

# Kentucky Automobile Insurance Plan

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## Notice of Annual Meeting

To: Governing Committee

The annual meeting of the Kentucky Auto Insurance Plan will be held at 10:30 AM, on June 18, 2025 at 327 Townepark Circle, Louisville, KY.

Agenda:

1. Call to order.
2. Anti-trust preamble.
3. Approval of minutes.
4. Election of members of the Governing Committee.
5. Other business.
6. Adjournment.

Mark Hillis



Secretary –Treasurer and Manager

Encl

Cc: Shawn Boggs, Deputy Commissioner, Kentucky Department of  
Insurance

## ANTITRUST PREAMBLE

### **Kentucky Automobile Insurance Plan**

This statement applies to the members of the Kentucky Automobile Insurance Plan Governing Committee Member and Kentucky Automobile Insurance Plan Staff.

Antitrust laws aim to protect the public from agreements among insurance competitors that affect the price or distribution of products. Also, the laws aim to promote fair and vigorous competition in the insurance marketplace.

The agenda and discussion items for each meeting are limited to matters of the Kentucky Automobile Insurance Plan, and attendees shall not discuss business interests of their individual insurer members. Each Governing Committee Member and/or officer shall not discuss competitive information of any insurer member.

It is the policy of the Governing Committee Members of the Kentucky Automobile Insurance Plan to fully comply with applicable federal and state antitrust law. These laws apply to member conduct at all Governing Committee meetings, sub-committee meetings, other adjunct meetings, coffee breaks, meals, social gatherings, and informal conversations. This includes, but is not limited to:

- Raising, lowering or stabilizing rates;
- Actual current or future rates, including actuarial projections and capacity;
- Profit levels or actual costs;
- Credit terms and other price-related terms;
- Allocation of markets, territories, or potential insureds;
- Individual company results, or current or future marketing or pricing strategies or business plans;
- Joint action on pricing, products, markets or innovation;
- Whether to quote or not to quote certain classes or types of risks or products;
- Restrictions on availability of insurance;
- Use of standard forms;
- Any other matters on which insurers ordinarily compete with each other.

It is the responsibility of all Governing Committee members and Kentucky Automobile Insurance Plan staff to comply with the antitrust laws. Violation of antitrust laws can lead to serious civil and criminal punishment. Check with legal counsel with any questions.

# Kentucky Automobile Insurance Plan Minutes

The Annual Meeting of the Kentucky Automobile Insurance Plan was held at 10:30 A.M. on June 19, 2024, in-person and via teleconference.

## **Those in attendance:**

### **Governing Committee:**

George Moore (Chair)	AGC
Brad Erdman (Vice Chair)	Kentucky National Ins. Co.
Kristen Mellinger	Kentucky Farm Bureau
Bert Hackenberg	Erie Insurance
Angie Haston	State Farm Mutual Insurance Company
Christopher Migliozi	Nationwide Insurance Company

### **Insurance Guests:**

Sarah Antle	Deming, Malone, Livesay and Ostroff
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### **Staff:**

Mark Hillis	Secretary/Treasurer & Manager
Erin Lux	Associate Plans Manager

### **Call to Order**

Mr. Moore called the meeting to order and completed a roll call. He noted that he held Mr. Schlich's proxy. He confirmed that a quorum was present.

### **Anti-Trust Preamble**

Mr. Moore advised that each member had been provided a copy of the anti-trust preamble prior to the meeting and noted that they were bound by same.

### **Approval of Minutes**

Mr. Erdman moved and Ms. Mellinger seconded a motion to approve the minutes of the June 21, 2023, annual meeting. The motion carried.

### **Election of Governing Committee Members**

Mr. Moore indicated that a copy of the Governing Committee roster was provided.

#### **George Moore (Chair)**

Vice President

**AGCSIF**

#### **Brad Erdman (Vice-Chair)**

Claims and Underwriting Officer

**Kentucky National Insurance**

#### **Kristen K.W. Mellinger**

Director of Underwriting Services

**Kentucky Farm Bureau Insurance**

#### **Angie Haston**

Underwriting Manager

**State Farm Insurance**

# Kentucky Automobile Insurance Plan Minutes

**Rudy Schlich**

Independent Insurance Agent

**Old Kentucky Insurance**

**Bert Hackenberg**

Vice President

**Erie Insurance**

**Christopher Migliozi**

Business Consulting Manager

**Nationwide Insurance**

Ms. Mellinger moved and Mr. Hackenberg seconded a motion to seat the Governing Committee for the upcoming year. The motion carried.

## **Other Business**

No other business was presented for discussion.

## **Adjournment**

Mr. Hackenberg moved, Mr. Erdman seconded, and the motion carried, to adjourn the annual meeting.

Respectively submitted,



Mark Hillis

Secretary-Treasurer

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**Kentucky Automobile Insurance Plan Governing Committee – 2025**

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	Company/Organization	Name and Address
Chartered in Kentucky	Kentucky Farm Bureau	<b>Kristen K.W. Mellinger</b> Director of Underwriting Services 9201 Bunsen Parkway Louisville, KY 40220 (502) 495-5000 x 7499 <a href="mailto:Kristen.Mellinger@kyfb.com">Kristen.Mellinger@kyfb.com</a>
Chartered Outside of Kentucky	Erie	<b>Bert Hackenberg</b> Vice President 1146 Monarch Street, STE 140 Lexington, KY 40513 (859) 219-4959 <a href="mailto:Bert.Hackenberg@erieinsurance.com">Bert.Hackenberg@erieinsurance.com</a>
Independent Agent	Old Kentucky Insurance	<b>Rudy Schlich</b> Old Kentucky Insurance 915 Lily Creek Road Louisville, KY 40243 (502) 451-8800 <a href="mailto:Rudy.Schlich@oldkyins.com">Rudy.Schlich@oldkyins.com</a>
Chartered in Kentucky	Kentucky National Insurance Company	<b>Brad Erdman (Vice-Chair)</b> Claims and Underwriting Officer 2709 Old Rosebud Rd. Lexington, KY 40509 (859) 367-5213 <a href="mailto:brerdman@kynat.com">brerdman@kynat.com</a>

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**Kentucky Automobile Insurance Plan Governing Committee – 2025**

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Chartered Outside of Kentucky	Nationwide	<b>Christopher Migliozi</b> Business Consulting Manager 1 Nationwide Plaza (1-18-101) Columbus, OH 43215 (614) 249-1637 <a href="mailto:miglic1@nationwide.com">miglic1@nationwide.com</a>
Chartered Outside of Kentucky	State Farm	<b>Raquel Vega-Gaskins</b> State Farm Insurance P.O. Box 2357 Bloomington, IL 61702 615-692-6647 <a href="mailto:raquel.vega-gaskins.ijqb@statefarm.com">raquel.vega-gaskins.ijqb@statefarm.com</a>
Chartered in Kentucky	Kentucky Associated General Contractors Self Insurers' Fund	<b>George Moore (Chair)</b> Vice President 320 N. Evergreen Road Louisville, KY 40243 (502) 671-3737 <a href="mailto:George.Moore@AGCSIF.com">George.Moore@AGCSIF.com</a>
Insurance Department Representative	Kentucky Department of Insurance	<b>Shawn D. Boggs, APIR</b> Deputy Commissioner Consumer Protection Division Kentucky Department of Insurance 500 Mero Street, 2 SE 11 Frankfort KY 40601 (502) 564-6034 <a href="mailto:shawn.boggs@ky.gov">shawn.boggs@ky.gov</a>
Plan	Kentucky Auto Insurance Plan	<b>Stephen “Mark” Hillis</b> (Secretary-Treasurer, Manager) P.O. Box 437249 Louisville, KY 40253 (502)425-9998 x 2110 <a href="mailto:SHillis@fairplanalliance.com">SHillis@fairplanalliance.com</a>

# Kentucky Automobile Insurance Plan

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## Notice of Governing Committee Meeting

A meeting of the Kentucky Auto Insurance Plan Governing Committee will be held on June 18, 2025 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. 2024 KAIP and PAIP Independent Auditors Report.
  - a. DMLO Financial Highlights
  - b. DMLO Report to Management
  - c. DMLO Financial Statement
6. 2024 Kentucky CAIP Statutory Financial Statement.
7. Service Provider Allowance.
8. Secretary Treasurer's Report.
  - a. KAIP 2024 Budget – Mark Hillis
  - b. KAIP Policy List – Erin Lux (Kentucky Insurance Plans)
  - c. KAIP Policy Overview – Erin Lux (Kentucky Insurance Plans)
  - d. AIPSO 2024 Activity Report (KAIP) – Mark Hillis
9. Rate, Rule and Form Changes
  - a. Private Passenger Rate Proposal - 2026
  - b. Commercial Auto Rate Proposal - 2026
10. Other Business.
11. Adjournment.

