

Kentucky Automobile Insurance Plan

Notice of Governing Committee Meeting

A meeting of the Kentucky Auto Insurance Plan Governing Committee will be held on June 8, 2022 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. 2021 KAIP and PAIP Independent Auditors Report.
 - a. DMLO Report to Management
 - b. DMLO Financial Statement
6. 2021 Kentucky CAIP Statutory Financial Statement.
7. 2023 CAIP Servicing Carrier Allowance.
8. Secretary Treasurer's Report.
9. Rate, Rule and Form Changes / CAIP Contract Proposal
 - a. Private Passenger Rate Proposal
 - b. Commercial Auto Rate Proposal
 - c. Kentucky CAIP Service Provider Contract w/Addendum (AIPSO Contracts)
 - d. Manual Revision Proposal – General Rule Changes needed for Transition
 - e. Manual Revision Proposal – Elimination of CASP
 - f. Manual Revision Proposal – Premium Audits
10. Other Business.
11. Adjournment.

Mark Hillis



Secretary –Treasurer and Manager

Cc: Deputy Commissioner Shawn Boggs, Kentucky Department of Insurance

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

A Governing Committee Meeting of the Kentucky Automobile Insurance Plan was held following the Annual Meeting on June 29, 2021 both in person, and 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
Thomas Assad	AIPSO

Staff:

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

Call to Order

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

Anti-Trust Preamble

The Chair advised the preamble was addressed in the Annual Meeting and participants were still bound.

Approval of Minutes

Mr. Schlich moved, Mr. Kepperling seconded a motion to approve the minutes of the June 11, 2020 and October 29, 2020 meetings, and to ratify the actions of the committee which included the prior mail vote (a) Approval for the PAIP to update its manual adopting ISO September 2018 language. 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 and hearing none asked for a motion to accept the nominations. Mr. Schlich moved to close and accept the nominations, Mr. Kepperling seconded, and the motion passed unanimously.

Kentucky Automobile Insurance Plan

2020 KAIP Independent Auditors Report

Ms. Antle presented the KAIP Independent Auditors Report. She indicated that no irregularities were noted and DMLO had issued a clean opinion based on the audit. She asked for questions, there were none and the report was accepted.

Mr. Hillis thanked Ms. Antle for her detailed knowledge of the residual market and her focus on saving industry dollars.

2020 KY CAIP Independent Auditors Report

Mr. Hillis presented the 2020 KY CAIP Statutory Financial Statement prepared by KPMG. There were no questions, and the report was accepted.

CAIP Servicing Carrier Allowance

The 2022 servicing carrier allowance (annual recalculation) was presented and discussed. These were: Expense Allocation of 18.1%; ALAE – direct reimbursement; and ULAE of 8.2%. Mr. Shockley moved that the 2022 allowance be approved, Mr. Moore seconded. The motion carried.

Mr. Hillis noted that 2022 would be the last year under the National Continental Contract and reminded the Committee that they had agreed in early 2020 to follow an AIPSO board recommendation that AIPSO be selected as the new servicing carrier. He noted that the Committees questions and request for updates would be discussed by Mr. Thomas Assad later in the meeting.

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 2021 of \$174,188 which was 5.5% under 2020. He noted that continued budget pressure comes 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 his AIPSO teams for assisting.
- c. Mr. Hillis noted that the Plans had continued to work hard over the last few years to make sure that each of the Plan employees were cross trained, so that they can efficiently share resources and allocate each employee based upon the needs of each Plan. This cross training now includes training to assist Plans in other states. He noted that the Plans, led by the FAIR Plan, have continued to assist other states through the FAIR Plan Alliance, billing other states for services. This offsets some of wages and benefits costs, reducing overall expenses in Kentucky – and at the same time, provides for savings and

Kentucky Automobile Insurance Plan

efficiencies in other states as well. Mr. Hillis noted that the FAIR Plan Alliance includes Kentucky, Indiana, Illinois, Wisconsin, and most recently, Missouri.

2. Plan Experience:

Mr. Hillis presented a PowerPoint presentation and discussed:

- a. Commercial auto results including PIF, written premium and net losses – presented by Mike Donovan with National Continental Insurance.
- b. Personal auto earned premiums and experience from the new PAIP program. Personal Auto applications and PAIP statuses were presented by Ms. Lux with the Plans. She noted that as of 4/30/21:
 - Total Written To-Date: 109
 - Total Cancelled: 85
 - Total In-Force: 24
 - Of the 24 in-force, 7 policies renewed into their second term
 - Of the 85 cancelled, 19 went full-term and 66 cancelled before the policy expired
 - Of the 66 policies cancelled before the policy expired, they were in force an average of 120 days

Ms. Lux noted that in May, there were no new applications to the Plan, and that 2 policies had cancelled resulting in a PIF of just 22.

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 +4.7 to be effective January 1, 2022, 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. Ms. Haston made a motion to adopt the needed rate changes for Private Passenger. It was seconded by Mr. Migliozi. The motion carried.

b. Commercial Auto Rate Review:

Two options were presented for the Commercial Auto Proposal. The first would result in a proposed change of +2.8%. This proposal would cap the recommended 13.1% at 25%. The second recommendation would be to file for the full 13.1%. Mr. Hillis noted that he had run this through both Deputy Commissioner D.J. Wasson, as well as Commissioner Clark. He noted that the reason for not capping is that the CAIP is not an insurance company as defined by the DOI. Further, that the CAIP is not to be a competitive market. And lastly, that the limited number of applications and in-force policies continued to reflect that the CAIP isn't being pressured by the markets. As such, Mr. Hillis recommended the Committee filing be made to keep the Plan on track with ISO loss costs, and to file for the full 13.1% rate in Commercial. This motion included movement of +/- 2.5% with any market changes, as well as allowing to file for the capped rate of 2.8% if

Kentucky Automobile Insurance Plan

the DOI were to decline the 13.1% filing. Following discussion and questions Mr. Schlich moved to accept the rates as presented, Mr. Moore seconded, and the motion was unanimous to approve the filing effective January 1, 2022.

Other Business

- (1) Mr. Hillis noted that there were three proposals for updates and noted that the Plan supported each of the following proposals.
 - a. Proposal – Commercial Payment Plans. This proposal is to make sure that when the Plans transition to AIPSO as the CAIP service provider, that the Plans remove some of the widespread variations that exists currently across multiple states. This will allow for consistency in payment options as well as minimum payment amounts for easier servicing. Mr. Moore moved to approve this change. Mr. Shockley seconded. The motion carried.
 - b. Proposal – Kentucky Commission Payments. The second proposal is to update the commission payment requirements again, for consistency across multiple states. This addresses how the Plan will be paying commission but will not impact the prior Committee decision reducing the percentage paid to 5%. Mr. Moore moved to approve this change. Ms. Mellinger seconded. The motion carried.
 - a. Proposal – Commercial Auto Parts ISO update. This final proposal is to update language from ISO 2013 language to 2020 language. Mr. Moore moved to approve this change. Mr. Schlich seconded. The motion carried.

- (2) Mr. Hillis then reminded the Committee that beginning on page 88 of their meeting handouts, the communication from AIPSO in March of 2020 which was reviewed last year and then voted on in April where the Governing Committee agreed that AIPSO may act as the service provider. He also reminded the Committee that they had asked AIPSO at that time to work proactively within the NAIC, and specifically, to work to communicate with states Commissioners of Insurance to educate them on the upcoming changes. Mr. Hillis then turned the meeting over to Mr. Thomas Assad to provide for an update on what AIPSO had done and would be doing to make sure that the transition to servicing carrier would be successful.

Mr. Assad began his discussion by reviewing the differences between an AIPSO managed Plan and a state managed Plan. He noted that AIPSO provided support to state managed Plans for services needed which included items such as adding a credit card payment option for Kansas.

Questions presented by the Committee to AIPSO prior to this meeting included the following for Mr. Assad to address:

- (1) **What appear to be the largest hurdles ahead which might cause for challenges in this transition from National Continental to AIPSO?** Mr. Assad

Kentucky Automobile Insurance Plan

noted that aside from System Development, and hiring Underwriting staff, that changing the AIPSO organization to be able to handle this business over this period of time. He noted that while the initial hopes were to have states write on their own paper, there were challenges with one states' DOI recognizing another states' residual market. As such, they have been working with National Specialty as a fronting company. As part of that potential arrangement, the expected 6.4% cost may be reduced (volume driven) to 4.5 – 5%. Mr. Moore asked Mr. Assad if the system work was hitting AIPSO's benchmarks. Mr. Assad noted that all programming goals were on target for all benchmarks.

(2) What are the risks to the success of this transition? And how is AIPSO working to mitigate those? Mr. Assad noted these to be system implementation, Plan language changes and compiling Best Practices for the transition.

(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. Mr. Assad noted that yes, AIPSO will be utilizing internal underwriting staff. He noted that AIPSO is working with National Continental to potentially hire a few of National Continentals staff which will be worked remotely from Cleveland, Ohio. He noted that lessons learned from the PAIP process were being utilized for the CAIP transition. Noting that claims licensing was now addressed and that he did not believe that was an issue currently. He noted that based upon what he has seen that Kentucky staff would continue to check on both claims and underwriting work. Finally, he noted that he believed that AIPSO would make it on time, and under budget. He noted that AIPSO will operate at the same service fee amount which we have agreed to with National Continental. But believes that over time, AIPSO will be able to operate at a lower expense than National Continental and potentially save funds for the operations.

(4) While AIPSO will be processing this work, as we understand it, Kentucky will remain the manager of the CAIP program, correct? Mr. Assad confirmed this will be the case. Mr. Assad noted that there are items beyond AIPSO's scope in which they would alert Kentucky staff quickly, such as, litigation, bad faith, and questionable claims.

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?** Mr. Assad noted that AIPSO will operate as we have hired AIPSO as a service provider and follow any required communications.

Kentucky Automobile Insurance Plan

(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? Mr. Assad referred back to his answers addressed under items 1, 2 and 3.

(6) What is the status of the policy and claims system which will allow this processing and handling to work? Mr. Assad referred back to his answer to item 3 but mentioned that claims will be handled by a TPA, similar to the PAIP transition. AIPSO is not considering a change to their claims handling model.

a. **The expectation of the GC is that the system is live by XX date with proactive updates available to the Board.** Mr. Assad noted that AIPSO will share benchmarks with the Plan Manager, Mr. Hillis, and in that manner, he will be able to share same with the Governing Committee.

(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? Mr. Assad indicated that AIPSO will work on ensuring communications to Kentucky.

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?** Mr. Assad noted that the AIO will utilize all documents which have previously been approved for National Continental's use. Mr. Hillis reminded the committee that for any Kentucky filing to be made, it goes out under his signature. And for Kentucky, all filings required his approval prior to being made. Mr. Assad noted that this varied by state, but that AIPSO would continue to follow prior agreements.

(8) What is the status of a proposed contract that AIPSO will present to states for their review and consideration for servicing the CAIP? Mr. Assad noted that the RMC approved Uniform Plan Language changes which would be rolled out state by state. Mr. Shockley asked if the contract would be negotiable on a state-by-state basis or if it would be a "take it or leave it" scenario. Mr. Assad noted that the proposed contract would be presented to the Plan for its review. But believed there to be room for some negotiation based upon the needs of an individual state. Mr. Assad indicated that he hoped a potential contract would be shared by November or December so that discussions could begin between states and AIPSO.

(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

Kentucky Automobile Insurance Plan

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? Mr. Assad noted that AIPSO had hired a Director of Regulatory Affairs who had prior worked for the NAIC in part, running committees. He noted that AIPSO is working on the regulatory authority and working across state lines. He noted that this work has not been done nationally, and that AIPSO is not ready to present anything to the NAIC.

(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.

Mr. Assad noted this as an opportunity area and that an internal project manager will pull together this process "fairly soon" so that Mr. Hillis had this detail which could be share with the Committee. Mr. Hillis noted that a basic monthly update which showed benchmarks and progress would be very beneficial to the group.

(3) Mr. Hillis reminded the Committee that the KIGA Employees are now paid under their own FEIN and had been transitioned into their own retirement Plans. He also noted that the Plans under his leadership as trustee has now added a Roth 401k option subject to a request by the Plans CPA.

Executive Committee Review of 2022 Budget, Assessment, and Fall Meeting

Mr. Moore then noted that the Governing Committee has typically asked the Executive Committee to review the 2022 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.

Mr. Schlich 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. Mellinger seconded, and the motion carried.

Kentucky Department of Insurance Comments

Director Boggs provided an update from the Kentucky Department of Insurance:

- The DOI will be returning to the office beginning the week following Independence Day and follow a hybrid schedule.
- The DOI appreciates the industry protection provided to the consumers of the Commonwealth through the residual markets, as well as by the standard markets.
- The DOI, and Commissioner Clark appreciate front end communication and the DOI is always here to help.
- The DOI will allow visitors with advance notice after they have reopened.

Kentucky Automobile Insurance Plan

- Mr. Boggs reminded everybody that Commissioner Clark absolutely promoted proactive communication on items as were addressed today, and that the DOI did not want to see any backend communication.
- He thanked the committee members and Mr. Hillis for the invitation and continued support.

Adjournment

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mark Hillis". The signature is written in a cursive style with a large initial "M" and "H".

Mark Hillis
Secretary - Treasurer

Kentucky Automobile Insurance Plan

Minutes

A meeting of the Kentucky Automobile Insurance Plan Executive Committee was held at 11:00 AM on October 26, 2021 at the Plan offices.

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. The motion carried.

4. 2022 Budget and Assessment

Mr. Hillis recommended a KAIP administrative budget and assessment of \$180,644 for 2022. Mr. Hillis noted that this did represent a 3.7% increase over 2021. This slight increase is based upon increases in health benefits, computer systems and travel. The last two related to the additional work related to the transition from National Continental to National Specialty and CAIP to Kentucky and AIPSO and the additional work required for same.

Mr. Hillis noted that of the recommended \$180,644 expense budget, he was only recommending an assessment of just \$135,306 due to excess funds in the KAIP accounts due to coming in under budget.

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 \$100,000 (a 23% reduction from 2021) be included to reflect anticipated losses to the program for 2022. Mr. Hillis noted that the transition from a LAD program to the PAIP program continues to be saving the industry substantial money, and at the same time, providing security to consumers of the Commonwealth who needed coverage.

Kentucky Automobile Insurance Plan

Mr. Moore moved to approve the KAIP Administrative Expense Budget of \$180,644, to approve the KAIP Expense Assessment of \$135,306, and to accept the PAIP Assessment of \$100,000. Mr. Shockley seconded. And the motion carried.

Following the motion, Mr. Hillis provided an update on the FAIR Plan Alliance, and spoke about the Plans allocation of employees. Focusing on saving the industry money, and providing for additional operational efficiencies as residual markets continue to decline in size. Mr. Hillis noted that Kentucky was currently providing services to Illinois (50% of the claims handling, 50% of their accounting, 100% of their print, and portions of their IT and systems work); to Missouri (100% of their claims work); to Wisconsin (50% of their claims handling); and Indiana (back up underwriting). He noted that Kansas had inquired about Kentucky taking over their claims handling. And Illinois may be asking Kentucky to consider taking over 50% of their underwriting. Mr. Hillis noted that the savings to the industry in 2022 with just these items could reach \$500,000 in the first year.

5. Other Business

a. PAIP Q3 Results and Updates

Mr. Hillis noted that there continued to be opportunities related to the handling of the PAIP program. However, he noted that this was improving. Kentucky continues to provide oversight on claims in both Kentucky, but also for Kansas.

YTD WP: \$42,916

PAID LOSSES: \$13,796

LOSS RESERVES: \$65,001

PIF: 14

WRITTEN (2021): 15

AVERAGE IN-FORCE DAYS: 140

b. NCIC to AIO (AIPSO INSURANCE OPERATIONS)

Mr. Hillis indicated that as part of the preparations for this transition, AIPSO has begun securing hiring agreements with current NCIC staff. So far, they have approximately 70 commitments. However, in order to successfully make this transition, we need to approve allowing NCIC to use these individuals as subcontractors. The committee briefly reviewed the letter from Brian Courtney (President of NCIC) addressing same. Mr. Shockley moved to approve this. Mr. Moore seconded and the motion carried.

Mr. Hillis then reviewed the progress with AIPSO. He noted that after Kansas and Kentucky asked AIPSO for updates, AIPSO agree to provide 30 day status reports to address staffing, systems and contracts.

Mr. Hillis reminded the committee, that as part of Kentucky agreement in 2020, the full Governing Committee had approved AIPSO as the service provider, but as a condition, asked AIPSO to be proactive in informing the NAIC and insurance commissioners of the need, and the change. He noted that in one of his many

Kentucky Automobile Insurance Plan

periodic updates to Kentucky Commissioner Sharon Clark, it was evident that there had been no communication at the NAIC level. Commissioner Clark immediately contacted Kansas Commissioner Vicky Schmidt who heads the C committee and confirmed that there had been no communication.

Commissioner Clark had asked for a joint meeting to include the Plan managers from Kansas and Kentucky. This meeting took place and Commissioner Clark asked about the potential need for her office to regulate AIPSO. At this point, that may not be the focus. However, Mr. Hillis speculates that should AIPSO not work to proactively inform states, that this may be something that the NAIC and specific states look at closely.

Mr. Hillis then gave the committee an update on contract discussions. The committee recalls that the PAIP contract discussions took well over 18 months. Mr. Hillis noted that both the Kansas manager and Kentucky manager had been asking for advance drafts of any proposed contract for AIPSO to be the service provider. These drafts were finally received on October 20th. However, these drafts are related to the fronting company mainly, and do not address the service provider (AIPSO). Mr. Hillis noted that he would be attending meetings with the VP of AIPSO, and the Kansas manager on November 9th to further review these contracts. He noted that he believed that the Kentucky DOI was also interested in reviewing these contracts with their concern that they are drafted by AIPSO, and may not be written in such a manner that Kentucky is protected by the service provider (AIPSO).

The committee then briefly reviewed proposed Amendments to sections of the Kentucky manual titled "CAIP Service Provider Transition Amendments". The majority of the recommended changes are in line. However, within Section 31, the term "Servicing Carrier" is not clearly defined. There has been the transition from Servicing Carrier and Service Provider with the latter referring to AIPSO. And the "Carrier" referring to NCIC. Mr. Hillis noted that he would work to secure clarification on same. And the committee agreed, that Performance Standards were critically important and needed to be addressed for the Service Provider (AIPSO) either in the manual, or within the contract. Once clarification has been secured, Mr. Hillis will return this to the full Governing Committee either via mail vote, or at the spring/summer KAIP meeting.

c. Salary Range Adjustments and Merit Increase Reviews

Mr. Hillis reviewed the included PIPSO documents related to initial indications for 2022 salary range and merit increases. Recommending a 2.1% increase in salary ranges and 3.2% overall increase for merits. Mr. Hillis noted that these documents had been provided to the Compensation and Benefits Committee for their review of October 19th, along with their recommended changes to the Incentive Bonus Plan.

Mr. Hillis noted the exceptional work of the team and provided a brief overview of the continued cost savings of the Plans, as well as the FAIR Plan Alliance and the billings the Plan had made in 2021 to offset Kentucky's costs. He

Kentucky Automobile Insurance Plan

noted that these efforts continued to grow and that he expected 2022 to offer even more savings to both Kentucky, as well as the industry in various states.

After general discussion, Mr. Hillis left the room so that Mr. Moore and Mr. Shockley could review confidential discussions between Mr. Moore and the Compensation and Benefits Committee.

After discussion, Mr. Hillis was asked to return to the meeting. The Executive Committee provided Mr. Hillis with his evaluation, as well as provided Mr. Hillis with authorization of 3.2% for merit and 2.1% for salary adjustments for the team. The Executive Committee gave Mr. Hillis a 7.3% salary increase and Mr. Moore noted that he would send Mr. Hillis an email confirming same.

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

Respectfully submitted,



Mark Hillis
Secretary-Treasurer

ELECTION OF OFFICERS
Kentucky Automobile Insurance Plan Governing Committee
2022

Name and Address
<p>George Moore (Chair) Vice President – Kentucky Associated General Contractors 320 North Evergreen Road Louisville, KY 40243 (502) 671-3737 George.Moore@AGCSIF.com</p>
<p>Rodney Shockley (Vice-Chair) Chief Executive Officer – Kentucky National Insurance 2709 Old Rosebud Rd. Lexington, KY 40509 (859) 264-0030 roshockley@forchtgroup.com</p>
<p>Stephen “Mark” Hillis (Secretary-Treasurer, Manager) Executive Director – Kentucky Insurance Plans 10605 Shelbyville Road Suite 100, Louisville, KY 40223 (502) 327-8909 Shillis@kyfairplan.com</p>



KENTUCKY AUTOMOBILE INSURANCE PLAN
Year Ended December 31, 2021

<u>Financial Highlights</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Cash and cash equivalents	\$ 838,899	\$ 1,145,759
Premiums receivable	\$ 3,359	\$ 5,039
Assessment receivables	\$ 470,789	\$ 202,807
Other receivables	\$ 101,888	\$ 106,853
Total admitted assets	\$ 1,414,935	\$ 1,460,458
Insurance reserves	\$ 139,382	\$ 313,723
Accounts payable and accrued expenses	\$ 28,067	\$ 38,540
Total liabilities	\$ 167,449	\$ 352,263
Net assets	\$ 1,247,486	\$ 1,108,195
Premiums earned	\$ 74,342	\$ 107,241
Change in premiums earned	-30.7%	
Assessments	\$ 157,738	\$ 304,172
Underwriting expenses	\$ (97,389)	\$ 491,514
Change in underwriting expenses	-119.8%	
Management and general expenses	\$ 190,213	\$ 197,862
Change in net assets	\$ 139,291	\$ (272,983)
Net cash flow from operations	\$ (306,860)	\$ (28,249)

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 for the loss and loss adjustment expense reserves
- Net adjustments made to the financial statements resulted in a change in net assets of \$156,805
- One adjustment waived to accrue payroll and PTO with would have resulted in a change in nest assets of \$(1,247)
- One internal control recommendation to monitor and reievw thrid party service providers

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KENTUCKY AUTOMOBILE INSURANCE PLAN

REPORT TO MANAGEMENT

Year Ended December 31, 2021

Table of Contents

	Page
Communication with Those Charged with Governance	1 - 3
Management Letter	4



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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, 2021, and have issued our report thereon dated March 3, 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 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 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.

