

Kentucky Automobile Insurance Plan

Notice of Governing Committee Meeting

A meeting of the Kentucky Auto Insurance Plan Governing Committee will be held on June 21, 2023 following the Annual Meeting. The meeting will be held in person at the Plan offices at 327 Townepark Circle Louisville KY.

Agenda:

1. Roll Call.
2. Anti-Trust Preamble.
3. Approval of Minutes.
4. Election of Officers.
5. 2022 KAIP and PAIP Independent Auditors Report.
 - a. DMLO Financial Highlights
 - b. DMLO Report to Management
 - c. DMLO Financial Statement
6. 2022 Kentucky CAIP Statutory Financial Statement.
7. 2024 CAIP Servicing Carrier Allowance.
8. Secretary Treasurer's Report.
 - a. KAIP 2022 Budget – Mark Hillis
 - b. CAIP Review – Mike Donovan (National Continental)
 - c. PAIP Kentucky Audits/Reviews – Mark Hillis and Erin Lux
 - d. KAIP Policy List – Erin Lux (Kentucky Insurance Plans)
 - e. KAIP Policy Overview – Erin Lux (Kentucky Insurance Plans)
 - f. AIPSO 2023 Activity Report (KAIP) – Mark Hillis
9. Rate, Rule and Form Changes
 - a. Private Passenger Rate Proposal
 - b. Commercial Auto Rate Proposal
 - c. Manual Revision Proposal – Exclusive Use of Electronic Applications – Commercial Program
 - d. Manual Revision Proposal – Premium Owed for Prior Insurance
 - e. Manual Revision Proposal – Peer to Peer Car Sharing
 - f. Manual Revision Proposal – Autocycles

g. Proposed Compliance Audit Plan

10. Other Business.

11. Adjournment.

Mark Hillis

A handwritten signature in black ink, appearing to read "Mark Hillis". The signature is fluid and cursive, with the first name "Mark" being more prominent than the last name "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 8, 2022, both in-person and via teleconference.

Governing Committee:

George Moore (Chair)	AGC
Rod Shockley (Vice-Chair)	Kentucky National Insurance Company
Kristen Mellinger	Kentucky Farm Bureau Mutual Insurance Company
Rudy Schlich	Old Kentucky Insurance
Open	Erie Insurance Company
Todd Feltman	State Farm Mutual Insurance Company
Christopher Migliozi	Nationwide Insurance Company

Kentucky Department:

Deputy Commissioner 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

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

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

Approval of Minutes

Mr. Shockley moved, and Mr. Schlich seconded a motion to approve the minutes of the June 29, 2021, and October 26, 2021, meetings and to ratify the voting actions of the Committee. Mr. Feltman abstained. 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. Feltman moved to close and accept the nominations, Mr. Schlich seconded, and the motion passed unanimously.

Kentucky Automobile Insurance Plan

2021 KAIP Independent Auditors Report

Mr. Hillis noted that DMLO has been reviewed and approved by our Department of Insurance as the Plans auditing firm. Ms. Antle presented the KAIP Independent Auditors Report. She indicated that no irregularities were noted and DMLO had issued a clean, unmodified opinion based on the statutory basis of accounting.

Ms. Antle noted two AIPSO errors that were identified during the course of the 2021 audit; one error was an incorrect formula in a spreadsheet and the second was an invoice that was incorrectly paid with Kentucky funds for the Kansas Auto Plan, another AIPSO facilitated Plan. Both errors were quickly rectified. AIPSO provided documents timely and worked quickly to resolve issues and respond to inquiries.

Ms. Antle 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, both in Kentucky and for work in other states.

2021 KY CAIP Independent Auditors Report

Mr. Hillis presented the 2021 KY CAIP Statutory Financial Statement prepared by KPMG. He further noted that with the upcoming transition for CAIP, similar to PAIP in 2018-2019, there will be more involvement with DMLO. There were no questions, and the report was accepted.

CAIP Servicing Carrier Allowance

The 2023 servicing carrier allowance (annual recalculation) was presented and discussed. These were: Expense Allocation of 18%; ALAE – direct reimbursement; and ULAE of 9.1%. Mr. Feltman moved that the 2023 allowances be approved, Mr. Shockley seconded. The motion carried.

Secretary Treasurer's Report

Mr. Hillis reported:

1. Budget:

- a. The Plans continued to focus on expense saving opportunities. He noted that the Executive Committee had approved a budget for 2022 of \$180,644. 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.
- 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 Kentucky FAIR Plan, have continued to assist other states through the FAIR Plan Cost Sharing Alliance, billing other states for

Kentucky Automobile Insurance Plan

services. This offsets some of wages and benefits costs, reducing overall expenses in Kentucky – and at the same time, provides for savings and efficiencies in other states as well. Mr. Hillis noted that the FAIR Plan Alliance includes Kentucky, Indiana, Illinois, Wisconsin, and Missouri they will soon add Minnesota. The Kentucky Auto Plan also assists the Kansas Auto Plan with claims reviews.

- d. Mr. Hillis noted the upcoming retirement of a very experienced Plan underwriting manager and the potential need to replace this individual before the end of 2023.
- e. Mr. Hillis thanked Tom Assad, AIPSO, for his partnership during the PAIP and CAIP transitions. He does a nice job balancing AIPSO and the Plans needs and bringing solutions to the table for all to discuss.

2. Plan Experience:

Mr. Hillis presented a PowerPoint presentation noting that Mr. Donovan with National Continental and Ms. Lux with the Plan would present CAIP and KAIP metrics.

- a. Commercial auto results including PIF, written premium and net losses were presented by Mike Donovan with National Continental Insurance.
 - Total In-Force: 23
 - Dominated by garage policies
 - Loss ratio at the end of 2021 was 83.1%
- b. Personal Auto earned premiums and experience from the new PAIP program were shared for 2021 noting that Written Premium for the year was \$48,790.
- c. 2022 Personal Auto applications and PAIP statuses were presented by Ms. Lux with the Plans, noting that as of 4/30/22:
 - Total Written To-Date: 117
 - Total Cancelled: 110
 - Total In-Force: 7
 - Of the 110 cancelled, 29 went full-term and 81 cancelled before the policy expired
 - Of the 81 policies cancelled before the policy expired, they were in force an average of 125 days
 - Ms. Lux noted that in May, there were no new applications to the Plan in 2022.

Mr. Schlich asked how the Plan educates producers and Mr. Hillis explained that in addition to in-person visits in 2018/2019 to the top three producers, the electronic application system was updated to require applicants and producers to verify, not only at the end, but also at the introduction, that there is no other options for coverage before proceeding with the application.

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:

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The Proposal includes adoption of an indicated uncapped rate need of +11.1 to be effective January 1, 2023, and February 1, 2023, for renewals. The actuaries also requested a small deviation of +/- 2.5% in the event updated information becomes available prior to the filing. The estimated monetary impact would be \$15,109. Mr. Shockley made a motion to adopt the needed rate changes for Private Passenger. It was seconded by Mr. Feltman. The motion carried.

b. Commercial Auto Rate Review:

The Proposal includes adoption of an indicated uncapped rate need of 12.5% to be effective January 1, 2023. The actuaries also requested a small deviation of +/- 2.5% in the event updated information becomes available prior to the filing. The estimated monetary impact would be \$110,775. Following discussion and questions Mr. Feltman moved to accept the rates as presented, Mr. Shockley seconded, and the motion was unanimous to approve the filing effective January 1, 2023.

Other Business

- (1) Mr. Hillis noted that there were three proposals for updates and that he was also seeking approval to move forward with the AIPSO Service Provider Agreement for CAIP. He noted that the Plan supported each of the following proposals.
 - a. Review of the CAIP Service Provider Agreement. Mr. Hillis noted that a vote was needed to determine if the Governing Committee continued to wish to engage with AIPSO as their service provider for CAIP business. He noted that while this document doesn't reflect in full the work that was undertaken when developing the PAIP Service Provider Agreement, the bones are there, and the document meets with the Plans approval. He noted that Kentucky worked with Indiana, and Kansas Plans to secure the necessary language, as well as the addendum which is specific to our states. After general discussion, Mr. Feltman made a motion to approve the CAIP Service Provider Agreement and to move forward with contracting with AIPSO and the fronting company. Mr. Miglioizzi seconded, and the motion carried.
 - b. Review of the CAIP Plan Manual Service Provider Amendments. Mr. Hillis noted that when AIPSO replaces National Continental in September 2022, that there are some general updates needed to the Manual. Those rules needed to be approved to allow AIPSO to act. He noted that the Plan recommends accepting this proposed change. After general discussion, Mr. Shockley made a motion to approve the changes outlined to the Plan Manual, effective September 1, 2022. Mr. Feltman seconded, and the motion carried.
 - c. Review of Kentucky Elimination of CASP. Mr. Hillis noted that the Kentucky Plan Manual still had language outlining that the Kentucky Plan order inspections. He noted that this was duplicative in nature as National Continental was performing these duties, and once transitioned to AIPSO as the service provider, AIPSO would

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perform these duties. As such, the current CASP language needed to be removed from the Plan Manual. He noted that the Plan recommends accepting these proposed changes. After general discussion, Mr. Feltman made a motion to approve the changes outlined to the Plan Manual with an effective date no later than January 1, 2023. Mr. Moore seconded, and the motion carried.

- d. Review of Kentucky Manual Update for Premium Audit Requirement. Mr. Hillis note that this was a proposed expansion of the CAIP preliminary premium audit requirement to allow the servicing carrier to audit any commercial risk at their discretion. The Plan recommends accepting these proposed changes. After general discussion, Mr. Feltman made a motion to approve the changes outlined to the Plan Manual with an effective date no later than January 1, 2023. Mr. Shockley seconded, and the motion carried.

- (2) Mr. Feltman with State Farm reviewed a future proposal for Commercial Auto to assist in getting adequate rate for Zone rated trucking. Currently, this is referred to as Zone 99. Mr. Feltman explained that he chairs the AIPSO Residual Market Committee and last week they approved the Zone 99 proposal which will be brought to the Executive Committee at AIPSO. Essentially, this proposal creates Zone 99 which is meant to assist smaller Plans in adequate rating. Mr. Feltman explained that they are seeing the need for further definition nationwide as trucking carriers are using virtual offices as their headquarters as a way to evade rate. Zone 99 will include rating categories based on specific data, such as miles driven and will use country-wide loss experience data versus just the Plan data.

General discussion took place around this rating proposal. Mr. Moore pointed out that solid front-end underwriting, including the use of rating based on registration location, is typically an effective method in proper rating for trucking.

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 2023 budget and proposed assessments in lieu of having a fall meeting. If this was still the pleasure of the Governing Committee, he sought their approval of same.

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

Kentucky Department of Insurance Comments

Deputy Commissioner Boggs, representing the Kentucky Department of Insurance, thanked the Plan and Committee for their efforts. Mr. Boggs noted that he and Commissioner Clark sincerely appreciate the communication from the Plan as well as the partnership between the Plan and DOI. Mr. Boggs noted that, as most in the industry are seeing, the Department of Insurance is struggling to staff property and casualty professionals noting several open positions. He

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continued to advise that due to rising gas prices, even Senior Staff will return to working remotely three days per week.

Adjournment

There being no further business, Mr. Shockley motioned to adjourn the meeting. Mr. Feltman seconded, and the meeting was unanimously adjourned.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mark Hillis". The signature is fluid and cursive, 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 10:30 AM on November 2, 2022 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. 2023 Budget and Assessment

Mr. Hillis recommended a KAIP administrative budget of \$218,040 for 2023. This slight increase is based upon increases in health benefits, wages and noted that the Plan had a retiring Underwriting Manager who would be replaced during 2023 and there would be some wage and benefits overlap.

Mr. Hillis noted that of the recommended \$218,040 expense budget, he was only recommending an assessment of just \$127,790 due to excess funds in the KAIP accounts due to coming in under budget in prior years

Further, Mr. Hillis reviewed the PAIP program. He indicated that applications had continued to decline. He reminded the committee that they continued to hold \$500,000 in a Contingency Reserve. He recommended that the PAIP operational needs of \$63,000 (a reduction from 2022 \$100,000 assessment) be included to reflect anticipated losses to the program for 2023. 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. Mr. Hillis noted that the \$100 annual membership fee per company more than covered the needs of the PAIP operations. And that no further assessment would be needed.

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Mr. Hillis noted that the PAIP operations would also be returning \$139,000 from prior year 2021 operations.

Mr. Moore moved to approve the KAIP Administrative Expense Budget of \$218,040, to approve the KAIP Expense Assessment of \$127,790, and to accept the PAIP Assessment of \$63,000. 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 (100% of the claims handling, 100% of their accounting, 100% of their print, and portions of their IT and systems work); to Missouri (100% of their claims work); to Wisconsin (100% of their claims handling); Indiana (back up underwriting); Minnesota (back up underwriting). Mr. Hillis noted that the savings to the industry in Illinois alone for 2022 was well over \$500,000.

Mr. Hillis noted that the FAIR Plan Cost Sharing Alliance was anticipated to be an LLC on January 1, 2024 under the parent of the Kentucky FAIR Plan. He further noted that due to the continued growth of the Alliance, that the FAIR Plan did not anticipate extending occupancy to the KIGA beyond 2023 and had given KIGA notice of same.

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 (2022): 0

AVERAGE IN-FORCE DAYS: 140

b. Manual Change Proposals

- The first proposed change to the manual presented was to address **Commissions Paid on Collected Premium**. Mr. Hillis noted that this proposal removed the requirement which prevented the servicing carrier from paying commission on the additional audited premium recovered after it is turned over to an attorney or collection agency. After a brief discussion, Mr. Moore moved, and Mr. Shockley seconded and the motion passed to adopt this change.
- The second proposed change was to update the language in the manual addressing **Quarterly Loss Statements**. Mr. Hillis noted that the proposal was to eliminate the submission of quarterly loss

Kentucky Automobile Insurance Plan

statements by a withdrawing, terminating or insolvent servicing carrier, but to retain the process where AIPSO reviews the outstanding loss data submitted with the CAIP Quarterly Statistical Summary Control reports by the servicing carrier for trends. Mr. Hillis noted that the Kentucky manual currently had very little oversight outlined for a servicing carrier exiting the market, and without further clarity addressing oversight, that he could not recommend adopting this proposal. After general discussion, Mr. Shockley moved, and Mr. Moore seconded to reject the proposal.

c. Salary Range Adjustments and Merit Increase Reviews

Mr. Hillis reviewed the included PIPSO documents related to initial indications for 2023 salary range and merit increases. Recommending a 2.3% increase in salary ranges and 3.8 – 3.9% 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.

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 2022 to offset Kentucky's costs. He noted that these efforts continued to grow and that he expected 2023 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, and the Executive Committee could review Mr. Hillis performance.

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 5% for merit and 2.1% for salary adjustments for the team. The Executive Committee gave Mr. Hillis a 5% 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.

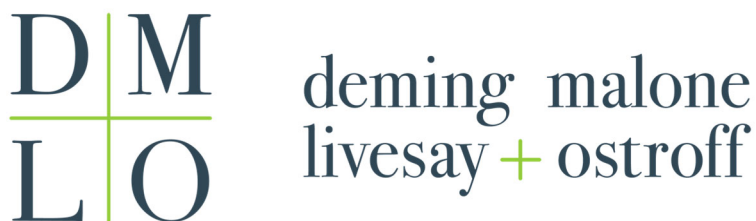
Respectfully submitted,



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, 2022

<u>Financial Highlights</u>	<u>12/31/2022</u>	<u>12/31/2021</u>
Cash and cash equivalents	\$ 1,202,026	\$ 838,899
Premiums receivable	\$ 3,294	\$ 3,359
Assessment receivable	\$ -	\$ 470,789
Other receivables	\$ 67,663	\$ 101,888
Total admitted assets	\$ 1,272,983	\$ 1,414,935
Insurance reserves	\$ 210,634	\$ 139,382
Assessment payable	\$ 126,219	
Accounts payable and accrued expenses	\$ 26,438	\$ 28,067
Total liabilities	\$ 363,291	\$ 167,449
Net assets	\$ 909,692	\$ 1,247,486
Premiums earned	\$ 29,661	\$ 74,342
Change in premiums earned	-60.1%	
Assessments	\$ (60,549)	\$ 157,738
Underwriting expenses	\$ 98,497	\$ (97,389)
Change in underwriting expenses	-201.1%	
Management and general expenses	\$ 217,522	\$ 190,213
Change in net assets	\$ (337,794)	\$ 139,291
Net cash flow from operations	\$ 363,127	\$ (306,860)

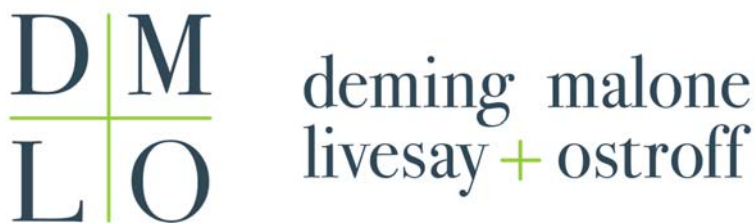
Comments

- Financial statements are prepared on the statutory basis of accounting as prescribed or permitted by the Commonwealth of 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 \$(32,935)
- Net impact of PTO and payroll accrual uncorrected misstatement would have resulted in a change in net assets of \$(1,156)
- No internal control related findings to report

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 F: 502.425.0883

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



To the Governing Committee
Kentucky Automobile Insurance Plan

We have audited the financial statements of Kentucky Automobile Insurance Plan (Plan) for the year ended December 31, 2022, and have issued our report thereon dated February 27, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 30, 2022. 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 2022. 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 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>\$(32,935)</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>
Net impact of PTO and payroll accrual	<u>\$(1,156)</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 February 27, 2023.

