
Collections from member companies	\$ 199,827	\$ 576,985
Collections from servicing carriers	51,276	211,287
Miscellaneous income	<u>7,626</u>	<u>5,458</u>
Total receipts	<u>258,729</u>	<u>793,730</u>
DISBURSEMENTS		
Distributions to member companies	262,266	96,536
Distributions to servicing carriers	325,993	536,586
Central processor expense	14,469	13,922
Miscellaneous expense	<u>3,078</u>	<u>2,954</u>
Total disbursements	<u>605,806</u>	<u>649,998</u>
Receipts (under) over disbursements	(347,077)	143,732
Cash and cash equivalents, beginning of year	<u>617,183</u>	<u>473,451</u>
Cash and cash equivalents, end of year	<u><u>\$ 270,106</u></u>	<u><u>\$ 617,183</u></u>

*See accompanying notes to statements of cash receipts and disbursements accounted for by the Central Processor.*

# **KENTUCKY COMMERCIAL AUTOMOBILE INSURANCE PROCEDURE**

## **Notes to Statements of Cash Receipts and Disbursements Accounted for by the Central Processor**

**August 31, 2020 and 2019**

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### **1. NATURE OF BUSINESS**

The primary responsibility of the Kentucky Automobile Insurance Plan (the Plan) is to provide automobile insurance to applicants that are eligible for coverage under the Plan. The Commercial Automobile Insurance Procedure (CAIP) was implemented to provide for the servicing of risks as defined in the CAIP section of the Plan Manual. The Kentucky CAIP was adopted by the Governing Committee and approved by the Commissioner of Insurance of the State of Kentucky.

The Governing Committee has appointed servicing carrier(s) to issue insurance policies, collect premiums, pay commissions, and adjust claims. They are paid a fee for these services. Any insurance company writing commercial automobile insurance in the state is required to become a member of the Plan. Funds are collected and disbursed to servicing carriers and member companies on a quarterly basis, based on net cash activity. In the event that a company is declared insolvent, all remaining companies are responsible for the insolvent company's share of the Plan deficit.

AIPSO has been appointed by the Governing Committee to act as the Central Processor to perform accounting and statistical functions for which the CAIP is charged a service fee. AIPSO is responsible for the disbursement and collection of funds attributable to the servicing carriers' CAIP experience.

### **2. BASIS OF PRESENTATION**

The statements of cash receipts and disbursements, accounted for by the Central Processor of the CAIP, have been prepared on the basis of cash received and disbursed (cash basis). The primary difference between the cash basis and accrual basis of accounting required by U.S. generally accepted accounting principles is that the revenue is recognized when received rather than when earned and expenses are recorded when paid rather than when incurred. The statements of cash receipts and disbursements are a summary of only the cash activity of the CAIP that is accounted for by AIPSO, the Central Processor. Accordingly, the statements of cash receipts and disbursements are not intended to present results of operations in conformity with U.S. generally accepted accounting principles.

### **3. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through May 13, 2021, which is the date the statements of cash receipts and disbursements accounted for by the Central Processor were available to be issued.



April 2, 2021

Mark Hillis, Manager  
Kentucky Automobile Insurance Plan  
10605 Shelbyville Rd, Suite 100  
Louisville, KY 40223-3167

2022 CAIP SERVICING CARRIER ALLOWANCE  
ANNUAL RECALCULATION  
KENTUCKY AUTOMOBILE INSURANCE PLAN

Dear Mark,

Below are the 2022 CAIP servicing carrier allowances, calculated in accordance with the Plan of Operation, to be effective March 1, 2022. In addition, the 2021 CAIP servicing carrier allowances are provided for Governing Committee reference.

KENTUCKY AUTO INSURANCE PLAN			
Administrative Expense Allowance as a Percentage of Written Premiums			
Coverage	2021	2022	
Liability	18.3%	18.1%	

Loss Adjustment Expense Allowance as a Percentage of Earned Premiums			
Coverage	2021	2022	
Liability - ULAE	7.0%	8.2%	
Liability - ALAE	Direct Reimbursement		

In accordance with the Servicing Carrier Agreement, six months' written notification must be provided to servicing carriers prior to any revision to the allowance. Following review by the Governing Committee, proper notification of the change in allowance must be issued to servicing carriers not later than September 1, 2021.

Thank you,

Karen Leite, AIS  
Sr. Insurance Coordinator  
Quota and Participation Services

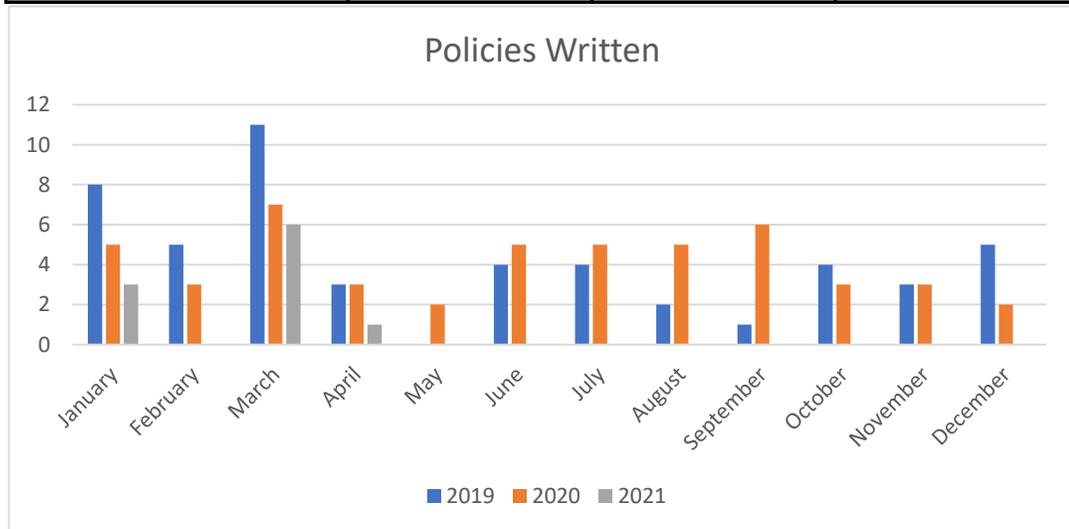
<b>Kentucky Auto Insurance Plan</b>			
<b>Budget</b>			
<b>Line Item</b>	<b>2019 Budget</b>	<b>2020 Budget</b>	<b>2021 Budget</b>
Wages (W-2)	\$ 67,980	\$ 58,987	\$ 52,478
Payroll Taxes	\$ 6,798	\$ 5,899	\$ 5,248
Pension Benefits	\$ 8,973	\$ 7,786	\$ 6,927
401K Match	\$ 2,039	\$ 1,770	\$ 1,574
Office Supplies, Printing & Equip.	\$ 2,200	\$ 2,200	\$ 2,000
Professional Services	\$ 33,820	\$ 39,438	\$ 42,085
Human Resources	\$ 1,500	\$ 1,500	\$ 1,500
Rent	\$ 7,930	\$ 7,930	\$ 6,400
Telephone and Telephone Equip.	\$ 2,600	\$ 2,600	\$ 2,700
Travel	\$ 4,600	\$ 5,500	\$ 4,500
Meals and Entertainment	\$ 1,000	\$ 1,000	\$ 1,000
Insurance - P & C	\$ 6,998	\$ 7,208	\$ 6,980
Health and Employee Benefits	\$ 16,670	\$ 9,294	\$ 8,669
Postage	\$ 2,000	\$ 2,000	\$ 1,500
Computer and Systems	\$ 10,213	\$ 13,987	\$ 15,320
Dues & Subscriptions	\$ 400	\$ 400	\$ 400
Board Meetings	\$ 500	\$ 500	\$ 500
Education	\$ 300	\$ 300	\$ 300
Miscellaneous	\$ 1,000	\$ 1,000	\$ 1,000
AIPSO--(Data and Plan Services)	\$ 2,652	\$ 4,904	\$ 2,782
AIPSO-LAD	\$ 2,550	\$ 2,550	\$ 2,750
AIPSO-EASi	\$ 7,575	\$ 7,575	\$ 7,575
<b>Total</b>	<b>\$190,298</b>	<b>\$184,327</b>	<b>\$174,188</b>

Underwriting Roll Up				
Policy Number	Last Name	Effective Date	Cancellation Date	Days Effective
AAP16-001	McIntire	1/7/2019	11/20/2019	317
AAP16-002	Felix	1/11/2019	1/11/2020	365
AAP16-005	Lee	1/16/2019	1/16/2020	365
AAP16-006	Abdo	1/25/2019	7/23/2019	179
AAP16-007	Binford	1/24/2019	1/24/2020	365
AAP16-008	Booker	1/29/2019	11/18/2019	293
AAP16-009	Johnson	1/23/2019	4/10/2019	77
AAP16-010	Britt	1/28/2019	1/28/2020	365
AAP16-011	Davis	2/7/2019	3/25/2019	46
AAP16-012	Hopkins	2/22/2019	5/10/2019	77
AAP16-013	Dawkins	2/20/2019	2/20/2020	365
AAP16-014	Seviour	2/25/2019	5/13/2019	77
AAP16-015	Buford	2/27/2019	6/14/2019	107
AAP16-016	Dawson	3/1/2019	2/28/2020	364
AAP16-017	Forney	3/7/2019	3/7/2020	366
AAP16-018	Beningfield	3/12/2019	3/12/2020	366
AAP16-019	Richards	3/13/2019	7/25/2019	134
AAP16-020	Davis	3/14/2019	5/2/2019	49
AAP16-021	Brown	3/14/2019	12/2/2019	263
AAP16-022	Sparks	3/19/2019	4/12/2019	24
AAP16-023	Anand	3/26/2019	4/9/2019	14
AAP16-024	Ford	3/22/2019	3/22/2020	366
AAP16-025	Jarboe	3/28/2019	3/28/2020	366
AAP16-026	Shubeso	3/26/2019	5/28/2019	63
AAP16-027	Curry	4/11/2019	4/11/2020	366
AAP16-028	Williams	4/9/2019	6/19/2019	71
AAP16-029	Broadus	4/23/2019	10/11/2019	171
AAP16-030	Pulliam	6/4/2019	9/22/2019	110
AAP16-031	Rottner	6/5/2019		
AAP16-032	Wadlington	6/10/2019	6/10/2020	366
AAP16-033	Martin	6/14/2019	6/14/2019	0
AAP16-034	Perry	7/2/2019	3/9/2020	251
AAP16-035	Blackburn	7/9/2019	8/27/2019	49
AAP16-036	Reed	7/24/2019	7/24/2020	366
AAP16-037	Buford	7/30/2019	7/24/2020	360
AAP16-038	Arroyo	8/13/2019	9/29/2019	47
AAP16-039	Maize	8/22/2019	11/18/2019	88
AAP 16-040	Baker	9/27/2019	3/11/2020	166
AAP 16-041	Frillman	10/1/2019	2/7/2020	129
AAP 16-042	Pulliam	10/2/2019	11/12/2019	41
AAP 16-043	Bolling	10/2/2019	10/2/2020	366
AAP 16-044	Darnell	10/25/2019		
AAP 16-045	Broadus	11/1/2019	1/26/2021	452
AAP 16-046	Brooks	11/1/2019	11/1/2020	366
AAP 16-047	Durham	11/1/2019	11/1/2020	366
AAP 16-048	Brown	12/3/2019	7/9/2020	219

AAP 16-049	Jones	12/2/2019	12/2/2020	366
AAP 16-050	Young	12/6/2019		
AAP 16-051	Jones Sr	12/4/2019	9/4/2020	275
AAP 16-052	Petty	12/11/2019	1/31/2020	51
AAP 16-053	Kaelin	1/3/2020	7/27/2020	206
AAP 16-054	King	1/6/2020	1/6/2021	366
AAP 16-055	Pulliam	1/3/2020	7/27/2020	206
AAP 16-056	Thornton	1/3/2020	4/24/2020	112
AAP 16-057	Morris	1/18/2020		
AAP16-058	James	2/25/2020	5/18/2020	83
AAP16-059	Dale	2/28/2020	7/20/2020	143
AAP16-060	Cheatham	2/28/2020	9/16/2020	165
AAP16-061	White	3/4/2020	5/26/2020	83
AAP16-062	Forney	3/9/2020	3/9/2021	365
AAP16-063	Petty	3/16/2020	8/9/2020	146
AAP-16-064	Davis	3/19/2020	10/7/2020	202
AAP-16-065	White Jr	3/23/2020	9/14/2020	175
AAP-16-066	Ford	3/23/2020		
AAP-16-067	Yates	3/28/2020	8/31/2020	156
AAP-16-068	Burk	4/8/2020	7/2/2020	85
AAP-16-069	Sloss	4/21/2020	6/15/2020	55
AAP-16-070	Campbell	4/27/2020		
AAP16-071	Owens	5/7/2020	11/2/2020	179
AAP16-072	Alvarado	5/18/2020		
AAP16-073	Vaughn	6/1/2020	12/16/2020	198
AAP16-074	Standard	6/3/2020	9/28/2020	117
AAP16-075	Ader	6/10/2020	8/18/2020	69
AAP16-077	Pavlovic	6/16/2020	9/8/2020	84
AAP-16-078	White	6/19/2020	9/14/2020	87
AAP16-079	Castro	7/16/2020	8/17/2020	32
AAP16-080	McIntire	7/23/2020		
AAP16-081	Ray	7/23/2020	9/28/2020	67
AAP16-082	Roarx	7/17/2020		
AAP16-083	Curry	8/6/2020		
AAP16-084	Abstain	7/21/2020	8/17/2020	27
AAP16-085	Harris	8/12/2020		
AAP16-086	Roberts	8/18/2020	9/28/2020	41
AAP16-087	Sisney	8/19/2020	10/23/2020	65
AAP16-088	Ricketts	8/25/2020		
AAP16-089	Phillips	9/11/2020	10/13/2020	32
AAP16-090	Gidey	9/18/2020	2/26/2021	161
AAP16-091	Baker	9/18/2020	11/23/2020	66
AAP16-092	Belt	9/4/2020	10/23/2020	49
AAP16-093	Conley	9/15/2020	3/8/2021	174
AAP16-094	Manuer	9/24/2020		
AAP16-095	Gainer	9/25/2020	12/3/2020	69
AAP16-097	McKenzie	10/15/2020	1/7/2021	84
AAP16-098	Covington	11/3/2020		
AAP16-099	Miller	11/5/2020	1/4/2021	60

AAP16-100	Lewis	11/10/2020	2/1/2021	83
AAP16-101	Foley III	10/6/2020	11/25/2020	50
AAP-16-102	Lipsev	12/18/2020	3/12/2021	84
AAP-16-103	Thornton	12/31/2020		
AAP-16-104	Gainer	1/5/2021		
AAP-16-105	White	1/20/2021	3/2/2021	41
AAP-16-106	Mudd	1/27/2021		
AAP-16-108	Whitefield	3/12/2021		
AAP-16-109	Goodwin	3/11/2021		
AAP-16-110	Ferguson	3/15/2021		
AAP-16-111	Harvey	3/16/2021		
AAP-16-112	Searcy	3/16/2021		
AAP-16-113	Conley	3/29/2021		
AAP-16-114	King	4/20/2021		

Month	2019	2020	2021
January	8	5	3
February	5	3	0
March	11	7	6
April	3	3	1
May	0	2	
June	4	5	
July	4	5	
August	2	5	
September	1	6	
October	4	3	
November	3	3	
December	5	2	
<b>TOTAL</b>	<b>50</b>	<b>49</b>	<b>10</b>





*"Serving the Insurance Industry"*

May 7, 2021

Members of the Kentucky Governing Committee  
c/o Mr. Mark Hillis, Manager  
Kentucky Automobile Insurance Plan  
10605 Shelbyville Road, Suite 100  
Louisville, KY 40223-3167

**Kentucky Automobile Insurance Plan  
Private Passenger Auto Rate Review**

Dear Committee Members:

The following is a proposal for your review and action.

**BACKGROUND**

Provided below is a brief history of the rate level changes in Kentucky:

<u>Effective Date</u>	<u>Rate Change</u>
01/01/2017	+4.7%
01/01/2018	+7.8%
01/01/2019	+23.0%
01/01/2020	+13.2%
01/01/2021	+9.8%

In addition to the above information, the table below provides a comparison of new applications to the Plan.

**New Applications – Private Passenger Liability**

	<u>03/20</u>	<u>03/21</u>
12 Months Ending	41	40
YTD Ending	14	10
Month Ending	9	6

Last year we developed an experience-based indication of +9.8% that used trend as the ballast to credibility. We filed the full uncapped change, which was approved as filed.

**PROPOSAL**

We have developed an experience-based indication using accident years 2015 through 2019 and proposed effective dates of January 1, 2022 for new business and February 1, 2022 for renewal business. The overall indication is +4.7%. We propose to take the full indicated change, which results in a monetary impact of \$30,448 based on 2019 earned premiums. Please see Exhibit 1 for details.

*Note on Covid-19:* The indications include an adjustment factor of 0.98 to reflect the impact of covid-19. This factor is intended to reflect the reduction in miles driven that is expected due to some industries continuing to work from home after the pandemic. The factor is identical to the factor used by ISO in their private passenger loss cost reviews.

If the Committee decides to file, we request the allowance of a small deviation from what is shown here. It is possible that new information becomes available between the time in which this rate review is prepared and a rate filing is made. Our filings should reflect the most current information, which may mean the grand total shown above may change slightly, either upward or downward. We request that the Committee allow AIPSO a small deviation from the grand total in the event updated information becomes available. If the Committee agrees, any revision that does not adjust the proposed grand total by more than 2.5% points will be filed without returning to the full Committee for additional review and approval.

## ATTACHMENT

- Exhibit 1 - Summary of Rate Level Change

Please keep us advised as to the action taken by the Committee with respect to this proposal.

Sincerely,



Timothy Messier, FCAS, MAAA  
Assistant Vice President & Actuarial Team Leader  
(401) 528-1353  
[Timothy.Messier@aipso.com](mailto:Timothy.Messier@aipso.com)



Lauren Singh  
Actuarial Analyst  
(401) 429-1566  
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pc: Mr. Thomas Assad, AIPSO  
Mr. Robert Powers, AIPSO

## Kentucky Automobile Insurance Plan

### Summary of Base Rate Change

(1)	(2)	(3) Exhibit 2 Row 6	(4) Exhibit 3 Column 14	Loss Trend	(6) (3)x(4)+ (5)x{1.0-(4)}	(7)	(8)
Coverage	5 Year Premium at Current Level	Experience Based Indicated Change	1,084 Claim Credibility	Loss Trend	Credibility Weighted Indicated Change	Proposed Base Rate Change	Estimated Dollar Change Based on CY 2019 Premium*
Residual Bodily Injury	2,928,330	11.6%	35%	-1.5%	3.1%	3.1%	10,146
Bodily Injury	0	11.6%	35%	-1.5%	3.1%	3.1%	0
Property Damage	1,393,626	28.2%	46%	-1.0%	12.4%	12.4%	20,058
Personal Injury Protection	1,281,583	5.9%	50%	-5.9%	0.0%	0.0%	3
Medical Payments	0	43.7%	50%	-5.9%	18.9%	18.9%	0
Uninsured BI (UMBI)	14,306	136.0%	6%	-1.5%	6.8%	6.8%	81
Underinsured BI (UIMBI)	22,052	136.0%	6%	-1.5%	6.8%	6.8%	160
<b>TOTAL</b>	<b>5,639,897</b>	<b>15.2%</b>		<b>-2.4%</b>	<b>4.7%</b>	<b>4.7%</b>	<b>30,448</b>

**NOTES:**

Proposed Effective Dates: January 1, 2022 New; February 1, 2022 Renewal

Most Recent Rate Change: 9.8% on January 1, 2021

\* Calendar Year 2019 Premium at Current Level is \$637,482



*"Serving the Insurance Industry"*

May 7, 2021

Members of the Kentucky Governing Committee  
c/o Mr. Mark Hillis, Manager  
Kentucky Automobile Insurance Plan  
10605 Shelbyville Road, Suite 100  
Louisville, KY 40223-3167

**Kentucky Automobile Insurance Plan  
Commercial Auto Rate Review**

Dear Committee Members:

The following is a proposal for your review and action.

**BACKGROUND**

Provided below is a brief history of the rate level changes in Kentucky:

<u>Effective Date</u>	<u>Rate Change</u>
01/01/17	-4.9%
01/01/18	+5.7
01/01/19	+9.1
01/01/20	+18.2
01/01/21	+1.9

In addition to the above information, the table below provides a comparison of new applications to the Plan.

	<u>New Applications – Commercial</u>	
	<u>03/20</u>	<u>03/21</u>
12 Months Ending	19	13
YTD Ending	6	4
Month Ending	3	2

Last year we developed a rate indication of +9.2% based on financial data. We capped changes at +/-25% resulting in a filed change of +1.9%. The change was approved as filed.

**PROPOSAL**

We continue to use our financial indication methodology. It uses Kentucky data to the greatest extent possible. The previous methodology relied on a countrywide benchmark that was applied to ISO's loss costs. The financial methodology develops a 10-year all sub-lines combined indication based on financial data from policy years 2010 through 2019 evaluated as of November 30, 2020. Since this data is not fully credible, we have blended it with the Kentucky rate changes taken by ISO since our last rate change.

The resulting overall rate indication is +13.1% based on assumed effective dates of January 1, 2022 for new business and February 1, 2022 for renewals. In order to develop changes by coverage and sub-line, we have

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<https://www.aipso.com>

reproduced the overall indicated change in our loss cost template. Capping the rate changes at the usual +/-25% would result in a change of +2.8% with a monetary impact of \$36,202. We propose to cap changes at +30%/0%; we also propose to take no change for sublines that have no premium in the latest year. This results in an overall proposed change of +6.1% with a monetary impact of \$80,078.

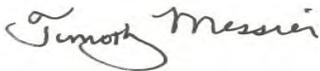
*Covid-19:* Consistent with recent ISO commercial auto filings, this indication has no adjustment for Covid-19. ISO expects that long-term behavioral, social, and economic changes due to Covid-19 will have negligible and/or offsetting effects on commercial auto loss costs.

## ATTACHMENT

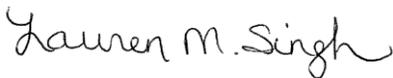
- Summary - Summary of Indicated and Proposed Rate Level Change
- Exhibit 1 - Financial Indication

Please keep us advised as to the action taken by the Committee with respect to this proposal.

Sincerely,



Timothy Messier, FCAS, MAAA  
Assistant Vice President and Actuarial Team Leader  
(401) 528-1353  
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pc: Mr. Thomas Assad, AIPSO  
Mr. Robert Powers, AIPSO

## Kentucky Automobile Insurance Plan

### Summary of Proposed Rate Level Change

#### LIABILITY

Subline		2019 Premium at Current Level	Indicated Percent Change	Proposed Percent Change	Estimated Dollar Impact Based on 2019 Premium
Trucks, Tractors, and Trailers	CSL	174,254	1.9%	1.9%	
	PIP	2,187	-7.5%	0.0%	
	Total	176,441	1.8%	1.9%	3,359
Taxis and Limos	CSL	0	85.3%	0.0%	
	PIP	0	67.1%	0.0%	
	Total	0	76.2%	0.0%	0
School and Church Buses	CSL	0	131.9%	0.0%	
	PIP	0	107.5%	0.0%	
	Total	0	119.7%	0.0%	0
Other Buses	CSL	46,990	131.7%	30.0%	
	PIP	3,276	110.0%	30.0%	
	Total	50,266	130.3%	30.0%	15,078
Van Pools	CSL	0	85.3%	0.0%	
	PIP	0	75.0%	0.0%	
	Total	0	80.2%	0.0%	0
Zone Rated Risks	CSL	841,023	-3.6%	0.0%	
	PIP	29,600	-3.7%	0.0%	
	Total	870,623	-3.6%	0.0%	0
Garages	CSL	171,255	53.4%	30.0%	
	PIP	7,343	53.1%	29.8%	
	Total	178,598	53.4%	30.0%	53,571
Employer Non- Owned	CSL	4,337	574.5%	30.0%	
	Total	4,337	574.5%	30.0%	1,301
Hired Auto	CSL	920	62.6%	30.0%	
	Total	920	62.6%	30.0%	276
Uninsured Motorists	CSL	21,644	50.4%	30.0%	
	Total	21,644	50.4%	30.0%	6,493
Underinsured Motorists	CSL	0	53.3%	0.0%	
	Total	0	53.3%	0.0%	0
<b>Liability Total</b>	<b>CSL</b>	<b>\$1,260,423</b>	<b>13.0%</b>	<b>6.1%</b>	
	<b>PIP</b>	<b>\$42,406</b>	<b>14.8%</b>	<b>7.5%</b>	
	<b>Total</b>	<b>\$1,302,829</b>	<b>13.1%</b>	<b>6.1%</b>	<b>\$80,078</b>

Notes: Most recent rate change (01/01/2021): 1.9%  
Proposed effective date: 01/01/2022

\* Reflects the capping of the loss cost multiplier at 30% and 0%.

Kentucky Commercial Auto Program  
Statewide Rate Level Indication

EARNED PREMIUM				INCURRED LOSSES AND ALAE				STATE EXPENSES			RATIOS TO PREMIUM			
(1)	(2)	(3) Exhibit 2	(4) (2)x(3)	(5) Exhibit 3	(6)	(7) Appendix 4	(8) [(5)+(6)]x(7)	(9)	(10)	(11)	(12) (8)/(4)	(13) (9)/(2)	(14) (10)/(2)	(15) (11)/(2)
Policy Year	Premium Earned	Premium On-Level Factor	Premium at Current Level	Adjusted Incurred Losses Incl. IBNR	Incurred ALAE	Loss Trend Factor	Projected Losses and ALAE	Comm.	Premium Taxes	Premium Charge-Offs	Projected Loss and ALAE Ratio	Comm. Ratio	Premium Taxes Ratio	Premium Charge-Offs Ratio
2010	78,434	1.038	81,414	5,525	0	1.930	10,663	7,736	2,219	(10,055)	13.1%	9.9%	2.8%	-12.8%
2011	99,412	1.207	119,990	99,213	5,107	1.831	191,009	9,879	3,093	1,176	159.2%	9.9%	3.1%	1.2%
2012	230,796	1.288	297,265	210,744	196	1.737	366,403	20,035	5,266	1,714	123.3%	8.7%	2.3%	0.7%
2013	320,477	1.329	425,914	56,967	0	1.648	93,882	26,676	6,910	1,925	22.0%	8.3%	2.2%	0.6%
2014	822,785	1.336	1,099,241	631,681	68,777	1.564	1,095,516	56,652	16,556	9,842	99.7%	6.9%	2.0%	1.2%
2015	617,689	1.292	798,054	488,052	14,197	1.484	745,337	45,534	12,354	1,459	93.4%	7.4%	2.0%	0.2%
2016	843,449	1.321	1,114,196	647,545	67,677	1.408	1,007,033	57,830	16,869	355	90.4%	6.9%	2.0%	0.0%
2017	1,290,780	1.389	1,792,893	962,076	29,531	1.336	1,324,786	82,362	25,816	32,328	73.9%	6.4%	2.0%	2.5%
2018	1,366,967	1.314	1,796,195	860,435	39,542	1.267	1,140,271	87,759	27,316	(1,315)	63.5%	6.4%	2.0%	-0.1%
2019	793,960	1.205	956,721	609,551	23,077	1.202	760,418	51,627	15,872	596	79.5%	6.5%	2.0%	0.1%
Total	6,464,749		8,481,884	4,571,788	248,104		6,735,319	446,090	132,269	38,024	79.4%	6.9%	2.0%	0.6%
5-Year	4,912,845		6,458,060	3,567,658	174,024		4,977,845	325,113	98,226	33,422	77.1%	6.6%	2.0%	0.7%
3-Year	3,451,707		4,545,809	2,432,061	92,150		3,225,475	221,748	69,003	31,609	71.0%	6.4%	2.0%	0.9%
SELECTED											79.4%	6.6%	3.8%	0.6%

CONTRACTUAL AND OTHER EXPENSES						STATEWIDE RATE LEVEL INDICATION					
(16)	(17)	(18) Appendix 3	(19)	(20)	(21) Sum of (13) to (20)	(22) 1.0-(21)	(23) (12)/(22)-1.0	(24)	(25) 3,000 Claim Credibility=27%, Minimum=25%	(26) Exhibit 1 Sheet 2	(27) (23)x(25)+ (26)x[1.0-(25)]
Admin. Fees	ULAE Provision	Misc. Expenses (Income)	Contingency	Investment Income	Expense Ratio	Expected Loss and ALAE Ratio	Plan Indicated Change	10-Year Number of Claims	Credibility	Industry Indicated Change	Statewide Rate Level Indication
18.3%	7.0%	2.0%	5.0%	-1.9%	41.4%	58.6%	35.5%	222	27%	4.8%	13.1%

## Kentucky Automobile Insurance Plan

### Summary of Proposed Rate Level Change

#### LIABILITY

Subline		2019 Premium at Current Level	Indicated Percent Change	Uncapped Percent Change	Estimated Dollar Impact Based on 2019 Premium
Trucks, Tractors, and Trailers	CSL	174,254	1.9%	1.9%	
	PIP	2,187	-7.5%	-7.6%	
	Total	176,441	1.8%	1.8%	3,194
Taxis and Limos	CSL	0	85.3%	0.0%	
	PIP	0	67.1%	0.0%	
	Total	0	76.2%	0.0%	0
School and Church Buses	CSL	0	131.9%	0.0%	
	PIP	0	107.5%	0.0%	
	Total	0	119.7%	0.0%	0
Other Buses	CSL	46,990	131.7%	131.7%	
	PIP	3,276	110.0%	110.1%	
	Total	50,266	130.3%	130.3%	65,485
Van Pools	CSL	0	85.3%	0.0%	
	PIP	0	75.0%	0.0%	
	Total	0	80.2%	0.0%	0
Zone Rated Risks	CSL	841,023	-3.6%	-3.5%	
	PIP	29,600	-3.7%	-3.5%	
	Total	870,623	-3.6%	-3.5%	-30,895
Garages	CSL	171,255	53.4%	53.5%	
	PIP	7,343	53.1%	53.1%	
	Total	178,598	53.4%	53.4%	95,449
Employer Non- Owned	CSL	4,337	574.5%	574.5%	
	Total	4,337	574.5%	574.5%	24,916
Hired Auto	CSL	920	62.6%	62.6%	
	Total	920	62.6%	62.6%	575
Uninsured Motorists	CSL	21,644	50.4%	50.4%	
	Total	21,644	50.4%	50.4%	10,917
Underinsured Motorists	CSL	0	53.3%	0.0%	
	Total	0	53.3%	0.0%	0
<b>Liability Total</b>	<b>CSL</b>	<b>\$1,260,423</b>	<b>13.0%</b>	<b>13.0%</b>	
	<b>PIP</b>	<b>\$42,406</b>	<b>14.7%</b>	<b>14.8%</b>	
	<b>Total</b>	<b>\$1,302,829</b>	<b>13.1%</b>	<b>13.1%</b>	<b>\$169,642</b>

Notes: Most recent rate change (01/01/2021): 1.9%  
Proposed effective date: 01/01/2022

## MEMORANDUM

TO: Mark Hillis

FROM: Kathy Murtagh

DATE: May 13, 2021

RE: Kentucky Automobile Insurance Plan  
Sec. 22. – Commercial Premium Payment Requirements and Payment Options  
CAIP Transition Amendments

For Kentucky Plan Governing Committee consideration, I am forwarding a proposal updating current commercial premium payment requirements to be consistent with other Plans countrywide.

Background

On September 1, 2022, AIPSO will assume the role of sole CAIP service provider and issue and service commercial auto policies for 44 state Plans. In preparation for this transition, the AIPSO Countrywide CAIP project team reviewed premium payment requirements and payment options in all 44 states. Widespread variation exists among the Plans pertaining to the types of payment options available, as well as premium deposit requirements. These differences will result in complexity in system development and/or reduce any potential efficiencies in billing and collection processes across the majority of state Plans. To address these issues, commercial premium payment requirements are needed that will provide consistency in, if not all, at least the majority of state Plans.

On January 20, 2021, the AIPSO Executive Committee approved a Residual Market Committee recommendation to introduce new Uniform Plan commercial premium payment requirements and payment options suitable for adoption by Plans countrywide. The Uniform Plan provisions are based on an analysis of the similarities and differences among the 44 states and historic research on minimum premium requirements performed by Plan Services staff.

Recommendation

Highlights of the Uniform Plan commercial premium payment requirements are as follows:

- The Advance Premium Payment Option is expanded to include (1) full payment and (2) a deposit of 40% of the estimated annual premium or a minimum of \$250 as a deposit, whichever is greater. The balance of the annual premium stipulated by the servicing carrier must be paid within 30 days of billing. The minimum deposit requirements for liability coverage per car/power unit and for physical damage have been eliminated in their entirety. The Advance Premium Payment Option is applicable to new and renewal policies.
- The Installment Payment Option requires a deposit of 40% of the estimated annual premium or a minimum of \$250, whichever is greater. There are 5 installments subject to a \$4.00 service fee per installment. There is no installment charge on the deposit. This is applicable to new and renewal policies.

Consistency in commercial premium payment requirements among the majority of the CAIPs will streamline system development and increase AIPSO efficiencies related to billing and collection across the majority of state Plans.

#### Implementation

This proposal updates Kentucky Plan commercial premium payment requirements and payment options to be consistent with the recommended countrywide requirements. If adopted, the changes will be implemented on September 1, 2022 in conjunction with the transition to AIPSO as CAIP service provider. They would be applicable to new and renewal business written by AIPSO with effective dates of September 1, 2022 and later. Policies with effective dates of August 31, 2022 and prior written by the current servicing carrier will continue to be subject to the premium payment requirements in effect on August 31, 2022.

Please let me know what action the Kentucky Plan Governing Committee takes on this proposal.

Attach.

Pc: R. Powers

DRAFT

**COMMERCIAL PREMIUM PAYMENT REQUIREMENTS****Defining the Issue**

On September 1, 2022, AIPSO will replace the incumbent CAIP servicing carrier who has tendered their resignation. AIPSO with a licensed insurance company has been appointed to issue and service commercial auto policies for 44 states. There are minor differences among Plan provisions in those states. To provide consistency in the payment plans offered to Plan applicants and insureds countrywide and facilitate efficiencies for service provider billing and collection processes, the Plan procedures should be modified.

**Action Needed**

Please review the following information and decide if the proposal is appropriate for Plan use.

**Proposal**

We propose the introduction of commercial premium payment requirements suitable for adoption by Plans countrywide with certain state exceptions.

**Impact**

Adoption of the proposed amendments will have the following impact:

- The full payment, advance premium payment and installment payment options continue to be available to applicants and insureds.
- The advance premium payment option is available to applicants who wish to remit either (1) the full annual premium or (2) a deposit of at least 40% of the estimated annual premium or a minimum deposit of \$250, whichever is greater. The premium balance continues to be due within 30 days of the date on the premium notice.
- Applicants electing the installment payment option will continue to submit a deposit of 40% of the estimated annual premium. However, a minimum deposit of \$250 is introduced.
- For applicants electing the installment payment option the number of installments has been expanded to five installments.
- The deposit requirements apply to new business and renewals.
- Adoption of the proposed commercial premium payment options will facilitate the transition from a countrywide CAIP servicing carrier to AIPSO as CAIP service provider in the near future. The premium payment options will be consistent among CAIP states.

**AIPSO Systems Impact:****Background**

The existing Uniform Plan commercial premium payment structure was adopted some 60+ years ago. Since that time, the commercial automobile assigned risk market has been transformed from the Special Risk Procedure (SRP) to direct assignment to CAIP and other CAIP-type pooling mechanisms. The advance premium payment and installment payment options have withstood the test of time. Over the years there have been increases in deposit percentages and changes in

the number of installments and service fee amounts by individual state Plans to meet market needs.

In the future transition to countrywide CAIP service provider, AIPSO will issue and service commercial auto policies for 44 states. To streamline the premium payment options among the 44 state Plans, a new Uniform Plan model is needed. Adoption of the model by the majority of state Plans will provide consistency in Plan procedures and promote efficiencies in AIPSO handling and processing of premium payments.