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 disclosure affecting the financial statements was:

The disclosure of liability for 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. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management.

	<u>Change in Net Assets</u>
Adjust assessments	\$130,000
Record receivable	<u>13,000</u>
	<u>\$143,000</u>

The following adjustment for the Plan, based on our non-attest services provided was recorded by management:

	<u>Change in Net Assets</u>
Record and adjust assessments	<u>\$13,805</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>\$(1,247)</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, 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.

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.

Deming, Malone, Linsay & Petroff

Louisville, Kentucky
March 3, 2022



deming malone
livesay + ostroff

To the Governing Committee
Kentucky Automobile Insurance Plan
Louisville, Kentucky

Except as discussed in the following paragraph, in planning and performing our audit of the financial statements of Kentucky Automobile Insurance Plan as of and for the year ended December 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered Kentucky Automobile Insurance Plan's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of issuing our report on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

During our audit we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. The following summarizes our comment and recommendation regarding this matter. This letter does not affect our report dated March 3, 2022 on the financial statements of Kentucky Automobile Insurance Plan.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and recommendation with management, and we will be pleased to discuss it in further detail at your convenience.

Monitoring and Review

The Plan has entered into a service agreement with AIPSO to administer the Personal Auto Insurance Program (PAIP). As part of this agreement, AIPSO handles the financial reporting of PAIP. However, it is management's responsibility to monitor and review the financial reporting of PAIP prepared by AIPSO. During our audit, we had to make a material audit adjustment related to assessments of the PAIP operations. We also noted that AIPSO paid an invoice of another state's plan out of Kentucky Automobile Insurance Plan's share of the liquid asset trust. We recommend management monitor and review the financial reporting information received from AIPSO for PAIP on a regular basis for any inconsistencies or irregularities.

This information is intended solely for the use of 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.

Deming, Malone, Livesay & Ostroff

Louisville, Kentucky
March 3, 2022

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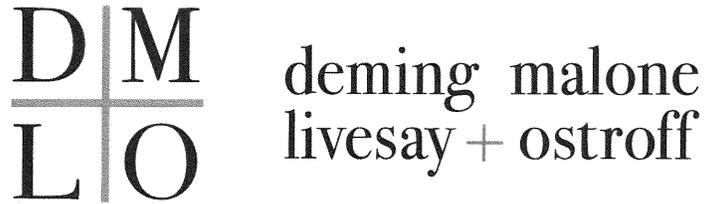
KENTUCKY AUTOMOBILE INSURANCE PLAN

FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

Table of Contents

	Page
Independent Auditors' Report	1 - 3
Financial Statements	
Statements of admitted assets, liabilities, and net assets - statutory basis	4
Statements of revenues, expense, and other changes in net assets - statutory basis	5
Statements of cash flows - statutory basis	6
Notes to financial statements	7 - 13



Independent Auditors' Report

To the Governing Committee
Kentucky Automobile Insurance Plan

Opinions

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, 2021 and 2020, 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.

Unmodified 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, 2021 and 2020, 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.

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 section of our report, 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, 2021 and 2020, or the changes in its net assets or its cash flows for the years then ended.

Basis for Opinions

We conducted our audits 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 Automobile Insurance 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 unmodified audit opinion on the statutory basis of accounting and our adverse opinion on U.S. generally accepted accounting principles.

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 and pervasive.

Responsibilities of Management 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, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Kentucky Automobile Insurance Plan's ability to continue as a going concern within one year after the date that the financial statement are available to be issued.

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, including omissions, 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 Automobile Insurance 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 Automobile Insurance 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, Linsay & Petroff

Louisville, Kentucky
March 3, 2022

KENTUCKY AUTOMOBILE INSURANCE PLAN
STATEMENTS OF ADMITTED ASSETS, LIABILITIES, AND
NET ASSETS - STATUTORY BASIS
December 31, 2021 and 2020

Admitted Assets	2021	2020
Cash and cash equivalents	\$ 838,899	\$ 1,145,759
Premiums receivable	3,359	5,039
Assessment receivables	470,789	202,807
Other receivables	101,888	106,853
Total admitted assets	\$ 1,414,935	\$ 1,460,458
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 21,606	\$ 21,443
Accrued expenses	6,461	17,097
Insurance reserves:		
Losses	100,793	225,139
Loss adjustment expense	10,375	22,014
Unearned premiums	18,632	44,183
Premium deficiency	9,582	22,387
	139,382	313,723
Total liabilities	167,449	352,263
Net Assets	1,247,486	1,108,195
Total liabilities and net assets	\$ 1,414,935	\$ 1,460,458

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenues		
Assessments	\$ 157,738	\$ 304,172
Premiums earned	74,342	107,241
Net investment return	35	2,630
Other income	<u> </u>	<u>2,350</u>
Total revenues	<u>232,115</u>	<u>416,393</u>
Expenses		
Program - underwriting expenses:		
Losses	(110,550)	371,846
Loss adjustment	(9,717)	40,138
Commissions	1,589	11,051
Service provider fees	13,238	13,287
Other	<u>8,051</u>	<u>55,192</u>
	<u>(97,389)</u>	<u>491,514</u>
Management and general:		
Salaries	58,362	69,232
Professional fees	42,209	41,568
Health insurance	20,063	19,552
Management fees	19,967	30,855
Other	16,852	8,667
Computer	14,859	4,704
Retirement	7,471	10,711
Rent	6,400	7,676
Payroll taxes	<u>4,030</u>	<u>4,897</u>
	<u>190,213</u>	<u>197,862</u>
Total expenses	<u>92,824</u>	<u>689,376</u>
Change in net assets	139,291	(272,983)
Net assets at beginning of year	<u>1,108,195</u>	<u>1,381,178</u>
Net assets at end of year	<u>\$ 1,247,486</u>	<u>\$ 1,108,195</u>

See Notes to Financial Statements.

KENTUCKY AUTOMOBILE INSURANCE PLAN
STATEMENTS OF CASH FLOWS - STATUTORY BASIS
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Cash received from customers, members and others	\$ 339,257	\$ 432,463
Cash paid to suppliers, employees, members and others	(646,154)	(466,311)
Net investment and other income received	<u>37</u>	<u>5,599</u>
Net cash used in operating activities	<u>(306,860)</u>	<u>(28,249)</u>
Net decrease in cash and cash equivalents	(306,860)	(28,249)
Cash and cash equivalents at beginning of year	<u>1,145,759</u>	<u>1,174,008</u>
Cash and cash equivalents at end of year	<u>\$ 838,899</u>	<u>\$ 1,145,759</u>
Reconciliation of Change in Net Assets to Net Cash Used in Operating Activities		
Change in net assets	\$ 139,291	\$ (272,983)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Changes in assets and liabilities:		
(Increase) decrease in:		
Premiums receivable	1,680	3,789
Assessment receivables	(267,982)	(36,019)
Other receivables	4,965	50,634
Increase (decrease) in:		
Accounts payable	163	(8,858)
Accrued expenses	(10,636)	14,839
Insurance reserves	<u>(174,341)</u>	<u>220,349</u>
Net cash used in operating activities	<u>\$ (306,860)</u>	<u>\$ (28,249)</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.

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.

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 practices vary in some respects from accounting principles generally accepted in the United States of America. 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, 2021 and 2020 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, 2022, 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, 2021 and 2020, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$338,899	\$645,759
Receivables	<u>576,036</u>	<u>314,699</u>
	<u>\$914,935</u>	<u>\$960,458</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, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Reserves, beginning of year	\$247,153	\$ 48,773
Incurring loss and loss adjustment expenses:		
Provision for insured events of current year	25,302	130,035
Change in provision attributable to prior events	<u>(136,347)</u>	<u>310,647</u>
Total incurred	<u>(111,045)</u>	<u>440,682</u>
Payments:		
Attributable to current year events	9,245	65,447
Attributable to prior year events	<u>15,695</u>	<u>176,855</u>
Total paid	<u>24,940</u>	<u>242,302</u>
Reserves, end of year	<u>\$111,168</u>	<u>\$247,153</u>

NOTES TO FINANCIAL STATEMENTS

Note 4. Member Assessments

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.

PAIP assessments are reapportioned each year based on actual operations. Reapportionment may result in a refund of assessments in years of excess cash. The Plan refunded assessments of \$381,067 during the year ended December 31, 2021.

Note 5. 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 6. Related Party Transactions

Kentucky Assigned Claims Plan, Kentucky Insurance Arbitration Association, 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.

Following is a summary of transactions and balances under the cost sharing agreement for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Payable at the beginning of the year	\$ (21,938)	\$ (29,633)
Expenses allocated during the year	(157,478)	(154,740)
Payments made during the year	<u>157,365</u>	<u>162,435</u>
Payable at the end of year	<u>\$ (22,051)</u>	<u>\$ (21,938)</u>

NOTES TO FINANCIAL STATEMENTS

Note 7. 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 \$7,471 and \$10,711, for the years ended December 31, 2021 and 2020, respectively.

Costs are allocated in accordance with the cost sharing agreement as described in Note 6.

Note 8. Operating Lease

The Plan leases office space from the Kentucky FAIR Plan Reinsurance Association under an operating lease through December 31, 2022. 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, 2022. Rent expense was \$6,400 and \$7,676 for the years ended December 31, 2021 and 2020, respectively.

Note 9. 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, 2021, the Plan's uninsured cash balance totaled approximately \$602,000.

Note 10. 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, 2021 and 2020, the Plan incurred expenses of \$35,000 and \$47,500, 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, 2021 and 2020, the Plan had a receivable due from AIPSO of \$12,500 and \$40,191, 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.

NOTES TO FINANCIAL STATEMENTS

Note 11. 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, 2021, economic and public health uncertainties continue to 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.



"Serving the Insurance Industry"

May 16, 2022

Mark Hillis, Executive Director
Kentucky Automobile Insurance Plan
10605 Shelbyville Road, Suite 100
Louisville, KY 40223

RE: 2021 KENTUCKY CAIP FINANCIAL STATEMENTS

Dear Mr. Hillis:

Enclosed is a copy of the 2021 audited financial statement and statement of cash receipt and disbursement for the Kentucky CAIP. The Independent Auditors Report is from KPMG and their opinion makes reference to the Plan's Accounting and Statistical Requirements Manual instead of referencing the NAIC.

In order to assist you in reviewing this report, I would like to clarify the following points:

Audited Financial Statements

- The April 29, 2022 date on the Independent Auditors Report represents the actual date the auditors completed their fieldwork. These reports were then subsequently reviewed at different levels of management of the auditing firm before it was sent to the printer and then to AIPSO. The final reports were received by AIPSO on May 5, 2022.
- Under the headings titled, *Basis for Disclaimer of Opinion and Disclaimer of Opinion*, of the Independent Auditors Report, the auditors do not express an opinion on the financial statement due to the auditors lack of access to the underlying underwriting detail of the data reported by the servicing carriers.
- Under the heading titled, *Basis of Accounting*, of the Independent Auditors Report, the auditors are noting that the financials are prepared using provisions of Section B. of the Accounting and Statistical Requirements Manual, which varies from U.S. generally accepted accounting principles.

Statement of Cash Receipts and Disbursement

- The April 29, 2022 date on the Independent Auditors Report represents the actual date the auditors completed their fieldwork. These reports were then subsequently reviewed at different levels of management of the auditing firm before it was sent to the printer and then to AIPSO. The final reports were received by AIPSO on May 5, 2022.
- Under the heading titled, *Opinion*, the auditors state that the cash receipts and disbursements are presented fairly, in all material respects. The cash receipts and disbursements are prepared on a cash basis, which is a comprehensive basis of accounting other than U.S. GAAP. Per Note 2 in the report, the primary difference between the cash basis and the accrual basis of accounting required by U.S. GAAP principles is that revenue is recognized when received rather than when earned and expenses are recorded when paid rather than when incurred.

Please distribute this financial statement to the Governing Committee. Please note the restriction listed in the cover letter labeled "Independent Auditors Report", last paragraph. If you have any questions or need additional copies, please contact me.

Sincerely,

A handwritten signature in cursive script, appearing to read "David Maynard".

David Maynard
Manager- Financial and Investment Services

Enclosure

cc: T. Assad
K. Leeman
E. Sullivan



**KENTUCKY COMMERCIAL AUTOMOBILE
INSURANCE PROCEDURE**

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

August 31, 2021 and 2020

(with Independent Auditors' Report Thereon)



**KENTUCKY COMMERCIAL AUTOMOBILE
INSURANCE PROCEDURE**

Financial Statements

August 31, 2021 and 2020

(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 statements of assets, liabilities, and accountability of members as of August 31, 2021 and 2020, and the related statements of operations, and statements of changes in accountability of members 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 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, 2021 and 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 statements of assets, liabilities and accountability of members, statements of operations, and statements 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.



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
April 29, 2022

**KENTUCKY COMMERCIAL AUTOMOBILE
INSURANCE PROCEDURE**
Statements of Assets, Liabilities, and Accountability of Members
August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 8,872	\$ 270,106
Accounts receivable - member companies	1,501,830	59,869
Accounts receivable - servicing carriers	-	601,435
Accrued interest receivable	-	17
	<u> </u>	<u> </u>
Total assets	<u>\$ 1,510,702</u>	<u>\$ 931,427</u>
LIABILITIES AND ACCOUNTABILITY OF MEMBERS		
LIABILITIES		
Loss reserves	\$ 485,204	\$ 1,969,124
Allocated loss adjustment expense reserves	24,957	80,960
Unearned premiums	54,869	884,842
Premium deficiency reserve	5,457	27,133
Accounts payable - member companies	648	590,047
Accounts payable - servicing carriers	672,352	-
Accounts payable - AIO	11,953	-
Accounts payable - AIPSO	1,497	1,191
Accrued expenses	23,055	19,935
	<u> </u>	<u> </u>
Total liabilities	1,279,992	3,573,232
ACCOUNTABILITY OF MEMBERS	<u>230,710</u>	<u>(2,641,805)</u>
	<u> </u>	<u> </u>
Total liabilities and accountability of members	<u>\$ 1,510,702</u>	<u>\$ 931,427</u>

See accompanying notes to the financial statements.

**KENTUCKY COMMERCIAL AUTOMOBILE
INSURANCE PROCEDURE**
Statements of Operations
Years ended August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Premiums earned	\$ 262,909	\$ 824,018
Losses incurred	634,073	1,025,988
Allocated loss adjustment expense (recovered) incurred	(26,967)	35,658
Unallocated loss adjustment expense allowance	22,006	90,900
Change in premium deficiency reserve	(21,676)	27,133
Administrative allowance (recovered) expense	(106,902)	267,901
Commissions (recovered) expense	(37,973)	84,315
Supplemental fee expense	25,985	-
Premium tax (recovered) expense	(11,342)	28,683
	<u>477,204</u>	<u>1,560,578</u>
Total underwriting expense		
Underwriting loss	(214,295)	(736,560)
Premiums charged off	(243,509)	(6,432)
Insolvent company recovered	143	10,885
Indemnification expense	(3,466)	(443)
Central processor expense	(15,019)	(14,059)
Miscellaneous expense	(2,360)	(702)
	<u>(478,506)</u>	<u>(747,311)</u>
Loss from operations		

See accompanying notes to the financial statements.

**KENTUCKY COMMERCIAL AUTOMOBILE
INSURANCE PROCEDURE**
Statements of Changes in Accountability of Members
Years ended August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Accountability of members, beginning of year	\$ (2,641,805)	\$ (1,294,572)
Settlement activity for period		
Change in settlement	3,351,021	(599,922)
Loss from operations	<u>(478,506)</u>	<u>(747,311)</u>
Accountability of members, end of year	<u>\$ 230,710</u>	<u>\$ (2,641,805)</u>

See accompanying notes to the financial statements.

KENTUCKY COMMERCIAL AUTOMOBILE INSURANCE PROCEDURE

Notes to Financial Statements

Years ended August 31, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020 was \$250 and \$1,846, 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, 2021 and 2020 was \$10,368 and \$16,992, 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, 2021 and 2020

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, 2021 and 2020 was computed by AIPSO and was \$5,457 and \$27,133, 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, 2021 and 2020, 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, 2021 and 2020, the CAIP incurred indemnification expenses of \$3,466 and \$443, respectively.

**KENTUCKY COMMERCIAL AUTOMOBILE
INSURANCE PROCEDURE**
Notes to Financial Statements
Years ended August 31, 2021 and 2020

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>2021</u>	<u>2020</u>
Balance at September 1	\$ 1,969,124	\$ 1,335,904
Incurred related to		
Current year	55,863	789,222
Prior years	578,210	236,766
Total incurred	<u>634,073</u>	<u>1,025,988</u>
Paid related to		
Current year	87,906	94,246
Prior years	2,030,087	298,522
Total paid	<u>2,117,993</u>	<u>392,768</u>
Balance at August 31	<u>\$ 485,204</u>	<u>\$ 1,969,124</u>

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

	<u>2021</u>	<u>2020</u>
Balance at September 1	\$ 80,960	\$ 74,730
Incurred (recovered) related to		
Current year	(111)	(47)
Prior years	(26,856)	35,705
Total (recovered) incurred	<u>(26,967)</u>	<u>35,658</u>
Paid related to		
Current year	-	-
Prior years	29,036	29,428
Total paid	<u>29,036</u>	<u>29,428</u>
Balance at August 31	<u>\$ 24,957</u>	<u>\$ 80,960</u>

KENTUCKY COMMERCIAL AUTOMOBILE INSURANCE PROCEDURE

Notes to Financial Statements

Years ended August 31, 2021 and 2020

The CAIP is unable to determine the reasons for the change in the liability for loss reserves 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

Currently, there is only one active servicing carrier in the CAIP Program. On January 13, 2020, the servicing carrier informed the industry of its intention to exit the servicing carrier program, effective August 31, 2022. To maintain the viability of the CAIP program for the future, the AIPSO Board of Directors recommended that AIPSO Insurance Operation (AIO) assume the role of countrywide CAIP service provider, using a fronting company model to write CAIP policies. The Governing Committees of each CAIP have agreed to move forward with this recommendation.

AIPSO is currently in the process of expanding its insurance operations to provide CAIP services to all 43 mechanisms, and a national insurance company has been contracted by AIO to write policies under the new arrangement, effective September 1, 2022. A supplemental CAIP servicing carrier fee of \$3.5 million was assessed to the industry and each state was allocated its proportional share based on the state's total CAIP written premium to total countrywide CAIP written premium. This proportional supplemental fee expense, included in the statement of operations, is to assist AIPSO in funding its insurance expansion to service all CAIP states. There will be no change in the operation of the CAIP mechanism when the new arrangement becomes effective. Premiums, expenses, and losses will be pooled through CAIP and the operating results shared among companies writing other than private passenger automobile insurance in the voluntary market.

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 cancellations 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 April 29, 2022, 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, 2021 and 2020
(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 statements of cash receipts and disbursements accounted for by the Central Processor of the Kentucky Commercial Automobile Insurance Procedure (the "CAIP") for the years ended August 31, 2021 and 2020, and the related notes (the financial statements).

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash receipts and disbursements of the Kentucky Commercial Automobile Insurance Procedure for the years ended August 31, 2021 and 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 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 U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.



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
April 29, 2022

**KENTUCKY COMMERCIAL AUTOMOBILE
INSURANCE PROCEDURE**
Statements of Cash Receipts and Disbursements
Accounted for by the Central Processor
Years ended August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
RECEIPTS		
Collections from member companies	\$ 1,910,437	\$ 199,827
Collections from servicing carriers	601,435	51,276
Miscellaneous income	<u>1,062</u>	<u>7,626</u>
Total receipts	<u>2,512,934</u>	<u>258,729</u>
DISBURSEMENTS		
Distributions to member companies	590,375	262,266
Distributions to servicing carriers	2,151,448	325,993
Central processor expense	14,727	14,469
Supplemental fee expense	14,032	-
Miscellaneous expense	<u>3,586</u>	<u>3,078</u>
Total disbursements	<u>2,774,168</u>	<u>605,806</u>
Receipts under disbursements	(261,234)	(347,077)
Cash and cash equivalents, beginning of year	<u>270,106</u>	<u>617,183</u>
Cash and cash equivalents, end of year	<u>\$ 8,872</u>	<u>\$ 270,106</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, 2021 and 2020

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. 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 April 29, 2022, which is the date the statements of cash receipts and disbursements accounted for by the Central Processor were available to be issued.



April 12, 2022

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

**2023 CAIP SERVICING CARRIER ALLOWANCE
ANNUAL RECALCULATION
KENTUCKY AUTOMOBILE INSURANCE PLAN**

Below are the 2023 CAIP servicing carrier allowances, calculated in accordance with the Plan of Operation, to be effective March 1, 2023. In addition, the 2022 CAIP servicing carrier allowances are provided for Governing Committee reference.

KENTUCKY AUTO INSURANCE PLAN		
Administrative Expense Allowance as a Percentage of Written Premiums		
Coverage	2022	2023
Liability	18.1%	18.0%

Loss Adjustment Expense Allowance as a Percentage of Earned Premiums		
Coverage	2022	2023
Liability - ULAE	8.2%	9.1%
Liability - ALAE	Direct Reimbursement	

These fee percentages are applicable to both the new service provider and the run-off servicing carrier (for any premiums earned during the year). Agreements with the servicing carrier and service provider require six months' advance written notification of any revision to the allowance. Following review by the Governing Committee, proper notification of the change in allowance must be issued to servicing carrier/service provider not later than September 1, 2022.

