

**Notice of KACP Governing
Committee Meeting**

Kentucky Assigned Claims Plan

Notice of Governing Committee Meeting

A Governing Committee Meeting will be held immediately following the May 12, 2022 Annual Meeting via teleconference held via teleconference.

The Agenda is as follows:

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



Mark Hillis
Manager

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

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KACP Governing Committee

KENTUCKY ASSIGNED CLAIMS PLAN
Governing Committee

Owen K. Caster, Chairperson Progressive Insurance Company 9520 Ormsby Station Road, Suite 200 P O Box 436989 Louisville, Kentucky 40223 Email Address: owen_caster@progressive.com	502-909-3584
Allison “Brooke” McNeil, Vice-Chairperson Grange Insurance Company PO Box 183243 Columbus, OH 43218 Email Address: McNeilB@grangeinsurance.com	800-837-0801
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KENTUCKY ASSIGNED CLAIMS PLAN
Governing Committee

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KACP Anti-Trust Preamble

Anti-Trust Preamble

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

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Minutes KACP 2021

Governing Committee Meeting

Kentucky Assigned Claims Plan Governing Committee Meeting Minutes

A Governing Committee Meeting of the Kentucky Assigned Claims Plan was held at 10:30 AM on September 30, 2021.

Those in attendance were:

Governing Committee:

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

Kentucky Department of Insurance:

Deputy Commissioner Shawn Boggs	Kentucky Department of Insurance
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Guests:

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

Staff:

Mark Hillis	Secretary-Treasurer and Manager
Melissa Chlon	Assistant Director
Erin Lux	Assistant Plans Manager
Becky Darst	Plan Staff
Carrie Manor	Plan Staff

1. Call to Order:

Mr. Caster called the meeting to order.

2. Roll Call:

Governing Committee members and guests' attendance was confirmed. The Chair noted a quorum was present.

Mr. Caster recognized Shawn Boggs on his new position as Deputy Commissioner with the Kentucky Department of Insurance.

3. Anti-Trust Preamble:

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

4. Approval of Minutes:

Ms. Perdue moved, Mr. McFarland seconded, and the motion passed unanimously to approve minutes of the May 13, 2021, Annual and Governing Committee meetings.

5. Secretary Treasurer's Report:

A. Claims Summary:

Ms. Manor presented information showing open and closed claims, paid claims, expenses, and subrogation for the years of 2016-2020 with current data through 8/31/21 as well as 2021 year-end projections.

B. Financial Report:

Mr. Hillis shared the balance as of 8/31/2021 with Republic Bank was \$4,439,533. \$1,148,737 was held in the checking account and \$3,290,796 in a Collateralized Sweep Account.

C. 2022 Budget, Assessment and System Update:

Budget:

The Plan is expecting to end 2021 under budget. The proposed administrative budget for 2022 is \$353,923. A line-by-line breakdown was provided to the committee and the following items were discussed:

- Nominal wage increase.
- Allocation of employee wages and benefits.
- Cost sharing transition to the Kentucky FAIR Plan being the primary entity.
- FAIR Plan Alliance allows for offset of costs and ability to hold budgets.
- The Plans continue to offer a basic defined contribution and 401K plan, no pensions.
- Overall, the proposed 2022 budget is lower than 2021.

Mr. Hillis reminded the Governing Committee the Plans start each year with a zero-dollar budget and review each line item for appropriateness. Mr. Hillis indicated health insurance continues to increase year over year.

Assessment:

An assessment of \$2,465,360 was proposed for 2022 and a worksheet was provided and discussed. The assessment includes the administrative budgets for KACP. Mr. Hillis discussed

the claims data supporting the assessment. A discussion took place regarding the history of including a 25% cushion in the budget. The state of the economy was also discussed, and Mr. Hillis responded to a question by Ms. Perdue advising that the proposed assessment includes a forecasted 40% increase in claims volume for 2022.

Mr. Caster moved and Mr. Thompson seconded to approve the 2022 budget of \$353,923. The motion carried unanimously.

Mr. Caster moved and Ms. McNeil seconded to approve the 2022 KACP assessment of \$2,465,360. The motion carried unanimously.

System Update:

Ms. Chlon provided a system update that the Plan went live with Finys in March 2021 and were able to contract the system build without annual maintenance fees. All claims since go-live have been entered into new system. Feedback from servicing carriers has been critical to the success of the new KACP system.