## **Proposed Changes**

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### **COMMERCIAL AUTOMOBILE PART**

#### **Sec. 22. PREMIUM DEPOSIT REQUIREMENTS AND PAYMENT OPTIONS**

Paragraph A is amended. The advance premium payment option offers full payment. For applicants submitting a deposit who want to pay the balance of their annual premium in 30 days a minimum deposit of \$250 is introduced. Plan provisions are amended to states that 40% of the estimated annual premium, subject to a minimum deposit of \$250 is required for all applicants who want to pay the balance of the annual premium in 30 days.

In Paragraph B the installment payment plan is amended. A new \$250 minimum deposit is introduced. The premium deposit requirement for the installment payment plan is amended to state that a deposit of 40% of the total annual premium, subject to a minimum deposit of \$250 is required for all applicants. In addition, the number of installments has been expanded to five installments.

#### **Sec. 31. PERFORMANCE STANDARDS FOR SERVICING CARRIERS WRITING KENTUCKY AUTOMOBILE INSURANCE PLAN COMMERCIAL RISKS**

Paragraph B is amended to clarify the deposit requirements of the advance premium payment option and the installment premium payment options for the issuance of renewals.

### **COMMERCIAL APPLICATION**

#### **Sec. 14. PAYMENT PLANS**

The list of available payment options is updated to read (1) Full Annual Premium, (2) Premium Deposit with Single Balance, (3) Installment Premium Payments - 5 Monthly Installments. An asterisked statement clarifies that there is a \$4.00 per installment charge.

## **Attachments**

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Exhibit A - Amendments to the Introduction and Sections 22 and 31

Exhibit B - Revision to Kentucky Automobile Insurance Plan Commercial Application - AIP 7551 (Rev. X/22)

**COMMERCIAL AUTOMOBILE PART****Sec. 22. PREMIUM DEPOSIT REQUIREMENTS AND PAYMENT OPTIONS**

*Sec.22.A and B are amended as follows:*

The application for insurance under the Plan must be submitted to the Plan on a prescribed form in duplicate accompanied by the full gross annual premium or a ~~per ear~~ deposit on a gross basis as indicated below. If the premium is financed by a premium finance company, a copy of the Premium Finance Agreement must be submitted with the application.

A. **Advance Premium Payment Option**—~~Balance of premium must be paid within 30 calendar days or within such further reasonable period agreeable to the servicing carrier, giving full credit for the deposit submitted with the application.~~

1. ~~Private passenger applicants (including motorcycles) the full annual premium as determined from the Plan Manual of Rules and Rates.~~
2. ~~All other applicants a per vehicle deposit of 40% of the full annual premium. Any remaining balance is to be paid within 30 days of the date of the premium notice.~~

The premium payment requirements for this option are as follows:

1. The full estimated annual premium, or
2. A deposit of 40% of the estimated annual premium, or a minimum of \$250 as a deposit, whichever is greater

The balance of the annual premium due as stipulated by the servicing carrier must be paid within 30 calendar days of the date of the premium notice. This payment option is available for new and renewal policies.

B. **Installment Premium Payment Option**—The insured may elect to pay his premium as follows:

**Note:** The installment premium payment option is not available if any portion of the annual premium is financed by a premium finance company. If any portion of the annual premium is financed after the installment premium payment option is elected, the servicing carrier may bill the insured immediately for the unpaid balance of the annual premium.

1. Deposit
 

~~40% of the total annual premium plus a \$4 installment charge to accompany the application as a deposit. Should the total annual premium be less than the per vehicle deposit, 40% of the total annual premium plus a \$4 installment charge shall accompany the application.~~

A deposit of 40% of the total annual premium, or a minimum of \$250 as a deposit, whichever is greater, must accompany a new application or be submitted to the servicing carrier as the initial payment on renewal policies. There is no installment charge on the deposit premium for either new applications or renewal policies.
2. Installments
 

~~30% of the total annual premium plus a \$4 installment charge no later than three months after the effective date of the policy.~~

KENTUCKY AUTOMOBILE INSURANCE PLAN  
(Struck-out matter—deleted; Underlined matter—new)

EXHIBIT A  
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The first installment bill will show the current annual premium plus the installment charge minus the deposit. Each installment bill should display the status of the account and is to be released to the insured with a copy to the producer.

Each installment will consist of one-fifth of the remainder of the premium, subject to a minimum amount due of \$20, (to which any outstanding balance of less than \$20 is to be added) plus an installment charge of \$4 on each installment, due as follows:

1st installment—2 months after the effective date of the policy

2nd installment—3 months after the effective date of the policy

3rd installment—4 months after the effective date of the policy

4th installment—5 months after the effective date of the policy

5th installment—6 months after the effective date of the policy

- ~~3. The balance of the annual premium plus a \$4 installment charge no later than six months after the effective date of the policy.~~
- ~~4. The first installment bill shall reflect the current annual premium minus the deposit to arrive at an outstanding balance. The service charge should be displayed and added to the installment to arrive at the minimum amount payable. The due date for the first installment will be three months after the inception of the policy. An installment bill is to be released to the applicant, with copy to the producer, for each installment until the outstanding balance is eliminated. Each installment bill should display the status of the account.~~

At any point during the installment billing period, should the policyholder elect to pay the outstanding balance, ~~only the service~~ installment charge for the current bill would apply.

**Sec. 31. PERFORMANCE STANDARDS FOR SERVICING CARRIERS WRITING KENTUCKY AUTOMOBILE INSURANCE PLAN COMMERCIAL RISKS**

*Sec.31.B is amended as follows:*

The performance standards listed below set forth the specific time during which servicing carriers must perform in accordance with the rules of this Plan.

**B. Renewal Policies or Certificates**

At least 30 calendar days prior to the inception date of renewals, the servicing carrier shall notify the applicant that

1. a renewal will be issued provided the premium stipulated by such servicing carrier is received ~~at the servicing carrier's address identified by the premium bill~~ on or before the expiration inception date of the current policy such renewal, or
2. if the renewal is to be written on the advance premium payment option, such renewal will be issued provided either the full annual premium or the deposit premium stipulated by the servicing carrier is received on or before the inception date of such renewal, or,
23. if the renewal is to be written on the installment premium payment option, such renewal will be written provided the deposit premium (40% of the total annual premium subject to a minimum of \$25 \$250) stipulated by the servicing carrier is received at the servicing carrier's address identified on the premium bill on or before the expiration inception date of the current policy such renewal,  
or

KENTUCKY AUTOMOBILE INSURANCE PLAN  
(Struck-out matter—deleted; Underlined matter—new)

EXHIBIT A  
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34.a renewal will not be issued for the reason that the applicant is not entitled to insurance under the Plan.

Renewal premium quotations will be made as stipulated in the present Plan rules. A copy of such notice shall be filed with the producer of record. In the event the servicing carrier will not issue a renewal, the reason supporting such action together with a copy of said notice shall be filed with the Executive Director of the Office of Insurance of the state and the Plan.

Renewal policies or certificates will be issued and mailed within 30 days of the servicing carrier's receipt of the renewal premium specified under Section 31.A above.

DRAFT

**COMMERCIAL/TRUCKERS APPLICATION  
KENTUCKY AUTOMOBILE INSURANCE PLAN**

EASi Reference # \_\_\_\_\_

Transmission Date: \_\_\_\_\_

OFFICE USE ONLY – DO NOT WRITE OR ALTER INFORMATION IN THIS BLOCK

The Kentucky Automobile Insurance Plan is a Residual Market Mechanism. Applications should only be submitted if you have been unable to find coverage in the standard insurance market. This plan provides limited basic coverage and is not intended to be a competitive market, used for quotes or to place business if other coverage exists. Misrepresenting information as part of this application process is subject to KRS 304.47-030. The Kentucky Automobile Insurance Plan reserves the right to seek proof of rejection by the voluntary insurance market as part of our underwriting process. By proceeding with this application process, you are attesting that you have attempted to secure insurance coverage through the standard market without success. Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance containing any materially false information or conceals, for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime.

By checking this box, I affirm that I have read the statement above and am attesting that I have attempted to secure coverage in the standard market without success.

**NOTICE: PRODUCER MUST READ THIS STATEMENT BEFORE PROCEEDING**

**Applicants requiring filings or a limit of liability in excess of \$350,000 Combined Single Limits will be subject to a 15 day delay in the effective date as specified in Section 23 of the Kentucky Automobile Insurance Plan.**

**SECTION 1. PRODUCER OF RECORD**

Producer Last Name/Agency Name		Producer First Name			MI
Mailing Address		Ste./Apt. No.	City	State	Zip Code
Tax ID or Social Security No.	Producer License No.	Telephone No. (incl. area code)		Fax No. (incl. area code)	

**SECTION 2. SIGNING PRODUCER** (Complete if the producer completing and signing this application differs from Section 1.)

Last Name	First Name	MI	Producer License No.
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**SECTION 3. APPLICANT**

Owner/Contact Person - Last Name		First Name			MI
DBA		Self Employed <input type="checkbox"/> Yes <input type="checkbox"/> No			
Business Telephone No. (incl. area code)	Alternate Telephone No. (incl. area code)		Tax ID or Social Security No.		
Street Address	Ste./Apt. No.	City	County	State	Zip Code
Headquarters Street Address (if different from above)	Ste./Apt. No.	City	State	Zip Code	

Description of Primary Operations

**SECTION 4. OWNERSHIP AND CONTROL OF APPLICANT'S ORGANIZATION**

Named insured is a: <input type="checkbox"/> Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Sole Proprietor  <input type="checkbox"/> Other _____	State of Incorporation	Date of Incorporation	Date actual operations commenced
---	------------------------	-----------------------	----------------------------------

Management, Ownership and Control (List names of principals and also anyone with more than a 10% ownership interest.)

President	Date in Position	Percent Ownership
Vice President		
Secretary		
Treasurer		
General Manager		
Others		

List all affiliated companies

**SECTION 5. OPERATOR INFORMATION**

(List all full-time, part-time, and all other operators that usually drive a vehicle.)

TOTAL OPERATORS

Last Name	First Name	MI	Birth Date Mo./Day/Yr.	Driver's License No.	State

**For applicants with more than four operators, all additional operators must be listed on an AIP 3502 EASi Supplemental Operator Schedule and mailed with the original application to the Plan.**

**SECTION 6. ACCIDENTS**Has applicant, or anyone who usually drives the applicant's vehicle(s), been involved, either as owner or operator, in ANY motor vehicle accident during the past THIRTY-SIX months?  Yes  No If "Yes", complete the following.

Name of Operator	Accident Date Mo./Day/Yr.	Place of Accident		Bodily Injury or Death	Prop. Damage (incl. your own) Amount	Penalty Points	Codes *
		City	State				
				<input type="checkbox"/> Yes <input type="checkbox"/> No	\$		
				<input type="checkbox"/> Yes <input type="checkbox"/> No	\$		
				<input type="checkbox"/> Yes <input type="checkbox"/> No	\$		
				<input type="checkbox"/> Yes <input type="checkbox"/> No	\$		

\*Accident Codes

1. Applicant's motor vehicle lawfully parked.
2. Damaged by "Hit and Run" driver and accident reported to police within 24 hours from time of accident.
3. Applicant reimbursed by or on behalf of person responsible for the accident or has judgement against such person.
4. Other person involved in accident was convicted. Applicant or operator was not convicted.
5. Police or Fire Department or First Aid Squad responding to an emergency call.
6. Other type of accident - non-chargeable under provisions of the Plan. Describe accident in space provided.

**SECTION 7. CONVICTIONS**Has the applicant or anyone who usually drives the applicant's vehicle(s) been **CONVICTED** or **FORFEITED BAIL** at any time during the immediately preceding THIRTY-SIX months? Convicted  Yes  No Forfeited Bail  Yes  No If "Yes", for either item, complete the following. NOTE: A paid ticket or fine is an admission of guilt and therefore constitutes a conviction.

Name of Operator	Date of Conviction or Bail Forfeiture Mo./Day/Yr.	Did Conviction Arise as a Result of an Accident?	Nature of Conviction	Place of Conviction		Penalty Points	Was License Suspended or Revoked?
				City	State		
		<input type="checkbox"/> Yes <input type="checkbox"/> No					<input type="checkbox"/> Yes <input type="checkbox"/> No
		<input type="checkbox"/> Yes <input type="checkbox"/> No					<input type="checkbox"/> Yes <input type="checkbox"/> No
		<input type="checkbox"/> Yes <input type="checkbox"/> No					<input type="checkbox"/> Yes <input type="checkbox"/> No
		<input type="checkbox"/> Yes <input type="checkbox"/> No					<input type="checkbox"/> Yes <input type="checkbox"/> No

**SECTION 8. COMMODITIES TRANSPORTED**

Identify any hazardous materials, waste or substances being hauled.

Identify radius of operations.

Identify routes - fixed and occasional (both outgoing and return).

Trips From Place of Origin To Place of Destination	% of Revenues	No. per Month	Principal Cities Entered	Commodities Carried

**SECTION 9. GROSS RECEIPTS**

(Required for Motor Carriers of Property or Passengers whether or not the policy is to be written on Gross Receipts basis.)

Gross Receipts	Current Year	1st Prior Year	2nd Prior Year	3rd Prior Year	4th Prior Year
Other than Truckers	\$	\$	\$	\$	\$
Truckers excluding receipts from trip leased equipment	\$	\$	\$	\$	\$

**SECTION 10. VEHICLE INFORMATION AND USE**

For long distance, list cities in which vehicles operate.

**TOTAL VEHICLES**

Veh No.	Year	Vehicle Identification No.	Load Capacity (2)	Type of Registration	Gross Vehicle Weight (GVW) Trucks only	Spec. Industry (M-T-FD-SD-WD-F-D-C-L-O)	Seating Capacity	Does unit have an extended weight decal? <input type="checkbox"/> Yes <input type="checkbox"/> No What is extended weight? _____ <input type="checkbox"/> Tandem <input type="checkbox"/> Tridem <input type="checkbox"/> Tractor-Trailer	
	Trade Name/ Model No.	Garage Location (Town/State)	State of Registration	Rating Classification	Gross Comb. Weight (GCW) Trucks-Tractors only	Bus. Rad. (L-I-LD)	Tank Capacity		
Type (1)		Name of Registered Owner of Vehicle	Rating Territory (3)	Orig. Cost New (4)	Comp. Sym.	Coll. Sym.	Size (L-M-H-EH-HT-EHT)	Purpose of Use (P or B) (S-R-C)	Final Rating
Where vehicle is permitted to operate				List all cities through and in which vehicles operate					
Veh 1									Does unit have an extended weight decal? <input type="checkbox"/> Yes <input type="checkbox"/> No What is extended weight? _____ <input type="checkbox"/> Tandem <input type="checkbox"/> Tridem <input type="checkbox"/> Tractor-Trailer
Veh 2									Does unit have an extended weight decal? <input type="checkbox"/> Yes <input type="checkbox"/> No What is extended weight? _____ <input type="checkbox"/> Tandem <input type="checkbox"/> Tridem <input type="checkbox"/> Tractor-Trailer
Veh 3									Does unit have an extended weight decal? <input type="checkbox"/> Yes <input type="checkbox"/> No What is extended weight? _____ <input type="checkbox"/> Tandem <input type="checkbox"/> Tridem <input type="checkbox"/> Tractor-Trailer
Veh 4									Does unit have an extended weight decal? <input type="checkbox"/> Yes <input type="checkbox"/> No What is extended weight? _____ <input type="checkbox"/> Tandem <input type="checkbox"/> Tridem <input type="checkbox"/> Tractor-Trailer

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**UNINSURED MOTORIST (UM) COVERAGE REJECTION: IMPORTANT****If filings are requested, this coverage must be added.**

KRS 304.20.020 provides that all motor vehicle liability insurance policies shall contain insurance, "for the protection of persons insured thereunder who are legally entitled to recover damages from owners or operators of uninsured motor vehicles because of bodily injury, sickness or disease, including death, resulting therefrom." It further provides that any named insured has the right to reject in writing such coverage. Such rejection will be valid for all insureds under the policy. If you desire to reject such coverage, indicate this by signing below.

I do not desire to have insurance protection for bodily injury, sickness or disease, including death, resulting from owners or operators of uninsured motor vehicles and hereby reject Uninsured Motorist (UM) Coverage.

Signature \_\_\_\_\_ Date \_\_\_\_\_

**SECTION 11.b. HIRED AUTO COVERAGE****If filings are requested, this coverage must be added.**

<input type="checkbox"/> Check here if desired.	Estimated Annual Cost of Hire	Rates Per \$100		Estimated Premium	
		B.I.	P.D.	B.I.	P.D.
<b>Cost of Hire (For policies rated under Trucker's Cost of Hire.)</b>	Current Year	1st Prior Year	2nd Prior Year	3rd Prior Year	4th Prior Year
Indicate the total Cost of Hire, including wages, for vehicles leased or hired on a long term basis and specifically insured by applicant as an owned automobile.	\$	\$	\$	\$	\$
Indicate the total Cost of Hire, including wages, which are <i>not</i> specifically insured by the applicant as an owned vehicle.	\$	\$	\$	\$	\$
Cost of Hire – Represents Total Long and Short Term Cost of Hire.	\$	\$	\$	\$	\$

**SECTION 11.c. NONOWNED AUTO LIABILITY COVERAGE****If filings are requested, this coverage must be added.**

Are nonowned autos used in the applicant's business?  Yes  No If yes, complete the following:

Total No. Employees	What percentage of the applicant's employees operate their vehicles in the business? _____				
<b>FOR PREPARED FOOD DELIVERY SERVICES ONLY:</b>	<b>FOR AUTO REPAIR SHOPS AND AUTOS HELD FOR INSPECTION BY AN OFFICIAL INSPECTION STATION:</b>				
	Location	Address	No. of Employees	Rating Territory	Premium
	Average No. Drivers _____	1.			
	2.				

Why is nonowned auto liability coverage being requested?

Who owns the nonowned autos?

What types of nonowned autos will be used in the applicant's business?

How will nonowned autos be used?

How often are nonowned autos used in the applicant's business?  Daily  Weekly  Monthly Estimated number of hours per month \_\_\_\_\_

What is the estimated annual mileage for use of all nonowned autos? \_\_\_\_\_ miles

Total number of nonowned autos used in the applicant's business \_\_\_\_\_

If a social service operation, indicate total number of volunteers furnishing autos in the applicant's operation: \_\_\_\_\_

Does the applicant require employees and volunteers to have their own insurance?  Yes  No If yes, what are minimum limits required? \_\_\_\_\_

Does the applicant obtain motor vehicle records for all drivers?  Yes  No

Has the applicant had any nonowned auto losses in the past?  Yes  No

**SECTION 11.d. HOLD HARMLESS AGREEMENTS**

Has the insured signed any hold harmless agreements? If yes, describe.

**SECTION 11.e. WAIVER OF SUBROGATION**

Does applicant require a Waiver of Subrogation to fulfill a contractual agreement?  Yes  No

Name(s) and Address(es) of Person(s) or Organization(s) Requiring Waiver of Subrogation:

**When a Waiver of Subrogation Endorsement is requested, a copy of the agreement between the applicant and the person(s) or organization(s) requiring the endorsement must accompany the application.**

**SECTION 11.f. PRIMARY AND NONCONTRIBUTORY—OTHER INSURANCE CONDITION**

Does applicant require a Primary and Noncontributory—Other Insurance Condition to fulfill a contractual agreement?  Yes  No

Name(s) and Address(es) of Person(s) or Organization(s) Requiring Primary and Noncontributory—Other Insurance Condition:

**When a Primary and Noncontributory—Other Insurance Condition Endorsement is requested, a copy of the agreement between the applicant and the person(s) or organization(s) requiring the endorsement must accompany the application.**

**SECTION 12. FILINGS OR CERTIFICATES Commercial Auto Application Filings Supplement Required**

**NOTE:** Producers completing this application and section must be guided by the following:  
 (a) If a filing is requested in this Section, the Hired Auto (Section 11.b) and Nonowned Auto Liability (Section 11.c) Coverage Sections of this application must be completed. (b) The applicant's name must be identical to the name as it appears on the Department of Transportation (DOT) or Department of Public Safety (DPS) permit. (c) A CAIP Inspected Units Form must be completed, signed, and submitted for any applicant who requires a Federal Highway Administration (FHWA) or Federal Motor Carrier Safety Administration (FMCSA) filing or endorsement.

Is a federal filing or specific limit(s) of liability needed?  Yes  No If "Yes" to comply with:

(Answering "Yes" to any of the 4 filings below will require completion of the CAIP Inspected Units form.)

- Motor Carrier Act of 1980 Type:  1  2  3  4
- Bus Regulatory Act of 1982  ICC Regulation - Docket No. \_\_\_\_\_
- U. S. DOT No. \_\_\_\_\_

Is a state or local filing or specific limit(s) of liability needed?  Yes  No If "Yes" to comply with:

- Local Ordinance (attach copy)  State Regulation
- (Insert state specific item) \_\_\_\_\_
- PUC No. \_\_\_\_\_  Other \_\_\_\_\_

If block(s) are checked, list state(s) and city(ies) requiring filings or limits of liability required by law.

Is applicant required to file evidence of financial responsibility?  Yes  No If "Yes", complete the following.

Last Name	First Name	MI	Tax ID or Social Security No.
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Type of Filing  Owner's (operation of owned vehicles)  Operator's (operation of nonowned vehicles)  Both

State(s) where Filing required	Case or File No.	Reason for Filing
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**SECTION 13. ADDITIONAL INFORMATION**

Are any other vehicles owned by the Applicant? <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes" complete the following.	Are any vehicles hauling exclusively for one firm/carrier? <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes", complete the following.
---	--

Name of Insurance Company	Policy No.	Name of Firm/Carrier
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Address of Insurance Company	Type of Business
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Description of any owned, leased, hired, and nonowned vehicles which are *not* to be insured.

Year	Trade Make	Body Type	Vehicle Identification No.

SECTION 14. PAYMENT PLANS			
<input type="checkbox"/> Option 1 - Full Annual Premium <input type="checkbox"/> Option 2 - Premium Deposit with Single Bill Balance <input type="checkbox"/> Option 3 - Installment Premium Payments* – 5 Monthly Payments** <input type="checkbox"/> Premium to be Financed – Name of Premium Finance Company***		Payment by: <input type="checkbox"/> Certified Funds <input type="checkbox"/> Money Order	Check/Money Order No.
		Total Estimated Premium	\$
		Amount Submitted with Application	\$
		<i>* Not Available on Premium Financed Policies</i> <i>** \$4.00 per installment charge</i> <i>*** Attach a copy of Premium Finance contract.</i>	
SECTION 15. PREVIOUS AUTOMOBILE INSURANCE CARRIER			
Information for the past three years. (If a fleet, information for the past five years required.) Attach loss statements from previous carrier.			
Name of latest carrier		Policy No.	Termination date
Was coverage through Plan? <input type="checkbox"/> Yes <input type="checkbox"/> No		If "Yes", give reason terminated.	
Complete the following for Carriers of property and passengers.			
Year	Policy No.	Policy Period From To	Name of Insurance Company
1st Prior			
2nd Prior			
3rd Prior			
4th Prior			
SECTION 16. EVIDENCE OF INSURANCE AND REQUESTED EFFECTIVE DATE OF COVERAGE			
This application shall be evidence of temporary insurance subject to the following conditions:			
1. The application must be fully completed and duly executed.			
2. Coverage under this evidence of automobile insurance is to be effective for a period not to exceed 30 days from the effective date and time stated herein. Within such 30 day period coverages under this evidence of automobile insurance will terminate immediately upon: (a) The issuance of the policy applied for, (b) The issuance of any policy affording similar insurance, or (c) The cancellation of the coverages of insurance afforded hereunder in accordance with the rules of the Kentucky Automobile Insurance Plan.			
3. A premium charge will be made for these coverages if the policy, when and as issued, is not accepted by the insured.			
4. The insurance afforded hereunder shall be subject to all the terms and conditions of the Plan and the Policy Form prescribed for use.			
5. The Producer of Record must forward this application to the Plan in accordance with Plan rules.			
<b>NOTE:</b> In the event there is no U.S. postmark (a metered mail stamp, electronic stamp, or other postage service or stamp are not considered a U.S. postmark), coverage will become effective pursuant to Plan rules.			
<b>Applicants requiring filings or a limit of liability in excess of \$350,000 Combined Single Limits will be subject to a 15 day delay in the effective date as specified in Section 23 of the Kentucky Automobile Insurance Plan.</b>			
Requested Effective Date and Time:		<b>IN NO EVENT SHALL COVERAGE BE EFFECTIVE PRIOR TO THE DATE AND HOUR OF COMPLETION OF THIS APPLICATION.</b>	
Example: 09/01/2019 11:30 AM			
SECTION 17. PRODUCER OF RECORD STATEMENT			
I hereby certify that I am a licensed broker/agent of the State of Kentucky. I have tried and failed to obtain automobile insurance in this state for this applicant within the preceding 60 days. I have read the Kentucky Plan, have explained the provisions to the applicant. I acknowledge that I am acting on behalf of the applicant in submitting this application and have no authority to establish or revise the terms or conditions of coverage. This application includes all required information given to me by the applicant. In the event of cancellation or change to the policy resulting in a reduction of premium, I agree to return the unearned premium to the insured (net of any minimum premium due the carrier) and also to return to the carrier unearned compensation for this insurance received by me as required by the Plan.			
My signature hereon represents certification of the Producer of Record Statement AND I certify this application is submitted pursuant to the effective date provisions contained in the Automobile Insurance Plan of this state.			
(Producer's Signature)		Date: _____	Hour: _____ <input type="checkbox"/> A.M. <input type="checkbox"/> P.M.

**SECTION 18. APPLICANT'S STATEMENT**

I, the Applicant, declare and certify that:

1. It has duly authorized the undersigned to execute this application on its behalf if the Applicant is not a natural person.
2. The Applicant has tried without success to obtain automobile insurance in this state within the preceding 60 days.
3. To the best of the Applicant's knowledge and belief that all statements contained in this application are true and that these statements are offered as an inducement to issue the policy for which the Applicant is applying.
4. The Applicant realizes that any misleading information or failure to disclose required information will be considered lack of good faith on Applicant's part and may void the application or cause cancellation of the Applicant's coverage.
5. The Applicant agrees that no coverage will be in effect if the premium remittance, which accompanies this application, is justifiably dishonored by any financial institution.
6. The Applicant understands that the premiums shown on this application is an estimated premium. The servicing carrier reserves the right to adjust the premium either prior to or after the issuance of the policy, whenever applicable.
7. The Applicant will pay all premiums when due.
8. I hereby certify that I do not owe any insurance company for automobile premiums due or contracted.
9. The Applicant designates as Producer of Record of this insurance the Producer or firm named in this application. The Applicant understands that any designated Producer cannot act as an agent of the Automobile Insurance Plan or any servicing carrier for the purposes of this insurance and that the Producer has no authority to establish, alter or amend terms or conditions of coverage.
10. The Applicant hereby certifies that it does not owe any insurance company for any automobile insurance premiums due or contracted during the preceding 12 months.
11. I hereby certify that Kentucky No-Fault Rejection Form KY.N.F.-1 has been available.

The Applicant hereby authorizes any insurer that may previously have provided coverage to the Applicant or to an additional named insured to provide records, data or information concerning prior coverage to the Plan or any carrier designated by the Plan. The Applicant agrees that a reproduction of this authorization shall be considered as effective and valid as the original.

\_\_\_\_\_  
Date: \_\_\_\_\_ Hour: \_\_\_\_\_  A.M.  P.M.  
(Person authorized to sign for Applicant)

If additional named insureds are to be covered under a policy issued to the Applicant, authorized signatures for each such additional named insured shall be provided below. Such additional named insureds agree to be bound by the statements made by the Applicant in this form.

\_\_\_\_\_  
Date: \_\_\_\_\_ Hour: \_\_\_\_\_  A.M.  P.M.  
(Person authorized to sign for Additional Named Insured)

**NOTICE TO APPLICANT AND PRODUCER**

In the event acknowledgement of coverage is not received within 30 days, contact the Plan Office at 1-800-555-0513.

**FAIR CREDIT REPORTING ACT NOTICE**

In addition to routine verification of information pertinent to the insurance applied for, if the application is by an individual for insurance primarily for personal or family purposes, the insurer to which it is assigned may have an investigative consumer report made including information bearing on character, general reputation, personal characteristics or mode of living and, upon the individual's written request, will disclose in writing the nature and scope of the investigation requested, if such report is procured.

**WARNING**

Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime.

**MAILING INFORMATION**

Send original, signed application, with certified funds/money order and required attachments to:

Kentucky Automobile Insurance Plan  
PO Box 6530  
Providence, RI 02940-6530

Include the following attachments, if applicable:

1. Supplemental Operator Schedule
2. Supplemental Vehicle Schedule
3. Commercial Automobile Application Filings Supplement
4. Hold Harmless Agreement(s)
5. Copy of Premium Finance Contract
6. Last 3 years' loss statements
7. CAIP Inspected Units Form

**REMARKS SECTION**

## MEMORANDUM

TO: Mark Hillis  
FROM: Kathy Murtagh  
DATE: May 3, 2021  
RE: Kentucky Automobile Insurance Plan  
Amendments to Sections 13, 14, 30 and 31  
Producer Commission

For presentation to the Kentucky State Governing Committee, I am forwarding a proposal updating the commission payment requirements to be consistent with other Plans countrywide. These changes are recommended to facilitate the transition from a countrywide CAIP servicing carrier to AIPSO Insurance Operations as a service provider.

Please let me know what action the Kentucky Governing Committee takes on this proposal.

Attach.

Pc: R. Powers

**PRODUCER COMMISSION****Defining the Issue**

On September 1, 2022, AIPSO will replace the incumbent CAIP servicing carrier who has tendered their resignation. AIPSO with a licensed insurance company has been appointed to issue and service commercial auto policies for 44 states. There are minor differences among Plan producer commission provisions in those states. To provide consistency in the handling and processing of commissions across all states, state Plan provisions should be clarified and/or modified.

**Action Needed**

Please review the following information and decide if the proposal is appropriate for Plan use.

**Proposal**

We propose the following:

- Compensation shall be paid no less frequently than monthly and shall be paid within 15 days after the close of the month in which the commission was credited to the producer's account.
- Clarification of the types of transactions that might result in a reduction of policy premium.
- Amending both the private passenger and the commercial commission payment provisions for consistency purposes.

**Impact**

Adoption of the proposed amendments will have the following impact:

- Plan requirements for the payment of producer commission will be consistent with other Plans countrywide.
- Adoption of consistent commission requirements will facilitate the transition from a countrywide CAIP servicing carrier to a service provider in the near future.
- The commission payment provisions applicable to commercial and private passenger risks will be consistent.

**AIPSO Systems Impact:** There is no impact to AIPSO systems.

**Proposed Changes****PERSONAL AUTOMOBILE PART****Sec. 13. COMPENSATION TO PRODUCER OF RECORD**

Paragraph G is amended to clarify the types of transactions that might result in a reduction of policy premium. Editorial changes are made to Paragraph I for clarification purposes.

**Sec. 14. PERFORMANCE STANDARDS FOR COMPANIES WRITING KENTUCKY  
AUTOMOBILE INSURANCE PLAN PRIVATE PASSENGER NONFLEET RISKS**

Paragraph G is amended to remove provisions that are currently located in the commission section.

**COMMERCIAL AUTOMOBILE PART**

**Sec. 30. COMPENSATION TO PRODUCER OF RECORD**

Paragraph G is amended to clarify the types of transactions that might result in a reduction of policy premium. Editorial changes are made to Paragraph I for clarification purposes.

**Sec. 31. PERFORMANCE STANDARDS FOR SERVICING CARRIERS WRITING  
KENTUCKY AUTOMOBILE INSURANCE PLAN COMMERCIAL RISKS**

Paragraph F is amended to state that compensation will be paid no less frequently than monthly and shall be paid within 15 days after the close of the month in which the commission was credited to the producer's account. In addition, Paragraph F is amended to remove provisions that are currently located in the commission section.

**Attachments**

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Exhibit A—Amendments to Sections 13, 14, 30, 31

KENTUCKY AUTOMOBILE INSURANCE PLAN  
(Struck-out matter—deleted; Underlined matter—new)

EXHIBIT A  
Page 1 of 2

**PERSONAL AUTOMOBILE PART**

**Sec. 13. COMPENSATION TO PRODUCER OF RECORD**

- A. Unless other arrangements have been made with the Executive Director of the Office of Insurance, the compensation under the Plan shall be as follows:  
5% of the policy premium for compensation to a licensed producer designated by the insured
- B. Compensation may be paid by the service provider either (1) on the full annual premium, or (2) on the basis of the premium received by the service provider.
- C. A producer accounting system may be utilized by a service provider in its payment of producer compensation.
- D. Compensation will not be paid on installment charges.
- E. On any risk rated and domiciled outside of this state, the licensed producer may be paid only that portion of the producer's compensation specified above which is permissible under the laws of the state in which the risk is rated and domiciled.
- F. Producer compensation under Section 6.C. Installment Premium Payment Option may be paid as installment payment is received by the service provider.
- G. In the event of cancellation, ~~or a policy change~~ or a termination resulting in a reduction of premium, compensation will be payable on the earned premium received by the service provider.
- H. Final compensation adjustment will be in accordance with this Section.
- I. Should the producer fail to provide ~~his or her~~ their tax identification number, the service provider may defer the payment of compensation until the proper tax identification is provided.

**Sec. 14. PERFORMANCE STANDARDS FOR SERVICE PROVIDERS WRITING  
KENTUCKY AUTOMOBILE INSURANCE PLAN PRIVATE PASSENGER  
NONFLEET RISKS**

- G. Compensation shall be paid no less frequently than monthly and shall be paid within 15 days after the close of the month in which the commission was credited to the producer's account. The service provider must issue a statement and, if applicable, the proper compensation check unless the producer fails to provide his or her proper tax identification number. ~~Compensation may be paid by the service provider either (a) on the full annual premium, or (b) on the basis of the premium received by the service provider. A producer accounting system may be utilized by a service provider in its payment of producer compensation. Compensation will not be paid on installment charges.~~ Final compensation adjustment will be in accordance with Section 13.

KENTUCKY AUTOMOBILE INSURANCE PLAN  
(Struck-out matter—deleted; Underlined matter—new)

EXHIBIT A  
Page 2 of 2

**COMMERCIAL AUTOMOBILE PART**

**Sec. 30. COMPENSATION TO PRODUCER OF RECORD**

- A. Unless other arrangements have been made with the Executive Director of the Office of Insurance, the compensation under the Plan shall be as follows:  
5% of the policy premium for compensation to a licensed producer designated by the insured
- B. Compensation may be paid by the servicing carrier either (1) on the full annual premium, or (2) on the basis of the premium received by the servicing carrier.
- C. A producer accounting system may be utilized by a servicing carrier in its payment of producer compensation.
- D. Compensation will not be paid on installment charges.
- E. On any risk rated and domiciled outside of this state, the licensed producer may be paid only that portion of the producer's compensation specified above which is permissible under the laws of the state in which the risk is rated and domiciled.
- F. Producer compensation under Section 22.B. Installment Premium Payment Option may be paid as installment payment is received by the servicing carrier.
- G. In the event of cancellation ~~or a policy change~~, a final audit or a termination resulting in a reduction of premium, compensation will be payable on the earned premium received by the servicing carrier.
- H. Final compensation adjustment will be in accordance with this Section.
- I. Should the producer fail to provide ~~his/her~~ their tax identification number, the servicing carrier may defer the payment of compensation until the proper tax identification is provided.

**Sec. 31. PERFORMANCE STANDARDS FOR SERVICING CARRIERS WRITING  
KENTUCKY AUTOMOBILE INSURANCE PLAN COMMERCIAL RISKS**

- F. ~~Within 30 days of receipt of the gross premium due, Compensation shall be paid no less frequently than monthly and shall be paid within 15 days after the close of the month in which the commission was credited to the producer's account. ¶The servicing carrier must issue a statement and, if applicable, the proper compensation check except if the producer fails to provide his or her proper tax identification number. Compensation may be paid by the servicing carrier either (a) on the full annual premium, or (b) on the basis of the premium received by the servicing carrier. A producer accounting system may be utilized by a servicing carrier in its payment of producer compensation. Compensation will not be paid on installment charges.~~ Final compensation adjustment will be in accordance with Section 30.