Thank you,

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

Kentucky Auto Insurance Plan

Budget Status

Line Item	2019 Budget	2020 Budget	2021 Budget	2021 Final
Wages (W-2)	\$ 67,980	\$ 58,987	\$ 52,478	\$ 54,973
Payroll Taxes	\$ 6,798	\$ 5,899	\$ 5,248	\$ 4,030
Pension Benefits	\$ 8,973	\$ 7,786	\$ 6,927	\$ 6,080
401K Match	\$ 2,039	\$ 1,770	\$ 1,574	\$ 1,391
Office Supplies, Printing & Equip.	\$ 2,200	\$ 2,200	\$ 2,000	\$ 455
Professional Services	\$ 33,820	\$ 39,438	\$ 42,085	\$ 29,809
Human Resources	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,920
Rent	\$ 7,930	\$ 7,930	\$ 6,400	\$ 6,400
Telephone and Telephone Equip.	\$ 2,600	\$ 2,600	\$ 2,700	\$ 615
Travel	\$ 4,600	\$ 5,500	\$ 4,500	\$ 8,921
Meals and Entertainment	\$ 1,000	\$ 1,000	\$ 1,000	\$ 853
Insurance - P & C	\$ 6,998	\$ 7,208	\$ 6,980	\$ 2,082
Health and Employee Benefits	\$ 16,670	\$ 9,294	\$ 8,669	\$ 20,063
Postage	\$ 2,000	\$ 2,000	\$ 1,500	\$ 287
Computer and Systems	\$ 10,213	\$ 13,987	\$ 15,320	\$ 14,859
Dues & Subscriptions	\$ 400	\$ 400	\$ 400	\$ 825
Board Meetings	\$ 500	\$ 500	\$ 500	\$ 398
Education	\$ 300	\$ 300	\$ 300	\$ -
Miscellaneous	\$ 1,000	\$ 1,000	\$ 1,000	\$ 118
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	\$ -
Total	\$ 190,298	\$ 184,327	\$ 174,188	\$ 154,079

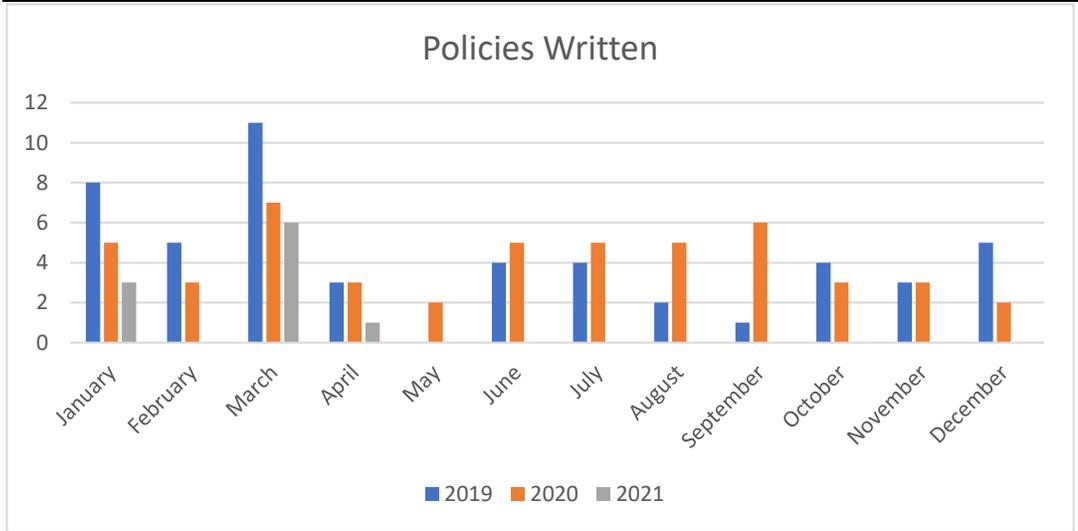
Underwriting Roll Up

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	Lipsey	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	
TOTAL	50	49	10





"Serving the Insurance Industry"

May 17, 2022

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>
01/01/2018	+7.8%
01/01/2019	+23.0%
01/01/2020	+13.2%
01/01/2021	+9.8%
01/01/2022	+4.7%

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

New Applications – Private Passenger Liability

	<u>03/21</u>	<u>03/22</u>
12 Months Ending	40	9
YTD Ending	10	0
Month Ending	6	0

Last year we developed an experience-based indication of +4.7% 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 only PAIP experience and proposed effective dates of January 1, 2023 for new business and February 1, 2023 for renewal business. The overall indication is +11.1%. We propose to take the full indicated change, which results in a monetary impact of \$15,109 based on 2020 earned premiums. Please see Exhibit 1 for details.

Note on Covid-19: The indications include an adjustment factor of 0.98 for the pre-covid years 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. Additionally, our trend selections were based on the March 2020 pre-covid trend data.

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



Lauren Singh
 Actuarial Analyst
 (401) 429-1566
Lauren.Singh@aipso.com

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	2 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 2020 Premium*
Residual Bodily Injury	118,664	92.1%	11%	-1.5%	8.8%	8.8%	6,180
Bodily Injury	0	92.1%	11%	-1.5%	8.8%	8.8%	0
Property Damage	58,695	121.9%	12%	-1.0%	13.8%	13.8%	4,837
Personal Injury Protection	48,622	123.0%	13%	-5.9%	10.9%	10.9%	3,122
Medical Payments	0	34.5%	13%	-5.9%	-0.6%	-0.6%	(210)
Uninsured BI (UMBI)	879	1538.5%	4%	-1.5%	60.1%	60.1%	327
Underinsured BI (UIMBI)	1,703	1538.5%	4%	-1.5%	60.1%	60.1%	643
Total	228,563	122.7%		-2.3%	11.1%	11.1%	15,109

NOTES:

Proposed Effective Dates: January 1, 2023 New; February 1, 2023 Renewal

Most Recent Rate Change: 4.7% on January 1, 2022

* Calendar Year 2020 Premium at Current Level is \$135,533



"Serving the Insurance Industry"

May 17, 2022

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>
01/01/18	+5.7%
01/01/19	+9.1
01/01/20	+18.2
01/01/21	+1.9
01/01/22	+13.1

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

	<u>New Applications – Commercial</u>	
	<u>03/21</u>	<u>03/22</u>
12 Months Ending	13	21
YTD Ending	4	4
Month Ending	2	2

Last year we developed a rate indication of +13.1% based on financial data. We filed the full uncapped change. 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 2011 through 2020 evaluated as of November 30, 2021. Since this data is not fully credible, we have used loss ratio trend as the ballast to credibility.

The resulting overall rate indication is +12.5% based on assumed effective dates of January 1, 2023 for new business and February 1, 2023 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. We propose to file the full uncapped change, which results in an estimated monetary impact of \$110,775.

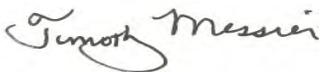
Covid-19: Consistent with recent ISO commercial auto filings, this indication has no explicit adjustment for Covid-19. ISO expects that long-term behavioral, social, and economic changes due to Covid-19 will have negligible and/or offsetting effects on commercial auto loss costs. They did recently adjust their accident year weights to give less weight to the latest year; we have not done this since our indication uses 10-years of data. We do continue to use the March 2020 pre-covid trend data to project historical loss data into the proposed effective period.

ATTACHMENT

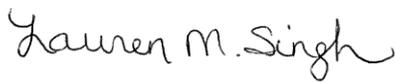
- Summary - Summary of Indicated and Proposed Rate Level Change
- Exhibit 1 - Financial Indication

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
Timothy.Messier@aipso.com



Lauren M. 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 Proposed Rate Level Change

LIABILITY

Subline		2020 Premium at Current Level	Indicated Percent Change		Proposed Percent Change	Estimated Dollar Impact Based on 2020 Premium
Trucks, Tractors, and Trailers	CSL	241,045	-7.3%	-7.3%	-7.3%	
	PIP	2,794	-5.9%	-5.7%	-5.7%	
	Total	243,838	-7.3%	-7.3%	-7.3%	-17,757
Taxis and Limos	CSL	0	-6.1%	-6.1%	-6.1%	
	PIP	0	-6.1%	-6.1%	-6.1%	
	Total	0	-6.1%	-6.1%	-6.1%	0
School and Church Buses	CSL	0	-6.2%	-6.1%	-6.1%	
	PIP	0	-6.0%	-6.1%	-6.1%	
	Total	0	-6.1%	-6.1%	-6.1%	0
Other Buses	CSL	0	-6.1%	-6.1%	-6.1%	
	PIP	0	-6.2%	-6.2%	-6.2%	
	Total	0	-6.2%	-6.2%	-6.2%	0
Van Pools	CSL	0	-6.1%	-6.1%	-6.1%	
	PIP	0	-6.1%	-6.0%	-6.0%	
	Total	0	-6.1%	-6.1%	-6.1%	0
Zone Rated Risks	CSL	357,258	40.8%	40.8%	40.8%	
	PIP	6,744	-5.8%	-5.9%	-5.9%	
	Total	364,002	40.0%	40.0%	40.0%	145,484
Garages	CSL	202,304	-6.2%	-6.2%	-6.2%	
	PIP	8,849	-6.3%	-6.5%	-6.5%	
	Total	211,153	-6.2%	-6.2%	-6.2%	-13,061
Employer Non- Owned	CSL	11,511	-6.2%	-6.2%	-6.2%	
	Total	11,511	-6.2%	-6.2%	-6.2%	-711
Hired Auto	CSL	28,150	-6.0%	-6.0%	-6.0%	
	Total	28,150	-6.0%	-6.0%	-6.0%	-1,685
Uninsured Motorists	CSL	25,472	-5.9%	-5.9%	-5.9%	
	Total	25,472	-5.9%	-5.9%	-5.9%	-1,495
Underinsured Motorists	CSL	0	-6.0%	-6.0%	-6.0%	
	Total	0	-6.0%	-6.0%	-6.0%	0
Liability Total	CSL	\$865,740	12.9%	12.9%	12.9%	
	PIP	\$18,387	-6.1%	-6.1%	-6.1%	
	Total	\$884,126	12.5%	12.5%	12.5%	\$110,775

Notes: Most recent rate change (01/01/2022): 13.1%
Proposed effective date: 01/01/2023

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
2011	99,412	1.365	135,697	100,124	5,107	1.930	203,096	9,879	3,093	1,176	149.7%	9.9%	3.1%	1.2%
2012	230,796	1.456	336,039	212,860	196	1.831	390,106	20,035	5,266	1,714	116.1%	8.7%	2.3%	0.7%
2013	320,477	1.503	481,677	59,905	0	1.737	104,056	26,676	6,910	1,925	21.6%	8.3%	2.2%	0.6%
2014	822,785	1.511	1,243,228	601,584	68,777	1.648	1,104,755	56,652	16,556	9,842	88.9%	6.9%	2.0%	1.2%
2015	617,689	1.461	902,444	493,715	14,197	1.564	794,374	45,534	12,354	1,459	88.0%	7.4%	2.0%	0.2%
2016	843,449	1.494	1,260,113	616,692	59,530	1.484	1,003,514	57,830	16,869	355	79.6%	6.9%	2.0%	0.0%
2017	1,290,780	1.571	2,027,815	843,966	30,849	1.408	1,231,740	82,362	25,816	32,328	60.7%	6.4%	2.0%	2.5%
2018	1,365,810	1.486	2,029,594	905,555	23,417	1.336	1,241,107	87,759	27,316	(1,315)	61.2%	6.4%	2.0%	-0.1%
2019	793,580	1.363	1,081,650	580,230	11,699	1.267	749,975	51,627	15,872	596	69.3%	6.5%	2.0%	0.1%
2020	436,704	1.153	503,519	207,559	1,397	1.202	251,165	18,449	8,736	250,678	49.9%	4.2%	2.0%	57.4%
Total	6,821,482		10,001,776	4,622,192	215,170		7,073,888	456,803	138,786	298,757	70.7%	6.7%	2.0%	4.4%
5-Year	4,730,323		6,902,691	3,154,003	126,893		4,477,501	298,027	94,608	282,641	64.9%	6.3%	2.0%	6.0%
3-Year	2,596,094		3,614,763	1,693,345	36,514		2,242,247	157,835	51,924	249,958	62.0%	6.1%	2.0%	9.6%
SELECTED											70.7%	6.3%	3.8%	4.4%

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=28%, 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	Loss Ratio Trend	Statewide Rate Level Indication
18.1%	8.2%	1.5%	5.0%	-1.4%	45.9%	54.1%	30.7%	232	28%	5.4%	12.5%

STATE OF KENTUCKY CAIP SERVICE PROVIDER AGREEMENT

THIS CAIP SERVICE PROVIDER AGREEMENT (the "Agreement") is effective into this 1st day of September, 2022, by and among THE KENTUCKY AUTOMOBILE INSURANCE PLAN (the "Plan") NATIONAL SPECIALTY INSURANCE COMPANY (the "Servicing Carrier") and AIPSO (the "Service Provider"), (the Servicing Carrier and Service Provider are sometimes hereinafter collectively referred to as the "Service Providers").

In accordance with Section 43 and related sections of the Plan manual, referred to herein as the Commercial Automobile Insurance Procedure ("CAIP"), the Governing Committee of the Plan has agreed to appoint the Service Providers as specified in this Agreement. The Service Providers have agreed to such appointment and this Agreement is being executed to embody that understanding.

ARTICLE I.

APPOINTMENT; ASSIGNMENT LIMIT

Section 1.1 The Plan hereby appoints the Service Providers to provide in conformity with this Agreement and the CAIP, services for all eligible applicants assigned to them including, but not limited to: policy services including underwriting, policy issuance, filing certificates, premium collection, accounting, statistical, data processing, record keeping and claims handling services (collectively called "CAIP Services"). Records of all such services shall be made available to the Plan upon request and be available for inspection by the Plan in accordance with Section 4.5.

Section 1.2 By the execution hereof, the Service Providers accept appointment hereunder and the Service Provider accepts such appointment and assumes all of the obligations imposed upon them under this Agreement, and the Plan agrees to be bound by the terms and conditions hereof.

ARTICLE II

TERM

Section 2.1 This appointment shall commence as of September 1, 2022 and shall continue for four (4) years or until this Agreement has been terminated under Article VI or any other applicable provisions of this Agreement, whichever comes first.

ARTICLE III.

PERFORMANCE AUDITS

Section 3.1 The Plan shall conduct an audit of the Service Provider's CAIP operations (the "Performance Audit") with such frequency and in such detail as it shall determine, in its reasonable discretion, to ascertain whether the CAIP Services have been performed in compliance with all reasonable performance standards (and all reasonable modifications and additions thereto) contained in the CAIP and in this Agreement and heretofore and hereafter established by the Plan as a condition to the Service Provider's appointment and continuance as Service Provider (herein called the "Servicing Standards"). The Performance Audit shall be conducted in an orderly, efficient, and non-disruptive manner during normal business hours in accordance with the CAIP Audit Guidelines. The Plan will provide the Service Provider with at least 90 days' advance written notice of any Performance Audit. The Plan will coordinate any Performance Audit with the Service Provider's designated representative(s).

Section 3.2 If the Performance Audit discloses that the Service Provider has performed their CAIP Services in substantial compliance with the Servicing Standards, as reasonably applied, and if no material violation by the Service Provider of this Agreement or the CAIP has occurred or is continuing, the Plan shall accept the audit and

notify the Service Provider. The Plan shall furnish the Service Provider with a copy of the Performance Audit.

Section 3.3 If a Performance Audit discloses that an Event of Default, as defined in Section 6.2 has occurred or is occurring, the Plan shall notify the Service Provider in writing that an Event of Default has occurred and furnish the Service Provider with a copy of the Performance Audit if the Service Provider has not already received a copy of the Performance Audit. The Plan shall consider what action is required by an Event of Default, including possible termination under Section 6.2.

Section 3.4 If a Performance Audit discloses that the Service Provider has not performed their CAIP services in substantial compliance with the Servicing Standards, as reasonably applied, and no Event of Default, as defined herein, has occurred, or is occurring, the Governing Committee may consider other corrective action for the Service Provider. Such corrective action may include, but not be limited to, self-audits and probation until the Service Provider can demonstrate substantial compliance with the Servicing Standards. Notwithstanding the foregoing to the contrary, monetary penalties or reimbursements of any kind shall not be deemed to be corrective action, and are therefore not permitted to be imposed upon the Service Providers.

ARTICLE IV.

POWERS AND DUTIES OF SERVICE PROVIDERS

Section 4.1 The Service Provider shall manage the daily operations of all CAIP business. This shall include the monitoring of the activities of Producers in accordance with the CAIP. The Service Provider shall notify the Plan of the failure or refusal of any Producer to comply with any provision of the CAIP and take any other

appropriate action authorized by the Plan and the CAIP to enforce compliance therewith.

The duty to notify shall arise only when the failure or refusal of the Producer is in the context of Plan business, and only where such failure or refusal is such that the Service Provider knew, or reasonably should have known of its occurrence. The Plan shall hold the Service Providers harmless from any liability arising out of the actions taken in good faith by the Service Provider pursuant to this Section 4.1.

Section 4.2 The Service Provider shall comply with all of the terms and conditions of the CAIP, as currently written or as amended in the future, and with all written bulletins, directives or interpretations thereof issued by the Plan.

Section 4.3 The Service Provider shall carry out and perform all CAIP Services in compliance with the Servicing Standards, as reasonably applied. With respect to the Servicing Standards, the Service Provider will utilize best practices and standards within the insurance industry for managing the operation to include reporting and processing of applications, underwriting and claims handling, as defined by the Service Provider. The Service Provider will provide to the Plan copies of any written processes and procedures documents developed and used by the Service Provider to comply with the Servicing Standards (collectively the "Manuals"). Such Manuals shall include, but not be limited to, the Service Provider's application processing, underwriting and claims processing Manuals. Any newly developed Manuals or any updates or changes to the existing Manuals shall be sent to the Plan with not less than thirty (30) days prior written notice of the effective date of such new Manuals or the effective date of any updates or changes to the existing Manuals.

Section 4.4 The Service Provider shall monitor their CAIP business to insure compliance with all CAIP Servicing Standards. The Service Provider shall make internal audits of their CAIP business at such times and in such detail as the Plan shall reasonably require.

Section 4.5 The Service Providers shall reasonably cooperate fully with all the officers, employees, agents or other representatives of the Plan during audits, investigations or examinations made and conducted by them and shall permit such persons to have full access, during normal business hours, to all books and records of the Service Providers pertaining to the CAIP insureds and the CAIP business.

Section 4.6 The Service Provider shall submit to the Plan, at such reasonable intervals as shall be requested by the Plan, the operating expenses incurred by them in the performance of the CAIP Services, such report to contain the information called for by any uniform operating expense form adopted by the Plan, as the same presently exists or may be hereafter modified.

Section 4.7 The Service Provider shall implement all changes, revisions, amendments and modifications in rates, rules, endorsements, renewals and policy forms on their effective date, subject to approval of the appropriate regulatory authority if required by law, rule or regulation applicable to the Plan or the CAIP.

Section 4.8 The Service Provider shall designate, in writing, the person or persons within their organizations to whom all correspondence, bulletins, circulars and related material shall be sent by the Plan and such person shall be directed to acknowledge receipt of any of the foregoing when so requested by the Plan and such acknowledgment shall be binding on the Service Provider.

Section 4.9 The Service Provider shall notify the Plan as promptly as possible of any known material non-compliance with this Agreement or the Plan manual, any allegation of bad faith or Department of Insurance complaints.

Section 4.10 The Service Provider will maintain a log for both written underwriting and claims complaints. The log will be made available to the Plan upon request. The Plan shall be notified as promptly as possible of any complaints received by the Service Provider from the Department of Insurance pertaining to Plan business. All responses must be signed by the Service Provider on behalf of the Servicing Carrier and submitted to the Department Insurance by the Servicing Carrier, and the Service Provider may not sign the response without the consultation and approval of the Plan.

Section 4.11 If requested, the Service Provider shall provide the Plan with (1) notice of all claims litigation against or involving insureds upon the Service Provider's receipt of notice thereof, and (2) all status updates and reports received by the Service Provider from outside counsel with respect to such litigation upon the Service Provider's receipt thereof.

Section 4.12 If requested, the Service Provider, upon its initial notice of potential fraud and/or initiations of a fraud investigation into a producer, applicant or insured, shall promptly notify the Plan and provide the Plan with all appropriate information with respect to the matter.

ARTICLE V.

RELATIONSHIP OF THE PARTIES

Section 5.1 The Service Provider shall be deemed fiduciaries for the Plan and the CAIP subscribers in the handling of all funds. In all other respects, the Service

Providers are independent contractors of the Plan, and no agency, partnership or joint venture is established between the Plan and the Service Providers as a result of this Agreement.

ARTICLE VI.

TERMINATION

Section 6.1 This Agreement shall immediately terminate upon the occurrence of any of the following events:

- (a) The commencement of insolvency, conservatorship or rehabilitation proceedings against the Service Providers under the insurance laws of the Service Providers' domiciliary states.
- (b) 90 days after the filing by the Servicing Carrier of an annual financial statement, prepared in accordance with such insurance laws, disclosing statutory capital and surplus of less than \$25,000,000. Notwithstanding the foregoing, in the event the rules of the Plan manual are amended to decrease the statutory capital and surplus amount requirement below \$25,000,000, this provision shall be automatically amended to reflect such amended requirement.
- (c) The effective date of legislation or regulatory action of which the Plan and Service Providers agree so materially enlarges, abridges or otherwise affects the obligations of the Service Providers under this Agreement, or the CAIP, or applicable law, as to amount to confiscation of the Service Providers' assets or makes the performance of this Agreement impossible.

- (d) A final determination imposing suspension, or revocation of the Servicing Carrier's certificate of authority to engage in the insurance business in this state.
- (e) Immediately upon the effective date of the termination of the Quota Share Reinsurance Agreement among the Servicing Carrier, Service Provider and the Plan dated September 1, 2022 (the "Reinsurance Agreement").