6. Other Business:

Shawn Boggs, Deputy Commissioner with the Kentucky Department of Insurance, expressed his gratitude for continued invitations to join these meetings and looks forward to attending in person in the future. On behalf of himself, Commissioner Sharon Clark and the Department, our system work and hard work for the people of Kentucky is very much appreciated.

Mr. Caster advised the next meeting is scheduled for May 12, 2022, to be held remotely. The Fall meeting will be held September 29, 2022, in-person.

7. Adjournment:

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

Respectfully submitted,



Mark Hillis
Secretary - Treasurer

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KACP Financial
Highlights



KENTUCKY ASSIGNED CLAIMS PLAN
Year Ended December 31, 2021

<u>Financial Highlights</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Cash	\$ 5,894,198	\$ 5,819,024
Assessments received	\$ 3,076,923	\$ 3,285,584
Subrogation recovery	\$ 1,846,245	\$ 2,371,000
Interest income	\$ 1,899	\$ 3,742
Membership fees	\$ 400	\$ 810
Total cash receipts	\$ 4,925,467	\$ 5,661,136
Change in cash receipts	-13.00%	
Claims paid	\$ 4,021,950	\$ 5,537,039
Assessments remitted	\$ 377,157	\$ 400,816
Salaries and benefits	\$ 251,317	\$ 247,543
Computer	\$ 162,229	\$ 145,846
Rent	\$ 11,279	\$ 12,039
Other	\$ 26,361	\$ 32,555
Total cash disbursements	\$ 4,850,293	\$ 6,375,838
Change in cash disbursements	-23.93%	
Excess cash receipts (disbursements)	\$ 75,174	\$ (714,702)

Comments

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

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KACP Financials

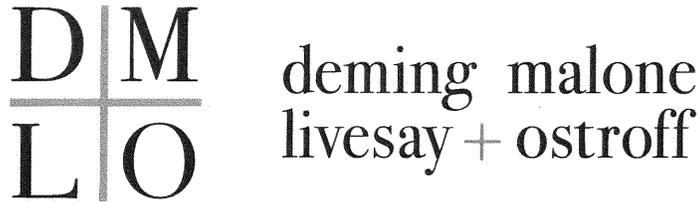
Steering Committee

KENTUCKY ASSIGNED CLAIMS PLAN
STATEMENTS OF CASH RECEIPTS AND
DISBURSEMENTS

Years Ended December 31, 2021 and 2020

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Independent Auditors' Report

To the Governing Committee
Kentucky Assigned Claims Plan

Opinion

We have audited the accompanying statements of cash receipts and disbursements of Kentucky Assigned Claims Plan (a not-for-profit organization), for the years ended December 31, 2021 and 2020, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash receipts and disbursements of Kentucky Assigned Claims Plan for the years ending December 31, 2021 and 2020, in accordance with the cash basis of accounting described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Kentucky Assigned Claims Plan and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

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

Responsibilities of Management for the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Kentucky Assigned Claims Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kentucky Assigned Claims Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Deming, Malone, Lussary & Petroff

Louisville, Kentucky
February 16, 2022

KENTUCKY ASSIGNED CLAIMS PLAN

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS

Years Ended December 31, 2021 and 2020

	2021	2020
Cash Receipts		
Assessments	\$ 3,076,923	\$ 3,285,584
Subrogation recovery	1,846,245	2,371,000
Interest income	1,899	3,742
Membership fees	400	810
Total cash receipts	4,925,467	5,661,136
Cash Disbursements		
Claims paid	4,021,950	5,537,039
Assessments remitted to related organization	377,157	400,816
Administrative expenses:		
Salaries	174,842	166,094
Computer	162,229	145,846
Health insurance	44,073	43,022
Retirement	20,245	26,784
Payroll taxes	12,157	11,643
Rent	11,279	12,039
Insurance	7,103	7,285
Miscellaneous	6,967	6,813
Professional services	5,321	11,793
Telephone	3,407	3,095
Office supplies	2,990	2,801
Postage	573	768
Total administrative expenses	451,186	437,983
Total cash disbursements	4,850,293	6,375,838
Excess cash receipts (disbursements)	75,174	(714,702)
Cash at beginning of year	5,819,024	6,533,726
Cash at end of year	\$ 5,894,198	\$ 5,819,024

See Notes to Statements of Cash Receipts and Disbursements.

