



Kentucky Auto Insurance Plan

ANNUAL MEETING JUNE 29, 2021

Meeting Etiquette and Expectations

Keys to a successful meeting

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

Participation

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

Annual Meeting Agenda

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

ANTI-TRUST PREAMBLE

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

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

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

APPROVAL OF MINUTES OF THE JUNE 11th 2020 ANNUAL MEETING



Election of Members of Governing Committee

	Company/Organization	Name and Address
Chartered in Kentucky	Kentucky Farm Bureau	Kristen K.W. Mellinger Director of Underwriting Services (502) 495-5000 x 7499 Kristen.Mellinger@kyfb.com
Chartered Outside of Kentucky	Erie	Robert Kepperling Vice President 1146 Monarch Street, STE 140 Lexington, KY 40513 (859) 219-4959 Robert.Kepperling@erieinsurance.com
Independent Agent		Rudy Schlich Old Kentucky Insurance 915 Lily Creek Road Louisville, KY 40243 (502) 451-8800 Rudy.Schlich@oldkyins.com
Chartered in Kentucky	Kentucky National	Rodney Shockley (Vice-Chair) Chief Executive Officer 2709 Old Rosebud Rd. Lexington, KY 40509 (859) 264-0030 roshockley@forchtgroup.com
Trade	Company/Organization	Name and Address
Chartered Outside of Kentucky	Nationwide	Christopher Migliozi Business Consulting Manager 1 Nationwide Plaza (1-18-101) Columbus, OH 43215 B (614) 249-1637 C (330) 646-7939 (614) 677-0703 Fax miglic1@nationwide.com
Chartered Outside of Kentucky	State Farm	Angie Haston Underwriting Manager 2500 Memorial Blvd., Murfreesboro, TN 37131 (615) 692-6509, (615) 692-3091 Fax angie.haston.gidr@statefarm.com
Chartered Outside of Kentucky	CNA	George Moore (Chair) Vice President 550 Polaris Parkway Suite 100 Westerville, OH 43082 (614) 818-7801, (502) 851-4094 c, (614) 818-7870 Fax George.Moore@CNA.com



Adjourn Annual Meeting



Kentucky Auto Insurance Plan

GOVERNING COMMITTEE MEETING JUNE 29, 2021

Governing Committee Meeting

- ▶ **Roll Call**
- ▶ **Anti-Trust Preamble**
- ▶ **Approval of Minutes and Ratification of Actions**
- ▶ **Election of Officers**
- ▶ **Review of KAIP/PAIP Independent Auditor Reports**
- ▶ **Review of Kentucky CAIP Financial Statement**
- ▶ **2022 CAIP Servicing Carrier allowance**
- ▶ **Secretary Treasurer's Report**
- ▶ **Rate, Rule and Form Changes**
- ▶ **Other Business**
 - ▶ **AIPSO CAIP Transition Update – Thomas Assad**
- ▶ **Adjournment**

Election of Officers

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

Independent Auditors Reports

- ▶ **2020 KAIP/PAIP Auditor's Report – Tab 5a, 5b and 5c (pages 20-36):**
 - ▶ Sarah Antle - Deming, Malone, Livesay & Ostroff

- ▶ **2020 KY CAIP Statutory Financial Statement / Audit – Tab 6 (pages 37-53):**
 - ▶ KPMG