Section 6.2 This Agreement may be terminated by the Plan upon the occurrence of an Event of Default. The following shall be deemed as an "Event of Default":

(a) A disclosure by a Performance Audit that the Service Provider has failed to perform their CAIP Services in substantial compliance with the Servicing Standards, as reasonably applied.

(b) A default by the Service Provider in the performance of any material obligation or liability imposed upon them by this Agreement or the CAIP.

Termination pursuant to this Section 6.2 shall become effective on the date determined by the Plan. In exercising its right to terminate, the Plan shall give due consideration to the extent to which an Event of Default has been cured after the Service Provider had notice of same or have promptly commenced the process of curing same and diligently proceeded with such cure if such Event of Default is not immediately curable. The Plan shall also consider the severity of the default and whether the Event of Default is a single occurrence or an occasional occurrence or represents a pattern of performance or occurrences.

Section 6.3 This Agreement may be terminated by either the Servicing Carrier or the Service Provider by giving no less than twelve (12) months prior written notice to the Plan Manager and the Chair of the Governing Committee at the Plan office. This Agreement may also be terminated at such other time as the Servicing Carrier, the Service Provider and the Plan agree.

Section 6.4 Upon termination of this Agreement under this Article VI, the applicable provisions of the CAIP shall govern the continuing performance of the CAIP Services by the Service Provider.

Section 6.5 All books, records, files, policies, contracts, agreements, endorsements and related material used by the Service Provider in the performance of their CAIP Services shall be provided to the Plan by the Service Provider upon the request of the Plan. The Service Provider shall have thirty (30) days to provide such material, or a longer period of time as is reasonably necessary to comply with the Plan's request. All computer programs used in the performance of the CAIP Services shall remain the property of the Service Provider after termination. The Service Provider shall make all computer data available to the Plan or its authorized representative, in reasonably compatible form.

Section 6.6 All costs, fees and expenses incurred by the Service Provider in connection with a termination of this Agreement under the provisions of Section 6.1 (c), and Section 6.7 shall be borne by the Plan; provided, however, that only those reasonable costs, fees and expenses which are supported by documentation acceptable to the Plan shall be allowed, and the Plan shall have the right to audit the same prior to making any payments hereunder. All costs, fees and expenses incurred by the Service Provider in

connection with a termination of this Agreement under the provisions of Sections 6.1 (a), (b), (d), (e), Section 6.2 and Section 6.3 shall be borne by the Service Providers. This Section 6.6 will survive any termination of this Agreement.

Section 6.7 In the event any statute, regulation or other practice or procedure governing or pertaining to the transactions contemplated by this Agreement shall be legislatively repealed or amended or judicially determined to be unconstitutional, illegal or otherwise unenforceable, the Plan and Service Providers agree in writing that further performance of this Agreement has thereby been rendered impossible, then any of the parties hereto shall have the option to terminate this Agreement upon giving written notice to the other parties. Any such termination shall be construed as a termination of this Agreement by expiration of the term of the Agreement, effective the date written notice of termination is received by the other parties, unless the notice specifies a later date.

ARTICLE VII.

OBLIGATIONS OF THE PLAN

Section 7.1 The Plan shall comply with all of the provisions of the CAIP and carry out and perform all obligations and liabilities imposed upon it under this Agreement, including establishing bank accounts, providing a central data processor, making prompt payment to the Service Providers of all fees, allowances and other reimbursements to which the Service Providers are entitled, and accounting to the Service Providers and all CAIP subscribers for the transactions conducted pursuant to CAIP.

Section 7.2 The Plan shall promptly notify the Service Providers in writing of all amendments or supplements to the CAIP and all interpretations or modifications thereof.

Section 7.3 The Plan shall handle all filings and related matters with the appropriate regulatory authority pertaining to the operations of the CAIP.

Section 7.4 The Plan shall administer the performance of CAIP Services by the CAIP Service Provider in accordance with the Servicing Standards, as reasonably applied, and at a reasonable cost to the Plan's CAIP subscribers and the CAIP Service Provider, and in connection therewith shall audit, or cause to be audited, in an orderly, efficient and non-disruptive manner, the Service Provider's adherence to the CAIP Servicing Standards with such frequency and in such detail as it shall determine.

Section 7.5 The Plan has authority to enforce substantial compliance with the Servicing Standards, as reasonably applied.

Section 7.6 Sections 7.1, 7.2, 7.3 and 7.4 will survive any termination of this Agreement.

ARTICLE VIII

COMPENSATION

Section 8.1 In consideration of the CAIP Services to be rendered by the Service Provider, the Service Provider shall be paid the fees, allowances, cost reimbursement and other compensation set forth in the CAIP. The Plan reserves the right to revise the amounts, methods of computation, time periods, manner of payment and the components thereof at any time. Any such revisions shall be effective six (6) months after written notification thereof or at such other time as the Plan and Service Provider may agree.

Section 8.2 The Service Provider shall repay to the Plan any monies paid to them by the Plan in violation of this Agreement or the CAIP, or to which they were or shall become no longer entitled under this Agreement or the CAIP.

Section 8.3 This Article VIII will survive any termination of this Agreement.

ARTICLE IX

REPRESENTATIONS AND WARRANTIES

The Service Providers represent and warrant as follows:

Section 9.1 The Service Providers are duly authorized to engage in the automobile insurance business in all 50 states and the District of Columbia and the Servicing Carrier possesses current certificates of authority issued by the insurance regulator of such states and the District of Columbia and the Service Providers have full power and lawful authority to carry out and perform the duties imposed upon it under the terms of this Agreement and the CAIP.

The Service Providers agree to maintain such licenses in force during the term of this Agreement, and the Service Provider agrees to service applicants with exposures rated in any or all such states and the District of Columbia and to account to CAIP for premiums, losses and expenses applicable to such rated exposures.

Section 9.2 The Service Provider has read and is familiar with the Plan manual, including the sections prescribing performance standards for Servicing Carriers and Producers, heretofore adopted by the Plan and, by the execution hereof, agree to comply with such criteria, as presently exists and as hereafter amended.

Section 9.3 All reports, data, information and other material furnished or to be furnished by the Service Provider with respect to this appointment as Service Provider or with respect to the performance of its duties under this Agreement and the CAIP, and all reports, statements or other documents containing financial, accounting, statistical and related information furnished or to be furnished by the Service Provider to the Plan or to the Plan's statistical agency during the term of this Agreement are or will be true and

correct to the best of the Service Provider's knowledge and belief.

Section 9.4 The Service Provider shall protect the confidentiality of nonpublic personal information of individuals (the "NPI") who apply for, obtain and/or are claimants or beneficiaries of products or services provided by the Plan pursuant to this Agreement (the "Customers"). The Service Provider is authorized and permitted to receive, hold and, to the extent necessary, review NPI provided by the Plan to perform its duties, obligations, and other services as provided in this Agreement.

The Service Provider agrees to maintain appropriate administrative, technical and physical safeguards to preserve the integrity and confidentiality of and prevent non-permitted or violating use or disclosure of such NPI as it may obtain from the Plan pursuant to this Agreement. The Service Provider will document and keep those safeguards current. The Service Provider will take reasonable steps to:

- (i) Ensure the security and confidentiality of NPI it obtains from the Plan;
- (ii) Protect against any anticipated threats or hazards to the security or integrity of NPI stored by it;
- (iii) Protect against any unauthorized access to or use of such information that could result in harm or inconvenience to the Plan or its Customers; and
- (iv) Ensure the proper disposal of NPI

The Service Provider will report to the Plan any non-permitted or violating use or disclosure of NPI not allowed by this Agreement or applicable law. The Service Provider will make the report to the Plan in writing within 24 hours of its determination that

such non-permitted or violating use or disclosure occurred. The Service Provider will report, at least the following information, if known by the Service Provider, to the Plan:

- (i) The nature of the non-permitted or violating use or disclosure;
- (ii) The NPI used or disclosed;
- (iii) The person or entity that made and/or permitted the non-permitted use or disclosure;
- (iv) What corrective action the Service Provider took or will take to prevent further non-permitted uses or disclosures;
- (v) What actions the Service Provider took to mitigate the harmful effect of the non-permitted use or disclosure; and
- (vi) Provide other such information relating to the non-permitted use or disclosure, including a written report, as the Plan may reasonably require

The parties agree that it is the Service Provider's responsibility to notify the Customers of any non-permitted or violating use or disclosure of NPI, in accordance with applicable law. The Service Provider and the Plan agree to work together to the extent necessary to develop the the information needed in order that the Service Provider can make the required notifications to the affected individuals.

In the event the Service Provider discloses NPI to subcontractors and/or agents pursuant to this Agreement, or applicable law, the Service Provider shall obtain, in writing, reasonable assurance that the subcontractor and/or agent will comply with the same privacy and security obligations as the Service Provider with respect to NPI.

The Service Provider acknowledges that the Plan is a regulated entity, subject to audits and inspections by its regulators. The Service Provider will cooperate with the Plan to the extent reasonably necessary to accommodate any reasonable requests by the Plan's regulators to inspect, review and/or evaluate the administrative, technical and/or physical safeguards employed by the Service Provider and/or the Plan to protect the NPI.

The Service Provider will promptly make the NPI within its possession available to the Plan, or at the Plan's written direction, to the individuals who apply for, obtain or are claimants or beneficiaries of products or services by the Plan for inspection or copying.

The Service Provider will defend, indemnify and hold harmless the Plan and any member, affiliate, officer, director, employee, attorney or agent of the Plan from and against any claims, cause of action, liability, damage, cost or expense, including attorneys' fees, consultant costs and any other appropriate and reasonable professional fees and court costs for any non-permitted or violating use or disclosure of NPI arising out of the intentional act, willful misconduct or the negligent act or omission of the Service Provider, or any subcontractor, agent or person under the Service Provider's control. This Section 9.4 shall survive any termination of this Agreement.

Section 9.5 The Service Provider understands and agrees that all books, records, files, policies, contracts, agreements, endorsements, and related material used by the Service Provider in the performance of its CAIP Services are the property of the Plan and the Servicing Carrier. In furtherance thereof, the Service Provider agrees to maintain the confidentiality of such data, and shall not divulge, disseminate, or

otherwise disclose any such data to any other party without the Plan's authorization, except pursuant to an order of a court or other valid judicial process.

ARTICLE X.

NEGATIVE COVENANTS

During the term of this Agreement:

Section 10.1 The Service Providers will not assign, transfer or otherwise dispose of any of their rights or obligations under this Agreement or the CAIP to any person; provided, however, that the Service Providers may subcontract portions of their CAIP Services so long as they agree to remain primarily liable to the Plan for the performance of such subcontracted portions.

Notwithstanding the foregoing, the Service Provider shall give prior written notice and obtain the approval of the Plan before the Service Provider subcontract portions of the CAIP Services to any third party. Such approval by the Plan shall not be unreasonably withheld, conditioned or delayed.

Section 10.2 The Service Providers will not knowingly engage, while in the performance of their duties hereunder, in any activity which is unlawful.

Section 10.3 The Service Provider will not pay out or disburse any CAIP funds for any purpose or to any person other than those permitted or contemplated by the CAIP and this Agreement.

ARTICLE XI.
INDEMNIFICATION

Section 11.1 If the Service Providers are made or threatened to be made a party to any action for extra-contractual relief or reformation of any insurance policy

arising from any incident which occurred while the Service Providers were performing their duties as Service Providers of the Plan, the Service Providers shall be indemnified by the Plan against all judgments, fines, amount paid in settlement, reasonable costs and expenses, including attorney's fees, and any other liabilities that may be or are incurred as a result of such action, suit or proceeding, or threatened action, suit or proceeding. Such indemnification shall be provided by the Plan whether or not the Service Providers were the Service Providers at the time of such action, suit or proceeding.

Section 11.2 The Service Providers shall provide prompt notice to the Plan of any action, suit or proceeding wherein the Service Providers are to be indemnified by the Plan pursuant to Section 11.1. The Service Providers shall provide the Plan with periodic updates as to the status of the action, suit or proceeding. In addition, the Plan and the Service Providers agree to work cooperatively to settle, compromise or otherwise resolve the action, suit or proceeding in the best interests of the Plan and the Service Providers. Notwithstanding the foregoing to the contrary, the Service Providers are authorized to settle, compromise or otherwise resolve any action, suit or proceeding hereunder in amount not to exceed \$50,000 without the concurrence of the Plan. Any amount in excess of \$50,000 must be with the approval of the Plan.

Section 11.3 In the event it is determined that the cause of any indemnification granted in Section 11.1 was due to the negligence or intentional act of any third party claim service administrator or other subcontractor of the Service Providers, the Service Providers shall make all reasonable efforts to pursue from that third party claim service administrator or subcontractor any monies paid by the Plan. In the event that the Service Providers are able to recover any such monies, the Service Providers will

reimburse the Plan for those amounts recovered to the extent paid by the Plan and not previously reimbursed to the Plan by the Service Providers.

Section 11.4 Such indemnification as is herein provided shall be apportioned among all CAIP subscribers, including any named in an action, suit or proceeding, in the same manner as other revenues or liabilities of CAIP are apportioned among CAIP subscribers.

Section 11.5 Notwithstanding the provisions of Section 11.1, upon conclusion of any indemnification matter in accordance with this Article and only where payment of monies was actually made by the Plan to the Service Providers, the Plan will be entitled to bring a separate suit against the Service Providers to recover any monies paid by the Plan. However, any such suit brought against the Service Provider or Servicing Carrier or both, as applicable, shall be strictly limited to only those matters where either the Service Provider or Servicing Carrier or both, as applicable, are alleged to be liable by reason of gross negligence, as defined herein, or willful misconduct in the performance of their duties or obligations to the Plan or with respect to any criminal actions or proceedings except when the Service Providers had reasonable cause to believe that their conduct was unlawful. The termination of any civil or criminal action, suit or proceeding by a judgment, settlement, conviction or upon a plea of nolo contendere, or its equivalent, shall not, in itself, create a presumption that the Service Providers were liable by reason of gross negligence as defined herein, or willful misconduct, or that they had reasonable cause to believe that their conduct was unlawful. For the purposes of this Article, "gross negligence" shall be defined as a business practice

exhibiting the want of even slight care in the performance of the Service Providers' duties and obligations under the CAIP of this Agreement.

In any lawsuit brought by the Plan pursuant to this Section 11.5, the Service Providers will not be entitled to be indemnified or reimbursed for any costs and expenses of any other amounts related to such lawsuit by the Plan.

Section 11.6 Article XI will survive any termination of this Agreement.

ARTICLE XII

MISCELLANEOUS

Section 12.1 This Agreement is being executed in the State of Kentucky and shall be construed, interpreted and enforced in accordance with the laws of the State of Kentucky.

Section 12.2 The following terms as used in this Agreement, shall include the matters set opposite each as follows:

(a) "CAIP" shall mean all pertinent sections of the Plan manual and the Accounting and Statistical Requirements Manual, and all amendments, modifications and revisions thereof;

(b) "Plan" shall mean the Governing Committee of the Plan and any committee established by the Committee, where the context so requires;

(c) "Agreement" shall mean this CAIP Service Provider Agreement and all amendments, modifications and supplements thereto;

(d) " Producer" shall mean any licensed agent or broker through whom an application is submitted to the Plan.

Section 12.3 All notifications to be furnished hereunder shall be in writing

and shall be either delivered by hand, facsimile transmission, electronic transmission or mailed first class to the other party at the address shown below, or to such other address as may be designated in writing by the party.

Section 12.4 Neither this Agreement nor any term hereof may be changed, waived, discharged, amended or terminated orally, but only by an instrument in writing signed by the parties.

Section 12.5 In the event that any article, section, sentence or clause of this Agreement shall be declared invalid, illegal or unenforceable in any respect, the validity of the remaining terms and provisions hereof and of the Plan shall in no way be affected or disturbed.

Section 12.6 In the event the Service Providers shall be aggrieved as the result of any action or failure to act by the Plan under this Agreement or the Plan manual, the Plan shall, upon written demand by the Service Providers specifying the details of such action or failure to act, hear and determine all matters connected therewith or relating thereto. In connection with any meetings, hearings or other proceedings at which such matters are considered, fundamental rules of fair play shall be observed, including adequate notice to the Service Providers, the opportunity to present evidence on their behalf and in support of their position and the right to a full and fair hearing. Technical rules of evidence and procedure shall be dispensed with unless requested by either party. Appeals from any action so taken shall be in compliance with the Plan and applicable provisions of the law.

Section 12.7 This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 12.8 The Agreement is solely between the Plan and the Service Providers and no applicant, insured, Producer, claimant or other person not a party to this Agreement having or asserting a claim against either the Plan, the Service Providers, or a Producer shall have or acquire any rights by reason of the execution and delivery of this Agreement or the performance of any obligations or duties hereunder.

Section 12.9 In the event of a conflict between this Agreement and the terms and conditions of the CAIP, the terms of the CAIP shall govern. In the event of a conflict between this Agreement and the terms and conditions of the Reinsurance Agreement or that certain General Agency Agreement, by and among the the Servicing Carrier, Service Provider and the Plan dated September 1, 2022 (the "General Agency Agreement"), the Reinsurance Agreement and General Agency Agreement shall govern.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, this CAIP Service Provider Agreement has been duly signed by the parties as of the day and date hereinabove first written.

WITNESS:

THE KENTUCKY AUTOMOBILE INSURANCE PLAN

BY: _____

ITS: Governing Committee Chairperson

DATED: _____

ADDRESS:

ATTN: PLAN MANAGER

NATIONAL SPECIALTY INSURANCE COMPANY

BY: _____

AS TO THE PLAN

ITS: _____

DATED: _____

ADDRESS:

AIPSO

BY: _____

ITS: _____

DATED: _____

AS TO THE SERVICING CARRIER

AS TO THE SERVICE PROVIDER

ADDRESS:

302 CENTRAL AVENUE

JOHNSTON, RHODE ISLAND, 02919

ATTN: GENERAL COUNSEL

ADDENDUM NUMBER ONE TO STATE OF KENTUCKY CAIP SERVICE PROVIDER AGREEMENT

This Addendum Number One (“Addendum”) to the State of Kentucky CAIP Service Provider Agreement (the “Agreement”) effective as of September 1, 2022 is entered into by and among the Kentucky Automobile Insurance Plan (the “Plan”), AIPSO (the “Service Provider”) and National Specialty Insurance Company (the “Servicing Carrier”).

The Plan, the Servicing Carrier and the Service Provider acknowledge and agree that with respect to Section 4.10, Section 4.11 and Section 4.12 of the Agreement (collectively the “Sections”) the Plan has made a request to be provided with the information and material detailed in the Sections on a continuous basis throughout the term of the Agreement. Pursuant to such request, the Service Provider agrees to provide that information and material to the Plan.

Except as provided in this Addendum, all other terms and conditions of the Agreement remain unchanged and are in full force and effect.

Kentucky Automobile Insurance Plan

By: _____

Name: _____

Date: _____

AIPSO

By: _____

Name: _____

Date: _____

National Specialty Insurance Company

By: _____

Name: _____

Date: _____

**COMMERCIAL AUTOMOBILE INSURANCE PROCEDURE
SERVICE PROVIDER TRANSITION AMENDMENTS****Defining the Issue**

On September 1, 2022, AIPSO will replace the incumbent countrywide CAIP servicing carrier who has tendered their resignation. AIPSO, with an agreement with a licensed insurance company, has been approved by governing bodies to issue and service Plan commercial auto policies for 44 CAIP states. The Plan of Operation must be amended to provide the Plan rules needed to facilitate the transition to a countrywide service provider.

Action Needed

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

Proposal

We propose amendments that will allow AIPSO to assume the role of countrywide CAIP service provider on September 1, 2022.

AIPSO will provide CAIP services through use of a licensed insurance company in whose name the policies will be written and will contract with a qualified claims vendor to handle claims. The duties and obligations of AIPSO and its vendors as a service provider will be substantially similar to the current duties and obligations of traditional CAIP servicing carriers, with the exception of certain remedial provisions. These provisions are inappropriate to be applied to the AIPSO model, which is completely funded by the industry. The AIPSO Servicing Agreement will detail all the duties and obligations of AIPSO.

The existing CAIP servicing carrier will cease writing new business on August 31, 2022. They will continue to provide policyholder services and handle claims for their in-force policies. Servicing carrier withdrawal from CAIP will be conducted in accordance with Plan rules.

There is no change in the operation of the CAIP mechanism. Premiums, expenses, and losses will be pooled through CAIP and the operating results shared among companies writing other than private passenger automobile insurance in the voluntary market. The operating results will continue to be apportioned to member companies through assessments and member companies will continue to book their shares of CAIP experience as assumed reinsurance. CAIP will continue to maintain 11 open policy years in accordance with NAIC requirements.

Impact

Adoption of the proposed amendments will have the following impact:

- Effective September 1, 2022, AIPSO, with an agreement with a licensed insurance company (fronting company), will become the sole countrywide CAIP service provider. Policies with effective dates of September 1, 2022 and later will be issued on behalf of the Plan with the licensed insurance company as the named insurer. AIPSO will also provide policyholder services and contract with a claims vendor to handle claims.
- The current countywide CAIP servicing carrier will continue to provide policyholder services and handle claims for in-force policies issued with effective dates on or before August 31, 2022.

- The traditional servicing carrier selection option and the countrywide servicing carrier option have been removed and the service provider option has been introduced.
- The pre-approval process for servicing carrier reporting of additional premium of \$5,000 or more when reporting is more than three years past the reporting date is eliminated effective September 1, 2022.
- An active CAIP servicing carrier may not represent its class of companies on a state Plan Governing Committee.
- Voluntary All Other Liability and Physical Damage Net Direct Written premium reported by companies will be adjusted to exclude Automobile Insurance Premiums of a CAIP servicing carrier and a fronting company (acting on behalf of a service provider).
- Rate determination is clarified when vehicles are garaged in a state other than the CAIP state through which assignment is requested.