KENTUCKY ASSIGNED CLAIMS PLAN

NOTES TO STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS

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

Nature of organization:

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

Summary of significant accounting policies:

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

Basis of accounting:

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

Subsequent events:

Subsequent events have been evaluated through February 16, 2022, which is the date the financial statements were available to be issued.

Note 2. Assessment of Members

The Plan periodically assesses all member insurance companies for their pro-rata share of claims and operating expenses. Assessments of members were \$2,465,360 and \$2,903,326 for the years ended December 31, 2021 and 2020, respectively. Uncollected assessments at December 31, 2021 and 2020, were approximately \$400,884 and \$1,018,100, respectively.

NOTES TO STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS

Note 3. Tax Status

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

As of December 31, 2021 and 2020, the Plan did not have any accrued interest or penalties related to income tax liabilities, and no interest or penalties have been charged to operations for the years then ended.

Note 4. Related Party Transactions

Servicing insurers utilized by the Plan are reimbursed their actual costs plus an amount for administrative expenses from the Plan. Servicing insurers for the Plan at December 31, 2021 and 2020 were the following: Allstate Insurance Company, Kentucky Farm Bureau Mutual Insurance Company, Safeco Insurance / Liberty Mutual Group, State Automobile Mutual Insurance Company, State Farm Mutual Insurance Company, Grange Mutual Casualty Company, Nationwide Mutual Insurance Company, Travelers Insurance Company and Progressive Casualty Company. These servicing insurers are also members of the Governing Committee of the Plan, as they are among the largest insurers in Kentucky.

Kentucky Automobile Insurance Plan, Kentucky Insurance Arbitration Association (KIAA), and Kentucky FAIR Plan Reinsurance Association (KFP) are related organizations under a cost sharing agreement. KFP furnishes personnel and administrative support for the Plan and the above entities and allocates the charges to each. Cash disbursements made during 2021 and 2020 for these administrative services are included in the statements of cash receipts and disbursements.

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

	<u>2021</u>	<u>2020</u>
Payable at beginning of year	\$ 35,391	\$ 39,496
Expenses allocated during the year	459,682	432,640
Payments made during the year	<u>(449,402)</u>	<u>(436,745)</u>
Payable at the end of year	<u>\$ 45,671</u>	<u>\$ 35,391</u>

NOTES TO STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS

The Plan collects assessments and holds cash in its account on behalf of KIAA. Cash receipts and disbursements of assessments collected on behalf of KIAA during 2021 and 2020 are included in the statements of cash receipts and disbursements. An analysis of cash activity in 2021 and 2020 by the Plan on behalf of KIAA follows:

	<u>2021</u>	<u>2020</u>
Payable to KIAA, beginning of year	\$ 377,157	\$ 400,816
Assessments collected on behalf of KIAA		377,157
Assessments remitted to KIAA	<u>(377,157)</u>	<u>(400,816)</u>
Payable to KIAA, end of year	<u>\$ _____</u>	<u>\$ 377,157</u>

Note 5. Retirement Plans

The Plan has a money-purchase pension plan that covers substantially all employees. Contributions are determined annually at the discretion of the Governing Committee. Cash disbursements for pension expense allocated to the Plan were \$16,104 and \$22,143 for the years ended December 31, 2021 and 2020, respectively.

The Plan also has a 401(k) defined contribution plan that covers substantially all employees. Annual expense provisions are based upon the Plan matching a portion of the employees' contributions. Cash disbursements for the matching contribution allocated to the Plan were \$4,141 and \$4,641 for the years ended December 31, 2021 and 2020, respectively.

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

Note 6. Operating Lease

The Plan leases office space from the Kentucky FAIR Plan Reinsurance Association under an operating lease through December 31, 2022. The lease has an automatic renewal provision which allows for the lease to automatically renew and extend an additional year unless either party gives written notice of intent not to renew at least 30 days prior to expiration of the term of the lease. Future minimum rental commitments under the lease are \$11,200 for the year ending December 31, 2022. Cash disbursements for rent expense allocated to the Plan were \$11,279 and \$12,039 for the years ended December 31, 2021 and 2020, respectively.