<b>2020 Commercial Auto Coverage Parts Program</b>
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**Executive Summary**

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ISO has introduced the December 2020 Edition of the Commercial Auto Coverage Parts Program (CACP) to replace the 2013 Edition with related endorsement form and rating rule revisions.

We are proposing adoption of ISO's revisions to the Commercial Auto Coverage Parts Program. The more significant revisions included in the 2020 CACP to the Business Auto Coverage Form, Auto Dealers Coverage Form, and related endorsement forms are as follows:

1. Certain autos leased or rented for a continuous period of six months or more will be considered owned autos.
2. Trailer provisions are revised to replace load capacity of 2,000 pounds with a Gross Vehicle Weight Rating (GVWR) of 3,000 pounds.
3. Transportation Expenses are increased from \$15 a day with a maximum of \$450 to \$30 a day with a maximum of \$900.
4. An unmanned aircraft (commonly referred to as drones) exclusion and definition are introduced.
5. An Auto Dealer cannabis exclusion and definition are introduced.



**2020 Commercial Auto Coverage Parts Program****Defining the Issue**

ISO has introduced the December 2020 Commercial Auto Coverage Parts Program (CACP) and related endorsements to replace the 2013 Edition. With the 2020 Edition, ISO has revised the Business Auto Coverage Form, Auto Dealers Coverage Form, and related endorsement forms as follows:

1. Certain autos leased or rented for a continuous period of six months or more will be considered owned autos.
2. Trailer provisions are revised to replace load capacity of 2,000 pounds with a Gross Vehicle Weight Rating (GVWR) of 3,000 pounds.
3. Transportation Expenses and Loss of Use Expenses under the Coverage Extensions provisions are increased from \$15 a day with a maximum of \$450 to \$30 a day with a maximum of \$900.
4. Towing and Labor coverage for private passenger types is extended to include light and medium trucks.
5. The Deductible Provision is revised to introduce a maximum deductible.
6. An unmanned aircraft (commonly referred to as drones) exclusion and definition are introduced.
7. An Auto Dealer cannabis exclusion and definition are introduced.
8. The Auto Dealer Coverage Form is further revised to introduce an Access or Disclosure of Confidential or Personal Information exclusion

**Action Needed**

Please review this proposal and consider adopting revisions to the CACP and related rating rules.

**Effective Date**

If approved by the Governing Committee these changes will be filed with an effective date of September 1, 2022.

**Proposal**

We propose adopting ISO's revisions to the Commercial Auto Coverage Parts Program with certain deviations, such as excluding the following revisions to coverages that are not currently provided by the Kentucky Automobile Insurance Plan:

1. Extended Towing and Labor coverage for light and medium trucks
2. Increased limits for Loss of Use Expenses under the Coverage Extensions provisions
3. Access or Disclosure of Confidential or Personal Information exclusion under Personal and Advertising Injury Liability provision

In addition, we do not recommend adopting the following:

1. The revision to the Owned Autos You Acquire After the Policy Begins provision providing that certain autos leased or rented for a continuous period of six months or more will be considered owned autos under the policy
2. The introduction of a maximum deductible under the deductible provisions

## Impact

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This proposal provides a combination of broadenings and restrictions of coverage.

**AIPSO Systems Impact:** ISPS can accommodate any effective date.

This proposal has a normal impact on EASi, ISPS can accommodate this date.

## Attachments

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EXHIBIT A—Explanatory Memorandum for proposed revised AIPSO and ISO coverage forms and endorsements

EXHIBIT B—Commercial Auto Coverage Forms Portfolio Index and copies of the new and revised commercial auto coverage forms and endorsements displaying changes with strike-through and underscore

EXHIBIT C—Explanatory Memorandum for proposed rule revisions

EXHIBIT D—Proposed rule revisions

<b>Explanatory Memorandum for the 2020 Commercial Auto Coverage Parts Program</b>
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**I. COVERAGE FORMS****A. CA 00 01 11 20 Business Auto Coverage Form**  
Replaces CA 00 01 10 13

This policy is revised as follows:

**1. Section I—Covered Autos**

- a. The Owned Autos You Acquire After the Policy Begins provision is retitled, revised, and a new paragraph 3 is introduced to provide that certain autos leased or rented for a continuous period of six months or more will be considered owned autos under the policy.

*AIPSO is not recommending this revision to the Owned Autos You Acquire After the Policy Begins provision (See AP 62 15).*

- b. The Certain Trailers, Mobile Equipment and Temporary Substitute Autos provision is revised to replace load capacity of 2,000 pounds with a Gross Vehicle Weight Rating (GVWR) of 3,000 pounds. This revision reflects the Title 49 C.F.R. 567.4 requirement that GVWR be affixed to all trailers. This GVWR is equivalent to the current 2,000 pound load capacity.

**2. Section II—Covered Autos Liability Coverage**

Exclusions is revised to introduce an Unmanned Aircraft (commonly referred to as drones) exclusion to reinforce that aircraft exposures are not contemplated under auto liability insurance.

**3. Section III—Physical Damage Coverage****a. Coverage**

- (1) The Towing provision is retitled and revised to extend Towing and Labor coverage for private passenger types to include light and medium trucks.

*The change to the Towing provision is not applicable to the Kentucky Automobile Insurance Plan, since physical damage coverage is not available in the Plan.*

- (2) Transportation Expenses and Loss of Use Expenses under the Coverage Extensions provisions are revised to increase the limits to \$30 a day with a maximum of \$900.

*The changes to Transportation Expenses and Loss of Use Expenses are not applicable to the Kentucky Automobile Insurance Plan, since physical damage coverage is not available in the Plan.*

**b. Deductible**

The Deductible Provision is revised to introduce a maximum deductible.

*The change to the Deductible provision is not applicable to the Kentucky Automobile Insurance Plan, since physical damage coverage is not available in the Plan.*

**4. Section V—Definitions**

A definition of unmanned aircraft is introduced to coincide with the unmanned aircraft exclusion introduced under Section II—Covered Autos Liability Coverage.

Editorial revisions are also made.

**B. CA 00 25 11 20 Auto Dealers Coverage Form**

Replaces CA 00 25 10 13

This policy is revised as follows:

## 1. Section I—Covered Autos Coverages

- a. The Owned Autos You Acquire After the Policy Begins provision is retitled, revised, and a new paragraph 3 is introduced to provide that certain autos leased or rented for a continuous period of six months or more will be considered owned autos under the policy.

*AIPSO is not recommending this revision to the Owned Autos You Acquire After the Policy Begins provision (See AP 20 91).*

- b. The Certain Trailers and Temporary Substitute Autos provision is revised to replace load capacity of 2,000 pounds with a Gross Vehicle Weight Rating (GVWR) of 3,000 pounds. This revision reflects the Title 49 C.F.R. 567.4 requirement that GVWR be affixed to all trailers. This GVWR is equivalent to the current 2,000 pound load capacity.
- c. The Covered Autos Liability Coverage provision is revised to introduce an Unmanned Aircraft (commonly referred to as drones) exclusion to reinforce that aircraft exposures are not contemplated under auto liability insurance.
- d. The Physical Damage Coverage provision is revised under Coverage Extension to increase Loss of Use Expenses limits to \$30 a day with a maximum of \$900.

*The change to Loss of Use Expenses is not applicable to the Kentucky Automobile Insurance Plan, since physical damage coverage is not available in the Plan.*

- e. The Deductible Provision is revised introduce a maximum deductible.

*The change to the Deductible provision is not applicable to the Kentucky Automobile Insurance Plan, since physical damage coverage is not available in the Plan.*

## 2. Section II—General Liability Coverages

- a. The Bodily Injury and Property Damage Liability provision is revised as follows:

- (1) Coverage is revised to remove reference to *other than the ownership, maintenance or use of "autos"*, to reinforce that coverage is limited to auto dealer operations as noted under this section.

- (2) An Access or Disclosure of Confidential or Personal Information exclusion is introduced. Certain hacking activities and data breaches are becoming more prevalent and this exclusion reflects the intent that coverages related to this exposure were not contemplated under the policy. Standalone policies such as ISO's CY 00 10 (Information Security Protection Cyber Policy) are available to address this exposure.

Additional exclusions in this provision are relocated without revision or effect on coverage.

- b. The Personal and Advertising Injury Liability provision is revised as follows:

- (1) Exclusions b. and c. are revised to reference publications "in any manner" to address internet and electronic publications. This change is consistent with the policy definition of "personal and advertising injury".

- (2) An Access or Disclosure of Confidential or Personal Information exclusion is introduced. Certain hacking activities and data breaches are becoming more prevalent and this exclusion reflects the intent that coverages related to this exposure were not contemplated under the policy. Standalone policies such as ISO's CY 00 10 (Information Security Protection Cyber Policy) are available to address this exposure.

*These changes to Personal and Advertising Injury Liability are not applicable to the Kentucky Automobile Insurance Plan. The Plan does not offer Personal and Advertising Injury Liability.*

3. Section III—Acts, Errors or Omissions Liability Coverages

An Access or Disclosure of Confidential or Personal Information exclusion is introduced. Certain hacking activities and data breaches are becoming more prevalent and this exclusion reflects the intent that coverages related to this exposure were not contemplated under the policy. Standalone policies such as ISO’s CY 00 10 (Information Security Protection Cyber Policy) are available to address this exposure.

*The revisions to Acts, Errors or Omissions Liability Coverages are not applicable to the Kentucky Automobile Insurance Plan. The Plan does not offer Acts, Errors or Omissions Liability.*

4. Section V—Definitions

A definition of unmanned aircraft is introduced to coincide with the unmanned aircraft exclusion introduced under Section II—Covered Autos Coverages.

Editorial revisions are also made.

**II. AIPSO ENDORSEMENTS**

**A. AP 00 10 05 21 Kentucky Changes—Auto Dealers Coverage Form Declarations**

Replaces AP 00 10 12 16

This form is retitled to clarify that its provisions apply to the Auto Dealers Coverage Form Declarations.

**B. AP 20 25 05 21 Kentucky Changes In Business Auto Coverage Form**

Replaces AP 20 25 12 16 and AP 62 15 02 16

This form is retitled and amended to

- (1) eliminate Paragraph B.3 of the Owned Autos provision which states that certain autos leased or rented for a continuous period of six months or more will be considered owned autos under the policy. The Owned Autos provision is also retitled to reference autos you acquire after the policy begins in the title rather than paragraphs 1 and 2.

Paragraph B.3 is eliminated since its introduction may lead to coverage ambiguity if Symbol 7 is selected. Symbol 7 (Specifically Described “Autos”) requires an insured to notify the company within 30 days if an auto is acquired; however, Paragraph B.3 could be interpreted to eliminate the notification requirement for leased or rented autos that are considered owned.

- (2) incorporate the Supplementary Payments and Policy Period, Coverage Territory provisions from AP 62 15.

Editorial revisions are also made.

**C. AP 20 91 05 21 Kentucky Changes–Auto Dealers Coverage Form**  
Replaces CA 01 64 10 13

This form is amended to

- (1) eliminate Paragraph B.3 of the Owned Autos provision which states that certain autos leased or rented for a continuous period of six months or more will be considered owned autos under the policy. The Owned Autos provision is also retitled to reference autos you acquire after the policy begins in the title rather than paragraphs 1 and 2.

Paragraph B.3 is eliminated since its introduction may lead to coverage ambiguity if Symbol 27 is selected. Symbol 27 (Specifically Described “Autos”) requires an insured to notify the company within 30 days if an auto is acquired; however, Paragraph B.3 could be interpreted to eliminate the notification requirement for leased or rented autos that are considered owned.

- (2) remove physical damage provisions and physical damage references since this coverage is not available in the Plan.
- (3) replace the Supplementary Payments provision to reduce the limit for bail bonds and loss of earnings to \$250 to be consistent with AP 20 25.
- (4) replace the Policy Period, Coverage Territory provision to limit the coverage territory to the United States of America, its territories and possessions, Puerto Rico, and Canada to be consistent with AP 20 25.

**III. ISO ENDORSEMENTS**

**A. CA 04 39 11 20 Volunteer Hired Autos**

This form is introduced to extend Covered Autos Liability Coverage to volunteers who rent or hire an auto, in a volunteer's name, under a contract or agreement, for the purposes of performing duties related to the conduct of the named insured's business.

**B. CA 20 01 11 20 Lessor–Additional Insured And Loss Payee**  
Replaces CA 20 01 10 13

This form is revised to remove Physical Damage Coverage limit references since the applicable limits are already addressed under the applicable coverage form’s Physical Damage Coverage Limit of Insurance provisions.

*This change is not applicable to the Kentucky Automobile Insurance Plan, since physical damage coverage is not available in the Plan.*

Editorial revisions are also made.

**C. CA 20 06 11 20 Driving Schools–Non-Owned Autos**  
Replaces CA 20 06 10 13

This form is revised to remove references to number of owned autos used for driver training and number of driving instructors from the Schedule in an ongoing effort to remove rating information from the forms Schedules.

**D. CA 20 54 11 20 Employee Hired Autos**  
Replaces CA 20 54 10 13

The Changes in General Conditions provision for Hired Auto Physical Damage Coverage is revised to accommodate circumstances where both the Volunteer Hired Autos and Employee Hired Autos endorsements are attached to the policy.

*The revisions to this form are not applicable to the Kentucky Automobile Insurance Plan. Hired Auto Physical Damage Coverage is not available in the Plan.*

**E. CA 23 17 11 20 Truckers– Uniform Intermodal Interchange Endorsement Form UIIE–1**  
Replaces CA 23 17 10 13

This form is revised to reinforce that cargo claims that are not a result of a motor carrier commercial vehicle accident or theft of cargo during the interchange period are not subject to indemnification. In addition, the address for the Intermodal Association of North America has been updated.

**F. CA 27 14 12 19 Cannabis Exclusion With Hemp and Lessor Risk Exception For General Liability Coverages**

This endorsement is introduced for use with the Auto Dealers Coverage Form to exclude bodily injury and property damage related exposures associated with the defined term cannabis including, but not limited to, property damage to cannabis; while also containing exceptions arising out of (1) goods or products containing or derived from hemp and (2) the ownership, maintenance or use of a premises leased to others by the Named Insured.

**IV. Withdrawn Endorsement**

**AP 62 15 02 16 Changes In Business Auto Coverage Form**

This endorsement is no longer necessary, since the provisions are incorporated into the Kentucky Changes In Business Auto Coverage Form endorsement

**V. APPLICATION AND RELATED FORMS**

**AIP 7551 Commercial/Truckers Application**

Section 10 Vehicle Information and Use is amended to replace the Gross Vehicle Weight (GVW) reference with Gross Vehicle Weight Rating (GVWR)

**AIP 7561 Kentucky Supplemental Commercial Vehicle Schedule**

Vehicle Information and Use is amended to replace Gross Vehicle Weight (GVW) reference with Gross Vehicle Weight Rating (GVWR).



**Proposed New and Revised Forms and Endorsements**

CA 00 01 11 20 Business Auto Coverage Form  
CA 00 25 11 20 Auto Dealers Coverage Form  
AP 00 10 05 21 Kentucky Changes—Auto Dealers Coverage Form Declarations  
AP 20 25 05 21 Kentucky Changes In Business Auto Coverage Form  
AP 20 91 05 21 Kentucky Changes—Auto Dealers Coverage Form  
CA 04 39 11 20 Volunteer Hired Autos  
CA 20 01 11 20 Lessor—Additional Insured And Loss Payee  
CA 20 06 11 20 Driving Schools—Non-Owned Autos  
CA 20 54 11 20 Employee Hired Autos  
CA 23 17 11 20 Truckers—Uniform Intermodal Interchange Endorsement Form UIIE-1  
CA 27 14 12 19 Cannabis Exclusion With Hemp and Lessor Risk Exception For General Liability Coverages



## BUSINESS AUTO COVERAGE FORM

Various provisions in this pPolicy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this pPolicy the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we", "us" and "our" refer to the company providing this insurance.

Other words and phrases that appear in quotation marks have special meaning. Refer to Section V – Definitions.

### SECTION I – COVERED AUTOS

Item Two of the Declarations shows the "autos" that are covered "autos" for each of your coverages. The following numerical symbols describe the "autos" that may be covered "autos". The symbols entered next to a coverage on the Declarations designate the only "autos" that are covered "autos".

#### A. Description Of Covered Auto Designation Symbols

Symbol	Description Of Covered Auto Designation Symbols	
1	Any "Auto"	
2	Owned "Autos" Only	Only those "autos" you own (and for Covered Autos Liability Coverage any "trailers" you don't own while attached to power units you own). This includes those "autos" you acquire ownership of after the pPolicy begins.
3	Owned Private Passenger "Autos" Only	Only the private passenger "autos" you own. This includes those private passenger "autos" you acquire ownership of after the pPolicy begins.
4	Owned "Autos" Other Than Private Passenger "Autos" Only	Only those "autos" you own that are not of the private passenger type (and for Covered Autos Liability Coverage any "trailers" you don't own while attached to power units you own). This includes those "autos" not of the private passenger type you acquire ownership of after the pPolicy begins.
5	Owned "Autos" Subject To No-fault	Only those "autos" you own that are required to have no-fault benefits in the state where they are licensed or principally garaged. This includes those "autos" you acquire ownership of after the pPolicy begins provided they are required to have no-fault benefits in the state where they are licensed or principally garaged.
6	Owned "Autos" Subject To A Compulsory Uninsured Motorists Law	Only those "autos" you own that because of the law in the state where they are licensed or principally garaged are required to have and cannot reject Uninsured Motorists Coverage. This includes those "autos" you acquire ownership of after the pPolicy begins provided they are subject to the same state uninsured motorists requirement.
7	Specifically Described "Autos"	Only those "autos" described in Item Three of the Declarations for which a premium charge is shown (and for Covered Autos Liability Coverage any "trailers" you don't own while attached to any power unit described in Item Three).
8	Hired "Autos" Only	Only those "autos" you lease, hire, rent or borrow. This does not include any "auto" you lease, hire, rent or borrow from any of your "employees", partners (if you are a partnership), members (if you are a limited liability company) or members of their households.
9	Non-owned "Autos" Only	Only those "autos" you do not own, lease, hire, rent or borrow that are used in connection with your business. This includes "autos" owned by your "employees", partners (if you are a partnership), members (if you are a limited liability company) or members of their households but only while used in your business or your personal affairs.

<b>19</b>	Mobile Equipment Subject To Compulsory Or Financial Responsibility Or Other Motor Vehicle Insurance Law Only	Only those "autos" that are land vehicles and that would qualify under the definition of "mobile equipment" under this Policy if they were not subject to a compulsory or financial responsibility law or other motor vehicle insurance law where they are licensed or principally garaged.
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**B. Owned Autos You Acquire After The Policy Begins**

1. If Symbols **1, 2, 3, 4, 5, 6** or **19** are entered next to a coverage in Item Two of the Declarations, then you have coverage for "autos" that you acquire after the policy period begins of the type described for the remainder of the policy period.
2. But, if Symbol **7** is entered next to a coverage in Item Two of the Declarations, an "auto" you acquire after the policy period begins will be a covered "auto" for that coverage only if:
  - a. We already cover all "autos" that you own for that coverage or it replaces an "auto" you previously owned that had that coverage; and
  - b. You tell us within 30 days after you acquire it that you want us to cover it for that coverage.
3. An "auto" that is leased or rented to you without a driver, under a written agreement for a continuous period of at least six months that requires you to provide primary insurance covering such "auto", will be considered a covered "auto" you own.

**C. Certain Trailers, Mobile Equipment And Temporary Substitute Autos**

If Covered Autos Liability Coverage is provided by this Coverage Form, the following types of vehicles are also covered "autos" for Covered Autos Liability Coverage:

1. "Trailers" with a load capacity registered Gross Vehicle Weight Rating of 3,000 2,000 pounds or less designed primarily for travel on public roads.
2. "Mobile equipment" while being carried or towed by a covered "auto".
3. Any "auto" you do not own while used with the permission of its owner as a temporary substitute for a covered "auto" you own that is out of service because of its:
  - a. Breakdown;
  - b. Repair;
  - c. Servicing;

- d. "Loss"; or
- e. Destruction.

**SECTION II – COVERED AUTOS LIABILITY COVERAGE**

**A. Coverage**

We will pay all sums an "insured" legally must pay as damages because of "bodily injury" or "property damage" to which this insurance applies, caused by an "accident" and resulting from the ownership, maintenance or use of a covered "auto".

We will also pay all sums an "insured" legally must pay as a "covered pollution cost or expense" to which this insurance applies, caused by an "accident" and resulting from the ownership, maintenance or use of covered "autos". However, we will only pay for the "covered pollution cost or expense" if there is either "bodily injury" or "property damage" to which this insurance applies that is caused by the same "accident".

We have the right and duty to defend any "insured" against a "suit" asking for such damages or a "covered pollution cost or expense". However, we have no duty to defend any "insured" against a "suit" seeking damages for "bodily injury" or "property damage" or a "covered pollution cost or expense" to which this insurance does not apply. We may investigate and settle any claim or "suit" as we consider appropriate. Our duty to defend or settle ends when the Covered Autos Liability Coverage Limit of Insurance has been exhausted by payment of judgments or settlements.

**1. Who Is An Insured**

The following are "insureds":

- a. You for any covered "auto".
- b. Anyone else while using with your permission a covered "auto" you own, hire or borrow except:

- (1) The owner or anyone else from whom you hire or borrow a covered "auto".

This exception does not apply if the covered "auto" is a "trailer" connected to a covered "auto" you own.

- (2) Your "employee" if the covered "auto" is owned by that "employee" or a member of his or her household.
  - (3) Someone using a covered "auto" while he or she is working in a business of selling, servicing, repairing, parking or storing "autos" unless that business is yours.
  - (4) Anyone other than your "employees", partners (if you are a partnership), members (if you are a limited liability company) or a lessee or borrower or any of their "employees", while moving property to or from a covered "auto".
  - (5) A partner (if you are a partnership) or a member (if you are a limited liability company) for a covered "auto" owned by him or her or a member of his or her household.
- c. Anyone liable for the conduct of an "insured" described above but only to the extent of that liability.

## 2. Coverage Extensions

### a. Supplementary Payments

We will pay for the "insured":

- (1) All expenses we incur.
- (2) Up to \$2,000 for cost of bail bonds (including bonds for related traffic law violations) required because of an "accident" we cover. We do not have to furnish these bonds.
- (3) The cost of bonds to release attachments in any "suit" against the "insured" we defend, but only for bond amounts within our Limit of Insurance.
- (4) All reasonable expenses incurred by the "insured" at our request, including actual loss of earnings up to \$250 a day because of time off from work.
- (5) All court costs taxed against the "insured" in any "suit" against the "insured" we defend. However, these payments do not include attorneys' fees or attorneys' expenses taxed against the "insured".
- (6) All interest on the full amount of any judgment that accrues after entry of the judgment in any "suit" against the "insured" we defend, but our duty to pay interest ends when we have paid, offered to pay or deposited in court the part of the judgment that is within our Limit of Insurance.

These payments will not reduce the Limit of Insurance.

### b. Out-of-state Coverage Extensions

While a covered "auto" is away from the state where it is licensed, we will:

- (1) Increase the Limit of Insurance for Covered Autos Liability Coverage to meet the limits specified by a compulsory or financial responsibility law of the jurisdiction where the covered "auto" is being used. This extension does not apply to the limit or limits specified by any law governing motor carriers of passengers or property.
- (2) Provide the minimum amounts and types of other coverages, such as no-fault, required of out-of-state vehicles by the jurisdiction where the covered "auto" is being used.

We will not pay anyone more than once for the same elements of loss because of these extensions.

## B. Exclusions

This insurance does not apply to any of the following:

### 1. Expected Or Intended Injury

"Bodily injury" or "property damage" expected or intended from the standpoint of the "insured".

### 2. Contractual

Liability assumed under any contract or agreement.

But this exclusion does not apply to liability for damages:

- a. Assumed in a contract or agreement that is an "insured contract", provided the "bodily injury" or "property damage" occurs subsequent to the execution of the contract or agreement; or
- b. That the "insured" would have in the absence of the contract or agreement.

### 3. Workers' Compensation

Any obligation for which the "insured" or the "insured's" insurer may be held liable under any workers' compensation, disability benefits or unemployment compensation law or any similar law.

### 4. Employee Indemnification And Employer's Liability

"Bodily injury" to:

- a. An "employee" of the "insured" arising out of and in the course of:
  - (1) Employment by the "insured"; or

(2) Performing the duties related to the conduct of the "insured's" business; or

- b. The spouse, child, parent, brother or sister of that "employee" as a consequence of Paragraph a. above.

This exclusion applies:

- (1) Whether the "insured" may be liable as an employer or in any other capacity; and  
 (2) To any obligation to share damages with or repay someone else who must pay damages because of the injury.

But this exclusion does not apply to "bodily injury" to domestic "employees" not entitled to workers' compensation benefits or to liability assumed by the "insured" under an "insured contract". For the purposes of the Coverage Form, a domestic "employee" is a person engaged in household or domestic work performed principally in connection with a residence premises.

#### 5. Fellow Employee

"Bodily injury" to:

- a. Any fellow "employee" of the "insured" arising out of and in the course of the fellow "employee's" employment or while performing duties related to the conduct of your business; or  
 b. The spouse, child, parent, brother or sister of that fellow "employee" as a consequence of Paragraph a. above.

#### 6. Care, Custody Or Control

"Property damage" to or "covered pollution cost or expense" involving property owned or transported by the "insured" or in the "insured's" care, custody or control. But this exclusion does not apply to liability assumed under a sidetrack agreement.

#### 7. Handling Of Property

"Bodily injury" or "property damage" resulting from the handling of property:

- a. Before it is moved from the place where it is accepted by the "insured" for movement into or onto the covered "auto"; or  
 b. After it is moved from the covered "auto" to the place where it is finally delivered by the "insured".

#### 8. Movement Of Property By Mechanical Device

"Bodily injury" or "property damage" resulting from the movement of property by a mechanical device (other than a hand truck) unless the device is attached to the covered "auto".

#### 9. Operations

"Bodily injury" or "property damage" arising out of the operation of:

- a. Any equipment listed in Paragraphs 6.b. and 6.c. of the definition of "mobile equipment"; or  
 b. Machinery or equipment that is on, attached to or part of a land vehicle that would qualify under the definition of "mobile equipment" if it were not subject to a compulsory or financial responsibility law or other motor vehicle insurance law where it is licensed or principally garaged.

#### 10. Completed Operations

"Bodily injury" or "property damage" arising out of your work after that work has been completed or abandoned.

In this exclusion, your work means:

- a. Work or operations performed by you or on your behalf; and  
 b. Materials, parts or equipment furnished in connection with such work or operations.

Your work includes warranties or representations made at any time with respect to the fitness, quality, durability or performance of any of the items included in Paragraph a. or b. above.

Your work will be deemed completed at the earliest of the following times:

- (1) When all of the work called for in your contract has been completed;  
 (2) When all of the work to be done at the site has been completed if your contract calls for work at more than one site; or  
 (3) When that part of the work done at a job site has been put to its intended use by any person or organization other than another contractor or subcontractor working on the same project.

Work that may need service, maintenance, correction, repair or replacement, but which is otherwise complete, will be treated as completed.

#### 11. Pollution

"Bodily injury" or "property damage" arising out of the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of "pollutants":

- a. That are, or that are contained in any property that is:  
 (1) Being transported or towed by, handled or handled for movement into, onto or from the covered "auto";

- (2) Otherwise in the course of transit by or on behalf of the "insured"; or
- (3) Being stored, disposed of, treated or processed in or upon the covered "auto";
- b. Before the "pollutants" or any property in which the "pollutants" are contained are moved from the place where they are accepted by the "insured" for movement into or onto the covered "auto"; or
- c. After the "pollutants" or any property in which the "pollutants" are contained are moved from the covered "auto" to the place where they are finally delivered, disposed of or abandoned by the "insured".

Paragraph **a.** above does not apply to fuels, lubricants, fluids, exhaust gases or other similar "pollutants" that are needed for or result from the normal electrical, hydraulic or mechanical functioning of the covered "auto" or its parts if:

- (1) The "pollutants" escape, seep, migrate or are discharged, dispersed or released directly from an "auto" part designed by its manufacturer to hold, store, receive or dispose of such "pollutants"; and
- (2) The "bodily injury", "property damage" or "covered pollution cost or expense" does not arise out of the operation of any equipment listed in Paragraphs **6.b.** and **6.c.** of the definition of "mobile equipment".

Paragraphs **b.** and **c.** above of this exclusion do not apply to "accidents" that occur away from premises owned by or rented to an "insured" with respect to "pollutants" not in or upon a covered "auto" if:

- (a) The "pollutants" or any property in which the "pollutants" are contained are upset, overturned or damaged as a result of the maintenance or use of a covered "auto"; and
- (b) The discharge, dispersal, seepage, migration, release or escape of the "pollutants" is caused directly by such upset, overturn or damage.

## 12. War

"Bodily injury" or "property damage" arising directly or indirectly out of:

- a. War, including undeclared or civil war;
- b. Warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or

- c. Insurrection, rebellion, revolution, usurped power or action taken by governmental authority in hindering or defending against any of these.

## 13. Racing

Covered "autos" while used in any professional or organized racing or demolition contest or stunting activity, or while practicing for such contest or activity. This insurance also does not apply while that covered "auto" is being prepared for such a contest or activity.

## 14. Unmanned Aircraft

"Bodily injury" or "property damage" arising out of the ownership, maintenance or use of "unmanned aircraft".

## C. Limit Of Insurance

Regardless of the number of covered "autos", "insureds", premiums paid, claims made or vehicles involved in the "accident", the most we will pay for the total of all damages and "covered pollution cost or expense" combined resulting from any one "accident" is the Limit Of Insurance for Covered Autos Liability Coverage shown in the Declarations.

All "bodily injury", "property damage" and "covered pollution cost or expense" resulting from continuous or repeated exposure to substantially the same conditions will be considered as resulting from one "accident".

No one will be entitled to receive duplicate payments for the same elements of "loss" under this Coverage Form and any Medical Payments Coverage endorsement, Uninsured Motorists Coverage endorsement or Underinsured Motorists Coverage endorsement attached to this Coverage Part.

## SECTION III – PHYSICAL DAMAGE COVERAGE

### A. Coverage

1. We will pay for "loss" to a covered "auto" or its equipment under:

#### a. Comprehensive Coverage

From any cause except:

- (1) The covered "auto's" collision with another object; or
- (2) The covered "auto's" overturn.

#### b. Specified Causes Of Loss Coverage

Caused by:

- (1) Fire, lightning or explosion;
- (2) Theft;
- (3) Windstorm, hail or earthquake;
- (4) Flood;
- (5) Mischief or vandalism; or

- (6) The sinking, burning, collision or derailment of any conveyance transporting the covered "auto".

**c. Collision Coverage**

Caused by:

- (1) The covered "auto's" collision with another object; or  
 (2) The covered "auto's" overturn.

**2. Towing And Labor**

We will pay up to the limit shown in the Declarations for towing and labor costs incurred each time a covered "auto" ~~of the~~ that is a private passenger type, light truck or medium truck is disabled. However, the labor must be performed at the place of disablement.

**3. Glass Breakage – Hitting A Bird Or Animal – Falling Objects Or Missiles**

If you carry Comprehensive Coverage for the damaged covered "auto", we will pay for the following under Comprehensive Coverage:

- a. Glass breakage;  
 b. "Loss" caused by hitting a bird or animal; and  
 c. "Loss" caused by falling objects or missiles.

However, you have the option of having glass breakage caused by a covered "auto's" collision or overturn considered a "loss" under Collision Coverage.

**4. Coverage Extensions**

**a. Transportation Expenses**

We will pay up to ~~\$20~~ \$30 per day, to a maximum of ~~\$600~~ \$900, for temporary transportation expense incurred by you because of the total theft of a covered "auto" of the private passenger type. We will pay only for those covered "autos" for which you carry either Comprehensive or Specified Causes Of Loss Coverage. We will pay for temporary transportation expenses incurred during the period beginning 48 hours after the theft and ending, regardless of the ~~p~~Policy's expiration, when the covered "auto" is returned to use or we pay for its "loss".

**b. Loss Of Use Expenses**

For Hired Auto Physical Damage, we will pay expenses for which an "insured" becomes legally responsible to pay for loss of use of a vehicle rented or hired without a driver under a written rental contract or agreement. We will pay for loss of use expenses if caused by:

- (1) Other than collision only if the Declarations indicates that Comprehensive Coverage is provided for any covered "auto";  
 (2) Specified Causes ~~Of~~ Loss only if the Declarations indicates that Specified Causes Of Loss Coverage is provided for any covered "auto"; or  
 (3) Collision only if the Declarations indicates that Collision Coverage is provided for any covered "auto".

However, the most we will pay for any expenses for loss of use is ~~\$20~~ \$30 per day, to a maximum of ~~\$600~~ \$900.

**B. Exclusions**

1. We will not pay for "loss" caused by or resulting from any of the following. Such "loss" is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the "loss".

**a. Nuclear Hazard**

- (1) The explosion of any weapon employing atomic fission or fusion; or  
 (2) Nuclear reaction or radiation, or radioactive contamination, however caused.

**b. War Or Military Action**

- (1) War, including undeclared or civil war;  
 (2) Warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or  
 (3) Insurrection, rebellion, revolution, usurped power or action taken by governmental authority in hindering or defending against any of these.

2. We will not pay for "loss" to any covered "auto" while used in any professional or organized racing or demolition contest or stunting activity, or while practicing for such contest or activity. We will also not pay for "loss" to any covered "auto" while that covered "auto" is being prepared for such a contest or activity.

3. We will not pay for "loss" due and confined to:
- a. Wear and tear, freezing, mechanical or electrical breakdown.  
 b. Blowouts, punctures or other road damage to tires.

This exclusion does not apply to such "loss" resulting from the total theft of a covered "auto".

4. We will not pay for "loss" to any of the following:

- a. Tapes, records, discs or other similar audio, visual or data electronic devices designed for use with audio, visual or data electronic equipment.
  - b. Any device designed or used to detect speed-measuring equipment, such as radar or laser detectors, and any jamming apparatus intended to elude or disrupt speed-measuring equipment.
  - c. Any electronic equipment, without regard to whether this equipment is permanently installed, that reproduces, receives or transmits audio, visual or data signals.
  - d. Any accessories used with the electronic equipment described in Paragraph c. above.
5. Exclusions 4.c. and 4.d. do not apply to equipment designed to be operated solely by use of the power from the "auto's" electrical system that, at the time of "loss", is:
- a. Permanently installed in or upon the covered "auto";
  - b. Removable from a housing unit which is permanently installed in or upon the covered "auto";
  - c. An integral part of the same unit housing any electronic equipment described in Paragraphs a. and b. above; or
  - d. Necessary for the normal operation of the covered "auto" or the monitoring of the covered "auto's" operating system.
6. We will not pay for "loss" to a covered "auto" due to "diminution in value".

### C. Limits Of Insurance

1. The most we will pay for:
  - a. "Loss" to any one covered "auto" is the lesser of:
    - (1) The actual cash value of the damaged or stolen property as of the time of the "loss"; or
    - (2) The cost of repairing or replacing the damaged or stolen property with other property of like kind and quality.
  - b. All electronic equipment that reproduces, receives or transmits audio, visual or data signals in any one "loss" is \$1,000, if, at the time of "loss", such electronic equipment is:
    - (1) Permanently installed in or upon the covered "auto" in a housing, opening or other location that is not normally used by the "auto" manufacturer for the installation of such equipment;

(2) Removable from a permanently installed housing unit as described in Paragraph b.(1) above; or

(3) An integral part of such equipment as described in Paragraphs b.(1) and b.(2) above.

2. An adjustment for depreciation and physical condition will be made in determining actual cash value in the event of a total "loss".
3. If a repair or replacement results in better than like kind or quality, we will not pay for the amount of the betterment.

### D. Deductible

For each covered "auto", our obligation to pay for, repair, return or replace damaged or stolen property will be reduced by the applicable deductible shown in the Declarations prior to the application of the Limit Of Insurance, provided that: ~~Any Comprehensive Coverage deductible shown in the Declarations does not apply to "loss" caused by fire or lightning.~~

1. The Comprehensive or Specified Causes Of Loss Coverage deductible applies only to "loss" caused by:

- a. Theft or mischief or vandalism; or
- b. All perils.