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

Background

After an extensive study, the AIPSO Board of Directors concluded that CAIP is the preferred mechanism for handling automobile residual market commercial business. At that time, the declining number of servicing carriers from more than 20 in the early 1990s to one remaining countrywide servicing carrier brought the viability of CAIP into question. Concerns were raised that, should the sole remaining servicing carrier elect to withdraw from the CAIP, the program would fail for lack of an insurance carrier to service the CAIP business. Without an alternative plan, companies could be forced to write and/or service CAIP business themselves with requirements that could vary by state as opposed to having one national program.

To address this issue, the Board of Directors made two recommendations. A countrywide servicing carrier selection process was developed that contained a minimum fee component. This process was adopted by all of the state Plans and has been used to select a countrywide servicing carrier for the past 10+ years. In addition, AIPSO was asked to initiate a program to become a back-up CAIP servicing carrier for some states, while at the same time not becoming competitive with commercial insurers. AIPSO Insurance Operations (AIO) initially started writing New Jersey CAIP policies in May 2012 and has since expanded to the states of District of Columbia, Georgia and New Hampshire.

In early 2020, the incumbent CAIP servicing carrier advised AIPSO that they would not seek reappointment as the countrywide CAIP servicing carrier when their servicing agreement expired on August 31, 2022. As a result, the AIPSO Board of Directors recommended that AIPSO Insurance Operations assume the role of a countrywide CAIP service provider on September 1, 2022. Governing Committees countrywide have received and agreed with this approach to ensure CAIP remains viable in the future.

Proposed Changes

General Comment: As needed, throughout all parts of the Plan of Operation, references to direct assignment and assigned/designated servicing company/carrier have been made more generic.

Additional changes are detailed below.

COMMERCIAL AUTOMOBILE PART**Sec. 17. PURPOSES OF PLAN**

A Note is added to clarify that for purposes of this Part of the Plan of Operation, the Commercial Automobile Insurance Procedure (CAIP) servicing carrier shall include a service provider appointed with a fronting company, unless otherwise specified.

Sec. 19. REELIGIBILITY

A reference to reassignment to the prior servicing carrier is deleted in its entirety because it is no longer appropriate.

Sec. 23. APPLICATION FOR ASSIGNMENT, DESIGNATION OF SERVICING CARRIER, EVIDENCE OF INSURANCE, AND EFFECTIVE DATE OF COVERAGE

Paragraph A is amended to state applications will be distributed to servicing carriers. Paragraph F pertaining to applications returned to the Plan and Paragraph G pertaining to reassignment to the prior servicing carrier are deleted in their entirety as they are no longer appropriate.

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

Paragraph G is amended to (1) replace references to “unfair claims practices” with “unfair claim practices laws and regulations”; and (3) clarify that all claims will be paid within the applicable state regulations and unfair claim practices laws and regulations.

Sec. 32. ADDITIONAL PREMIUM REPORTING TIME LIMIT

This Section is deleted in its entirety because this procedure is obsolete.

APPENDIX**Sec. 35. ADMINISTRATION**

Paragraph A is amended to delete a provision that allows a CAIP servicing carrier that is affiliated with a trade association or is a nonaffiliated company to serve on the governing committee as a representative of its class of companies. In addition, a provision limiting CAIP servicing carrier voting and receipt of governing committee materials related to CAIP issues is deleted as it is obsolete.

Paragraph D is amended to delete the provision stating AIPSO may be appointed as a CAIP service provider as this provision has been relocated to Section 43.

Sec. 43. COMMERCIAL AUTOMOBILE INSURANCE PROCEDURE ADMINISTRATION

The traditional servicing carrier selection option and the countrywide servicing carrier option have been removed and a new CAIP service provider option is introduced. New paragraph B contains the provisions needed for AIPSO with an agreement with a national insurance company (fronting company) to act as the sole CAIP service provider.

In newly designated C, obsolete language regarding calculations for servicing carrier allowances for 1990 and prior policy years is deleted.

In newly designated Paragraph E.5, new language clarifies that the request for reimbursement of improper claims payments is applicable to a servicing carrier who has written CAIP policies with effective dates of August 31, 2022 and prior.

**Sec. 44. COMMERCIAL AUTOMOBILE INSURANCE PROCEDURE
PARTICIPATION PROVISIONS**

Paragraph A.3 is amended to state that Total Automobile Insurance Plan premiums of a fronting company, acting on behalf of a service provider, will be excluded from the Voluntary All Other Automobile Liability Net Direct Written premiums used for CAIP participation purposes.

Sec. 46. GENERAL PROVISIONS

Paragraph A.4 is introduced to clarify that the Voluntary All Other Liability Net Direct Written Premiums used for participation purposes will be adjusted to delete CAIP premiums written by a servicing carrier or a fronting company, acting on behalf of a service provider.

Sec. 47. RATE DETERMINATION

Paragraph B is amended to clarify that this rule is not applicable to a CAIP or PAIP service provider who does not write automobile insurance in the voluntary market. The premium must be determined using the rate of the territory of Plan under which application is being made as shown on the registration.

Attachments

Exhibit A—Proposed amendments to the Introduction and Sections 17, 18, 19, 21, 22, 23, 26, 31, 35, 43, 44, 46, 47, and deletion of Section 32

INTRODUCTION

HOW TO APPLY FOR ADDITIONAL COVERAGES OR CHANGES IN THE POLICY

All requests for changes to a policy must be submitted in writing on an approved Policy Change Request form. If the applicant or insured and producer have been notified of the a service provider or servicing carrier ~~has been assigned~~, the Policy Change Request form should be forwarded directly to the service provider or servicing carrier no later than the first working day after completion, NOT to the Kentucky Automobile Insurance Plan. Be certain the insured's policy number and other identification numbers, if

any, are included in your written request on the approved Policy Change Request form. If a reduction or elimination of coverage is requested, the completed approved Policy Change Request form must be signed by the applicant.

For commercial risks requiring federal filings or endorsements, a completed CAIP Inspected Units Form must accompany the policy change request.

Only those coverages shown in Sections 5 and 21 of the Plan are available.

COMMERCIAL AUTOMOBILE PART

Sec. 17. PURPOSES OF PLAN

A new **Note** is introduced as follows:

The purposes of the Plan are

- A. to make basic automobile bodily injury and property damage liability insurance, including auto dealer liability insurance, and no-fault coverage, as required by Kentucky law, available subject to the conditions hereinafter stated, and
- B. to make medical payments insurance available, subject to the conditions hereinafter stated, to four-wheel vehicles classified and rated as private passenger automobiles, and
- C. to establish a procedure for the sharing of premiums, losses, and expenses generated by the Commercial Automobile Insurance Procedure (CAIP) among all subscriber companies writing Voluntary Other than Private Passenger (OTPP) policies in the state of Kentucky, and
- D. to preserve to the public the benefits of price competition by encouraging maximum use of the normal private insurance system.

Note: For purposes of this Part of the Plan of Operation, the Commercial Automobile Insurance Procedure (CAIP) servicing carrier shall include a service provider appointed with a fronting company, unless otherwise specified.

Sec. 18. ELIGIBILITY

Paragraphs **A.1** and **A.2** are amended as follows:

A. Applicant Eligible for Plan

To be eligible for bodily injury, property damage, medical payments, uninsured and underinsured motorists, and personal injury protection coverage, the applicant must meet the following criteria:

1. As a prerequisite to consideration for ~~assignment under coverage through~~ the Plan, an applicant must certify, in the prescribed application form, that she/ or he has attempted, within 60 days prior to the date of application, to obtain automobile insurance in the state and that she/ or he has been unable to obtain such insurance.

2. An applicant so certifying shall be considered for ~~assignment coverage through the Plan~~ upon making application in good faith to the Plan. An applicant shall be considered in good faith if he or she reports all information of a material nature and does not willfully make incorrect or misleading statements in the prescribed application form, or does not come within any of the prohibitions or exclusions shown in Section 18.C.

Paragraph **B** is amended as follows:

B. Risks Eligible For Assignment Coverage

1. All applicants shall be ~~assigned to a servicing carrier eligible for coverage~~ and pooled in CAIP **EXCEPT** for the following types of risks:

*(The remainder of paragraph **B** is unchanged.)*

Sec. 19. REELIGIBILITY

This **Section** is amended as follows:

Applicants eligible for ~~assignment coverage~~ in accordance with Section 18 are subject to the following reeligibility provisions:

A. New Application

Any applicant denied insurance under Section 18 or cancelled under Section 28.B of the Plan may reapply to the Plan as soon as the cause of ineligibility is removed.

1. An applicant cancelled under Section 28.B.1.a for not being in good faith shall not be eligible to re-apply ~~for assignment to the Plan~~ until 12 months after the effective date of cancellation.
2. Applicants cancelled under Section 28.B.1.e of the Plan may reapply ~~for assignment to the Plan~~ at any time providing no earned premium is owed the previous servicing carrier.
3. If an applicant cancelled under Section 28.B.1.e reapplies, provided such applicant is otherwise eligible, the application shall be accompanied by the deposit prescribed in Section 22.
4. Such application shall be considered a new application and ~~the applicant shall be assigned to a servicing carrier in accordance~~ coverage shall

~~be determined in accordance~~ with the provisions of Section 23.G. If such reapplication is made, a new application shall be forwarded directly to the Plan ~~and reassigned to the servicing carrier previously affording coverage.~~

5. Risks cancelled for failing to respond to a request to schedule a preliminary premium audit or failing to comply with a request to conduct a preliminary premium audit must first submit to and permit the completion of a final premium audit of the cancelled policy causing the ineligibility. The servicing carrier that issued the policy that was subsequently cancelled will conduct the audit to remove the cause of ineligibility.
6. Applicants cancelled under Section 28.B.1.h for failure to make vehicle(s) available for a safety inspection or failure to respond to two written requests for pertinent safety information under CASP may reapply to the Plan at any time after passing a CASP safety inspection, the cost of which is to be borne by the applicant whether the applicant passes or fails the inspection.

If such reapplication is made, a new application shall be forwarded directly to the Plan ~~and reassigned to the servicing carrier previously affording the coverage.~~

B. Renewals

An applicant who fails to pay the renewal premium quoted by the servicing carrier, in accordance with the provisions of Section 31.A.2 of this Plan, may reapply ~~for assignment to the Plan~~ at any time. If an applicant reapplies, provided such applicant is otherwise eligible, the application shall be accompanied by the deposit prescribed in Section 22. Such application shall be considered a new application ~~and the applicant shall be assigned to a servicing carrier coverage will be determined in accordance with the provisions of Section 23.~~

Sec. 21. EXTENT OF COVERAGE

Paragraph A.1.b is amended as follows:

A. Coverages and Limits

1. Bodily Injury, Property Damage, Medical Payments, and Personal Injury Protection Coverages
 - b. An insured ~~assigned under the Plan~~ eligible for coverage may, at his option, also purchase additional coverage to be written in the same policy as the liability coverages for the following:

(Paragraphs A.1.b.(1) through A.1.b.(6) are unchanged.)

Paragraph A.1.b.(7) is amended as follows:

- (7) With respect only to four-wheel private passenger vehicles, not for hire, the ~~assigned insurer~~ servicing carrier shall upon request of the applicant or insured

provide medical payments coverage in the amount of \$1,000.

Sec. 22. PREMIUM DEPOSIT REQUIREMENTS AND PAYMENT OPTIONS

Paragraph C is amended as follows:

C. Deposit, Installment, or Additional Premium Payments Applicable to Either A or B Above

All deposit, installment, and additional premium payments shall be submitted gross. Compensation will be paid in accordance with Section 30.

The deposit shall be in the form of a certified check, bank check, or money order payable to the Kentucky Automobile Insurance Plan. If the risk is ineligible ~~for assignment~~, the deposit shall be returned.

Additional premium payments shall be in the form of a certified check, bank check, or money order payable to the servicing carrier.

Additional premium developed as a result of an inadequate deposit submitted with the application or policy change request, or shortage in premium resulting from a policy change request, preliminary premium audit, or other determination of a premium shortage, the total additional premium must be billed within 30 days from determination of the additional premium due, or the next premium installment billing date, whichever occurs first. The premium payment due date must not exceed 30 days from the premium billing date.

Paragraph E is amended as follows:

E. Premium Owed for Prior Insurance

Upon receipt of the deposit accompanying an application for insurance, the servicing carrier ~~assigned by the Plan~~ may deduct from such deposit any unpaid balance of earned premium owed to the servicing carrier by the applicant and apply such amount deducted to the unpaid balance of the deposit or installment required. If the resulting balance is not paid within the time permitted by Plan rules, the servicing carrier shall be entitled to cancel such insurance pursuant to Section 28.B of this Plan.

Sec. 23. APPLICATION FOR ASSIGNMENT, DESIGNATION OF SERVICING CARRIER, EVIDENCE OF INSURANCE, AND EFFECTIVE DATE OF COVERAGE

Paragraphs A and B.1 are amended as follows:

A. Distribution of Applications

The Plan shall ~~equitably~~ distribute the applications to the servicing carrier for servicing of eligible all other risks.

B. Original Application

1. Upon receipt of the current and correct application for insurance properly completed and the deposit specified in Section 22, and if the application form shows that the applicant is eligible for coverage, the Plan shall ~~designate a servicing carrier to which the applicant shall be assigned~~ process the application and shall ~~so advise~~ notify the producer of record and shall state in such notice when the coverage shall become effective, only if the application includes the following:

(The remainder of paragraph B.1 is unchanged.)

Paragraph B.4 is amended as follows:

4. Applications Requiring Filings or Limits in Excess of \$350,000 Combined Single Limit Coverage

For those applicants requiring filings or a limit in excess of \$350,000 combined single limit coverage, coverage is effective on a date specified by the applicant which may not be earlier than 15 calendar days following receipt of the completed application by the Plan accompanied by the prescribed deposit. If the Plan identifies the applicant as reapplying at the completion of a three-year assignment period and the applicant is the same named insured, requesting the same limit of liability and coverages afforded on the expiring CAIP policy, the applicant is exempt from this provision if the application and nonrenewal notice is received by the Plan prior to the expiration of the current CAIP policy.

For CAIP risks which were ~~assigned~~ eligible under Section 23.B.3. but following the assignment date request either limits in excess of \$350,000 combined single limit or filings (ICC, PUC, etc.), the requested endorsement may take effect no earlier than 15 calendar days following the receipt of the request for higher limits and/or filings.

The last paragraph of B.5.a is amended as follows:

5. Electronic Application Submission Interface (EASi)
 - a. Effective Date of Coverage

For CAIP risks which were ~~assigned~~ eligible under paragraph B.5.a.(1) but following the assignment date request either limits in excess of \$350,000 combined single limit or filings (ICC, PUC, etc.), the requested endorsement may take effect no earlier than 15 calendar days following the receipt of the request for higher limits and/or filings.

Paragraph B.5.e.(4) is amended as follows:

- e. Commercial Application Retraction Procedure

- (4) Alternate Procedure for Submission of an EASi Retraction Request Form

If, for any reason, EASi is not available, a producer may request retraction of an EASi reference number by completing

and submitting a paper EASi Retraction Request Form in accordance with the following procedure:

The producer of record shall complete a paper Electronic Application Submission Interface Retraction Request Form and forward it to the Plan no later than two working days after the date the application is submitted using EASi.

If the reason for retraction is (1) the applicant's coverage has been placed in the voluntary market or (2) the applicant has elected not to pursue ~~assignment~~ for coverage through the Plan, the producer may mail, deliver, or electronically transmit the EASi Retraction Request form to the Plan. The producer is not required to submit a copy of the retracted paper EASi application to the Plan.

When retraction is requested because the producer has made an error in the application information and a corrected application has been electronically transmitted using EASi, the producer must mail or deliver the corrected EASi application, deposit check, and any supporting documentation accompanied by a copy of the completed EASi Retraction Request Form to the Plan.

If the Plan does not receive the paper Electronic Application Submission Interface Retraction Request Form within 15 calendar days after the date of assignment of the EASi reference number, the producer to whom the reference number is assigned will be considered i

Paragraph B.5.h is amended as follows:

- h. Access to EASi shall not be construed as constituting the producer as an agent of the Plan or ~~any company to which an applicant is assigned~~ the servicing carrier. In all transactions between the applicant and the Plan, the producer shall be deemed to be the agent of the applicant and not the agent of the Plan.

Paragraphs B.7 and B.8 are amended as follows:

7. Plan Submission to ~~Designated~~ Servicing Carrier

The Plan shall forward to the ~~designated~~ servicing carrier a copy of the application form, the notice of the effective date of coverage, and deposit with the deposit to be credited by the servicing carrier against the policy premium.

8. Filings of Policies and Certificates

The servicing carrier ~~to which the risk is assigned~~ shall make such filings of policies and certificates for the applicant, or for the spouse if eligible under the Plan, as may be required by law.

Paragraph E is amended as follows:

E. Incomplete Applications

Applications shall be accepted and processed by the Plan ~~and assignments shall be processed by the servicing carrier~~ if the requirements shown in Sections 22 and 23 are reasonably complied with, and it shall be the responsibility of the Plan and the servicing carrier to communicate clearly to the applicant and producer of record in what respect an application requires correction.

(The remainder of paragraph E is unchanged.)

Paragraphs F and G are ~~deleted in their entirety~~.

F. Applications Returned to the Plan

~~An assignment to any servicing carrier contrary to the provisions of Section 23 shall be returned promptly to the Plan for reassignment.~~

G. Reassignment to Prior Servicing Carrier

~~If reapplication is made, a new application shall be forwarded directly to the Plan and reassigned to the servicing carrier previously affording coverage.~~

Sec. 26. CHANGE OF OWNERSHIP/TRANSFER OF LOSS EXPERIENCE

Paragraph C is amended as follows:

- C. Any change in ownership, including legal status and reincorporation, necessitates that a new application, with the appropriate deposit, be submitted to the Plan ~~for assignment~~.

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

The ~~lead in~~ and paragraph A are amended as follows:

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

A. Issuance of Original Policy

Upon receipt of the Notice of Designation or as of the effective date for those CAIP applicants requiring filings or a limit in excess of \$350,000 combined single limit and the premium or deposit from the Plan, the servicing carrier shall

1. within two working days following the effective date of coverage or receipt of the Notice of Designation, whichever occurs last, make filings of the policy and certificates, including motor carrier and Financial Responsibility Certificates, as may be required, provided all information necessary is contained in the application form and such application is accompanied by the deposit prescribed in Section 22. Such filings will indicate

the effective date specified by the Plan in the Notice of Designation,

2. within 30 calendar days issue a policy if all information necessary for the servicing carrier to fix the proper rate is contained on the application form, such policy to become effective in accordance with the provisions of Section 23, or
3. within 30 calendar days issue a binder if all information necessary for the servicing carrier to fix the proper rate is not contained in the application form or if the Plan Manual does not contain rates applicable to ~~an assigned~~ the applicant. In the event the Plan Manual does not contain applicable rates, the servicing carrier must request that AIPSO make the necessary rate filing with the Executive Director of the Office of Insurance. Upon receipt of information necessary for the servicing carrier to fix the proper rate or notification of approval of the rate filing, the ~~designated~~ servicing carrier shall issue a policy to become effective in accordance with the provisions of Section 23.

(The remainder of paragraph A is unchanged.)

Paragraph G is amended as follows.

G. Claim Handling

1. ~~Servicing carriers~~ A servicing carrier shall provide policyholders and producers with information on how and where to report claims.
2. ~~Each~~ The servicing carrier is responsible for handling all claims properly and promptly in accordance with the terms of the contracts of insurance subject to the limits of coverage provided. ~~Claim adjustment practices and procedures of each servicing carrier shall correspond with those followed for voluntary business. Where unfair claim practices laws and regulations, or legislation exist, the servicing carriers carrier must comply with such laws and regulations or legislation.~~
3. ~~Servicing carriers~~ A servicing carrier must have the ability to service insurance claims in every state, the District of Columbia, and Canada.
4. Contact (First and Third Party Claimants)

Upon receipt (by mail or facsimile) of notification of claim containing sufficient information to identify the insured, claimant, and policy number, the servicing carrier must acknowledge the receipt of such notice within the applicable state's regulations ~~or, including~~ including unfair claims practices laws and regulations. If the state has not established time guidelines, the servicing carrier must acknowledge receipt of such notice to first party claimants within two working days and third party claimants within 15 working days and the date of the acknowledgment documented in the carrier's claim file.

The servicing carrier will provide first party claimants with the necessary forms and

instructions to permit compliance with all policy conditions.

5. Appraisal

Within the applicable state regulations ~~or, including~~ unfair claims practices laws and regulations, an appraisal must be completed for the purpose of determining the cost of repair. If the state has not established time guidelines, an appraisal, or documented attempts, must be completed within 10 working days from the date of receipt of a specific claim, including damages and location of vehicle, by the servicing carrier. If a second inspection is required, the servicing carrier will document attempts for scheduling a second appraisal within two working days of notice for the need of the second appraisal.

6. Coverage

~~Verify~~ The servicing carrier must verify that the proper coverage was in effect at the time of loss which cover the damages claimed by the first or third party claimant.

7. Investigation

The servicing carrier must begin an investigation of any claim within 15 working days of receipt of notification of the claim.

The servicing carrier must substantially complete an investigation of each claim 30 working days after notification of the claim.

If after 30 working days from notification of the claim the completed investigation is insufficient to properly adjust the claim or the parties cannot agree to settlement, the servicing carrier must notify the policyholder, claimant, or authorized representative in accordance with the state's applicable regulations ~~or, including~~ unfair claims practices laws and regulations, until the claim is settled, or until both parties agree updates are no longer needed. If a state has not established any guidelines on this topic, the servicing carrier will advise the claimant within 30 working days from receipt of proof of loss or settlement material what outstanding information is required to adjust the claim. The servicing carrier will continue to provide this update every 45 working days, or until both parties agree updates are no longer needed.

8. Reserving

~~Reserving practices must be consistent with those in place for the servicing carrier's voluntary book of business~~ and must comply with the requirements outlined in the CAIP Accounting and Statistical Requirements Manual.

9. Documentation/File Reporting

A file for each claim must be compiled by the servicing carrier's claims staff, and should address coverage, liability, damage investigation, reserves, subrogation potential, and recommendations for future handling.