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, Lussary & Ostroff

Louisville, Kentucky
February 27, 2023

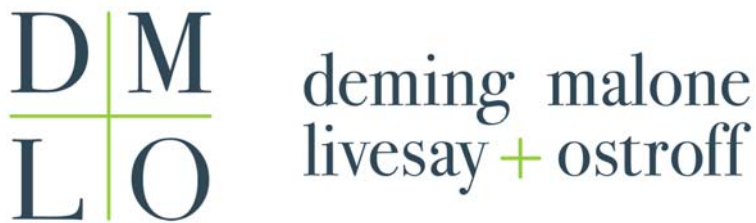
KENTUCKY AUTOMOBILE INSURANCE PLAN

FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

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Independent Auditors' Report

To the Governing Committee
Kentucky Automobile Insurance Plan
Louisville, Kentucky

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, 2022 and 2021, and the related statements of revenues, 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, 2022 and 2021, 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, 2022 and 2021, 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, Lussary & Petroff

Louisville, Kentucky
February 27, 2023

KENTUCKY AUTOMOBILE INSURANCE PLAN
STATEMENTS OF ADMITTED ASSETS, LIABILITIES, AND
NET ASSETS - STATUTORY BASIS
December 31, 2022 and 2021

Admitted Assets	2022	2021
Cash and cash equivalents	\$ 1,202,026	\$ 838,899
Premiums receivable	3,294	3,359
Assessment receivable		470,789
Other receivables	67,663	101,888
Total admitted assets	\$ 1,272,983	\$ 1,414,935
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 22,955	\$ 21,606
Assessment payable	126,219	
Accrued expenses	3,483	6,461
Insurance reserves:		
Losses	188,850	100,793
Loss adjustment expense	5,189	10,375
Unearned premiums	11,046	18,632
Premium deficiency	5,549	9,582
	210,634	139,382
Total liabilities	363,291	167,449
Net Assets	909,692	1,247,486
Total liabilities and net assets	\$ 1,272,983	\$ 1,414,935

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, 2022 and 2021

	2022	2021
Revenues and Losses		
Assessments	\$ (60,549)	\$ 157,738
Premiums earned	29,661	74,342
Net investment return	7,209	35
Other income	1,904	
Total revenues (losses)	(21,775)	232,115
Expenses		
Program - underwriting expenses:		
Losses	88,057	(110,550)
Loss adjustment	(5,150)	(9,717)
Commissions	1,329	1,589
Service provider fees	11,885	13,238
Other	2,376	8,051
	98,497	(97,389)
Management and general:		
Salaries	78,856	58,362
Professional fees	39,907	42,209
Health insurance	23,889	20,063
Management fees	22,161	19,967
Other	15,442	16,852
Computer	13,636	14,859
Retirement	12,105	7,471
Rent	6,400	6,400
Payroll taxes	5,126	4,030
	217,522	190,213
Total expenses	316,019	92,824
Change in net assets	(337,794)	139,291
Net assets at beginning of year	1,247,486	1,108,195
Net assets at end of year	\$ 909,692	\$ 1,247,486

See Notes to Financial Statements.

KENTUCKY AUTOMOBILE INSURANCE PLAN
STATEMENTS OF CASH FLOWS - STATUTORY BASIS
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Cash received from customers, members and others	\$ 579,824	\$ 339,257
Cash paid to suppliers, employees, members and others	(225,810)	(646,154)
Net investment and other income received	<u>9,113</u>	<u>37</u>
Net cash provided by (used in) operating activities	<u>363,127</u>	<u>(306,860)</u>
Net change in cash and cash equivalents	363,127	(306,860)
Cash and cash equivalents at beginning of year	<u>838,899</u>	<u>1,145,759</u>
Cash and cash equivalents at end of year	<u>\$ 1,202,026</u>	<u>\$ 838,899</u>
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Change in net assets	\$ (337,794)	\$ 139,291
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Changes in assets and liabilities:		
(Increase) decrease in:		
Premiums receivable	65	1,680
Assessment receivable	470,789	(267,982)
Other receivables	34,225	4,965
Increase (decrease) in:		
Accounts payable	1,349	163
Assessment payable	126,219	
Accrued expenses	(2,978)	(10,636)
Insurance reserves	<u>71,252</u>	<u>(174,341)</u>
Net cash provided by (used in) operating activities	<u>\$ 363,127</u>	<u>\$ (306,860)</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. At December 31, 2022 and 2021, no receivable balances were in excess of 90 days past due.

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, 2022 and 2021 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 February 27, 2023, which is the date the financial statements were available to be issued.

Note 2. Liquidity and Availability

Financial assets available for general expenditure, without restrictions limiting their use, within one year of December 31, 2022 and 2021, comprise the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$702,026	\$338,899
Receivables	<u>70,957</u>	<u>576,036</u>
	<u>\$772,983</u>	<u>\$914,935</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, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Reserves, beginning of year	\$111,168	\$247,153
Incurred loss and loss adjustment expenses:		
Provision for insured events of current year	(14,952)	25,302
Change in provision attributable to prior events	<u>99,910</u>	<u>(136,347)</u>
Total incurred	<u>84,958</u>	<u>(111,045)</u>
Payments:		
Attributable to current year events	36	9,245
Attributable to prior year events	<u>2,051</u>	<u>15,695</u>
Total paid	<u>2,087</u>	<u>24,940</u>
Reserves, end of year	<u>\$194,039</u>	<u>\$111,168</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 additional assessments due from members or assessments payable back to members. Reapportionment of assessments are recorded in the year of reapportionment and netted with assessments receivable or payable on the statements of admitted assets, liabilities, and net assets and assessments on the statements of revenues, expenses, and other changes in net assets. Any amounts payable to members will be used to offset future assessments or refunded to members 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, 2022 and 2021, 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Payable at the beginning of the year	\$ (22,051)	\$ (21,938)
Expenses allocated during the year	(181,701)	(157,478)
Payments made during the year	<u>180,922</u>	<u>157,365</u>
Payable at the end of year	<u>\$ (22,830)</u>	<u>\$ (22,051)</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 \$12,105 and \$7,471, for the years ended December 31, 2022 and 2021, 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, 2023. 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, 2023. Rent expense was \$6,400 for each of the years ended December 31, 2022 and 2021, 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, 2022, the Plan's uninsured cash balance totaled approximately \$982,000.

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 each of the years ended December 31, 2022 and 2021, the Plan incurred expenses of \$35,000 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, 2022 and 2021, the Plan had a receivable due from AIPSO of \$14,200 and \$12,500, 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.



"Serving the Insurance Industry"

May 3, 2023

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

RE: 2022 KENTUCKY CAIP FINANCIAL STATEMENTS

Dear Mr. Hillis:

Enclosed is a copy of the 2022 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 25, 2023 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 April 27, 2023.
- 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 25, 2023 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 April 27, 2023.
- 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 that reads "David E. 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, 2022 and 2021

(with Independent Auditors' Report Thereon)

**KENTUCKY COMMERCIAL AUTOMOBILE
INSURANCE PROCEDURE**

Financial Statements

August 31, 2022 and 2021

(with Independent Auditors' Report Thereon)



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

Independent Auditors' Report

Governing Committee
Kentucky Automobile Insurance Plan:

Disclaimer of Opinion

We were engaged to audit the 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, 2022 and 2021, 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.

We do not express an opinion on the accompanying financial statements of the CAIP. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

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, 2022 and 2021. 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.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared by the Central Processor (AIPSO) on the basis of the financial reporting provisions of Section B of the Commercial Automobile Insurance Procedure Accounting and Statistical Requirements Manual dated June 2009 (the Manual), which is a basis of accounting other than U.S. generally accepted accounting principles, to comply with the financial reporting provisions of the Manual referred to above. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Manual, 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the CAIP's financial statements in accordance with auditing standards generally accepted in the United States of America and to issue an auditors' report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.



We are required to be independent of the CAIP and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

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 25, 2023

**KENTUCKY COMMERCIAL AUTOMOBILE
INSURANCE PROCEDURE**

**Statements of Assets, Liabilities, and Accountability of Members
August 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 504,066	\$ 8,872
Accounts receivable - member companies	37,992	1,501,830
Accrued interest receivable	192	-
	<u>542,250</u>	<u>1,510,702</u>
Total assets	<u>\$ 542,250</u>	<u>\$ 1,510,702</u>
LIABILITIES AND ACCOUNTABILITY OF MEMBERS		
LIABILITIES		
Loss reserves	\$ 439,204	\$ 485,204
Allocated loss adjustment expense reserves	21,844	24,957
Unearned premiums	103,215	54,869
Premium deficiency reserve	25,628	5,457
Accounts payable - member companies	156,071	648
Accounts payable - servicing carriers	33,259	672,352
Accounts payable - AIO	-	11,953
Accounts payable - AIPSO	1,352	1,497
Accrued expenses	23,056	23,055
	<u>803,629</u>	<u>1,279,992</u>
Total liabilities	803,629	1,279,992
ACCOUNTABILITY OF MEMBERS	<u>(261,379)</u>	<u>230,710</u>
Total liabilities and accountability of members	<u>\$ 542,250</u>	<u>\$ 1,510,702</u>

See accompanying notes to the financial statements.

KENTUCKY COMMERCIAL AUTOMOBILE INSURANCE PROCEDURE

Statements of Operations

Years ended August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Premiums earned	\$ 260,613	\$ 262,909
Losses incurred	203,800	634,073
Allocated loss adjustment expense recovered	(2,579)	(26,967)
Unallocated loss adjustment expense allowance	20,005	22,006
Change in premium deficiency reserve	20,171	(21,676)
Administrative allowance expense (recovered)	56,277	(106,902)
Commissions expense (recovered)	23,540	(37,973)
Supplemental fee expense	-	25,985
Premium tax expense (recovered)	6,179	(11,342)
	<u>327,393</u>	<u>477,204</u>
Total underwriting expense		
Underwriting loss	(66,780)	(214,295)
Premiums charged off	(1,371)	(243,509)
Insolvent company recovered	18	143
Indemnification expense	-	(3,466)
Central processor expense	(15,856)	(15,019)
Miscellaneous expense	(18)	(2,360)
	<u>(84,007)</u>	<u>(478,506)</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Accountability of members, beginning of year	\$ 230,710	\$ (2,641,805)
Settlement activity for period		
Change in settlement	(408,082)	3,351,021
Loss from operations	<u>(84,007)</u>	<u>(478,506)</u>
Accountability of members, end of year	<u>\$ (261,379)</u>	<u>\$ 230,710</u>

See accompanying notes to the financial statements.

KENTUCKY COMMERCIAL AUTOMOBILE INSURANCE PROCEDURE

Notes to Financial Statements
Years ended August 31, 2022 and 2021

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, 2022 and 2021

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, 2022 and 2021 was \$500 and \$250, respectively, which is included in unearned premiums in the statements 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, 2022 and 2021 was \$7,654 and \$10,368, respectively, which is included in loss reserves in the statements 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, 2022 and 2021

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.

Supplemental Fee Expense

During the year ended August 31, 2021, 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 statements of operations, is to assist AIPSO in funding its insurance expansion to service all CAIP states. There was no supplemental fee for the year ended August 31, 2022.

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, 2022 and 2021 was computed by AIPSO and was \$25,628 and \$5,457, 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, 2022 and 2021, 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.

**KENTUCKY COMMERCIAL AUTOMOBILE
INSURANCE PROCEDURE**

Notes to Financial Statements
Years ended August 31, 2022 and 2021

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, 2022 and 2021, the CAIP incurred indemnification expenses of \$0 and \$3,466, respectively.

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>2022</u>	<u>2021</u>
Balance at September 1	\$ 485,204	\$ 1,969,124
Incurred related to		
Current year	176,740	55,863
Prior years	<u>27,060</u>	<u>578,210</u>
Total incurred	<u>203,800</u>	<u>634,073</u>
Paid related to		
Current year	22,778	87,906
Prior years	<u>227,022</u>	<u>2,030,087</u>
Total paid	<u>249,800</u>	<u>2,117,993</u>
Balance at August 31	<u>\$ 439,204</u>	<u>\$ 485,204</u>

KENTUCKY COMMERCIAL AUTOMOBILE INSURANCE PROCEDURE

Notes to Financial Statements
Years ended August 31, 2022 and 2021

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

	<u>2022</u>	<u>2021</u>
Balance at September 1	\$ 24,957	\$ 80,960
Incurred (recovered) related to		
Current year	2,294	(111)
Prior years	<u>(4,873)</u>	<u>(26,856)</u>
Total recovered	<u>(2,579)</u>	<u>(26,967)</u>
Paid related to		
Current year	-	-
Prior years	<u>534</u>	<u>29,036</u>
Total paid	<u>534</u>	<u>29,036</u>
Balance at August 31	<u>\$ 21,844</u>	<u>\$ 24,957</u>

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 CAIP. Refer to Note 2 for further information.

7. RISKS AND UNCERTAINTIES

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

8. SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 25, 2023, which is the date the financial statements were available to be issued.

Beginning on September 1, 2022, AIPSO Insurance Operation (AIO) has assumed the role of countrywide CAIP service provider, using a fronting company model to write CAIP policies and using a third-party to handle claims. With this new arrangement, there is no change in the general operations of the CAIP mechanism. Premium, 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.

**KENTUCKY COMMERCIAL AUTOMOBILE
INSURANCE PROCEDURE**

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

August 31, 2022 and 2021
(with Independent Auditors' Report Thereon)



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

Independent Auditors' Report

Governing Committee
Kentucky Automobile Insurance Plan:

Opinion

We have audited the 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, 2022 and 2021, and the related notes (the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the cash receipts and disbursements of the CAIP for the years ended August 31, 2022 and 2021, in accordance with the cash basis of accounting described in Note 2.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the CAIP and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 2, and for 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 certain internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS, 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 the CAIP'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 statement.

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.

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 25, 2023

**KENTUCKY COMMERCIAL AUTOMOBILE
INSURANCE PROCEDURE**

**Statements of Cash Receipts and Disbursements
Accounted for by the Central Processor
Years ended August 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
RECEIPTS		
Collections from member companies	\$ 1,506,718	\$ 1,910,437
Collections from servicing carriers	116,578	601,435
Insolvent company recovery	18	-
Miscellaneous income	3,946	1,062
	<u>1,627,260</u>	<u>2,512,934</u>
DISBURSEMENTS		
Distributions to member companies	295,767	590,375
Distributions to servicing carriers	804,166	2,151,448
Central processor expense	16,155	14,727
Supplemental fee expense	11,953	14,032
Miscellaneous expense	4,025	3,586
	<u>1,132,066</u>	<u>2,774,168</u>
Receipts over (under) disbursements	495,194	(261,234)
Cash and cash equivalents, beginning of year	<u>8,872</u>	<u>270,106</u>
Cash and cash equivalents, end of year	<u>\$ 504,066</u>	<u>\$ 8,872</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, 2022 and 2021

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. INSOLVENT COMPANY RECOVERY

A member company was deemed insolvent as of October 3, 2001 by the domiciliary state's insurance regulatory authority. A proof of claim was filed with the state on November 20, 2003 and approved as a priority level class 5 and class 10 creditor. The overall obligation of \$18 was settled by the member company as of October 21, 2021.

4. SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 25, 2023, which is the date the statements of cash receipts and disbursements accounted for by the Central Processor were available to be issued.



March 31, 2023

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

2024 CAIP SERVICING CARRIER ALLOWANCE
ANNUAL RECALCULATION
KENTUCKY AUTOMOBILE INSURANCE PLAN

Below are the 2024 CAIP servicing carrier allowances, calculated in accordance with the Plan of Operation, to be effective March 1, 2024. In addition, the 2023 CAIP servicing carrier allowances are provided for Governing Committee reference.

KENTUCKY AUTO INSURANCE PLAN			
Administrative Expense Allowance as a Percentage of Written Premiums			
Coverage	2023	2024	
Liability	18.0%	17.9%	

Loss Adjustment Expense Allowance as a Percentage of Earned Premiums			
Coverage	2023	2024	
Liability - ULAE	9.1%	12.0%	
Liability - ALAE	Direct Reimbursement		

Agreements with the servicing carrier 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 not later than September 1, 2023.

