




# Kentucky FAIR Plan

Governing Committee Annual Meeting

June 2, 2022



# Annual and Governing Committee Meeting Agenda

1. Roll Call
2. Anti-Trust Preamble Reminder
3. Approval of Minutes
4. Election of Members of Governing Committee
5. Election of Officers
6. Auditor's Report and Financial Statement
7. Executive Director's Report
8. Other Business
9. Adjournment



# Approval of the Minutes

## Approval of Minutes of prior meetings:

- October 28, 2021 Governing Committee (PAGE 5)
- March 9, 2022 Finance and Investment Committee (PAGE 10)
- March 16, 2022 Finance and Investment Committee (PAGE 13)
- March 23, 2022 Finance and Investment Committee (PAGE 16)
- April 20, 2022 Products and Forms Committee (PAGE 25)
- April 20, 2022 Audit Committee (PAGE 27)

## Ratify of Mail Vote:

- Approval of ARGI as investment custodian effective April 30, 2022

Need a motion to approve.



# Election of Governing Committee Members

New member since last annual meeting:

- Todd Feltman – State Farm (PAGE 29)
  - Approved by the Department of Insurance.
  - Motion – Election of new member



# Election of Officers

Nominations: Kristen Mellinger

Name	
Rudy Schlich	Chair
John Miner	Vice Chair
Mark Hillis	Secretary Treasurer



# Report of Financial Audit

Deming, Malone, Livesay & Ostroff

**Sarah Antle, CPA**

- Financial Highlights – PAGE 30
- Audited Financials – PAGE 31
- Letter to Management – PAGE 50

# Financial Highlights



## KENTUCKY FAIR PLAN REINSURANCE ASSOCIATION Year Ended December 31, 2021

<u>Financial Highlights</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Investments	\$ 14,714,548	\$ 14,013,066
Cash and cash equivalents	\$ 3,182,216	\$ 3,086,289
Premiums receivable	\$ 458,934	\$ 542,016
Property occupied	\$ 983,018	\$ 880,542
Total admitted assets	\$ 19,863,355	\$ 19,052,823
Insurance reserves	\$ 2,195,944	\$ 1,924,114
Total liabilities	\$ 2,481,722	\$ 2,157,934
Members' equity	\$ 17,381,633	\$ 16,894,889
Premiums earned	\$ 3,288,582	\$ 3,895,618
Change in premiums earned	-15.6%	
Underwriting expenses	\$ 3,741,507	\$ 3,828,739
Change in underwriting expenses	-2.3%	
Investment income	\$ 1,086,973	\$ 585,128
Income tax expense	\$ 137,028	\$ 148,507
Net income	\$ 606,244	\$ 600,563
Distribution to members	\$ -	\$ -
Net cash flow from operations	\$ 1,068,653	\$ (105,693)
Change in cash	\$ 95,927	\$ 1,999,724