As claim handling continues, the file should be updated to address reserve adequacy, strategies, plans for future handling, and resolution.

10. Payment

Payment on all claims must be made within the applicable state regulations ~~and/or, including~~ unfair claims practices laws and regulations. All payments not defined within state regulations or unfair claims practices laws and regulations will be paid within 30 days after receipt of proof of loss, agreed appraisal amount or written settlement agreement (unless the servicing carrier has not completed the investigation necessary to make a decision or the parties cannot agree on settlement). Receipt of these documents does not waive the servicing carrier's right to conduct an investigation prior to settlement and/or offer a reasonable settlement based upon the facts.

11. Expenses

All reported allocated loss adjustment expenses must comply with the eligibility requirements outlined in the CAIP Accounting and Statistical Requirements Manual.

12. Fraud Prevention/Detection

All claims personnel shall receive training in and be aware of potential fraud indicators. The claims professional shall refer a claim for specialized fraud investigation within two working days of a determination of potential fraud. An outline of disputed issues and activities of the investigation will be prepared.

The servicing carrier must ensure that its special investigative handling complies with applicable statutes, regulations, and directives.

Section 32 is deleted in its entirety as follows:

Sec. 32. ADDITIONAL PREMIUM REPORTING TIME LIMIT

~~A servicing carrier must seek preapproval to report additional premium of \$5,000 or greater if the reporting date is more than three years following policy termination. The request shall consist of a cover letter, an Additional Premium Reporting form as shown in the Accounting and Statistical Requirements Manual and the applicable documentation listed below. The request shall be submitted to AIPSO's Residual Market Audit Services (RMAS) for review with a copy of the cover letter and the Additional Premium Reporting form to the Plan.~~

A. Documentation to be Submitted

1. ~~For audited additional premium, provide the following:~~
 - a. ~~The premium audit detail providing the exposure, rates, premium calculation, and any applicable premium adjustments in determining the audited additional premium~~
 - b. ~~Legal summary report including background, position of parties, status of legal action~~

~~taken, and probability of success, as well as pertinent exhibits~~

- c. ~~Any other pertinent information relating to the investigation and resulting premium request~~

2. ~~For unaudited additional premium, provide the following:~~

- a. ~~Underwriting documentation which may include the following, where applicable:~~

- ~~(1) Declarations page, coverage forms, and endorsements of the subject policy(ies)~~
- ~~(2) Application with the servicing carrier's date received identified (i.e., date stamp)~~
- ~~(3) Motor vehicle reports (MVRs)~~
- ~~(4) Rating worksheet with computation support~~
- ~~(5) Renewal notices/quotes~~
- ~~(6) Results of underwriting investigations or inspections~~
- ~~(7) Policy change request(s)~~
- ~~(8) Policy termination notice(s)~~
- ~~(9) Prior years' premium and loss information~~
- ~~(10) Loss control report(s)~~
- ~~(11) Additional premium calculation worksheet~~
- ~~(12) Filings issuance~~
- ~~(13) Collection activity~~

- b. ~~Premium detail including work papers in determining unaudited additional premium~~

- c. ~~Legal summary report including background, position of parties, status of legal action taken, and probability of success, as well as pertinent exhibits~~

- d. ~~Any other pertinent information relating to the investigation and resulting premium request~~

3. ~~The above documentation should include the name, address, and telephone number of the contacts at the servicing carrier's operation who will be responsible for addressing questions relating to the underwriting, audit, loss control, claim, and legal files. Also, the servicing carrier must provide the name and address of the individual(s) to be notified of action taken on the request.~~

B. Plan Office Documentation

Upon receipt of a copy of the request from the servicing carrier, Plan staff shall provide AIPSO's RMAS with a summary of any prior action taken by Plan staff or the Governing Committee concerning the subject of the

~~request. The summary will include rule interpretations, action on extraordinary expense requests, and local directives pertinent to the request.~~

G. Review of the Request

~~Upon receipt of the initial and any subsequently submitted documentation, a review will be completed by AIPSO's RMAS within 20 business days. The review shall consist of testing the reasonableness of the classification and rating of the risk both at the time of the initial underwriting and, subsequently, exposure development including related premium audits, inspections, and external data used in arriving at the exposure basis, and billing and collection activity.~~

D. Questionable or Missing Items

~~If the servicing carrier is unable to respond to requests for additional information within 20 business days of the date of the request, the review process terminates.~~

E. Premium Reporting Recommendation

~~Following completion of its review, AIPSO's RMAS will~~

- ~~1. notify the Governing Committee and servicing carrier, in writing, that the review of the additional premium request is favorable. A favorable review permits the servicing carrier to report the premium to the Plan, in accordance with established reporting procedures, without delay, or~~
- ~~2. notify the servicing carrier, in writing, that the additional premium request will be referred to the Governing Committee with a recommendation for disapproval. A copy of the notification shall be sent to the Plan Office.~~

~~The Plan Office shall advise the Governing Committee of all RMAS premium reporting reviews. The Plan Office shall schedule all disapprovals for Governing Committee review. The Governing Committee shall make a premium reporting determination, for all disapprovals, based on its review of the recommendation and documentation. When a review by the Governing Committee is conducted, the servicing carrier may appear before the Governing Committee to support its position. The Governing Committee will provide the servicing carrier with its decision, in writing, with a copy to AIPSO's RMAS.~~

~~**Note:** The Governing Committee may evaluate and direct the servicing carrier in the appropriate reporting of premium not subject to this procedure in accordance with the Plan manuals, Servicing Carrier Agreement, and regulatory authority applicable to the Plan.~~

F. Reporting to Central Processor

~~All additional premium reported under this rule will be accepted by the Central Processor only if the quarterly submission is accompanied by an approval, on the prescribed form, from RMAS or the Governing Committee.~~

APPENDIX

Sec. 35. ADMINISTRATION

The *fifth* paragraph of paragraph A is ~~deleted~~ as follows:

A. **Governing Committee Composition**

The Plan shall be administered by a Governing Committee and a Manager. The Governing Committee (hereinafter referred to as "the Committee") shall consist of six Plan subscribers, chosen from the following classes of business:

- Two subscriber companies chartered under the laws of the Commonwealth of Kentucky
- Four subscriber companies chartered outside of Kentucky

In addition, one licensed independent insurance agent shall be appointed to the Committee.

Each subscriber company serving on the Governing Committee shall designate a representative to act on its behalf. This representative shall be either (1) a salaried employee or officer of the named subscriber company or (2) a salaried employee or officer of another subscriber company from a group of companies under the same management as the named subscriber company. A salaried employee or officer of the holding company of the named subscriber company may also be designated as the representative. The subscriber companies and their designated representatives must be and remain in good standing with the Kentucky Department of Insurance.

Not more than one company in a group of companies under the same management or ownership shall serve on the Committee at the same time.

~~An active CAIP servicing carrier or PAIP service provider who serves on the Committee shall not be permitted to vote or make motions on matters related to the administration or operation of CAIP or PAIP or any other matters involving servicing carrier or service provider issues. Moreover, an active CAIP servicing carrier or PAIP service provider shall not participate in (and shall not be permitted to receive any written materials distributed to Committee members) any Executive Session wherein the matters to be discussed are any matters involving CAIP servicing carrier or PAIP service provider issues, except when requested by the Committee. In addition to the foregoing, servicing carrier or service provider audit reports, as provided for in the Servicing Carrier or Service Provider Agreement, shall be prepared in writing and furnished only to the Committee members (excluding members who represent other Plan servicing carriers or service providers) and to the servicing carrier or service provider. Audit reports shall be furnished to the servicing carrier or service provider for response and shall be reviewed in Executive Session by the Committee.~~

There shall be a chairperson and vice chairperson elected from and by the Committee. The Committee shall elect a secretary/treasurer. Committee members,

companies not serving on the Committee and Plan staff may serve as secretary/treasurer

Paragraph D is deleted as follows:

D. **AIPSO as CAIP Service Provider**

~~In the event that AIPSO is approved to serve as a CAIP service provider, then all duties and obligations of the Plan of Operation shall apply, absent exceptions approved by the Governing Committee and made of the Servicing Agreement.~~

Sec. 43. COMMERCIAL AUTOMOBILE INSURANCE PROCEDURE ADMINISTRATION

Section 43 is amended as follows:

A. **CAIP Administration and Servicing Carrier Selection Procedure for 2000 and Prior Years**

1. ~~Administration~~

~~The Committee shall utilize appropriate resources to audit the records of any servicing carrier relating to the subject matter of the Plan of Operation and may by rule establish what policies, records, books of account, documents, and related material it deems necessary to carry out its functions. Such material shall be provided by the servicing carriers in the form and with the frequency reasonably required by the Committee.~~

2. ~~Servicing Carrier Appointment~~

- a. ~~Any eligible company (as defined in Section 43.A.3) may request approval to act as a servicing carrier by submitting the prescribed application to the Committee.~~
- b. ~~The Committee shall approve or disapprove a company's request to be a servicing carrier.~~
- c. ~~If a sufficient number of companies do not apply to act as servicing carriers, the Committee will then negotiate with companies to act as servicing carriers.~~
- d. ~~Initially, or whenever there is a need for additional servicing carriers and more eligible companies apply than the number of servicing carriers required, selection will be random, accomplished by a lottery conducted by an impartial person.~~

3. ~~Servicing Carrier Eligibility~~

- e. ~~One or more servicing carriers shall be appointed by the Committee.~~
- f. ~~A servicing carrier must~~
 - (1) ~~be a multiline automobile insurer; and~~
 - (2) ~~have a statutory capital and surplus of not less than \$5,000,000; and~~
 - (3) ~~be licensed to write automobile liability and physical damage insurance for all~~

~~classes of all other business without restriction. Additionally, the company must have been writing all other automobile business for a minimum period of five years and for a minimum period of three years in this state; and~~

- (4) ~~execute the Servicing Carrier Agreement and comply with the provisions of that agreement.~~

~~B. CAIP Administration and Servicing Carrier Selection Procedure Subsequent to 2000~~

A1. Administration

The Committee shall utilize appropriate resources to audit the records of any servicing carrier relating to the subject matter of the Plan of Operation and may specify what policies, records, books of account, documents, and related material it deems necessary to carry out its audit functions. Such material shall be provided by the servicing carriers in the form and with the frequency reasonably required by the Committee.

2. Servicing Carrier Appointment

- a. ~~Whenever there is a need for a servicing carrier(s), the Committee shall notify companies subscribing to the Plan of the opportunity to act as a servicing carrier.~~
- b. ~~Any eligible company (as defined in Section 43.B.4) may request approval to act as a servicing carrier by submitting the prescribed application to the Committee.~~
- c. ~~The Committee shall approve or disapprove a company's application to act as a servicing carrier in accordance with the eligibility requirements and the selection criteria set forth in Sections 43.B.4 and 43.B.5 and the performance standards set forth in Section 31.~~
- d. ~~The servicing carrier appointment will be for a specified term not to exceed five years.~~
- e. ~~The Committee may terminate a servicing carrier at any time during the term for failure to meet the eligibility requirements in Section 43.B.4, the selection criteria in Section 43.B.5 including commitments made during the selection process, or the terms of the Servicing Carrier Agreement, or for failure to comply with the performance standards in Section 31.~~
- f. ~~At least 12 months prior to the expiration of the term of each servicing carrier, the Committee shall determine the appropriate number of servicing carriers pursuant to Section 43.B.3. If there is a need for the appointment or reappointment of a servicing carrier, the Committee shall then notify companies subscribing to the Plan and invite eligible companies to apply in accordance with this Section, Administration. An existing servicing carrier is not disqualified from reapplying and, if eligible and selected,~~

~~servicing successive terms. If not reappointed, the Committee shall notify the existing servicing carrier, six months prior to the expiration of the term, to prepare for withdrawal in accordance with Section 43.F.~~

- g. ~~If a sufficient number of companies do not apply to act as servicing carriers, the Committee may then negotiate with companies to act as servicing carriers.~~

3. Appropriate Number of Servicing Carriers

The Committee shall appoint a total number of servicing carriers that fall within the ranges that follow:

<u>Written Premium</u>	<u>Servicing Carriers</u>
\$ 0 - 20M	2 - 3
20 - 50M	2 - 4
50 - 100M	2 - 6
100 - 150M	2 - 7
150M+	2 - 8

M = Million

~~The Committee may elect to appoint any number of servicing carriers within the range. It is not required that the Committee adopt the highest number in the range. A number of servicing carriers greater than the maximum may be selected if capacity limitations require additional servicing carriers to service the entire premium volume. A number less than the minimum may be selected if conditions are unfavorable to attract a sufficient number of qualified applicants or if premium volume is insufficient to support more than one servicing carrier.~~

4. Servicing Carrier Eligibility Requirements

~~A servicing carrier must have the ability to comply with the CAIP performance standards and financial reporting requirements from date appointed until such time as all the CAIP business is nonrenewed and all claims settled.~~

- a. ~~A servicing carrier applicant must~~
- ~~(1) be a multiline automobile insurer that is a subscriber to the Plan; and~~
 - ~~(2) have a statutory capital and surplus of not less than \$25,000,000; and~~
 - ~~(3) be licensed to write automobile liability and physical damage insurance for all classes of all other business without restriction. Additionally, the company must have been writing all other automobile business in the U.S.A. for a minimum period of five years in the voluntary market and for a minimum period of three years in the voluntary market in this state; and~~
 - ~~(4) have maintained an A.M. Best's financial rating not less than A for a continuous three-year period from the most current publication date of an applicant's rating.~~

~~An applicant not rated by A.M. Best's within the period necessary to comply with this eligibility requirement may demonstrate financial strength through alternative financial rating services at the discretion and satisfaction of the Committee.~~

- b. ~~The applicant must be willing and able to execute the Servicing Carrier Agreement and comply with its provisions.~~

5. ~~Servicing Carrier Selection Criteria~~

~~Once the applicant has met the eligibility requirements in Section 43.B.4, the members of the Committee (excluding any members that are currently, or are applying to be, servicing carriers in the state, or that may otherwise have a conflict of interest in connection with the selection process) shall evaluate each applicant based on the four selection guidelines set forth below. The applicant(s) that ranks highest overall shall be appointed.~~

~~The weight assigned to each item is within the discretion of the Committee based upon the current needs of the CAIP and reasonable business considerations.~~

a. ~~Participation in Pooling Mechanism~~

~~A servicing carrier should participate in the CAIP operating results. The applicant's participation is measured by its rank in the current edition of **AIPSO Company Rankings, Other Than Private Passenger Nonfleet Liability**. The higher the company's rank, the greater the company's participation in the CAIP. The greater an applicant's participation, the more attractive the applicant is as a servicing carrier.~~

b. ~~Financial Rating~~

~~The applicant must demonstrate that it has financial strength to meet the ongoing obligations to the CAIP, insureds, claimants, and subscribers of the Plan. The greater an applicant's A.M. Best's financial rating, the more attractive the applicant is as a servicing carrier.~~

c. ~~Company Business Plan~~

~~Each eligible applicant must submit a comprehensive company business plan which demonstrates that it has, or is willing to establish prior to the commencement of its term, sufficient servicing capacity, facilities, and resources to provide the best possible levels of performance and service in meeting its obligations to the CAIP, the insureds, regulatory authorities, and subscribers. Applicant interviews may be conducted to clarify statements contained in the business plan. Specifications for a company business plan are available from the Plan.~~

d. ~~Past Performance and Commitment~~

~~The applicant must demonstrate its ability, desire, and/or willingness to provide the best possible levels of performance and service in meeting its obligations to the CAIP, the insureds, regulatory authorities, and subscribers to the Plan. Each applicant should include, but is not limited to, providing documents supporting past performance, such as a report from a Plan Manager of a pooling mechanism in which the applicant is currently or formerly was a servicing carrier, complaint/appeal records, current Plan residual market compliance audit(s), or market conduct exams conducted on involuntary market operations (including direct assigned business). Other relevant and pertinent information shall be provided, such as length of service as a servicing carrier, explanation of resignations and terminations from other pooling mechanisms, and participation within the involuntary market (assisting committees and regulators by attending meetings, or by contributing and formulating solutions to market issues).~~

C. ~~Alternative Servicing Carrier Appointment Process~~

~~At least 18 months prior to the expiration of the term of the current servicing carrier(s), the Governing Committee may participate in a countrywide servicing carrier solicitation and recommendation process (the "Countrywide Process"). The Countrywide Process is in lieu of the selection procedure outlined in Section 43.B and is to occur only in periods of low premium volume for countrywide automobile residual market commercial pooling mechanisms (when market conditions are such that no company may be willing to be appointed without a supplemental fee). This Countrywide Process will include all state automobile insurance residual market mechanisms which choose to participate.~~

~~In order to participate in the Countrywide Process, the Committee shall~~

- ~~1. select a regional representative from among the states with a CAIP mechanism that comprise AIPSO's (Insert Name of Region) Region to serve on a countrywide solicitation and recommendation committee ("the Countrywide Committee"). This Countrywide Committee shall be comprised of regional representatives from all of the state automobile insurance residual market mechanisms participating in the Countrywide Process. Selection of this regional representative will be accomplished in accordance with guidelines to be agreed upon by the states within the (Insert name of region) Region. Not more than one company in a group of companies under the same management shall serve on the Countrywide Committee at the same time. The (Insert name of region) Region will advise AIPSO in writing of its regional representative. AIPSO shall be responsible for performing all of the administrative duties necessary to facilitate and support the activities of the Countrywide Committee.~~

2. ~~receive an informational copy of a Servicing Carrier Request for Proposal (RFP) developed by the Countrywide Committee which shall be distributed to all subscribers to the Plan. The RFP shall include, but shall not be limited to, the following provisions:~~

a. ~~The servicing carrier appointment will be for a specified term not to exceed five years.~~

b. ~~The servicing carrier may be terminated by an individual state Governing Committee for failure to continuously meet certain eligibility and other requirements, including any commitments made by the servicing carrier in response to the RFP, or terms of the Servicing Carrier Agreement or for failure to comply with performance standards established by Plan rules.~~

c. ~~In order to be eligible to apply the servicing carrier must~~

(1) ~~be a multiline automobile insurer that is a subscriber to the Plan, and~~

(2) ~~have a statutory capital and surplus of not less than \$25,000,000, and~~

(3) ~~be licensed to write automobile liability and physical damage insurance for all classes of all other business without restriction. Additionally, the company must have been writing all other automobile business in the United States of America for a minimum period of five years in the voluntary market and for a minimum period of three years in the voluntary market of this state, and~~

(4) ~~have maintained an A.M. Best's financial rating not less than A- for a continuous three-year period from the most current publication date of an applicant's rating. An applicant not rated by A.M. Best within the period necessary to comply with this eligibility requirement may demonstrate financial strength through alternative financial rating services at the discretion and satisfaction of the Countrywide Committee, and~~

(5) ~~be willing and able to execute a Servicing Carrier Agreement with each state Plan and comply with its provisions.~~

3. ~~receive and review a recommendation from the Countrywide Committee of a CAIP servicing carrier, based upon the eligibility standards and selection criteria considered by the Countrywide Committee. The selection criteria to be considered by the Countrywide Committee shall include, but not be limited to, the following:~~

a. ~~Participation in Pooling Mechanism~~

~~A servicing carrier should participate in the countrywide CAIP operating results. The applicant's participation is measured by its rank in the current edition of **AIPSO Company Rankings, Other Than Private Passenger Nonfleet Liability**. The higher the company's rank, the greater the~~

~~company's participation in the countrywide CAIP. The greater an applicant's participation, the more attractive the applicant is as a servicing carrier.~~

b. ~~Financial Rating~~

~~The applicant must demonstrate that it has financial strength to meet the ongoing obligations to the CAIP, insureds, claimants, and subscribers of the Plans. The greater an applicant's A.M. Best's financial rating, the more attractive the applicant is as a servicing carrier.~~

c. ~~Company Business Plan~~

~~Each eligible applicant must submit a comprehensive company business plan which demonstrates that it has, or is willing to establish prior to the commencement of its term, sufficient servicing capacity, facilities, and resources to provide the best possible levels of performance and service in meeting its obligations to the CAIP, insureds, regulatory authorities, and subscribers. Applicant interviews may be conducted to clarify statements contained in the business plan. Specifications for a company business plan are available from the Plan~~

d. ~~Past Performance and Commitment~~

~~The applicant must demonstrate its ability, desire, and/or willingness to provide the best possible levels of performance and service in meeting its obligations to the CAIP, insureds, regulatory authorities, and subscribers to each Plan. Each applicant should include, but is not limited to provide, documents supporting past performance, such as a report from a Plan Manager of a pooling mechanism in which the applicant is currently or formerly was a servicing carrier, complaint/appeal records, current Plan residual market compliance audit(s), or market conduct exams conducted on involuntary market operations (including direct assigned business). Other relevant and pertinent information shall be provided, such as length of service as a servicing carrier, explanation of resignations and terminations from other pooling mechanisms, and participation within the involuntary market (assisting committees and regulators by attending meetings, or by contributing and formulating solutions to market issues).~~

e. ~~Annual Minimum Fee for Services~~

~~The applicant must submit an Annual Minimum Fee for Services for each year of the entire term of the proposed engagement of the servicing carrier for the servicing of all states which choose to participate in the Countrywide Process.~~

~~The Governing Committee may request periodic reports from its regional representative to the Countrywide Committee regarding the activities of the Countrywide Committee. The Governing Committee retains the right to withdraw from~~

~~participation in the Countrywide Process at any time.~~

~~The Countrywide Committee shall issue its CAIP servicing carrier recommendation to the Plan. After issuance of the Countywide Committee's recommendation, its duties shall end and the Countrywide Committee shall serve no further function or purpose. The Governing Committee shall act upon the recommendation within 60 days and either accept or reject such recommendation in its entirety. If the Governing Committee accepts the recommendation, the selected servicing carrier shall enter into a Servicing Carrier Agreement with the Plan for the specified term and upon the conditions agreed to with the Countrywide Committee in its recommendation.~~

~~If the Governing Committee rejects the recommendation, it may then opt out of the Countrywide Process and pursue an alternative process. In addition, in the event the Governing Committee determines that a certain level of state automobile residual market participation is not achieved due to rejection of the Countrywide Committee's recommendation by other states, then the Governing Committee shall not be obligated to continue with the Countrywide Process.~~

~~The Governing Committee, as part of the terms and conditions contained in the Servicing Carrier Agreement, is specifically authorized to agree to the payment of an additional fee to the servicing carrier in excess of the servicing carrier allowances as currently provided in Section 47.G 47.E. The additional fee will be the difference between (1) the regular servicing carrier allowances paid to the approved servicing carrier countrywide and (2) the minimum fee countrywide for services agreed upon with the approved servicing carrier times the Plan's share percentage. The Plan's share percentage is calculated as follows:~~

$$\frac{\text{Plan's Share Percentage}}{\text{Plan's Total Annual CAIP Written Premium}} = \frac{\text{Sum of Annual Written Premium of Commercial Residual Market Pooling Mechanisms of Participating Plans Countrywide}}{\text{Sum of Annual Written Premium of Commercial Residual Market Pooling Mechanisms of Participating Plans Countrywide}}$$

~~Further, the additional fee shall be deemed a cost of the (Insert name of region) Region and shall be allocated among Plan member companies in accordance with (Insert name of region) Region procedure participation provisions.~~

~~The Governing Committee retains the authority to impose within its Servicing Carrier Agreement any state specific administrative requirements it deems necessary and appropriate, so long as such requirements are not inconsistent with the terms and conditions agreed to by the servicing carrier with the Countrywide Committee. Any such state specific administrative requirements must be communicated to the Plan's regional representative for inclusion in the servicing carrier RFP.~~

B. CAIP Service Provider

1. Service Provider Selection

The Governing Committee will appoint a CAIP service provider when such appointment is deemed necessary for the benefit of the CAIP.