Thank you,

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

Kentucky Auto Insurance Plan

Budget Status

Line Item	2020 Budget	2021 Budget	2022 Budget	2022 Final
Wages (W-2)	\$ 58,987	\$ 52,478	\$ 61,132	\$ 72,315
Payroll Taxes	\$ 5,899	\$ 5,248	\$ 6,113	\$ 5,126
Pension Benefits	\$ 7,786	\$ 6,927	\$ 8,069	\$ 9,949
401K Match	\$ 1,770	\$ 1,574	\$ 1,834	\$ 2,156
Office Supplies, Printing & Equip.	\$ 2,200	\$ 2,000	\$ 2,000	\$ 1,387
Professional Services	\$ 39,438	\$ 42,085	\$ 35,206	\$ 26,607
Human Resources	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,561
Rent	\$ 7,930	\$ 6,400	\$ 6,400	\$ 6,400
Telephone and Telephone Equip.	\$ 2,600	\$ 2,700	\$ 1,200	\$ 880
Travel	\$ 5,500	\$ 4,500	\$ 5,500	\$ 3,661
Meals and Entertainment	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,264
Insurance - P & C	\$ 7,208	\$ 6,980	\$ 6,720	\$ 2,791
Health and Employee Benefits	\$ 9,294	\$ 8,669	\$ 10,519	\$ 23,889
Postage	\$ 2,000	\$ 1,500	\$ 1,500	\$ 1,795
Computer and Systems	\$ 13,987	\$ 15,320	\$ 18,222	\$ 7,312
Dues & Subscriptions	\$ 400	\$ 400	\$ 400	\$ 913
Board Meetings	\$ 500	\$ 500	\$ 500	\$ -
Education	\$ 300	\$ 300	\$ 300	\$ -
Miscellaneous	\$ 1,000	\$ 1,000	\$ 1,000	\$ 831
AIPSO--(Data and Plan Services)	\$ 4,904	\$ 2,782	\$ 3,954	\$ 3,168
AIPSO-LAD	\$ 2,550	\$ 2,750	\$ -	\$ -
AIPSO-EASi	\$ 7,575	\$ 7,575	\$ 7,575	\$ 3,156
Total	\$ 184,327	\$ 174,188	\$ 180,644	\$ 175,161

Underwriting Roll Up

Policy Number	Last Name	Policy Effective Date
AAP16-001	McIntire	1/7/2019
AAP16-002	Felix	1/11/2019
AAP16-005	Lee	1/16/2019
AAP16-006	Abdo	1/25/2019
AAP16-007	Binford	1/24/2019
AAP16-008	Booker	1/29/2019
AAP16-009	Johnson	1/23/2019
AAP16-010	Britt	1/28/2019
AAP16-011	Davis	2/7/2019
AAP16-012	Hopkins	2/22/2019
AAP16-013	Dawkins	2/20/2019
AAP16-014	Seviour	2/25/2019
AAP16-015	Buford	2/27/2019
AAP16-016	Dawson	3/1/2019
AAP16-017	Forney	3/7/2019
AAP16-018	Beningfield	3/12/2019
AAP16-019	Richards	3/13/2019
AAP16-020	Davis	3/14/2019
AAP16-021	Brown	3/14/2019
AAP16-022	Sparks	3/19/2019
AAP16-023	Anand	3/26/2019
AAP16-024	Ford	3/22/2019
AAP16-025	Jarboe	3/28/2019
AAP16-026	Shubeso	3/26/2019
AAP16-027	Curry	4/11/2019
AAP16-028	Williams	4/9/2019
AAP16-029	Broadus	4/23/2019
AAP16-030	Pulliam	6/4/2019
AAP16-031	Rottner	6/5/2019
AAP16-032	Wadlington	6/10/2019
AAP16-033	Martin	6/14/2019
AAP16-034	Perry	7/2/2019
AAP16-035	Blackburn	7/9/2019
AAP16-036	Reed	7/24/2019
AAP16-037	Buford	7/30/2019
AAP16-038	Arroyo	8/13/2019
AAP16-039	Maize	8/22/2019
AAP 16-040	Baker	9/27/2019
AAP 16-041	Frillman	10/1/2019
AAP 16-042	Pulliam	10/2/2019
AAP 16-043	Bolling	10/2/2019
AAP 16-044	Darnell	10/25/2019
AAP 16-045	Broadus	11/1/2019
AAP 16-046	Brooks	11/1/2019
AAP 16-047	Durham	11/1/2019
AAP 16-048	Brown	12/3/2019
AAP 16-049	Jones	12/2/2019

AAP 16-050	Young	12/6/2019
AAP 16-051	Jones Sr	12/4/2019
AAP 16-052	Petty	12/11/2019
AAP 16-053	Kaelin	1/3/2020
AAP 16-054	King	1/6/2020
AAP 16-055	Pulliam	1/3/2020
AAP 16-056	Thornton	1/3/2020
AAP 16-057	Morris	1/18/2020
AAP16-058	James	2/25/2020
AAP16-059	Dale	2/28/2020
AAP16-060	Cheatham	2/28/2020
AAP16-061	White	3/4/2020
AAP16-062	Forney	3/9/2020
AAP16-063	Petty	3/16/2020
AAP-16-064	Davis	3/19/2020
AAP-16-065	White Jr	3/23/2020
AAP-16-066	Ford	3/23/2020
AAP-16-067	Yates	3/28/2020
AAP-16-068	Burk	4/8/2020
AAP-16-069	Sloss	4/21/2020
AAP-16-070	Campbell	4/27/2020
AAP16-071	Owens	5/7/2020
AAP16-072	Alvarado	5/18/2020
AAP16-073	Vaughn	6/1/2020
AAP16-074	Standard	6/3/2020
AAP16-075	Ader	6/10/2020
AAP16-077	Pavlovic	6/16/2020
AAP-16-078	White	6/19/2020
AAP16-079	Castro	7/16/2020
AAP16-080	McIntire	7/23/2020
AAP16-081	Ray	7/23/2020
AAP16-082	Roarx	7/17/2020
AAP16-083	Curry	8/6/2020
AAP16-084	Abstain	7/21/2020
AAP16-085	Harris	8/12/2020
AAP16-086	Roberts	8/18/2020
AAP16-087	Sisney	8/19/2020
AAP16-088	Ricketts	8/25/2020
AAP16-089	Phillips	9/11/2020
AAP16-090	Gidey	9/18/2020
AAP16-091	Baker	9/18/2020
AAP16-092	Belt	9/4/2020
AAP16-093	Conley	9/15/2020
AAP16-094	Manuer	9/24/2020
AAP16-095	Gainer	9/25/2020
AAP16-097	McKenzie	10/15/2020
AAP16-098	Covington	11/3/2020
AAP16-099	Miller	11/5/2020
AAP16-100	Lewis	11/10/2020

AAP16-101	Foley III	10/6/2020
AAP-16-102	Lipsey	12/18/2020
AAP-16-103	Thornton	12/31/2020
AAP-16-104	Gainer	1/5/2021
AAP-16-105	White	1/20/2021
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
AAP-16-115	Billups	5/26/2021
AAP-16-116	Johnson	6/14/2021
AAP-16-117	Muex	7/20/2021
AAP-16-118	Davis	9/7/2021
AAP-16-119	Mack	9/3/2021
AAP-16-120	Combs	11/5/2021
AAP-16-121	Carter	12/27/2021
AAP-16-126 (122 rewrite)	Alvarado	12/2/2021
AAP-16-124	Pettie	9/3/2022
AAP-16-127	Duncan	12/9/2022
AAP-16-128	McNew	3/8/2023
AAP-16-129	Munyampundu	3/24/2023

Cancellation Date	Days Effective
11/20/2019	317
1/11/2020	365
1/16/2020	365
7/23/2019	179
1/24/2020	365
11/18/2019	293
4/10/2019	77
1/28/2020	365
3/25/2019	46
5/10/2019	77
2/20/2020	365
5/13/2019	77
6/14/2019	107
2/28/2020	364
3/7/2020	366
3/12/2020	366
7/25/2019	134
5/2/2019	49
12/2/2019	263
4/12/2019	24
4/9/2019	14
3/22/2020	366
3/28/2020	366
5/28/2019	63
4/11/2020	366
6/19/2019	71
10/11/2019	171
9/22/2019	110
6/5/2021	731
6/10/2020	366
6/14/2019	0
3/9/2020	251
8/27/2019	49
7/24/2020	366
7/24/2020	360
9/29/2019	47
11/18/2019	88
3/11/2020	166
2/7/2020	129
11/12/2019	41
10/2/2020	366
9/28/2021	704
1/26/2021	452
11/1/2020	366
11/1/2020	366
7/9/2020	219
12/2/2020	366

Renewal

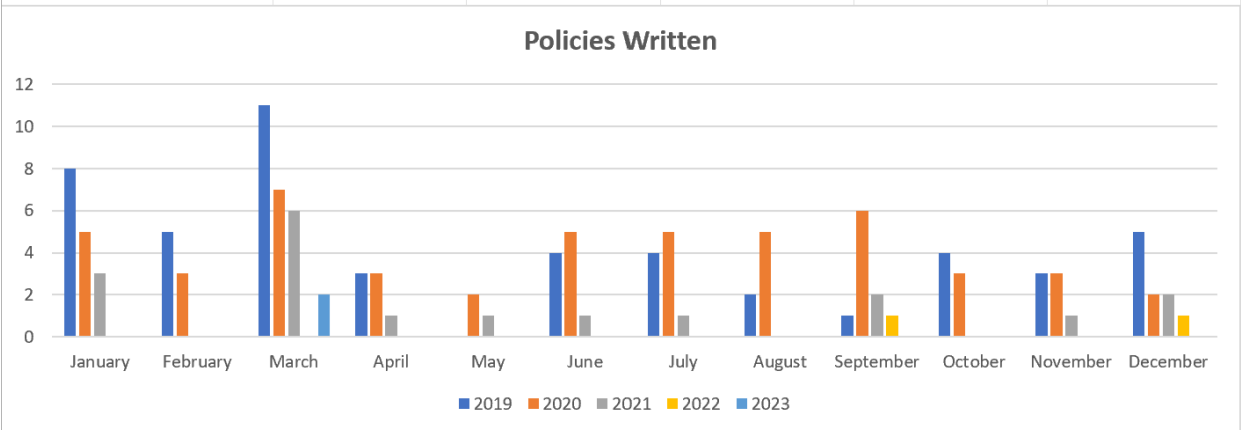
Renewal

Renewal

8/1/2021	604	Renewal
9/4/2020	275	
1/31/2020	51	
7/27/2020	206	
1/6/2021	366	Susp Lic
7/27/2020	206	
4/24/2020	112	
10/22/2022	1008	Renewal
5/18/2020	83	
7/20/2020	143	
9/16/2020	165	
5/26/2020	83	
3/9/2021	365	
8/9/2020	146	
10/7/2020	202	
9/14/2020	175	
3/23/2022	730	Renewal
8/31/2020	156	
7/2/2020	85	
6/15/2020	55	
4/27/2023	1095	Renewal
11/2/2020	179	
5/18/2021	365	
12/16/2020	198	
9/28/2020	117	
8/18/2020	69	
9/8/2020	84	
9/14/2020	87	
8/17/2020	32	
9/28/2020	67	
6/30/2021	348	
7/8/2021	336	
8/17/2020	27	
7/24/2021	346	
9/28/2020	41	
10/23/2020	65	
8/10/2021	350	
10/13/2020	32	
2/26/2021	161	
11/23/2020	66	
10/23/2020	49	
3/8/2021	174	
9/24/2021	365	
12/3/2020	69	
1/7/2021	84	
11/3/2021	365	
1/4/2021	60	
2/1/2021	83	

11/25/2020	50
3/12/2021	84
12/31/2021	365
11/29/2021	328
3/2/2021	41
6/8/2021	132
3/12/2022	365
6/7/2021	88
6/7/2021	84
9/7/2021	175
5/10/2021	55
5/12/2021	44
9/12/2021	145
9/12/2021	109
8/4/2021	51
3/14/2022	237
10/27/2021	50
9/3/2022	365
11/5/2022	365
5/13/2022	137
12/2/2022	365
1/16/2023	38

Month	2019	2020	2021	2022	2023
January	8	5	3	0	0
February	5	3	0	0	0
March	11	7	6	0	2
April	3	3	1	0	0
May	0	2	1	0	0
June	4	5	1	0	0
July	4	5	1	0	0
August	2	5	0	0	0
September	1	6	2	1	0
October	4	3	0	0	0
November	3	3	1	0	0
December	5	2	2	1	0
TOTAL	50	49	18	2	2



KENTUCKY PAIP

Monthly Activity - Month Ending 04/30/2023

	<u>Month End</u>	<u>YTD</u>
Written Premium	\$5,731	\$15,949
Earned Premium	\$2,793	\$7,049
Change in Unearned Premium	\$2,938	\$8,901
Total Unearned Premium	\$19,947	\$19,947
Premium Charged Off	\$0	\$0
Advanced Written Premium	\$0	\$0
Written Commission	\$287	\$797
Surcharges	\$103	\$287
Losses Paid	\$0	\$19,569
Losses Unpaid (Reserved)	\$75,016	\$75,016
Adjustment Expenses Paid	\$0	\$19
Adjustment Expenses Unpaid	\$0	\$0
Defense and Cost Containment Expenses Paid	\$0	\$0
Defense and Cost Containment Expenses Unpaid	\$0	\$0



"Serving the Insurance Industry"

May 17, 2023

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>
01/01/2019	+23.0%
01/01/2020	+13.2%
01/01/2021	+9.8%
01/01/2022	+4.7%
01/01/2023	+11.1%

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

New Applications – Private Passenger Liability

	<u>03/22</u>	<u>03/23</u>
12 Months Ending	9	3
YTD Ending	0	1
Month Ending	0	1

Last year we developed an experience-based indication of +11.1% that used trend as the ballast to credibility and only PAIP data. 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, 2024, for new business and February 1, 2024, for renewal business. The overall indication is +10.4%. We propose to take the full indicated change, which results in a monetary impact of \$9,853 based on 2021 earned premiums. Please see Exhibit 1 for details.

Note on Covid-19: We have included a new 2-step trend procedure that uses the latest industry trend data in the analysis. The process indexes the historical experience to the latest year of trend data to put all years on a common, post-pandemic basis. We then project losses into the effective period based on the usual trend process.

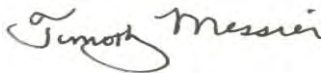
If the Committee decides to file, we request the allowance of a small deviation from what is shown here. It is possible that new information becomes available between the time in which this rate review is prepared and a rate filing is made. Our filings should reflect the most current information, which 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

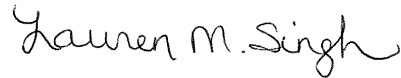
- Exhibit 1 - Summary of Rate Level Change

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	(5) Exhibit 7 Sheet 1	(6) (3)x(4)+ (5)x{1.0-(4)}	(7)	(8)
Coverage	3 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 2021 Premium*
Residual Bodily Injury	175,427	38.3%	11%	5.8%	9.4%	9.4%	4,464
Bodily Injury	0	38.3%	11%	5.8%	9.4%	9.4%	0
Property Damage	91,384	66.8%	11%	7.5%	14.0%	14.0%	3,520
Personal Injury Protection	73,185	34.9%	13%	3.5%	7.6%	7.6%	1,497
Medical Payments	0	104.5%	13%	3.5%	16.6%	16.6%	
Uninsured BI (UMBI)	1,974	534.5%	3%	5.8%	21.7%	21.7%	123
Underinsured BI (UIMBI)	3,876	534.5%	3%	5.8%	21.7%	21.7%	249
Total	345,845	53.5%		5.8%	10.4%	10.4%	9,853

NOTES:

Proposed Effective Dates: January 1, 2024 New; February 1, 2024 Renewal

Most Recent Rate Change: 11.1% on January 1, 2023

* Calendar Year 2021 Premium at Current Level is \$94,045



"Serving the Insurance Industry"

May 17, 2023

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>
01/01/19	+9.1%
01/01/20	+18.2
01/01/21	+1.9
01/01/22	+13.1
01/01/23	+12.6

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

	<u>New Applications – Commercial</u>	
	<u>03/22</u>	<u>03/23</u>
12 Months Ending	21	14
YTD Ending	4	3
Month Ending	2	1

Last year we developed a rate indication of +12.5% 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 2012 through 2021 evaluated as of November 30, 2022. Since this data is not fully credible, we have used loss ratio trend as the ballast to credibility.

The resulting overall rate indication is +16.4% based on assumed effective dates of January 1, 2024 for new business and February 1, 2024 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 \$37,299.

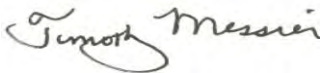
Covid-19: Consistent with recent ISO commercial auto filings, this indication has no adjustment for Covid-19. ISO expects that long-term behavioral, social, and economic changes due to Covid-19 will have negligible and/or offsetting effects on commercial auto loss costs.