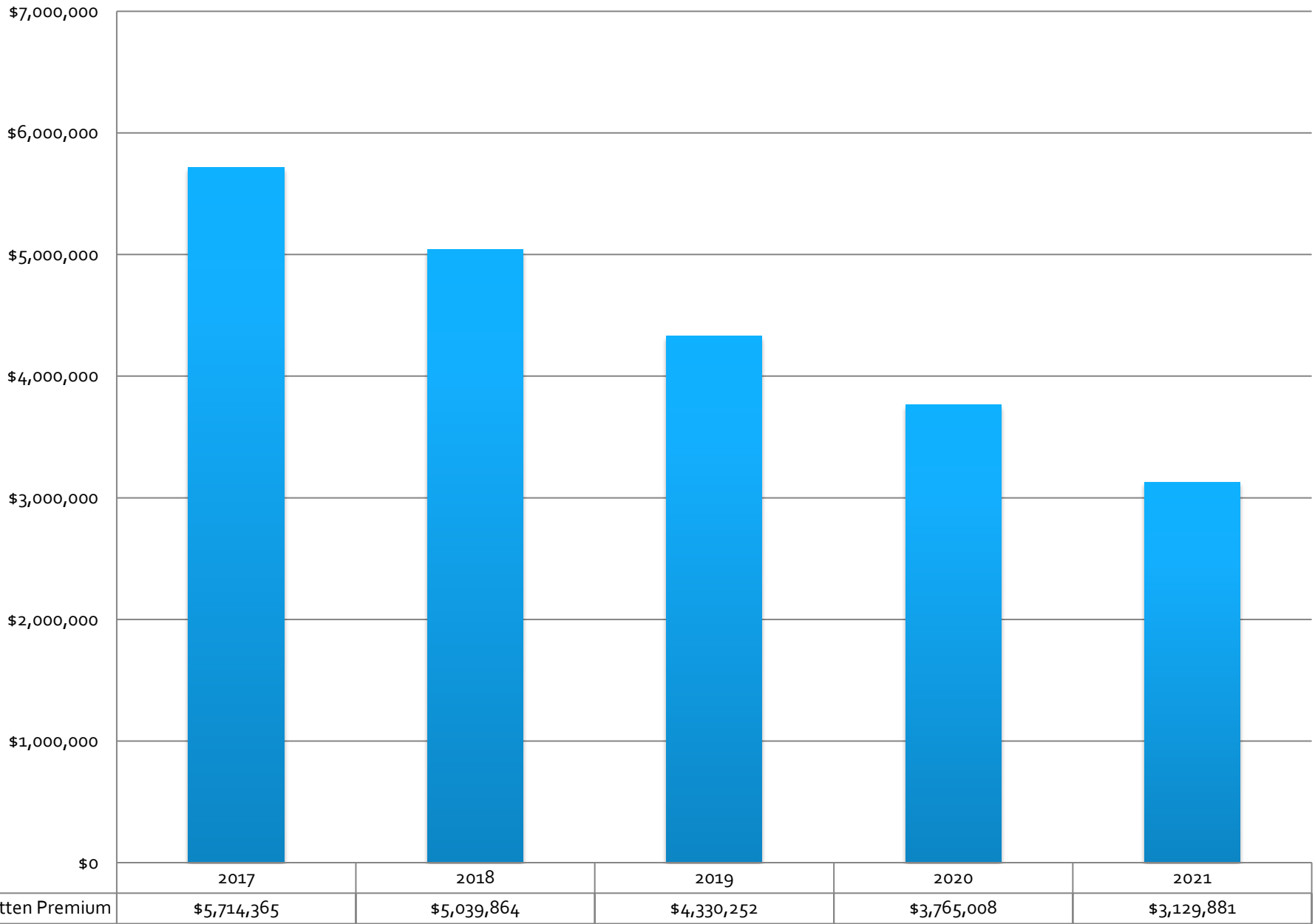


# Executive Director's Report



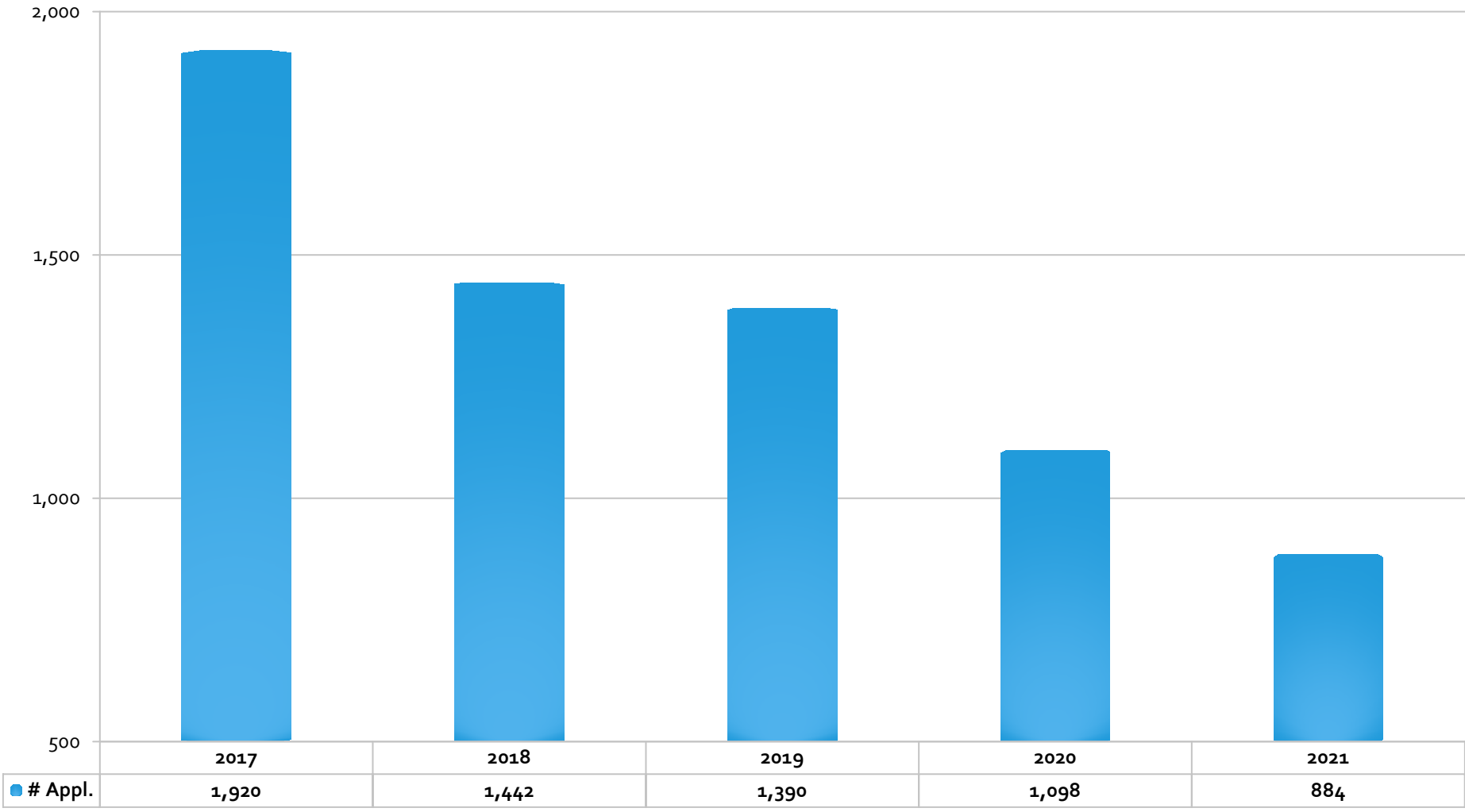


# Written Premium



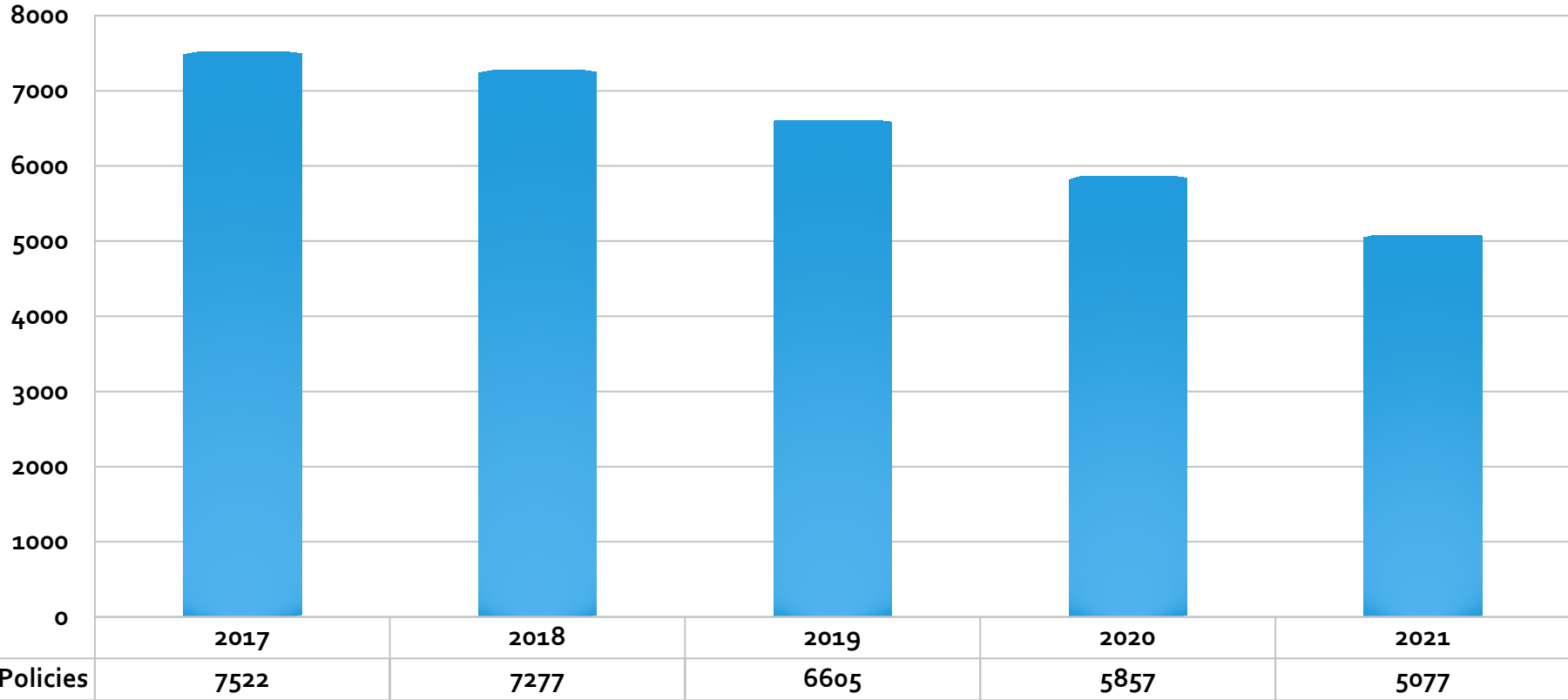


# New Business Applications