AIPSO may be approved to serve as a CAIP service provider with a licensed insurance company (fronting company) or AIPSO may be appointed as a service provider to the Plan under the authority granted by the state to issue policies with the Plan as the named insurer.

2. Appointment of AIPSO as CAIP Service Provider

AIPSO, with an agreement with a licensed national insurance company (fronting company), is appointed service provider. AIPSO will issue commercial automobile insurance policies in the name of the fronting company on behalf of the CAIP. AIPSO will also contract with a national claims service company to process claims. As the service provider, AIPSO will handle all policy processing services, such as underwriting, accounting, billing, etc. through their AIPSO Insurance Operations (AIO) unit.

As the approved CAIP service provider, then all duties and obligations of the Plan of Operation and CAIP Accounting and Statistical Requirements Manual shall apply, absent exceptions approved by the Governing Committee and made a part of the Servicing Agreement.

The service provider appointment will be for a specified term not to exceed five years.

3. Eligibility Requirements

The service provider, with an agreement with a licensed national insurance company (fronting company), must meet and continually maintain the following eligibility requirements:

- (a) be a multiline automobile insurer that is a subscriber to the Plan, and
- (b) have a statutory capital and surplus of not less than \$25,000,000, and
- (c) be licensed to write automobile liability and physical damage insurance for all classes of all other business without restriction. Additionally, the company must have been writing all other automobile business in the United States of America for a minimum period of five years in the voluntary market and for a minimum period of three years in the voluntary market of this state, and
- (d) have maintained an A.M. Best's financial rating not less than A- for a continuous three-year period from the most current publication date of an applicant's rating. An applicant not rated by A.M. Best within the period necessary to comply with this eligibility requirement may demonstrate financial strength through alternative financial rating

services at the discretion and satisfaction of the Governing Committee, and

(e) be willing and able to execute a Servicing Agreement with each state Plan and comply with its provisions.

4. Service Provider Fee

The service provider is subject to the service carrier allowances shown in paragraph C.

5. Service Requirement

The service provider must provide full service for all policies written, including claims and statistical reporting in accordance with the CAIP Accounting and Statistical Requirements Manual.

6. Performance Standards

The service provider must comply with the performance standards in Section 31 and the CAIP Accounting and Statistical Requirements Manual, unless otherwise specified in the Servicing Agreement.

D.C. Servicing Carrier Allowances

1. In addition to the direct reimbursement of all actual paid losses, a servicing carrier will be allowed

a. a percent of liability written premium for administrative expense, other than claim expenses, producer compensation and premium taxes;

~~b. for 1990 and prior policy years, a percent of earned premium for loss adjustment expenses (allocated and unallocated for liability, personal injury protection, uninsured motorists, underinsured motorists, and medical payments coverage claims);~~

~~e.b. for 1991 and subsequent policy years, a percent of earned premium for unallocated liability loss adjustment expenses for liability, personal injury protection, uninsured motorists, underinsured motorists, and medical payments coverage claims;~~

~~d.c. for 1991 and subsequent policy years, allocated liability claim expenses as defined in the CAIP Accounting and Statistical Requirements Manual (actual);~~

~~e.d. producer compensation (actual);~~

~~f.e. premium taxes incurred (actual).~~

The Committee may approve servicing carrier reimbursement in whole or in part for specific extraordinary expenses (not reimbursed under a through f e above) incurred in qualifying for, continuing as, or ceasing to be a servicing carrier.

2. The formula for the establishment of the servicing carrier expense allowance is as follows:

~~a. For 1990 and Prior Policy Years~~

$$\text{Servicing Carrier Allowance} = \text{Administrative Expense} + \left[\begin{array}{l} \text{Loss Adjustment Expense} \\ \text{---} \\ \text{---} \end{array} \left(\begin{array}{l} \text{Actual Loss Ratio} \\ \text{---} \\ \text{Expected Loss Ratio} \end{array} \right) \right]$$

+ Taxes + Compensation

~~b. For 1991 and Subsequent Policy Years~~

$$\text{Liability Servicing Carrier Allowance} = \text{Administrative Expense} + \left[\begin{array}{l} \text{Unallocated Liability Loss Adjustment Expense} \\ \text{---} \\ \text{---} \end{array} \left(\begin{array}{l} \text{Actual Loss Ratio} \\ \text{---} \\ \text{Best's Loss Ratio} \end{array} \right) \right]$$

Allocated

+ Liability Claims Expense + Taxes + Compensation

3. The administrative expense ratios to be included in the general formula will be determined as follows:

~~a. For 1988, 1989, 1990, 1991, and 1992, the administrative expense allowance shall be 18% applicable to both liability and physical damage written premium. The administrative expense allowance includes provision for the general service fee.~~

~~b. For 1993 and subsequent years, the The administrative expense ratio shall equal the latest 3-year average Best's Aggregates and Averages ratio of other acquisition and general expenses to written premiums increased by a general service fee of five percentage points. The administrative expense ratio shall be calculated separately for liability and physical damage and shall be subject to annual review by the Committee.~~

4. The loss adjustment expense ratios to be included in the general formula shall be determined as follows:

~~a. For 1990 and prior policy years, the loss adjustment expense allowance shall be 13.5% applicable to the liability, personal injury protection, uninsured motorists, underinsured motorists, and medical payments coverage earned premium.~~

~~b. For 1991 and Subsequent Policy Years~~

~~(1)a. The unallocated liability loss adjustment expense allowance shall be based on the latest three-year average Best's Commercial Automobile Aggregates and Averages liability loss adjustment expense (adjusted to eliminate the allocated loss expenses) applicable to the liability, personal injury protection, uninsured motorists, underinsured motorists, and medical payments coverage earned premium.~~

~~(2)~~b. The actual CAIP incurred loss ratio for the latest three years of CAIP operation, if credible, will be used for the actual loss ratio element. In the absence of credibility, accepted industry actuarial practices will be applied in determining the actual loss ratio.

~~(3)~~c. The loss adjustment expense is adjusted by the ratio of the actual loss ratio to the Best's loss ratio subject to a maximum actual loss ratio of 150% and a minimum actual loss ratio of 50%.

5. The servicing carrier allowances shall be subject to an annual review by the Committee.

E.D. Account Information

All subscribers to the Plan shall make account information for eligible applicants (including experience) available to servicing carriers.

F.E. Servicing Carrier Withdrawal or Termination

1. In the event that an insurer who is (or formerly was) operating as a servicing carrier exercises its option to withdraw or is terminated as a servicing carrier, in accordance with the provisions of the Servicing Carrier Agreement, the servicing carrier shall be permitted to nonrenew its CAIP policies at expiration by giving at least 60 days' notice of nonrenewal to the insured and producer of record prior to the next annual policy expiration date, and

2. The withdrawing servicing carrier shall submit a claims handling plan, to include current claims handling methods and procedures, with its letter of resignation. A terminated servicing carrier shall submit a claims handling plan 60 days prior to the date of termination or as directed by the Governing Committee. The claims handling plan must include detailed explanations of each of the following:

- a. Any management or organizational changes planned or anticipated that will impact the handling of CAIP claims
- b. Plans for relocating claims servicing offices
- c. Planned or anticipated changes to methods and standards for handling claims
- d. Goals/objectives/timetables for reducing number of open claims
- e. Planned or anticipated change to the method of handling litigation, e.g., utilizing outside counsel versus house counsel or utilizing outside claims personnel in place of inside referral

The Plan Governing Committee must approve the claims handling plan and any subsequent changes thereto.

3. The servicing carrier must immediately advise the Governing Committee in writing and in advance of any change to its claims handling plan specifically

relating to items 2.a, b, c, d, and e above and all other substantive changes to their operation and claims handling plan as submitted to the Governing Committee.

4. The servicing carrier shall provide the Plan with loss statements, by policy year, at the time of its withdrawal, termination, or insolvency and on a quarterly basis thereafter or until such time as the Governing Committee deems the statements are no longer necessary. Loss statements must be received at the same time as CAIP Quarterly Summary Control reports and include the following minimal loss detail:

- a. Claim number
- b. Policy number
- c. Policy year
- d. Accident year
- e. Adjusting office
- f. Insured name
- g. Date of loss
- h. Amount of loss—incurred/paid/reserved
- i. Historical company loss trend and development factors for a minimum of the most recent five years

5. The submitted data will be evaluated for trends that may require further review. A final report containing the findings of the evaluation will be presented to the Governing Committee on a frequency agreed to by both parties. If questionable or adverse trends are found in the outstanding loss detail provided, the Governing Committee may consider the following options:

- a. Request a full claims audit.
- b. Request reimbursement of improper claims payments, if the servicing carrier has written policies with effective dates of August 31, 2022 and prior.
- c. Require servicing carrier to pay for subsequent special audits.
- d. Reassign open claims at the servicing carrier's expense, but not to exceed the loss adjustment expense (LAE) allowance paid for all open policy years combined.

6. Claim Reassignment Procedure

The servicing carrier has received a claim service fee which contemplated its bringing the claims to proper conclusion, therefore

- a. if the servicing carrier is meeting and is expected to continue to meet reasonable claims handling standards, it should continue the handling of its files to a conclusion;
- b. if the servicing carrier has not met reasonable claims standards, or refuses or is unable to

further handle the claims, the Plan Governing Committee should consider the following:

- (1) Allow the servicing carrier to handle to a conclusion all outstanding claims reported to the servicing carrier prior to its withdrawal or termination. All subsequently reported claims will be reassigned by the Plan Governing Committee.
- (2) Allow ~~t~~The servicing carrier to will retain only suit files where competent counsel is handling and the servicing carrier is meeting reasonable standards. All other claims will be reassigned by the Plan Governing Committee.
- (3) Place settlement authority limitations on all claims until reassignment by the Plan Governing Committee. Final settlement authority, until reassignment, is to be vested with the Plan Governing Committee.
- (4) Unless contrary to or prohibited by law, return all the claim files and notices to the Plan Governing Committee for reassignment as the Plan Governing Committee directs.

Unless otherwise directed, the servicing carrier shall service to a conclusion all claims (including pending, late reported, and reopened) that occurred prior to the renewal, transfer, or termination of the particular policy involved, subsequent to the effective date of the withdrawal or termination.

The servicing carrier will be subject to all Plan provisions, contractual obligations, and Plan directives until

- all claims are closed by payment, closed without payment, or otherwise; or
- a date to discontinue service is determined.

Reassignment of claims should be made to one entity, if practical, or to as limited a number of entities as possible.

If more than one entity is required, the distribution will be under the direction of the Plan Governing Committee or its designate.

7. Statistical and Accounting Consideration

The records of all reassigned claims indemnity payments and expenses incurred must, among other required information, be kept statistically separated. The statistical and any other agency must be notified of the withdrawals and reassignments.

G.F. Servicing Carrier Insolvency

1. Upon receipt of notice of insolvency, or if the Plan Governing Committee finds it necessary to terminate a servicing carrier for financial reasons,

the Plan Governing Committee may request a claim review of open claims files.

The claim review will enable the Plan Governing Committee to

- a. select the appropriate option for further handling of claims,
 - b. determine the level of work completed on the files,
 - c. estimate future adjustment expense needed for completion of claim file work.
2. The files will be subject to periodic review by the Plan Governing Committee or its designate. If a review indicates the servicing carrier fails to meet reasonable claim handling standards, the Plan Governing Committee may then consider other options included but not limited to those in Section 43.~~EF~~. Servicing Carrier Withdrawal or Termination.

Sec. 44. COMMERCIAL AUTOMOBILE INSURANCE PROCEDURE PARTICIPATION PROVISIONS

Paragraph A.3 is amended as follows:

A. All Other Liability Writers

For the purpose of participation in the premiums, losses, and expenses of the Commercial Automobile Insurance Procedure as outlined in Section 44.B, Voluntary All Other Automobile Liability Net Direct Written premiums, shall be defined as follows:

“Voluntary All Other Automobile Liability Net Direct Written premiums” written by the company in the state shall be the automobile liability and personal injury protection premiums included on the Exhibit of Premiums and Losses of the company’s Annual Statement for the calendar year ending December 31 of the second prior year minus premium for the following classes:

3. Total Automobile Insurance Plan premiums (including CAIP direct written premiums of a servicing ~~carrier~~ carrier or a fronting company who is acting on behalf of a service provider).

Paragraph C is amended as follows:

C. Responsibilities of the Central Processor

AIPSO, as Central Processor, will receive all accounting data from the servicing carrier, balance, review, and distribute this data to all member companies in accordance with their participation.

The details of this system are in the CAIP Accounting and Statistical Requirements Manual.

Sec. 46. GENERAL PROVISIONS

Paragraph A.4 is introduced, reading as follows:

A. Reporting of Statistical Data

4. Voluntary All Other Distribution Data

Voluntary All Other Automobile Net Direct Written Liability premium, as reported to AIPSO by each member company or by their statistical agent, shall be used to calculate CAIP participation and assessments. However, this data shall be adjusted to exclude Automobile Insurance Plan liability and physical damage written premiums of a CAIP servicing carrier or a fronting company, acting on behalf of a service provider.

Sec. 47. RATE DETERMINATION

Paragraph B is amended as follows:

B. Resident and Nonresident Rate Determination

For the purposes of this Section, the word "Plan" shall mean any automobile residual mechanism having a separate residual market rate.

This does not include

Massachusetts Commonwealth Automobile Reinsurers
Maryland Automobile Insurance Fund
North Carolina Reinsurance Facility

1. State of Principal Garaging—Plan State

Bodily injury, property damage, medical payments, and personal injury protection coverages shall be afforded as follows:

A vehicle principally garaged in another state shall be subject to the rates, additional charges, rating rules, and policy forms applicable under the Plan of the state of principal garaging, and such applicants shall be ~~assigned to~~ provided coverage by companies or servicing carriers licensed to write and writing automobile liability insurance in that state.

2. State of Principal Garaging—Non-Plan State

Bodily injury, property damage, medical payments, and personal injury protection coverages shall be afforded as follows:

When a vehicle is principally garaged in another state which does not provide rules, rates, and coverage forms to afford insurance under an Automobile Insurance Plan, such risks shall be subject to whichever of the following will produce the higher dollar amount:

- a. the rates applicable to the territory in the state as shown on the address indicated on the registration, and otherwise subject to all of the provisions of this Plan, or
- b. the rules, rates, minimum premiums, classifications in force, and rating plans applicable to the ~~insurer company or servicing carrier~~ insurer company or servicing carrier for voluntary business in the state and territory where the vehicle is principally garaged, and otherwise subject to all of the provisions of this Plan. This rule is not applicable to a CAIP or PAIP service provider that does not write automobile insurance in the voluntary market.

COMMERCIAL AUTOMOBILE SAFETY PROGRAM**Defining the Issue**

The Commercial Automobile Safety Program (CASP) is being discontinued because it is no longer appropriate for Plan use and should be removed from the Plan manual.

Action Needed

Please review this proposal and, if appropriate, approve the amendments provided.

Proposal

We propose the elimination of CASP because the program is no longer appropriate for Plan use.

Impact

Adoption of these amendments will have the following impact:

- CASP is eliminated.
- When CASP is discontinued, the Plan will no longer be required to request a CASP inspection for the classes of commercial risks subject to the procedure.
- The Plan will no longer need to secure the services of an inspection company and pay the inspection fees.

AIPSO Systems Impact: This proposal has no impact on AIPSO systems. This proposal has no impact on EASi. This proposal has no impact on Galaxy.

Background

CASP was introduced in the 1990s as one of a number of Uniform Plan CAIP enhancements intended to deter premium diversion and fraud. The purpose of the program was to encourage compliance with fundamental safety procedures as required by the Federal Motor Carrier Safety Act. The program was designed to focus on public automobile fleets, haulers of hazardous waste material, and trucking fleets of 10 or more vehicles. However, any other class or classes or commercial business could be designated by the Governing Committee. The primary objectives of CASP inspection companies were to determine if the insured is in compliance with safety regulations, to detect fraudulent practices, to persuade insureds to increase loss prevention efforts, and to confirm underwriting information provided on the application. The Governing Committee appointed the inspection company. The inspection fee to be paid by the Plan through CAIP was mutually agreed upon by the Governing Committee and the inspection company.

When introduced, CASP was adopted by 67% of the Plans and inspection companies were available. However, as years passed, Plans found it more difficult to obtain an inspection company because the inspection companies limited the states in which they operated. With the decline in CAIP volume within the past 10 years in many state Plans, the number of risks requiring inspections also decreased while the cost of the inspections increased. As a result, a number of Plans with CASP eliminated their programs as they were no longer viable.

Currently, 22 Plans countrywide have CASP in effect. However, the time, effort, and cost associated with the program in the state Plans where they are operational may no longer be appropriate. Today, the information previously obtained in the inspection is available to the

servicing carriers through technological means and preliminary premium audits. We recommend the discontinuance of CASP because it no longer is cost effective and no longer serves the purpose for which it was intended.

Proposed Changes

Sec. 18. ELIGIBILITY

Sec. 19. REELIGIBILITY

Sections 18.C.5 and 19.A.6 are deleted to remove the failure to comply with CASP inspection requirements as a reason for ineligibility for coverage through CAIP.

Sec. 27. COMMERCIAL AUTOMOBILE SAFETY PROGRAM (CASP)

This section is deleted in its entirety to remove the CASP program.

Sec. 28. CANCELLATIONS

Paragraph B.1.h is amended to delete a cancellation provision related to applicant failure to comply with CASP inspection requirements.

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

Paragraph I.2 is deleted to remove the CASP requirements pertaining to engineering and loss control service to be provided by the servicing carrier.

Attachments

Exhibit A—Proposed amendments to Sections 18, 19, 27, 28, and 31

COMMERCIAL AUTOMOBILE PART

Sec. 18. ELIGIBILITY

Paragraph C.5 is deleted in its entirety.

C. Applicant Not Eligible for Plan

An applicant shall not be entitled to automobile insurance nor shall any servicing carrier be

- ~~5. if the applicant has been cancelled within the past 12 months for failure to make his vehicle(s) available for safety inspection or failure to respond to written requests for pertinent safety inspection information under CASP.~~

Sec. 19. REELIGIBILITY

Paragraph A.6 is deleted in its entirety.

Applicants eligible for coverage in accordance with Section 18 are subject to the following reeligibility provisions:

A. New Applications

Any applicant denied insurance under Section 18 or cancelled under Section 28.B of the Plan may reapply to the Plan as soon as the cause of ineligibility is removed.

- ~~6. Applicants cancelled under Section 28.B.1.h for failure to make vehicle(s) available for a safety inspection or failure to respond to two written requests for pertinent safety information under CASP may reapply to the Plan at any time after passing a CASP safety inspection, the cost of which is to be borne by the applicant whether the applicant passes or fails the inspection.~~

Sec. 27 is deleted in its entirety.

Sec. 27. COMMERCIAL AUTOMOBILE SAFETY PROGRAM (CASP) RESERVED FOR FUTURE USE

~~A. Purpose of Program~~

~~The purpose of the program is to provide compliance with fundamental safety procedures for the following classes of commercial automobiles:~~

- ~~1. Public automobiles (fleets)~~
- ~~2. Any handler of bulk hazardous material, including handlers of hazardous waste~~
- ~~3. Handlers of any commodities with 10 or more vehicles~~
- ~~4. All DOT-regulated carriers~~
- ~~5. Any other class or classes designated by the Governing Committee~~

~~B. Eligibility Standards for Inspection Companies~~

~~The Governing Committee may appoint one or more companies to conduct safety inspections basing its selection on the criteria outlined below.~~

~~An eligible inspection company must~~

- ~~1. provide appropriate engineering and loss control services, including follow up for compliance with all reasonable safety requirements; and~~
- ~~2. have a minimum of three years' experience in conducting quality safety engineering surveys of transporters of hazardous materials, including hazardous waste; and~~
- ~~3. have the ability to meet a service standard of conducting a satisfactory survey within 30 days of notification by a servicing carrier.~~

~~**Note:** At least one of the inspection companies must have the capacity to provide safety engineering surveys in every state.~~

~~C. Extent of CASP~~

~~The safety program will embrace~~

- ~~1. safety inspections by qualified companies selected by the Governing Committee;~~
- ~~2. appropriate engineering and loss control recommendations by the inspection company with a follow up for compliance by the insured;~~
- ~~3. supervisory controls monitoring;~~
- ~~4. operator selection and training programs;~~
- ~~5. appropriate vehicle maintenance requirements; and~~
- ~~6. maintenance of proper records by the insured.~~

~~D. Inspection Fees~~

~~Inspection company fees will be paid by the Plan in accordance with a preapproved schedule adopted by the Governing Committee.~~

Sec. 28. CANCELLATIONS

Paragraph B.1. h is amended as follows:

B. Cancellation by Servicing Carrier

1. A servicing carrier which has issued a policy or binder under this Plan shall have the right to cancel the insurance by giving notice as required in the policy or binder if the insured
 - h. cannot be located by the CASP inspection company for the purposes of its safety inspection survey, or has failed to respond to at least two written requests for pertinent safety inspection information which would have a direct bearing on the rating of a policy, or

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

Paragraph I.2 is deleted in its entirety. .