2. Regardless of the number of covered "autos" damaged or stolen, the maximum deductible applicable for all "loss" in any one event caused by:

- a. Theft or mischief or vandalism; or
- b. All perils.

will be equal to five times the highest deductible applicable to any one covered "auto" on the Policy for Comprehensive or Specified Causes Of Loss Coverage. The application of the highest deductible used to calculate the maximum deductible will be made regardless of which covered "autos" were damaged or stolen in the "loss".

### SECTION IV – BUSINESS AUTO CONDITIONS

The following conditions apply in addition to the Common Policy Conditions:

#### A. Loss Conditions

##### 1. Appraisal For Physical Damage Loss

If you and we disagree on the amount of "loss", either may demand an appraisal of the "loss". In this event, each party will select a competent appraiser. The two appraisers will select a competent and impartial umpire. The appraisers will state separately the actual cash value and amount of "loss". If they fail to agree, they will submit their differences to the umpire. A

decision agreed to by any two will be binding. Each party will:

- a. Pay its chosen appraiser; and
- b. Bear the other expenses of the appraisal and umpire equally.

If we submit to an appraisal, we will still retain our right to deny the claim.

## 2. Duties In The Event Of Accident, Claim, Suit Or Loss

We have no duty to provide coverage under this Policy unless there has been full compliance with the following duties:

- a. In the event of "accident", claim, "suit" or "loss", you must give us or our authorized representative prompt notice of the "accident" or "loss". Include:
  - (1) How, when and where the "accident" or "loss" occurred;
  - (2) The "insured's" name and address; and
  - (3) To the extent possible, the names and addresses of any injured persons and witnesses.
- b. Additionally, you and any other involved "insured" must:
  - (1) Assume no obligation, make no payment or incur no expense without our consent, except at the "insured's" own cost.
  - (2) Immediately send us copies of any request, demand, order, notice, summons or legal paper received concerning the claim or "suit".
  - (3) Cooperate with us in the investigation or settlement of the claim or defense against the "suit".
  - (4) Authorize us to obtain medical records or other pertinent information.
  - (5) Submit to examination, at our expense, by physicians of our choice, as often as we reasonably require.
- c. If there is "loss" to a covered "auto" or its equipment, you must also do the following:
  - (1) Promptly notify the police if the covered "auto" or any of its equipment is stolen.
  - (2) Take all reasonable steps to protect the covered "auto" from further damage. Also keep a record of your expenses for consideration in the settlement of the claim.
  - (3) Permit us to inspect the covered "auto" and records proving the "loss" before its repair or disposition.

- (4) Agree to examinations under oath at our request and give us a signed statement of your answers.

## 3. Legal Action Against Us

No one may bring a legal action against us under this Coverage Form until:

- a. There has been full compliance with all the terms of this Coverage Form; and
- b. Under Covered Autos Liability Coverage, we agree in writing that the "insured" has an obligation to pay or until the amount of that obligation has finally been determined by judgment after trial. No one has the right under this Policy to bring us into an action to determine the "insured's" liability.

## 4. Loss Payment – Physical Damage Coverages

At our option, we may:

- a. Pay for, repair or replace damaged or stolen property;
- b. Return the stolen property, at our expense. We will pay for any damage that results to the "auto" from the theft; or
- c. Take all or any part of the damaged or stolen property at an agreed or appraised value.

If we pay for the "loss", our payment will include the applicable sales tax for the damaged or stolen property.

## 5. Transfer Of Rights Of Recovery Against Others To Us

If any person or organization to or for whom we make payment under this Coverage Form has rights to recover damages from another, those rights are transferred to us. That person or organization must do everything necessary to secure our rights and must do nothing after "accident" or "loss" to impair them.

## B. General Conditions

### 1. Bankruptcy

Bankruptcy or insolvency of the "insured" or the "insured's" estate will not relieve us of any obligations under this Coverage Form.

### 2. Concealment, Misrepresentation Or Fraud

This Coverage Form is void in any case of fraud by you at any time as it relates to this Coverage Form. It is also void if you or any other "insured", at any time, intentionally conceals or misrepresents a material fact concerning:

- a. This Coverage Form;
- b. The covered "auto";
- c. Your interest in the covered "auto"; or
- d. A claim under this Coverage Form.

### 3. Liberalization

If we revise this Coverage Form to provide more coverage without additional premium charge, your policy will automatically provide the additional coverage as of the day the revision is effective in your state.

### 4. No Benefit To Bailee – Physical Damage Coverages

We will not recognize any assignment or grant any coverage for the benefit of any person or organization holding, storing or transporting property for a fee regardless of any other provision of this Coverage Form.

### 5. Other Insurance

a. For any covered "auto" you own, this Coverage Form provides primary insurance. For any covered "auto" you don't own, the insurance provided by this Coverage Form is excess over any other collectible insurance. However, while a covered "auto" which is a "trailer" is connected to another vehicle, the Covered Autos Liability Coverage this Coverage Form provides for the "trailer" is:

- (1) Excess while it is connected to a motor vehicle you do not own; or
- (2) Primary while it is connected to a covered "auto" you own.

b. For Hired Auto Physical Damage Coverage, any covered "auto" you lease, hire, rent or borrow is deemed to be a covered "auto" you own. However, any "auto" that is leased, hired, rented or borrowed with a driver is not a covered "auto".

c. Regardless of the provisions of Paragraph a. above, this Coverage Form's Covered Autos Liability Coverage is primary for any liability assumed under an "insured contract".

d. When this Coverage Form and any other Coverage Form or policy covers on the same basis, either excess or primary, we will pay only our share. Our share is the proportion that the Limit of Insurance of our Coverage Form bears to the total of the limits of all the Coverage Forms and policies covering on the same basis.

### 6. Premium Audit

a. The estimated premium for this Coverage Form is based on the exposures you told us you would have when this pPolicy began. We will compute the final premium due when we determine your actual exposures. The estimated total premium will be credited against the final premium due and the first Named Insured will be billed for the balance, if any. The due date for the final premium or

retrospective premium is the date shown as the due date on the bill. If the estimated total premium exceeds the final premium due, the first Named Insured will get a refund.

b. If this pPolicy is issued for more than one year, the premium for this Coverage Form will be computed annually based on our rates or premiums in effect at the beginning of each year of the pPolicy.

### 7. Policy Period, Coverage Territory

Under this Coverage Form, we cover "accidents" and "losses" occurring:

- a. During the policy period shown in the Declarations; and
- b. Within the coverage territory.

The coverage territory is:

- (1) The United States of America;
- (2) The territories and possessions of the United States of America;
- (3) Puerto Rico;
- (4) Canada; and
- (5) Anywhere else in the world if a covered "auto" of the private passenger type is leased, hired, rented or borrowed without a driver for a period of 30 days or less,

provided that the "insured's" responsibility to pay damages is determined in a "suit" on the merits, in the United States of America, the territories and possessions of the United States of America, Puerto Rico or Canada, or in a settlement we agree to.

We also cover "loss" to, or "accidents" involving, a covered "auto" while being transported between any of these places.

### 8. Two Or More Coverage Forms Or Policies Issued By Us

If this Coverage Form and any other Coverage Form or policy issued to you by us or any company affiliated with us applies to the same "accident", the aggregate maximum Limit of Insurance under all the Coverage Forms or policies shall not exceed the highest applicable Limit of Insurance under any one Coverage Form or policy. This condition does not apply to any Coverage Form or policy issued by us or an affiliated company specifically to apply as excess insurance over this Coverage Form.

### SECTION V – DEFINITIONS

A. "Accident" includes continuous or repeated exposure to the same conditions resulting in "bodily injury" or "property damage".

**B. "Auto" means:**

1. A land motor vehicle, "trailer" or semitrailer designed for travel on public roads; or
2. Any other land vehicle that is subject to a compulsory or financial responsibility law or other motor vehicle insurance law where it is licensed or principally garaged.

However, "auto" does not include "mobile equipment".

**C. "Bodily injury" means bodily injury, sickness or disease sustained by a person, including death resulting from any of these.****D. "Covered pollution cost or expense" means any cost or expense arising out of:**

1. Any request, demand, order or statutory or regulatory requirement that any "insured" or others test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of, "pollutants"; or
2. Any claim or "suit" by or on behalf of a governmental authority for damages because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying or neutralizing, or in any way responding to, or assessing the effects of, "pollutants".

"Covered pollution cost or expense" does not include any cost or expense arising out of the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of "pollutants":

**a. That are, or that are contained in any property that is:**

- (1) Being transported or towed by, handled or handled for movement into, onto or from the covered "auto";
- (2) Otherwise in the course of transit by or on behalf of the "insured"; or
- (3) Being stored, disposed of, treated or processed in or upon the covered "auto";

**b. Before the "pollutants" or any property in which the "pollutants" are contained are moved from the place where they are accepted by the "insured" for movement into or onto the covered "auto"; or****c. After the "pollutants" or any property in which the "pollutants" are contained are moved from the covered "auto" to the place where they are finally delivered, disposed of or abandoned by the "insured".**

Paragraph **a.** above does not apply to fuels, lubricants, fluids, exhaust gases or other similar "pollutants" that are needed for or result from the normal electrical, hydraulic or mechanical functioning of the covered "auto" or its parts, if:

- (1) The "pollutants" escape, seep, migrate or are discharged, dispersed or released directly from an "auto" part designed by its manufacturer to hold, store, receive or dispose of such "pollutants"; and
- (2) The "bodily injury", "property damage" or "covered pollution cost or expense" does not arise out of the operation of any equipment listed in Paragraph **6.b.** or **6.c.** of the definition of "mobile equipment".

Paragraphs **b.** and **c.** above do not apply to "accidents" that occur away from premises owned by or rented to an "insured" with respect to "pollutants" not in or upon a covered "auto" if:

- (a) The "pollutants" or any property in which the "pollutants" are contained are upset, overturned or damaged as a result of the maintenance or use of a covered "auto"; and
- (b) The discharge, dispersal, seepage, migration, release or escape of the "pollutants" is caused directly by such upset, overturn or damage.

**E. "Diminution in value" means the actual or perceived loss in market value or resale value which results from a direct and accidental "loss".****F. "Employee" includes a "leased worker". "Employee" does not include a "temporary worker".****G. "Insured" means any person or organization qualifying as an insured in the Who Is An Insured provision of the applicable coverage. Except with respect to the Limit of Insurance, the coverage afforded applies separately to each insured who is seeking coverage or against whom a claim or "suit" is brought.****H. "Insured contract" means:**

1. A lease of premises;
2. A sidetrack agreement;
3. Any easement or license agreement, except in connection with construction or demolition operations on or within 50 feet of a railroad;
4. An obligation, as required by ordinance, to indemnify a municipality, except in connection with work for a municipality;

5. That part of any other contract or agreement pertaining to your business (including an indemnification of a municipality in connection with work performed for a municipality) under which you assume the tort liability of another to pay for "bodily injury" or "property damage" to a third party or organization. Tort liability means a liability that would be imposed by law in the absence of any contract or agreement; or
6. That part of any contract or agreement entered into, as part of your business, pertaining to the rental or lease, by you or any of your "employees", of any "auto". However, such contract or agreement shall not be considered an "insured contract" to the extent that it obligates you or any of your "employees" to pay for "property damage" to any "auto" rented or leased by you or any of your "employees".

An "insured contract" does not include that part of any contract or agreement:

- a. That indemnifies a railroad for "bodily injury" or "property damage" arising out of construction or demolition operations, within 50 feet of any railroad property and affecting any railroad bridge or trestle, tracks, roadbeds, tunnel, underpass or crossing;
  - b. That pertains to the loan, lease or rental of an "auto" to you or any of your "employees", if the "auto" is loaned, leased or rented with a driver; or
  - c. That holds a person or organization engaged in the business of transporting property by "auto" for hire harmless for your use of a covered "auto" over a route or territory that person or organization is authorized to serve by public authority.
- I. "Leased worker" means a person leased to you by a labor leasing firm under an agreement between you and the labor leasing firm to perform duties related to the conduct of your business. "Leased worker" does not include a "temporary worker".
- J. "Loss" means direct and accidental loss or damage.
- K. "Mobile equipment" means any of the following types of land vehicles, including any attached machinery or equipment:
1. Bulldozers, farm machinery, forklifts and other vehicles designed for use principally off public roads;
  2. Vehicles maintained for use solely on or next to premises you own or rent;
  3. Vehicles that travel on crawler treads;
  4. Vehicles, whether self-propelled or not, maintained primarily to provide mobility to permanently mounted:
    - a. Power cranes, shovels, loaders, diggers or drills; or
    - b. Road construction or resurfacing equipment such as graders, scrapers or rollers;
5. Vehicles not described in Paragraph 1., 2., 3. or 4. above that are not self-propelled and are maintained primarily to provide mobility to permanently attached equipment of the following types:
- a. Air compressors, pumps and generators, including spraying, welding, building cleaning, geophysical exploration, lighting and well-servicing equipment; or
  - b. Cherry pickers and similar devices used to raise or lower workers; or
6. Vehicles not described in Paragraph 1., 2., 3. or 4. above maintained primarily for purposes other than the transportation of persons or cargo. However, self-propelled vehicles with the following types of permanently attached equipment are not "mobile equipment" but will be considered "autos":
- a. Equipment designed primarily for:
    - (1) Snow removal;
    - (2) Road maintenance, but not construction or resurfacing; or
    - (3) Street cleaning;
  - b. Cherry pickers and similar devices mounted on automobile or truck chassis and used to raise or lower workers; and
  - c. Air compressors, pumps and generators, including spraying, welding, building cleaning, geophysical exploration, lighting or well-servicing equipment.
- However, "mobile equipment" does not include land vehicles that are subject to a compulsory or financial responsibility law or other motor vehicle insurance law where it is licensed or principally garaged. Land vehicles subject to a compulsory or financial responsibility law or other motor vehicle insurance law are considered "autos".
- L. "Pollutants" means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.
- M. "Property damage" means damage to or loss of use of tangible property.
- N. "Suit" means a civil proceeding in which:
1. Damages because of "bodily injury" or "property damage"; or
  2. A "covered pollution cost or expense"; to which this insurance applies, are alleged.

"Suit" includes:

- a. An arbitration proceeding in which such damages or "covered pollution costs or expenses" are claimed and to which the "insured" must submit or does submit with our consent; or
  - b. Any other alternative dispute resolution proceeding in which such damages or "covered pollution costs or expenses" are claimed and to which the insured submits with our consent.
- O. "Temporary worker" means a person who is furnished to you to substitute for a permanent "employee" on leave or to meet seasonal or short-term workload conditions.
- P. "Trailer" includes semitrailer.
- S. "Unmanned aircraft" means an aircraft that is not:
- 1. Designed;
  - 2. Manufactured; or
  - 3. Modified after manufacture;
- to be controlled directly by a person from within or on the aircraft.

## AUTO DEALERS COVERAGE FORM

Various provisions in this pPolicy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this pPolicy, the words "you" and "your" refer to the Named Insured shown in the Declarations and include your spouse, if you are an individual. The words "we", "us" and "our" refer to the company providing this insurance.

Other words and phrases that appear in quotation marks have special meaning. Refer to Section V – Definitions.

### SECTION I – COVERED AUTOS COVERAGES

#### A. Description Of Covered Auto Designation Symbols

Item Two of the Declarations shows the "autos" that are covered "autos" for each of your coverages. The following numerical symbols describe the "autos" that may be covered "autos". The symbols entered next to a coverage on the Declarations designate the only "autos" that are covered "autos".

Symbol	Description Of Covered Auto Designation Symbols	
21	Any "Auto"	
22	Owned "Autos" Only	Only those "autos" you own (and for Covered Autos Liability Coverage any "trailers" you don't own while attached to power units you own). This includes those "autos" you acquire ownership of after the pPolicy begins.
23	Owned Private Passenger "Autos" Only	Only the private passenger "autos" you own. This includes those private passenger "autos" you acquire ownership of after the pPolicy begins.
24	Owned "Autos" Other Than Private Passenger "Autos" Only	Only those "autos" you own that are not of the private passenger type (and for Covered Autos Liability Coverage any "trailers" you don't own while attached to power units you own). This includes those "autos" not of the private passenger type you acquire ownership of after the pPolicy begins.
25	Owned "Autos" Subject To No-fault	Only those "autos" you own that are required to have no-fault benefits in the state where they are licensed or principally garaged. This includes those "autos" you acquire ownership of after the pPolicy begins provided they are required to have no-fault benefits in the state where they are licensed or principally garaged.
26	Owned "Autos" Subject To A Compulsory Uninsured Motorists Law	Only those "autos" you own that because of the law in the state where they are licensed or principally garaged are required to have and cannot reject Uninsured Motorists Coverage. This includes those "autos" you acquire ownership of after the pPolicy begins provided they are subject to the same state uninsured motorists requirement.
27	Specifically Described "Autos"	Only those "autos" described in Item Seven of the Declarations for which a premium charge is shown (and for Covered Autos Liability Coverage any "trailers" you don't own while attached to a power unit described in Item Seven).
28	Hired "Autos" Only	Only those "autos" you lease, hire, rent or borrow. This does not include any "auto" you lease, hire, rent, or borrow from any of your "employees", partners (if you are a partnership), members (if you are a limited liability company) or members of their households.
29	Non-owned "Autos" Used In Your "Auto" Dealership	Any "auto" you do not own, lease, hire, rent or borrow used in connection with your "auto" dealership described in the Declarations. This includes "autos" owned by your "employees" or partners (if you are a partnership), members (if you are a limited liability company) or members of their households while used in your "auto" dealership.

<p><b>30</b></p>	<p>"Autos" Left With You For Service, Repair, Storage Or Safekeeping</p>	<p>Any land motor vehicle, trailer or semitrailer lawfully within your possession for service, repair, storage or safekeeping, with or without the vehicle owner's knowledge or consent. This also includes "autos" left in your care by your "employees" and members of their households who pay for the services performed.</p>
<p><b>31</b></p>	<p>"Auto" Dealers' "Autos" (Physical Damage Coverages)</p>	<p>Any "autos" and the interests in these "autos" described in Item Six of the Declarations.</p>

**B. Owned Autos You Acquire After The Policy Begins**

1. If Symbols **21, 22, 23, 24, 25** or **26** are entered next to a coverage in Item Two of the Declarations, then you have coverage for "autos" that you acquire after the policy period begins of the type described for the remainder of the policy period.
2. But, if Symbol **27** is entered next to a coverage in Item Two of the Declarations, an "auto" you acquire after the policy period begins will be a covered "auto" for that coverage only if:
  - a. We already cover all "autos" that you own for that coverage or it replaces an "auto" you previously owned that had that coverage; and
  - b. You tell us within 30 days after you acquire it that you want us to cover it for that coverage.
3. An "auto" that is leased or rented to you without a driver, under a written agreement for a continuous period of at least six months that requires you to provide primary insurance covering such "auto", will be considered a covered "auto" you own.

**C. Certain Trailers And Temporary Substitute Autos**

If Covered Autos Liability Coverage is provided by this Coverage Form, the following types of vehicles are also covered "autos" for Covered Autos Liability Coverage:

1. "Trailers" with a ~~load capacity~~ registered Gross Vehicle Weight Rating of 3,000 2,000 pounds or less designed primarily for travel on public roads.
2. Any "auto" you do not own while used with the permission of its owner as a temporary substitute for a covered "auto" you own that is out of service because of its:
  - a. Breakdown;
  - b. Repair;
  - c. Servicing;
  - d. "Loss"; or
  - e. Destruction.

**D. Covered Autos Liability Coverage**

**1. Coverage**

We will pay all sums an "insured" legally must pay as damages because of "bodily injury" or "property damage" to which this insurance applies, caused by an "accident" and resulting from the ownership, maintenance or use of covered "autos".

We will also pay all sums an "insured" legally must pay as a "covered pollution cost or expense" to which this insurance applies, caused by an "accident" and resulting from the ownership, maintenance or use of covered "autos". However, we will only pay for the "covered pollution cost or expense" if there is either "bodily injury" or "property damage" to which this insurance applies that is caused by the same "accident".

We have the right and duty to defend any "insured" against a "suit" asking for such damages or a "covered pollution cost or expense". However, we have no duty to defend any "insured" against a "suit" seeking damages for "bodily injury" or "property damage" or a "covered pollution cost or expense" to which this insurance does not apply. We may investigate and settle any claim or "suit" as we consider appropriate. Our duty to defend or settle ends when the Covered "Autos" Liability Coverage Limit of Insurance has been exhausted by payment of judgments or settlements.

## 2. Who Is An Insured

The following are "insureds" for covered "autos":

- a. You for any covered "auto".
- b. Anyone else while using with your permission a covered "auto" you own, hire or borrow except:
  - (1) The owner or anyone else from whom you hire or borrow a covered "auto".  
This exception does not apply if the covered "auto" is a "trailer" connected to a covered "auto" you own.
  - (2) Your "employee" if the covered "auto" is owned by that "employee" or a member of his or her household.
  - (3) Someone using a covered "auto" while he or she is working in a business of selling, servicing or repairing "autos" unless that business is yours.
  - (4) Your customers. However, if a customer of yours:
    - (a) Has no other available insurance (whether primary, excess or contingent), they are an "insured" but only up to the compulsory or financial responsibility law limits where the covered "auto" is principally garaged.
    - (b) Has other available insurance (whether primary, excess or contingent) less than the compulsory or financial responsibility law limits where the covered "auto" is principally garaged, they are an "insured" only for the amount by which the compulsory or financial responsibility law limits exceed the limit of their other insurance.
  - (5) A partner (if you are a partnership), or a member (if you are a limited liability company), for a covered "auto" owned by him or her or a member of his or her household.
- c. Anyone liable for the conduct of an "insured" described above but only to the extent of that liability.
- d. Your "employee" while using a covered "auto" you do not own, hire or borrow in your business or your personal affairs.

## 3. Coverage Extensions

### a. Supplementary Payments

We will pay for the "insured":

- (1) All expenses we incur.
- (2) Up to \$2,000 for the cost of bail bonds (including bonds for related traffic law violations) required because of an "accident" we cover. We do not have to furnish these bonds.
- (3) The cost of bonds to release attachments in any "suit" against the "insured" we defend, but only for bond amounts within our Limit of Insurance.
- (4) All reasonable expenses incurred by the "insured" at our request, including actual loss of earnings up to \$250 a day because of time off from work.
- (5) All court costs taxed against the "insured" in any "suit" against the "insured" we defend. However, these payments do not include attorneys' fees or attorneys' expenses taxed against the "insured".
- (6) All interest on the full amount of any judgment that accrues after entry of the judgment in any "suit" against the "insured" we defend; but our duty to pay interest ends when we have paid, offered to pay or deposited in court the part of the judgment that is within our Limit of Insurance.

These payments will not reduce the Limit of Insurance.

### b. Out-of-state Coverage Extensions

While a covered "auto" is away from the state where it is licensed, we will:

- (1) Increase the Limit of Insurance for Covered Autos Liability Coverage to meet the limits specified by a compulsory or financial responsibility law of the jurisdiction where the covered "auto" is being used. This extension does not apply to the limit or limits specified by any law governing motor carriers of passengers or property.
- (2) Provide the minimum amounts and types of other coverages, such as no-fault, required of out-of-state vehicles by the jurisdiction where the covered "auto" is being used.

We will not pay anyone more than once for the same elements of loss because of these extensions.

#### 4. Exclusions

This insurance does not apply to any of the following:

##### a. Expected Or Intended Injury

"Bodily injury" or "property damage" expected or intended from the standpoint of the "insured".

##### b. Contractual

Liability assumed under any contract or agreement. But this exclusion does not apply to liability for damages:

- (1) Assumed in a contract or agreement that is an "insured contract" provided the "bodily injury" or "property damage" occurs subsequent to the execution of the contract or agreement; or
- (2) That the "insured" would have in the absence of the contract or agreement.

##### c. Workers' Compensation

Any obligation for which the "insured" or the "insured's" insurer may be held liable under any workers' compensation, disability benefits or unemployment compensation law or any similar law.

##### d. Employee Indemnification And Employer's Liability

"Bodily injury" to:

- (1) An "employee" of the "insured" arising out of and in the course of:
  - (a) Employment by the "insured"; or
  - (b) Performing the duties related to the conduct of the "insured's" business; or
- (2) The spouse, child, parent, brother or sister of that "employee" as a consequence of Paragraph (1) above.

This exclusion applies:

- (a) Whether the "insured" may be liable as an employer or in any other capacity; and
- (b) To any obligation to share damages with or repay someone else who must pay damages because of the injury.

But this exclusion does not apply to "bodily injury" to domestic "employees" not entitled to workers' compensation benefits or to liability assumed by the "insured" under an "insured contract". For the purposes of Covered Autos Liability Coverage, a domestic "employee" is a person engaged in household or domestic work performed principally in connection with a residence premises.

##### e. Fellow Employee

"Bodily injury" to:

- (1) Any fellow "employee" of the "insured" arising out of and in the course of the fellow "employee's" employment or while performing duties related to the conduct of your business; or
- (2) The spouse, child, parent, brother or sister of that fellow "employee" as a consequence of Paragraph (1) above.

##### f. Care, Custody Or Control

"Property damage" to or "covered pollution cost or expense" involving:

- (1) Property owned, rented or occupied by the "insured";
- (2) Property loaned to the "insured";
- (3) Property held for sale or being transported by the "insured"; or
- (4) Property in the "insured's" care, custody or control.

But this exclusion does not apply to liability assumed under a sidetrack agreement.

##### g. Leased Autos

Any covered "auto" while leased or rented to others. But this exclusion does not apply to a covered "auto" you rent to one of your customers while their "auto" is left with you for service or repair.

##### h. Pollution

"Bodily injury" or "property damage" arising out of the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of "pollutants":

- (1) That are, or that are contained in any property that is:
  - (a) Being transported or towed by, handled, or handled for movement into, onto or from, the covered "auto";

- (b) Otherwise in the course of transit by or on behalf of the "insured"; or
  - (c) Being stored, disposed of, treated or processed in or upon the covered "auto";
- (2) Before the "pollutants" or any property in which the "pollutants" are contained are moved from the place where they are accepted by the "insured" for movement into or onto the covered "auto"; or
- (3) After the "pollutants" or any property in which the "pollutants" are contained are moved from the covered "auto" to the place where they are finally delivered, disposed of or abandoned by the "insured".

Paragraph (1) above does not apply to fuels, lubricants, fluids, exhaust gases or other similar "pollutants" that are needed for or result from the normal electrical, hydraulic or mechanical functioning of the covered "auto" or its parts, if the "pollutants" escape, seep, migrate, or are discharged, dispersed or released directly from an "auto" part designed by its manufacturer to hold, store, receive or dispose of such "pollutants".

Paragraphs (2) and (3) above of this exclusion do not apply to "accidents" that occur away from premises owned by or rented to an "insured" with respect to "pollutants" not in or upon a covered "auto" if:

- (a) The "pollutants" or any property in which the "pollutants" are contained are upset, overturned or damaged as a result of the maintenance or use of a covered "auto"; and
- (b) The discharge, dispersal, seepage, migration, release or escape of the "pollutants" is caused directly by such upset, overturn or damage.

#### **i. Racing**

Covered "autos" while used in any professional or organized racing or demolition contest or stunting activity, or while practicing for such contest or activity. This insurance also does not apply while that covered "auto" is being prepared for such a contest or activity.

#### **j. Handling Of Property**

"Bodily injury" or "property damage" resulting from the handling of property:

- (1) Before it is moved from the place where it is accepted by the "insured" for movement into or onto the covered "auto"; or
- (2) After it is moved from the covered "auto" to the place where it is finally delivered by the "insured".

#### **k. Movement Of Property By Mechanical Device**

"Bodily injury" or "property damage" resulting from the movement of property by a mechanical device (other than a hand truck) unless the device is attached to the covered "auto".

#### **l. Defective Products**

"Property damage" to any of your "products"; if caused by a defect existing in your "products" or any part of your "products"; at the time it was transferred to another.

#### **m. Work You Performed**

"Property damage" to "work you performed" if the "property damage" results from any part of the work itself or from the parts, materials or equipment used in connection with the work.

#### **n. Damage To Impaired Property Or Property Not Physically Damaged**

"Property damage" to "impaired property" or other property not physically damaged if caused by:

- (1) A delay or failure by you or anyone acting on your behalf to perform a contract or agreement in accordance with its terms.
- (2) A defect, deficiency, inadequacy or dangerous condition in your "products" or "work you performed". But this exclusion, **n.(2)**, does not apply if the loss of use was caused by sudden and accidental damage to or destruction of your "products" or "work you performed" after they have been put to their intended use.

**o. Products Recall**

Damages claimed for any loss, cost or expense incurred by you or others for the loss of use, withdrawal, recall, inspection, repair, replacement, adjustment, removal or disposal of your "products" or "work you performed" or other property of which they form a part, if such product, work or property is withdrawn or recalled from the market or from use by any person or organization because of a known or suspected defect, deficiency, inadequacy or dangerous condition in it.

**p. War**

"Bodily injury" or "property damage" arising directly or indirectly out of:

- (1) War, including undeclared or civil war;
- (2) Warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or
- (3) Insurrection, rebellion, revolution, usurped power or action taken by governmental authority in hindering or defending against any of these.

**q. Acts, Errors Or Omissions**

"Bodily injury" or "property damage" arising out of "acts, errors or omissions".

**r. Unmanned Aircraft**

"Bodily injury" or "property damage" arising out of the ownership, maintenance or use of "unmanned aircraft".

**5. Limit Of Insurance – Covered Autos Liability**

For "accidents" resulting from the ownership, maintenance or use of covered "autos", the following applies:

Regardless of the number of covered "autos", "insureds", premiums paid, claims made or vehicles involved in the "accident", the most we will pay for the total of all damages and "covered pollution cost or expense" combined resulting from any one "accident" involving a covered "auto" is the Limit of Insurance for Covered "Autos" Liability Coverage shown in the Declarations.

Damages and "covered pollution cost or expense" payable under the Limit of Insurance for Covered "Autos" Liability Coverage are not payable under any applicable Limits of Insurance under Section II – General Liability Coverages or Section III – Acts, Errors Or Omissions Liability Coverage.

All "bodily injury", "property damage" and "covered pollution cost or expense" resulting from continuous or repeated exposure to substantially the same conditions will be considered as resulting from one "accident".

No one will be entitled to receive duplicate payments for the same elements of "loss" under this Coverage Form and any Auto Medical Payments Coverage endorsement, Uninsured Motorists Coverage endorsement or Underinsured Motorists Coverage endorsement attached to this Coverage Part.

**E. Garagekeepers Coverage**

**1. Coverage**

a. We will pay all sums the "insured" legally must pay as damages for "loss" to a "customer's auto" or "customer's auto" equipment left in the "insured's" care while the "insured" is attending, servicing, repairing, parking or storing it in your "auto dealer operations" under:

**(1) Comprehensive Coverage**

From any cause except:

- (a) The "customer's auto's" collision with another object; or
- (b) The "customer's auto's" overturn.

**(2) Specified Causes Of Loss Coverage**

Caused by:

- (a) Fire, lightning or explosion;
- (b) Theft; or
- (c) Mischief or vandalism.

**(3) Collision Coverage**

Caused by:

- (a) The "customer's auto's" collision with another object; or
- (b) The "customer's auto's" overturn.

- b. We have the right and duty to defend any "insured" against a "suit" asking for these damages. However, we have no duty to defend any "insured" against a "suit" seeking damages for any loss to which this insurance does not apply. We may investigate and settle any claim or "suit" as we consider appropriate. Our duty to defend or settle ends for a coverage when the Limit of Insurance for that coverage has been exhausted by payment of judgments or settlements.

## 2. Who Is An Insured

The following are "insureds" for "loss" to "customer's autos" and "customer's auto" equipment:

- a. You.
- b. Your partners and their spouses, if you are a partnership, but only with respect to the conduct of your "auto dealer operations".
- c. Your members, if you are a limited liability company, but only with respect to the conduct of your "auto dealer operations". Your managers are also "insureds", but only with respect to their duties as your managers.
- d. Your "executive officers" and directors, if you are an organization other than a partnership or limited liability company, but only with respect to their duties as your officers or directors. Your stockholders are also "insureds", but only with respect to their liability as stockholders.
- e. Your "employees", other than either your "executive officers" (if you are an organization other than a partnership or limited liability company) or your managers (if you are a limited liability company), but only for acts within the scope of employment by you or while performing duties related to the conduct of your "auto dealer operations".

## 3. Coverage Extensions

The following apply as **Supplementary Payments**. We will pay for the "insured":

- a. All expenses we incur.
- b. The cost of bonds to release attachments in any "suit" against the "insured" we defend, but only for bond amounts within our Limit of Insurance.
- c. All reasonable expenses incurred by the "insured" at our request, including actual loss of earnings up to \$250 a day because of time off from work.

- d. All court costs taxed against the "insured" in any "suit" against the "insured" we defend. However, these payments do not include attorneys' fees or attorneys' expenses taxed against the "insured".
- e. All interest on the full amount of any judgment that accrues after entry of the judgment in any "suit" against the "insured" we defend; but our duty to pay interest ends when we have paid, offered to pay or deposited in court the part of the judgment that is within our Limit of Insurance.

These payments will not reduce the Limit of Insurance.

## 4. Exclusions

- a. This insurance does not apply to any of the following:

### (1) Contractual

Liability resulting from any contract or agreement by which the "insured" accepts responsibility for "loss". But this exclusion does not apply to liability for "loss" that the "insured" would have in the absence of the contract or agreement.

### (2) Theft

"Loss" due to theft or conversion caused in any way by you, your "employees" or by your stockholders.

### (3) Defective Parts

Defective parts or materials.

### (4) Faulty Work

Faulty "work you performed".

- b. We will not pay for "loss" to any of the following:

- (1) Tape decks or other sound-reproducing equipment unless permanently installed in a "customer's auto".

- (2) Tapes, records or other sound-reproducing devices designed for use with sound-reproducing equipment.

- (3) Sound-receiving equipment designed for use as a citizens' band radio, two-way mobile radio or telephone or scanning monitor receiver, including its antennas and other accessories, unless permanently installed in the dash or console opening normally used by the "customer's auto" manufacturer for the installation of a radio.

- (4) Any device designed or used to detect speed-measuring equipment, such as radar or laser detectors, and any jamming apparatus intended to elude or disrupt speed-measuring equipment.
- c. We will not pay for "loss" caused by or resulting from the following. Such "loss" is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the "loss".
  - (1) War, including undeclared or civil war;
  - (2) Warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or
  - (3) Insurrection, rebellion, revolution, usurped power, or action taken by governmental authority in hindering or defending against any of these.

#### 5. Limit Of Insurance And Deductibles

- a. Regardless of the number of "customer's autos", "insureds", premiums paid, claims made or "suits" brought, the most we will pay for each "loss" at each location is the Garagekeepers Coverage Limit Of Insurance shown in the Declarations for that location. Prior to the application of this limit, the damages for "loss" that would otherwise be payable will be reduced by the applicable deductibles for "loss" caused by:
  - (1) Collision; or
  - (2) With respect to Garagekeepers Coverage Comprehensive or Specified Causes Of Loss Coverage:
    - (a) Theft or mischief or vandalism; or
    - (b) All perils.
- b. The maximum deductible stated in the Declarations for Garagekeepers Coverage Comprehensive or Specified Causes Of Loss Coverage is the most that will be deducted for all "loss" in any one event caused by:
  - (1) Theft or mischief or vandalism; or
  - (2) All perils.
- c. To settle a claim or "suit", we may pay all or any part of the deductible. If this happens, you must reimburse us for the deductible or that part of the deductible that we paid.

## F. Physical Damage Coverage

### 1. Coverage

- a. We will pay for "loss" to a covered "auto" or its equipment under:

#### (1) Comprehensive Coverage

From any cause except:

- (a) The covered "auto's" collision with another object; or
- (b) The covered "auto's" overturn.

#### (2) Specified Causes Of Loss Coverage

Caused by:

- (a) Fire, lightning or explosion;
- (b) Theft;
- (c) Windstorm, hail or earthquake;
- (d) Flood;
- (e) Mischief or vandalism; or
- (f) The sinking, burning, collision or derailment of any conveyance transporting the covered "auto".