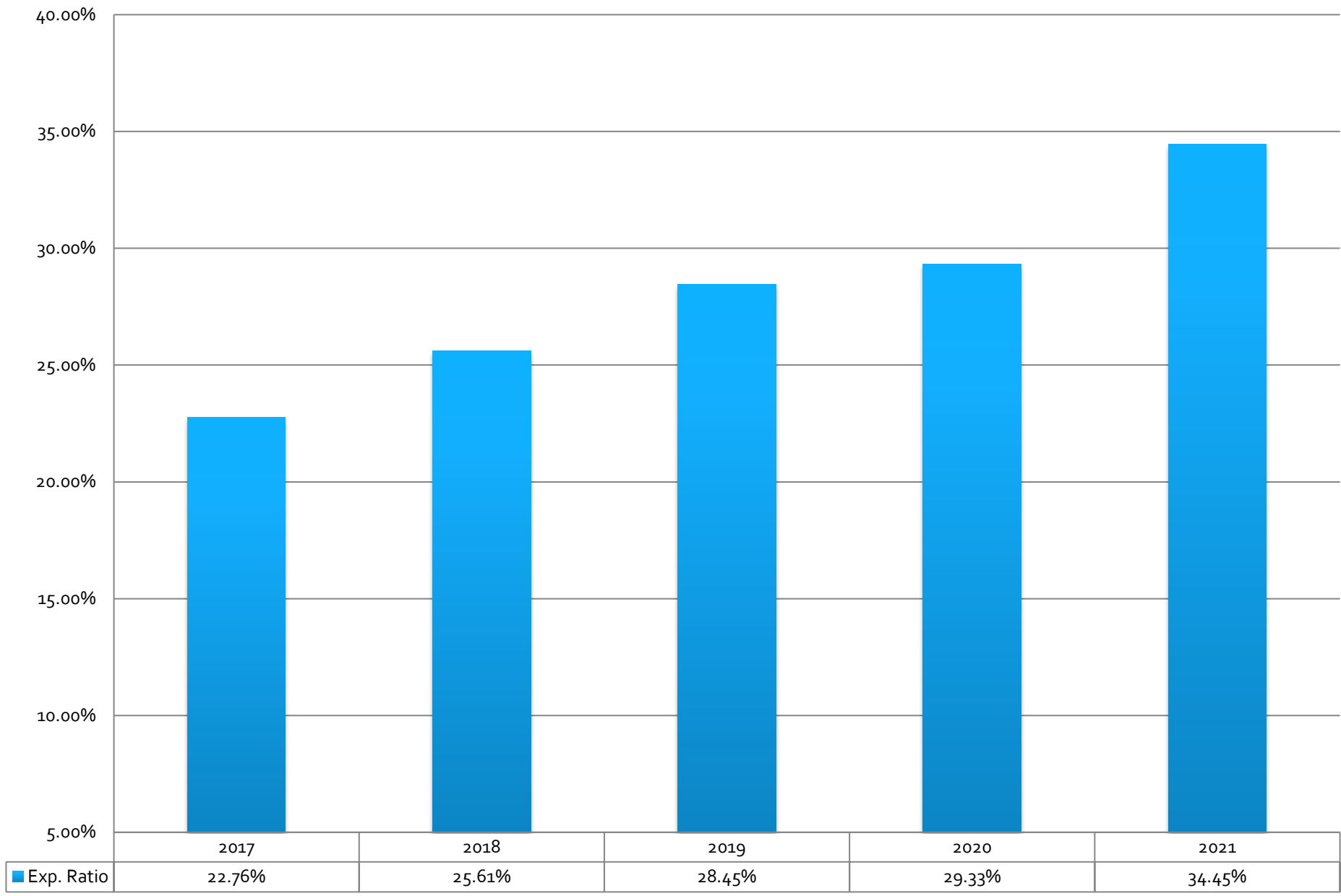


# # Inforce Policies



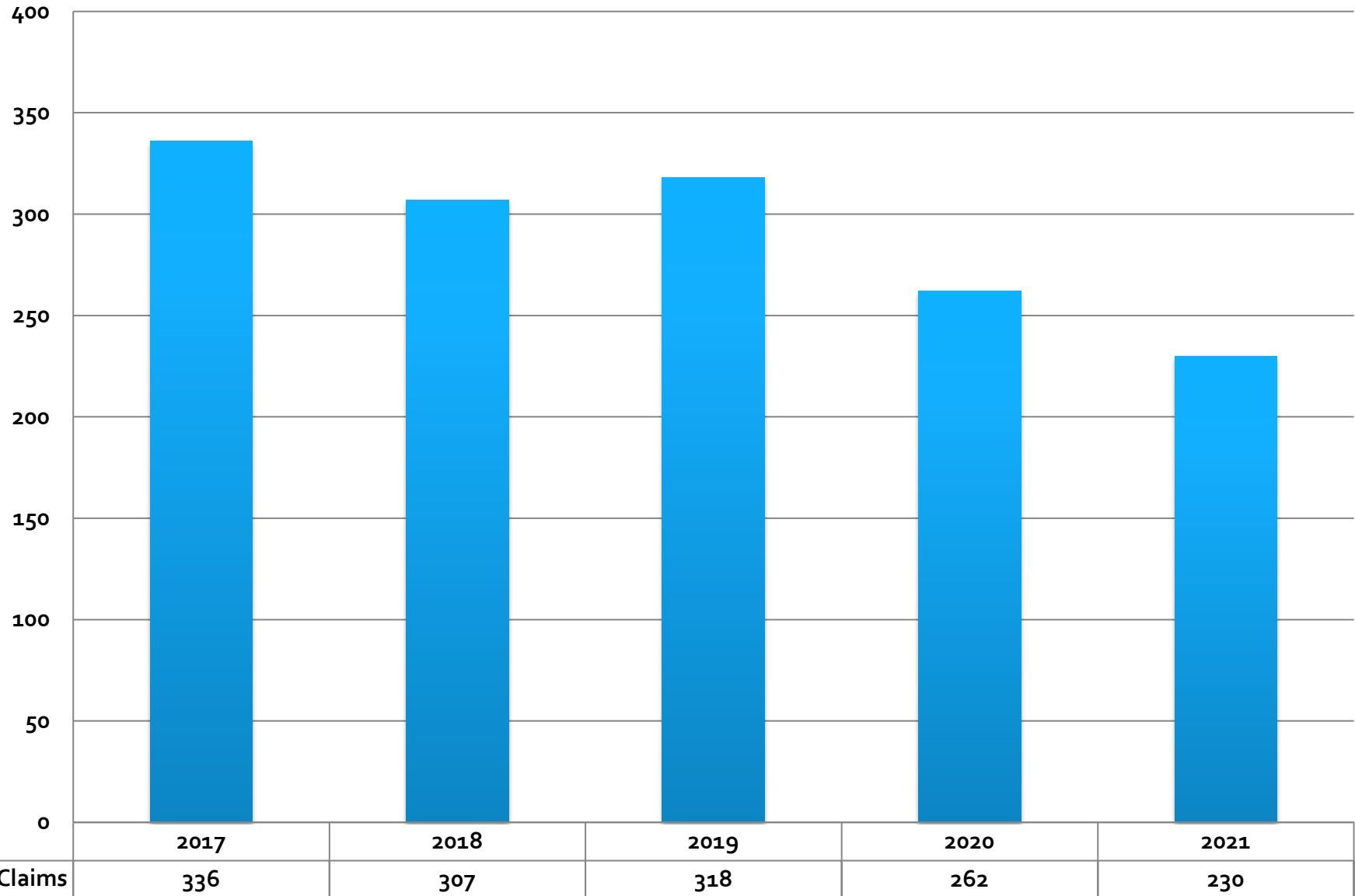


# Operating Expense Ratio



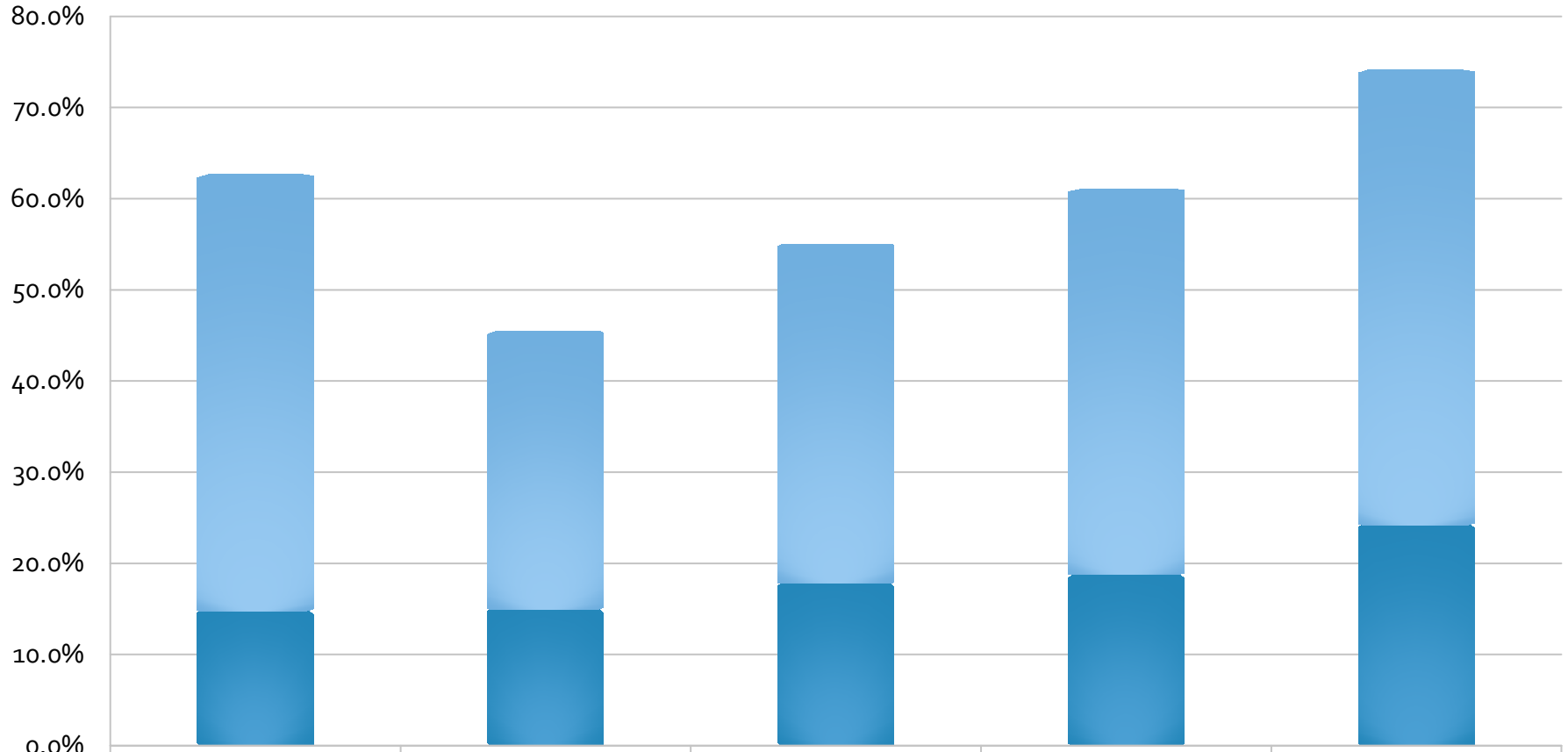


# Number of Reported Claims



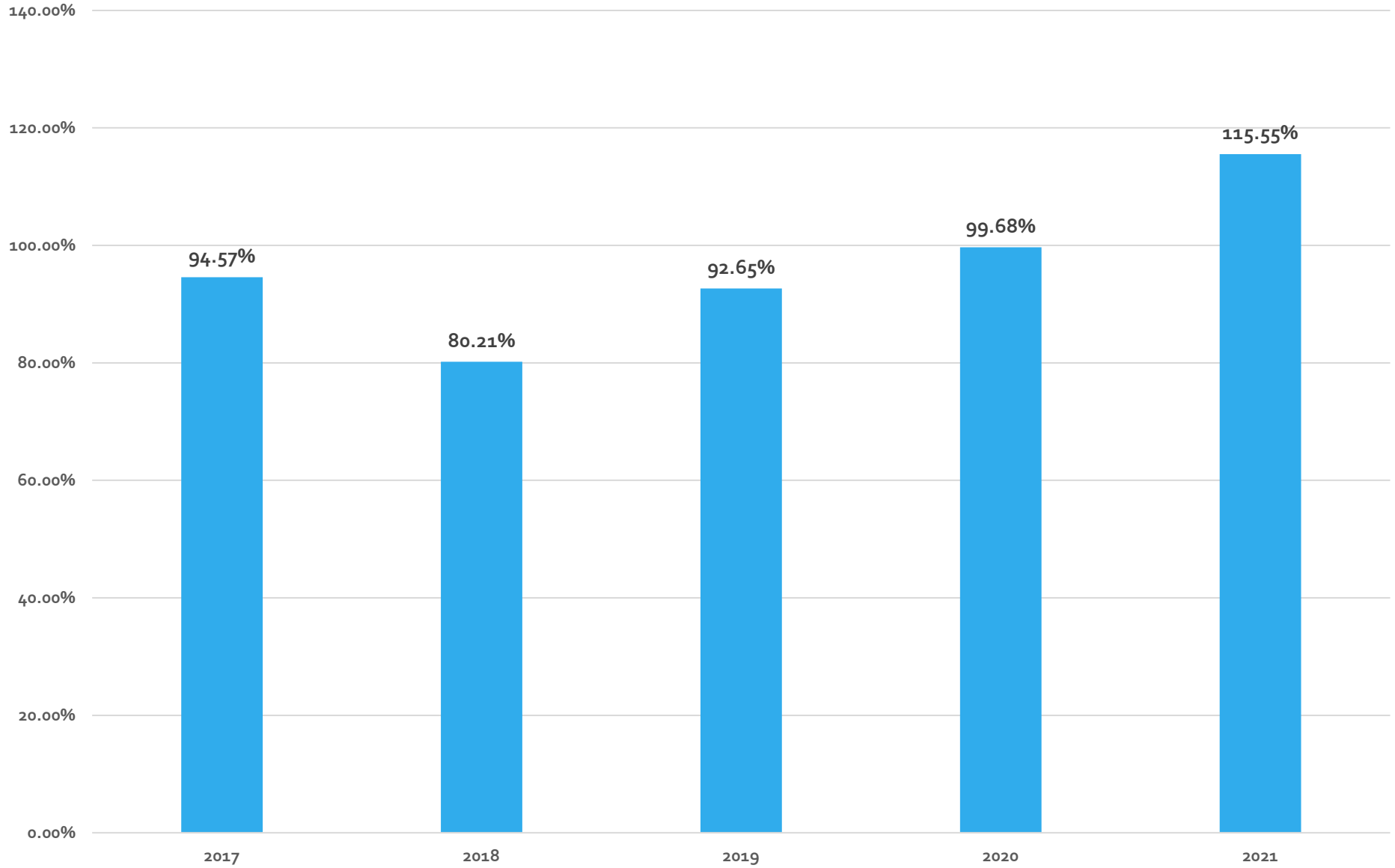