Mark Hillis



Secretary –Treasurer and Manager

Cc: Deputy Commissioner Shawn Boggs, Kentucky Department of Insurance

## ANTITRUST PREAMBLE

### **Kentucky Automobile Insurance Plan**

This statement applies to the members of the Kentucky Automobile Insurance Plan Governing Committee Member and Kentucky Automobile Insurance Plan Staff.

Antitrust laws aim to protect the public from agreements among insurance competitors that affect the price or distribution of products. Also, the laws aim to promote fair and vigorous competition in the insurance marketplace.

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- Raising, lowering or stabilizing rates;
- Actual current or future rates, including actuarial projections and capacity;
- Profit levels or actual costs;
- Credit terms and other price-related terms;
- Allocation of markets, territories, or potential insureds;
- Individual company results, or current or future marketing or pricing strategies or business plans;
- Joint action on pricing, products, markets or innovation;
- Whether to quote or not to quote certain classes or types of risks or products;
- Restrictions on availability of insurance;
- Use of standard forms;
- Any other matters on which insurers ordinarily compete with each other.

It is the responsibility of all Governing Committee members and Kentucky Automobile Insurance Plan staff to comply with the antitrust laws. Violation of antitrust laws can lead to serious civil and criminal punishment. Check with legal counsel with any questions.



# Kentucky Automobile Insurance Plan

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## Minutes

A meeting of the Kentucky Automobile Insurance Plan Executive Committee was held at 10:30 AM on October, 31 2024 at the Plan offices.

### In attendance

George Moore, Chair  
Brad Erdman, 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. 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. Erdman moved to accept the minutes. This was seconded by Mr. Moore. The motion carried.

### 4. 2025 Budget and Assessment

Mr. Hillis recommended a KAIP administrative budget of \$212,216 for 2025. Mr. Hillis noted that of the recommended \$212,216 expense budget, he was recommending an assessment of just \$168,285 due to excess funds in KAIP accounts and offset in costs provided by Alliance allocated work.

Further, Mr. Hillis reviewed the PAIP program. He indicated that applications remained steady. He reminded the committee that they continued to hold \$500,000 in a Contingency Reserve. He recommended that the PAIP operational needs of \$62,500 be included to reflect anticipated losses to the program for 2025. 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.

Mr. Erdman moved to approve the KAIP Administrative Expense Budget of \$212,216 to approve the KAIP Expense Assessment of \$168,285 and to accept the PAIP Assessment of \$62,500 Mr. Moore seconded. And the motion carried.

## Kentucky Automobile Insurance Plan

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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, 1/3 of their UW, 1/3 of their customer service, and portions of their IT and systems work); to Missouri (100% of their claims work); to Wisconsin (100% of their claims handling); Minnesota (back up underwriting); Washington State (claims consulting); Oregon (system build, claims and underwriting consultation); Kansas (100% of their claims work) and Colorado (assistance setting up a new FAIR Plan). Mr. Hillis noted that the savings to the industry for 2025 was well over \$1,400,000.

Mr. Hillis noted that the benefits shown to the KAIP for Alliance related allocated work would allow for almost \$36,000 in KAIP expense savings for 2024.

### 5. Other Business

#### a. PAIP Activity

PAIP YTD WP: \$33,800

PAIP PIF: 5

CAIP YTD WP: \$570,032

CAIP PIF: 23

#### b. NSIC In- Force

Mr. Hillis noted that commercial in-force through September reflected 23. The majority being auto dealers.

#### c. NSIC Reserves Greater than \$50k

Mr. Hillis indicated that there was a single loss reserve at \$50,000 for Rainbow Medical Transportation who's Business Auto policy inceptioned on March 20, 2024.

#### d. NSIC Loss Ratio's

Mr. Hillis noted that the current LR for 2024 was 32% but continued to develop.

#### e. PIPSO Salary Range and Merit Recommendations

Mr. Hillis reviewed the included PIPSO documents related to initial indications for 2025 salary range and merit increases. Recommending a 2.8% increase in salary ranges and 3.8% overall increase for merits. Mr. Hillis noted that these documents had been provided to the Compensation and Benefits Committee.

#### f. Plan Goals

Mr. Hillis noted that the Plan Goals for 2025 had been provided to the Compensation and Benefits Committee, and a review of the 2024 Goals had also been provided and were within the supporting documents for the KAIP Executive Committee.

#### g. Proposal

Mr. Hillis reviewed proposal 10847 which was for the Elimination of Gross Receipts Rating Basis. He noted that gross receipts rating basis is a method of rating liability insurance using the exposure base of gross receipts rather than the number of vehicles. He indicated that the Plan recommended adopting this change and that the proposal eliminating the gross receipts rating

## Kentucky Automobile Insurance Plan

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basis in its entirety for the following reasons:

- Specified auto rating provides more definitive classification and rating for ratemaking purposes.
- Gross receipts rated policies are audited at the end of the year and problems arise with collecting additional premium.

Mr. Hillis asked for a motion to approve the proposal. Mr. Moore motioned, Mr. Erdman seconded and the motion passed.

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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 2.8% for salary adjustments for the team. The Executive Committee gave Mr. Hillis a 7% 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**  
**2025**

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Name and Address
<b>George Moore (Chair)</b> Vice President – Kentucky Associated General Contractors 320 North Evergreen Road Louisville, KY 40243 (502) 671-3737 <a href="mailto:George.Moore@AGCSIF.com">George.Moore@AGCSIF.com</a>
<b>Brad Erdman (Vice-Chair)</b> Vice President of Operations – Kentucky National Insurance 2709 Old Rosebud Rd. Lexington, KY 40509 (859) 367-5213 <a href="mailto:brerdman@kynat.com">brerdman@kynat.com</a>
<b>Stephen “Mark” Hillis (Secretary-Treasurer, Manager)</b> Executive Director – Kentucky Insurance Plans P.O. Box 437249 Louisville, KY 40253 (502) 425-9998 x 2110 <a href="mailto:Shillis@fairplanalliance.com">Shillis@fairplanalliance.com</a>

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**Kentucky Automobile Insurance Plan Governing Committee – 2025**

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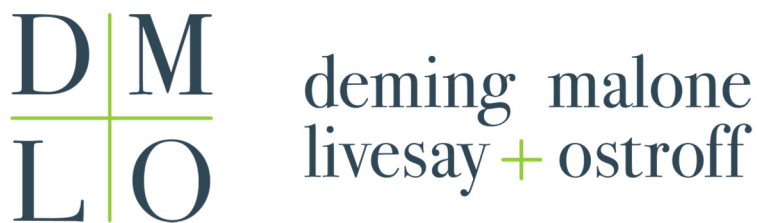
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Independent Agent	Old Kentucky Insurance	<b>Rudy Schlich</b> Old Kentucky Insurance 915 Lily Creek Road Louisville, KY 40243 (502) 451-8800 <a href="mailto:Rudy.Schlich@oldkyins.com">Rudy.Schlich@oldkyins.com</a>
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**Kentucky Automobile Insurance Plan Governing Committee – 2025**

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Chartered Outside of Kentucky	Nationwide	<b>Christopher Migliozi</b> Business Consulting Manager 1 Nationwide Plaza (1-18-101) Columbus, OH 43215 (614) 249-1637 <a href="mailto:miglic1@nationwide.com">miglic1@nationwide.com</a>
Chartered Outside of Kentucky	State Farm	<b>Raquel Vega-Gaskins</b> State Farm Insurance P.O. Box 2357 Bloomington, IL 61702 615-692-6647 <a href="mailto:raquel.vega-gaskins.ijqb@statefarm.com">raquel.vega-gaskins.ijqb@statefarm.com</a>
Chartered in Kentucky	Kentucky Associated General Contractors Self Insurers' Fund	<b>George Moore (Chair)</b> Vice President 320 N. Evergreen Road Louisville, KY 40243 (502) 671-3737 <a href="mailto:George.Moore@AGCSIF.com">George.Moore@AGCSIF.com</a>
Insurance Department Representative	Kentucky Department of Insurance	<b>Shawn D. Boggs, APIR</b> Deputy Commissioner Consumer Protection Division Kentucky Department of Insurance 500 Mero Street, 2 SE 11 Frankfort KY 40601 (502) 564-6034 <a href="mailto:shawn.boggs@ky.gov">shawn.boggs@ky.gov</a>
Plan	Kentucky Auto Insurance Plan	<b>Stephen “Mark” Hillis</b> (Secretary-Treasurer, Manager) P.O. Box 437249 Louisville, KY 40253 (502)425-9998 x 2110 <a href="mailto:SHillis@fairplanalliance.com">SHillis@fairplanalliance.com</a>