#### (3) Collision Coverage

Caused by:

- (a) The covered "auto's" collision with another object; or
- (b) The covered "auto's" overturn.

#### b. Glass Breakage – Hitting A Bird Or Animal – Falling Objects Or Missiles

If you carry Comprehensive Coverage for the damaged covered "auto", we will pay for the following under Comprehensive Coverage:

- (1) Glass breakage;
- (2) "Loss" caused by hitting a bird or animal; and
- (3) "Loss" caused by falling objects or missiles.

However, you have the option of having glass breakage caused by a covered "auto's" collision or overturn considered a "loss" under Collision Coverage.

### 2. Coverage Extension – Loss Of Use Expenses

For Hired Auto Physical Damage, we will pay expenses for which an "insured" becomes legally responsible to pay for loss of use of a vehicle rented or hired without a driver, under a written rental contract or agreement. We will pay for loss of use expenses if caused by:

- a. Other than collision only if the Declarations indicates that Comprehensive Coverage is provided for any covered "auto";
- b. Specified Causes of Loss only if the Declarations indicates that Specified Causes Of Loss Coverage is provided for any covered "auto"; or
- c. Collision only if the Declarations indicates that Collision Coverage is provided for any covered "auto".

However, the most we will pay for any expenses for loss of use is ~~\$20~~ \$30 per day, to a maximum of ~~\$600~~ \$900.

### 3. Exclusions

- a. We will not pay for "loss" caused by or resulting from any of the following. Such "loss" is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the "loss".

#### (1) Nuclear Hazard

- (a) The explosion of any weapon employing atomic fission or fusion; or
- (b) Nuclear reaction or radiation, or radioactive contamination, however caused.

#### (2) War Or Military Action

- (a) War, including undeclared or civil war;
- (b) Warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or
- (c) Insurrection, rebellion, revolution, usurped power or action taken by governmental authority in hindering or defending against any of these.

- b. We will not pay for "loss" to any of the following:

- (1) Any covered "auto" leased or rented to others unless rented to one of your customers while their "auto" is left with you for service or repair.
- (2) Any covered "auto" while used in any professional or organized racing or demolition contest or stunting activity, or while practicing for such contest or activity. We will also not pay for "loss" to any covered "auto" while that covered "auto" is being prepared for such contest or activity.

- (3) Tapes, records, discs or other similar audio, visual or data electronic devices designed for use with audio, visual or data electronic equipment.
- (4) Any device designed or used to detect speed-measuring equipment, such as radar or laser detectors, and any jamming apparatus intended to elude or disrupt speed-measuring equipment.
- (5) Any electronic equipment, without regard to whether this equipment is permanently installed, that reproduces, receives or transmits audio, visual or data signals.
- (6) Any accessories used with the electronic equipment described in Paragraph (5) above.

Exclusions **b.(5)** and **b.(6)** do not apply to equipment designed to be operated solely by use of the power from the "auto's" electrical system that, at the time of "loss", is:

- (a) Permanently installed in or upon the covered "auto" ;
- (b) Removable from a housing unit which is permanently installed in or upon the covered "auto";
- (c) An integral part of the same unit housing any electrical equipment described in Paragraphs (a) and (b) above; or
- (d) Necessary for the normal operation of the covered "auto" or the monitoring of the covered "auto's" operating system.

#### c. False Pretense

We will not pay for "loss" to a covered "auto" caused by or resulting from:

- (1) Someone causing you to voluntarily part with it by trick or scheme or under false pretenses; or
- (2) Your acquiring an "auto" from a seller who did not have legal title.

#### d. We will not pay for:

- (1) Your expected profit, including loss of market value or resale value.
- (2) "Loss" to any covered "auto" displayed or stored at any location not shown in Item Three of the Declarations if the "loss" occurs more than 45 days after your use of the location begins.

- (3) Under the Collision Coverage, "loss" to any covered "auto" while being driven or transported from the point of purchase or distribution to its destination if such points are more than 50 road miles apart.
- (4) Under the Specified Causes eOf Loss Coverage, "loss" to any covered "auto" caused by or resulting from the collision or upset of any vehicle transporting it.
- e. We will not pay for "loss" to a covered "auto" due to "diminution in value".

**f. Other Exclusions**

We will not pay for "loss" due and confined to:

- (1) Wear and tear, freezing, mechanical or electrical breakdown.
- (2) Blowouts, punctures or other road damage to tires.

This exclusion does not apply to such "loss" resulting from the total theft of a covered "auto".

**4. Limits Of Insurance**

- a. The most we will pay for:
  - (1) "Loss" to any one covered "auto" is the lesser of:
    - (a) The actual cash value of the damaged or stolen property as of the time of "loss"; or
    - (b) The cost of repairing or replacing the damaged or stolen property with other property of like kind and quality.
  - (2) All electronic equipment that reproduces, receives or transmits audio, visual or data signals in any one "loss" is \$1,000, if, at the time of "loss", such electronic equipment is:
    - (a) Permanently installed in or upon the covered "auto" in a housing, opening or other location that is not normally used by the "auto" manufacturer for the installation of such equipment;
    - (b) Removable from a permanently installed housing unit as described in Paragraph (2)(a) above; or
    - (c) An integral part of such equipment as described in Paragraphs (2)(a) and (2)(b) above.
- b. An adjustment for depreciation and physical condition will be made in determining actual cash value in the event of a total "loss".

- c. If a repair or replacement results in better than like kind or quality, we will not pay for the amount of the betterment.

- d. The following provisions also apply:

- (1) Regardless of the number of covered "autos" involved in the "loss", the most we will pay for all "loss" at any one location is the amount shown in the Declarations for that location. Regardless of the number of covered "autos" involved in the "loss", the most we will pay for all "loss" in transit is the amount shown in the Declarations for "loss" in transit.

**(2) Quarterly Or Monthly Reporting Premium Basis**

If, on the date of your last report, the actual value of the covered "autos" at the "loss" location exceeds what you last reported, when a "loss" occurs we will pay only a percentage of what we would otherwise be obligated to pay. We will determine this percentage by dividing your total reported value for the involved location by the total actual value at the "loss" location on the date of your last report.

If the first report due is delinquent on the date of "loss", the most we will pay will not exceed 75 percent of the Limit Of Insurance shown in the Declarations for the applicable location.

**(3) Nonreporting Premium Basis**

If, when "loss" occurs, the total value of your covered "autos" exceeds the Limit Of Insurance shown in the Declarations, we will pay only a percentage of what we would otherwise be obligated to pay. We will determine this percentage by dividing the Limit of Insurance by the total actual value at the "loss" location at the time the "loss" occurred.

**5. Deductible**

For each covered "auto", our obligation to pay for, repair, return or replace damaged or stolen property will be reduced by the applicable deductible shown in the Declarations prior to the application of the Limit Of Insurance shown in the Declarations, provided that:

- a. The Comprehensive or Specified Causes eOf Loss Coverage deductible applies only to "loss" caused by:
  - (1) Theft or mischief or vandalism; or
  - (2) All perils.

b. Regardless of the number of covered "autos" damaged or stolen;

(1) ~~†~~The per "loss" deductible for Comprehensive or Specified Causes of Loss Coverage shown in Item Six of the Declarations for "autos" held for sale is the maximum deductible applicable for all "loss" in any one event caused by:

(a1) Theft or mischief or vandalism; or

(b2) All perils.

(2) The maximum deductible applicable to "autos" not held for sale for all "loss" in any one event caused by:

(a) Theft or mischief or vandalism; or

(b) All perils.

will be equal to five times the highest deductible applicable to any one covered "auto" on the Policy for Comprehensive or Specified Causes Of Loss Coverage. The application of the highest deductible used to calculate the maximum deductible will be made regardless of which covered "autos" were damaged or stolen in the "loss".

## SECTION II – GENERAL LIABILITY COVERAGES

### A. Bodily Injury And Property Damage Liability

#### 1. Coverage

a. We will pay all sums an "insured" legally must pay as damages because of "bodily injury" or "property damage" to which this insurance applies, caused by an "accident"; and resulting from your "auto dealer operations" ~~other than the ownership, maintenance or use of "autos".~~

We have the right and duty to defend any "insured" against a "suit" asking for these damages. However, we have no duty to defend any "insured" against a "suit" seeking damages for "bodily injury" or "property damage" to which this insurance does not apply. We may investigate and settle any claim or "suit" as we consider appropriate. But:

(1) The amount we will pay for damages is limited as described in Paragraph F. Limits Of Insurance – General Liability Coverages; and

(2) Our duty to defend or settle ends when the applicable limit of insurance has been exhausted by payment of judgments or settlements under Paragraph A. Bodily Injury And Property Damage Liability or B. Personal And Advertising Injury Liability or medical expenses under Paragraph C. Locations And Operations Medical Payments.

No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for under Supplementary Payments.

b. This insurance applies to "bodily injury" and "property damage" only if:

(1) The "accident" occurs in the coverage territory;

(2) The "bodily injury" or "property damage" occurs during the policy period; and

(3) Prior to the policy period, no "insured" listed under Paragraphs D.1. through D.4. of the Who Is An Insured provision and no "employee" authorized by you to give or receive notice of an "accident" or claim, knew that the "bodily injury" or "property damage" had occurred, in whole or in part. If such a listed "insured" or authorized "employee" knew, prior to the policy period, that the "bodily injury" or "property damage" occurred, then any continuation, change or resumption of such "bodily injury" or "property damage" during or after the policy period will be deemed to have been known prior to the policy period.

c. "Bodily injury" or "property damage" which occurs during the policy period and was not, prior to the policy period, known to have occurred by any "insured" listed under Paragraphs D.1. through D.4. of the Who Is An Insured provision or any "employee" authorized by you to give or receive notice of an "accident" or claim, includes any continuation, change or resumption of that "bodily injury" or "property damage" after the end of the policy period.

d. "Bodily injury" or "property damage" will be deemed to have been known to have occurred at the earliest time when any "insured" listed under Paragraphs D.1. through D.4. of the Who Is An Insured provision or any "employee" authorized by you to give or receive notice of an "accident" or claim:

- (1) Reports all, or any part, of the "bodily injury" or "property damage" to us or any other insurer;
- (2) Receives a written or verbal demand or claim for damages because of the "bodily injury" or "property damage"; or
- (3) Becomes aware by any other means that "bodily injury" or "property damage" has occurred or has begun to occur.

## 2. Exclusions

This insurance does not apply to any of the following:

### a. Expected Or Intended Injury

"Bodily injury" or "property damage" expected or intended from the standpoint of the "insured". This exclusion does not apply to "bodily injury" resulting from the use of reasonable force to protect persons or property.

### b. Contractual

Liability assumed under any contract or agreement. But this exclusion does not apply to liability for damages:

- (1) Assumed in a contract or agreement that is an "insured contract", provided the "bodily injury" or "property damage" occurs subsequent to the execution of the contract or agreement; or
- (2) That the "insured" would have in the absence of the contract or agreement.

### c. Workers' Compensation

Any obligation for which the "insured" or the "insured's" insurer may be held liable under any workers' compensation, disability benefits or unemployment compensation law or any similar law.

### d. Employee Indemnification And Employer's Liability

"Bodily injury" to:

- (1) An "employee" of the "insured" arising out of and in the course of:
  - (a) Employment by the "insured"; or
  - (b) Performing the duties related to the conduct of the "insured's" business;
- (2) The spouse, child, parent, brother or sister of that "employee" as a consequence of Paragraph (1) above;
- (3) A person arising out of any:
  - (a) Refusal to employ that person;
  - (b) Termination of that person's employment; or

- (c) Employment-related practices, policies, acts or omissions, such as coercion, demotion, evaluation, reassignment, discipline, defamation, harassment, humiliation, discrimination or malicious prosecution directed at that person; or
- (4) The spouse, child, parent, brother or sister of that person as a consequence of "bodily injury" to that person at whom any of the employment-related practices described in Paragraph (3)(a), (b) or (c) above are directed.

This exclusion applies:

- (a) Whether the injury-causing event described in Paragraph (3)(a), (b) or (c) above occurs before employment, during employment or after employment of that person;
- (b) Whether the "insured" may be liable as an employer or in any other capacity; and
- (c) To any obligation to share damages with or repay someone else who must pay damages because of the injury.

Paragraphs (1) and (2) of this exclusion do not apply to liability assumed by the "insured" under an "insured contract".

### e. Damage To Property

"Property damage" to:

- (1) Property you own, rent or occupy, including any costs or expenses incurred by you, or any other person, organization or entity, for repair, replacement, enhancement, restoration or maintenance of such property for any reason, including prevention of injury to a person or damage to another's property;
- (2) Property loaned to the "insured";
- (3) Property held for sale or being transported by the "insured"; or
- (4) Property in the "insured's" care, custody or control.

Paragraphs (1), (2) and (4) of this exclusion do not apply to "property damage" (other than damage by fire) to premises, including the contents of such premises, rented to you for a period of seven or fewer consecutive days. A separate limit of insurance applies to Damage To Premises Rented To You as described in Paragraph

**F. Limits Of Insurance – General Liability Coverages.**

This exclusion does not apply to liability assumed under a sidetrack agreement.

**f. Pollution**

- (1) "Bodily injury" or "property damage" arising out of the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of "pollutants":
- (a) At or from any premises, site or location that is or was at any time owned or occupied by, or rented or loaned to, any "insured";
  - (b) At or from any premises, site or location that is or was at any time used by or for any "insured" or others for the handling, storage, disposal, processing or treatment of waste;
  - (c) At or from any premises, site or location on which any "insured" or any contractors or subcontractors working directly or indirectly on any "insured's" behalf are performing operations:
    - (i) To test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of, the "pollutants"; or
    - (ii) If the "pollutants" are brought on or to the premises, site or location in connection with such operations by such "insured", contractor or subcontractor; or
  - (d) That are or were at any time transported, handled, stored, treated, disposed of, or processed as waste by or for any "insured" or any person or organization for whom you may be legally responsible.

Paragraphs (1)(a) and (1)(c)(ii) do not apply to "bodily injury" or "property damage" arising out of heat, smoke or fumes from a hostile fire. A hostile fire means one that becomes uncontrollable, or breaks out from where it was intended to be.

Paragraph (1)(a) does not apply to "bodily injury" if sustained within a building and caused by smoke, fumes, vapor or soot produced by or originating from equipment that is used to heat, cool or dehumidify the building, or equipment that is used to heat water for personal use, by the building's occupants or their guests.

Paragraph (1)(c)(ii) does not apply to "bodily injury" or "property damage" sustained within a building and caused by the release of gases, fumes or vapors from material brought into that building in connection with operations being performed by you or on your behalf by a contractor or subcontractor.

- (2) Any loss, cost or expense arising out of any:
  - (a) Request, demand, order or statutory or regulatory requirement that any "insured" or others test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of, "pollutants"; or
  - (b) Claim or suit by or on behalf of a governmental authority for damages because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying or neutralizing, or in any way responding to or assessing the effects of "pollutants".

However, this paragraph does not apply to liability for damages because of "property damage" that the "insured" would have in the absence of such request, demand, order or statutory or regulatory requirement, or such claim or "suit" by or on behalf of a governmental authority.

**g. Aircraft, Auto Or Watercraft**

"Bodily injury" or "property damage" arising out of the ownership, maintenance, use or entrustment to others of any aircraft, "auto" or watercraft owned or operated by or rented or loaned to any "insured". Use includes operation and "loading or unloading".

This exclusion applies even if the claims against any "insured" allege negligence or other wrongdoing in the supervision, hiring, employment, training or monitoring of others by that "insured", if the "accident" which caused the "bodily injury" or "property damage" involved the ownership, maintenance, use or entrustment to others of any aircraft, "auto" or watercraft that is owned or operated by or rented or loaned to any "insured".

This exclusion does not apply to:

- (1) A watercraft while ashore on premises where you conduct "auto dealer operations";
- (2) A watercraft you do not own that is:
  - (a) Less than 26 feet long; and
  - (b) Not being used to carry persons or property for a charge; or
- (3) Liability assumed under any "insured contract" for the ownership, maintenance or use of aircraft or watercraft.

#### **h. Defective Products**

"Property damage" to any of your "products"; if caused by a defect existing in your "products" or any part of your "products"; at the time it was transferred to another.

#### **i. Work You Performed**

"Property damage" to "work you performed" if the "property damage" results from any part of the work itself or from the parts, materials or equipment used in connection with the work.

#### **j. Damage To Impaired Property Or Property Not Physically Damaged**

"Property damage" to "impaired property" or other property not physically damaged if caused by:

- (1) A delay or failure by you or anyone acting on your behalf to perform a contract or agreement in accordance with its terms.
- (2) A defect, deficiency, inadequacy or dangerous condition in your "products" or "work you performed". But this exclusion, **j.(2)**, does not apply if the loss of use was caused by sudden and accidental damage to or destruction of your "products" or "work you performed" after they have been put to their intended use.

#### **k. Products Recall**

Damages claimed for any loss, cost or expense incurred by you or others for the loss of use, withdrawal, recall, inspection, repair, replacement, adjustment, removal or disposal of your "products" or "work you performed" or other property of which they form a part, if such product, work or property is withdrawn or recalled from the market or from use by any person or organization because of a known or suspected defect, deficiency, inadequacy or dangerous condition in it.

#### **l. War**

"Bodily injury" or "property damage" arising directly or indirectly out of:

- (1) War, including undeclared or civil war;
- (2) Warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or
- (3) Insurrection, rebellion, revolution, usurped power, or action taken by governmental authority in hindering or defending against any of these.

#### **m. Liquor Liability**

"Bodily injury" or "property damage" for which any "insured" may be held liable by reason of:

- (1) Causing or contributing to the intoxication of any person;
- (2) The furnishing of alcoholic beverages to a person under the legal drinking age or under the influence of alcohol; or
- (3) Any statute, ordinance or regulation relating to the sale, gift, distribution or use of alcoholic beverages.

This exclusion applies only if you are in the business of manufacturing, distributing, selling, serving or furnishing alcoholic beverages.

#### **~~m. Recording And Distribution Of Material Or Information In Violation Of Law~~**

~~"Bodily injury" or "property damage" arising directly or indirectly out of any action or omission that violates or is alleged to violate:~~

- ~~(1) The Telephone Consumer Protection Act (TCPA), including any amendment of or addition to such law;~~

- ~~(2) The CAN-SPAM Act of 2003, including any amendment of or addition to such law;~~
- ~~(3) The Fair Credit Reporting Act (FCRA), and any amendment of or addition to such law, including the Fair And Accurate Credit Transaction Act (FACTA); or~~
- ~~(4) Any federal, state or local statute, ordinance or regulation, other than the TCPA or CAN-SPAM Act of 2003 or FCRA and their amendments and additions, that addresses, prohibits or limits the printing, dissemination, disposal, collecting, recording, sending, transmitting, communicating or distribution of material or information.~~

**n. Personal And Advertising Injury**

"Bodily injury" arising out of "personal and advertising injury".

**o. Liquor Liability**

~~"Bodily injury" or "property damage" for which any "insured" may be held liable by reason of:~~

- ~~(1) Causing or contributing to the intoxication of any person;~~
- ~~(2) The furnishing of alcoholic beverages to a person under the legal drinking age or under the influence of alcohol; or~~
- ~~(3) Any statute, ordinance or regulation relating to the sale, gift, distribution or use of alcoholic beverages.~~

~~This exclusion applies only if you are in the business of manufacturing, distributing, selling, serving or furnishing alcoholic beverages.~~

**o. Recording And Distribution Of Material Or Information In Violation Of Law**

~~"Bodily injury" or "property damage" arising directly or indirectly out of any action or omission that violates or is alleged to violate:~~

- ~~(1) The Telephone Consumer Protection Act (TCPA), including any amendment of or addition to such law;~~
- ~~(2) The CAN-SPAM Act of 2003, including any amendment of or addition to such law;~~
- ~~(3) The Fair Credit Reporting Act (FCRA), and any amendment of or addition to such law, including the Fair And Accurate Credit Transaction Act (FACTA); or~~

- ~~(4) Any federal, state or local statute, ordinance or regulation, other than the TCPA or CAN-SPAM Act of 2003 or FCRA and their amendments and additions, that addresses, prohibits or limits the printing, dissemination, disposal, collecting, recording, sending, transmitting, communicating or distribution of material or information.~~

**p. Access Or Disclosure Of Confidential Or Personal Information**

~~"Bodily injury" or "property damage" arising out of any access to or disclosure of any person's or organization's confidential or personal information, including patents, trade secrets, processing methods, customer lists, financial information, credit card information, health information or any other type of nonpublic information. This exclusion applies even if damages are claimed for notification costs, credit monitoring expenses, forensic expenses, public relations expenses or any other loss, cost or expense incurred by you or others arising out of any access to or disclosure of any person's or organization's confidential or personal information.~~

Exclusions **c.** through **me.** do not apply to damage by fire to premises while rented to you or temporarily occupied by you with permission of the owner. A separate limit of insurance applies to this coverage as described in Paragraph **F.** Limits Of Insurance – General Liability Coverages.

**B. Personal And Advertising Injury Liability**

**1. Coverage**

We will pay all sums the "insured" legally must pay as damages because of "personal and advertising injury" to which this insurance applies, caused by an offense arising out of your "auto dealer operations", but only if the offense was committed in the coverage territory during the policy period.

We will have the right and duty to defend any "insured" against a "suit" asking for these damages. However, we have no duty to defend any "insured" against a "suit" seeking damages for "personal and advertising injury" to which this insurance does not apply. We may investigate and settle any claim or "suit" as we consider appropriate. But:

- a.** The amount we will pay for damages is limited as described in Paragraph **F.** Limits Of Insurance – General Liability Coverages; and

- b. Our duty to defend or settle ends when the applicable limit of insurance has been exhausted by payment of judgments or settlements under Paragraph **A**. Bodily Injury And Property Damage Liability or Paragraph **B**. Personal And Advertising Injury Liability or medical expenses under Paragraph **C**. Locations And Operations Medical Payments.

No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for under Supplementary Payments.

## 2. Exclusions

This insurance does not apply to:

### a. Knowing Violation Of Rights Of Another

"Personal and advertising injury" caused by or at the direction of the "insured" with the knowledge that the act would violate the rights of another and would inflict "personal and advertising injury".

### b. Material Published With Knowledge Of Falsity

"Personal and advertising injury" arising out of oral or written publication, in any manner, of material, if done by or at the direction of the "insured" with knowledge of its falsity.

### c. Material Published Prior To Policy Period

"Personal and advertising injury" arising out of oral or written publication, in any manner, of material whose first publication took place before the beginning of the policy period.

### d. Criminal Acts

"Personal and advertising injury" arising out of a criminal act committed by or at the direction of the "insured".

### e. Contractual

"Personal and advertising injury" for which the "insured" has assumed liability in a contract or agreement. This exclusion does not apply to liability for damages that the "insured" would have in the absence of the contract or agreement.

### f. Breach Of Contract

"Personal and advertising injury" arising out of a breach of contract, except an implied contract to use another's advertising idea in your "advertisement".

### g. Quality Or Performance Of Goods – Failure To Conform To Statements

"Personal and advertising injury" arising out of the failure of goods, products or services to conform with any statement of quality or performance made in your "advertisement".

### h. Wrong Description Of Prices

"Personal and advertising injury" arising out of the wrong description of the price of goods, products or services stated in your "advertisement".

### i. Infringement Of Copyright, Patent, Trademark Or Trade Secret

"Personal and advertising injury" arising out of the infringement of copyright, patent, trademark, trade secret or other intellectual property rights. Under this exclusion, such other intellectual property rights do not include the use of another's advertising idea in your "advertisement".

However, this exclusion does not apply to infringement, in your "advertisement", of copyright, trade dress or slogan.

### j. Electronic Chat Rooms Or Bulletin Boards

"Personal and advertising injury" arising out of an electronic chat room or bulletin board the "insured" hosts, owns, or over which the "insured" exercises control.

### k. Unauthorized Use Of Another's Name Or Product

"Personal and advertising injury" arising out of the unauthorized use of another's name or product in your e-mail address, domain name or metatag, or any other similar tactics to mislead another's potential customers.

### l. Pollution

"Personal and advertising injury" arising out of the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of "pollutants" at any time.

### m. Pollution-related

Any loss, cost or expense arising out of any:

- (1) Request, demand, order or statutory or regulatory requirement that any "insured" or others test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of, "pollutants"; or

- (2) Claim or "suit" by or on behalf of a governmental authority for damages because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying or neutralizing, or in any way responding to, or assessing the effects of, "pollutants".

**n. War**

"Personal and advertising injury" arising, directly or indirectly, out of:

- (1) War, including undeclared or civil war;
- (2) Warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or
- (3) Insurrection, rebellion, revolution, usurped power, or action taken by governmental authority in hindering or defending against any of these.

**o. Recording And Distribution Of Material Or Information In Violation Of Law**

"Personal and advertising injury" arising directly or indirectly out of any action or omission that violates or is alleged to violate:

- (1) The Telephone Consumer Protection Act (TCPA), including any amendment of or addition to such law; or
- (2) The CAN-SPAM Act of 2003, including any amendment of or addition to such law;
- (3) The Fair Credit Reporting Act (FCRA), and any amendment of or addition to such law, including the Fair And Accurate Credit Transaction Act (FACTA); or
- (4) Any federal, state or local statute, ordinance or regulation, other than the TCPA or CAN-SPAM Act of 2003 or FCRA and their amendments and additions, that addresses, prohibits or limits the printing, dissemination, disposal, collecting, recording, sending, transmitting, communicating or distribution of material or information.

**p. Employment-related Practices**

"Personal and advertising injury" to:

- (1) A person arising out of any:
  - (a) Refusal to employ that person;
  - (b) Termination of that person's employment; or

- (c) Employment-related practices, policies, acts or omissions, such as coercion, demotion, evaluation, reassignment, discipline, defamation, harassment, humiliation, discrimination or malicious prosecution directed at that person; or

- (2) The spouse, child, parent, brother or sister of that person as a consequence of "personal and advertising injury" to that person at whom any of the employment-related practices described in Paragraph (1)(a), (b) or (c) above are directed.

This exclusion applies:

- (a) Whether the injury-causing event described in Paragraph (1)(a), (b) or (c) above occurs before employment, during employment or after employment of that person;
- (b) Whether the "insured" may be liable as an employer or in any other capacity; and
- (c) To any obligation to share damages with or repay someone else who must pay damages because of the injury.

**q. Acts, Errors Or Omissions**

"Personal and advertising injury" arising out of "acts, errors or omissions".

**r. Access Or Disclosure Of Confidential Or Personal Information**

"Personal and advertising injury" arising out of any access to or disclosure of any person's or organization's confidential or personal information, including patents, trade secrets, processing methods, customer lists, financial information, credit card information, health information or any other type of nonpublic information. This exclusion applies even if damages are claimed for notification costs, credit monitoring expenses, forensic expenses, public relations expenses or any other loss, cost or expense incurred by you or others arising out of any access to or disclosure of any person's or organization's confidential or personal information.

## C. Locations And Operations Medical Payments

### 1. Coverage

- a. We will pay medical expenses as described below to or for each person who sustains "bodily injury" to which this coverage applies, caused by an "accident" and resulting from your "auto dealer operations".
- b. We will pay only those expenses incurred for services rendered within one year from the date of the "accident".
- c. We will make these payments regardless of fault. These payments will not exceed the applicable limit of insurance. We will pay reasonable expenses for:
  - (1) First aid administered at the time of an "accident";
  - (2) Necessary medical, surgical, diagnostic imaging and dental services, including prosthetic devices; and
  - (3) Necessary ambulance, hospital, professional nursing and funeral services.

### 2. Exclusions

This insurance does not apply to "bodily injury":

#### a. Workers' Compensation

To a person, whether or not an "employee" of any "insured", if benefits for the "bodily injury" are payable or must be provided under a workers' compensation or disability benefits law or a similar law.

#### b. Insured

To any "insured".

#### c. Hired Person

To a person hired to do work for or on behalf of any "insured" or a tenant of any "insured".

#### d. Injury On Normally Occupied Premises

To a person injured on that part of the premises you own or rent that the person normally occupies.

#### e. Athletic Activities

To a person injured while practicing, instructing or participating in any physical exercises or games, sports, or athletic contests.

#### f. Injury Away From Auto Dealer Locations

Sustained by a person away from locations owned, maintained or used for your "auto dealer operations".

## g. Bodily Injury And Property Damage Liability

Excluded under Paragraph A. Bodily Injury And Property Damage Liability.

## D. Who Is An Insured

The following are "insureds" for General Liability Coverages:

1. You.
2. Your partners and their spouses, if you are a partnership, but only with respect to the conduct of your "auto dealer operations".
3. Your members, if you are a limited liability company, but only with respect to the conduct of your "auto dealer operations". Your managers are also "insureds", but only with respect to their duties as your managers.
4. Your "executive officers" and directors, if you are an organization other than a partnership or limited liability company, but only with respect to their duties as your officers or directors. Your stockholders are also "insureds", but only with respect to their liability as stockholders.
5. Your "employees", other than either your "executive officers" (if you are an organization other than a partnership or limited liability company) or your managers (if you are a limited liability company), but only for acts within the scope of employment by you or while performing duties related to the conduct of your "auto dealer operations". However, no "employee" is an "insured" for:
  - a. "Bodily injury" or "personal and advertising injury":
    - (1) To you (if you are an individual), your partners (if you are a partnership), your members (if you are a limited liability company) or a fellow "employee" of the "insured" while in the course of his or her employment or while performing duties related to the conduct of your "auto dealer operations";
    - (2) To the spouse, child, parent, brother or sister of that fellow "employee" as a consequence of Paragraph (1) above;
    - (3) For which there is any obligation to share damages with or repay someone else who must pay damages because of the injury described in Paragraph (1) or (2) above; or
    - (4) Arising out of his or her providing or failing to provide professional health care services.

- b. "Property damage" to property:
- (1) Owned, occupied or used by;
  - (2) Rented to, in the care, custody or control of, or over which physical control is being exercised for any purpose by you, any of your "employees", any partner or member (if you are a partnership); or any member (if you are a limited liability company).

6. Any "auto" dealership that is acquired or formed by you, other than a partnership or limited liability company, and over which you maintain ownership or majority interest, will qualify as a Named Insured if there is no other similar insurance available to that "auto" dealership. However:

- a. Coverage under this provision is afforded only until the 90th day after you acquire or form the "auto" dealership or the end of the policy period, whichever is earlier; and
- b. Coverage does not apply to:
  - (1) "Bodily injury" or "property damage" that occurred; or
  - (2) "Personal and advertising injury" arising out of an offense committed before you acquired or formed the "auto" dealership.

No person or organization is an "insured" with respect to the conduct of any current or past partnership or limited liability company that is not shown as a Named Insured in the Declarations.

#### E. Supplementary Payments

With respect to coverage provided under Bodily Injury And Property Damage Liability and Personal And Advertising Injury Liability Coverages, we will pay for the "insured":

1. All expenses we incur.
2. The cost of bonds to release attachments in any "suit" against the "insured" we defend, but only for bond amounts within our Limit of Insurance.
3. All reasonable expenses incurred by the "insured" at our request, including actual loss of earnings up to \$250 a day because of time off from work.
4. All court costs taxed against the "insured" in any "suit" against the "insured" we defend. However, these payments do not include attorneys' fees or attorneys' expenses taxed against the "insured".

5. All interest on the full amount of any judgment that accrues after entry of the judgment in any "suit" against the "insured" we defend; but our duty to pay interest ends when we have paid, offered to pay or deposited in court the part of the judgment that is within our Limit of Insurance.

These payments will not reduce the Limit of Insurance.

#### F. Limits Of Insurance – General Liability Coverages

1. Regardless of the number of "insureds", claims made or "suits" brought or persons or organizations making claims or bringing "suits", the:

a. General Liability Aggregate Limit shown in the Declarations is the most we will pay for the sum of all:

- (1) Damages under Paragraph **A**. Bodily Injury And Property Damage Liability, except damages because of "bodily injury" and "property damage" that are both:

(a) Sustained away from locations owned, maintained or used for your "auto dealer operations"; and

(b) Arising out of your "products" or "work you performed";

- (2) Damages under Paragraph **B**. Personal And Advertising Injury Liability; and

- (3) Medical expenses under Paragraph **C**. Locations And Operations Medical Payments.

b. ~~The~~ Products And Work You Performed Aggregate Liability Limit is the most we will pay under Paragraph **A**. Bodily Injury And Property Damage Liability for "bodily injury" and "property damage" that are both:

(1) Sustained away from locations owned, maintained or used for your "auto dealer operations"; and

(2) Arising out of your "products" or "work you performed".

2. Subject to Paragraph 1.a. above, the Personal And Advertising Injury Liability Limit is the most we will pay for the sum of all damages because of all "personal and advertising injury" sustained by any one person or organization under Paragraph **B**. Personal And Advertising Injury Liability.

3. Subject to Paragraph 1.a. above, the Locations And Operations Medical Payments Limit is the most we will pay for all medical expenses because of "bodily injury" for each person injured in any one "accident" under Paragraph C. Locations And Operations Medical Payments.

4. Subject to Paragraph 1.a. or 1.b. above, whichever applies, the General Liability Bodily Injury And Property Damage Liability Each "Accident" Limit shown in the Declarations is the most we will pay for the sum of all damages under Paragraph A. Bodily Injury And Property Damage Liability resulting from any one "accident".

Damages payable under any applicable Limits of Insurance for General Liability Coverages are not payable under Section I – Covered Autos Coverages or Section III – Acts, Errors Or Omissions Liability Coverage.

5. Subject to Paragraph 4. above, the Damage To Premises Rented To You Limit is the most we will pay under Paragraph A. Bodily Injury And Property Damage Liability for damages because of "property damage" to any one premises, while rented to you; or, in the case of damage by fire, while rented to you or temporarily occupied by you with permission of the owner.

6. The Aggregate Limits of Insurance for General Liability Coverages apply separately to each consecutive annual period and to any remaining period of less than 12 months, starting with the beginning of the policy period shown in the Declarations, unless the policy period is extended after issuance for an additional period of less than 12 months. In that case, the additional period will be deemed part of the last preceding period for purposes of determining the Aggregate Limits of Insurance – General Liability Coverages.

7. We will deduct \$500 from the damages in any "accident" resulting from "property damage" to an "auto" as a result of "work you performed" on that "auto".

### **SECTION III – ACTS, ERRORS OR OMISSIONS LIABILITY COVERAGES**

#### **A. Coverage**

We will pay all sums that an "insured" legally must pay as damages because of any "act, error or omission" of the "insured" to which this insurance applies and arising out of the conduct of your "auto dealer operations", but only if the "act, error or omission" is committed in the coverage territory during the policy period.

We will have the right and duty to defend any "insured" against a "suit" asking for these damages. However, we have no duty to defend any "insured" against a "suit" seeking damages for "acts, error or omissions" to which this insurance does not apply. We may investigate and settle any claim or "suit" as we consider appropriate. But:

1. The amount we will pay for damages is limited as described in Paragraph E. Limits Of Insurance And Deductible; and
2. Our duty to defend or settle ends when we have used up the applicable limit of insurance in the payment of judgments or settlements.

No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for under Paragraph D. Supplementary Payments.

#### **B. Exclusions**

This insurance does not apply to:

##### **1. Criminal, Fraudulent, Malicious, Dishonest Or Intentional Acts**

Damages arising out of any criminal, fraudulent, malicious, dishonest or intentional "act, error or omission" by an "insured", including the willful or reckless violation of any law or regulation. However, this exclusion does not apply to any "insured" who did not:

- a. Personally commit;
- b. Personally participate in;
- c. Personally acquiesce to; or
- d. Remain passive after having knowledge of; any such "act, error or omission".

##### **2. Bodily Injury, Property Damage Or Personal And Advertising Injury**

"Bodily injury", "property damage" or "personal and advertising injury".

##### **3. Profit Gain**

Damages based upon, attributable to or arising in fact out of the gaining of any profit, remuneration or advantage to which any "insured" was not entitled.

##### **4. Contractual**

Liability for which the "insured" has assumed in a contract or agreement. This exclusion does not apply to liability for damages that the "insured" would have in the absence of the contract or agreement.