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

NOTES TO STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS

Note 7. Contingencies

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

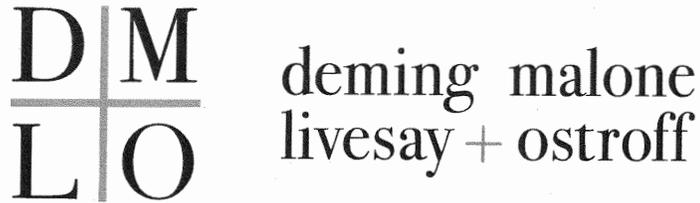
On March 11, 2020, the World Health Organization classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and significant impact on the global economy. As of December 31, 2021, economic and public health uncertainties continue to exist which may have a negative effect on the Plan's future cash receipts and disbursements. The total impact of the COVID-19 outbreak continues to be 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.

Note 8. Concentration of Credit Risk

The Plan maintains its cash accounts at various financial institutions. The total balance at each institution is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2021, the Plan's uninsured cash balance totaled approximately \$2,450,000.

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**KACP Letter to
Governing Committee**



To the Governing Committee
Kentucky Assigned Claims Plan

We have audited the statements of cash receipts and disbursements of Kentucky Assigned Claims Plan (Plan) for the year ended December 31, 2021, and have issued our report thereon dated February 16, 2022. 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 December 1, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Kentucky Assigned Claims Plan are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by the Plan during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 16, 2022.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

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

Deming, Malone, Linsay & Ostroff

Louisville, Kentucky
February 16, 2022

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Managers Report,
Year Ending 2021

Kentucky Assigned Claims Plan

Report of Activity

Year	2018	2019	Δ 2019 from 2018	2020	Δ 2020 from 2019	2021	Δ 2021 from 2020
<u>New Claims:</u>							
Received	905	864	-4.5%	794	-8.1%	736	-7.3%
Rejected	102	90	-11.8%	70	-22.2%	157	124.3%
Assigned	785	850	8.3%	718	-15.5%	579	-19.4%
Closed	920	946	2.8%	965	2.0%	1185	22.8%
<u>Claims Open:</u>							
Open/Active	758	684	-9.8%	659	-3.7%	698	5.9%
Pending Subro	1612	1557	-3.4%	1363	-12.5%	731	-46.4%
Benefits Paid	\$4,522,813	\$4,579,539.8	\$56,727	4,463,435.42	-\$116,104	\$3,204,102.42	-\$1,259,333

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KACP Budget 2021 Results

Kentucky Assigned Claims Plan

Budget Status

	2020 Budget	2021 Budget	2021 Final
Wages (W-2)	\$ 174,046	\$ 168,148	\$ 166,899
Payroll Taxes	\$ 17,405	\$ 16,815	\$ 12,157
Pension Benefits	\$ 22,974	\$ 22,195	\$ 16,104
401K Match	\$ 5,221	\$ 5,044	\$ 4,141
Office Supplies and Equip.	\$ 4,600	\$ 4,200	\$ 2,990
Professional Services	\$ 8,260	\$ 7,860	\$ 5,321
Human Resources	\$ 1,500	\$ 1,500	\$ 1,977
Rent	\$ 12,144	\$ 11,200	\$ 11,280
Telephone and Tel.Equip.	\$ 2,100	\$ 2,576	\$ 3,407
Travel	\$ 3,200	\$ 2,500	\$ 1,716
Meals and Entertainment	\$ 1,200	\$ 1,200	\$ 285
Insurance - P & C	\$ 11,833	\$ 11,450	\$ 7,103
Health and Employee Benefits	\$ 37,517	\$ 34,226	\$ 44,073
Postage	\$ 2,100	\$ 900	\$ 573
Computer and Systems	\$ 75,850	\$ 62,390	\$ 17,229
Dues & Subscriptions	\$ 500	\$ 400	\$ 825
Board Meetings	\$ 350	\$ 350	\$ 60
Education	\$ 300	\$ 300	\$ -
Miscellaneous	\$ 1,300	\$ 1,300	\$ 261
Totals	\$ 382,400	\$ 354,554	\$ 296,401

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**KACP-Plan-of-Operations-Proposed
Revision**

KENTUCKY ASSIGNED CLAIMS PLAN
Plan Rules

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~~December 1, 2019~~ January 31, 2022

SECTION 1. Purpose and Objectives

To form and provide for the operation and administration of the Kentucky Assigned Claims Plan.