ATTACHMENT

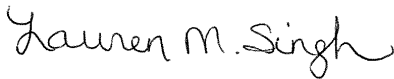
- Summary - Summary of Indicated and Proposed Rate Level Change
- Exhibit 1 - Financial Indication

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

Sincerely,



Timothy Messier, FCAS, MAAA
Assistant Vice President and Actuarial Team Leader
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Timothy.Messier@aipso.com



Lauren M. 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 Proposed Rate Level Change

LIABILITY

Subline		2021 Premium at Current Level	Indicated Percent Change	Proposed Percent Change	Estimated Dollar Impact Based on 2021 Premium
Trucks, Tractors, and Trailers	CSL	19,998	16.4%	16.4%	
	PIP	341	16.4%	16.5%	
	Total	20,339	16.4%	16.4%	3,340
Taxis and Limos	CSL	0	16.4%	16.4%	
	PIP	0	16.4%	16.4%	
	Total	0	16.4%	16.4%	0
School and Church Buses	CSL	0	16.4%	16.4%	
	PIP	0	16.6%	16.4%	
	Total	0	16.5%	16.4%	0
Other Buses	CSL	0	16.4%	16.4%	
	PIP	0	16.4%	16.4%	
	Total	0	16.4%	16.4%	0
Van Pools	CSL	0	16.4%	16.4%	
	PIP	0	16.5%	16.8%	
	Total	0	16.5%	16.6%	0
Zone Rated Risks	CSL	0	39.0%	39.0%	
	PIP	0	39.0%	39.0%	
	Total	0	39.0%	39.0%	0
Garages	CSL	178,879	16.5%	16.5%	
	PIP	6,915	16.3%	16.5%	
	Total	185,795	16.4%	16.5%	30,571
Employer Non- Owned	CSL	1,885	16.4%	16.4%	
	Total	1,885	16.4%	16.4%	310
Hired Auto	CSL	160	16.3%	16.3%	
	Total	160	16.3%	16.3%	26
Uninsured Motorists	CSL	19,034	16.0%	16.0%	
	Total	19,034	16.0%	16.0%	3,052
Underinsured Motorists	CSL	0	16.9%	16.9%	
	Total	0	16.9%	16.9%	0
Liability Total	CSL	\$219,956	16.4%	16.4%	
	PIP	\$7,256	16.3%	16.5%	
	Total	\$227,212	16.4%	16.4%	\$37,299

Notes: Most recent rate change (01/01/2023): 12.6%
Proposed effective date: 01/01/2024

Kentucky Commercial Auto Program
Statewide Rate Level Indication

EARNED PREMIUM				INCURRED LOSSES AND ALAE				STATE EXPENSES			RATIOS TO PREMIUM			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Policy Year	Premium Earned	Premium On-Level Factor	Premium at Current Level	Adjusted Incurred Losses Incl. IBNR	Incurred ALAE	Loss Trend Factor	Projected Incurred Losses and ALAE	Comm.	Premium Taxes	Premium Charge-Offs	Projected Loss and ALAE Ratio	Comm. Ratio	Premium Taxes Ratio	Premium Charge-Offs Ratio
2012	230,796	1.640	378,505	229,792	196	2.385	548,522	20,035	5,266	1,714	144.9%	8.7%	2.3%	0.7%
2013	320,477	1.692	542,247	83,416	0	2.225	185,601	26,676	6,910	1,925	34.2%	8.3%	2.2%	0.6%
2014	822,785	1.701	1,399,557	588,498	68,777	2.076	1,364,504	56,652	16,556	9,842	97.5%	6.9%	2.0%	1.2%
2015	617,689	1.645	1,016,098	539,030	14,197	1.936	1,071,048	45,534	12,354	1,459	105.4%	7.4%	2.0%	0.2%
2016	843,449	1.682	1,418,681	603,278	59,530	1.806	1,197,032	57,830	16,869	355	84.4%	6.9%	2.0%	0.0%
2017	1,290,780	1.769	2,283,390	903,422	26,834	1.685	1,567,481	82,362	25,816	32,328	68.6%	6.4%	2.0%	2.5%
2018	1,365,810	1.674	2,286,366	952,315	21,938	1.572	1,531,526	87,759	27,316	(1,315)	67.0%	6.4%	2.0%	-0.1%
2019	793,580	1.534	1,217,352	567,609	14,967	1.466	854,057	51,627	15,872	596	70.2%	6.5%	2.0%	0.1%
2020	437,043	1.298	567,282	201,871	1,098	1.368	277,661	18,449	8,736	250,678	48.9%	4.2%	2.0%	57.4%
2021	267,262	1.274	340,491	168,615	11,385	1.276	229,680	20,976	5,361	(14)	67.5%	7.8%	2.0%	0.0%
Total	6,989,671		11,449,970	4,837,846	218,923		8,827,111	467,900	141,055	297,567	77.1%	6.7%	2.0%	4.3%
5-Year	4,154,475		6,694,881	2,793,831	76,223		4,460,405	261,173	83,101	282,272	66.6%	6.3%	2.0%	6.8%
3-Year	1,497,885		2,125,125	938,095	27,450		1,361,398	91,052	29,969	251,259	64.1%	6.1%	2.0%	16.8%

SELECTED

77.1% 6.3% 2.0% 4.3%

CONTRACTUAL AND OTHER EXPENSES						STATEWIDE RATE LEVEL INDICATION					
(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)
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	3,000 Claim Credibility=28%, Minimum=25%	Exhibit 1 Sheet 2	Statewide Rate Level Indication
18.0%	9.1%	1.5%	5.0%	-1.3%	44.9%	55.1%	39.9%	236	28%	7.2%	16.4%

**EXCLUSIVE USE OF ELECTRONIC APPLICATION SUBMISSION INTERFACE
FOR COMMERCIAL APPLICATIONS****Defining the Issue**

Currently all personal auto applications must be submitted using the electronic application submission process. The electronic application submission process is available for commercial application submission but is not mandatory.

Action Needed

Please review the following information and decide if the proposal is appropriate for the Kentucky Automobile Insurance Plan.

Proposal

This proposal introduces the requirement that commercial applications be transmitted using the electronic application submission process.

If this proposal is approved, this will reduce potential commercial application deficiencies because the electronic application submission system alerts the user when data has been omitted from a field and the application information is not fully completed.

In the event the electronic application submission process is not available, the Alternate Application Submission Procedures included in Section 52 allow producers to submit plain paper commercial applications to the Plan. This procedure may only be used as directed by the Plan.

Impact

Adoption of this proposal will have the following impact:

- Commercial applications will be submitted electronically. If the electronic application submission process is not available, the producer may submit a completed plain paper application in accordance with the Alternate Application Submission Procedures as directed by the Plan.
- The use of electronic application submission is expected to be more efficient for the producer and will help reduce application omissions and deficiencies that can currently occur with the manual completion of plain paper applications.
- The servicing carrier will benefit because electronic applications are more legible than handwritten information contained in plain paper application forms.

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

Background

Currently, producers registered with the Plan may complete and submit commercial applications to the Kentucky Automobile Insurance Plan electronically, as well as manually by completing plain paper applications and submitting them by mail or hand delivery. The Plan requested a proposal to require all commercial applications to be submitted using the electronic application submission process.

Proposed Changes

PLAN OF OPERATION**INTRODUCTION**

New language is added introducing mandatory electronic application submission for commercial applications. References to the submission procedures for plain paper commercial applications are eliminated. Definitions of “forward”, “postmark”, “signatures,” and “working day” are introduced.

PERSONAL AUTOMOBILE PART**Sec. 7. APPLICATION FOR ASSIGNMENT, DESIGNATION OF COMPANY, EVIDENCE OF INSURANCE, AND EFFECTIVE DATE OF COVERAGE**

This Section is revised to eliminate the definition of “postmark” as it is now defined in the Introduction and to update some cross references.

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

Paragraph B is amended to introduce the exclusive use of electronic application submission. The definition of “postmark” in Paragraph B is deleted as it is defined in the Introduction. Paragraph E is amended for clarification purposes.

Sec. 33. PERFORMANCE STANDARDS FOR PRODUCERS WRITING KENTUCKY AUTOMOBILE INSURANCE PLAN COMMERCIAL RISKS

Paragraph A.1. is amended to update the producer performance standards for the exclusive use of electronic application submission for commercial applications to the Plan.

APPENDIX**Sec. 51. PRODUCER REGISTRATION TO ACCESS THE ELECTRONIC APPLICATION SUBMISSION INTERFACE (EASi)**

Clarification is introduced that EASi is available for both private passenger and commercial applications.

Sec. 52. ALTERNATE PRIVATE PASSENGER APPLICATION SUBMISSION PROCEDURES

This Section is retitled and expanded to include the alternate procedures for the submission of commercial applications.

Attachments

Exhibit A—Proposed Revisions to the Plan’s Introduction and Sections 7, 23, 33, 51, and 52.

INTRODUCTION

HOW TO SUBMIT AN APPLICATION TO THE (STATE) AUTOMOBILE INSURANCE PLAN

HOW, WHEN, AND WHERE

HOW TO SUBMIT AN APPLICATION TO THE KENTUCKY AUTOMOBILE INSURANCE PLAN

HOW, WHEN, AND WHERE

As a producer of record, you can assist the service provider or servicing carrier in providing better service to your insureds by making every effort to facilitate the handling of Kentucky Automobile Insurance Plan applications. Producers licensed to transact automobile insurance in the state must register with the Plan to access the Electronic Application Submission Interface (EASI) to submit applications electronically.

Application to the Plan may be made by the following methods:

- **Electronic Application Submission Interface (EASI)**

The producer must electronically transmit applications to the Plan using EASI. EASI offers online completion of the application form.

The following types of applications may be completed online:

- Private passenger applications
- Commercial applications

The completed, signed application, deposit, and supporting documentation must be forwarded to the Plan in accordance with Plan rules. For further details refer to Section 7.A. or Section 23.B.

- **Alternate Application Submission Procedures**

When EASI is not available for any reason, the producer must download and print an application from the Plan website.

The following additional application submission methods are available for producer use:

- United States Postal Service Mail
- Hand Delivery to the Plan

For further details refer to Section 52.

An original signed application must be submitted to the Plan for the following types of applications:

- Electronically transmitted private passenger and commercial applications
- All private passenger and commercial applications subject to the Alternate Application Submission Procedures

Incomplete applications, application supplements, or requests for changes in the policy that are not readily identifiable to the service provider or servicing carrier only delays the processing of Kentucky Plan applications and policy change requests, endorsements. For private passenger applicants, the The Electronic Application Submission Interface (EASI) must be used to apply to the Plan. An original application generated by EASI bearing the original signatures of the applicant and the producer must be forwarded to the Plan. For commercial applicants, an original application form or the application generated by EASI must be used for each submission. Copies and facsimiles are not

acceptable. Before electronically transmitting the online application or mailing forwarding each submission a completed application subject to the Alternate Application Submission Procedures to the Kentucky Automobile Insurance Plan, please review the application to ensure that you have provided the service provider, servicing carrier, or Plan with all the information necessary for issuance of the policy or completion of the transaction.

HOW TO APPLY TO THE PLAN

Producers should not telephone the Kentucky Automobile Insurance Plan for premium quotations, but should refer to the Rules and Rates in the Manual.

The producer should advise the applicant that the policy is being issued as part of the Kentucky Automobile Insurance Plan.

In completing the application, the producer must be certain that

- the application is completed in the name of the individual or entity requesting coverage;
- the application is signed by the applicant and the producer of record;
- all applicable questions are answered fully. Blank or incomplete answers may necessitate that the Plan return the application to you before it can be processed. For specific minimum application requirements, refer to Section 7 for private passenger applicants or Section 23 for commercial applicants;
- any and all attachments pertinent to the application are attached;
- the deposit accompanying the application must be correctly drafted and be correct for the method of payment chosen in accordance with the payment option selected from Sections 6 or 22 of this Plan. If the applicant is a commercial risk, the deposit must be in the form of a certified check, bank check, or money order;
- the applicant has read the application and concurs that all answers are correct and complete;
- the original application ~~form and one copy of the original application generated by EASI are~~ is mailed forwarded to the Kentucky Automobile Insurance Plan. For private passenger applicants and CAIP applicants not subject to the 15-day delay in effective date, only the postmark date of the United States Postal Service is recognized by the Plan for the purpose of effecting coverage. A metered mail postmark, electronic stamp, or other postage service or stamp is not considered a postmark of the United States Postal Service. For CAIP applicants requiring filings or limits in excess of \$350,000 combined single limit who are subject to the 15-day delay in effective date, 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. For private passenger and commercial applications not subject to the 15-day delay in the effective date of coverage, subject to EASI, the effective date of coverage shall be determined in accordance with Plan provisions shown in Section 7 or 23;
- the name, address, and tax identification number of the producer of record are included.

All applications and specific questions on the Kentucky Automobile Insurance Plan Manual, or any portion thereof, should be directed to the Kentucky Automobile Insurance

Plan, PO Box 6530 Providence, RI 02940-6530, telephone (800) 555-0513, or by email at KYAIP@aipso.com.

WHAT TO SEND TO THE PLAN

Producers must submit applications to the Plan in accordance with the following procedures:

Electronic Application Submission Interface (EASi)

~~An original and one copy of the application or the original application generated by EASi must be forwarded to the Kentucky Automobile Insurance Plan no later than the first working day after the application is completed. If the application is transmitted by EASi, only the application form generated by EASi bearing the original signatures of the applicant and producer must be forwarded to the Plan no later than the first working date after the application is completed. EASi must be used to apply to the Plan for private passenger applicants.~~

• **Private Passenger Applications**

Private passenger applications should be accompanied by the following documents:

- Deposit check
- Declarations page if requesting assignment under the household rule
- Copy of Premium Finance Agreement if premium is financed

• **Commercial Applications**

Commercial applications should be accompanied by the following documents:

- Deposit check
- Supplemental Commercial Vehicle Schedule, if applicable
- A CAIP Inspected Units Form must be completed and submitted with the application if the applicant requires federal filings or endorsements.
- Copy of Premium Finance Agreement if premium is financed

Alternate Application Submission Procedures for Private Passenger and Commercial Applications

In the event EASi is not available and the producer must submit a paper private passenger application in accordance with the Alternate Application Submission Procedures, the original paper application bearing the signatures of the applicant and producer and the deposit must be mailed or delivered to the Plan within two working days after completion of the application as evidenced by the postmark on the envelope accompanying the application or hand-delivery (including delivery by means of overnight mail, courier, or other delivery service). The effective date of coverage will be determined in accordance with Section 52.

Private passenger applications should be accompanied by the following documents:

- Deposit check

- Declarations page if requesting assignment under the household rule

- Copy of Premium Finance Agreement if premium is financed

Commercial applications should be accompanied by the following documents:

- Deposit check
- Supplemental Commercial Vehicle Schedule, if applicable
- A CAIP Inspected Units Form must be completed and submitted with the application if the applicant requires federal filings or endorsements.
- Copy of Premium Finance Agreement if premium is financed

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 service provider or servicing carrier, 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 ~~you're~~ the 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.

PRODUCER RESPONSIBILITY

The actions of a producer under this and all other sections of this Plan are deemed to be the actions of the applicant and are not the actions of the Plan. Insofar as the producer is acting as an agent of any party in connection with actions under this or any other section of the Plan, the producer shall be deemed to be the agent of the applicant and not the agent of the Plan and/or service provider or servicing carrier.

AVAILABILITY OF FORMS, MANUALS, ETC.

The following Plan materials are available in electronic format and may be printed after logging into www.aipso.com and accessing the Plan Sites link:

- The Manual containing the Plan Manual and the Manual of Rules and Rates
- ISO Symbol and Identification Manual
- Plan Commercial and Personal Policy Forms and Endorsements
- EASi Brochure

- Electronic Application Submission Interface (EASi) Retraction Request Form
- Plan Applications and Forms
- Commercial Automobile Insurance Procedure (CAIP) Inspected Units Form

In the event a producer does not have access to the Plan website for any reason or is unable to print from the website, Plan applications and forms are available at no charge in plain paper format by contacting the Kentucky Automobile Insurance Plan by email at KYAIP@aipso.com or by calling (800) 555-0513.

DEFINITIONS

For purposes of the Plan of Operation, the following definitions shall apply:

“Commercial Automobile Insurance Procedure (CAIP)” means a pooling arrangement for Plan commercial risks.

“Personal Automobile Insurance Procedure (PAIP)” means a pooling arrangement for Plan private passenger risks where companies licensed to write automobile insurance in the state are subject to a basic fee and share in the operating results of the pool.

“Plan” means the Kentucky Automobile Insurance Plan (KAIP).

“Service provider” means the entity appointed by the Plan to write and service personal auto policies through the Personal Automobile Insurance Procedure (PAIP) on behalf of the Kentucky Automobile Insurance Plan.

“Servicing carrier” means an insurer that processes commercial Plan business for the Commercial Automobile Insurance Procedure (CAIP) on behalf of member companies who share the premiums, expenses, and losses.

“Forward” means the methods by which a producer may send to the Plan (1) a completed, signed, paper application, deposit, and supporting documentation or (2) a completed paper Electronic Application Submission Retraction Request Form. Such methods may include USPS mail or hand delivery, such as overnight mail, courier, or other delivery service.

“Postmark” means the postmark applied by the United States Postal Service (USPS) and does not include a metered mail stamp (without USPS postmark), electronic stamp, or other postage service or stamp.

“Signatures” means the handwritten signatures of the applicant and producer affixed to the original completed paper application that is forwarded to the Plan for all other methods of application submission.

“Working Day” means a day on which business is conducted Monday through Friday, except for legal holidays when the United States Post Office is closed.

PERSONAL PART

Sec. 7. APPLICATION FOR ASSIGNMENT, DESIGNATION OF COMPANY, EVIDENCE OF INSURANCE, AND EFFECTIVE DATE OF COVERAGE

Paragraph A.2.c is ~~deleted~~ in its entirety as follows: (Paragraphs A.1.d - i are redesignated A.1.c - h)

- ~~c. For the purpose of Section 7, the postmark to be recognized by the Plan shall be the postmark of the United States Postal Service. A metered mail postmark, electronic stamp, or other postage service or stamp shall not be considered a postmark of the United States Postal Service for the purpose of effecting coverage~~

Newly designed paragraph A.2.e (1) and (5) are amended as follows:

- e. Private Passenger Application Retraction Procedure
- (1) When to Retract an EASi Application
- Following issuance of ~~an EASi~~ a reference number and prior to the mailing or delivery of a completed, signed application produced by EASi to the Plan, the producer of record may retract ~~an EASi~~ a private

passenger application for the reasons stated in Section ~~7.A.2.f.(2)~~ 7.A.2.e.(2).

- (5) Plan Retraction of EASi Application

If the producer fails to retract the EASi application in accordance with Section ~~7.A.2.f.(3) or (4)~~ 7.A.2.e.(3) or (4), the Plan shall retract the application 20 calendar days following the date of transmittal of the EASi application. The Plan shall notify the applicant and producer that the application has been retracted. The application shall be considered null and void and no coverage is in effect

COMMERCIAL PART

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

Paragraphs **B.1.** and **B.2** are amended. Paragraphs **B.3** and **B.4** are deleted and paragraph **B.5** is redesignated as **B.3**, and amended as follows:

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 process the application and notify the producer of record and shall state in such notice when the coverage shall become effective, only if the application includes the following:

- h. ~~ICC docket~~ Motor Carrier Number or other filing number

2. In no event shall coverage be effective

- a. prior to the time shown on the Evidence of Insurance section of the application;

- a.b. unless the application includes the minimum application requirements contained in section B.1;

- b.c. unless the required deposit premium is submitted with the application.