##### **5. Noncompensatory Damages**

Criminal fines or penalties imposed by law or regulation, punitive or exemplary damages or demands for injunctive or equitable relief.

## 6. Quality Or Performance Of Goods – Failure To Conform To Statements

Damages arising out of the failure of goods, products or services to conform with any statement of quality or performance.

## 7. Recording And Distribution Of Material Or Information In Violation Of Law

Damages arising directly or indirectly out of any "act, error or omission" that violates or is alleged to violate:

- a. The Telephone Consumer Protection Act (TCPA), including any amendment of or addition to such law;
- b. The CAN-SPAM Act of 2003, including any amendment of or addition to such law;
- c. The Fair Credit Reporting Act (FCRA), and any amendment of or addition to such law, including the Fair and Accurate Credit Transaction Act (FACTA); or
- d. Any federal, state or local statute, ordinance or regulation, other than the TCPA, CAN-SPAM Act of 2003 or FCRA and their amendments and additions, that addresses, prohibits, or limits the printing, dissemination, disposal, collecting, recording, sending, transmitting, communicating or distribution of material or information.

## 8. Discrimination

Damages arising directly or indirectly out of any "act, error or omission" that violates a person's civil rights with respect to such person's race, color, national origin, religion, gender, marital status, age, sexual orientation or preference, physical or mental condition, or any other protected class or characteristic established by any federal, state or local statutes, rules or regulations.

## 9. Bankruptcy Or Insolvency

Damages arising out of the:

- a. Bankruptcy;
- b. Financial inability to pay;
- c. Insolvency;
- d. Liquidation; or
- e. Receivership;

of any insurance company, reinsurer or other risk-assuming entity in which the "insured" has placed or obtained insurance for a customer.

However, this exclusion does not apply if the insurance company, reinsurer or other risk-assuming entity was rated "B+" or higher by A. M. Best Company, Inc. at the time the insurance was placed or obtained.

## 10. Access Or Disclosure Of Confidential Or Personal Information

Damages arising out of any access to or disclosure of any person's or organization's confidential or personal information, including patents, trade secrets, processing methods, customer lists, financial information, credit card information, health information or any other type of nonpublic information. This exclusion applies even if damages are claimed for notification costs, credit monitoring expenses, forensic expenses, public relations expenses or any other loss, cost or expense incurred by you or others arising out of any access to or disclosure of any person's or organization's confidential or personal information.

## C. Who Is An Insured

The following are "insureds" for "acts, errors or omissions":

1. You.
2. Your partners and their spouses, if you are a partnership, but only with respect to the conduct of your "auto dealer operations".
3. Your members, if you are a limited liability company, but only with respect to the conduct of your "auto dealer operations". Your managers are also "insureds", but only with respect to their duties as your managers.
4. Your "executive officers" and directors, if you are an organization other than a partnership or limited liability company, but only with respect to their duties as your officers or directors. Your stockholders are also "insureds", but only with respect to their liability as stockholders.
5. Your "employees", other than either your "executive officers" (if you are an organization other than a partnership or limited liability company) or your managers (if you are a limited liability company), but only for acts within the scope of employment by you or while performing duties related to the conduct of your "auto dealer operations".
6. Any "auto" dealership that is acquired or formed by you, other than a partnership or limited liability company, and over which you maintain ownership or majority interest, will qualify as a Named Insured if there is no other similar insurance available to that "auto" dealership. However:
  - a. Coverage under this provision is afforded only until the 90th day after you acquire or form the "auto" dealership or the end of the policy period, whichever is earlier; and

- b. Coverage does not apply to "acts, errors or omissions" that were committed before you acquired or formed the "auto" dealership.

No person or organization is an "insured" with respect to the conduct of any current or past partnership or limited liability company that is not shown as a Named Insured in the Declarations.

#### D. Supplementary Payments

With respect to "Acts, Errors Or Omissions" Liability Coverage, we will pay for the "insured":

1. All expenses we incur.
2. The cost of bonds to release attachments in any "suit" against the "insured" we defend, but only for bond amounts within our Limit of Insurance.
3. All reasonable expenses incurred by the "insured" at our request, including actual loss of earnings up to \$250 a day because of time off from work.
4. All court costs taxed against the "insured" in any "suit" against the "insured" we defend. However, these payments do not include attorneys' fees or attorneys' expenses taxed against the "insured".
5. All interest on the full amount of any judgment that accrues after entry of the judgment in any "suit" against the "insured" we defend; but our duty to pay interest ends when we have paid, offered to pay or deposited in court the part of the judgment that is within our Limit of Insurance.

These payments will not reduce the Limit of Insurance.

#### E. Limit Of Insurance And Deductible

1. Regardless of the number of:
  - a. "Insureds";
  - b. Claims made or "suits" brought;
  - c. Persons or organizations making claims or bringing "suits"; or
  - d. "Acts, errors or omissions",
 the "Acts, Errors Or Omissions" Liability Aggregate Limit shown in the Declarations is the most we will pay for all damages because of "acts, errors or omissions" under Section III.
2. Damages payable under the Limits of Insurance for "Acts, Errors Or Omissions" Liability Coverage are not payable under any applicable Limits of Insurance under Section I – Covered Autos Coverages or Section II – General Liability Coverages.

3. Our obligation to pay damages applies only to the amount of damages in excess of any deductible amount stated in the Declarations as applicable to this coverage. The Limits of Insurance for "Acts, Errors Or Omissions" Liability Coverage will not be reduced by the amount of this deductible.

To settle a claim or "suit", we may pay all or any part of the deductible. If this happens, you must reimburse us for the deductible or that part of the deductible that we paid.

4. The "Acts, Errors Or Omissions" Liability Aggregate Limit applies separately to each consecutive annual period and to any remaining period of less than 12 months, starting with the beginning of the policy period shown in the Declarations, unless the policy period is extended after issuance for an additional period of less than 12 months. In that case, the additional period will be deemed part of the last preceding period for purposes of determining the "Acts, Errors Or Omissions" Liability Aggregate Limit.

#### SECTION IV – CONDITIONS

The following conditions apply in addition to the Common Policy Conditions:

##### A. Loss Conditions

###### 1. Appraisal For Physical Damage Loss

If you and we disagree on the amount of "loss", either may demand an appraisal of the "loss". In this event, each party will select a competent appraiser. The two appraisers will select a competent and impartial umpire.

The appraisers will state separately the actual cash value and amount of "loss". If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding. Each party will:

- a. Pay its chosen appraiser; and
- b. Bear the other expenses of the appraisal and umpire equally.

If we submit to an appraisal, we will still retain our right to deny the claim.

###### 2. Duties In The Event Of Accident, Claim, Offense, Suit, Loss Or Acts, Errors Or Omissions

We have no duty to provide coverage under this Policy unless there has been full compliance with the following duties:

- a. In the event of "accident", claim, "suit", offense, "loss" or "act, error or omission", you must give us or our authorized representative prompt notice of the

"accident", offense, "loss" or "act, error or omission". Include:

- (1) How, when and where the "accident", offense, "loss" or "act, error or omission" occurred;
  - (2) What the "act, error or omission" was;
  - (3) The "insured's" name and address;
  - (4) To the extent possible, the names and addresses of:
    - (a) Any injured persons and witnesses; or
    - (b) Anyone who may suffer damages as a result of an "act, error or omission".
- b. Additionally, you and any other involved "insured" must:
- (1) Assume no obligation, make no payment or incur no expense without our consent, except at the "insured's" own cost.
  - (2) Immediately send us copies of any request, demand, order, notice, summons or legal paper received concerning the claim or "suit".
  - (3) Cooperate with us in the investigation or settlement of the claim or defense against the "suit".
  - (4) Authorize us to obtain medical records or other pertinent information.
  - (5) Submit to examination at our expense, by physicians of our choice, as often as we reasonably require.
  - (6) Assist us, upon our request, in the enforcement of any right against any person or organization which may be liable to the "insured" because of an "act, error or omission" to which this insurance may also apply.
- c. If there is "loss" to a covered "auto" or its equipment, you must also do the following:
- (1) Promptly notify the police if the covered "auto" or any of its equipment is stolen.
  - (2) Take all reasonable steps to protect the covered "auto" from further damage. Also keep a record of your expenses for consideration in the settlement of the claim.
  - (3) Permit us to inspect the covered "auto" and records proving the "loss" before its repair or disposition.
  - (4) Agree to examinations under oath at our request and give us a signed statement of your answers.

### 3. Legal Action Against Us

No one may bring a legal action against us under this Coverage Form until:

- a. There has been full compliance with all the terms of this Coverage Form; and
- b. Under any liability coverage, we agree in writing that the "insured" has an obligation to pay or until the amount of that obligation has finally been determined by judgment after trial. No one has the right under this Policy to bring us into an action to determine the "insured's" liability.

### 4. Loss Payment – Physical Damage Coverages

At our option, we may:

- a. Pay for, repair or replace damaged or stolen property;
- b. Return the stolen property, at our expense. We will pay for any damage that results to the "auto" from the theft; or
- c. Take all or any part of the damaged or stolen property at an agreed or appraised value.

If we pay for the "loss", our payment will include the applicable sales tax for the damaged or stolen property.

### 5. Transfer Of Rights Of Recovery Against Others To Us

If any person or organization to or for whom we make payment under this Coverage Form has rights to recover damages from another, those rights are transferred to us. That person or organization must do everything necessary to secure our rights and must do nothing after "accident" or "loss" to impair them.

This condition does not apply to damages under Paragraph C. Locations And Operations Medical Payments Coverage of Section II – General Liability Coverages.

## B. General Conditions

### 1. Bankruptcy

Bankruptcy or insolvency of the "insured" or the "insured's" estate will not relieve us of any obligations under this Coverage Form.

### 2. Concealment, Misrepresentation Or Fraud

This Coverage Form is void in any case of fraud by you at any time as it relates to this Coverage Form. It is also void if you or any other "insured", at any time, intentionally conceals or misrepresents a material fact concerning:

- a. This Coverage Form;

- b. The covered "auto";
- c. Your interest in the covered "auto"; or
- d. A claim under this Coverage Form.

### 3. Liberalization

If we revise this Coverage Form to provide more coverage without additional premium charge, your policy will automatically provide the additional coverage as of the day the revision is effective in your state.

### 4. No Benefit To Bailee – Physical Damage Coverages

We will not recognize any assignment or grant any coverage for the benefit of any person or organization holding, storing or transporting property for a fee regardless of any other provision of this Coverage Form.

### 5. Other Insurance

a. For any covered "auto" you own, this Coverage Form provides primary insurance. For any covered "auto" you don't own, the insurance provided by this Coverage Form is excess over any other collectible insurance. However, while a covered "auto" which is a "trailer" is connected to another vehicle, the Covered Autos Liability Coverage this Coverage Form provides for the "trailer" is:

- (1) Excess while it is connected to a motor vehicle you do not own; or
- (2) Primary while it is connected to a covered "auto" you own.

b. For Hired Auto Physical Damage Coverage, any covered "auto" you lease, hire, rent or borrow is deemed to be a covered "auto" you own. However, any "auto" that is leased, hired, rented or borrowed with a driver is not a covered "auto".

c. Regardless of the provisions of Paragraph a. above, this Coverage Form's Covered Autos Liability Coverage is primary for any liability assumed under an "insured contract".

d. For General Liability and "Acts, Errors Or Omissions" Liability Coverages, this insurance is primary except when e. below applies. If this insurance is primary, our obligations are not affected unless any of the other insurance is also primary. Then, we will share with all that other insurance by the method described in f. below.

e. This Coverage Form is excess over any other insurance, whether primary, excess, contingent or on any other basis:

- (1) That is Fire insurance for premises rented to you or temporarily occupied by you with permission of the owner;
- (2) That is insurance purchased by you to cover your liability as a tenant for "property damage" to premises rented to you or temporarily occupied by you with permission of the owner;
- (3) If the "loss" arises out of the maintenance or use of aircraft or watercraft to the extent not subject to Exclusion g. of Paragraph A. Bodily Injury And Property Damage Liability of Section II – General Liability Coverages; or
- (4) That is specifically written to apply as primary insurance for liability arising out of your "acts, errors or omissions".

f. When this Coverage Form and any other Coverage Form or policy covers on the same basis, either excess or primary, we will pay only our share. Our share is the proportion that the Limit of Insurance of our Coverage Form bears to the total of the limits of all the Coverage Forms and policies covering on the same basis.

### 6. Premium Audit

- a. The estimated premium for this Coverage Form is based on the exposures you told us you would have when this pPolicy began. We will compute the final premium due when we determine your actual exposures. The estimated total premium will be credited against the final premium due and the first Named Insured will be billed for the balance, if any. The due date for the final premium or retrospective premium is the date shown as the due date on the bill. If the estimated total premium exceeds the final premium due, the first Named Insured will get a refund.
- b. If this pPolicy is issued for more than one year, the premium for this Coverage Form will be computed annually based on our rates or premiums in effect at the beginning of each year of the pPolicy.

### 7. Policy Period, Coverage Territory

Under this Coverage Form, we cover:

- a. "Bodily injury", "property damage" and "losses" occurring;
- b. "Personal and advertising injury" offenses and "acts, errors or omissions" committed; and
- c. "Covered pollution cost or expense" arising out of "accidents" occurring,

during the policy period shown in the Declarations and within the coverage territory.

The coverage territory is:

- (1) The United States of America;
- (2) The territories and possessions of the United States of America;
- (3) Puerto Rico;
- (4) Canada; and
- (5) Anywhere else in the world if:
  - (a) A covered "auto" of the private passenger type is leased, hired, rented or borrowed without a driver for a period of 30 days or less;
  - (b) The "bodily injury", "property damage" or "personal and advertising injury" is caused by an "insured" who permanently lives within the United States of America, its territories or possessions, Puerto Rico or Canada while the "insured" is temporarily outside of one of those places;
  - (c) The "personal and advertising injury" offense takes place through the Internet or similar electronic means of communication; or
  - (d) The "bodily injury" or "property damage" is caused by one of your "products" which is sold for use in the United States of America, its territories or possessions, Puerto Rico or Canada;

provided that the "insured's" responsibility to pay damages is determined in a "suit" on the merits, in the United States of America, the territories and possessions of the United States of America, Puerto Rico or Canada, or in a settlement we agree to.

However, the coverage territory described in Paragraph (5) above does not apply to "work you performed".

We also cover "bodily injury", "property damage", "covered pollution cost or expense" and "losses" while a covered "auto" is being transported between the United States of America, the territories and possessions of the United States of America, Puerto Rico or Canada.

## 8. Two Or More Coverage Forms Or Policies Issued By Us

If this Coverage Form and any other Coverage Form or policy issued to you by us or any company affiliated with us applies to the same "accident", the aggregate maximum Limit of

Insurance under all the Coverage Forms or policies shall not exceed the highest applicable Limit of Insurance under any one Coverage Form or policy. This condition does not apply to any Coverage Form or policy issued by us or an affiliated company specifically to apply as excess insurance over this Coverage Form.

## SECTION V – DEFINITIONS

- A. "Accident" includes continuous or repeated exposure to the same conditions resulting in "bodily injury" or "property damage".
- B. "Act, error or omission" means any actual or alleged negligent act, error or omission committed by an "insured" in the course of your "auto dealer operations" arising:
  1. Out of an "insured's" failure to comply with any local, state or federal law or regulation concerning the disclosure of credit or lease terms to consumers in connection with the sale or lease of an "auto" in your "auto dealer operations", including, but not limited to, the Truth In Lending and Consumer Leasing Acts;
  2. Out of an "insured's" failure to comply with any local, state or federal law or regulation concerning the disclosure of accurate odometer mileage to consumers in connection with the sale or lease of an "auto" in your "auto dealer operations";
  3. In an "insured's" capacity as an insurance agent or broker in the offering, placement or maintenance of any "auto" physical damage, auto loan/lease gap, credit life or credit disability insurance sold in connection with the sale or lease of an "auto" in your "auto dealer operations", but only if the "insured" holds a valid insurance agent or broker license at the time the "act, error or omission" is committed, in the jurisdiction in which your "auto dealer operations" is located, if required to do so by such jurisdiction; and
  4. Out of a defect in title in connection with the sale or lease of an "auto" in your "auto dealer operations".
- C. "Advertisement" means a notice that is broadcast or published to the general public or specific market segments about your goods, products or services for the purpose of attracting customers or supporters. For the purposes of this definition:
  1. Notices that are published include material placed on the Internet or on similar electronic means of communication; and
  2. Regarding web sites, only that part of a web site that is about your goods, products or services for the purposes of attracting customers or supporters is considered an advertisement.

- D. "Auto" means a land motor vehicle, "trailer" or semitrailer.
- E. "Auto dealer operations" means the ownership, maintenance or use of locations for an "auto" dealership and that portion of the roads or other accesses that adjoin these locations. "Auto dealer operations" also include all operations necessary or incidental to an "auto" dealership.
- F. "Bodily injury" means bodily injury, sickness or disease sustained by a person, including death resulting from any of these.
- G. "Covered pollution cost or expense" means any cost or expense arising out of:

1. Any request, demand, order or statutory or regulatory requirement that the "insured" or others test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of, "pollutants"; or
2. Any claim or "suit" by or on behalf of a governmental authority for damages because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying or neutralizing, or in any way responding to or assessing the effects of, "pollutants".

"Covered pollution cost or expense" does not include any cost or expense arising out of the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of "pollutants":

- a. That are, or that are contained in any property that is:
  - (1) Being transported or towed by, handled, or handled for movement into, onto or from the covered "auto";
  - (2) Otherwise in the course of transit by or on behalf of the "insured";
  - (3) Being stored, disposed of, treated or processed in or upon the covered "auto"; or
- b. Before the "pollutants" or any property in which the "pollutants" are contained are moved from the place where they are accepted by the "insured" for movement into or onto the covered "auto"; or
- c. After the "pollutants" or any property in which the "pollutants" are contained are moved from the covered "auto" to the place where they are finally delivered, disposed of or abandoned by the "insured".

Paragraph a. above does not apply to fuels, lubricants, fluids, exhaust gases or other similar "pollutants" that are needed for or result from the normal electrical, hydraulic or mechanical functioning of the covered "auto" or

its parts, if the "pollutants" escape, seep, migrate, or are discharged, dispersed or released directly from an "auto" part designed by its manufacturer to hold, store, receive or dispose of such "pollutants".

Paragraphs b. and c. above do not apply to "accidents" that occur away from premises owned by or rented to an "insured" with respect to "pollutants" not in or upon a covered "auto" if:

- (1) The "pollutants" or any property in which the "pollutants" are contained are upset, overturned or damaged as a result of the maintenance or use of a covered "auto"; and
- (2) The discharge, dispersal, seepage, migration, release or escape of the "pollutants" is caused directly by such upset, overturn or damage.

- H. "Customer's auto" means a land motor vehicle, "trailer" or semitrailer lawfully within your possession for service, repair, storage or safekeeping, with or without the vehicle owner's knowledge or consent. A "customer's auto" also includes any such vehicle left in your care by your "employees" and members of their households who pay for services performed.
- I. "Diminution in value" means the actual or perceived loss in market value or resale value which results from a direct and accidental "loss".
- J. "Employee" includes a "leased worker". "Employee" does not include a "temporary worker".
- K. "Executive officer" means a person holding any of the officer positions created by your charter, constitution, by-laws or any other similar governing document.
- L. "Impaired property" means tangible property, other than your "product" or "work you performed", that cannot be used or is less useful because:
  1. It incorporates your "product" or "work you performed" that is known or thought to be defective, deficient, inadequate or dangerous; or
  2. You have failed to fulfill the terms of a contract or agreement;

if such property can be restored to use by the repair, replacement, adjustment or removal of your "product" or "work you performed" or your fulfilling the terms of the contract or agreement.
- M. "Insured" means any person or organization qualifying as an insured in the Who Is An Insured provision of the applicable coverage. Except with respect to the Limit of Insurance, the coverage afforded applies separately to each insured who is

seeking coverage or against whom a claim or "suit" is brought.

**N. "Insured contract" means:**

1. A lease of premises;
2. A sidetrack agreement;
3. Any easement or license agreement, except in connection with construction or demolition operations on or within 50 feet of a railroad;
4. An obligation, as required by ordinance, to indemnify a municipality, except in connection with work for a municipality;
5. That part of any other contract or agreement pertaining to your "auto" dealership (including an indemnification of a municipality in connection with work performed for a municipality) under which you assume the tort liability of another to pay for "bodily injury" or "property damage" to a third party or organization. Tort liability means a liability that would be imposed by law in the absence of any contract or agreement;
6. An elevator maintenance agreement; or
7. That part of any contract or agreement entered into, as part of your "auto" dealership, pertaining to the rental or lease, by you or any of your "employees", of any "auto". However, such contract or agreement shall not be considered an "insured contract" to the extent that it obligates you or any of your "employees" to pay "property damage" to any "auto" rented or leased by you or any of your "employees".

An "insured contract" does not include that part of any contract or agreement:

- a. That indemnifies an architect, engineer or surveyor for injury or damage arising out of:
  - (1) Preparing, approving, or failing to prepare or approve, maps, shop drawings, opinions, reports, surveys, field orders, change orders or drawing and specifications; or
  - (2) Giving directions or instructions, or failing to give them, if that is the primary cause of the injury or damage.
- b. That indemnifies any person or organization for damage by fire to premises rented or loaned to you or temporarily occupied by you with permission of the owner.
- c. That pertains to the loan, lease or rental of an "auto", to you or any of your "employees", if the "auto" is loaned, leased or rented with a driver.
- d. That holds a person or organization engaged in the business of transporting property by "auto" for hire harmless for your

use of a covered "auto" over a route or territory that person or organization is authorized to serve by public authority.

- e. That indemnifies a railroad for "bodily injury" or "property damage" arising out of construction or demolition operations within 50 feet of any railroad property and affecting any railroad bridge or trestle, tracks, roadbeds, tunnel, underpass or crossing.
- O. "Leased worker" means a person leased to you by a labor leasing firm under an agreement between you and the labor leasing firm, to perform duties related to the conduct of your business. "Leased worker" does not include a "temporary worker".
- P. "Loading or unloading" means the handling of property:
  1. After it is moved from the place where it is accepted for movement into or onto an aircraft, watercraft or "auto";
  2. While it is in or on an aircraft, watercraft or "auto"; or
  3. While it is being moved from an aircraft, watercraft or "auto" to the place where it is finally delivered;

but "loading or unloading" does not include the movement of property by means of a mechanical device, other than a hand truck, that is not attached to the aircraft, watercraft or "auto".
- Q. "Loss" means direct and accidental loss or damage. But for Garagekeepers Coverage only, "loss" also includes any resulting loss of use.
- R. "Personal and advertising injury" means injury, including consequential "bodily injury", arising out of one or more of the following offenses:
  1. False arrest, detention or imprisonment;
  2. Malicious prosecution;
  3. The wrongful eviction from, wrongful entry into, or invasion of the right of private occupancy of a room, dwelling or premises that a person occupies, committed by or on behalf of its owner, landlord or lessor;
  4. Oral or written publication, in any manner, of material that slanders or libels a person or organization or disparages a person's or organization's goods, products or services;
  5. Oral or written publication, in any manner, of material that violates a person's right of privacy;
  6. The use of another's advertising idea in your "advertisement"; or
  7. Infringing upon another's copyright, trade dress or slogan in your "advertisement".

- S.** "Pollutants" means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.
- T.** "Products" includes:
1. The goods or products made or sold in an "auto" dealership by:
    - a. You; or
    - b. An "auto" dealership you have acquired; and
  2. The providing of or failure to provide warnings or instructions.
- U.** "Property damage" means damage to or loss of use of tangible property.
- V.** "Suit" means a civil proceeding in which:
1. Damages because of "bodily injury", "property damage", "personal and advertising injury" or "acts, errors or omissions"; or
  2. A "covered pollution cost or expense", to which this insurance applies, are claimed.
- "Suit" includes:
- a. An arbitration proceeding in which such damages or "covered pollution costs or expenses" are claimed and to which the "insured" must submit or does submit with our consent; or
  - b. Any other alternative dispute resolution proceeding in which such damages or "covered pollution costs or expenses" are claimed and to which the "insured" submits with our consent.
- W.** "Temporary worker" means a person who is furnished to you to substitute for a permanent "employee" on leave or to meet seasonal or short-term workload conditions.
- X.** "Trailer" includes semitrailer.
- Y.** "Unmanned aircraft" means an aircraft that is not:
1. Designed;
  2. Manufactured; or
  3. Modified after manufacture;
- to be controlled directly by a person from within or on the aircraft.
- ZY.** **"Work you performed" includes:**
1. Work that someone performed on your behalf; and
  2. The providing of or failure to provide warnings or instructions.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**KENTUCKY—CHANGES IN AUTO DEALERS COVERAGE FORM DECLARATIONS**

This endorsement modifies insurance provided under the following:

**AUTO DEALERS COVERAGE FORM**

With respect to coverage provided by this endorsement, the provisions of the Coverage Form apply unless modified by the endorsement.

**Auto Dealers Declarations** is changed as follows:

A. **ITEM FOUR** is replaced with the following:

**Liability And Personal Injury Protection—Premiums**

**1. Employees and Operators**

Location No.	Classes of Operators	Rating Factor	Number of Employees and Operators	Rating Units	Surcharge Rating Units	Total Rating Units	Covered Autos Liability Premium	Personal Injury Protection Premium
1	Class I—Employees Regular Operators							
	Class I—Employees All Others							
	Class II—Non-employees Under Age 25							
	Class II—Non-employees Age 25 Or Over							
2	Class I—Employees Regular Operators							
	Class I—Employees All Others							
	Class II—Non-employees Under Age 25							
	Class II—Non-employees Age 25 Or Over							
3	Class I—Employees Regular Operators							
	Class I—Employees All Others							
	Class II—Non-employees Under Age 25							
	Class II—Non-employees Age 25 Or Over							
TOTAL PREMIUMS								

**DEFINITIONS**

**Class I—Employees**

**Regular Operator:** Proprietors, partners, and officers active in the “auto dealer operations”, salespersons, general managers, service managers, any “employee” whose principal duty involves the operation of covered “autos” or who is furnished a covered “auto”

**All Others:** All other “employees”

**NOTE**

1. Part-time “employees” working an average of at least 20 hours a week for the number of weeks worked are to be counted as one rating unit each.
2. Part-time “employees” working an average of less than 20 hours a week for the number of weeks worked are to be counted as ½ rating unit each.

**Class II—Nonemployees**

Any of the following persons who are regularly furnished with a covered “auto”: inactive proprietors, partners or officers and their relatives and the relatives of any person described in Class I.

**2. Autos Held For Sale (at any one time)**

Location No.	Number of Autos Held For Sale (at any one time)	Rating Factor	Rating Units	Covered Autos Liability Premium
1.				
2.				
3.				
			<b>TOTAL PREMIUM</b>	

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**Instructions**

The provisions of this endorsement must be attached to, incorporated in or overprinted upon every Auto Dealers Coverage Form issued in accordance with the provisions of the Kentucky Automobile Insurance Plan.

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**  
**KENTUCKY CHANGES IN BUSINESS AUTO COVERAGE FORM**

For a covered "auto" licensed or principally garaged in Kentucky, this endorsement modifies insurance provided under the following:

**BUSINESS AUTO COVERAGE FORM**

With respect to coverage provided by this endorsement, the provisions of the Coverage Form apply unless modified by the endorsement.

This endorsement changes the Policy effective on the inception date of the Policy unless another date is indicated below:

Endorsement Effective:
Named Insured:

**A. SECTION I—COVERED AUTOS**

**Owned Autos** is replaced by the following:

**Owned Autos You Acquire After The Policy Begins**

1. If Symbols 1, 2, 3, 4, 5, 6 or 19 are entered next to a coverage in Item Two of the Declarations, then you have coverage for "autos" that you acquire of the type described for the remainder of the policy period.
2. But, if Symbol 7 is entered next to a coverage in Item Two of the Declarations, an "auto" you acquire will be a covered "auto" for that coverage only if:
  - a. We already cover all "autos" that you own for that coverage or it replaces an "auto" you previously owned that had that coverage; and
  - b. You tell us within 30 days after you acquire it that you want us to cover it for that coverage.

**B. SECTION II—COVERED AUTOS LIABILITY COVERAGE**

**1. Coverage Extensions** under Coverage is changed as follows:

**Coverage Extensions**

The **Supplementary Payments** provision is replaced by the following:

**Supplementary Payments**

We will pay for the "insured":

- (1) All expenses we incur.
- (2) Up to \$250 for cost of bail bonds (including bonds for related traffic law violations) required because of an

"accident" we cover. We do not have to furnish these bonds.

- (3) The cost of bonds to release attachments in any "suit" against the "insured" we defend, but only for bond amounts within our Limit of Insurance.
- (4) All reasonable expenses incurred by the "insured" at our request, including actual loss of earnings up to \$100 a day because of time off from work.
- (5) All court costs taxed against the "insured" in any "suit" against the "insured" we defend. However, these payments do not include attorneys' fees or attorneys' expenses taxed against the "insured".
- (6) All interest on the full amount of any judgment that accrues after entry of the judgment in any "suit" against the "insured" we defend, but our duty to pay interest ends when we have paid, offered to pay, or deposited in court the part of the judgment that is within our Limit of Insurance.

These payments will not reduce the Limit of Insurance.

**~~A2. Changes In Covered Autos Liability Coverage Exclusions~~** is changed as follows:

The following Covered Autos Liability Coverage exclusions apply only to the extent that the limits of liability for such coverage exceed the limits of liability required by the Kentucky Motor Vehicle Reparations Act:

- 1a.** Expected Or Intended Injury;
- 2b.** Care, Custody Or Control; and
- 3c.** Pollution.

**C. SECTION III—PHYSICAL DAMAGE COVERAGE**

~~B. Physical Damage Coverage does not apply.~~

**D. SECTION IV—BUSINESS AUTO CONDITIONS**

~~C. Changes In Conditions~~

General Conditions is changed as follows:

1. The **Concealment, Misrepresentation Or Fraud** Condition is amended by the addition of the following:

However, once an “accident” has occurred while this Coverage Form is in effect, this condition does not apply to the Covered Autos Liability Coverage provided by this Coverage Form, except that we will provide Covered Autos Liability Coverage only up to the minimum limits of liability required by the Kentucky Motor Vehicle Reparations Act if you, or any other “insured”, intentionally conceals or misrepresents a material fact, or commits fraud, in obtaining this policy.

2. The **Other Insurance** Condition is changed by adding the following:
  - a. For a temporary substitute for an “auto” you own which is out of use because of its breakdown, repair or servicing, if the substitute “auto” is operated by an “insured” and is loaned to you, with or without consideration, by a person engaged in the business of selling, repairing and servicing “autos”, Covered Autos Liability Coverage provided by this form shall be primary in the event of an “accident” caused by the negligence of the “insured”.
  - b. If you are engaged in the business of selling, repairing and servicing “autos”, then for any “auto” you own, which is loaned to a customer, with or without consideration, as a temporary substitute for an “auto” owned by the customer which is out of use because of its breakdown, repair or servicing, Covered Autos Liability Coverage provided by this form shall be excess in the event of an “accident” caused by the negligence of the customer.

**3. Policy Period, Coverage Territory is replaced by the following:**

**General Conditions**

**Policy Period, Coverage Territory**

Under this Coverage Form, we cover “accidents” and “losses” occurring:

- a. During the policy period shown in the Declarations; and
- b. Within the coverage Territory.  
The coverage territory is:
  - a. The United States of America;
  - b. The territories and possessions of the United States of America;
  - c. Puerto Rico; and
  - d. Canada.

We also cover “loss” to, or “accidents” involving, a covered “auto” while being transported between any of these places.

**DE—CHANGES IN THE COMMON POLICY CONDITIONS**

Paragraph **B. Changes** is replaced by the following:

**Changes**

1. Premium Changes

The premium for this policy is based on information we have received from you or other sources. You agree:

- a. that if any of this information material to the development of the policy premium is incorrect, incomplete or changed, we may adjust the premium accordingly during the policy period.
- b. to cooperate with us in determining if this information is correct and complete, and to advise us of changes in this information.

Any adjustment of your premium will be made using the rules in effect at the time of the change.

Premium adjustment may be made as the result of a change in:

- a. autos insured by the policy, including changes in use.
- b. drivers, driver’s age or driver’s marital status.
- c. coverages or coverage limits.
- d. rating territory.
- e. eligibility for discounts or other premium credits.

POLICY NUMBER:

**COMMERCIAL ~~14~~ AUTO**

**AP 20 25 ~~12-16~~ 05 21**

**2. Coverage Changes**

We may revise your policy coverages to provide more protection without additional premium charge. If we do this and you have the coverage which is changed, your policy will automatically provide the additional coverage as of the date the revision is effective in your state. Otherwise, this policy contains all of the

coverage agreements between you and us. Its terms may not be changed or waived except by an endorsement issued by us.

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**Instructions**

The provisions of this endorsement must be attached to, incorporated in, or overprinted upon every Business Auto Coverage Form issued in accordance with the provisions of the Kentucky Automobile Insurance Plan.



**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

**KENTUCKY CHANGES—AUTO DEALERS COVERAGE FORM**

For a covered “auto” licensed or principally garaged in, or “auto dealer operations” conducted in, Kentucky, this endorsement modifies insurance provided under the following:

**AUTO DEALERS COVERAGE FORM**

With respect to coverage provided by this endorsement, the provisions of the Coverage Form apply unless modified by the endorsement.

This endorsement changes the Policy effective on the inception date of the Policy unless another date is indicated below:

Named Insured:
Endorsement Effective:

**SECTION I—COVERED AUTOS COVERAGES**

**A. Owned Autos** is replaced by the following:

**Owned Autos You Acquire After The Policy Begins**

1. If Symbols 21, 22, 23, 24, 25 or 26 are entered next to a coverage in Item Two of the Declarations, then you have coverage for “autos” that you acquire of the type described for the remainder of the policy period.
2. But, if Symbol 27 is entered next to a coverage in Item Two of the Declarations, an “auto” you acquire will be a covered “auto” for that coverage only if:
  - a. We already cover all “autos” that you own for that coverage or it replaces an “auto” you previously owned that had that coverage; and
  - b. You tell us within 30 days after you acquire it that you want us to cover it for that coverage.

~~**A. Changes In Certain Trailers And Temporary Substitute Autos**~~

~~The following is added to Paragraph C. **Certain Trailers and Temporary Substitute Autos:**~~

~~If Collision Coverage is provided by the Coverage Form, any “auto” you do not own which is loaned to you as a temporary substitute for a covered “auto” you own that is out of use because of its breakdown, repair or servicing by a person, firm or corporation engaged in the business of selling, repairing and servicing “autos” is a covered “auto” for Collision Coverage.~~

**B. Changes In Covered Autos Liability Coverage**

1. Paragraph **2.b.(4)** of the **Who Is An Insured** provision is replaced by the following:

(4) Your customers. However, those customers are “insureds” for “bodily injury” up to the compulsory or financial responsibility law limits for “bodily injury” where the covered “auto” is principally garaged.

2. **Coverage Extensions** is changed as follows:

**Coverage Extensions**

The **Supplementary Payments** provision is replaced by the following:

**Supplementary Payments**

We will pay for the “insured”:

- (1) All expenses we incur.
- (2) Up to \$250 for cost of bail bonds (including bonds for related traffic law violations) required because of an “accident” we cover. We do not have to furnish these bonds.
- (3) The cost of bonds to release attachments in any “suit” against the “insured” we defend, but only for bond amounts within our Limit of Insurance.
- (4) All reasonable expenses incurred by the “insured” at our request, including actual loss of earnings up to \$100 a day because of time off from work.
- (5) All court costs taxed against the “insured” in any “suit” against the “insured” we defend. However, these

payments do not include attorneys' fees or attorneys' expenses taxed against the "insured".

- (6) All interest on the full amount of any judgment that accrues after entry of the judgment in any "suit" against the "insured" we defend, but our duty to pay interest ends when we have paid, offered to pay, or deposited in court the part of the judgment that is within our Limit of Insurance.

These payments will not reduce the Limit of Insurance.