2022 Servicing Carrier Allowance (Tab 7 – page 54)

▶ **Administrative Expense Allowance**

• 2018:	18.6%
• 2019:	18.4%
• 2020:	18.8%
• 2021:	18.3%
• 2022:	18.1%

▶ **Loss Adjustment Expense**

▶ **ALAE: direct reimbursement**

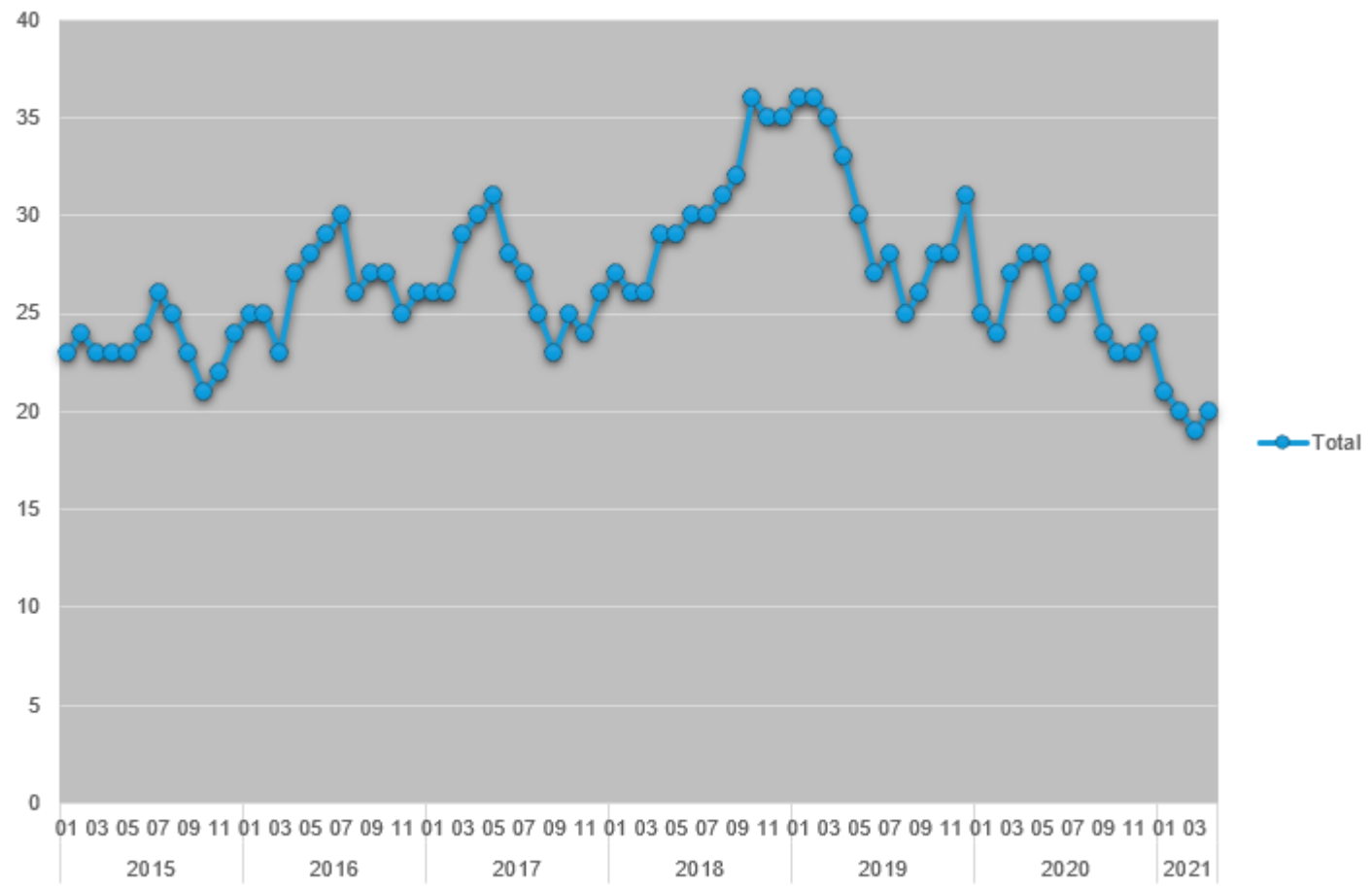
▶ **ULAE:**

• 2018:	13.9%
• 2019:	13.4%
• 2020:	8.9%
• 2021:	7.0%
• 2022:	8.2%

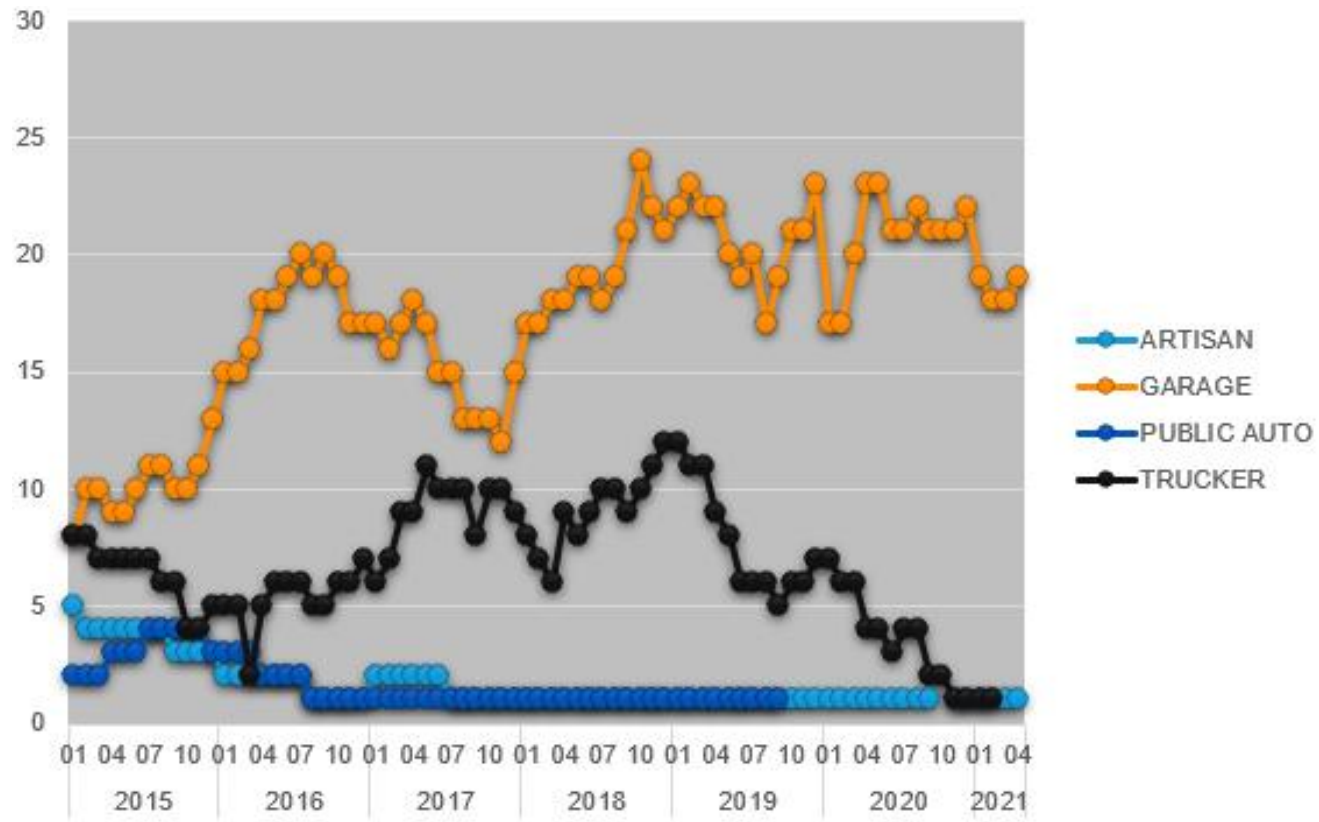
Needs motion and vote

SECRETARY TREASURER'S REPORT