- ~~3. Applications Not Requiring Filings or Limits in Excess of \$350,000 Combined Single Limit Coverage~~

- ~~a. Applications Submitted via the United States Postal Service~~

~~Coverage shall become effective on 12:01 A.M. on the day following the date of mailing the application to the Plan as shown by the postmark on the transmittal envelope. If the postmark is not legible, or if the transmittal envelope is stamped by meter and does not contain a postmark, the coverage will be effective at 12:01 A.M. on the day following receipt by the Plan Office.~~

~~**Note:** For purposes of Section 23, the postmark date which is to be recognized by the Plan shall be the postmark of the United States Postal Service. A metered mail postmark, electronic stamp, or other postage service or stamp shall not be considered a postmark of the United States Postal Service in accordance with this Section.~~

- ~~b. Applications Hand Delivered to the Plan Office~~

~~If the application is hand delivered to the Plan Office (including delivery by means of overnight mail, courier, or other delivery service), the effective date of coverage under the Plan shall be at 12:01 A.M. on the day following receipt by the Plan Office.~~

- ~~b. If the applicant does not desire coverage until a later date, not to exceed 30 days from the date of application, or in the event there is in force a policy terminating at a date later than the date which would be fixed pursuant to this Section, the applicant shall indicate such date in his application and the Plan shall fix the date when coverage becomes effective at 12:01 A.M. on the desired date of coverage.~~

- ~~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 (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.~~

- ~~5.3. Electronic Application Submission Interface (EASi)~~

~~The producer of record may must use EASi to transmit the application electronically to the Plan Office under the procedures established and authorized by the Plan.~~

~~Coverage will be effective only when the electronic submission is transmitted under the procedures established and authorized by the Plan~~

~~Prior to accessing EASi, each producer must be registered with the Plan in accordance with the procedure outlined in Section 51.~~

~~Effective Date of Coverage~~

- ~~(1) Applications Not Requiring Filings or Limits in Excess of \$350,000 Combined Single Limit Coverage~~

~~Coverage shall be effective in accordance with Section 23.B.3.~~

- ~~(2) Applications Requiring Filings or Limits in Excess of \$350,000 Combined Single Limit Coverage~~

~~Coverage shall be effective in accordance with Section 23.B.4.~~

~~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 (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.~~

a. Applications Not Requiring Filings or Limits in Excess of \$350,000 Combined Single Limit Coverage.

The completed application must be printed, signed, and submitted to the Plan in accordance with the following procedures:

(1) Immediate Coverage

If the applicant requires that coverage applied for becomes effective at the time of application, the producer shall indicate the date and time when coverage is required. The coverages and limits applied for shall be effective at the time the application is completed and executed, provided all of the following requirements are met:

- (a) The producer of record and the applicant shall certify on the application prescribed by the Plan the date (day, month, and year) and time (hour, A.M. or P.M.) that the application information was transmitted. The date of receipt of the electronic application by the Plan shall be established by the date and time the application is electronically transmitted by the producer.
- (b) The application generated by electronic application submission, deposit premium and supporting documentation must be mailed to the Plan no later than two working days following the date the application was electronically transmitted, as evidenced by the postmark on the transmittal envelope, or must be hand delivered to the Plan (including delivery by means of overnight mail, courier, or other delivery service) no later than two working days following the date of electronic transmittal of the application.
- (c) If the application, deposit premium, and supporting documentation are not mailed to the Plan in accordance with this section, coverage will be effective at 12:01 A.M. on the day following the postmark. If the postmark is not legible, is a metered mail stamp, electronic stamp, or any other postage

service or stamp, the coverage will be at 12:01 A.M. on the day of receipt of the application by the Plan. The Plan will consider this a producer violation of performance standards.

(2) Future Effective Date of Coverage

In the event a future effective date of coverage has been requested by the producer of record, coverage shall become effective as of 12:01 A.M. on the future date, provided all of the following requirements are met:

- (a) The requested effective date of coverage does not exceed 30 days from the date of completion of the application.
- (b) The producer of record and applicant certify in the application the date (day, month, and year) and time (hour, A.M. or P.M.) of the future effective date of coverage.
- (c) The producer and applicant certify the date and time the application was transmitted on the application generated by electronic application submission. The date of receipt of the electronic application by the Plan shall be established by the date and time the application is electronically transmitted by the producer.
- (d) The application generated by electronic application submission, deposit premium, and supporting documentation must be mailed to the Plan no later than two working days following the date the application was electronically transmitted, as evidenced by the postmark on the transmittal envelope, or must be hand delivered to the Plan (including delivery by means of overnight mail, courier, or other delivery service) no later than two working days following the date of electronic transmittal of the application.
- (e) If the application, deposit premium, and supporting documentation are not mailed to the Plan in accordance with this section, coverage shall be effective in accordance with the following provisions and the Plan will consider this a producer violation of performance standards.

If the applicant does not desire coverage until a later date, not to exceed 30 days from the date of application, the applicant shall indicate such date in the application and the Plan shall fix the date when coverage becomes effective at 12:01 A.M. on the desired date of coverage or at 12:01 A.M. on the day following receipt of the application by the Plan, whichever is later.

If there is an in-force policy terminating at a date later than the date which would be fixed per this Section, the applicant shall indicate such date in the application and the Plan shall fix the date when coverage becomes effective at 12:01 A.M. on the termination date of coverage of such policy or at 12:01 A.M. on the day following receipt of the application by the Plan, whichever is later.

~~b. For the purpose of this section, the postmark to be recognized by the Plan shall be the postmark of the United States Postal Service. A metered mail postmark, electronic stamp, or other postage service or stamp shall not be considered a postmark of the United States Postal Service for the purpose of effecting coverage.~~

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

Upon receipt of the properly completed application for insurance, the supporting documentation described in Section 23.B.1, and the deposit specified in Section 22, and if the application form shows that the applicant is eligible for coverage, the Plan shall process the application and notify the producer of record and shall state in such notice when the coverage shall be effective.

The completed electronic application must be printed, signed, and submitted to the Plan in accordance with the following procedures:

- (1) The producer and applicant shall certify the date and time the application was transmitted on the application generated by electronic application submission.
- (2) The producer must forward the original application generated by electronic application submission bearing the signatures of the applicant and producer, the deposit premium and supporting documentation to the Plan in accordance with Plan rules after transmission of the electronic application.

Coverage is effective on a date specified by the applicant or 15 calendar days following the Plan assignment date shown on the notice of assignment, whichever is later, unless the applicant provides both a Declarations page from the insurer showing coverage through the date of the application, and either nonrenewal or termination notice for a reason other than nonpayment of premium, fraud or material misrepresentation, in which case the effective date of coverage shall be in accordance with Section 23.B.3.

- (3) If an applicant is found ineligible for coverage through the Plan prior to the

assigned effective date as shown on the Notice of Designation, the servicing carrier shall attempt to notify the applicant of ineligibility and forward a written notice prior to the date upon which coverage was to become effective. Such notice shall state the reason(s) for ineligibility and shall be forwarded by certified mail.

- (4) If an applicant is found ineligible for coverage through the Plan after the policy effective date, as shown on the Notice of Designation, cancellation shall be in accordance with Section 28.

- (5) For CAIP risks which were eligible under paragraph 23.B.3. but following the assignment date request either limits in excess of \$350,000 combined single limit or filings (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.

c. The producer of record and the applicant shall certify on the application prescribed by the Plan the date (day, month, and year) and time (hour, A.M. or P.M.) that the application information was completed.

d. The producer uses electronic application submission described above.

The application produced by electronic application submission and deposit premium must be mailed to the Plan in accordance with Section 33. A. if the application produced by electronic application submission and deposit premium are not mailed or delivered to the Plan in accordance with Section 33.A, the Plan will consider this a producer violation of performance standards.

~~e-e~~ The producer of record completing and signing the application may not transmit the application using EASi until the deposit premium has been received and the application for coverage has been completed.

~~d-f~~ Appropriate records of all risks submitted using EASi must be maintained. The producer agrees to permit the inspection or photocopying of such office records by the Plan or by a company representative.

~~e-g~~ Commercial Application Retraction Procedure

(1) When to Retract an EASi Application

Following assignment of an EASi reference number and prior to mailing or delivery of a completed, signed application to the Plan, the producer of record may retract an EASi commercial application for the reasons stated in Section 23.B.5-3.e.g(2).

(2) Reasons for Retraction of an EASi Application

An EASi commercial application may be retracted for any of the following reasons:

- (a) The applicant has notified the producer of record that coverage through the Plan is no longer required.
- (b) The producer of record has made an error in the information provided.
- (c) The producer of record has, in error, requested more than one reference number for the same application.

(3) Electronic Retraction Process

The producer of record shall access EASi and use the online electronic retraction process to retract an EASi application. The retraction must be transmitted to the Plan no later than one working day after the application is submitted using EASi. The producer is not required to submit a copy of the retracted paper application to the Plan. If the retraction is not electronically transmitted within 15 calendar days after the date of issuance of the EASi reference number, the producer to whom the EASi reference number is assigned will be considered in violation.

(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 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 in violation of performance standards.

(5) Plan Retraction of EASi Application

If the producer fails to retract the EASi application in accordance with Sections 23.B.4.f.(3) or (4), the Plan shall retract the application 20 calendar days following the date of transmittal of the EASi application. The Plan shall notify the applicant and producer that the application has been retracted. The application shall be considered null and void and no coverage is in effect.

f.h. If EASi is not available due to the failure of transmission or receiving equipment as a result of a disaster or emergency, the producer of record must submit an original application form and the effective date shall be determined in accordance with Section 23.B.3.

g.i. The Plan shall maintain a record of producer violations of EASi. Violation of procedures of EASi outlined in this section may result in referral to the Governing Committee for limitation, suspension, or termination of access to EASi.

h.j. Access to EASi shall not be construed as constituting the producer as an agent of the Plan or 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.

Paragraph E is amended as follows:

E. Incomplete Applications

Applications shall be accepted and processed by the Plan 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.

1. Applications Returned by the Plan

For EASi electronically transmitted commercial applications and ~~paper~~ commercial applications subject to the Alternate Application Submission Procedure in Section 52, the Plan shall give at least 15 calendar days to the applicant and producer to remedy any defects in the application. Written notice of the return of the application shall be provided to the producer and applicant. If the corrected application and deposit premium are returned to the Plan within 15 calendar days from the date on the Plan's initial return letter, the application and deposit premium will be processed and coverage will be effective as if the original application were complete, provided the applicant is otherwise eligible. If the application requires further correction, the Plan shall return the application to the producer to remedy any deficiencies.

If the completed application and deposit are not received by the Plan within 20 calendar days from the date of return of the application, the Plan shall notify the producer and applicant in writing that the completed application and deposit have not been received. The application shall be considered null and void and no coverage is in effect. The Plan shall retract an EASi application. ~~The producer shall receive a complaint—Plan will consider this a producer violation of performance standards.~~

2. Applications Received by the Servicing Carrier

The servicing carrier shall give at least 15 calendar days to the applicant and to the producer of record for remedying any defects in the application, and no part of the deposit premium shall be returned to the applicant or to the producer of record except upon proper cancellation in accordance with the provisions of [Section 28](#) of this Plan, as applicable.

Sec. 33. PERFORMANCE STANDARDS FOR PRODUCERS WRITING KENTUCKY AUTOMOBILE INSURANCE PLAN COMMERCIAL RISKS

Paragraph A.1 and D are amended as follows:

A. Original Applications

1. Only the electronic application submission may be submitted for coverage. Applications shall be fully completed and must include
 - a. necessary information to rate and write the policy, prepare a bill, and make any required financial responsibility or motor carrier filings,
 - b. name, address, and tax identification number of the producer,
 - c. signatures of the applicant and the producer;
 - d. For those applications where the Electronic Application Submission Interface (EASi) has been used to transmit the application to the Plan in accordance with [Section 23.B.5.3](#), the producer of record and applicant shall certify on the application the date (day, month, and year) and time (hour, A.M. or P.M.) that the application was completed.
 - e. A completed, signed CAIP Inspected Units Form must accompany all commercial applications submitted for applicants who require Federal Highway Administration (FHWA) or Federal Motor Carrier Safety Administration (Motor Carrier Act of 1980 or Bus Regulatory Act of 1982—Motor Carrier Endorsement—MCS 90 or 90B) filings or endorsements. If the completed form does not accompany the application, the Plan ~~shall charge the producer with a complaint~~ will consider this a producer violation of performance standards.

D. Policy Change Request

Producers must use the prescribed Policy Change Request form or the one provided by the servicing carrier when making a policy change request.

For CAIP risks who require a Federal Highway Administration (FHWA) or Federal Motor Carrier Safety Administration (Motor Carrier Act of 1980 or Bus Regulatory Act of 1982—Motor Carrier Endorsement—MCS 90 or 90B) filing or endorsement, the producer must complete and submit a CAIP Inspected Units Form with the policy change request. If a completed form does not accompany a policy change request, the Plan shall ~~charge the producer with a complaint~~ consider this a producer violation of performance standards.

APPENDIX

Section 51 is amended as follows:

Sec. 51. PRODUCER REGISTRATION TO ACCESS THE ELECTRONIC APPLICATION SUBMISSION INTERFACE (EASi)

Producers licensed to transact automobile insurance in Kentucky must be registered to access EASi which is available for private passenger and commercial applications. A producer cannot submit private passenger and commercial/truckers applications electronically unless registered with the Plan.

A registration identification code must be obtained by completing an application for authorization to submit applications electronically. The online registration application must be completed by accessing www.aipso.com/PlanSites/Kentucky.aspx. A copy of a valid producer's license must also be submitted to the Plan at the time application is made. License copies should be electronically transmitted to the Plan in accordance with the directions provided on the Plan website. However, a producer may also submit their application and a copy of a valid producer's license to the Plan by mail or fax (401-528-1361)

Only producers registered with the Plan may submit applications electronically. It is the responsibility of each producer to review and comply with the rules and procedures for electronic application submission in the Plan of Operation.

Within five working days following Plan receipt of the application, the Manager will approve any application that meets all requirements. However, a producer whose privilege to electronically submit applications has been revoked or suspended shall be subject to the following exceptions:

- A. A producer whose access to electronic application submission has been revoked shall not be eligible to reapply for registration until one year following the effective date of revocation. All outstanding violations must be resolved prior to reapplication for registration.
- B. If a producer's access to electronic application submission has been suspended, the producer's access privilege to submit applications electronically shall automatically be reinstated effective the day following the termination date of the suspension provided all outstanding violations have been resolved.

A copy of all producer licenses shall be submitted to the Manager within 60 days of the renewal date.

Sec. 52. ALTERNATE PRIVATE PASSENGER APPLICATION SUBMISSION PROCEDURES

The Electronic Application Submission Interface (EASi), authorized by the Kentucky Automobile Insurance Plan, provides an electronic private passenger and commercial application forms for completion and transmittal to the Plan. In the event EASi is not available, producers must submit applications in accordance with the Alternate Application Submission Procedures.

For information and instructions related to the use of the Alternate Application Submission Procedures, please contact the Kentucky Automobile Insurance Plan.

A. Producer Access to Alternate Application Submission Procedures

Producers who are licensed to transact automobile insurance in Kentucky and who are registered with the Plan to access EASi in accordance with Section 51 may utilize the Alternate Application Submission Procedures in accordance with the procedures developed and authorized by the Plan.

Access to the Alternate Application Submission Procedures shall not be construed as constituting the producer as an agent of the Plan or any service provider to which an applicant is assigned. 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.

B. Availability of Applications

In addition to the Plan manuals and forms that are currently available on the Kentucky Plan website at www.aipso.com/PlanSites/Kentucky.aspx, the private passenger application will be available for downloading for use when submitting applications in accordance with the Alternate Application Submission Procedures.

The Plan will also maintain a plain paper version of the private passenger and commercial EASi application. Producers may contact the Plan to obtain paper copies of the plain paper private passenger and/or commercial application for use with the Alternate Application Submission Procedures. To ensure submission of the most recent edition of an application, producers must periodically update any plain paper application retained for use with this procedure.

C. Effecting Coverage Alternate Submission Procedure for Private Passenger

1. Original Application

Upon receipt of the original application for insurance properly completed and the deposit specified in Section 6, and if the application form shows that the applicant is eligible for coverage, the Plan shall process the application and will advise ~~notify~~ the producer of record of ~~the service provider and~~ the date when the coverage shall become effective.

In no event shall coverage become effective

- a. prior to the time shown on the application;
- b. unless the application includes the following:
 - (1) The name and address of the applicant
 - (2) Complete vehicle information including VIN
 - (3) A completed Coverage section
 - (4) The signatures of the applicant and the producer
- c. unless the required deposit premium is submitted with the application.

2. Applications Submitted Via the United States Postal Service

- a. Coverage shall become effective at 12:01 A.M. on the day following the date of mailing of the application to the Plan as shown by the postmark on the mailed envelope. If the postmark is not legible, or if the mailed envelope is stamped by meter and does not contain a postmark, the coverage will be effective at 12:01 A.M. on the day following receipt by the Plan.

~~**Note:** For the purposes of this Section, the postmark date that is to be recognized by the Plan shall be the postmark of the United States Postal Service. A metered mail postmark, electronic stamp, or other postage service or stamp shall not be considered a postmark of the United States Postal Service for the purpose of effecting coverage in accordance with this Section.~~

- b. Should the applicant require that the coverage applied for become effective at the time of application, the producer of record shall indicate the time and date when coverage is required. The coverages and limits for which the applicant is applying shall become effective as of the time the application is completed.

The producer of record and the applicant shall certify in the application the date (day, month, and year) and the time (hour, A.M. or P.M.) that the application was written.

The producer of record shall forward to the Plan, no later than the first working day after the application is written, an original and one copy of such application and shall supply the applicant with a copy of such application duly executed by the producer. The date of forwarding of the application to the Plan shall be deemed to be the date of postmark on the mailed envelope. ~~For the purpose of this paragraph, the postmark date shall be interpreted as provided in paragraph C.2.~~

In the event that the producer of record fails to forward to the Plan the application as provided in the section b, coverage shall become effective at 12:01 A.M. on the day following receipt of the paper application and the deposit premium by the Plan.