**KENTUCKY AUTOMOBILE INSURANCE PLAN**  
**Year Ended December 31, 2024**

<b><u>Financial Highlights</u></b>	<b><u>12/31/2024</u></b>	<b><u>12/31/2023</u></b>
Cash and cash equivalents	\$ 820,627	\$ 914,584
Premiums receivable	\$ 7,739	\$ 23,544
Assessment receivable	\$ 95,868	\$ 164,856
Other receivables	\$ 132,889	\$ 87,084
Total admitted assets	\$ 1,057,123	\$ 1,190,068
Insurance reserves	\$ 85,741	\$ 175,642
Accounts payable and accrued expenses	\$ 41,969	\$ 34,877
Total liabilities	\$ 127,710	\$ 210,519
Net assets	\$ 929,413	\$ 979,549
Premiums earned	\$ 73,139	\$ 41,166
Change in premiums earned	77.7%	
Assessments	\$ 162,548	\$ 274,788
Underwriting expenses	\$ 59,529	\$ 24,377
Change in underwriting expenses	144.2%	
Management and general expenses	\$ 265,116	\$ 247,953
Change in net assets	\$ (50,136)	\$ 69,857
Net cash flow from operations	\$ (93,957)	\$ (287,442)

**Comments**

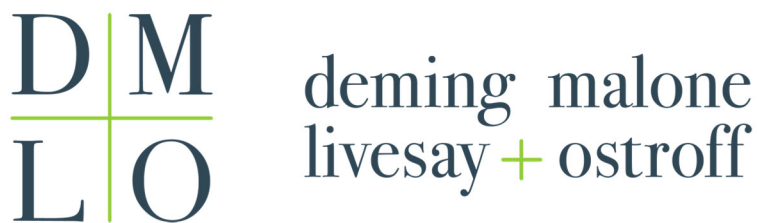
- Financial statements are prepared on the statutory basis of accounting as prescribed or permitted by the Commonwealth of Kentucky Department of Insurance
- No new accounting policies adopted or changed during the year
- Major estimate in the financial statements is the estimate for the loss and loss adjustment expense reserves
- Net adjustments made to the financial statements resulted in a change in net assets of \$168,355
- No internal control related findings to report
- Adjustment related to allocation of Alliance profits

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New Albany, Indiana 47150  
T: 812.945.5236  
F: 812.949.4095

9300 Shelbyville Road  
Suite 1100  
Louisville, Kentucky 40222  
T: 502.426.9660  
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, 2024, and have issued our report thereon dated February 25, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 4, 2024. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Matters**

#### *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 2024. 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:

#### Change in Net Assets

Record and adjust assessments	<u>\$168,355</u>
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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.

#### Change in Net Assets

Net impact of PTO and payroll accrual	<u>\$(2,240)</u>
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#### *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 25, 2025.

### *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.

During our audit procedures, we noted allocations of Fair Plan Cost Sharing Alliance, LLC’s (Alliance) profits were used to reduce the amount of reimbursements made to the Alliance under the cost sharing agreement. We discussed the tax and accounting implications of this process with management. As a result of our discussions, it was determined that the reduction of reimbursements will be paid to the Alliance in 2025.

### *Other Matters*

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

*Deming, Malone, Linsay & Petroff*

Louisville, Kentucky  
February 25, 2025

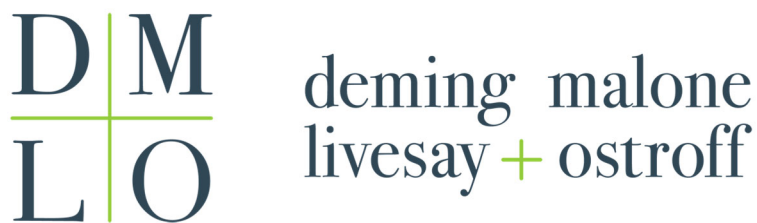
**KENTUCKY AUTOMOBILE INSURANCE PLAN**

**FINANCIAL STATEMENTS**

**Years Ended December 31, 2024 and 2023**

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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, 2024 and 2023, 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, 2024 and 2023, 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, 2024 and 2023, 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 statements 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, Lussay & Petroff*

Louisville, Kentucky  
February 25, 2025

**KENTUCKY AUTOMOBILE INSURANCE PLAN**  
**STATEMENTS OF ADMITTED ASSETS, LIABILITIES, AND**  
**NET ASSETS - STATUTORY BASIS**  
December 31, 2024 and 2023

<b>Admitted Assets</b>	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 820,627	\$ 914,584
Premiums receivable	7,739	23,544
Assessment receivable	95,868	164,856
Other receivables	<u>132,889</u>	<u>87,084</u>
<b>Total admitted assets</b>	<u><u>\$ 1,057,123</u></u>	<u><u>\$ 1,190,068</u></u>
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	<u>\$ 37,245</u>	<u>\$ 28,108</u>
Accrued expenses	<u>4,724</u>	<u>6,769</u>
Insurance reserves:		
Losses	54,136	82,178
Loss adjustment expense	2,813	3,430
Unearned premiums	23,441	63,041
Premium deficiency	<u>5,351</u>	<u>26,993</u>
	<u>85,741</u>	<u>175,642</u>
<b>Total liabilities</b>	127,710	210,519
<b>Net Assets</b>	<u>929,413</u>	<u>979,549</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 1,057,123</u></u>	<u><u>\$ 1,190,068</u></u>

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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Revenues and Losses</b>		
Assessments	\$ 162,548	\$ 274,788
Premiums earned	73,139	41,166
Interest income	34,958	22,083
Other income	<u>3,864</u>	<u>4,150</u>
<b>Total revenues</b>	<u>274,509</u>	<u>342,187</u>
<b>Expenses</b>		
Program - underwriting expenses:		
Losses	62,817	(29,829)
Loss adjustment	56	(1,721)
Commissions	1,677	4,664
Service provider fees	8,968	17,662
Other	<u>(13,989)</u>	<u>33,601</u>
	<u>59,529</u>	<u>24,377</u>
Management and general:		
Salaries	90,003	85,602
Professional fees	42,979	41,483
Management fees	37,967	21,617
Computer	26,811	32,597
Health insurance	22,814	22,869
Other	18,098	18,777
Retirement	13,969	12,678
Rent	6,400	6,400
Payroll taxes	<u>6,075</u>	<u>5,930</u>
	<u>265,116</u>	<u>247,953</u>
<b>Total expenses</b>	<u>324,645</u>	<u>272,330</u>
<b>Change in net assets</b>	(50,136)	69,857
Net assets at beginning of year	<u>979,549</u>	<u>909,692</u>
Net assets at end of year	<u>\$ 929,413</u>	<u>\$ 979,549</u>

See Notes to Financial Statements.

**KENTUCKY AUTOMOBILE INSURANCE PLAN**  
**STATEMENTS OF CASH FLOWS - STATUTORY BASIS**  
Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from customers, members and others	\$ 249,653	\$ 308,239
Cash paid to suppliers, employees, members and others	(382,432)	(621,914)
Interest and other income received	<u>38,822</u>	<u>26,233</u>
<b>Net cash used in operating activities</b>	<u>(93,957)</u>	<u>(287,442)</u>
<b>Net change in cash and cash equivalents</b>	(93,957)	(287,442)
Cash and cash equivalents at beginning of year	<u>914,584</u>	<u>1,202,026</u>
Cash and cash equivalents at end of year	<u><u>\$ 820,627</u></u>	<u><u>\$ 914,584</u></u>
<b>Reconciliation of Change in Net Assets to Net Cash Used in Operating Activities</b>		
<b>Change in net assets</b>	\$ (50,136)	\$ 69,857
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Changes in assets and liabilities:		
(Increase) decrease in:		
Premiums receivable	15,805	(20,250)
Assessment receivable	68,988	(164,856)
Other receivables	(45,805)	(19,421)
Increase (decrease) in:		
Accounts payable	9,137	5,153
Assessment payable		(126,219)
Accrued expenses	(2,045)	3,286
Insurance reserves	<u>(89,901)</u>	<u>(34,992)</u>
<b>Net cash used in operating activities</b>	<u><u>\$ (93,957)</u></u>	<u><u>\$ (287,442)</u></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.

##### **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.

## **NOTES TO FINANCIAL STATEMENTS**

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.

### **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.

## NOTES TO FINANCIAL STATEMENTS

### **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, 2024 and 2023, 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, 2024 and 2023 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.

### **Subsequent events:**

Subsequent events have been evaluated through February 25, 2025, which is the date the financial statements were available to be issued.

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Liquidity and Availability

Financial assets available for general expenditure, without restrictions limiting their use, within one year of December 31, 2024 and 2023, comprise the following:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$320,627	\$414,584
Receivables	<u>236,496</u>	<u>275,484</u>
	<u>\$557,123</u>	<u>\$690,068</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, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Reserves, beginning of year	\$85,608	\$194,039
Incurred loss and loss adjustment expenses:		
Provision for insured events of current year	74,111	35,727
Change in provision attributable to prior events	<u>(5,659)</u>	<u>(60,172)</u>
Total incurred	<u>68,452</u>	<u>(24,445)</u>
Payments:		
Attributable to current year events	32,902	6,455
Attributable to prior year events	<u>64,209</u>	<u>77,531</u>
Total paid	<u>97,111</u>	<u>83,986</u>
Reserves, end of year	<u>\$56,949</u>	<u>\$ 85,608</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 approximately \$14,600 and \$271,000 during the years ended December 31, 2024 and 2023, respectively.