# Loss and LAE Ratio



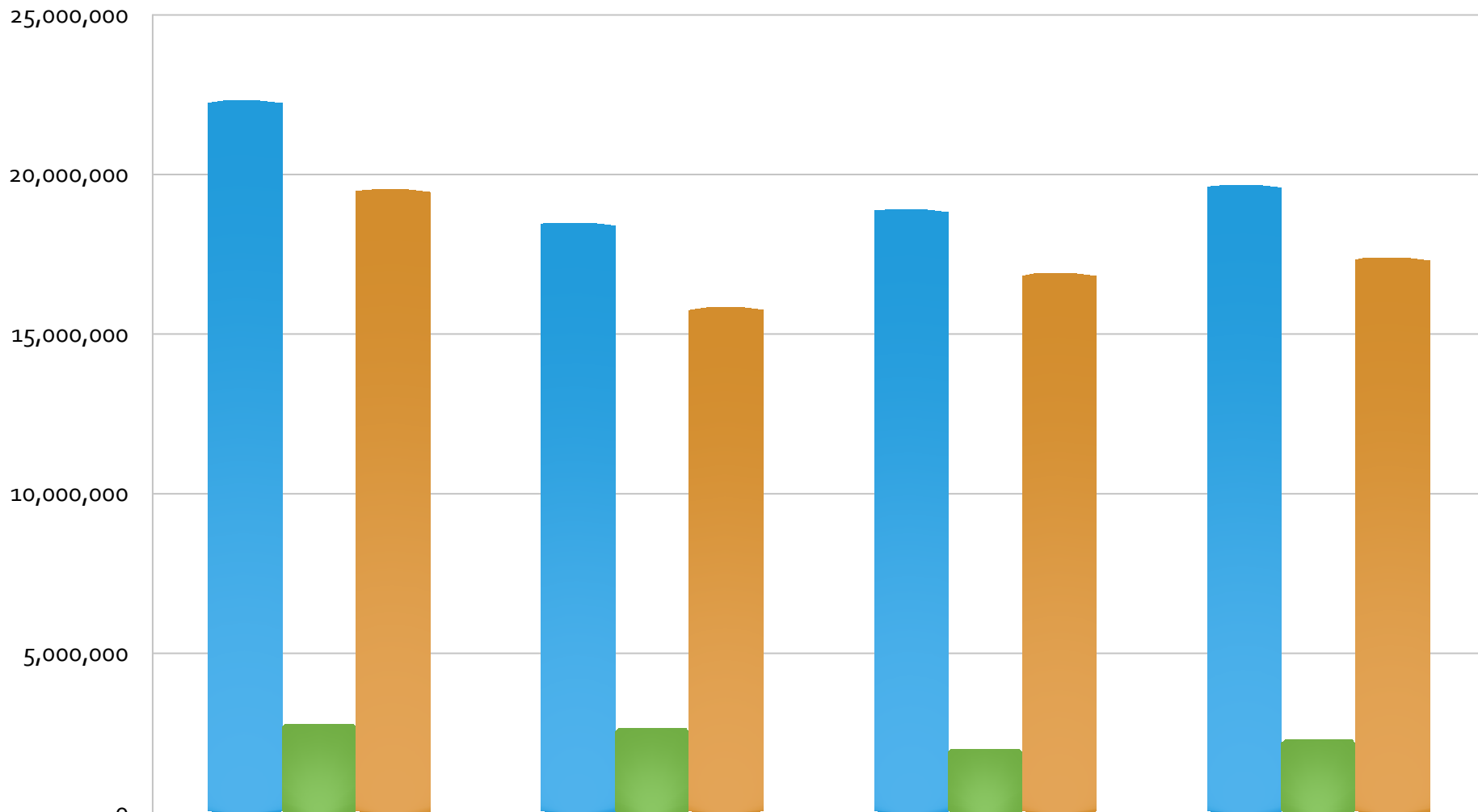
	2017	2018	2019	2020	2021
Loss Ratio	47.89%	30.51%	37.17%	42.27%	49.90%
LAE	14.76%	14.95%	17.84%	18.75%	24.21%

# Combined Ratio





# Balance Sheet



	2018	2019	2020	2021
Assets	\$22,315,335	\$18,477,797	\$18,895,325	\$19,667,648
Liabilities	\$2,781,288	\$2,643,216	\$2,000,434	\$2,286,013
Equity	\$19,534,047	\$15,834,581	\$16,894,891	\$17,381,635