- 23.** The following **Covered Autos Liability Coverage** exclusions apply only to the extent that the limits of liability for such coverage exceed the limits of liability required by the Kentucky Motor Vehicle Reparations Act:

- a. Expected Or Intended Injury;
- b. Care, Custody Or Control; and
- c. Pollution.

### **C. ~~Changes In Physical Damage Coverage~~**

~~No deductible applies under Comprehensive Coverage to "loss" to:~~

- ~~1. Glass used in the windshield, doors and windows; and~~
- ~~2. Glass, plastic or any other material used in lights required on an automobile by Chapter 189 of Kentucky Revised Statutes.~~

~~All other Physical Damage Coverage Provisions apply.~~

## **SECTION IV—CONDITIONS**

### **D. Changes In Conditions**

- 4A.** The **Concealment, Misrepresentation Or Fraud** Condition under **General Conditions** is amended by the addition of the following:

However, once an "accident" has occurred while this Coverage Form is in effect, this condition does not apply to the Covered Autos Liability Coverage provided by this Coverage Form, except that we will provide Covered Autos Liability Coverage only up to the minimum limits of liability required by the Kentucky Motor Vehicle Reparations Act if you, or any other "insured", intentionally conceal or misrepresent a material fact, or commit fraud, in obtaining this policy.

- 2B.** The **Other Insurance** Condition under **General Conditions** is changed by adding the following:

- g. For a temporary substitute for an "auto" you own which is out of use because of its breakdown, repair or servicing, if the substitute "auto" is operated by an "insured" and is loaned to you, with or without consideration, by a person engaged in the business of selling, repairing and servicing "autos", Covered Autos Liability and ~~Collision~~ Coverages provided by this form shall be primary in the event of an "accident" or "loss" caused by the negligence of the "insured".
- h. If you are engaged in the business of selling, repairing and servicing "autos", then for any "auto" you own, which is loaned to a customer, with or without consideration, as a temporary substitute for an "auto" owned by the customer which is out of use because of its breakdown, repair or servicing, Covered Autos Liability and ~~Collision~~ Coverages provided by this form shall be excess in the event of an "accident" or "loss" caused by the negligence of the customer.

- C. The Policy Period, Coverage Territory** under **General Conditions** is replaced by the following:

### **General Conditions**

#### **Policy Period, Coverage Territory**

Under this Coverage Form, we cover "accidents" and "losses" occurring:

- a. During the policy period shown in the Declarations; and

- b. Within the coverage Territory.

The coverage territory is:

- a. The United States of America;
- b. The territories and possessions of the United States of America;
- c. Puerto Rico; and
- d. Canada.

We also cover "loss" to, or "accidents" involving, a covered "auto" while being transported between any of these places.

**POLICY NUMBER:**

**COMMERCIAL AUTO  
~~CA 01 64 10 13~~ AP 20 91 05 21**

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**Instructions**

The provisions of this endorsement must be attached to, incorporated in or overprinted upon every Auto Dealers Coverage Form issued in accordance with the provisions of the Kentucky Automobile Insurance Plan.

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **VOLUNTEER HIRED AUTOS**

This endorsement modifies insurance provided under the following:

AUTO DEALERS COVERAGE FORM  
BUSINESS AUTO COVERAGE FORM  
MOTOR CARRIER COVERAGE FORM

With respect to coverage provided by this endorsement, the provisions of the Coverage Form apply unless modified by the endorsement.

### **A. Changes In Covered Autos Liability Coverage**

1. The following is added to the **Who Is An Insured** provision:

A "volunteer" of yours is an "insured" while operating an "auto" hired or rented under a contract or agreement in a "volunteer's" name, with your permission, while performing duties related to the conduct of your business.

2. The following exclusion is added:

This insurance does not apply to:

#### **Volunteer Injury**

"Bodily injury" to:

- a. Any "volunteer" or any fellow "volunteer" of the "insured" if sustained while such "volunteer" is performing duties related to the conduct of your business.
- b. The spouse, child, parent, brother or sister of that "volunteer" as a consequence of Paragraph 2.a. above.

### **B. Changes In General Conditions**

Paragraph 5.b. of the **Other Insurance** Condition in the Business Auto and Auto Dealers Coverage Forms and Paragraph 5.f. of the **Other Insurance – Primary And Excess Insurance Provisions** Condition in the Motor Carrier Coverage Form are amended by the addition of the following:

For Hired Auto Physical Damage Coverage, any covered "auto" hired or rented by your "volunteer" under a contract in a "volunteer's" name, with your permission, while performing duties related to the conduct of your business is deemed to be a covered "auto" you own.

### **C. Changes In Definitions**

For the purposes of this endorsement:

1. The "insured contract" definition is amended as follows:

- a. Paragraph 6. is replaced by the following:

That part of any contract or agreement entered into, as part of your business, pertaining to the rental or lease, by you or any of your "employees" or "volunteers", of any "auto". However, such contract or agreement shall not be considered an "insured contract" to the extent that it obligates you or any of your "employees" or "volunteers" to pay for "property damage" to any "auto" rented or leased by you or any of your "employees" or "volunteers".

- b. Exception b. is replaced by the following:

An "insured contract" does not include that part of any contract or agreement that pertains to the loan, lease or rental of an "auto" to you or any of your "employees" or "volunteers", if the "auto" is loaned, leased or rented with a driver.

2. "Volunteer" means a person who is not your "employee" and who donates his or her work and acts at the direction of and within the scope of duties determined by you, and is not paid a fee, salary or other compensation by you or anyone else for their work performed for you.

### **Instructions**

The provisions of this endorsement must be attached to, incorporated in or overprinted upon every applicable policy issued in accordance with the provisions of an Automobile Insurance Plan or JUA. Refer to Index for state(s) in which this form is applicable.



POLICY NUMBER:

**COMMERCIAL AUTO  
CA 20 01 40-43 11 20**

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.  
LESSOR – ADDITIONAL INSURED AND LOSS PAYEE**

This endorsement modifies insurance provided under the following:

- AUTO DEALERS COVERAGE FORM
- BUSINESS AUTO COVERAGE FORM
- MOTOR CARRIER COVERAGE FORM

With respect to coverage provided by this endorsement, the provisions of the Coverage Form apply unless modified by the endorsement.

This endorsement changes the pPolicy effective on the inception date of the policy unless another date is indicated below.

<b>Named Insured:</b>
<b>Endorsement Effective Date:</b>

**SCHEDULE**

<b>Insurance Company:</b>	
<b>Policy Number:</b>	<b>Effective Date:</b>
<b>Expiration Date:</b>	
<b>Named Insured:</b>	
<b>Address:</b>	
<b>Additional Insured (Lessor):</b>	
<b>Address:</b>	
<b>Designation Or Description Of "Leased Autos":</b>	

Coverages	Limit Of Insurance Or Deductible
<b>Covered Autos Liability</b>	\$ Each "Accident"
<b>Comprehensive</b>	Actual Cash Value Or Cost Of Repair, Whichever Is Less, Minus \$ Deductible For Each Covered "Leased Auto"
<b>Collision</b>	Actual Cash Value Or Cost Of Repair, Whichever Is Less, Minus \$ Deductible For Each Covered "Leased Auto"
<b>Specified Causes Of Loss</b>	Actual Cash Value Or Cost Of Repair, Whichever Is Less, Minus \$ Deductible For Each Covered "Leased Auto"

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

**A. Coverage**

1. Any "leased auto" designated or described in the Schedule will be considered a covered "auto" you own and not a covered "auto" you hire or borrow.
2. For a "leased auto" designated or described in the Schedule, the **Who Is An Insured** provision under **Covered Autos Liability Coverage** is changed to include as an "insured" the lessor named in the Schedule. However, the lessor is an "insured" only for "bodily injury" or "property damage" resulting from the acts or omissions by:
  - a. You;
  - b. Any of your "employees" or agents; or
  - c. Any person, except the lessor or any "employee" or agent of the lessor, operating a "leased auto" with the permission of any of the above.
3. The coverages provided under this endorsement apply to any "leased auto" described in the Schedule until the expiration date shown in the Schedule, or when the lessor or his or her agent takes possession of the "leased auto", whichever occurs first.

**B. Loss Payable Clause**

1. We will pay, as interest may appear, you and the lessor named in this endorsement for "loss" to a "leased auto".
2. The insurance covers the interest of the lessor unless the "loss" results from fraudulent acts or omissions on your part.
3. If we make any payment to the lessor, we will obtain his or her rights against any other party.

**C. Cancellation**

1. If we cancel the pPolicy, we will mail notice to the lessor in accordance with the Cancellation Common Policy Condition.
2. If you cancel the pPolicy, we will mail notice to the lessor.
3. Cancellation ends this agreement.

**D.** The lessor is not liable for payment of your premiums.

**E. Additional Definition**

As used in this endorsement:

"Leased auto" means an "auto" leased or rented to you, including any substitute, replacement or extra "auto" needed to meet seasonal or other needs, under a leasing or rental agreement that requires you to provide direct primary insurance for the lessor.

**Instructions**

The provisions of this endorsement must be attached to, incorporated in, or overprinted upon every applicable policy adding an additional insured—lessor issued in accordance with the provisions of an Automobile Insurance Plan or JUA.

Refer to Index for state(s) in which this form is applicable.

POLICY NUMBER:

COMMERCIAL AUTO  
CA 20 06 40-13 11 20**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.****DRIVING SCHOOLS – NON-OWNED AUTOS**

This endorsement modifies insurance provided under the following:

BUSINESS AUTO COVERAGE FORM

With respect to coverage provided by this endorsement, the provisions of the Coverage Form apply unless modified by the endorsement.

This endorsement changes the ~~p~~Policy effective on the inception date of the ~~p~~Policy unless another date is indicated below.

<b>Named Insured:</b>
<b>Endorsement Effective Date:</b>

**SCHEDULE**

<b>Number Of Driving Instructors</b>	<b>Number Of Owned Autos Used For Driver Training</b>	<b>Coverages</b>	<b>Premiums</b>
		<b>Covered Autos Liability</b>	<b>\$</b>
		<b>Auto Medical Payments</b>	<b>\$</b>
<b>Total Premium:</b>			<b>\$</b>
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.			

<b>Coverages</b>	<b>Premiums</b>
<b>Covered Autos Liability</b>	<b>\$</b>
<b>Auto Medical Payments</b>	<b>\$</b>
<b>Total Premium:</b>	<b>\$</b>
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.	

- A.** This endorsement provides only those coverages where a premium is shown in the Schedule.
- B.** Any "auto" you don't own while used for driver training is a covered "auto".
- C.** For these covered "autos", **Who Is An Insured** is changed to include only:
1. You.
  2. Any driving instructors.
  3. Any student driver while being instructed by you or an instructor.

**Instructions**

The provisions of this endorsement must be attached to, incorporated in, or overprinted upon every Business Auto Coverage Form affording nonowned auto coverage for Driving Schools issued in accordance with the provisions of an Automobile Insurance Plan or JUA.

Refer to Index for state(s) in which this form is applicable.



**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**  
**EMPLOYEE HIRED AUTOS**

This endorsement modifies insurance provided under the following:

AUTO DEALERS COVERAGE FORM  
BUSINESS AUTO COVERAGE FORM  
MOTOR CARRIER COVERAGE FORM

With respect to coverage provided by this endorsement, the provisions of the Coverage Form apply unless modified by the endorsement.

**A. Changes In Covered Autos Liability Coverage**

The following is added to the **Who Is An Insured** Provision:

An "employee" of yours is an "insured" while operating an "auto" hired or rented under a contract or agreement in an "employee's" name, with your permission, while performing duties related to the conduct of your business.

**B. Changes In General Conditions**

Paragraph **5.b.** of the **Other Insurance** Condition in the Business Auto and Auto Dealers Coverage Forms, and Paragraph **5.f.** of the **Other Insurance—Primary And Excess Insurance Provisions** Condition in the Motor Carrier Coverage Form are ~~replaced~~ amended by the addition of the following:

For Hired Auto Physical Damage Coverage, ~~the following are deemed to be covered "autos" you own:~~

- ~~1. Any covered "auto" you lease, hire, rent or borrow; and~~
- ~~2. Any covered "auto" hired or rented by your "employee" under a contract in an "employee's" name, with your permission, while performing duties related to the conduct of your business is~~ deemed to be a covered "auto" you own.

~~However, any "auto" that is leased, hired, rented or borrowed with a driver is not a covered "auto".~~

**Instructions**

The provisions of this endorsement must be attached to, incorporated in, or overprinted upon every applicable policy affording hired auto coverage for employees issued in accordance with the provisions of an Automobile Insurance Plan or JUA.

Refer to Index for state(s) in which this form is applicable.



POLICY NUMBER:

COMMERCIAL AUTO  
CA 23 17 40-13 11 20**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.****TRUCKERS – UNIFORM INTERMODAL INTERCHANGE  
ENDORSEMENT FORM UIIE – 1**

This endorsement modifies insurance provided under the following:

BUSINESS AUTO COVERAGE FORM  
MOTOR CARRIER COVERAGE FORM

With respect to coverage provided by this endorsement, the provisions of the Coverage Form apply unless modified by the endorsement.

This endorsement changes the policy effective on the inception date of the policy unless another date is indicated below.

**Named Insured:****Endorsement Effective Date:**

It is agreed that such insurance as is afforded by the policy for Auto Bodily Injury and Property Damage Liability applies to liability assumed by the named insured, as "Motor Carrier Participant", under Section F.4. of the Uniform Intermodal Interchange and Facilities Access Agreement, and any subsequent amendments thereto:

**F.4. Indemnity**

- a. Subject to the exceptions set forth in Sub-section (b) below, Motor Carrier agrees to defend, hold harmless, and fully indemnify the Indemnitees (without regard to whether the Indemnitees' liability is vicarious, implied by law, or as a result of the fault or negligence of the Indemnitees), against any and all claims, "suits", loss, damage or liability, for "bodily injury", death and/or "property damage", (other than cargo loss, damage, or delay unrelated to a commercial motor vehicle "accident" involving the Motor Carrier or theft of the cargo during the Interchange Period), including reasonable attorney fees and costs incurred in the defense against a claim or "suit", or incurred because of the wrongful failure to defend against a claim or "suit", or in enforcing Section F.4. (collectively, the "Damages"), caused by or resulting from the Motor Carrier's: use or maintenance of the Equipment during an Interchange Period; and/or presence on the Facility Operator's premises.

**b. Exceptions**

The foregoing indemnity provision shall not apply to the extent Damages: (i) occur during the presence of the Motor Carrier on the Facility Operator's premises and are caused by or result from the negligent or intentional acts or omissions of the Indemnitees, their agents, "employees", vendors or third party invitees (excluding Indemnitor); or (ii) are caused by or result from defects to the Equipment with respect to items other than those set forth in Exhibit A, unless such defects were caused by or resulted from the negligent or intentional acts or omissions of the Motor Carrier, its agents, "employees", vendors, or subcontractors during the Interchange Period.

Subject to the following provisions:

1. The limit of the company's liability under this policy for damages because of "bodily injury" and "property damage" arising out of the use, operation, maintenance or possession of interchange equipment shall be the applicable amount stated below and designated by an "x" unless a greater amount is otherwise stated in the policy as applicable to such "bodily injury" or "property damage".

<input type="checkbox"/>	<b>Single Limit "Bodily Injury" And "Property Damage" (Or <del>t</del>The Equivalent)</b> <b>\$ _____ Each "Accident"</b>
--------------------------	--

2. The company shall:

- a. Upon issuance of this endorsement, furnish to the President, The Intermodal Association of North America, 11785 Beltsville Drive, Suite 1100 11th Fl., Calverton Beltsville, MD 20705-4049, a properly executed Certificate of Insurance which carries the notation that the company has issued to the named insured Motor Carrier a policy of liability insurance; and

- b. Upon cancellation or termination of the policy of which this endorsement forms a part, furnish a notice of such cancellation or termination NOT LESS THAN 30 DAYS prior to the effective date of such cancellation or termination, such notice to be mailed to said President at the above address.

#### Instructions

The provisions of this endorsement must be attached to, incorporated in, or overprinted upon every applicable policy issued in accordance with the provisions of an Automobile Insurance Plan or JUA.

Refer to Index for state(s) in which this form is applicable.

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **CANNABIS EXCLUSION WITH HEMP AND LESSOR RISK EXCEPTION FOR GENERAL LIABILITY COVERAGES**

This endorsement modifies insurance provided under the following:

### **AUTO DEALERS COVERAGE FORM**

With respect to coverage provided by this endorsement, the provisions of the Coverage Form apply unless modified by the endorsement.

**A. The following exclusion is added to Section II – General Liability Coverages:**

This insurance does not apply to:

"Bodily injury", "property damage" or "personal and advertising injury" arising out of:

1. The design, cultivation, manufacture, storage, processing, packaging, handling, testing, distribution, sale, serving, furnishing, possession or disposal of "cannabis"; or
2. The actual, alleged, threatened or suspected inhalation, ingestion, absorption or consumption of, contact with, exposure to, existence of, or presence of "cannabis".

This exclusion applies even if the claims against any "insured" allege negligence or other wrongdoing in the supervision, hiring, employment, training or monitoring of others by that "insured", if the "accident" which caused the "bodily injury" or "property damage", or the offense which caused the "personal and advertising injury", involved that which is described in Paragraph **A.1.** or **A.2.** above.

However, Paragraph **A.2.** does not apply to "bodily injury" or "property damage" arising out of the actual, alleged, threatened or suspected inhalation, ingestion, absorption or consumption of, or contact with, "cannabis" by:

- (1) An "insured"; or
- (2) Any other person for whom you are legally responsible;

but only if the "bodily injury" or "property damage" does not arise out of your selling, serving or furnishing of "cannabis" to any person described above.

**B. The exclusion in Paragraph A. does not apply to:**

1. "Bodily injury", "property damage" or "personal and advertising injury" arising out of goods or products containing or derived from hemp, including, but not limited to:

- a. Seeds;
- b. Food;
- c. Clothing;
- d. Lotions, oils or extracts;
- e. Building materials; or
- f. Paper.

2. "Property damage" to goods or products described in Paragraph **B.1.** above.

However, Paragraphs **B.1.** and **B.2.** above do not apply to the extent any such goods or products are prohibited under an applicable state or local statute, regulation or ordinance in the state wherein:

- (1) The "bodily injury" or "property damage" occurs;
- (2) The "accident" which caused the "bodily injury" or "property damage" takes place; or
- (3) The offense which caused the "personal and advertising injury" was committed;

3. "Bodily injury", "property damage" or "personal and advertising injury" arising out of the ownership, maintenance or use of a premises leased to others by you; or
4. "Personal and advertising injury" arising out of the following offenses:
  - a. False arrest, detention or imprisonment; or

- b. The wrongful eviction from, wrongful entry into or invasion of the right or private occupancy of a room, dwelling or premises that a person occupies, committed by or on behalf of its owner, landlord or lessor.

**C. Additional Definition**

As used in this endorsement:

"Cannabis":

**1. Means:**

Any good or product that consists of or contains any amount of Tetrahydrocannabinol (THC) or any other cannabinoid, regardless of whether any such THC or cannabinoid is natural or synthetic.

- 2. Paragraph **C.1.** above includes, but is not limited to, any of the following containing such THC or cannabinoid:

- a. Any plant of the genus Cannabis L., or any part thereof, such as seeds, stems, flowers, stalks and roots; or

- b. Any compound, by-product, extract, derivative, mixture or combination, such as:

- (1) Resin, oil or wax;

- (2) Hash or hemp; or

- (3) Infused liquid or edible cannabis;

whether or not derived from any plant or part of any plant set forth in Paragraph **C.2.a.**

**Instructions**

The provisions of this endorsement must be attached to, incorporated in, or overprinted upon every applicable policy issued in accordance with the provisions of an Automobile Insurance Plan or JUA.

Refer to Index for state(s) in which this form is applicable.

POLICY NUMBER:

**COMMERCIAL AUTO  
AP 62 15 02 16****THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.****CHANGES IN BUSINESS AUTO COVERAGE FORM**

This endorsement modifies insurance provided under the following:

**BUSINESS AUTO COVERAGE FORM**

With respect to coverage provided by this endorsement, the provisions of the Coverage Form apply unless modified by the endorsement.

This endorsement changes the policy effective on the inception date of the policy unless another date is indicated below:

Endorsement Effective:

Named Insured:

**A. SECTION II—COVERED AUTOS  
LIABILITY COVERAGE****Coverage Extensions** under **Coverage** is changed as follows:**Coverage Extensions**The **Supplementary Payments** provision is replaced by the following:**Supplementary Payments**

We will pay for the “insured”:

- (1) All expenses we incur.
- (2) Up to \$250 for cost of bail bonds (including bonds for related traffic law violations) required because of an “accident” we cover. We do not have to furnish these bonds.
- (3) The cost of bonds to release attachments in any “suit” against the “insured” we defend, but only for bond amounts within our Limit of Insurance.
- (4) All reasonable expenses incurred by the “insured” at our request, including actual loss of earnings up to \$100 a day because of time off from work.
- (5) All court costs taxed against the “insured” in any “suit” against the “insured” we defend. However, these payments do not include attorneys’ fees or attorneys’ expenses taxed against the “insured”.

- (6) All interest on the full amount of any judgment that accrues after entry of the judgment in any “suit” against the “insured” we defend, but our duty to pay interest ends when we have paid, offered to pay, or deposited in court the part of the judgment that is within our Limit of Insurance.

These payments will not reduce the Limit of Insurance.

**B. Changes In Conditions Policy Period, Coverage Territory** under **General Conditions** is replaced by the following:**General Conditions Policy Period, Coverage Territory**

Under this Coverage Form, we cover “accidents” and “losses” occurring:

- a. During the policy period shown in the Declarations; and
- b. Within the coverage Territory. The coverage territory is:
  - a. The United States of America;
  - b. The territories and possessions of the United States of America;
  - c. Puerto Rico; and
  - d. Canada.

We also cover “loss” to, or “accidents” involving, a covered “auto” while being transported between any of these places.

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### **Instructions**

The provisions of this endorsement must be attached to, incorporated in, or overprinted upon every Business Auto Coverage Form issued in accordance with the provisions of an Automobile Insurance Plan or JUA.

Refer to Index for state(s) in which this form is applicable.

WITHDRAWN

## COMMERCIAL/TRUCKERS APPLICATION KENTUCKY AUTOMOBILE INSURANCE PLAN

EASi Reference # \_\_\_\_\_

Transmission Date: \_\_\_\_\_

**OFFICE USE ONLY – DO NOT WRITE OR ALTER INFORMATION IN THIS BLOCK**

The Kentucky Automobile Insurance Plan is a Residual Market Mechanism. Applications should only be submitted if you have been unable to find coverage in the standard insurance market. This plan provides limited basic coverage and is not intended to be a competitive market, used for quotes or to place business if other coverage exists. Misrepresenting information as part of this application process is subject to KRS 304.47-030. The Kentucky Automobile Insurance Plan reserves the right to seek proof of rejection by the voluntary insurance market as part of our underwriting process. By proceeding with this application process, you are attesting that you have attempted to secure insurance coverage through the standard market without success. Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance containing any materially false information or conceals, for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime.

By checking this box, I affirm that I have read the statement above and am attesting that I have attempted to secure coverage in the standard market without success.

**NOTICE: PRODUCER MUST READ THIS STATEMENT BEFORE PROCEEDING**

**Applicants requiring filings or a limit of liability in excess of \$350,000 Combined Single Limits will be subject to a 15 day delay in the effective date as specified in Section 23 of the Kentucky Automobile Insurance Plan.**

**SECTION 1. PRODUCER OF RECORD**

Producer Last Name/Agency Name		Producer First Name			MI
Mailing Address		Ste./Apt. No.	City	State	Zip Code
Tax ID or Social Security No.	Producer License No.	Telephone No. (incl. area code)		Fax No. (incl. area code)	

**SECTION 2. SIGNING PRODUCER** (Complete if the producer completing and signing this application differs from Section 1.)

Last Name	First Name	MI	Producer License No.
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**SECTION 3. APPLICANT**

Owner/Contact Person - Last Name		First Name			MI
DBA				Self Employed <input type="checkbox"/> Yes <input type="checkbox"/> No	
Business Telephone No. (incl. area code)	Alternate Telephone No. (incl. area code)		Tax ID or Social Security No.		
Street Address	Ste./Apt. No.	City	County	State	Zip Code
Headquarters Street Address (if different from above)	Ste./Apt. No.	City		State	Zip Code

Description of Primary Operations

**SECTION 4. OWNERSHIP AND CONTROL OF APPLICANT'S ORGANIZATION**

Named insured is a: <input type="checkbox"/> Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Sole Proprietor  <input type="checkbox"/> Other _____	State of Incorporation	Date of Incorporation	Date actual operations commenced
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Management, Ownership and Control (List names of principals and also anyone with more than a 10% ownership interest.)

Position	Date in Position	Percent Ownership
President		
Vice President		
Secretary		
Treasurer		
General Manager		
Others		

List all affiliated companies

**SECTION 5. OPERATOR INFORMATION** (List all full-time, part-time, and all other operators that usually drive a vehicle.) TOTAL OPERATORS

Last Name	First Name	MI	Birth Date Mo./Day/Yr.	Driver's License No.	State

For applicants with more than four operators, all additional operators must be listed on an AIP 3502 EASi Supplemental Operator Schedule and mailed with the original application to the Plan.

**SECTION 6. ACCIDENTS**

Has applicant, or anyone who usually drives the applicant's vehicle(s), been involved, either as owner or operator, in ANY motor vehicle accident during the past THIRTY-SIX months?    Yes    No   If "Yes", complete the following.

Name of Operator	Accident Date Mo./Day/Yr.	Place of Accident		Bodily Injury or Death	Prop. Damage (incl. your own) Amount	Penalty Points	Codes *
		City	State				
				<input type="checkbox"/> Yes <input type="checkbox"/> No	\$		
				<input type="checkbox"/> Yes <input type="checkbox"/> No	\$		
				<input type="checkbox"/> Yes <input type="checkbox"/> No	\$		
				<input type="checkbox"/> Yes <input type="checkbox"/> No	\$		

- \*Accident Codes
1. Applicant's motor vehicle lawfully parked.
  2. Damaged by "Hit and Run" driver and accident reported to police within 24 hours from time of accident.
  3. Applicant reimbursed by or on behalf of person responsible for the accident or has judgement against such person.
  4. Other person involved in accident was convicted. Applicant or operator was not convicted.
  5. Police or Fire Department or First Aid Squad responding to an emergency call.
  6. Other type of accident - non-chargeable under provisions of the Plan. Describe accident in space provided.

**SECTION 7. CONVICTIONS**

Has the applicant or anyone who usually drives the applicant's vehicle(s) been **CONVICTED** or **FORFEITED BAIL** at any time during the immediately preceding THIRTY-SIX months?   Convicted    Yes    No   Forfeited Bail    Yes    No   If "Yes", for either item, complete the following. NOTE: A paid ticket or fine is an admission of guilt and therefore constitutes a conviction.

Name of Operator	Date of Conviction or Bail Forfeiture Mo./Day/Yr.	Did Conviction Arise as a Result of an Accident?	Nature of Conviction	Place of Conviction		Penalty Points	Was License Suspended or Revoked?
				City	State		
		<input type="checkbox"/> Yes <input type="checkbox"/> No					<input type="checkbox"/> Yes <input type="checkbox"/> No
		<input type="checkbox"/> Yes <input type="checkbox"/> No					<input type="checkbox"/> Yes <input type="checkbox"/> No
		<input type="checkbox"/> Yes <input type="checkbox"/> No					<input type="checkbox"/> Yes <input type="checkbox"/> No
		<input type="checkbox"/> Yes <input type="checkbox"/> No					<input type="checkbox"/> Yes <input type="checkbox"/> No

**SECTION 8. COMMODITIES TRANSPORTED**

Identify any hazardous materials, waste or substances being hauled.

Identify radius of operations.

Identify routes - fixed and occasional (both outgoing and return).

Trips From Place of Origin To Place of Destination	% of Revenues	No. per Month	Principal Cities Entered	Commodities Carried

**SECTION 9. GROSS RECEIPTS**

(Required for Motor Carriers of Property or Passengers whether or not the policy is to be written on Gross Receipts basis.)

Gross Receipts	Current Year	1st Prior Year	2nd Prior Year	3rd Prior Year	4th Prior Year
Other than Truckers	\$	\$	\$	\$	\$
Truckers excluding receipts from trip leased equipment	\$	\$	\$	\$	\$

**SECTION 10. VEHICLE INFORMATION AND USE**

For long distance, list cities in which vehicles operate.

**TOTAL VEHICLES**

Veh No.	Year	Vehicle Identification No.	Load Capacity (2)	Type of Registration	Gross Vehicle Weight Rating (GVWR) Trucks only		Spec. Industry (M-T-FD-SD-WD-F-D-C-L-O)	Seating Capacity	Does unit have an extended weight decal? <input type="checkbox"/> Yes <input type="checkbox"/> No What is extended weight? _____ <input type="checkbox"/> Tandem <input type="checkbox"/> Tridem <input type="checkbox"/> Tractor-Trailer		
	Trade Name/ Model No.	Garage Location (Town/State)	State of Registration	Rating Classification	Gross Comb. Weight (GCW) Trucks-Tractors only		Bus. Rad. (L-I-LD)	Tank Capacity			
Type (1)		Name of Registered Owner of Vehicle	Rating Territory (3)	Orig. Cost New (4)	Comp. Sym.	Coll. Sym.	Size (L-M-H-EH-HT-EHT)	Purpose of Use (P or B) (S-R-C)	Final Rating	Where vehicle is permitted to operate	List all cities through and in which vehicles operate
Veh 1											
Veh 2										Does unit have an extended weight decal? <input type="checkbox"/> Yes <input type="checkbox"/> No What is extended weight? _____ <input type="checkbox"/> Tandem <input type="checkbox"/> Tridem <input type="checkbox"/> Tractor-Trailer	
Veh 3										Does unit have an extended weight decal? <input type="checkbox"/> Yes <input type="checkbox"/> No What is extended weight? _____ <input type="checkbox"/> Tandem <input type="checkbox"/> Tridem <input type="checkbox"/> Tractor-Trailer	
Veh 4										Does unit have an extended weight decal? <input type="checkbox"/> Yes <input type="checkbox"/> No What is extended weight? _____ <input type="checkbox"/> Tandem <input type="checkbox"/> Tridem <input type="checkbox"/> Tractor-Trailer	

Veh 5										Does unit have an extended weight decal? <input type="checkbox"/> Yes <input type="checkbox"/> No What is extended weight? _____ <input type="checkbox"/> Tandem <input type="checkbox"/> Tridem <input type="checkbox"/> Tractor-Trailer

(1) Type - Truck=T, Truck-Tractor=TT, Trailer=TR, Semi-Trailer=ST, Public Auto=PA  
 (2) Truck-Type vehicles with Private Passenger or Combination registration and load capacities of 1500 pounds or less are eligible for Basic Reparatons Benefits coverage.  
 (3) For public automobiles, use the highest rated territory where the vehicles pick up or discharge passengers.  
 (4) Chassis and Body including Special Equipment.

**For applicants with more than five vehicles, all additional vehicles must be listed on an Easi Supplemental Vehicle Schedule and mailed with the original application to the Plan.**

**SECTION 11.a. COVERAGES AND PREMIUMS (As provided by the Rules of the Plan.)**

All vehicles written under the same policy shall have the same Limits of Liability. Check appropriate boxes to indicate limits/deductibles	Vehicle 1 Est. Prem.	Vehicle 2 Est. Prem.	Vehicle 3 Est. Prem.	Vehicle 4 Est. Prem.	Vehicle 5 Est. Prem.
Combined Single Limits of Liability <input type="checkbox"/> \$60,000 <input type="checkbox"/> \$125,000 <input type="checkbox"/> \$150,000 <input type="checkbox"/> \$325,000 <input type="checkbox"/> \$350,000 <input type="checkbox"/> Other _____					
Uninsured Motorists Liability <input type="checkbox"/> \$60,000 <input type="checkbox"/> \$125,000 <input type="checkbox"/> \$150,000 <input type="checkbox"/> \$325,000 <input type="checkbox"/> \$350,000					
Underinsured Motorists Liability <input type="checkbox"/> \$60,000 <input type="checkbox"/> \$125,000 <input type="checkbox"/> \$150,000 <input type="checkbox"/> \$325,000 <input type="checkbox"/> \$350,000					
Basic Personal Injury Protection (PIP) <input type="checkbox"/> Full PIP Deductible Options: <input type="checkbox"/> \$0 <input type="checkbox"/> \$250 <input type="checkbox"/> \$500 <input type="checkbox"/> \$1,000 Covered by Workers Comp? <input type="checkbox"/> No <input type="checkbox"/> Yes (If Yes, attach documentation) <input type="checkbox"/> Guest PIP <input type="checkbox"/> Pedestrian PIP (Mandatory for motorcycles if Full PIP is not selected)					
Added Personal Injury Protection (PIP) <input type="checkbox"/> \$10,000 <input type="checkbox"/> \$20,000 <input type="checkbox"/> \$30,000 (Not available on policy with Guest PIP only)					
Medical Payments Coverage <input type="checkbox"/> \$1,000 <b>Note:</b> Medical payments is only available to four-wheel, not for hire, private passenger vehicles.					
<input type="checkbox"/> I Accept Uninsured Motorist Coverage <input type="checkbox"/> I Reject Uninsured Motorist Coverage: <input type="checkbox"/> I Accept Underinsured Motorist Coverage <input type="checkbox"/> I Reject Underinsured Motorist Coverage PIP Coverage: <input type="checkbox"/> Accepted <input type="checkbox"/> Rejected Does Municipal Tax Apply? <input type="checkbox"/> Yes <input type="checkbox"/> No <b>City taxing authority</b> _____ <b>County taxing authority</b> _____ If rejecting Uninsured Motorist (UM) coverage, you must complete the Uninsured Motorist (UM) Coverage Rejection below.					
Pollution Liability					
Estimated Total Premium per vehicle	\$	\$	\$	\$	\$
Total Estimated Premium for vehicles 1 - 5	\$				
Total Estimated Premium for supplemental vehicles	\$				
Total Estimated Premium for all vehicles	\$				
Hired Auto Coverage (Complete Section 11.b. if requested.)					
Nonowned Auto Liability Coverage (Complete Section 11.c. if requested.)					
Registration Plates Not Issued for a Specific Auto Number of plates: _____					
<b>Total Estimated Premium for All Vehicles and Coverages: (KY taxes not incl.)</b>	\$				

**KENTUCKY NO-FAULT REJECTION: IMPORTANT**

IF ANY OTHER REGULAR OPERATOR OF THE INSURED'S VEHICLE NOT IDENTIFIED BY NAME AS AN INSURED IN ANY OTHER CONTRACT OF BASIC REPARATIONS INSURANCE REJECTS TORT LIMITATIONS, ALL OF THE FOLLOWING QUESTIONS MUST BE COMPLETED.

1.  Applicant accepts Tort Limitations  Applicant rejects Tort Limitations
2.  Regular Operators of Insured's Vehicles accepting \_\_\_\_\_ (number) Tort Limitations  
 Regular Operators of Insured's Vehicles rejecting \_\_\_\_\_ (number) Tort Limitations
3. Total Number of Regular Operators of Insured's Vehicles \_\_\_\_\_

**UNINSURED MOTORIST (UM) COVERAGE REJECTION: IMPORTANT** **If filings are requested, this coverage must be added.**

KRS 304.20.020 provides that all motor vehicle liability insurance policies shall contain insurance, "for the protection of persons insured thereunder who are legally entitled to recover damages from owners or operators of uninsured motor vehicles because of bodily injury, sickness or disease, including death, resulting therefrom." It further provides that any named insured has the right to reject in writing such coverage. Such rejection will be valid for all insureds under the policy. If you desire to reject such coverage, indicate this by signing below.

I do not desire to have insurance protection for bodily injury, sickness or disease, including death, resulting from owners or operators of uninsured motor vehicles and hereby reject Uninsured Motorist (UM) Coverage.