The producer of record shall maintain appropriate records of all risks for which ~~he or~~

~~he has~~ they have designated the time and date of coverage and agrees that ~~he or she~~ they will permit inspection or photocopying of such office records by the Plan or by a service provider representative. The inspection or photocopying will be limited to situations where the date or hour of coverage is in question due to the occurrence of an accident or claim arising under the policy issued under this Section.

- c. If the applicant does not desire coverage until a later date, not to exceed 30 days from the date of application, or in the event there is in force a policy terminating at a date later than the date which would be fixed pursuant to this Section, the applicant shall indicate such date in the application and the Plan shall fix the date when the coverage becomes effective at 12:01 A.M. on the desired date of coverage.

3. Applications Hand Delivered to the Plan

If the application is hand delivered to the Plan (including delivery by means of overnight mail, courier, or other delivery service), the effective date of coverage under the Plan shall be determined as follows:

- a. the time the application was completed and executed, if so requested, provided the application is hand delivered to the Plan no later than one working day after it is completed and executed, or
- b. at 12:01 A.M. on the day following receipt of the application by the Plan, if the application is not hand delivered within one working day after it is completed, or
- c. if the applicant does not desire coverage until a later date, not to exceed 30 days from the date of application, the applicant shall indicate such date in ~~his~~ the application and the Plan shall fix the date when coverage becomes effective at 12:01 A.M. on the desired date of coverage, or
- d. in the event there is an in-force policy terminating at a date later than the date which would be fixed per this Section, the applicant shall indicate such date in ~~his~~ the application and the Plan shall fix the date when coverage becomes effective at 12:01 A.M. on the termination date of coverage of the in-force policy.

The producer of record shall maintain appropriate records of all risks for which ~~he has~~ they have designated the time and date of coverage and agrees to permit inspection or photocopying of such office records by the Plan or a servicing carrier representative.

D. Alternate Application Submission Procedure for Commercial

1. Original Application

Upon receipt of the original 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 process the application and notify the producer of record the date when the coverage shall become

effective, only if the application contains the following:

- a. Producer's name, complete address, telephone number
- b. Producer's IRS or social security number, and license number
- c. Applicant's name, complete address, home and business telephone numbers
- d. Applicant's social security or identification numbers
- e. Headquarters of applicant's operation
- f. Legal status
- g. Description of applicant's business operation
- h. ICC docket or other filing number
- i. Complete operator information
- j. Complete vehicle description and VIN, including use
- k. Coverage section properly completed in accordance with limits, coverage, and deductibles provided by the Plan
- l. Latest carrier, policy number, termination date and reason, and if the coverage was through the Plan
- m. Effective date and time of coverage
- n. Applicant's and producer's signature
- o. Answer to the following question as it appears on the application: "Are any other vehicles owned by the applicant?"

Any application information not listed above but subsequently requested by the CAIP servicing carrier is specifically defined as pertinent underwriting information as applied in Section 28. Cancellations.

2. In no event shall coverage be effective
 - a. prior to the time shown on the Evidence of Insurance section of the application.
 - b. unless the application includes signatures of the applicant and producer and,
 - c. unless the required deposit premium is submitted with the application.
3. Applications Not Requiring Filings or Limits in Excess of \$350,000 Combined Single Limit Coverage
 - a. Applications Submitted Via the United States Postal Service
 - (1) Coverage will become effective on 12:01 A.M. on the day following the date of mailing of the application to the Plan as shown by the postmark on the transmittal envelope. If the postmark is not legible, or if the transmittal envelope is stamped by meter and does not contain a postmark,

- the coverage will be effective at 12:01 A.M. on the day following receipt by the Plan.
- (2) If there is an in-force policy terminating at a date later than the date of which would be fixed per this Section, the applicant shall indicate such date in the application and the Plan shall fix the date when coverage becomes effective at 12:01 A.M. on the termination date of coverage of such policy or at 12:01 A.M. on the day following receipt of the application by the Plan, whichever is later.
- (3) Should the applicant require that the coverage applied for become effective at the time of application, the producer of record shall indicate the time and date when the coverage is required. The coverages and limits for which the applicant is applying shall become effective as of the time the application is completed provided.
- (a) the producer of record and the applicant certify, on a form prescribed by the Plan, the date (day, month, and year) and time (hour, A.M. or P.M.) that the application was written;
- (b) the producer forwards to the Plan Office, no later than the second working day after the application is written, as evidenced by the postmark date on the transmittal envelope, one copy of such form as prescribed by the Plan and simultaneously will supply the applicant with a copy of said application duly executed by the producer.
- (c) the producer of record maintains appropriate records of all risks for which they have designated the time and date of coverage. The producer agrees to permit inspection or photocopying of such office records by the Plan or by a company representative. This inspection or photocopying will be limited to situations where the date and time of coverage are in question due to the occurrence of an accident or claim arising under the policy issued under this Section.

If the above outlined immediate coverage provisions are not complied with, coverage will be made effective in accordance with the first paragraph of Section 52.D.3.a.(1).

b. Application Submitted by Means Other than the United States Postal Service

If the application is delivered to the Plan by any means other than the United States Postal Service (including delivery by means of courier or other delivery service), coverage shall be made effective at 12:01 A.M. on the day following receipt by the Plan.

If the applicant does not desire coverage until a later date, not to exceed 30 days from the date of application, or if there is an in-force policy terminating at a date later than the date which would be fixed per this Section, the applicant shall indicate such date in the application and the Plan shall fix the date when coverage becomes effective at 12:01 A.M. on the termination date of coverage of such policy or at 12:01 A.M. on the desired date of coverage.

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

Upon receipt of the application for insurance properly completed and the deposit specified in Section 22.E.1., and if the application form shows that the applicant is eligible for coverage, the Plan shall process the application and notify the producer of record and shall state in such notice when coverage shall be effective.

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 or 15 calendar days following the Plan assignment date shown on the notice of assignment, whichever is later, unless the applicant provides both a Declarations page from the insurer showing coverage through the date of the application, and either nonrenewal or termination notice for a reason other than nonpayment of premium, fraud or material misrepresentation, in which case the effective date of coverage shall be in accordance with Section 23.B.3.

- a. If an applicant is found ineligible for coverage through the Plan within 15 calendar days following the Plan assignment date shown on the notice of assignment, a notice of ineligibility will be mailed by the servicing carrier, prior to the date upon which coverage would have been effective. Such notice shall state the reason for ineligibility and shall be mailed to the insured with a copy to the producer of record.
- b. If an application is found ineligible for coverage through the Plan after 15 calendar days have lapsed following the Plan assignment date shown on the notice of assignment, cancellation shall be in accordance with Section 28.

For CAIP risks which were eligible under Section 52.E.3., but following processing of the application request either limits in excess of \$350,000 combined single limit or filings, the requested endorsement may take effect no earlier than 15 calendar days following the receipt of the request for higher limits and/or filings.

4.5 Producer Submission of Application to Plan

The producer of record shall forward the original ~~paper~~ application bearing the original signatures of the applicant and producer ~~and one copy~~, the deposit payment, and any supporting documentation to the Plan no later than the first working day after completion of the application.

The producer shall supply the applicant with a copy of the application.

D.E. Plan Procedures and Performance Standards

Except as otherwise indicated, applications completed in accordance with this Section are subject to the Plan procedures and service provider and producer performance standards contained in the Kentucky Automobile Insurance Plan.

PREMIUM OWED FOR PRIOR INSURANCE**Defining the Issue**

For consistency amongst Plans, a provision permitting the servicing carrier to deduct money from the deposit and apply it to the unpaid balance of the prior policy is enhanced.

Action Needed

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

Proposal

To facilitate the servicing carrier collection of earned premium, a provision enabling the servicing carrier to deduct any unpaid balance owed on a prior policy from the deposit premium accompanying a new application is introduced to the Premium Deposit Requirements and Payment Option section.

In addition, we propose introducing a statement in the Applicant's Statement of the Commercial Application so the applicant can certify that if the applicant owes money for a prior policy, the servicing carrier has the right to apply the premium received for the deposit to any outstanding balance for premium owed and may bill for any remaining outstanding deposit premium or may return the application as ineligible.

Impact

Adoption of the proposed amendments will have the following impact:

- The servicing carrier will deduct from the deposit accompanying an application the unpaid balance of the earned premium owed to the servicing carrier from a prior policy.
- The servicing carrier will bill the applicant for any shortage for the prior policy and/or in the deposit.
- The applicant will have at least 15 days to remit the resulting balance(s) for the prior policy and/or the deposit.
- If the applicant's premium deposit is a finance company check, the servicing carrier will return the application and the finance company check to the producer as ineligible.
- The Applicant's Statement of the Commercial Automobile Application is amended so the applicant acknowledges how the servicing carrier will proceed when premium is owed on a prior policy.

AIPSO Systems Impact: This proposal has a normal impact on EASi and Galaxy. ISPS can accommodate any effective date.

Background

The procedure was adopted for Uniform Plan use for private passenger applications in the early 1990s. It was based on a procedure that was in effect for the New York Plan at that time. New York had a data base of which risks owed money to which companies had to report. During this time, the Commercial Automobile Committee (CAC) had no interest in adopting the procedure

for commercial risks. The CAC was satisfied that every effort was being made by the servicing carriers to apply other available premium to outstanding balances as permitted by law. The CAC preferred that a risk that owed money be considered ineligible and the application rejected.

However, the Plan cannot reject an application for premium owed upfront because they do not have that information. The risk is provided to the servicing carrier and the servicing carrier either rejects the application or writes a policy and cancels for ineligibility.

To facilitate the servicing carrier collection of earned premium, the provision enables the servicing carrier to deduct monies owed on a prior policy from the deposit accompanying an application and billing the applicant/insured for the insufficient portion of the deposit.

Proposed Changes

COMMERCIAL AUTOMOBILE PART

Sec. 22. PREMIUM DEPOSIT REQUIREMENTS AND PAYMENT OPTIONS

Paragraph E is enhanced to provide the servicing carrier with the ability to deduct from the deposit premium any unpaid premium owed to the servicing carrier for a prior policy.

COMMERCIAL AUTOMOBILE APPLICATION

The Applicant's Statement is introduced to include language to the application so the applicant can certify that if they owe money for a prior policy, the servicing carrier has the right to apply the premium received for the deposit to any outstanding balance for premium owed and may bill for any remaining outstanding deposit premium or may return the application as ineligible.

Attachments

Exhibit A— Proposed amendments to Sec. 22. PREMIUM DEPOSIT REQUIREMENTS AND PAYMENT OPTIONS

Exhibit B – Proposed revisions to Commercial Application AIP 7551 Rev. 9/23

COMMERCIAL AUTOMOBILE PART

Sec. 22. PREMIUM DEPOSIT REQUIREMENTS AND PAYMENT OPTIONS

Paragraph E is enhanced as follows:

E. Premium Owed for Prior Insurance

~~Upon receipt of the deposit accompanying an application for insurance, the servicing carrier 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.~~

If an applicant is assigned or reassigned to a servicing carrier and the applicant owes a servicing carrier earned premium for prior Plan coverage, the servicing carrier shall have the right to proceed as follows:

1. If the deposit premium is sufficient to resolve the outstanding earned premium due for prior coverage, the servicing carrier shall apply the deposit to the outstanding earned premium due and bill the applicant as if the remaining deposit premium was insufficient. The servicing carrier shall allow the applicant at least 15 days to pay the remainder of the deposit premium due.
2. If the deposit premium is insufficient to resolve the outstanding earned premium due for prior coverage, and the applicant was properly notified of such outstanding premium, the servicing carrier shall apply the entire deposit premium to the outstanding balance for prior coverage and the application will be returned as ineligible.

EXCEPTIONS: If the application premium is financed, the application and payment will be returned as ineligible due to the outstanding premium balance. All other forms of deposit shall be applied to any outstanding balance in accordance with the procedures outlined above.

If the applicant can furnish documentation that the outstanding earned premium in question is (a) the result of a premium audit, and the applicant is disputing the findings of that premium audit or (b) is the subject of a formal complaint to the Commissioner of Insurance or an open appeal pursuant to Section 49, the servicing carrier shall not apply the applicant's deposit premium to resolve the outstanding premium balance from prior coverage. Documentation must be provided at the time of application. The applicant shall be provided coverage in accordance with Plan Section 23. The premium dispute shall be resolved in accordance with the provisions of Plan Section 49.

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.

1. Applicant accepts Tort Limitations Applicant rejects Tort Limitations
2. Regular Operators of Insured's Vehicles accepting _____ (number) Tort Limitations
 Regular Operators of Insured's Vehicles rejecting _____ (number) Tort Limitations
3. Total Number of Regular Operators of Insured's Vehicles _____

Note: If Basic PIP has been rejected, the Kentucky No-Fault Rejection Form (NF-1) P&C should be filed with the Kentucky Department of Insurance and a copy of this form should be attached to the application.

UNINSURED MOTORIST (UM) COVERAGE REJECTION: IMPORTANT			If filings are requested, this coverage must be added.			
<p>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.</p> <p>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.</p> <p>Signature _____ Date _____</p>						
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? <input type="checkbox"/> Yes <input type="checkbox"/> 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? <input type="checkbox"/> Daily <input type="checkbox"/> Weekly <input type="checkbox"/> 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? <input type="checkbox"/> Yes <input type="checkbox"/> No If yes, what are minimum limits required? _____						
Does the applicant obtain motor vehicle records for all drivers? <input type="checkbox"/> Yes <input type="checkbox"/> No						
Has the applicant had any nonowned auto losses in the past? <input type="checkbox"/> Yes <input type="checkbox"/> 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
--------------------------------	------------------	-------------------

SECTION 13. ADDITIONAL INFORMATION

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

Name of Insurance Company	Policy No.	Name of Firm/Carrier
---------------------------	------------	----------------------

Address of Insurance Company	Type of Business
------------------------------	------------------

Description of any owned, leased, hired, and nonowned vehicles which are *not* to be insured.

Year	Trade Make	Body Type	Vehicle Identification No.

SECTION 14. PAYMENT PLANS			
<input type="checkbox"/> Option 1 - Full Annual Premium <input type="checkbox"/> Option 2 - Premium Deposit with Single Bill Balance <input type="checkbox"/> Option 3 - Installment Premium Payments* – 5 Monthly Payments** <input type="checkbox"/> Premium to be Financed – Name of Premium Finance Company*** _____	Payment by: <input type="checkbox"/> Certified Funds <input type="checkbox"/> Money Order	Check/Money Order No.	
		Total Estimated Premium	\$
		Amount Submitted with Application	\$
* Not Available on Premium Financed Policies ** \$4.00 per installment charge *** Attach a copy of Premium Finance contract.			
SECTION 15. PREVIOUS AUTOMOBILE INSURANCE CARRIER			
Information for the past three years. (If a fleet, information for the past five years required.) Attach loss statements from previous carrier.			
Name of latest carrier	Policy No.	Termination date	
Was coverage through Plan? <input type="checkbox"/> Yes <input type="checkbox"/> No	If "Yes", give reason terminated.		
Complete the following for Carriers of property and passengers.			
Year	Policy No.	Policy Period From To	Name of Insurance Company
1st Prior			
2nd Prior			
3rd Prior			
4th Prior			
SECTION 16. EVIDENCE OF INSURANCE AND REQUESTED EFFECTIVE DATE OF COVERAGE			
This application shall be evidence of temporary insurance subject to the following conditions:			
1. The application must be fully completed and duly executed. 2. Coverage under this evidence of automobile insurance is to be effective for a period not to exceed 30 days from the effective date and time stated herein. Within such 30 day period coverages under this evidence of automobile insurance will terminate immediately upon: (a) The issuance of the policy applied for, (b) The issuance of any policy affording similar insurance, or (c) The cancellation of the coverages of insurance afforded hereunder in accordance with the rules of the Kentucky Automobile Insurance Plan. 3. A premium charge will be made for these coverages if the policy, when and as issued, is not accepted by the insured. 4. The insurance afforded hereunder shall be subject to all the terms and conditions of the Plan and the Policy Form prescribed for use. 5. The Producer of Record must forward this application to the Plan in accordance with Plan rules.			
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: 09/01/2022 11:30 AM	IN NO EVENT SHALL COVERAGE BE EFFECTIVE PRIOR TO THE DATE AND HOUR OF COMPLETION OF THIS APPLICATION.		
SECTION 17. PRODUCER OF RECORD STATEMENT			
I hereby certify that I am a licensed broker/agent of the State of Kentucky. I have tried and failed to obtain automobile insurance in this state for this applicant within the preceding 60 days. I have read the Kentucky Plan, have explained the provisions to the applicant. I acknowledge that I am acting on behalf of the applicant in submitting this application and have no authority to establish or revise the terms or conditions of coverage. This application includes all required information given to me by the applicant. In the event of cancellation or change to the policy resulting in a reduction of premium, I agree to return the unearned premium to the insured (net of any minimum premium due the carrier) and also to return to the carrier unearned compensation for this insurance received by me as required by the Plan.			
My signature hereon represents certification of the Producer of Record Statement AND I certify this application is submitted pursuant to the effective date provisions contained in the Automobile Insurance Plan of this state.			
_____ Date: _____ Hour: _____ <input type="checkbox"/> A.M. <input type="checkbox"/> P.M.			
(Producer's Signature)			

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. I understand and agree that if I owe earned premium to a servicing carrier for prior coverage, the Servicing Carrier may: a) apply my deposit premium to that outstanding balance prior to applying my deposit premium to this new application and bill me or send me a notice of cancellation for any additional deposit needed on this application or, b) return this application and deposit without providing any coverage if my deposit is in the form of a premium finance company check. I further understand and agree that if my deposit premium is insufficient to cover the outstanding earned premium for prior coverage, the Servicing Carrier may apply the entire deposit premium to that outstanding balance and return this application without providing any coverage.
11. I hereby certify that Kentucky No-Fault Rejection Form KY.N.F.-1 has been available.