### 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, 2024 and 2023, 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), and FAIR Plan Cost Sharing Alliance, LLC (Alliance) are related organizations under a cost sharing agreement. KFP and Alliance 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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Payable at the beginning of the year	\$ 27,244	\$ 22,830
Expenses allocated during the year	208,728	212,337
Payments made during the year	<u>(198,727)</u>	<u>(207,923)</u>
Payable at the end of year	<u>\$ 37,245</u>	<u>\$ 27,244</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 \$13,969 and \$12,678, for the years ended December 31, 2024 and 2023, 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, 2025. 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, 2025. Rent expense was \$6,400 for each of the years ended December 31, 2024 and 2023.

### **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, 2024, the Plan's uninsured cash balance totaled approximately \$755,000.

### **Note 10. Commitments**

The Plan has entered into a service agreement with AIPSO to administer the Personal Auto Insurance Program (PAIP). Under the agreement, AIPSO will provide underwriting, policy issuance and administration, and claims handling services for all PAIP applications. The Plan may terminate the agreement with six months written notice to AIPSO. During the years ended December 31, 2024 and 2023, the Plan incurred expenses of \$47,500 and \$40,000, respectively, under the terms of the agreement. As part of the agreement, AIPSO holds the Plan's funds in a liquid asset trust. The balance of the funds held in the liquid asset trust were \$755,310 and \$776,731 as of December 31, 2024 and 2023, respectively.





*"Serving the Insurance Industry"*

May 21, 2025

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

**RE: 2024 KENTUCKY CAIP FINANCIAL STATEMENTS**

Dear Mr. Hillis:

Enclosed is a copy of the 2024 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 May 14, 2025 date on the Independent Auditors Report represents the actual date the auditors completed their fieldwork. These reports were then subsequently reviewed at different levels of management of the auditing firm before it was sent to the printer and then to AIPSO. The final reports were received by AIPSO on May 17, 2024.
- 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 May 14, 2025 date on the Independent Auditors Report represents the actual date the auditors completed their fieldwork. These reports were then subsequently reviewed at different levels of management of the auditing firm before it was sent to the printer and then to AIPSO. The final reports were received by AIPSO on May 17, 2024.
- 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  
Senior 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, 2024 and 2023

(with Independent Auditors' Report Thereon)

**KENTUCKY COMMERCIAL AUTOMOBILE  
INSURANCE PROCEDURE**

Financial Statements

August 31, 2024 and 2023

(with Independent Auditors' Report Thereon)



KPMG LLP  
One Financial Plaza  
755 Main Street  
Hartford, CT 06103

## **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, 2024 and 2023, 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, 2024 and 2023. 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

Hartford, Connecticut  
May 14, 2025

# KENTUCKY COMMERCIAL AUTOMOBILE INSURANCE PROCEDURE

## Statements of Assets, Liabilities, and Accountability of Members

August 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 455,148	\$ 322,104
Accounts receivable - member companies	916	28,160
Accounts receivable - servicing carriers	152,074	103,297
Accrued interest receivable	<u>-</u>	<u>268</u>
Total assets	<u><u>\$ 608,138</u></u>	<u><u>\$ 453,829</u></u>
<b>LIABILITIES AND ACCOUNTABILITY OF MEMBERS</b>		
<b>LIABILITIES</b>		
Loss reserves	\$ 423,787	\$ 446,987
Allocated loss adjustment expense reserves	2,808	48,522
Unearned premiums	340,017	179,583
Premium deficiency reserve	16,224	85,051
Accounts payable - member companies	244,452	89,342
Accounts payable - servicing carriers	4,500	-
Accounts payable - AIPSO	1,377	1,702
Accrued expenses	<u>35,096</u>	<u>33,764</u>
Total liabilities	1,068,261	884,951
<b>ACCOUNTABILITY OF MEMBERS</b>	<u>(460,123)</u>	<u>(431,122)</u>
Total liabilities and accountability of members	<u><u>\$ 608,138</u></u>	<u><u>\$ 453,829</u></u>

See accompanying notes to the financial statements.

**KENTUCKY COMMERCIAL AUTOMOBILE  
INSURANCE PROCEDURE**  
**Statements of Operations**  
**Years ended August 31, 2024 and 2023**

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	<u>2024</u>	<u>2023</u>
Premiums earned	\$ 447,346	\$ 260,699
Losses incurred	98,046	72,379
Allocated loss adjustment expense (recovered) incurred	(45,173)	28,245
Unallocated loss adjustment expense allowance	47,981	22,688
Change in premium deficiency reserve	(68,827)	59,423
Administrative allowance expense	108,993	60,802
Commissions expense	30,474	16,281
Supplemental fee recovery	-	(10,801)
Premium tax expense	43,523	22,177
	<u>215,017</u>	<u>271,194</u>
Total underwriting expense		
Underwriting gain (loss)	232,329	(10,495)
Premiums recovered (charged off)	1,707	(7,204)
Insolvent company recovery	253	148
Indemnification expense	-	(541)
Central processor expense	(16,215)	(16,999)
Miscellaneous expense	(1,246)	(9,606)
	<u>(1,246)</u>	<u>(9,606)</u>
Gain (loss) from operations	<u>\$ 216,828</u>	<u>\$ (44,697)</u>

*See accompanying notes to the financial statements.*



**KENTUCKY COMMERCIAL AUTOMOBILE  
INSURANCE PROCEDURE**  
**Statements of Changes in Accountability of Members**  
**Years ended August 31, 2024 and 2023**

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	<u>2024</u>	<u>2023</u>
<b>Accountability of members, beginning of year</b>	\$ (431,122)	\$ (261,379)
Settlement activity for period		
Change in settlement	(245,829)	(125,046)
Gain (loss) from operations	<u>216,828</u>	<u>(44,697)</u>
<b>Accountability of members, end of year</b>	<u><u>\$ (460,123)</u></u>	<u><u>\$ (431,122)</u></u>

*See accompanying notes to the financial statements.*

# KENTUCKY COMMERCIAL AUTOMOBILE INSURANCE PROCEDURE

## Notes to Financial Statements

Years ended August 31, 2024 and 2023

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### 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.

Beginning on September 1, 2022, AIPSO Insurance Operation (AIO) has assumed the role of countrywide CAIP servicing carrier, 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 are pooled through CAIP and the operating results are shared among companies writing other than private passenger automobile insurance in the voluntary market. The prior servicing carriers will continue to estimate reserves and process loss payments throughout the life of the claims until all obligations have been satisfied, for all policies written through August 31, 2022.

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

# **KENTUCKY COMMERCIAL AUTOMOBILE INSURANCE PROCEDURE**

## **Notes to Financial Statements**

### **Years ended August 31, 2024 and 2023**

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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.

#### **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. There is no amount of earned but unbilled premiums at August 31, 2024 and 2023, respectively.

#### **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, 2024 and 2023 was \$2,805 and \$3,109, 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:

# **KENTUCKY COMMERCIAL AUTOMOBILE INSURANCE PROCEDURE**

## **Notes to Financial Statements**

### **Years ended August 31, 2024 and 2023**

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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 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**

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. The proportional supplemental fee expense assisted AIPSO in funding its insurance expansion to service all CAIP states, which began in September 2022 when AIPSO Insurance Operations became the sole CAIP servicing carrier. Any supplemental fee previously collected by AIPSO in excess of actual operational expenses plus a contingency amount was returned to the CAIPs, reflected as a recovery within the statements of operations.

#### **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, 2024 and 2023 was computed by AIPSO and was \$16,224 and \$85,051, respectively.

### **3. INCOME TAXES**

The Internal Revenue Service (IRS) recognizes the CAIP as an administrative procedure of the Plan and not a separate legal entity for federal income tax purposes. The Plan is a tax-exempt organization as described in section 501 (c) (6) of the Internal Revenue Code (the Code) and is generally exempt from income taxes pursuant to section 501 (c) (6) of the Code. The Plan is required to assess uncertain tax positions and has determined that there were no such positions that are material to the financial statements. Furthermore, since the activities of the CAIP are insignificant when compared with the Plan, the IRS concluded that CAIP’s activities would not adversely affect the Plan’s tax status.

# **KENTUCKY COMMERCIAL AUTOMOBILE INSURANCE PROCEDURE**

## **Notes to Financial Statements**

### **Years ended August 31, 2024 and 2023**

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#### **4. MEMBER COMPANIES IN REHABILITATION**

There is no amount included in accounts receivable or payable member companies at August 31, 2024 and 2023, due from/(due to) members in rehabilitation/conservation by court order. If an amount is a receivable which becomes uncollectible, it would be written off and assessed to the other member companies of the CAIP. The write-off of insolvent companies is accomplished through a reallocation of the insolvent companies' inception-to-date CAIP experience, including amounts paid and unpaid by the insolvent member, with no net impact on accountability of members or accounts receivable (payable) member companies in the aggregate.