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

I. Underwriting/Rating

The servicing carrier must

1. properly price all policies in accordance with the approved rating plans contained in the Manual of Rules and Rates and establish procedures for appropriate and timely verification of policyholders' and operators' driving records and/or obtain other information as necessary to assist in the proper classification and rating of an applicant;
2. ~~provide appropriate engineering and loss control service equivalent to voluntary market practices including follow up for compliance with all reasonable safety requirements;~~

Subsequent Paragraphs. I.3 through I.6 are redesignated as I.2 though I.5.

PRELIMINARY PREMIUM AUDIT REQUIREMENTS**Defining the Issue**

The classes of commercial risks subject to preliminary premium audits should be expanded to include classifications other than (1) all policies with Any Auto coverage symbol (2) all Federal Motor Carrier Safety Administration (FMCSA), Public Utilities Commission (PUC), and Public Service Commission (PSC) regulated carriers, and (3) all policies with MCS 90 or MCS 90B endorsements. This will provide the servicing carrier with flexibility to perform a preliminary premium audit on other commercial risks as deemed necessary.

Action Needed

Please review this proposal and, if appropriate, approve the amendments provided.

Proposal

We propose expansion of the CAIP preliminary premium audit requirement to allow the servicing carrier to audit any commercial risk at their discretion.

Impact

Adoption of these amendments will have the following impact:

- Preliminary premium audits must be performed on (1) all policies with Any Auto coverage symbol, (2) all FMCSA, PUC, and PSC regulated carriers, (3) all policies with MCS 90 or MCS 90B endorsements, (4) all policies with a Form E filing and (5) any other class or classes of commercial business designated by the Governing Committee.
- If the applicant fails to respond to two documented requests from the servicing carrier to schedule an audit, or if the applicant does not permit the auditor to complete any audit, the in-force Plan commercial auto policy will be cancelled.
- References to the Interstate Commerce Commission (ICC) have been replaced with Federal Motor Carrier Safety Administration (FMCSA). In addition, references to the MCS 90 endorsement have been expanded to include the MCS 90B endorsement and PSC clarified to mean Public Service Commission.
- References to an ICC Regulation Docket Number have been updated to refer to a Motor Carrier Number.

AIPSO Systems Impact: This proposal impacts EASI. The effective date must be coordinated with ISPS.

Background

The preliminary premium audit requirement was introduced in the 1990s as one of a number of Uniform Plan CAIP enhancements recommended by the AIPSO Board of Directors and the Commercial Automobile Committee (CAC) that were intended to deter premium evasion, premium diversion, and fraud. The Uniform Plan servicing carrier underwriting performance standards require that a servicing carrier perform a preliminary premium audit on (1) all policies with Any Auto coverage symbol (other than garage), (2) all FMCSA, PUC, PSC regulated carriers, and (3) all policies with MCS 90 or MCS 90B endorsements.

Many states also adopted another enhancement known as the Commercial Automobile Safety Program (CASP). The purpose of the program is to encourage compliance with fundamental safety procedures as required by the Motor Carrier Act of 1980 and the Bus Regulatory Act of 1982 which are enforced by the Federal Motor Carrier Safety Administration. It was designed to focus on public auto fleets, haulers of hazardous waste material, and trucking fleets of 10 or more vehicles. However, any other class of business could be designated by the Governing Committee for inspection. An inspection fee is paid by the Plan to the inspection company. These classes are also subject to a preliminary premium audit.

With the transition to AIPSO as the sole CAIP service provider on September 1, 2022, CASP will be discontinued in the 22 Plans where it currently exists. Because the underlying goal of the preliminary premium audits is similar to CASP, it is recommended that the preliminary premium audit requirement be expanded to include additional commercial risks that may be subject to a preliminary premium audit. The majority of CAIPs countrywide have a preliminary premium audit requirement today, including all of the states where CASP will be discontinued. We recommend expansion of the classes of commercial risks that may be subject to preliminary premium audit for all Plans Countrywide.

Proposed Changes

The numbering in Sections 18 and 31 reflect the deletion of provisions related to the elimination of CASP (provided in a separate proposal).

Sec. 18. ELIGIBILITY

New paragraph C.5 is introduced to state that an applicant is not eligible for insurance and a servicing carrier is not required to provide or continue to afford insurance if the applicant has been cancelled for failure to respond to a request to conduct any audit or has not submitted to and permitted the completion of any audit.

Sec. 19. REELIGIBILITY

Paragraph A.5 is amended to state that a risk cancelled for failure to respond to a request to schedule an audit or for failure to reply to a request to conduct an audit must first submit to and permit completion of an audit in order to remove the reason for ineligibility for coverage through the Plan.

Sec. 21. EXTENT OF COVERAGE

Paragraph A.3 is amended to state that hired auto and nonowned auto liability coverages will be provided by the servicing carrier when an FMCSA, PUC, or PSC filing, or any other similar state or federal filing, or an MCS 90 or MCS 90B is requested.

Sec. 23. APPLICATION FOR ASSIGNMENT, DESIGNATION OF SERVICING CARRIER, EVIDENCE OF INSURANCE, AND EFFECTIVE DATE OF COVERAGE

Paragraphs B.4 and B.5.a. are amended to include appropriate references to the FMCSA and PSC filings.

Paragraph C.3 is amended to include appropriate references to the FMCSA and PSC filings in the policy change request effective date requirements provision.

Paragraph C. 5 is amended to include appropriate references to FMSCA and PSC filings in the provisions pertaining to effective date determination for risks who become subject to the 15-day delay in effective date as the result of submission of a policy change request.

Sec. 28. CANCELLATIONS

Paragraph B.1.i is amended to state that a Plan commercial auto policy may be cancelled if the insured has failed to respond to two documented requests to schedule an audit or does not permit the completion of an audit.

A new provision is introduced to provide the servicing carrier with the right to cancel a policy if they find an insured to be ineligible for Plan coverage due to noncompliance for failure to respond to a request to schedule an audit or failure to comply with a request to conduct an audit.

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

Paragraph I.3 is amended to expand the requirements for preliminary premium audits to (1) all policies with Any Auto coverage symbol, (2) all FMCSA, PUC, PSC regulated carriers, (3) all policies with MCS 90 or MCS 90B endorsements, (4) all policies with Form E filings and (5) any other class or classes of commercial business designated by the Governing Committee. At the discretion of the servicing carrier, if a policy has been cancelled or has expired, a preliminary audit is not required if a successful audit of the same risk has occurred within the past 12 months.

A performance standard is added in new paragraph I.4 which requires the servicing carrier to inform the Plan that an audit of a cancelled policy is required prior to writing and issuing another policy if the policy was cancelled by the servicing carrier for failure to respond to a request to schedule an audit or failure to comply with a request to conduct an audit.

APPLICATIONS AND FORMS

COMMERCIAL APPLICATION

Section 12 – Filings or Certificates is revised to replace an outdated reference to an ICC Regulation Docket Number to read Motor Carrier Number.

POLICY CHANGE REQUEST FORM

Section 5 – Filings or Certificates is revised to replace an outdated reference to an ICC Regulation Docket Number to read Motor Carrier Number.

Attachments

Exhibit A—Proposed amendments to Sections 18, 19, 21, 23, 28, and 31

Exhibit B—Commercial Application AIP 7551 Revision

Exhibit C—Policy Change Form AIP 7553 Revision

COMMERCIAL AUTOMOBILE PART

Sec. 18. ELIGIBILITY

New paragraph C.5 is introduced.

C. Applicant Not Eligible for Plan

An applicant shall not be entitled to automobile insurance nor shall any servicing carrier be required to afford or continue insurance under the following circumstances:

5. an applicant is considered ineligible if the applicant has been cancelled for failure to respond to a request to schedule an audit or for failure to comply with a request to conduct an audit and has not submitted to and permitted the completion of an audit, unless the cause of ineligibility has been removed in accordance with Section 19.

Sec. 19. REELIGIBILITY

Paragraph A.5 is amended.

Applicants eligible for coverage in accordance with Section 18 are subject to the following reeligibility provisions

A. New Applications

Any applicant denied insurance under Section 18 or cancelled under Section 28.B of the Plan may reapply to the Plan as soon as the cause of ineligibility is removed.

5. Risks cancelled for failing to respond to a request to schedule a ~~preliminary premium~~ an audit or failing to comply with a request to conduct a ~~preliminary premium~~ an audit must first submit to and permit the completion of a ~~final premium~~ an audit of the cancelled policy ~~causing the ineligibility~~. The servicing carrier that issued the policy that was subsequently cancelled will conduct the audit to remove the cause of ineligibility.

Sec. 21. EXTENT OF COVERAGE

Paragraph A.3 is amended.

A. Coverages and Limits

3. Hired Autos and Nonowned Auto Liability Coverages

When a ~~an ICC~~ Federal Motor Carrier Safety Administration (FMCSA), Public Utilities Commission (PUC), or ~~PSC~~ Public Service Commission (PSC) filing, or any other similar state or federal regulated filing, or an MCS 90 or MCS 90B endorsement is requested, the servicing carrier shall be required to include hired auto and nonowned auto liability coverages.

**Sec. 23. APPLICATION FOR ASSIGNMENT, DESIGNATION OF SERVICING CARRIER,
EVIDENCE OF INSURANCE, AND EFFECTIVE DATE OF COVERAGE**

The last paragraph of B.4 is amended.

B. Original Application

4. Applications Requiring Filings or Limits in Excess of \$350,000 Combined Single Limit Coverage

For those applicants requiring filings or a limit in excess of \$350,000 combined single limit coverage, coverage is effective on a date specified by the applicant which may not be earlier than 15 calendar days following receipt of the completed application by the Plan accompanied by the prescribed deposit. If the Plan identifies the applicant as reapplying at the completion of a three-year assignment period and the applicant is the same named insured, requesting the same limit of liability and coverages afforded on the expiring CAIP policy, the applicant is exempt from this provision if the application and nonrenewal notice is received by the Plan prior to the expiration of the current CAIP policy.

For CAIP risks which were eligible under Section 23.B.3 but following the assignment date request either limits in excess of \$350,000 combined single limit or filings (~~ICC-FMCSA~~, PUC, PSC etc.), the requested endorsement may take effect no earlier than 15 calendar days following the receipt of the request for higher limits and/or filings.

The last paragraph of B.5.a is amended.

5. Electronic Application Submission Interface (EASi)

For CAIP risks which were eligible under paragraph B.5.a.(1) but following the assignment date request either limits in excess of \$350,000 combined single limit or filings (~~ICC-FMCSA~~, PUC, PSC etc.), the requested endorsement may take effect no earlier than 15 calendar days following the receipt of the request for higher limits and/or filings.

Paragraph C.3 is amended.

C. Additional Vehicles or Coverages

3. For CAIP risks requesting either limits in excess of \$350,000 or filings, (~~ICC-FMCSA~~, PUC, PSC etc.) or as otherwise provided in the policy contract, coverage will be effective at the date and hour specified in the Policy Change Request form provided
- the producer of record mails or delivers the completed Policy Change Request form to the servicing carrier in accordance with Section 23.C.1; and
 - the United States Postal Service postmark date on the transmittal envelope complies with the mailing requirement shown in Section 23.C.1.

Paragraph C.5 is amended.

5. For CAIP risks requesting either limits in excess of \$350,000 or filings (~~ICC-FMCSA~~, PUC, PSC, etc.), the requested endorsement may take effect no earlier than 15 calendar days following the receipt of the request.

Sec. 28. CANCELLATIONS

Paragraph B.1.i is amended.

B. Cancellation by Servicing Carrier

A servicing carrier which has issued a policy or binder under this Plan shall have the right to cancel the insurance by giving notice as required in the policy or binder if the insured

- i. fails to respond to two documented requests to schedule a ~~preliminary premium~~ an audit, or does not permit the auditor to complete ~~the preliminary~~ an audit

If the insured is found to be ineligible for insurance under the rules of the Plan by the servicing carrier for failure to respond to a request to schedule an audit or failure to comply with a request to conduct an audit, the servicing carrier has the right to cancel.

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

Paragraph I is amended.

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

I. Underwriting/Rating

The servicing carrier must

1. properly price all policies in accordance with the approved rating plans contained in the Manual of Rules and Rates and establish procedures for appropriate and timely verification of policyholders' and operators' driving records and/or obtain other information as necessary to assist in the proper classification and rating of an applicant;
2. attempt to secure and verify account loss history from the previous company or companies to insure proper application of any applicable premium surcharge or rating plans;

3. perform a preliminary premium audit on every applicant assigned in the following classes:

- All policies with Any Auto coverage symbol
- All ~~ICC~~ FMCSA, PUC, and PSC regulated carriers
- All policies with MCS 90 ~~endorsement~~ or MCS 90B endorsement

At the discretion of the servicing carrier, if a policy has been cancelled or has expired, a preliminary audit is not required if a successful audit of the same risk has occurred within the past 12 months.

Within 60 days from the effective date of coverage, two documented good faith attempts to make contact with the applicant for purposes of scheduling or conducting a preliminary premium audit must be made.

It is expected the audit will be completed and distributed no later than 120 days following the effective date of coverage. Audits completed or distributed after 120 days due to circumstances beyond the control of the servicing carrier must be documented.

4. The servicing carrier shall advise the Plan that an audit of the terminated policy is required prior to writing and issuing another policy. An applicant is considered ineligible for reapplication to the Plan if a policy was cancelled by the servicing carrier for failure to respond to a request to schedule an audit or failure to comply with a request to conduct an audit.

45. conduct final premium audits following account expiration or cancellation when appropriate.

Within 60 days from the expiration or cancellation date of coverage, two documented good faith attempts to make contact with the applicant for purposes of scheduling or conducting a final premium audit must be made.

It is expected that the audit will be completed and distributed no later than 120 days following the expiration or cancellation date of coverage. Audits completed or distributed after 120 days due to circumstances beyond the control of the servicing carrier must be documented;

56. make, maintain, and cancel all certificates and filings in accordance with any municipal, state, or federal requirements.

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.)

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 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 Note: 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 City taxing authority _____ County taxing authority _____ 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: _____					
Total Estimated Premium for All Vehicles and Coverages: (KY taxes not incl.)	\$				

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.

- Applicant accepts Tort Limitations Applicant rejects Tort Limitations
- Regular Operators of Insured's Vehicles accepting _____ (number) Tort Limitations
 Regular Operators of Insured's Vehicles rejecting _____ (number) Tort Limitations
- 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.
Cost of Hire (For policies rated under Trucker's Cost of Hire.)	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? _____				
FOR PREPARED FOOD DELIVERY SERVICES ONLY:	FOR AUTO REPAIR SHOPS AND AUTOS HELD FOR INSPECTION BY AN OFFICIAL INSPECTION STATION:				
	Location	Address	No. of Employees	Rating Territory	Premium
	1.				
Average No. Drivers _____	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 Motor Carrier 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? Yes No If "Yes" complete the following.

Are any vehicles hauling exclusively for one firm/carrier? Yes 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
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Was coverage through Plan? <input type="checkbox"/> Yes <input type="checkbox"/> No	If "Yes", give reason terminated.
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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:

- The application must be fully completed and duly executed.
- 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.
- A premium charge will be made for these coverages if the policy, when and as issued, is not accepted by the insured.
- The insurance afforded hereunder shall be subject to all the terms and conditions of the Plan and the Policy Form prescribed for use.
- The Producer of Record must forward this application to the Plan in accordance with Plan rules.

NOTE: 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.
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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: _____ A.M. 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.

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

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.

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

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

**MAIL DIRECTLY TO COMPANY
KENTUCKY AUTOMOBILE INSURANCE PLAN**

POLICY CHANGE REQUEST AUTOMOBILE INSURANCE PLAN	Name of Insurance Company	Policy No.
	Name of Insured (Last Name, First Name, M.I.)	

Producer	Telephone No. (Incl. area code) ()	Producer's License No.	Producer's IRS or Social Security No.
Street Address		City	State Zip Code

1. VEHICLE INFORMATION <input type="checkbox"/> DELETE VEHICLE	Year	Make	Vehicle Identification No.	
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<input type="checkbox"/> REPLACEMENT VEHICLE or <input type="checkbox"/> ADDED VEHICLE	Year	Make	Model Name & Body Style	Vehicle Identification No.	Cyls.
	H.P./Cub. In./CC	Purchased: Mo. _____ Yr. _____		<input type="checkbox"/> New	<input type="checkbox"/> Used

Use and Classification	Pleasure	Business	Comm.	Farm	Principal Place of Garaging	Miles to Work or to Transportation	Est Annual Mileage	State Registered in
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
Address of Applicant as Appears on Registration						Territory	Rate Class	Penalty Points

2. COVERAGES In Accordance with Plan Rules	Add <input type="checkbox"/>	Change <input type="checkbox"/>	No Change <input type="checkbox"/>	Delete <input type="checkbox"/>	Applicable Year Make To Vehicle:	Vehicle Identification No.
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Check Applicable Box →	Bodily Injury Liability	Property Damage Liability	<input type="checkbox"/> Basic (Full) Personal Injury Protection Coverage Deductibles <input type="checkbox"/> \$0 <input type="checkbox"/> \$250 <input type="checkbox"/> \$500 <input type="checkbox"/> \$1,000 <input type="checkbox"/> I Reject No-Fault/Tort Limitations <input type="checkbox"/> Guest PIP <input type="checkbox"/> Buy back PIP (If tort limitations are rejected, applicant must select Guest PIP (or must buy back PIP).) <input type="checkbox"/> Pedestrian PIP (Mandatory for motorcycles if Full PIP is not selected.) <input type="checkbox"/> Added Personal Injury Protection (PIP) <input type="checkbox"/> \$10,000 <input type="checkbox"/> \$20,000 <input type="checkbox"/> \$30,000	Medical Payments Coverage	Uninsured Motorists Coverage	Underinsured Motorist Coverage
	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
	Limits	\$	\$		\$	\$
Premium	\$	\$	\$	\$	\$	

Estimated Annual Premium \$ _____ Deposit (30% of Estimated Annual Premium or Pro Rata Premium for the Remainder of Policy Period, whichever is less.)
 \$ _____ Make check Payable to Insurance Company and mail directly to Insurance Company. Does Municipal Tax apply? Yes No

3. DRIVER INFORMATION	<input type="checkbox"/> Delete Driver Name							
<input type="checkbox"/> Added Driver	Name	Relationship To Insured	% Use of		Date of Birth	Sex	Marital Status	Driver's License No. and State
			Veh. 1	Veh. 2	Mo. Day Yr.	M-F		

3a. ACCIDENTS	Have additional drivers been involved as owner or operator in any motor vehicle accident during the past thirty-six months? <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes", complete the following. (If necessary, use a separate sheet.)					
Accident Date	Place of Accident		Personal Injury Protection Claim	Bodily Injury or Death	Property Damage Amount	Chargeable
	Town	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

Give Reason(s) if the Above Accident(s) Not Chargeable Under the Rules of the Plan.

3b. CONVICTIONS	Have additional Drivers been convicted or forfeited bail at any time during the immediately preceding thirty-six months? <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes", complete the following. (If necessary, use a separate sheet.) Note: A paid ticket or fine constitutes a conviction.			
	Date of Conviction	Did conviction arise as a result of an accident? <input type="checkbox"/> Yes <input type="checkbox"/> No	Nature of Violation	Place of Accident Town State
		<input type="checkbox"/> Yes <input type="checkbox"/> No		
		<input type="checkbox"/> Yes <input type="checkbox"/> No		
4. CHANGE	<input type="checkbox"/> Name	New Name	Street	Apt. City State Zip Code
	<input type="checkbox"/> Address			

5. FILING OR CERTIFICATES

NOTE: When federal filings or endorsements are required, a CAIP Inspected Units Form must be completed and accompany this Policy Change Request Form. The insured's name must be identical to the name as it appears on the Department of Transportation (DOT) or Department of Public Safety (DPS) permit to avoid rejection.

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 Motor Carrier 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

PUC No. _____ Other _____

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

Is insured, or any additional operator, required to file evidence of financial responsibility? Yes No If "Yes", complete below.

Name _____ Social Security No. _____

Owner's (To allow for operation of owned vehicles) Operator's (To allow for operation of non-owned vehicles) Both

State where filing required _____ Case of File No. _____ Reason for filing _____

6. POLICY CANCELLATION

Cancel policy

Reason for cancellation:

EFFECTIVE DATE: This request form having been completed and duly executed shall be, from the effective date and time shown below, evidence of changes as specified subject to all the terms and conditions of the policy and the rules of the Automobile Insurance Plan of this State.

Effective Date and Time _____
 A.M. P.M. Month Day Year Hour

IN NO EVENT SHALL ADDITIONAL COVERAGE BE EFFECTIVE PRIOR TO THE DATE AND HOUR OF COMPLETION OF THIS REQUEST FORM.

Producer's Signature _____ Date _____ Hour _____ A.M. P.M.

APPLICANT'S STATEMENT

I declare and certify that: To the best of my knowledge and belief that all statements contained in the Policy Change Request are true.

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.

Applicant's Signature _____ Date _____ Hour _____ A.M. P.M.