SECTION 2. Effective Date

The Plan, rules and regulations pertaining to the operation and administration thereof, subject to approval of the Commissioner of the Department of Insurance, shall become effective on July 1, 1975.

SECTION 3. Administration

Rule 1. Duties of the Governing Committee

The Committee shall meet as often as may be required to perform the general duties of administration of the Plan.

Rule 2. Meetings

Five (5) days written notice, including agenda, shall be given by the secretary.

Rule 3. Voting

(a) A majority of Committee Members shall constitute a quorum for voting on amendments to the rules and regulations of the Plan; and general administrative duties of the Plan.

(b) Amendments to or changes in the Plan by the Committee will require the majority vote of all members of the committee. Voting by proxy shall be permitted.

(c) Assessments to members will require the majority vote of all members of the Committee. Voting by proxy shall be permitted.

Rule 4. The Committee shall be empowered to appoint a Manager, budget expenses, levy assessments, disburse funds, and establish subcommittees to perform all duties essential to the proper administration of the Plan.

Rule 5. The Governing Committee shall designate three (3) members who shall be empowered as a Finance Committee to invest funds in short term government or bank obligations, to open accounts and engage in such banking transactions as may be authorized by majority vote of this subcommittee.

Rule 6. Annually the Manager shall submit to the Committee an operating budget in the manner prescribed by the Committee and a report of the condition and operation of the Plan during the preceding calendar year for approval and submission to the Commissioner of Insurance and to member companies upon request.

Rule 7. Officers and Management.

The Governing Committee shall elect from its membership to serve a period of one (1) year a Chair and a Vice Chair. A Secretary/Treasurer shall be elected by the Committee. The person elected need not be a member of this Plan.

- (a) The Chair shall preside over all meetings. S/he shall discharge such other duties incidental to their office or required of him by these rules or by the Governing Committee.
- (b) The Vice Chair shall preside at meetings in the absence of the Chair. In the event of death, incapacity or disability of the Chair, the Vice Chair shall perform the duties of the Chair until such office has been filled by the Governing Committee.
- (c) The Secretary shall issue, or require to be issued all notices of meetings, record minutes of all meetings, keep the records of the Governing Committee and discharge such other duties incidental to their office or required of them by these rules or by the Governing Committee.
- (d) The Treasurer shall, in cooperation with the Manager, keep books of account and discharge such other duties usual or incidental to the office of Treasurer or required of them by these rules or by the Governing Committee.
- (e) The office of Treasurer shall be combined with the office of Secretary.

Rule 8. The Commissioner of Insurance shall be notified immediately of any change in status of a member of the Governing Committee.

Rule 9. The Kentucky Assigned Claims Plan shall meet annually to report to the Executive Director of the Office of Insurance and participating members of the Plan. Such meetings will be held at the office of the Kentucky Assigned Claims Plan at such time and location as directed. (Call the Plan Office to confirm the time and place of the meeting.)

SECTION 4. Assigned Claims Plan

- Rule 1. The Assigned Claims Plan shall be a nonprofit, unincorporated association. The principal office shall be located in Louisville, Kentucky.
- Rule 2. The Plan shall operate on a calendar year.
- Rule 3. The Plan shall make available to persons claiming benefits under the Plan all required forms, which must be completed in duplicate and signed by the applicant.
- Rule 4. Assignment of Claims.
- (a) Upon receipt of properly completed and executed claim forms, including a police report when available, the Assigned Claims Plan shall make an initial determination of the claimant's eligibility for assignment.
 - (b) An apparent eligible claim shall be assigned promptly by the Assigned Claims Plan to a servicing insurer. The Plan shall notify the claimant of the identity and address of the servicing insurer to which the claim is assigned.
 - (c) If statements on an application for Benefits, received by the Assigned Claims Plan, show that the person claiming benefits is ineligible for payment, the claim shall be rejected. The claimant shall be notified promptly in writing of the rejection and the reasons, therefore.
 - (d) In assigning claims, the Assigned Claims Plan shall consider the resources of the servicing insurer relative to the claim and the convenience for the claimant. Multiple claimants from a single accident may be assigned to one servicing insurer.
 - (e) A servicing insurer upon discovery that it, or an affiliated company, insures persons whose interest may be adverse to the claimant, shall promptly notify the Assigned Claims Plan and the claimant of its possible conflict of interest and shall return the claim for reassignment.
- Rule 5. The servicing insurer shall return within ninety (90) days after the file is closed the original billing form and, if payments were made, the payment log(s). The Assigned Claims Plan may require additional supporting documentation upon review of the billing form. If additional supports are requested, the insurer must submit these to the Plan within thirty (30) days of notice.