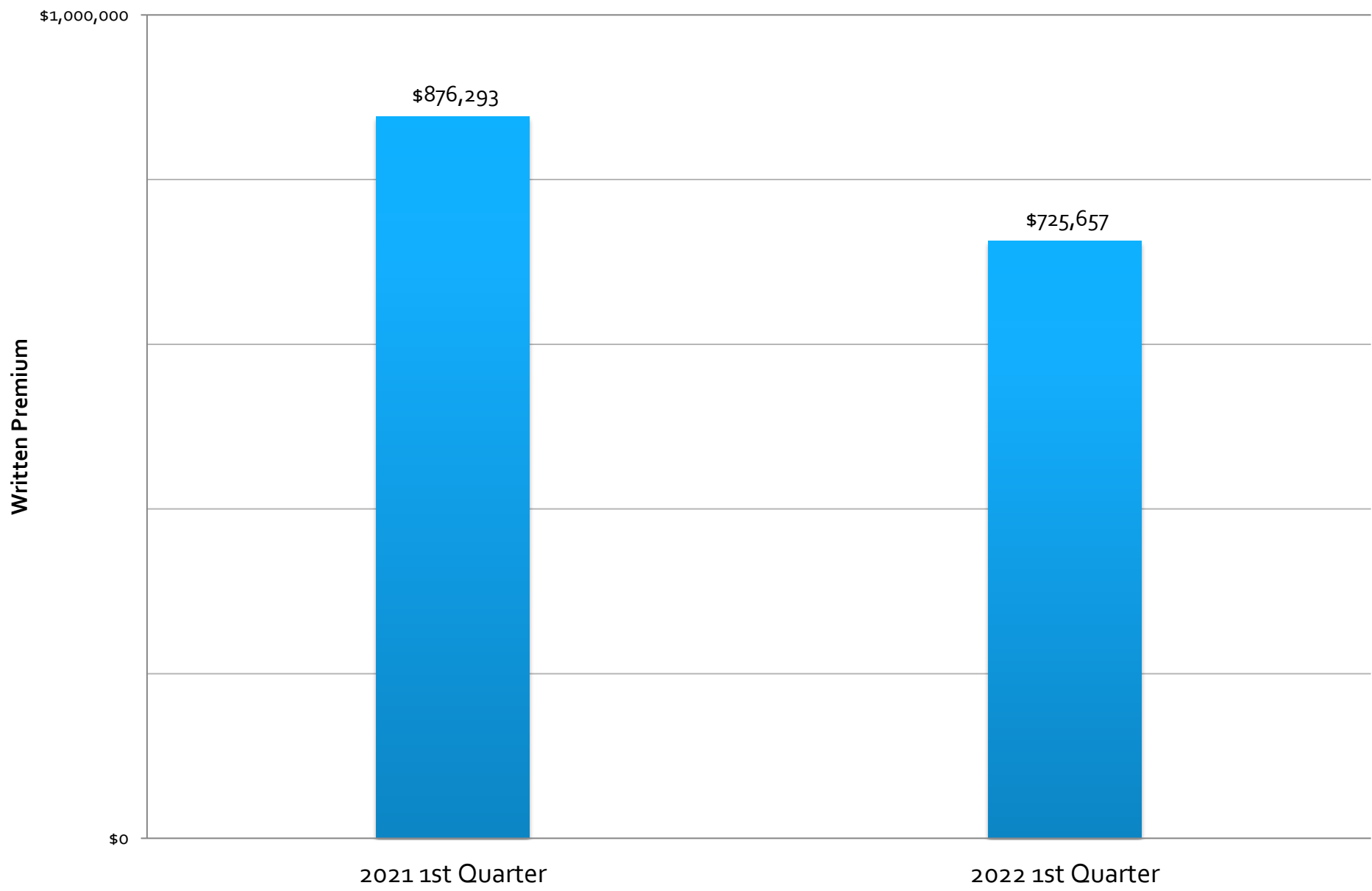
# Budget

KENTUCKY FAIR PLAN				
Budget Status				
Line	2019 Budget	2020 Budget	2021 Budget	2021 Final
Accounting Fees	\$ 17,644	\$ 19,000	\$ 19,000	\$ 17,860
Actuarial Review	\$ 17,600	\$ 9,400	\$ 17,600	\$ 10,560
Allocated Wages	\$ 114,737	\$ -	\$ -	\$ -
Board Meetings	\$ 700	\$ 700	\$ 350	\$ 915
Bldg. Repairs & Main.	\$ 35,500	\$ 35,320	\$ 22,616	\$ 30,645
Bldg. Utilities	\$ 18,788	\$ 16,647	\$ 10,800	\$ 8,432
Building Taxes	\$ 18,662	\$ 19,836	\$ 7,243	\$ 9,503
Computer Expenses	\$ 57,406	\$ 59,306	\$ 68,231	\$ 71,063
Dues & Subscriptions	\$ 1,284	\$ 1,615	\$ 2,590	\$ 2,166
Education	\$ 6,630	\$ 2,953	\$ 5,448	\$ 4,296
Filing Fees	\$ 420	\$ 420	\$ 420	\$ -
Health Insurance	\$ 120,985	\$ 107,312	\$ 127,403	\$ 143,144
Human Resources	\$ 6,466	\$ 14,950	\$ 15,075	\$ 29,847
Inspections	\$ 54,715	\$ 51,397	\$ 52,000	\$ 50,521
P&C Insurance	\$ 23,764	\$ 23,938	\$ 32,772	\$ 41,936
Legal/Professional	\$ 7,000	\$ 7,000	\$ 30,750	\$ 18,280
Meals & Entertainment	\$ 1,500	\$ 1,500	\$ 1,350	\$ 972
Memb.Fees - PIPSO/ISO	\$ 41,392	\$ 41,132	\$ 40,867	\$ 46,388
Miscellaneous	\$ 1,000	\$ 1,200	\$ 1,200	\$ 1,180
Office Equipment	\$ 2,400	\$ 2,400	\$ 1,500	\$ 1,420
Office Supplies	\$ 5,000	\$ 5,000	\$ 4,000	\$ 4,462
Payroll Fees	\$ 5,511	\$ 5,343	\$ 3,640	\$ 1,627
Payroll Tax	\$ 74,618	\$ 72,347	\$ 70,071	\$ 52,858
Retirement Savings Plan	\$ 104,681	\$ 117,203	\$ 113,513	\$ 99,475
Postage	\$ 11,622	\$ 9,475	\$ 8,952	\$ 2,505
Printing	\$ 3,420	\$ 2,380	\$ 2,380	\$ 765
Processing	\$ 130,222	\$ 171,481	\$ 166,283	\$ 126,965
Repairs and Maintenance	\$ 5,268	\$ 4,845	\$ 4,868	\$ 4,580
Systems/PASS	\$ 128,969	\$ 80,000	\$ 60,000	\$ 41,203
Telephone	\$ 9,140	\$ 10,940	\$ 22,528	\$ 25,378
Travel	\$ 8,519	\$ 9,250	\$ 9,250	\$ 2,184
Wages (Non Allocated)	\$ 631,443	\$ 723,474	\$ 700,708	\$ 740,205
FAIR Plan Alliance	\$ -	\$ -	\$ -	\$ (71,640)
<b>Total</b>	<b>\$ 1,667,006</b>	<b>\$ 1,627,764</b>	<b>\$ 1,623,408</b>	<b>\$ 1,519,693</b>