#### **5. COMMITMENTS AND CONTINGENCIES**

The CAIP is involved in various legal proceedings arising out of and incidental to its business.

In accordance with the CAIP servicing carrier agreement, a servicing carrier is entitled to have certain legal and other claim related costs indemnified by the CAIP if it is determined that there was no criminal or willful misconduct on the part of the servicing carrier. During the fiscal years ended August 31, 2024 and 2023, the CAIP incurred indemnification expenses of \$0 and \$541, 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.

**KENTUCKY COMMERCIAL AUTOMOBILE  
INSURANCE PROCEDURE**  
Notes to Financial Statements  
Years ended August 31, 2024 and 2023

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**6. LIABILITY FOR LOSS RESERVES AND ALLOCATED LOSS ADJUSTMENT EXPENSE RESERVES**

Activity in the liability for loss reserves is summarized as follows:

	<b>2024</b>	<b>2023</b>
<b>Balance at September 1</b>	\$ 446,987	\$ 439,204
Incurring (recovered) related to		
Current year	328,869	101,374
Prior years	(230,823)	(28,995)
Total incurred	98,046	72,379
Paid (recovered) related to		
Current year	3,737	(6,137)
Prior years	117,509	70,733
Total paid	121,246	64,596
<b>Balance at August 31</b>	\$ 423,787	\$ 446,987

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

	<b>2024</b>	<b>2023</b>
<b>Balance at September 1</b>	\$ 48,522	\$ 21,844
(Recovered) incurred related to		
Current year	-	108
Prior years	(45,173)	28,137
Total (recovered) incurred	(45,173)	28,245
Paid related to		
Current year	-	-
Prior years	541	1,567
Total paid	541	1,567
<b>Balance at August 31</b>	\$ 2,808	\$ 48,522

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.

**KENTUCKY COMMERCIAL AUTOMOBILE  
INSURANCE PROCEDURE**  
**Notes to Financial Statements**  
**Years ended August 31, 2024 and 2023**

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**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 cancellations and changes in claims frequency. Any additional expenses associated with this pandemic are covered by the member companies and would be collected through the normal assessment process.

**8. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through May 14, 2025, which is the date the financial statements were available to be issued.

**KENTUCKY COMMERCIAL AUTOMOBILE  
INSURANCE PROCEDURE**

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

August 31, 2024 and 2023  
(with Independent Auditors' Report Thereon)





KPMG LLP  
One Financial Plaza  
755 Main Street  
Hartford, CT 06103

## **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, 2024 and 2023, 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, 2024 and 2023, 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*

Hartford, Connecticut  
May 14, 2025

**KENTUCKY COMMERCIAL AUTOMOBILE  
INSURANCE PROCEDURE**  
**Statements of Cash Receipts and Disbursements**  
**Accounted for by the Central Processor**  
**Years ended August 31, 2024 and 2023**

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	<u>2024</u>	<u>2023</u>
RECEIPTS		
Collections from member companies	\$ 96,864	\$ 38,307
Collections from servicing carriers	319,410	131,066
Insolvent company recovery	253	148
Supplemental fee recovery	-	10,801
Miscellaneous income	<u>19,179</u>	<u>7,341</u>
Total receipts	<u>435,706</u>	<u>187,663</u>
DISBURSEMENTS		
Distributions to member companies	160,326	220,257
Distributions to servicing carriers	113,541	129,734
Central processor expense	16,561	16,655
Miscellaneous expense	<u>12,234</u>	<u>2,979</u>
Total disbursements	<u>302,662</u>	<u>369,625</u>
Receipts over (under) disbursements	133,044	(181,962)
Cash and cash equivalents, beginning of year	<u>322,104</u>	<u>504,066</u>
Cash and cash equivalents, end of year	<u><u>\$ 455,148</u></u>	<u><u>\$ 322,104</u></u>

*See accompanying notes to statements of cash receipts and disbursements accounted for by the Central Processor.*

# **KENTUCKY COMMERCIAL AUTOMOBILE INSURANCE PROCEDURE**

## **Notes of Cash Receipts and Disbursements**

### **Accounted for by the Central Processor**

**Years ended August 31, 2024 and 2023**

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#### **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.

Beginning on September 1, 2022, AIPSO Insurance Operation (AIO) has assumed the role of countrywide CAIP servicing carrier, 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 are pooled through CAIP and the operating results are shared among companies writing other than private passenger automobile insurance in the voluntary market. The prior servicing carriers will continue to estimate reserves and process loss payments throughout the life of the claims until all obligations have been satisfied, for all policies written through August 31, 2022.

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 June 4, 1993 by the domiciliary state's insurance regulatory authority. A proof of claim was filed with the state on April 25, 1994 and approved as a priority level class G creditor. The overall obligation of \$21,052 was settled by the member company as of January 25, 2024, and allocated proportionately among the CAIPs.

# **KENTUCKY COMMERCIAL AUTOMOBILE INSURANCE PROCEDURE**

## **Notes of Cash Receipts and Disbursements**

### **Accounted for by the Central Processor**

**Years ended August 31, 2024 and 2023**

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A member company was deemed insolvent as of August 1, 2006 by the domiciliary state's insurance regulatory authority. A proof of claim was filed with the state on July 3, 2013 and approved as a priority level class 5 creditor. The overall obligation of \$39,389 was settled by the member company as of April 28, 2023, and additional interest of \$6,966 was received on December 21, 2023. The amounts were allocated proportionately among the CAIPs.

#### **4. SUPPLEMENTAL FEE**

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. The proportional supplemental fee expense assisted AIPSO in funding its insurance expansion to service all CAIP states, which began in September 2022 when AIPSO Insurance Operations became the sole CAIP servicing carrier. Any supplemental fee previously collected by AIPSO in excess of actual operational expenses plus a contingency amount was returned to the CAIPs, reflected as a recovery within the statements of operations

#### **5. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through May 14, 2025, which is the date the statements of cash receipts and disbursements accounted for by the Central Processor were available to be issued.



## 2026 Servicing Carrier Allowances

<b>Effective Date(s)</b>	CAIP/SRDP March 1, 2026, AK AORDP August 1, 2026, NYPAP January 1, 2026
<b>Distribution</b>	Servicing Carriers and Plan/Regional Managers
<b>Contents</b>	CAIP/AORDP/NY PAP/NY SRDP Servicing Carrier Allowances
<b>Attachment(s)</b>	<p>The attached exhibit illustrates the CAIP/AORDP/NY PAP/NY SRDP servicing carrier allowances in effect for 2026. The exhibit is published for informational purposes only. Official notification of any change to the servicing carrier allowance must be received from the Plan Advisory Committee/Board of Governors/Governing Committee in accordance with the Servicing Carrier Agreement.</p> <p>The annual Administrative and Loss Adjustment Expense Allowances are effective at the beginning of a fiscal quarter. Most are effective March 1, 2026. The exceptions are the Alaska AORDP, which is effective August 1, 2026, and the NYPAP which is effective January 1, 2026.</p>
<b>Response Required</b>	None
<b>Contact</b>	Karen Leite, CPCU, AIS, AINS Sr. Statistical Analyst Quota and Participation Services 401-946-2310 Ext. 3300 Karen.Leite@aipso.com

## CAIP Servicing Carrier Allowances

### Administrative Expense Allowance As a Percentage of Written Premium

State	2025		2026	
	Liability	Physical Damage	Liability	Physical Damage
Alabama +	15.5%	16.0%	15.3%	14.3%
Alaska	17.5%	18.0%	17.3%	16.3%
Arizona	17.5%	18.0%	17.3%	16.3%
Arkansas	17.5%	18.0%	17.3%	16.3%
California	17.5%	---	17.3%	16.3%
Colorado	17.5%	18.0%	17.3%	16.3%
Connecticut	17.5%	18.0%	17.3%	16.3%
Delaware	17.5%	18.0%	17.3%	16.3%
District of Columbia	17.5%	18.0%	17.3%	16.3%
Georgia	17.5%	18.0%	17.3%	16.3%
Idaho	17.5%	18.0%	17.3%	16.3%
Illinois #	17.5%	18.0%	17.3%	17.0%
Indiana	17.5%	18.0%	17.3%	16.3%
Iowa	17.5%	18.0%	17.3%	16.3%
Kansas	17.5%	18.0%	17.3%	16.3%
Kentucky	17.5%	---	17.3%	---
Louisiana	17.5%	18.0%	17.3%	16.3%
Maine	17.5%	18.0%	17.3%	16.3%
Minnesota	17.5%	18.0%	17.3%	16.3%
Mississippi	17.5%	18.0%	17.3%	16.3%
Missouri	17.5%	18.0%	17.3%	16.3%
Montana	17.5%	18.0%	17.3%	16.3%
Nebraska	17.5%	18.0%	17.3%	16.3%
Nevada	17.5%	18.0%	17.3%	16.3%
New Hampshire	17.5%	18.0%	17.3%	16.3%
New Jersey	17.5%	18.0%	17.3%	16.3%
New Mexico	17.5%	18.0%	17.3%	16.3%
New York SRDP	17.5%	18.0%	17.3%	16.3%
New York PAP	17.5%	---	17.3%	---
North Dakota	17.5%	18.0%	17.3%	16.3%
Ohio \$	18.0%	18.0%	18.0%	18.0%
Oklahoma ~	17.5%	18.0%	17.3%	16.3%
Oregon	17.5%	18.0%	17.3%	16.3%
Pennsylvania Pooled Cap \$	16.0%	16.0%	16.0%	16.0%
Rhode Island	17.5%	18.0%	17.3%	16.3%
South Carolina	17.5%	---	17.3%	---
South Dakota	17.5%	18.0%	17.3%	16.3%
Tennessee	17.5%	18.0%	17.3%	16.3%
Utah	17.5%	18.0%	17.3%	16.3%
Vermont	17.5%	18.0%	17.3%	16.3%
Virginia	17.5%	18.0%	17.3%	16.3%
Washington	17.5%	18.0%	17.3%	16.3%
West Virginia	17.5%	18.0%	17.3%	16.3%
Wisconsin \$	16.0%	---	16.0%	---
Wyoming	17.5%	18.0%	17.3%	16.3%

\* Best's 3 year avg general and other acquisition expense ratio to written premium increased by a general service fee of 5%.