Rule 6. The Plan shall be responsible for reimbursement to the servicing insurers as follows:

- (a) The servicing insurer shall be entitled to reimbursement for all benefits paid in good faith and to a maximum claim handling fee equal to 10% of such benefits paid per accident or loss. In no event shall such fee be less than \$250.00 per claimant. In addition, the servicing insurer shall be reimbursed for allocated claim expenses, subject to approval of the Plan.
- (b) The servicing insurer shall not be reimbursed for interest or penalties on overdue payments which results from its negligence or for any improper payments in failing to take all allowable deductions set forth in KRS 304.39-160.
- (c) A servicing insurer shall not be reimbursed for attorney fees or independent adjusting charges unless incurred in consent of the Plan.

Rule 7. The servicing insurer shall pursue subrogation without prior approval of the Plan until such time as the services of an attorney or arbitration is involved, at which time the Plan's decision will be final as to whether additional expense shall be incurred to pursue subrogation.

Rule 8. In pursuit of subrogation authorized by the Plan, the servicing insurer shall be entitled to a fee equal to 15% of gross recovery, or 15% of net recovery if an attorney is engaged to make recovery. In the event of subrogation authorized by the Plan there shall be a minimum fee of \$30.00 per claim. Court costs incurred by the servicing insurer, even when recovery is unsuccessful, will be reimbursed by the Plan.

Rule 9. The Plan is entitled to audit all claim files at any time. For audited claims, the Assigned Claims Plan may request full copies of claim files, including: adjuster notes, medical bills, medical records, payment logs, explanation of benefits forms, bill review forms, etc. If additional supports are requested by the Plan for purposes of audit, the insurer must submit the requested items within thirty (30) days of notice.

SECTION 5. Servicing Insurers

- Rule 1. The servicing insurers shall, within ten (10) days after receipt of the assignment from the Plan, acknowledge the receipt of the assignment and advise its claim control number.
- Rule 2. The servicing insurer shall within thirty (30) days determine the initial eligibility of the person to make claim and make an investigation report to the Plan. If eligibility cannot be determined within such time, the servicing insurer shall notify the Plan of its inability to do so.
- Rule 3. The servicing insurer shall within thirty (30) days notify the applicant in writing, of ineligibility and reasons for same.

SECTION 6. Assessment of Participating Members

- Rule 1. Assessments to all participating members shall be determined and levied as often as required by the Governing Committee. Each reparation obligor providing basic reparation insurance will be subject to a minimum assessment of \$25.00. Assessment shall be due no later than sixty (60) days of the assessment date. There after a 1% (percent) penalty will be levied for each thirty (30) days.
- Rule 2. For purposes of assessment, the members shall be divided into three classes:
- (a) Class 1 shall consist of all self-insurers authorized by the Commissioner of the Department of Insurance.
 - (b) Class 2 shall consist of all governmental units which become obligated under the Act other than through the purchase of insurance.
 - (c) Class 3 shall consist of all insurers licensed to write automobile liability insurance in the Commonwealth of Kentucky.
- Rule 3. The total assessment shall be distributed among all three classes listed in Rule 2 pro-rata as to the number of known vehicles in each class bears to the total number of known vehicles for all classes combined.
- Rule 4.
- (a) The amounts assessed self-insurers and/or obligated governments (classes 1 and 2) shall be apportioned among respective members of each class on a prorata basis as the number of known self-propelled motor vehicles (1) owned and registered in Kentucky; or (2) operated in Kentucky; or (3) which are made available and offered for operation within the state of Kentucky for rent; whichever is greater, by such member bears to the total number of known vehicles in its class as their portion of the assessment.

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- (b) The amounts assessed Insurers shall be apportioned on a pro-rata basis as each Member's subject written premium bears to the total such direct subject written premium for all members for the same period. Subject written premium will be taken from those lines on page 15 of the Annual Statement filed with the Commissioner of Department of Insurance which detail both Private Passenger and Commercial Automobile Liability; Automobile Medical Payments; Uninsured Motorists; and Personal Injury Protection.