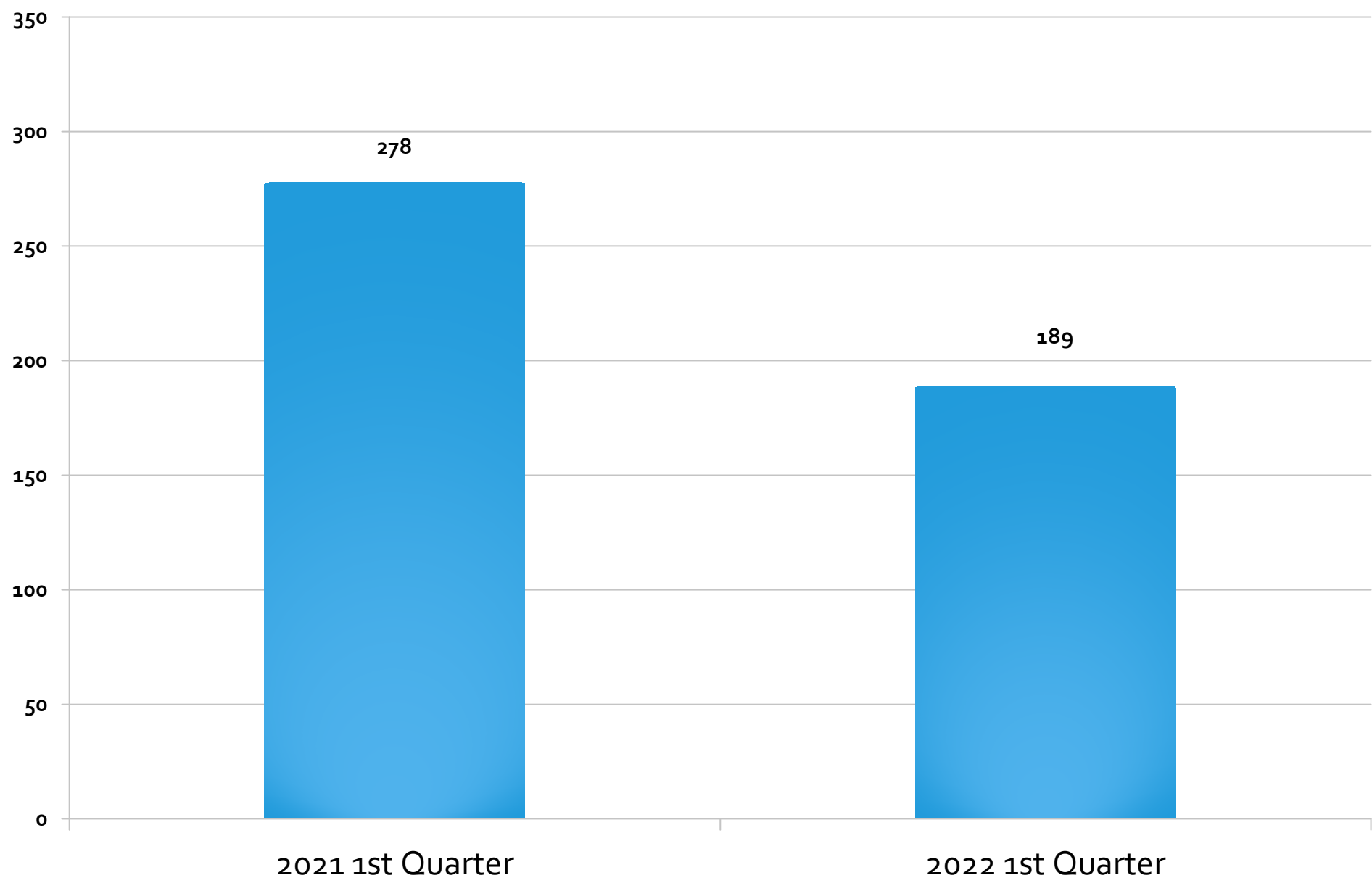
# 2022 1<sup>st</sup> Quarter

# Q1 Written Premium



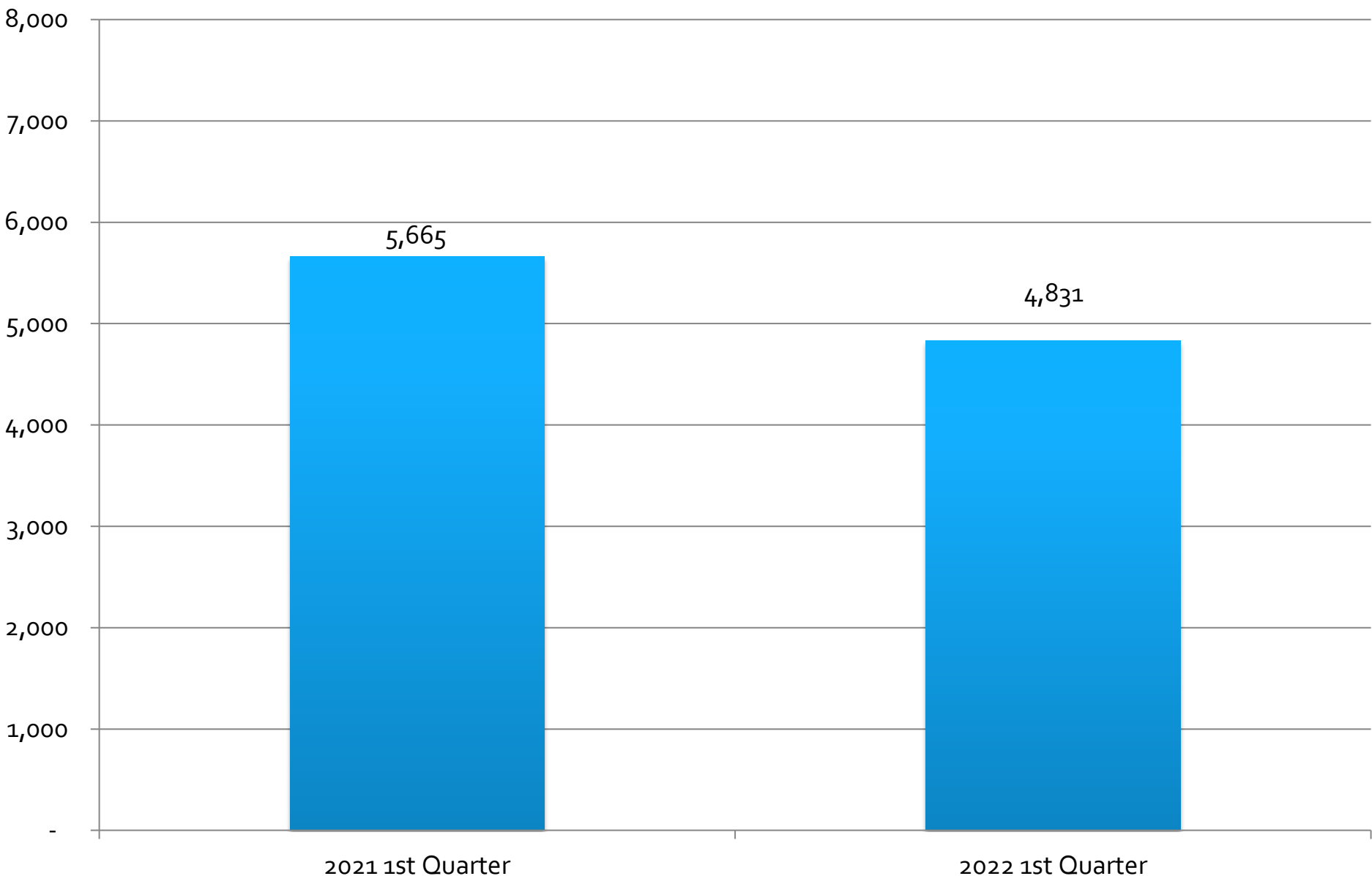


# Q1 New Applications



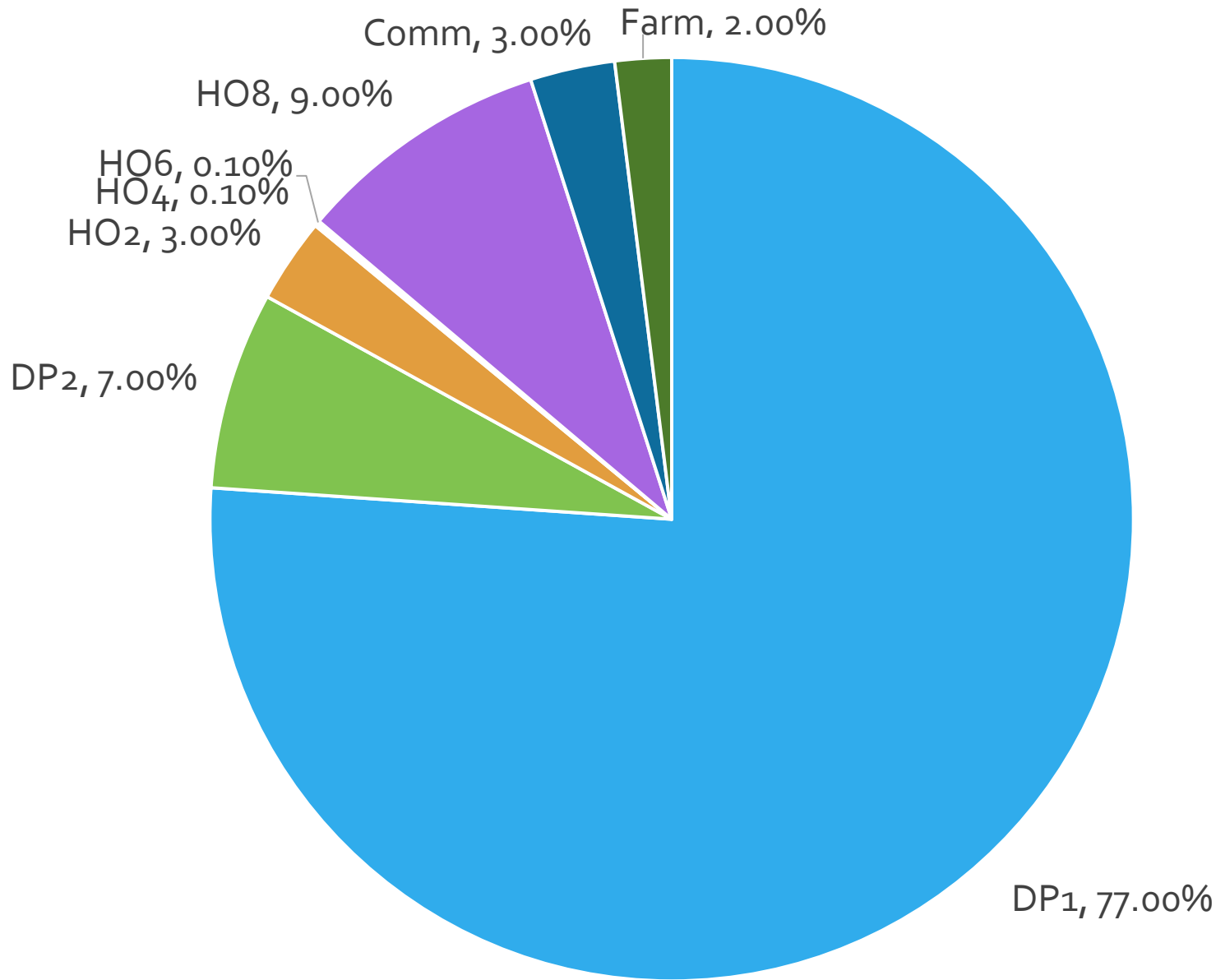


# Policies in Force



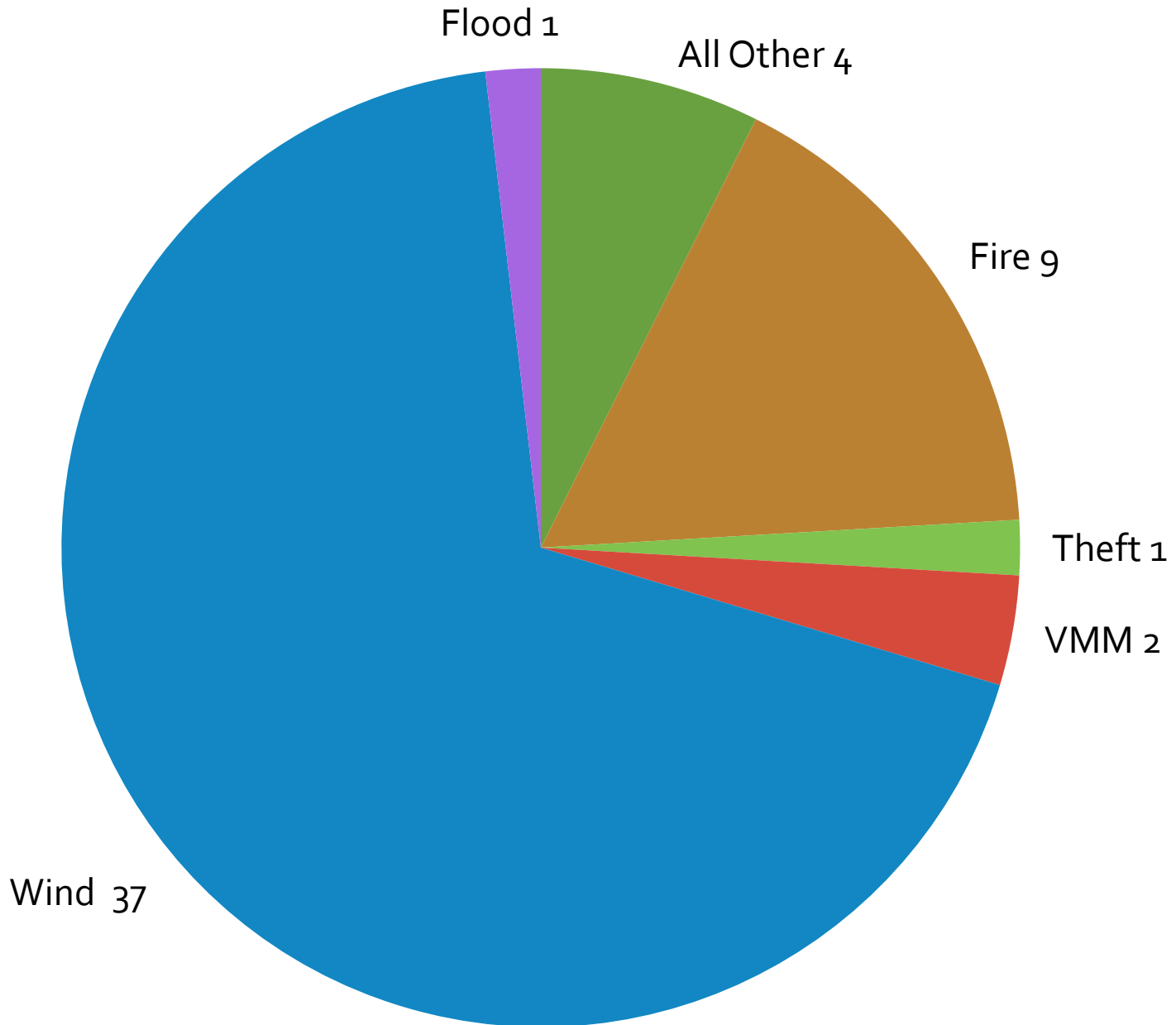


# Policies in Force (Through March)





# Claims Reported (Through March)





# Reinsurance

- Contract runs 10/1 to 9/30
- Annual Contracts using Guy Carpenter as Broker
- Renewal data provided in July
- Reinsurance and Equity meeting is scheduled in Sept 2022.





# Other Business



# ARGI Financial Transition

- The timeline was tight but full transition occurred at the end of May.
  - Investments will be addressed via 5/3 Bank.
  - Plan sponsored 401k is unchanged for 2022, but we providing ARGI resources to employees later in June.



# FAIR Plan Alliance

- Current Alliance Participants:
  - Illinois FAIR Plan
    - Accounting: 100% (Two Illinois FTE)
    - Claims: 100% (One half Illinois FTE)
    - Finys System Support: 75% (One quarter Illinois FTE)
    - Underwriting: TBD (One Illinois FTE – Jan 1 2023? Or earlier)
    - HR Support: TBD (Payroll, basics only)
  - Wisconsin FAIR Plan
    - Claims: 100% (One Half WI/IL FTE)