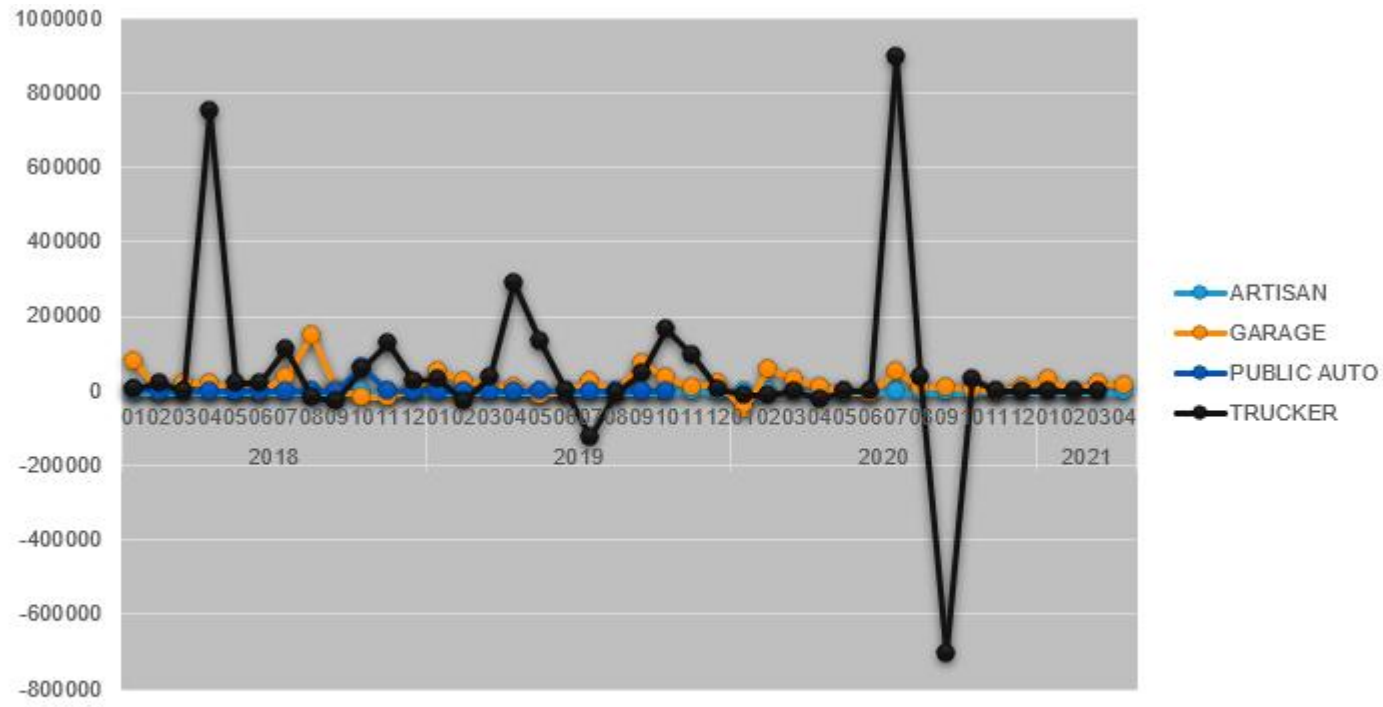
- ▶ **2021 Budget Status (YTD through April):
22.28% of budget (\$38,810 spent)**
 - **2019 Budget \$190,298 2020 Budget \$184,327**
 - **2021 Budget \$174,188**
- **Plans continue to focus on cost savings through sharing resources as well as looking for efficiencies in all areas.**



CAIP Results - PIF



CAIP Results – Policy Mix



CAIP Results – Premium Mix

National Continental Insurance Company

Kentucky Automobile Insurance Plan
CAIP Loss Ratio Analysis
Current Quarter: February 2021

Kentucky TOTALS by Policy Year						
Policy Year	Earned Premium	Paid Losses	Paid ALAE	Reserves	Incurred Total Losses	Loss Ratio
2018	\$1,180,531	\$377,600	\$16,512	\$154,001	\$548,113	46.4%
2019	\$793,580	\$650,987	\$0	\$788,826	\$1,439,813	181.4%
2020	\$404,682	\$90,958	\$0	\$15,599	\$106,557	26.3%
2021	\$4,223	\$0	\$0	\$0	\$0	0.0%