Signature \_\_\_\_\_ Date \_\_\_\_\_

**SECTION 11.b. HIRED AUTO COVERAGE** **If filings are requested, this coverage must be added.**

<input type="checkbox"/> Check here if desired.	Estimated Annual Cost of Hire	Rates Per \$100		Estimated Premium	
		B.I.	P.D.	B.I.	P.D.
<b>Cost of Hire (For policies rated under Trucker's Cost of Hire.)</b>	Current Year	1st Prior Year	2nd Prior Year	3rd Prior Year	4th Prior Year
Indicate the total Cost of Hire, including wages, for vehicles leased or hired on a long term basis and specifically insured by applicant as an owned automobile.	\$	\$	\$	\$	\$
Indicate the total Cost of Hire, including wages, which are <i>not</i> specifically insured by the applicant as an owned vehicle.	\$	\$	\$	\$	\$
Cost of Hire – Represents Total Long and Short Term Cost of Hire.	\$	\$	\$	\$	\$

**SECTION 11.c. NONOWNED AUTO LIABILITY COVERAGE** **If filings are requested, this coverage must be added.**

Are nonowned autos used in the applicant's business?  Yes  No If yes, complete the following:

Total No. Employees	What percentage of the applicant's employees operate their vehicles in the business? _____				
<b>FOR PREPARED FOOD DELIVERY SERVICES ONLY:</b>	<b>FOR AUTO REPAIR SHOPS AND AUTOS HELD FOR INSPECTION BY AN OFFICIAL INSPECTION STATION:</b>				
	Location	Address	No. of Employees	Rating Territory	Premium
	Average No. Drivers _____	1.			
	2.				

Why is nonowned auto liability coverage being requested?

Who owns the nonowned autos?

What types of nonowned autos will be used in the applicant's business?

How will nonowned autos be used?

How often are nonowned autos used in the applicant's business?  Daily  Weekly  Monthly Estimated number of hours per month \_\_\_\_\_

What is the estimated annual mileage for use of all nonowned autos? \_\_\_\_\_ miles

Total number of nonowned autos used in the applicant's business \_\_\_\_\_

If a social service operation, indicate total number of volunteers furnishing autos in the applicant's operation: \_\_\_\_\_

Does the applicant require employees and volunteers to have their own insurance?  Yes  No If yes, what are minimum limits required? \_\_\_\_\_

Does the applicant obtain motor vehicle records for all drivers?  Yes  No

Has the applicant had any nonowned auto losses in the past?  Yes  No

**SECTION 11.d. HOLD HARMLESS AGREEMENTS**

Has the insured signed any hold harmless agreements? If yes, describe.

**SECTION 11.e. WAIVER OF SUBROGATION**

Does applicant require a Waiver of Subrogation to fulfill a contractual agreement?  Yes  No

Name(s) and Address(es) of Person(s) or Organization(s) Requiring Waiver of Subrogation:

**When a Waiver of Subrogation Endorsement is requested, a copy of the agreement between the applicant and the person(s) or organization(s) requiring the endorsement must accompany the application.**

**SECTION 11.f. PRIMARY AND NONCONTRIBUTORY—OTHER INSURANCE CONDITION**

Does applicant require a Primary and Noncontributory—Other Insurance Condition to fulfill a contractual agreement?  Yes  No

Name(s) and Address(es) of Person(s) or Organization(s) Requiring Primary and Noncontributory—Other Insurance Condition:

**When a Primary and Noncontributory—Other Insurance Condition Endorsement is requested, a copy of the agreement between the applicant and the person(s) or organization(s) requiring the endorsement must accompany the application.**

**SECTION 12. FILINGS OR CERTIFICATES Commercial Auto Application Filings Supplement Required**

**NOTE:** Producers completing this application and section must be guided by the following:  
 (a) If a filing is requested in this Section, the Hired Auto (Section 11.b) and Nonowned Auto Liability (Section 11.c) Coverage Sections of this application must be completed. (b) The applicant's name must be identical to the name as it appears on the Department of Transportation (DOT) or Department of Public Safety (DPS) permit. (c) A CAIP Inspected Units Form must be completed, signed, and submitted for any applicant who requires a Federal Highway Administration (FHWA) or Federal Motor Carrier Safety Administration (FMCSA) filing or endorsement.

Is a federal filing or specific limit(s) of liability needed?  Yes  No If "Yes" to comply with:

(Answering "Yes" to any of the 4 filings below will require completion of the CAIP Inspected Units form.)

- Motor Carrier Act of 1980 Type:  1  2  3  4
- Bus Regulatory Act of 1982  ICC Regulation - Docket No. \_\_\_\_\_
- U. S. DOT No. \_\_\_\_\_

Is a state or local filing or specific limit(s) of liability needed?  Yes  No If "Yes" to comply with:

- Local Ordinance (attach copy)  State Regulation
- (Insert state specific item) \_\_\_\_\_
- PUC No. \_\_\_\_\_  Other \_\_\_\_\_

If block(s) are checked, list state(s) and city(ies) requiring filings or limits of liability required by law.

Is applicant required to file evidence of financial responsibility?  Yes  No If "Yes", complete the following.

Last Name	First Name	MI	Tax ID or Social Security No.
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Type of Filing  Owner's (operation of owned vehicles)  Operator's (operation of nonowned vehicles)  Both

State(s) where Filing required	Case or File No.	Reason for Filing
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**SECTION 13. ADDITIONAL INFORMATION**

Are any other vehicles owned by the Applicant? <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes" complete the following.	Are any vehicles hauling exclusively for one firm/carrier? <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes", complete the following.
---	--

Name of Insurance Company	Policy No.	Name of Firm/Carrier
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Address of Insurance Company	Type of Business
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Description of any owned, leased, hired, and nonowned vehicles which are *not* to be insured.

Year	Trade Make	Body Type	Vehicle Identification No.

SECTION 14. PAYMENT PLANS				
<input type="checkbox"/> Option 1 - Full Annual Premium <input type="checkbox"/> Option 2 - Premium Deposit with Single Bill Balance <input type="checkbox"/> Option 3 - Installment Premium Payments* – 5 Monthly Payments** <input type="checkbox"/> Premium to be Financed – Name of Premium Finance Company***  _____		Payment by: <input type="checkbox"/> Certified Funds <input type="checkbox"/> Money Order	Check/Money Order No.	
		Total Estimated Premium		\$
		Amount Submitted with Application		\$
		* Not Available on Premium Financed Policies ** \$4.00 per installment charge *** Attach a copy of Premium Finance contract.		
SECTION 15. PREVIOUS AUTOMOBILE INSURANCE CARRIER				
Information for the past three years. (If a fleet, information for the past five years required.) Attach loss statements from previous carrier.				
Name of latest carrier		Policy No.		
Termination date				
Was coverage through Plan? <input type="checkbox"/> Yes <input type="checkbox"/> No		If "Yes", give reason terminated.		
Complete the following for Carriers of property and passengers.				
Year	Policy No.	Policy Period From To	Name of Insurance Company	
1st Prior				
2nd Prior				
3rd Prior				
4th Prior				
SECTION 16. EVIDENCE OF INSURANCE AND REQUESTED EFFECTIVE DATE OF COVERAGE				
This application shall be evidence of temporary insurance subject to the following conditions:				
1. The application must be fully completed and duly executed. 2. Coverage under this evidence of automobile insurance is to be effective for a period not to exceed 30 days from the effective date and time stated herein. Within such 30 day period coverages under this evidence of automobile insurance will terminate immediately upon: (a) The issuance of the policy applied for, (b) The issuance of any policy affording similar insurance, or (c) The cancellation of the coverages of insurance afforded hereunder in accordance with the rules of the Kentucky Automobile Insurance Plan. 3. A premium charge will be made for these coverages if the policy, when and as issued, is not accepted by the insured. 4. The insurance afforded hereunder shall be subject to all the terms and conditions of the Plan and the Policy Form prescribed for use. 5. The Producer of Record must forward this application to the Plan in accordance with Plan rules.				
<b>NOTE:</b> In the event there is no U.S. postmark (a metered mail stamp, electronic stamp, or other postage service or stamp are not considered a U.S. postmark), coverage will become effective pursuant to Plan rules.				
Applicants requiring filings or a limit of liability in excess of \$350,000 Combined Single Limits will be subject to a 15 day delay in the effective date as specified in Section 23 of the Kentucky Automobile Insurance Plan.				
Requested Effective Date and Time:  Example: 09/01/2019 11:30 AM		IN NO EVENT SHALL COVERAGE BE EFFECTIVE PRIOR TO THE DATE AND HOUR OF COMPLETION OF THIS APPLICATION.		
SECTION 17. PRODUCER OF RECORD STATEMENT				
I hereby certify that I am a licensed broker/agent of the State of Kentucky. I have tried and failed to obtain automobile insurance in this state for this applicant within the preceding 60 days. I have read the Kentucky Plan, have explained the provisions to the applicant. I acknowledge that I am acting on behalf of the applicant in submitting this application and have no authority to establish or revise the terms or conditions of coverage. This application includes all required information given to me by the applicant. In the event of cancellation or change to the policy resulting in a reduction of premium, I agree to return the unearned premium to the insured (net of any minimum premium due the carrier) and also to return to the carrier unearned compensation for this insurance received by me as required by the Plan.				
My signature hereon represents certification of the Producer of Record Statement AND I certify this application is submitted pursuant to the effective date provisions contained in the Automobile Insurance Plan of this state.				
_____ (Producer's Signature)		Date: _____ Hour: _____ <input type="checkbox"/> A.M. <input type="checkbox"/> P.M.		

**SECTION 18. APPLICANT'S STATEMENT**

- I, the Applicant, declare and certify that:
1. It has duly authorized the undersigned to execute this application on its behalf if the Applicant is not a natural person.
  2. The Applicant has tried without success to obtain automobile insurance in this state within the preceding 60 days.
  3. To the best of the Applicant's knowledge and belief that all statements contained in this application are true and that these statements are offered as an inducement to issue the policy for which the Applicant is applying.
  4. The Applicant realizes that any misleading information or failure to disclose required information will be considered lack of good faith on Applicant's part and may void the application or cause cancellation of the Applicant's coverage.
  5. The Applicant agrees that no coverage will be in effect if the premium remittance, which accompanies this application, is justifiably dishonored by any financial institution.
  6. The Applicant understands that the premiums shown on this application is an estimated premium. The servicing carrier reserves the right to adjust the premium either prior to or after the issuance of the policy, whenever applicable.
  7. The Applicant will pay all premiums when due.
  8. I hereby certify that I do not owe any insurance company for automobile premiums due or contracted.
  9. The Applicant designates as Producer of Record of this insurance the Producer or firm named in this application. The Applicant understands that any designated Producer cannot act as an agent of the Automobile Insurance Plan or any servicing carrier for the purposes of this insurance and that the Producer has no authority to establish, alter or amend terms or conditions of coverage.
  10. The Applicant hereby certifies that it does not owe any insurance company for any automobile insurance premiums due or contracted during the preceding 12 months.
  11. I hereby certify that Kentucky No-Fault Rejection Form KY.N.F.-1 has been available.

The Applicant hereby authorizes any insurer that may previously have provided coverage to the Applicant or to an additional named insured to provide records, data or information concerning prior coverage to the Plan or any carrier designated by the Plan. The Applicant agrees that a reproduction of this authorization shall be considered as effective and valid as the original.

\_\_\_\_\_  
 Date: \_\_\_\_\_ Hour: \_\_\_\_\_  A.M.  P.M.  
 (Person authorized to sign for Applicant)

If additional named insureds are to be covered under a policy issued to the Applicant, authorized signatures for each such additional named insured shall be provided below. Such additional named insureds agree to be bound by the statements made by the Applicant in this form.

\_\_\_\_\_  
 Date: \_\_\_\_\_ Hour: \_\_\_\_\_  A.M.  P.M.  
 (Person authorized to sign for Additional Named Insured)

**NOTICE TO APPLICANT AND PRODUCER**

In the event acknowledgement of coverage is not received within 30 days, contact the Plan Office at 1-800-555-0513.

**FAIR CREDIT REPORTING ACT NOTICE**

**In addition to routine verification of information pertinent to the insurance applied for, if the application is by an individual for insurance primarily for personal or family purposes, the insurer to which it is assigned may have an investigative consumer report made including information bearing on character, general reputation, personal characteristics or mode of living and, upon the individual's written request, will disclose in writing the nature and scope of the investigation requested, if such report is procured.**

**WARNING**

**Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime.**

**MAILING INFORMATION**

Send original, signed application, with certified funds/money order and required attachments to:

Kentucky Automobile Insurance Plan  
 PO Box 6530  
 Providence, RI 02940-6530

Include the following attachments, if applicable:

1. Supplemental Operator Schedule
2. Supplemental Vehicle Schedule
3. Commercial Automobile Application Filings Supplement
4. Hold Harmless Agreement(s)
5. Copy of Premium Finance Contract
6. Last 3 years' loss statements
7. CAIP Inspected Units Form

**REMARKS SECTION**

KENTUCKY SUPPLEMENTAL COMMERCIAL VEHICLE SCHEDULE

VEHICLE INFORMATION AND USE										TOTAL VEHICLES		
Veh. No.	Year	Vehicle Identification No.		Load Capacity	Type of Registration		Gross Vehicle Weight Rating (GVWR) Trucks only		Special Industry (T-FD-SD-WD-F-D-C-O)		Seating Capacity	Does unit have an extended weight decal? <input type="checkbox"/> Yes <input type="checkbox"/> No What is extended weight?  <input type="checkbox"/> Tandem <input type="checkbox"/> Tridem <input type="checkbox"/> Tractor-Trailer
	Trade Name/ Model No.		Garage Location (Town/State)	State of Registration	Rating Classification		Gross Comb. Weight (GCW) Trucks-Tractors only		Radius Class (L-I-LD)		Tank Capacity	
	Type (1)	Name of Registered Owner of Vehicle		Rating Territory	Orig. Cost New (2)	Comp. Symbol	Coll. Symbol	Size (L-M-H-EH)	Purpose Of Use (P or B) (S-R-C)		Final Rating	
List where vehicle is permitted to operate.					For Public and Long Distance, list all cities through and in which vehicles operate.							
Veh. 6												Does unit have an extended weight decal? <input type="checkbox"/> Yes <input type="checkbox"/> No What is extended weight?  <input type="checkbox"/> Tandem <input type="checkbox"/> Tridem <input type="checkbox"/> Tractor-Trailer
Veh. 7												Does unit have an extended weight decal? <input type="checkbox"/> Yes <input type="checkbox"/> No What is extended weight?  <input type="checkbox"/> Tandem <input type="checkbox"/> Tridem <input type="checkbox"/> Tractor-Trailer
Veh. 8												Does unit have an extended weight decal? <input type="checkbox"/> Yes <input type="checkbox"/> No What is extended weight?  <input type="checkbox"/> Tandem <input type="checkbox"/> Tridem <input type="checkbox"/> Tractor-Trailer
Veh. 9												Does unit have an extended weight decal? <input type="checkbox"/> Yes <input type="checkbox"/> No What is extended weight?  <input type="checkbox"/> Tandem <input type="checkbox"/> Tridem <input type="checkbox"/> Tractor-Trailer
Veh. 10												Does unit have an extended weight decal? <input type="checkbox"/> Yes <input type="checkbox"/> No What is extended weight?  <input type="checkbox"/> Tandem <input type="checkbox"/> Tridem <input type="checkbox"/> Tractor-Trailer
Veh. 11												Does unit have an extended weight decal? <input type="checkbox"/> Yes <input type="checkbox"/> No What is extended weight?  <input type="checkbox"/> Tandem <input type="checkbox"/> Tridem <input type="checkbox"/> Tractor-Trailer
Veh. 12												Does unit have an extended weight decal? <input type="checkbox"/> Yes <input type="checkbox"/> No What is extended weight?  <input type="checkbox"/> Tandem <input type="checkbox"/> Tridem <input type="checkbox"/> Tractor-Trailer

(1) Type-Truck=1, Truck-Tractor=TT, Trailer=TR, Semi-Trailer=ST, Public Auto=PA  
 (2) Chassis and Body including Special Equipment.

**VEHICLE INFORMATION AND USE**

Veh. No.	Year	Vehicle Identification No.		Load Capacity	Type of Registration		Gross Vehicle Weight Rating (GVWR) Trucks only		Special Industry (T-FD-SD-WD-F-D-C-O)		Seating Capacity	Does unit have an extended weight decal? <input type="checkbox"/> Yes <input type="checkbox"/> No What is extended weight? <input type="checkbox"/> Tandem <input type="checkbox"/> Tridem <input type="checkbox"/> Tractor-Trailer
	Trade Name/ Model No.	Garage Location (Town/State)		State of Registration	Rating Classification		Gross Comb. Weight (GCW) Trucks-Tractors only		Radius Class (L-I-LD)		Tank Capacity	
	Type (1)	Name of Registered Owner of Vehicle			Rating Territory	Orig. Cost New (2)	Comp. Symbol	Coll. Symbol	Size (L-M-H-EH)	Purpose Of Use (P or B) (S-R-C)		Final Rating
List where vehicle is permitted to operate.					For Public and Long Distance, list all cities through and in which vehicles operate.							
Veh. 13												Does unit have an extended weight decal? <input type="checkbox"/> Yes <input type="checkbox"/> No What is extended weight? <input type="checkbox"/> Tandem <input type="checkbox"/> Tridem <input type="checkbox"/> Tractor-Trailer
Veh. 14												Does unit have an extended weight decal? <input type="checkbox"/> Yes <input type="checkbox"/> No What is extended weight? <input type="checkbox"/> Tandem <input type="checkbox"/> Tridem <input type="checkbox"/> Tractor-Trailer
Veh. 15												Does unit have an extended weight decal? <input type="checkbox"/> Yes <input type="checkbox"/> No What is extended weight? <input type="checkbox"/> Tandem <input type="checkbox"/> Tridem <input type="checkbox"/> Tractor-Trailer
Veh. 16												Does unit have an extended weight decal? <input type="checkbox"/> Yes <input type="checkbox"/> No What is extended weight? <input type="checkbox"/> Tandem <input type="checkbox"/> Tridem <input type="checkbox"/> Tractor-Trailer
Veh. 17												Does unit have an extended weight decal? <input type="checkbox"/> Yes <input type="checkbox"/> No What is extended weight? <input type="checkbox"/> Tandem <input type="checkbox"/> Tridem <input type="checkbox"/> Tractor-Trailer
Veh. 18												Does unit have an extended weight decal? <input type="checkbox"/> Yes <input type="checkbox"/> No What is extended weight? <input type="checkbox"/> Tandem <input type="checkbox"/> Tridem <input type="checkbox"/> Tractor-Trailer
Veh. 19												Does unit have an extended weight decal? <input type="checkbox"/> Yes <input type="checkbox"/> No What is extended weight? <input type="checkbox"/> Tandem <input type="checkbox"/> Tridem <input type="checkbox"/> Tractor-Trailer
Veh. 20												Does unit have an extended weight decal? <input type="checkbox"/> Yes <input type="checkbox"/> No What is extended weight? <input type="checkbox"/> Tandem <input type="checkbox"/> Tridem <input type="checkbox"/> Tractor-Trailer

(1) Type-Truck=1, Truck-Tractor=TT, Trailer=TR, Semi-Trailer=ST, Public Auto=PA  
 (2) Chassis and Body including Special Equipment.

**Explanatory Memorandum for Proposed Rule Revisions**

**Rule 74. TRUCKS, TRACTORS, AND TRAILERS CLASSIFICATIONS**

This rule is amended to replace Gross Vehicle Weight (GVW) references with Gross Vehicle Weight Rating (GVWR) and to replace load capacity of 2,000 pounds with GVWR of 3,000 pounds to correspond to changes made in the coverage forms.

Editorial references to GVW and load capacity or 2,000 pounds will be replaced with GVWR and GVWR of 3,000 pounds respectively throughout the manual as applicable.

## TRUCKS, TRACTORS, AND TRAILERS CHAPTER

**Rule 74. TRUCKS, TRACTORS, AND TRAILERS CLASSIFICATIONS**

Paragraph **B.1** and **B.2** are amended as follows:

**B. Primary Classifications**

1. Gross vehicle weight rating (GVWR) and gross combination weight (GCW) mean the following:
  - a. GVWR—The maximum loaded weight for which a single auto is designed as specified by the manufacturer.
  - b. GCW—The maximum loaded weight for a combination truck-tractor and semitrailer or trailer for which the truck-tractor is designed, as specified by the manufacturer.
2. Size Class
  - a. Light Trucks—Trucks that have a GVWR of 10,000 pounds or less.
  - b. Medium Trucks—Trucks that have a GVWR of 10,001–20,000 pounds.
  - c. Heavy Trucks—Trucks that have a GVWR of 20,001–45,000 pounds.
  - d. Extra Heavy Trucks—Trucks that have a GVWR over 45,000 pounds.
  - e. Truck-Tractors—A truck-tractor is a motorized auto with or without body for

carrying commodities or materials, equipped with a fifth-wheel coupling device for semitrailers.

- (1) Heavy Truck-Tractors—Truck-tractors that have a GCW of 45,000 pounds or less.
  - (2) Extra Heavy Truck-Tractors—Truck-tractors that have a GCW over 45,000 pounds.
- f. Semitrailers—A semitrailer is a trailer equipped with a fifth-wheel coupling device for use with a truck-tractor with a GVWR over 3,000 pounds load capacity over 2,000 pounds. This includes bogies used to convert containers into semitrailers.
  - g. Trailers—Any unregistered trailer or any trailer with a GVWR over 3,000 pounds load capacity over 2,000 pounds, other than semitrailer.
  - h. Service or Utility Trailer—Any trailer or semitrailer with a registered GVWR of 3,000 pounds or less load capacity of 2,000 pounds or less.



*“Serving the Insurance Industry”*

## **MEMORANDUM**

**TO: ALL CAIP/SRDP/POOLED CAP PLAN MANAGERS**  
**FROM: CHARLES P. KWOLEK, JR., PRESIDENT/CEO**  
**RE: FUTURE OF CAIP/SRDP/POOLED CAP PROCEDURE**  
**DATE: MARCH 24, 2020**

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### **INTRODUCTION**

National Continental Insurance Company (NCIC) recently sent a letter to AIPSO management indicating that effective immediately NCIC terminated its project to replace the ICAPS/MAPPS system (the “System”). This System is used by NCIC to process all of the CAIP/SRDP/Pooled CAP (collectively “CAIP”) business throughout the 44 state plans (the “Plans”) it serves as the sole CAIP servicing carrier. While NCIC stated that it will continue to honor its contractual commitments to all of the Plans through the expiration of the current servicing carrier agreement on August 31, 2022, NCIC also informed AIPSO management that NCIC will not apply to be a CAIP servicing carrier for a new term for any Plan. As a result, AIPSO is providing the following information and guidance for the Plans in their review and consideration in determining a solution to this issue.

### **BACKGROUND**

Since 1982, the CAIP has been the primary pooling mechanism for the commercial automobile residual market. A limited number of companies act as servicing carriers for eligible risks on behalf of all insurers writing commercial automobile business in the voluntary market. Plan subscriber companies reinsure and assume their proportionate share of the pool’s operating results. In 1989, there were more than 20 servicing carriers providing underwriting, claims and accounting services in the more that 40 states that adopted CAIP as their commercial auto insurance residual market mechanism.

The sustained decline in the residual market’s volume of commercial auto business saw the number of CAIP servicing carriers reduced to one, NCIC, as of January 2010. Thereafter, beginning in 2012, to insure the continued viability of the CAIP program in the event no other servicing carrier was available, AIPSO became a back-up service provider, handling a portion of the CAIP business in the New Jersey, Georgia, District of Columbia and New Hampshire plans. Beginning in 2014 all Plans agreed to a new countrywide approach (the “Countrywide Process”) to try and attract servicing carriers in a low volume environment. The Plans engaged in the Countrywide Process in 2014 and in 2018. Each time, only a single servicing carrier, NCIC, applied.

### **AIPSO BOARD RECOMMENDATION**

At its March 2020 meeting, the AIPSO Board discussed the available options to prepare for the NCIC withdrawal. The Board affirmed that the CAIP continues to be the preferred mechanism for handling commercial automobile business in the residual market. Due to the lack of interest by carriers and as a result of AIPSO’s successful implementation and operation as a back-up service provider<sup>1</sup>, the

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<sup>1</sup> AIPSO has been handling CAIP business for the past 8 years and is currently writing approximately \$20-\$25 million dollars of premium in 4 states.

AIPSO Board recommends that the most stable solution is for the Plans to agree to appoint AIPSO as the sole service provider for the CAIPs.

As the service provider, AIPSO will perform all of the functions of the servicing carrier (policy processing, underwriting, claims, etc.). AIPSO will initially engage a fronting company to use its paper to write the business in order to comply with applicable statutory requirements that only licensed insurance companies may issue policies. The use of a fronting company has worked well during AIPSO's tenure as a back-up service provider. It is anticipated that at some point in the future, Plans will seek either regulatory or legislative approval to allow the CAIP business to be written on Plan paper. This future solution will avoid costs paid to the fronting company as well as secure the viability of the CAIPs in the event no company wishes to serve as a fronting company in the future.<sup>2</sup>

### **NEXT STEPS**

In an effort to start the planning for this transition as soon as reasonably possible, all Plans are asked to present the AIPSO Board recommendation to their respective governing bodies for review. Ideally, AIPSO needs to hear back from each of the Plans by no later than May 31 as to whether the Plans are interested in pursuing the recommendation.

We understand that the governing bodies may have additional questions about the details of how all of this will operate. Some of those questions may not be able to be answered at this point, certainly not in any detail. However, we will be addressing questions and issues as soon as we develop our planning document and begin the process of determining how the transition will work. In the meantime, it is imperative in this initial presentation that we get a sense from each of the Plans as to whether they will be agreeable in concept to pursuing the AIPSO Board recommended course of action.

Lastly, we will be working closely with NCIC during this transition, and further, it is our understanding that a NCIC representative will be available at all governing body meetings to answer questions and assist as necessary.

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<sup>2</sup> This process is currently in effect in 6 states for the handling of private passenger business ('PAIP'), and will be introduced in other states soon when the regulatory and legislative requirements are satisfied.

## Kentucky Auto Insurance Plan

### **FUTURE OF CAIP/SRDP/POOLED CAP PROCEDURE**

#### **Mail Vote**

#### **INTRODUCTION**

National Continental Insurance Company (NCIC) recently sent a letter to AIPSO management indicating that effective immediately NCIC terminated its project to replace the ICAPS/MAPPS system (the “System”). This System is used by NCIC to process all of the CAIP/SRDP/Pooled CAP (collectively “CAIP”) business throughout the 44 state plans (the “Plans”) it serves as the sole CAIP servicing carrier. While NCIC stated that it will continue to honor its contractual commitments to all of the Plans through the expiration of the current servicing carrier agreement on August 31, 2022, NCIC also informed AIPSO management that NCIC will not apply to be a CAIP servicing carrier for a new term for any Plan.

As a result, AIPSO is providing the following information and guidance for the Plans in their review and consideration in determining a solution to this issue.

#### **BACKGROUND**

Since 1982, the CAIP has been the primary pooling mechanism for the commercial automobile residual market. A limited number of companies act as servicing carriers for eligible risks on behalf of all insurers writing commercial automobile business in the voluntary market. Plan subscriber companies reinsure and assume their proportionate share of the pool’s operating results. In 1989, there were more than 20 servicing carriers providing underwriting, claims and accounting services in the more than 40 states that adopted CAIP as their commercial auto insurance residual market mechanism.

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At its March 2020 meeting, the AIPSO Board discussed the available options to prepare for the NCIC withdrawal. The Board affirmed that the CAIP continues to be the preferred mechanism for handling commercial automobile business in the residual market. Due to the lack of interest by carriers and as a result of AIPSO’s successful implementation and operation as a back-up service provider, the AIPSO Board recommends that the most stable solution is for the Plans to agree to appoint AIPSO as the sole service provider for the CAIPs.

As the service provider, AIPSO will perform all of the functions of the servicing carrier (policy processing, underwriting, claims, etc.). AIPSO will initially engage a fronting company to use its paper to write the business in order to comply with applicable statutory requirements that only licensed insurance companies may issue policies. The use of a fronting company has worked well during AIPSO's tenure as a back-up service provider. It is anticipated that at some point in the future, Plans will seek either regulatory or legislative approval to allow the CAIP business to be written on Plan paper. This future solution will avoid costs paid to the fronting company as well as secure the viability of the CAIPs in the event no company wishes to serve as a fronting company in the future.

AIPSO is looking to get a sense from each of the Plans as to whether they will be agreeable in concept to pursuing the AIPSO Board recommended course of action.

**Mark Hillis' Recommended Kentucky Specific Recommendations**

- (1) If the KAIP Governing Committee Agrees to the AIPSO Boards Recommendation, Kentucky should require that AIPSO leadership work proactively to educate leaders within the NAIC, specifically each impacted states Commissioner. In this manner, the potential changes are shared from the "top down" and not worked individually at each states level. I believe this is a lesson learned from the PAIP transition.
- (2) That AIPSO, acting as a service provider, shall adhere to all state specific requirements as outlined by each states Governing Committee to include such things as:
  - a. Service Standards for Underwriting/Claims which reflect a high industry standard so that challenges similar to the PAIP transition aren't experienced
  - b. Licensing as required by each specific state

**Please indicate your preference below:**

I Concur to appoint AIPSO as the sole service provider for CAIP with the condition that AIPSO leadership works proactively with the NAIC to educate states Commissioners as to this change

I Concur to appoint AIPSO as the sole service provider for CAIP

I Do Not Concur

I Abstain

Hold for discussion at next meeting

Signed: \_\_\_\_\_ *Angie Hasten* \_\_\_\_\_ Date: 04/28/2020

Company: State Farm Mutual Automobile Ins. Co.

**Please return by email to [shillis@kyfairplan.com](mailto:shillis@kyfairplan.com)**

## Kentucky Auto Insurance Plan

### **FUTURE OF CAIP/SRDP/POOLED CAP PROCEDURE**

#### **Mail Vote**

#### **INTRODUCTION**

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AIPSO is looking to get a sense from each of the Plans as to whether they will be agreeable in concept to pursuing the AIPSO Board recommended course of action.

**Mark Hillis' Recommended Kentucky Specific Recommendations**

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  - a. Service Standards for Underwriting/Claims which reflect a high industry standard so that challenges similar to the PAIP transition aren't experienced
  - b. Licensing as required by each specific state

**Please indicate your preference below:**

I Concur to appoint AIPSO as the sole service provider for CAIP with the condition that AIPSO leadership works proactively with the NAIC to educate states Commissioners as to this change

I Concur to appoint AIPSO as the sole service provider for CAIP

I Do Not Concur

I Abstain

Hold for discussion at next meeting

Signed: Christopher Migliozi Date: 4/29/2020

Company: Nationwide Insurance  
Please return by email to [shillis@kyfairplan.com](mailto:shillis@kyfairplan.com)

## Kentucky Auto Insurance Plan

### **FUTURE OF CAIP/SRDP/POOLED CAP PROCEDURE**

#### **Mail Vote**

#### **INTRODUCTION**

National Continental Insurance Company (NCIC) recently sent a letter to AIPSO management indicating that effective immediately NCIC terminated its project to replace the ICAPS/MAPPS system (the “System”). This System is used by NCIC to process all of the CAIP/SRDP/Pooled CAP (collectively “CAIP”) business throughout the 44 state plans (the “Plans”) it serves as the sole CAIP servicing carrier. While NCIC stated that it will continue to honor its contractual commitments to all of the Plans through the expiration of the current servicing carrier agreement on August 31, 2022, NCIC also informed AIPSO management that NCIC will not apply to be a CAIP servicing carrier for a new term for any Plan.

As a result, AIPSO is providing the following information and guidance for the Plans in their review and consideration in determining a solution to this issue.

#### **BACKGROUND**

Since 1982, the CAIP has been the primary pooling mechanism for the commercial automobile residual market. A limited number of companies act as servicing carriers for eligible risks on behalf of all insurers writing commercial automobile business in the voluntary market. Plan subscriber companies reinsure and assume their proportionate share of the pool’s operating results. In 1989, there were more than 20 servicing carriers providing underwriting, claims and accounting services in the more than 40 states that adopted CAIP as their commercial auto insurance residual market mechanism.

The sustained decline in the residual market’s volume of commercial auto business saw the number of CAIP servicing carriers reduced to one, NCIC, as of January 2010. Thereafter, beginning in 2012, to insure the continued viability of the CAIP program in the event no other servicing carrier was available, AIPSO became a back-up service provider, handling a portion of the CAIP business in the New Jersey, Georgia, District of Columbia and New Hampshire plans. Beginning in 2014 all Plans agreed to a new countrywide approach (the “Countrywide Process”) to try and attract servicing carriers in a low volume environment. The Plans engaged in the Countrywide Process in 2014 and in 2018. Each time, only a single servicing carrier, NCIC, applied.

#### **AIPSO BOARD RECOMMENDATION**

At its March 2020 meeting, the AIPSO Board discussed the available options to prepare for the NCIC withdrawal. The Board affirmed that the CAIP continues to be the preferred mechanism for handling commercial automobile business in the residual market. Due to the lack of interest by carriers and as a result of AIPSO’s successful implementation and operation as a back-up service provider, the AIPSO Board recommends that the most stable solution is for the Plans to agree to appoint AIPSO as the sole service provider for the CAIPs.

As the service provider, AIPSO will perform all of the functions of the servicing carrier (policy processing, underwriting, claims, etc.). AIPSO will initially engage a fronting company to use its paper to write the business in order to comply with applicable statutory requirements that only licensed insurance companies may issue policies. The use of a fronting company has worked well during AIPSO's tenure as a back-up service provider. It is anticipated that at some point in the future, Plans will seek either regulatory or legislative approval to allow the CAIP business to be written on Plan paper. This future solution will avoid costs paid to the fronting company as well as secure the viability of the CAIPs in the event no company wishes to serve as a fronting company in the future.

AIPSO is looking to get a sense from each of the Plans as to whether they will be agreeable in concept to pursuing the AIPSO Board recommended course of action.

**Mark Hillis' Recommended Kentucky Specific Recommendations**

- (1) If the KAIP Governing Committee Agrees to the AIPSO Boards Recommendation, Kentucky should require that AIPSO leadership work proactively to educate leaders within the NAIC, specifically each impacted states Commissioner. In this manner, the potential changes are shared from the "top down" and not worked individually at each states level. I believe this is a lesson learned from the PAIP transition.
- (2) That AIPSO, acting as a service provider, shall adhere to all state specific requirements as outlined by each states Governing Committee to include such things as:
  - a. Service Standards for Underwriting/Claims which reflect a high industry standard so that challenges similar to the PAIP transition aren't experienced
  - b. Licensing as required by each specific state

**Please indicate your preference below:**

I Concur to appoint AIPSO as the sole service provider for CAIP with the condition that AIPSO leadership works proactively with the NAIC to educate states Commissioners as to this change

I Concur to appoint AIPSO as the sole service provider for CAIP

I Do Not Concur

I Abstain

Hold for discussion at next meeting

Signed: George Moore

\_\_\_\_\_ Date: April 27, 2020 \_\_\_\_\_

Company: CNA Insurance\_\_\_\_\_

**Please return by email to [shillis@kyfairplan.com](mailto:shillis@kyfairplan.com)**

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I Do Not Concur

I Abstain

Hold for discussion at next meeting

Signed: Kristen Mellinger Date: 4/29/20

Company: Kentucky Farm BUREAU  
Please return by email to [shillis@kyfairplan.com](mailto:shillis@kyfairplan.com)

## Kentucky Auto Insurance Plan

### FUTURE OF CAIP/SRDP/POOLED CAP PROCEDURE

#### Mail Vote

#### INTRODUCTION

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#### BACKGROUND

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I Abstain

Hold for discussion at next meeting

Signed:  Date: 5-1-20

Company: Eric Insurance  
Please return by email to [shillis@kyfairplan.com](mailto:shillis@kyfairplan.com)

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I Abstain

Hold for discussion at next meeting

Signed:  Date: April 27, 2020

Company: Kentucky National Ins. Co.  
Please return by email to [shillis@kyfairplan.com](mailto:shillis@kyfairplan.com)

## Kentucky Auto Insurance Plan

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I Do Not Concur

I Abstain

Hold for discussion at next meeting

Signed: Rudolph C. Schlich (done electronically)

Date: April 27, 2020

Company: Old Kentucky Insurance

**Please return by email to [shillis@kyfairplan.com](mailto:shillis@kyfairplan.com)**