  - Missouri FAIR Plan
    - Claims: 100% (One Missouri FTE)
  - Indiana FAIR Plan
    - Underwriting: As Needed



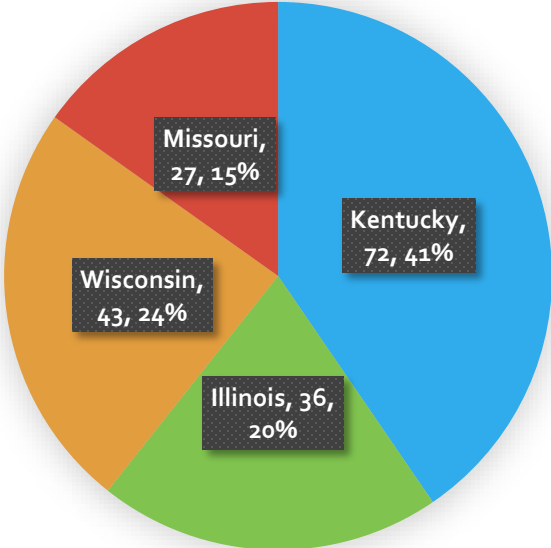
# FAIR Plan Alliance

## Next Steps

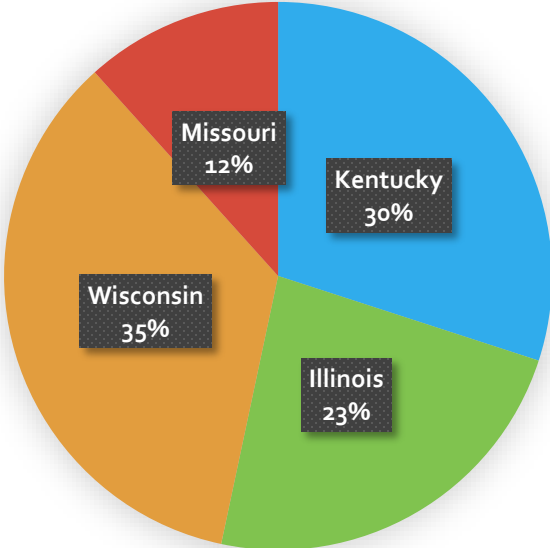
- Articles of Organization
- Other Potentially Interested Plans:
  - Kansas FAIR Plan
  - Indiana FAIR Plan
  - Pennsylvania, Delaware and West Virginia FAIR Plans
  - Minnesota FAIR Plan
- IT Support Staff
- Cost Sharing Alliance Committee
- Conversations with other FAIR Plan Boards

# FAIR Plan Alliance

2022 New Claims



Pending Snapshot





# Team Building and Community Service

- We partnered with a local business to aid tornado victims around Christmas time. Purchasing food, clothes, toys, and other household items.
- The Plans contributed to a statewide initiative to curb food/hunger needs across the Commonwealth.
- Employees sponsored local schools to assist teachers in items they may need for their classrooms.



# Other Business

- 1<sup>st</sup> Quarter PIPSO Report – (PAGE 54)
- 2022 Committee Assignments (PAGE 55)
  - Adding carriers to Audit Committees
- Comments from the Department of Insurance
- Next Meeting: 10/27/2022 – In Person



Thanks for your support!