CAIP Results

KENTUCKY PAIP

Monthly Activity - Month Ending 12/31/2020

	<u>Month End</u>	<u>YTD</u>
Written Premium	\$3,047	\$110,506
Earned Premium	\$8,202	\$107,241
Change in Unearned Premium	-\$5,155	\$3,265
Total Unearned Premium	\$44,183	\$44,183
Advanced Written Premium	\$0	\$0
Written Commission	\$305	\$11,051
Surcharges	\$55	\$1,989
Losses Paid	\$8,130	\$190,063
Losses Unpaid (Reserved)	\$108,098	\$108,098
Adjustment Expenses Paid	\$4,372	\$23,541
Adjustment Expenses Unpaid	\$7,437	\$7,437
Defense and Cost Containment Expenses Paid	\$0	\$0
Defense and Cost Containment Expenses Unpaid	\$0	\$0

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

PAIP Results 2020

KENTUCKY PAIP

Monthly Activity - Month Ending 04/30/2021

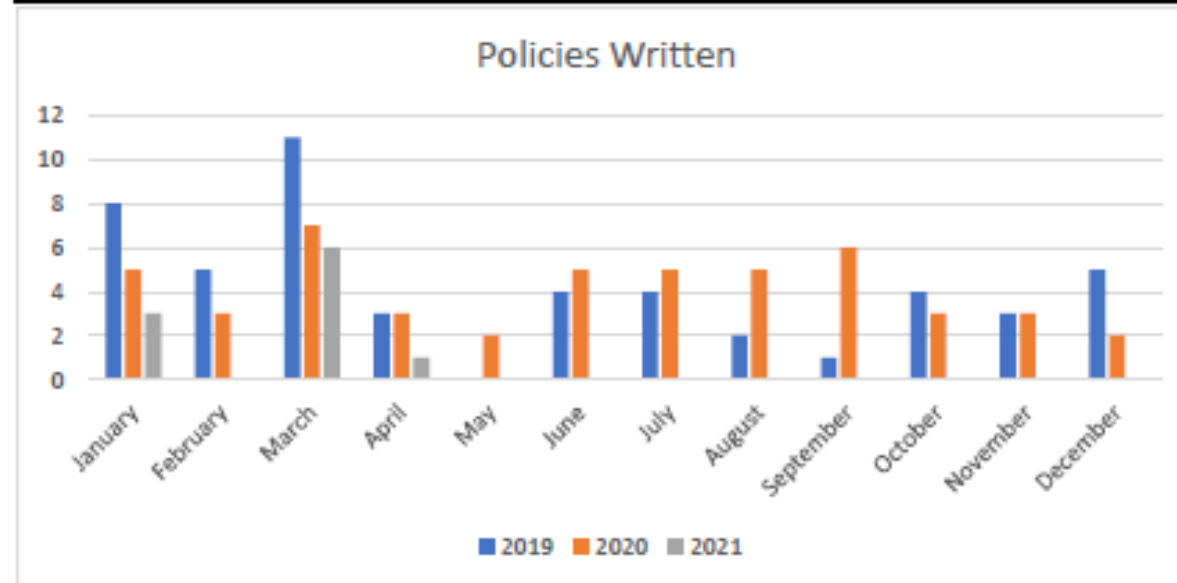
	<u>Month End</u>	<u>YTD</u>
Written Premium	\$3,426	\$42,044
Earned Premium	\$8,398	\$31,421
Change in Unearned Premium	-\$4,972	\$10,624
Total Unearned Premium	\$54,807	\$54,807
Advanced Written Premium	\$0	\$0
Written Commission	\$171	\$1,728
Surcharges	\$62	\$757
Losses Paid	\$0	\$17,915
Losses Unpaid (Reserved)	\$123,957	\$123,957
Adjustment Expenses Paid	\$0	\$361
Adjustment Expenses Unpaid	\$1,259	\$1,259
Defense and Cost Containment Expenses Paid	\$0	\$0
Defense and Cost Containment Expenses Unpaid	\$0	\$0

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

PAIP Results 2021 Through April

Applications – In Force – Overview of the Market

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	
TOTAL	50	49	10



Personal Auto Rate Review (Tab 9a – page 60)

Prior filings:

- 1/1/16: +11%
- 1/1/17: +4.7%
- 1/1/18: +6.4%
- 1/1/19: +23.0%
- 1/1/20: +13.2%
- 1/1/21: +9.8%

▶ 2021 Actuarial proposal – Effective 1/1/2022

- ▶ Adopt an indication of 4.7%, capping changes at 25% with an estimated monetary impact of just \$30,448 with an allowance of +/- 2.5% for any needed revisions.