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

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

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

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

NOTICE TO APPLICANT AND PRODUCER

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

FAIR CREDIT REPORTING ACT NOTICE

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

WARNING

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

MAILING INFORMATION

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

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

Include the following attachments, if applicable:

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

REMARKS SECTION

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**2022 Ky Acts 153 (Former S.B. 124)
Peer-to-Peer Car Sharing**

Defining the Issue

2022 Ky. Acts 153 (former S.B. 124), effective on January 1, 2023, creates new section 12 of subtitle 39 KRS Chapter 304 which provides:

“(2) An authorized insurer that writes motor vehicle liability insurance in this state may exclude any and all coverage, and the duty to defend or indemnify for any claim afforded, under a shared vehicle owner’s policy for accidents involving the shared vehicle that occur during a car sharing period, including but not limited to:

- (a) Security for payment of tort liabilities under KRS 304.39-110;
- (b) Uninsured motorist coverage under KRS 304.20-020;
- (c) Underinsured motorist coverage under KRS 304.39-320
- (d) Basic reparation benefits as defined in KRS 304.39-020
- (e) Medical payments coverage;
- (f) Comprehensive property damage coverage; and
- (g) Collision property damage coverage.”

Action Needed

Please review the following information and decide if the proposal is appropriate for the Kentucky Automobile Insurance Plan.

Proposal

We propose revising the Uninsured Motorists Coverage and Personal Injury Protection Coverage endorsements to incorporate a full personal vehicle sharing program exclusion.

Impact

AIPSO Systems Impact: ISPS can accommodate any effective date. This proposal has normal impact on ATLAS. This proposal has no impact on EASi.

Proposed Changes

AIP 05 70 11 22 Personal Injury Protection Coverage–Kentucky
Replaces AIP 05 70 12 19

Paragraph D under the Exclusions provision is revised to introduce a personal vehicle sharing program exclusion. In addition, editorial changes are made.

AIP 11 74 11 22 Uninsured Motorists Coverage–Kentucky
Replaces AIP 11 74 12 19

Paragraph A.4 under the Exclusions provision is revised to remove language that limited a personal vehicle sharing program exclusion.

These are the same changes as filed and approved for ISO.

Attachments

Strikethrough and underscore copies of AIP 05 70 12 19 and AIP 11 74 12 19.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**PERSONAL INJURY PROTECTION COVERAGE—
KENTUCKY**

With respect to coverage provided by this endorsement, the provisions of the Policy apply unless modified by the endorsement.

SCHEDULE

Benefits	Limit Of Liability						
Medical Expenses	No Specific Dollar Amount						
Funeral Expenses	\$1,000						
Work Loss	No Specific Dollar Amount						
Replacement Services Loss	No Specific Dollar Amount						
Survivor's Economic Loss	No Specific Dollar Amount						
Survivor's Replacement Services Loss	No Specific Dollar Amount						
Maximum Limit Of Liability For The Total Of Work Loss, Replacement Services Loss, Survivor's Economic Loss And Survivor's Replacement Services Loss	\$200 Per Week						
Maximum Limit Of Liability For The Total Of All Personal Injury Protection Benefits	\$10,000						
<p>Personal Injury Protection Coverage Deductible</p> <p><input type="checkbox"/> If Indicated To The Left Or In The Declarations, Personal Injury Protection Benefits Are Subject To A Deductible Of \$ <u> </u> Applicable To The "Named Insured" Or Any "Family Member"</p>							
<p>Motorcycle Personal Injury Protection Coverage</p> <p>If A Premium Is Indicated Below Or In The Declarations For Motorcycle Personal Injury Protection Coverage, Exclusion-(A.8-) Does Not Apply.</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Description Of Motorcycle</td> <td style="width: 50%;">Premium For Motorcycle Personal Injury Protection Coverage</td> </tr> <tr> <td></td> <td style="text-align: center;">\$</td> </tr> <tr> <td></td> <td style="text-align: center;">\$</td> </tr> </table>		Description Of Motorcycle	Premium For Motorcycle Personal Injury Protection Coverage		\$		\$
Description Of Motorcycle	Premium For Motorcycle Personal Injury Protection Coverage						
	\$						
	\$						
<p>Information required to complete this Schedule, if not shown above, will be shown in the Declarations.</p>							

I. Definitions

The **Definitions** section is amended as follows:

A. The following definitions are replaced:

1. "Family member" means the spouse and any person related to the "named insured" by blood, marriage or adoption, including a minor in the custody of:
 - a. The "named insured";
 - b. The "named insured's" spouse; or
 - c. Any related person;

who is a resident of the "named insured's" household or who is temporarily residing elsewhere.

However, "family member" does not include any such person who is the

named insured under any other policy providing the security required by the Kentucky Motor Vehicle Reparations Act.

2. "Occupying" means in or upon, entering into or alighting from.
3. "Your covered auto" means a "motor vehicle":
 - a. To which the bodily injury liability coverage of this Policy applies and for which a specific premium is charged; and
 - b. For which the "named insured" is required by the Kentucky Motor Vehicle Reparations Act to maintain security.

B. The following definitions are added:

1. "Motor vehicle" means a vehicle as defined in the Kentucky Motor Vehicle Repairs Act.
2. "Named insured" means the person named in the Declarations.
3. "Pedestrian" means a person who is not "occupying" a "motor vehicle" at the time injury occurs.
4. "Survivor" means a person identified in the Kentucky Revised Statutes as one entitled to receive benefits due to the death of another person.

C. "Insured" as used in this endorsement means:

1. The "named insured" or any "family member" while:
 - a. "Occupying"; or
 - b. A "pedestrian" struck by; any "motor vehicle".
2. Any other person while:
 - a. "Occupying"; or
 - b. A "pedestrian" struck by; "your covered auto".

However, "insured" does not include:

1. The "named insured" or any "family member" who has rejected the limitation upon his tort rights pursuant to the Kentucky Motor Vehicle Repairs Act, unless personal injury protection benefits have subsequently been purchased under this Policy for that person.
2. Any other person who has rejected the limitation upon his tort rights pursuant to the Kentucky Motor Vehicle Repairs Act.

Any rejection of tort limitations applicable only to motorcycles shall not affect the status of any person as an "insured" with respect to any "motor vehicle" other than a motorcycle.

II. Personal Injury Protection Coverage

INSURING AGREEMENT

We will pay, in accordance with the Kentucky Motor Vehicle Repairs Act, personal injury protection benefits to or for an "insured" who sustains "bodily injury". The "bodily injury" must be caused by an accident arising out of the operation, maintenance or use of a "motor vehicle" as a vehicle.

Subject to the limits shown in the Schedule or Declarations, personal injury protection benefits consist of the following:

A. Medical expenses. Reasonable charges incurred for reasonably needed products, services and accommodations, including those for:

1. Medical care, physical rehabilitation, rehabilitative occupational training, licensed ambulance services and other remedial treatment and care;
2. Any non-medical remedial treatment rendered in accordance with a recognized religious method of healing; and
3. Any healing arts profession of a type licensed by Kentucky.

Medical expenses do not include that portion of a charge for a room in a:

1. Hospital, clinic, convalescent or nursing home; or
2. Any other institution engaged in providing nursing care and related services;

in excess of a reasonable and customary charge for semi-private accommodations, unless intensive care is medically required.

B. Funeral expenses. Reasonable charges incurred for expenses which are in any way related to a funeral, cremation or burial.

C. Work loss.

1. Loss of income from work an "insured" would probably have performed had he not sustained "bodily injury".
2. Expenses reasonably incurred by an "insured" in obtaining services instead of those he would have performed for income.

Work loss shall be reduced by any income from substitute work actually performed by the "insured".

D. Replacement services loss. Expenses reasonably incurred in obtaining ordinary and necessary services instead of those an "insured" would have performed, not for

income, but for his or his family's benefit had he not sustained "bodily injury".

E. Survivor's economic loss. Loss after an "insured's" death of contributions of things of economic value to his "survivors". Survivor's economic loss:

1. Shall be reduced by any expenses of the "survivors" which are avoided due to the "insured's" death.
2. Does not include services the "survivors" would have received from the "insured" had he not died.

F. Survivor's replacement services loss. Expenses reasonably incurred by "survivors" after an "insured's" death in obtaining ordinary and necessary services instead of those the "insured" would have performed for their benefit had he not died. Such expenses shall be reduced by any expenses of the "survivors" which are avoided due to the "insured's" death which were not subtracted in calculating survivor's economic loss.

EXCLUSIONS

A. We do not provide Personal Injury Protection Coverage for "bodily injury" sustained by:

1. Any "insured" if such injury arises from that "insured's" conduct within the course of a business of:

- a. Repairing;
- b. Servicing; or
- c. Otherwise maintaining;

"motor vehicles". This exclusion **(A.1)** does not apply if such conduct occurs off the business premises.

2. Any "insured" arising from conduct in the course of loading or unloading any "motor vehicle". This exclusion **(A.2)** does not apply if such conduct occurs while "occupying" that "motor vehicle".

3. Any "insured":

- a. Intentionally causing; or
- b. Attempting to cause;

"bodily injury". If that "insured" dies as a result of such "bodily injury", his "survivors" are not entitled to survivor's economic loss or survivor's replacement services loss.

4. Any "pedestrian", other than the "named insured" or any "family member", outside of Kentucky.

5. Any "insured", other than the "named insured" or any "family member", while "occupying" a "motor vehicle" which is:

- a. Regularly used in the course of the business of transporting persons or property; and
- b. One of five or more "motor vehicles" under common ownership;

if the accident occurs outside of Kentucky.

However, this exclusion **(A.5)** does not apply if:

- a. The "insured" is a Kentucky resident;
- b. The "motor vehicle" the "insured" is "occupying" at the time of the accident is a bus which:

(1) Is secured as required by the Kentucky Motor Vehicle Repairs Act; and

(2) Is registered in Kentucky; and

- c. The "insured" boarded the bus in Kentucky.

6. Any "insured", other than the "named insured" or any "family member", while "occupying" a "motor vehicle" owned by a government, other than the Kentucky state government or its:

- a. Political subdivisions;
- b. Municipal corporations; or
- c. Public agencies;

if the accident occurs outside of Kentucky.

7. Any "insured" arising out of the use of any "motor vehicle" while located as a residence or premises.

8. Any "insured" while "occupying" a "motorcycle".

B. We do not provide Personal Injury Protection Coverage for "bodily injury":

1. Due to:

- a. War (declared or undeclared);
- b. Civil war;
- c. Insurrection;
- d. Rebellion or revolution; or
- e. Any act or condition incident to any of the above.

2. Resulting from the:

- a. Radioactive;
- b. Toxic;
- c. Explosive; or

- d. Other hazardous;
properties of nuclear material.
- C. We do not provide personal injury protection benefits for "bodily injury" sustained by:
1. The "named insured" or any "family member", who has not rejected his or her tort limitation pursuant to the Kentucky Motor Vehicle Reparations Act, while:
 - a. "Occupying"; or
 - b. A "pedestrian" struck by; any "motor vehicle", other than "your covered auto", for which the security required by the Kentucky Motor Vehicle Reparations Act is in effect. This exclusion (C.1) does not apply if the provider of such security fails to make payment for loss within 30 days of reasonable proof of the fact and the amount of loss sustained.
 2. Any "insured", other than the "named insured" or any "family member", which arises from the maintenance or use of a "motor vehicle" without a good faith belief that he is legally entitled to do so.
- D. We do not provide personal injury protection benefits for "bodily injury" sustained by any "insured":
1. While "occupying" "your covered auto" when it is being used as a public or livery conveyance. This includes but is not limited to any period of time "your covered auto" is being used by any "insured" who is logged into a "transportation network platform" as a driver, whether or not a passenger is "occupying" the vehicle.
This exclusion (D.1) does not apply to a share-the-expense car pool.
 2. Any "insured" while "occupying", or when struck by, "your covered auto" while:
 - a. Enrolled in a personal vehicle sharing program under the terms of a written agreement; and
 - b. Being used in connection with such personal vehicle sharing program by anyone other than you or any "family member".

LIMITS OF LIABILITY

- A. The Limits Of Liability shown in the Schedule or Declarations are the most we will pay to or for each "insured" injured in

any one "motor vehicle" accident, regardless of the number of:

1. "Insureds";
 2. Policies or approved self-insurance plans applicable;
 3. Claims made; or
 4. "Your covered autos".
- B. Any amounts payable under this coverage shall be reduced by any applicable deductible shown in the Schedule or Declarations. Such deductible shall be applicable only to the "named insured" or any "family member".
If the deductible is applicable to two or more persons who sustain "bodily injury" in the same "motor vehicle" accident, the amount of the deductible shall be prorated equally among them.
The "named insured" or any "family member" is entitled to receive under this coverage the difference between the deductible shown in the Declarations and a larger personal injury protection coverage deductible applicable under another policy.
- C. The maximum Limit Of Liability shown in the Schedule or Declarations for the total of work loss, replacement services loss, survivor's economic loss and survivor's replacement services loss shall be prorated for any period less than one week. If an "insured's" earnings or work is seasonal or irregular, the maximum limit of liability shall be equitably adjusted on an annual basis.
- D. In calculating the loss or expenses for which personal injury protection benefits are payable under this coverage, we will reduce such loss or expenses by:
1. All benefits or advantages a person receives or is entitled to receive under workers' compensation, unless these benefits or advantages have not been received before personal injury protection benefits are overdue or the claim is paid.
 2. Any income tax saving resulting from benefits or advantages received for loss of income under:
 - a. This coverage; or
 - b. Workers' compensation;
 which are not considered taxable income. The maximum reduction shall not exceed 15% of loss of income and shall be less if the person making a claim provides us with reasonable proof of a

lower value of the income tax advantage.

OTHER INSURANCE

- A. No one will be entitled to receive duplicate payments for the same elements of loss under this or any similar insurance, including approved self-insurance plans.
- B. If there is other applicable insurance, including approved self-insurance plans, the maximum recovery under all such insurance shall not exceed the amount which would have been payable under the insurance with the highest limit of liability.
- C. We will pay only the proportion of the loss that our limit of liability bears to the sum of all applicable limits.

III. Part E—Duties After An Accident Or Loss

Duties **A** and **B** are replaced by the following:

- A. In the event of an accident, prompt written notice must be given to us or our authorized agent. Such notice shall include:
 - 1. Sufficient details to identify the “insured”; and
 - 2. Reasonably obtainable information regarding how, when and where the accident happened.
- B. A person seeking Personal Injury Protection Coverage must:
 - 1. Promptly give us written proof of claim, under oath if required. Such proof shall include:
 - a. Full details of the nature and extent of the “bodily injury” and treatment and rehabilitation received and contemplated; and
 - b. Any other information which may assist us in determining the amount due and payable.
 - 2. Submit, when required by order of a court, to a physical or mental exam by a physician specified in the court order.

IV. Part F—General Provisions

- A. The **Our Right To Recover Payment** Provision is replaced by the following:

Our Right To Recover Payment

If we make a payment under this coverage and the person to or for whom payment was made has a right to recover damages from another, we shall be subrogated to that right, to the extent of our payment. That person shall:

- 1. Execute and deliver the instruments and papers and do whatever else is necessary to secure such rights; and
- 2. Do nothing after loss to prejudice these rights.

Our rights in this provision are subject to the provisions of the Kentucky Motor Vehicle Repairs Act.

- B. Paragraph **B** of the **Policy Period And Territory** Provision is replaced by the following:

B. The policy territory is:

- 1. The United States of America, its territories or possessions; or
- 2. Canada.

- C. The following provisions are added:

Coordination Of Coverage

In consideration of the coverage provided under this endorsement and the adjustment of applicable premiums, any amounts payable under Part **B** or Part **C** of this Policy shall be excess over any personal injury protection benefits paid or payable, but for the application of a deductible, under this or any other automobile insurance policy.

Constitutionality Clause

The premium for and the coverages of this Policy have been established in reliance upon the Kentucky Motor Vehicle Repairs Act. If a court of competent jurisdiction:

- 1. Declares; or
- 2. Enters a judgment which renders; the provisions of these statutes invalid or unenforceable, in whole or in part, we shall have the right to:
 - 1. Recompute the premium payable for this Policy; and
 - 2. At our option, void or amend the provisions of this endorsement.

Notice To Policyholders

Acceptance of the coverage described in the Kentucky Motor Vehicle Repairs Act places some limitations on your right to bring suit for bodily injury. The Kentucky Motor Vehicle Repairs Act (Kentucky Revised Statutes Chapter 304, Subtitle 39) reads in part:

- (1) “Any person who registers, operates, maintains or uses a motor vehicle on the public roadways of this Commonwealth shall, as a condition of such registration, operation, maintenance or use of such

motor vehicle and use of the public roadways, be deemed to have accepted the provisions of this subtitle, and in particular those provisions which are contained in this section.