+ Alabama uses Best's 3 year average figure increased by a general service fee of 3%.

~ The administrative expense allowance for Oklahoma may be adjusted by up to a maximum of ±2% annually

# The administrative expense allowance for Illinois may be adjusted by up to a maximum of ±1% annually

\$ These plans have extended the current percentage

## CAIP Servicing Carrier Allowances

Unallocated Loss Adjustment Expense Allowance As a Percentage of Earned Premium				
State	2025		2026	
	Liability	Physical Damage	Liability	Physical Damage
Alabama ^	3.9%	6.2%	3.7%	6.0%
Alaska	7.2%	12.3%	3.7%	6.0%
Arizona	3.9%	6.2%	4.6%	6.0%
Arkansas ~	10.0%	6.2%	8.0%	6.0%
California	8.9%	---	10.1%	---
Colorado	11.2%	6.2%	7.6%	6.0%
Connecticut	3.9%	6.2%	4.3%	7.1%
Delaware	5.6%	6.2%	5.9%	8.0%
District of Columbia	4.9%	6.2%	4.4%	6.0%
Georgia ^	6.9%	6.2%	7.9%	6.0%
Idaho	8.2%	18.5%	11.1%	18.1%
Illinois #	10.3%	10.1%	11.0%	11.1%
Indiana ~	10.5%	6.2%	11.1%	6.0%
Iowa	9.4%	6.2%	8.2%	6.0%
Kansas	7.1%	6.2%	9.8%	6.0%
Kentucky	3.9%	---	3.8%	---
Louisiana	11.6%	6.2%	7.3%	6.0%
Maine \$ @	13.5%	7.5%	13.5%	7.5%
Minnesota	5.7%	6.2%	6.7%	6.0%
Mississippi ^	3.9%	6.2%	3.7%	6.0%
Missouri	7.7%	6.2%	8.6%	6.0%
Montana	3.9%	6.2%	3.7%	6.0%
Nebraska	11.6%	6.2%	11.1%	6.0%
Nevada	8.7%	6.2%	11.1%	6.0%
New Hampshire \$ @	13.5%	7.5%	13.5%	7.5%
New Jersey	8.3%	6.6%	9.1%	6.0%
New Mexico	3.9%	6.2%	4.5%	6.0%
New York SRDP	7.7%	6.2%	7.8%	6.0%
New York PAP	7.0%	---	6.0%	---
North Dakota	3.9%	6.2%	3.7%	6.0%
Ohio \$ @	13.5%	7.5%	13.5%	7.5%
Oklahoma ~	6.2%	6.2%	4.2%	6.0%
Oregon	3.9%	6.2%	3.7%	6.0%
Pennsylvania Pooled Cap \$	9.0%	9.0%	9.0%	9.0%
Rhode Island	7.8%	6.2%	5.8%	6.0%
South Carolina	3.9%	---	3.7%	---
South Dakota	3.9%	6.2%	3.7%	6.0%
Tennessee	5.7%	6.2%	6.7%	6.0%
Utah	7.2%	6.2%	3.7%	6.0%
Vermont	7.4%	6.8%	8.0%	6.0%
Virginia	5.9%	6.2%	7.1%	6.0%
Washington	9.3%	6.2%	7.8%	6.0%
West Virginia	6.7%	6.2%	6.9%	6.0%
Wisconsin \$	6.1%	---	6.1%	---
Wyoming	5.8%	14.7%	7.3%	15.5%

@ Includes ALAE for states where direct reimbursement of ALAE is not applicable: Maine, New Hampshire, and Ohio.

^ The liability loss adjustment expense allowance may be adjusted by up to a maximum of  $\pm 1\%$  annually.

# The loss adjustment expense allowance may be adjusted by up to a maximum of  $\pm 1\%$  annually.

~ The loss adjustment expense allowance may be adjusted by up to a maximum of  $\pm 2\%$  annually. (Arkansas: Liability; Indiana: Liability; Oklahoma: Liability and Physical Damage)

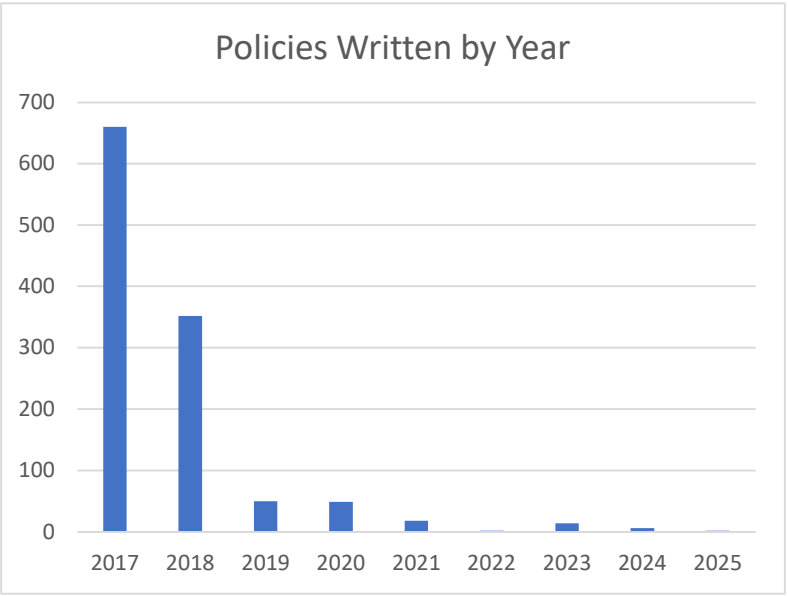
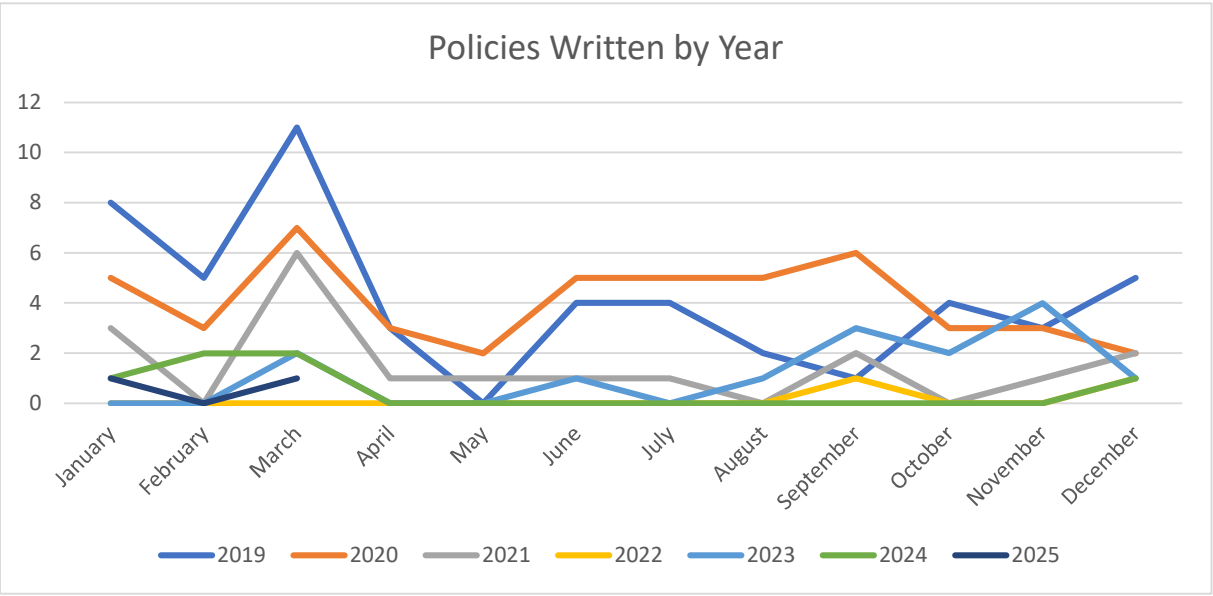
+ Best's total loss adjustment expense ratio is adjusted by the ratio of the CAIP pure loss ratio (subject to a maximum of 150% and a minimum of 50%) to Best's pure loss ratio.