- ▶ **RATE CHANGE IS FOR BUSINESS WRITTEN ONLY UNDER THE NEW PAIP PROGRAM**

Commercial Auto Rate Review (Tab 9b – page 63)

Prior filings:

1/1/16: -2.2%

1/1/17: -4.9%

1/1/18: +5.7%

1/1/19: +9.1%

1/1/20: +18.2%

1/1/21: +1.9%

▶ **2021 Actuarial proposal – Effective 1/1/2022**

- ▶ **Overall rate increase of: 13.1% UNCAPPED with an estimated monetary impact of just \$169,642.**

Other Business

- (1) Proposal – Commercial Payment Plans (9.d or page 68 in your handouts)**
- (2) Proposal – Kentucky Commission Payments (9.e or page 83 in your handouts)**
- (3) Proposal – Commercial Auto Parts ISO update (9.f or page 88 in your handouts)**
- (4) AIPSO CAIP Transition (10a and 10b in your handouts)**
- (5) Updates on AIPSO Transition – Thomas Assad**

Other Business

(1) BOARD QUESTIONS

- (1) What appear to be the largest hurdles ahead which might cause for challenges in this transition from National Continental to AIPSO?
- (2) What are the risks to the success of this transition? And how is AIPSO working to mitigate those?
- (3) Will AIPSO be utilizing internal underwriters and internal KY licensed claims staff (that is, AIPSO staff). There were challenges in the LAD to PAIP transition related to claims handling which have required oversight to this day of claims by Kentucky. And we understand that Kentucky also provides for a claims review for Kansas at least monthly to try to mitigate issues identified early on.
- (4) While AIPSO will be processing this work, as we understand it, Kentucky will remain the manager of the CAIP program correct?
 - a. Will AIPSO have required communication protocols within its proposed contract that will ensure that any issues are properly presented to Kentucky in a timely manner for appropriate resolution?
- (5) As we understand it, AIPSO's AIO is not an insurance company. This transition will require for industry level talent and knowledge to handle this business. What hiring/staffing moves have been made to make sure that AIPSO is capable of handling this business and moving it from National Continental?
- (6) What is the status of the policy and claims system which will allow this processing and handling to work?
 - a. The expectations of the GC is that the system is live by XX date with proactive updates available to the Board.
- (7) As issues arise in this short time frame of this transition, how will AIPSO be notifying states impacted to make sure that things are ready to go for the commercial consumers of the Commonwealth of Kentucky to be able to have a policy issued and serviced correctly?
 - a. Policy Documents should be available for Plan and DOI review well in advance of the first policy being issued. What will these dates be?
- (8) What is the status of a proposed contract that AIPSO will present to states for their review and consideration for servicing the CAIP?
- (9) When Kentucky voted on AIPSO's recommendation, the Governing Committee asked that AIPSO work proactively within the NAIC, and specifically, asked AIPSO to work to communicate with states Commissioners of Insurance to educate them on the upcoming changes as this had not been done in the PAIP transition. Can you update the committee on what AIPSO has done on a national level to educate the NAIC and/or commissioners in various states so that each individual state isn't taxed with doing this?
- (10) Aside from the initial notice from AIPSO to the Plans, what has AIPSO done and what will AIPSO be doing to proactively keep Plans involved and in the loop?
 - a. AIPSO should be providing written updates at least monthly. In depth updates should be at least Quarterly or more frequently as time goes by.

Other Business

- ▶ **Reminder that the KAIP retirement account closed with all employees transitioning to KFP or KIGA**
- ▶ **Addition of Roth 401k**
- ▶ **Does Governing Committee want to have a fall meeting or approve the Executive Committee to review the 2022 budget and proposed assessment? (If so, it needs a motion and vote)**
- ▶ **Kentucky Department of Insurance Comments**
- ▶ **Thank You!**