- (2)(a)** Tort liability with respect to accidents occurring in this Commonwealth and arising from the ownership, maintenance or use of a motor vehicle is abolished for damages because of bodily injury, sickness or disease to the extent the basic reparation benefits provided in this subtitle are payable therefor, or that would be payable but for any deductible authorized by this subtitle, under any insurance policy or other method of security complying with the requirements of this subtitle, except to the extent non-economic detriment qualifies under paragraph **(b)** of this subsection.
- (b)** In any action of tort brought against the owner, registrant, operator or occupant of a motor vehicle with respect to which security has been provided as required in this subtitle, or against any person or organization legally responsible for his or her acts or omissions, a plaintiff may recover damages in tort for pain, suffering, mental anguish and inconvenience because of bodily injury, sickness or disease arising out of the ownership, maintenance, operation or use of such motor vehicle only in the event that the benefits which are payable for such injury as medical expense or which would be payable but for any exclusion or deductible authorized by this subtitle exceed one thousand

dollars (\$1,000), or the injury or disease consists in whole or in part of permanent disfigurement, a fracture to a bone, a compound, comminuted, displaced or compressed fracture, loss of a body member, permanent injury within reasonable medical probability, permanent loss of bodily function or death. Any person who is entitled to receive free medical and surgical benefits shall be deemed in compliance with the requirements of this subsection upon a showing that the medical treatment received has an equivalent value of at least one thousand dollars (\$1,000).

- (c)** Tort liability is not so limited for injury to a person who is not an owner, operator, maintainer, or user of a motor vehicle within subsection **(1)** of this section, nor for injury to the passenger of a motorcycle arising out of the maintenance or use of such motorcycle.”
- (3)** “Any person may refuse to consent to the limitations of his or her tort rights and liabilities as contained in this section. Such rejection must be completed in writing or electronically in a form to be prescribed by the Department of Insurance and must have been executed and filed with the department at a time prior to any motor vehicle accident for which such rejection is to apply.”

These are some of the exceptions to the limitations on your right to sue and are not intended to comprise a complete enumeration of all circumstances under which suit may be brought for bodily injury.

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Instructions

The provisions of this endorsement must be attached to, incorporated in, or overprinted upon every Personal Auto Policy affording Personal Injury Protection Coverage in accordance with the provisions of the Kentucky Automobile Insurance Plan.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**UNINSURED MOTORISTS COVERAGE—KENTUCKY****PART C—UNINSURED MOTORISTS COVERAGE**

Part C is replaced by the following:

Insuring Agreement

A. We will pay compensatory damages which an “insured” is legally entitled to recover from the owner or operator of an “uninsured motor vehicle” because of “bodily injury”:

1. Sustained by an “insured”; and
2. Caused by an accident.

The owner’s or operator’s liability for these damages must arise out of the ownership, maintenance or use of the “uninsured motor vehicle”.

Any judgment for damages arising out of a suit brought without our written consent is not binding on us.

B. “Insured” as used in this Part means:

1. You or any “family member”;
2. Any other person “occupying” “your covered auto”; or
3. Any person for damages that person is entitled to recover because of “bodily injury” to which this coverage applies sustained by a person described in 1 or 2 above.

If information which has been provided to us about the insureds is incorrect, incomplete or changes during the policy period, we may, based upon such information, decrease or increase the premium during the policy period.

C. “Uninsured motor vehicle” means a land motor vehicle or trailer of any type:

1. To which no bodily injury liability bond or policy applies at the time of the accident.
2. To which a bodily injury liability bond or policy applies at the time of the accident. In this case its limit for bodily injury liability must be less than the minimum limit for bodily injury liability specified by the financial responsibility law of the state in which “your covered auto” is principally garaged.
3. Which is a hit-and-run vehicle whose operator or owner cannot be identified and which hits:
 - a. You or any “family member”;

b. A vehicle which you or any “family member” are “occupying”;

c. “Your covered auto”; or

d. Another vehicle which, in turn, hits:

(1) You or any “family member”;

(2) A vehicle which you or any “family member” are “occupying”; or

(3) “Your covered auto”.

4. To which a bodily injury liability bond or policy applies at the time of the accident but the bonding or insuring company:

a. Denies coverage; or

b. Is or becomes insolvent within one year of the date of the accident.

However, “uninsured motor vehicle” does not include any vehicle or equipment:

(1) Owned by or furnished or available for the regular use of you or any “family member”.

(2) Owned or operated by a self-insurer under any applicable motor vehicle law, except a self-insurer which is or becomes insolvent.

(3) Owned by any governmental unit or agency.

(4) Operated on rails or crawler treads.

(5) Designed mainly for use off public roads while not on public roads.

(6) While located for use as a residence or premises.

Exclusions

A. We do not provide Uninsured Motorists Coverage for “bodily injury” sustained by any “insured”:

1. If that “insured” or the legal representative settles the “bodily injury” claim and such settlement prejudices our right to recover payment.

2. While “occupying” “your covered auto” when it is being used as a public or livery conveyance. This includes but is not limited to any period of time “your covered auto” is being used by any “insured” who is logged into a “transportation network platform” as a driver, whether or not a passenger is “occupying” the vehicle.

This exclusion (A.2) does not apply to a share-the-expense car pool.

3. Using a vehicle without a reasonable belief that that “insured” is entitled to do so. This exclusion (A.3) does not apply to a “family member” using “your covered auto” which is owned by you.
4. While “occupying”, or when struck by, “your covered auto” while:
 - a. Enrolled in a personal vehicle sharing program under the terms of a written agreement; and
 - b. Being used in connection with such personal vehicle sharing program by anyone other than you or any “family member”.

~~However, this exclusion applies only to the extent that the limits of liability for this coverage exceed the minimum liability limits for bodily injury as required by the Kentucky Motor Vehicle Repairs Act.~~

5. While “occupying”, or when struck by, any vehicle which is designed or can be used for flight.

B. This coverage shall not apply directly or indirectly to benefit any insurer or self-insurer under any of the following or similar law:

1. Workers’ compensation law; or
2. Disability benefits law.

C. We do not provide Uninsured Motorists Coverage for punitive or exemplary damages.

Limit Of Liability

A. The Limit Of Liability shown in the Declarations for each person for Uninsured Motorists Coverage is our maximum limit of liability for all damages, including damages for care, loss of services or death, arising out of “bodily injury” sustained by any one person in any one accident. Subject to this limit for each person, the Limit Of Liability shown in the Declarations for each accident for Uninsured Motorists Coverage is our maximum limit of liability for all damages for “bodily injury” resulting from any one accident.

This is the most we will pay regardless of the number of:

1. “Insureds”;
2. Claims made;
3. Vehicles shown in the Declarations; or
4. Vehicles involved in the accident.

B. No one will be entitled to receive duplicate payments for the same elements of loss under this coverage and:

1. Part A or Part B of this Policy; or
2. Any Underinsured Motorists Coverage provided by this Policy.

C. We will not make a duplicate payment under this coverage for any element of loss for which payment has been made by or on behalf of persons or organizations who may be legally responsible.

D. We will not pay for any element of loss if a person is entitled to receive payment for the same element of loss under any of the following or similar law:

1. Workers’ compensation law; or
2. Disability benefits law.

Other Insurance

If there is other applicable insurance similar to the insurance provided by this endorsement, we will pay only our share of the loss. Our share is the proportion that our limit of liability bears to the total of all applicable limits. However, any insurance we provide with respect to a vehicle:

1. You do not own, including any vehicle while used as a temporary substitute for “your covered auto”; or
2. Owned by you or any “family member” which is not insured for this coverage under this Policy;

shall be excess over any other collectible insurance similar to the insurance provided by this endorsement.

Arbitration

Subject to KRS 417.050(2) and all other applicable law, you may request to submit a disputed claim under this Policy to arbitration as an alternative to a court of law. Such request will be considered at the time of any disputed claim and form a separate agreement from this Policy.

PART F—GENERAL PROVISIONS

The following is added to the **Two Or More Auto Policies** Provision:

1. This provision does not apply to Uninsured Motorists Coverage.
2. No one will be entitled to receive duplicate payments for the same elements of loss under Uninsured Motorists Coverage.

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Instructions

This endorsement must be attached to, incorporated in, or overprinted upon every Personal Auto Policy affording Uninsured Motorists Coverage issued in accordance with the provisions of the Kentucky Automobile Insurance Plan.

AUTOCYCLE DATA REPORTING

Defining the Issue

The miscellaneous nonfleet personal vehicle class for motorcycles eligible for assignment should be expanded to include autocycles.

Action Needed

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

Proposal

We propose expansion of the motorcycle category of miscellaneous nonfleet personal vehicles to include autocycles for company reporting of voluntary base data and Automobile Insurance Plan data.

Impact

Adoption of this amendment will have the following impact:

- Statistical agents combine autocycle voluntary base data into their motorcycle data when reporting voluntary miscellaneous nonfleet personal vehicle data. Companies report their autocycle voluntary premiums in a similar fashion based on the statistical program of their statistical agent.
- The definition of motorcycle for Plan eligibility and rating purposes is expanded to include autocycles. Autocycle applicants today are rated as a motorcycle.
- Clarification is provided for producers and companies writing Plan private passenger applications that an autocycle is considered a motorcycle.
- There is no impact with respect to the assignable classes of miscellaneous nonfleet personal vehicles. The Plan can write an autocycle today as a motorcycle. The motorcycle category is revised to clarify autocycles are eligible for assignment.

AIPSO Systems Impact: No impact on AIPSO systems. This proposal has not impact on EASi. This proposal has no impact on Galaxy.

Background

In the past several years, companies have written autocycles in the voluntary market. In addition, some Plans have received applications for coverage for autocycles. Statistical agents asked for guidance regarding the reporting of voluntary base data and Automobile Insurance Plan data for autocycles.

Only one large Plan has a rating rule for autocycles. If another Plan receives an autocycle applicant, the risk is eligible and motorcycle rates would apply. The vehicle description is consistent with that of a motorcycle.

As a general practice, most statistical agents do not collect autocycle data separately, but combine it with voluntary motorcycle premium. Motorcycle premium typically includes motorcycle, motorbike, motorscooter, and moped premiums. AIPSO receives voluntary miscellaneous nonfleet personal vehicle premium in a single total which includes motorcycle premium. The total premium is used to calculate voluntary private passenger car years for use in Plan assessment ratios. The volume of autocycles written, however, is not large enough to warrant separate identification and reporting by statistical agents.

The Residual Market Committee recommended that voluntary autocycles be classified as private passenger nonfleet personal vehicles and included in the motorcycle category. Any eligible Plan applications requesting coverage for autocycles should be rated as a motorcycle.

Statistical agents have been advised to include autocycle premium with motorcycle premium to accomplish 2020 voluntary data reporting, unless directed otherwise by the Plan.

Proposed Changes

PRIVATE PASSENGER AUTOMOBILE PART

Sec. 2. Eligibility

In paragraph B in the list of eligible risks, the miscellaneous nonfleet personal vehicle category for motorcycles has been expanded to include autocycles.

COMMERCIAL AUTOMOBILE PART

Sec. 18. Eligibility

In paragraph B in the list of risks not eligible for CAIP, the miscellaneous nonfleet personal vehicle category for motorcycles has been expanded to include autocycles.

Attachments

Exhibit A— Proposed amendments to Sections 2 and 18.

PERSONAL AUTOMOBILE PART

Sec. 2. ELIGIBILITY

Paragraph B.2. is amended as follows:

B. Risks Eligible for Coverage

The following types of risks shall be eligible for coverage:

1. Private passenger nonfleet
2. Miscellaneous nonfleet personal vehicles including the following types that are registered:
 - a. Motor homes, auto homes (self-propelled)
 - b. Campers and travel trailers
 - c. Dune buggies
 - d. All-terrain vehicles
 - e. Antique autos
 - f. Amphibious autos
 - g. Golf carts
 - h. Motorcycles, motorscooters, motorbikes, trail bikes, ~~and mopeds, and autocycles~~
3. Named nonowner applicants

For the purpose of this Plan, the following definitions shall apply:

“Nonfleet” is defined as four or less motor vehicles of any type.

“Fleet” is defined as five or more motor vehicles of any type.

COMMERCIAL AUTOMOBILE PART

Sec. 18. ELIGIBILITY

Paragraph B.1. is amended as follows:

B. Risks Eligible for Coverage

1. All applicants shall be eligible for coverage and pooled in CAIP **EXCEPT** for the following types of risks:
 - a. Private passenger nonfleet
 - b. Miscellaneous nonfleet personal vehicles including the following types that are registered:
 - (1) Motor homes, auto homes (self-propelled)
 - (2) Campers and travel trailers
 - (3) Dune buggies
 - (4) All-terrain vehicles

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

EXHIBIT A
Page 2 of 2

- (5) Antique autos
- (6) Amphibious autos
- (7) Snowmobiles
- (8) Golf Carts
- (9) Motorcycles, motorscooters, motorbikes, trail bikes, ~~and mopeds,~~ and autocycles

c. Named nonowner applicants

For the purpose of this Plan, the following definitions shall apply:

“Nonfleet” is defined as four or less motor vehicles of any type.

“Fleet” is defined as five or more motor vehicles of any type

B.2 and 3 are unchanged.



“Servicing the Insurance Industry”

May 1, 2023

To: Susan Buonviaggio, Regional Manager, New York SRDP
Donna Carr, Regional Manager, Southeast Region & Arkansas CAIP, PA Pooled CAP
Jim Chrones, Director, Central Region and Northeast Region CAIPs
Sandra Crayton, Regional Manager, Mid-Atlantic Region CAIPS
Heather Droge, Manager, Kansas CAIP
Dean Fadel, Manager, Ohio CAIP
Marc Guess, Manager, Indiana CAIP
Mark Hillis, Executive Director, Kentucky CAIP
Denise Johnson, Manager, Oklahoma CAIP
Chuck Myers, Deputy Commissioner - Manager, Louisiana CAIP
Bernard Rosauer, Wisconsin SRDP
Mary Seenarine, Plan Manager, New Jersey CAIP, SAIP & LSV
Lisa Simone, Regional Manager, CAARP and WAAIP CAIPs, and Alaska SCP
Andrew Stoughton, Wisconsin SRDP
Tracy Walsh, Director and Field Operations Team Leader, Rhode Island CAIP

Subject: National Continental Insurance Company CAIP/CAP/SCP/SRDP & New Jersey SAIP/LSV Compliance Audit Planning Strategy

Dear CAIP/CAP/SCP/SRDP & New Jersey SAIP/LSV Managers, Directors, Executive Director, and Deputy Commissioner:

As you are aware, the National Continental Insurance Company (NCIC) CAIP/CAP/SCP/SRDP and New Jersey SAIP/LSV compliance audits have traditionally been conducted by AIPSO Audit Services on a two-year cycle, with the next audit projected for 2024.

Prior Compliance Audits:

The prior compliance audit of NCIC’s CAIP/CAP/SCP/SRDP underwriting, claims, premium and commission charge-offs and recoveries, and statistical summary control and financial reporting operations was completed in 2022, with Final Reports being issued in August 2022. The audit encompassed the following:

- Underwriting, claims, and premium/commission charge-off and recovery transactions of the December 1, 2020 through November 30, 2021 period.
- Statistical Summary Control submissions for the quarters-ending August and November 2021.
- Alaska SCP year-end 2021 Cash Analysis and general ledger activities.

The prior compliance audit of NCIC’s NJSAIP/LSV underwriting, claims, and accounting & statistical reporting operations was completed in 2022, with the Final Report being issued in January 2023. The audit encompassed the following:

- Underwriting and claims transactions of the July 1, 2021 through June 30, 2022 period.
- June 2022 Quarterly Statistical Report and Cash Position Report transactions.

Proposed Scope Reduction, Effective 2024:

Based on preliminary discussion with Frank Pensabene, AIPSO Field Operations Senior Vice President and COO, I am proposing that both the 2022 NCIC CAIP/CAP/SCP/SRDP and NJSAIP/LSV full-scope compliance audits, as referenced above, be considered the last audits of the NCIC underwriting operations for these mechanisms.

This proposal is based on the transition of CAIP/CAP/SCP/SRDP underwriting operations to AIPSO's AIO unit, effective September 1, 2022; and, NJSAIP underwriting operations being transitioned to AIPSO's AIO unit effective January 1, 2023.

Therefore, if AIPSO Audit Services were to conduct compliance testing of NCIC's *underwriting* operations, the period would be limited to December 1, 2021 through August 30, 2022 (for CAIP/CAP/SCP/SRDP) and July 1, 2022 through December 31, 2022 (for NJSAIP/LSV).

Given the reduced period of NCIC underwriting operations that would be tested, the audit expenses, and the requirement of company underwriting representatives to be available (many of whom have transitioned to AIO), Frank and I ask that you consider if the audit results would be of value to you and your Governing Committees.

Proposed Audit Scope, Effective 2024:

For the projected 2024 compliance audits, I would like to propose the following scope.

CAIP/CAP/SCP/SRDP:

- Claims, reserving, and paid loss compliance and reporting.
- ALAE and salvage/subrogation handling and compliance.
- Premium/commission charge-off and recovery compliance and reporting for transactions up to August 30, 2022 effective dates.
- Alaska SCP Cash Analysis Report and general ledger activities.

NJSAIP/LSV:

- Claims, reserving, and paid loss compliance and reporting.
- ALAE and salvage/subrogation handling and compliance.
- Quarterly Statistical Report and Cash Position Report transactions.

Please consider my proposed scope adjustment for the 2024 projected NCIC CAIP/CAP/SCP/SRDP and NJSAIP/LSV compliance audits and reach out if I have omitted any considerations in this proposal, or if you have any questions.

If you are in agreement with this proposal, please respond as such, by May 19, 2023, so I may accurately estimate the 2024 Audit Central Processor Fee budgets for your mechanism. If more time is required, please let me know.

Regards,

A handwritten signature in black ink that reads "Mary S. Farnum". The signature is written in a cursive, flowing style.

Mary S. Farnum, CIA, CFE, CISA, CRISC, CDPSE, CRMA
Director, Audit Services

Cc: Chuck Kwolek
Frank Pensabene
Robert Powers
Mike O'Leary
Tara Deragon
Tom Assad
Suzanne Parenteau