\$ These plans have extended the current percentage



Kentucky Auto Insurance Plan				
Budget Status				
Line Item	2022 Budget	2023 Budget	2024 Budget	2024 Final
Wages (W-2)	\$ 61,132	\$ 81,672	\$ 76,860	\$ 75,399
Payroll Taxes	\$ 6,113	\$ 8,167	\$ 7,686	\$ 6,075
Defined Contribution Benefits	\$ 9,903	\$ 13,231	\$ 12,452	\$ 13,969
Office Supplies, Printing & Equip.	\$ 2,000	\$ 2,000	\$ 1,500	\$ 1,052
Professional Services	\$ 35,206	\$ 40,049	\$ 34,320	\$ 27,979
Human Resources	\$ 1,500	\$ 1,500	\$ 1,500	\$ 4,786
Rent	\$ 6,400	\$ 6,400	\$ 6,400	\$ 6,400
Telephone and Telephone Equip.	\$ 1,200	\$ 1,200	\$ 1,550	\$ 1,863
Travel	\$ 5,500	\$ 5,000	\$ 5,000	\$ 3,785
Meals and Entertainment	\$ 1,000	\$ 1,000	\$ 1,300	\$ 725
Insurance - P & C	\$ 6,720	\$ 7,150	\$ 7,300	\$ 3,473
Health and Employee Benefits	\$ 10,519	\$ 20,326	\$ 22,340	\$ 22,814
Postage	\$ 1,500	\$ 1,500	\$ 2,100	\$ 439
Computer and Systems	\$ 18,222	\$ 16,210	\$ 12,460	\$ 24,212
Dues & Subscriptions	\$ 400	\$ 400	\$ 400	\$ 1,214
Board Meetings	\$ 500	\$ 500	\$ 500	\$ 310
Education	\$ 300	\$ 300	\$ 300	\$ -
Miscellaneous	\$ 1,000	\$ 1,000	\$ 1,000	\$ 68
AIPSO--(Data and Plan Services)	\$ 3,954	\$ 2,860	\$ 2,782	\$ 436
AIPSO-LAD	\$ -	\$ -		\$ -
AIPSO-EASi	\$ 7,575	\$ 7,575	\$ 7,575	\$ 2,163
<b>Total</b>	<b>\$ 180,644</b>	<b>\$ 218,040</b>	<b>\$ 205,325</b>	<b>\$ 197,160</b>

Month	2019	2020	2021	2022	2023	2024	2025
January	8	5	3	0	0	1	1
February	5	3	0	0	0	2	0
March	11	7	6	0	2	2	1
April	3	3	1	0	0	0	
May	0	2	1	0	0	0	
June	4	5	1	0	1	0	
July	4	5	1	0	0	0	
August	2	5	0	0	1	0	
September	1	6	2	1	3	0	
October	4	3	0	0	2	0	
November	3	3	1	0	4	0	
December	5	2	2	1	1	1	
TOTAL	50	49	18	2	14	6	2



## AIPSO PAIP YEAR END ACTIVITY REPORT

<b>KENTUCKY PAIP</b>			
Monthly Activity - Month Ending 12/31/2024			
	<u>Month End</u>	<u>YTD</u>	<u>Prior Year Balance</u>
Written Premium	\$0	\$33,539	
Earned Premium	\$3,929	\$73,139	
Change in Unearned Premium	-\$3,929	-\$39,600	
Total Unearned Premium	\$23,441	\$23,441	\$63,041
Premium Charged Off	\$0	\$0	
Advanced Written Premium	\$0	\$0	
Written Commission	\$0	\$1,677	
Surcharges	\$0	\$604	
Losses Paid	\$35,250	\$90,860	
Losses Unpaid (Reserved)	\$10,000	\$10,000	\$35,000
Adjustment Expenses Paid	\$0	\$672	
Adjustment Expenses Unpaid	\$250	\$250	\$500
Defense and Cost Containment Expenses Paid	\$0	\$0	
Defense and Cost Containment Expenses Unpaid	\$0	\$0	\$0
Note: These numbers are preliminary and subject to change after the reconciliation process			



*"Serving the Insurance Industry"*

May 15, 2025

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>
01/01/2021	+9.8%
01/01/2022	+4.7%
01/01/2023	+11.1%
01/01/2024	+10.4%
01/01/2025	+17.7%

The following table below provides a comparison of new applications to the Plan.

**New Applications – Private Passenger Liability**

	<u>04/24</u>	<u>04/25</u>
12 Months Ending	17	2
YTD Ending	5	2
Month Ending	0	0

Last year we developed an experience-based indication of +17.7% 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, 2026, for new business and February 1, 2026, for renewal business. The overall indication is +12.3%. We propose to take the full indicated change, which results in a monetary impact of \$6,767 based on 2023 earned premiums. Please see Exhibit 1 for details.

*Note on Covid-19:* We continue to use the 2-step trend procedure. It 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.

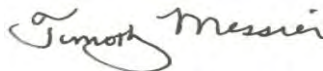
If the Committee decides to file, we request the allowance of a small deviation from what is shown here. It is possible that new information becomes available between the time in which this rate review is prepared and a rate filing is made. Our filings should reflect the most current information, which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

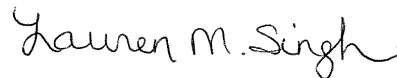
- Exhibit 1 - Summary of Rate Level Change

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](mailto:Timothy.Messier@aipso.com)



Lauren Singh  
Actuarial Analyst  
(401) 429-1566  
[Lauren.Singh@aipso.com](mailto: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) Appendix 7 Sheet 1	(6) (3)x(4)+ (5)x{1.0-(4)}	(7)	(8)
Coverage	5 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 2023 Premium*
Residual Bodily Injury	271,270	70.4%	12%	8.0%	15.5%	15.5%	4,107
Bodily Injury	0	70.4%	12%	8.0%	15.5%	15.5%	0
Property Damage	144,734	54.6%	12%	4.0%	10.1%	10.1%	1,279
Personal Injury Protection	119,496	60.2%	13%	0.0%	7.8%	7.8%	1,022
Medical Payments	0	18.7%	13%	0.0%	2.4%	2.4%	0
Uninsured BI (UMBI)	4,295	213.4%	3%	5.4%	11.6%	11.6%	116
Underinsured BI (UIMBI)	8,547	213.4%	3%	5.4%	11.6%	11.6%	242
Total Liability	548,342	67.4%		5.1%	12.3%	12.3%	6,767

**NOTES:**

Proposed Effective Dates: January 1, 2026 New; February 1, 2026 Renewal

Most Recent Rate Change: 17.7% on January 1, 2025

\* Calendar Year 2023 Premium at Current Level is \$55,358



*"Serving the Insurance Industry"*

May 15, 2025

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>
01/01/21	+1.9%
01/01/22	+13.1
01/01/23	+12.6
01/01/24	+16.4
01/01/25	+14.3

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

<b><u>New Applications – Commercial</u></b>		
	<u>04/24</u>	<u>04/25</u>
12 Months Ending	17	14
YTD Ending	5	6
Month Ending	2	2

Last year we developed a rate indication of +14.4% based on financial data. We filed the full uncapped change of +14.3%. 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 2014 through 2023 evaluated as of November 30, 2024. Since this data is not fully credible, we have used loss ratio trend as the ballast to credibility.

The resulting overall rate indication is +14.4% based on assumed effective dates of January 1, 2026, for new business and February 1, 2026, for renewals. 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 filing the full uncapped change, which results in an estimated monetary impact of \$56,114. We also propose adopting ISO's latest increased limits factors and adjusting the base rate change such that the combined base rate and increased limit factor change is consistent with the indication. This results in a small decrease in base rates for all sub-lines combined and an increase to the increased limits factors.

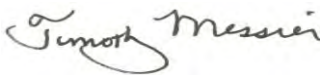
*Covid-19:* Consistent with recent ISO commercial auto filings, this indication has no adjustment for Covid-19. ISO expects that long-term behavioral, social, and economic changes due to Covid-19 will have negligible and/or offsetting effects on commercial auto loss costs.

## ATTACHMENT

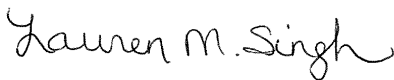
- Summary - Summary of Indicated and Proposed Rate Level Change
- Exhibit 1 - Financial Indication

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  
(401) 528-1353  
[Timothy.Messier@aipso.com](mailto:Timothy.Messier@aipso.com)



Lauren M. Singh  
Actuarial Analyst  
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pc: Mr. Thomas Assad, AIPSO  
Mr. Robert Powers, AIPSO



Kentucky  
Automobile Insurance Plan

Summary of Proposed Rate Level Change

LIABILITY

Subline		2023 Premium at Current Level	Basic Limit Indicated Percent Change	Proposed Percent Change*	Increased Limit Indicated Percent	Total Limit Proposed Percent Change	Estimated Dollar Impact Based on 2023 Premium
Trucks, Tractors, and Trailers	CSL	23,463	-0.4%	-0.5%	22.3%	21.7%	
	PIP	401	-17.6%	-17.8%		-17.8%	
	Total	23,864	-0.7%	-0.7%		21.1%	5,032
Taxis and Limos	CSL	0	-1.0%	-1.0%	0.0%	-1.0%	
	PIP	0	-17.9%	-17.9%		-17.9%	
	Total	0	-9.5%	-9.5%		-9.5%	0
School and Church Buses	CSL	0	-1.0%	-1.0%	12.2%	11.0%	
	PIP	0	-19.6%	-19.5%		-19.5%	
	Total	0	-10.3%	-10.3%		-4.3%	0
Other Buses	CSL	82,685	-1.0%	-1.0%	12.2%	11.1%	
	PIP	5,420	-17.8%	-17.9%		-17.9%	
	Total	88,105	-2.0%	-2.0%		9.3%	8,213
Van Pools	CSL	0	-1.1%	-1.0%	0.0%	-1.0%	
	PIP	0	-18.0%	-18.2%		-18.2%	
	Total	0	-9.5%	-9.6%		-9.6%	0
Zone Rated Risks	CSL	0	68.6%	25.0%	5.5%	31.9%	
	PIP	0	68.6%	25.0%		25.0%	
	Total	0	68.6%	25.0%		28.4%	0
Garages	CSL	244,367	-0.9%	-0.9%	18.3%	17.2%	
	PIP	8,212	1.2%	1.3%		1.3%	
	Total	252,579	-0.8%	-0.8%		16.7%	42,190
Employer Non- Owned	CSL	1,640	-1.0%	-1.0%	21.2%	20.0%	
	Total	1,640	-1.0%	-1.0%		20.0%	327
Hired Auto	CSL	280	11.4%	11.4%	21.2%	35.0%	
	Total	280	11.4%	11.4%		35.0%	98
Uninsured Motorists	CSL	8,318	1.1%	1.1%		1.1%	
	Total	8,318	1.1%	1.1%		1.1%	90
Underinsured Motorists	CSL	15,259	1.1%	1.1%		1.1%	
	Total	15,259	1.1%	1.1%		1.1%	163
<b>Liability Total</b>	<b>CSL</b>	<b>\$376,012</b>	<b>-0.8%</b>	<b>-0.8%</b>	<b>14.4%</b>	<b>15.2%</b>	
	<b>PIP</b>	<b>\$14,033</b>	<b>-6.7%</b>	<b>-6.7%</b>		<b>-6.7%</b>	
	<b>Total</b>	<b>\$390,044</b>	<b>-1.0%</b>	<b>-1.0%</b>		<b>14.4%</b>	<b>\$56,114</b>

Notes: Most recent rate change (01/01/2025): 14.3%  
Proposed effective date: 01/01/2026

\* Reflects the capping of the loss cost multiplier at 25% and -25%.

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)
		Exhibit 2	(2)x(3)	Exhibit 3		Appendix 4	[(5)+(6)]x(7)				(8)/(4)	(9)/(2)	(10)/(2)	(11)/(2)
Policy Year	Premium Earned	Premium On-Level Factor	Premium at Current Level	Adjusted Incurred Losses Incl. IBNR	Incurred ALAE	Loss Trend Factor	Projected Incurred Losses and ALAE	Comm.	Premium Taxes	Premium Charge-Offs	Projected Loss and ALAE Ratio	Comm. Ratio	Premium Taxes Ratio	Premium Charge-Offs Ratio
2014	822,785	2.264	1,862,785	603,027	68,777	3.004	2,018,101	56,652	16,556	9,842	108.3%	6.9%	2.0%	1.2%
2015	617,689	2.189	1,352,121	535,467	14,197	2.741	1,506,627	45,534	12,354	1,459	111.4%	7.4%	2.0%	0.2%
2016	843,449	2.238	1,887,639	618,172	59,530	2.501	1,694,933	57,830	16,869	355	89.8%	6.9%	2.0%	0.0%
2017	1,290,780	2.353	3,037,205	895,974	26,834	2.282	2,105,850	82,362	25,816	32,328	69.3%	6.4%	2.0%	2.5%
2018	1,365,810	2.227	3,041,659	874,605	17,101	2.082	1,856,532	87,759	27,316	(1,315)	61.0%	6.4%	2.0%	-0.1%
2019	793,580	2.041	1,619,697	581,623	1,710	1.900	1,108,331	51,627	15,872	596	68.4%	6.5%	2.0%	0.1%
2020	436,793	1.727	754,342	177,216	375	1.733	307,765	18,449	8,736	250,678	40.8%	4.2%	2.0%	57.4%
2021	271,962	1.694	460,704	238,776	1,728	1.582	380,478	20,969	5,439	3,947	82.6%	7.7%	2.0%	1.5%
2022	215,062	1.499	322,378	58,736	408	1.443	85,344	12,923	8,223	2,034	26.5%	6.0%	3.8%	0.9%
2023	381,973	1.331	508,406	283,038	0	1.317	372,761	19,119	25,626	1,787	73.3%	5.0%	6.7%	0.5%
Total	7,039,883		14,846,936	4,866,635	190,660		11,436,724	453,224	162,806	301,710	77.0%	6.4%	2.3%	4.3%
5-Year	2,099,370		3,665,526	1,339,389	4,221		2,254,680	123,087	63,895	259,041	61.5%	5.9%	3.0%	12.3%
3-Year	868,997		1,291,488	580,551	2,136		838,584	53,011	39,288	7,768	64.9%	6.1%	4.5%	0.9%

SELECTED

77.0% 5.9% 3.0% 4.3%

CONTRACTUAL AND OTHER EXPENSES						STATEWIDE RATE LEVEL INDICATION					
(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)
		Appendix 3			Sum of (13) to (20)	1.0-(21)	(12)/(22)-1.0		3,000 Claim Credibility=28%, Minimum=25%	Exhibit 1 Sheet 2	(23)x(25)+ (26)x[1.0-(25)]
Admin. Fees	ULAE Provision	Misc. Expenses (Income)	Contingency	Investment Income	Expense Ratio	Expected Loss and ALAE Ratio	Plan Indicated Change	10-Year Number of Claims	Credibility	Loss Ratio Trend	Statewide Rate Level Indication
17.5%	3.9%	1.3%	5.0%	-1.6%	39.3%	60.7%	26.9%	228	28%	9.6%	14.4%

**MODEL PLAN AMENDMENTS****Defining the Issue**

---

The Uniform Automobile Insurance Plan is a manual of administrative rules and operating procedures that serves as the model for the Plan of Operation for Plans countrywide. A new Model Automobile Insurance Plan is introduced to reflect current business practices, eliminate obsolete language, and modernize and simplify sections to create uniformity among the Plans.

**Action Needed**

---

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

**Proposal**

---

We propose amending the Plan of Operation to

- introduce Model Plan amendments which eliminate obsolete language, modernize and simplify existing language, and reflect current business practices, and
- provide the producer with the option to use their e-signature software product to obtain signatures of the applicant during the application process, and
- introduce performance standard requirements for the producer who chooses to use their e-signature software product.

**Impact**

---

The proposal will have the following impact:

- Update and streamline the Plan of Operation to enhance operational efficiencies for the Plan, the Governing Committee, producers, subscriber companies, the servicing carrier, the service provider, and AIPSO internal units.
- Simplify and create uniformity among Plans countrywide.
- Clarify and align Plan rules and operating procedures to conform with current business practices.
- Allow a producer to use their e-signature product to obtain signatures of the applicant during the application process. The use of e-signature software is optional. The producer may continue to submit applications with an original signature.
- Require a producer who chooses to use their e-signature product to (1) maintain any electronic communication between the producer and the applicant and any authentication certificates and documents produced by the producer's e-signature software product, and (2) make such documents available for inspection upon request.
- Eliminate provisions that are obsolete.

**Background**

---

AIPSO's Senior Management formed an internal team to identify and implement changes within the Plan of Operation. The team collaborated with AIPSO internal business units to identify areas of the Uniform Automobile Insurance Plan that could be modified, simplified, or

eliminated to create uniformity among the state Plans countrywide and align with current business practices. A new Model Automobile Insurance Plan was developed.

The Residual Market Committee (RMC) and the Executive Committee of the AIPSO Board of Directors have approved the Model Automobile Insurance Plan.

## **Proposed Changes**

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### **GENERAL**

The Plan Personal, Commercial and Common Provisions are revised to eliminate obsolete language and simplify or modify existing language to be consistent with current business practices.

Specific references to the Electronic Application Submission Interface (EASi) are replaced with generic references to electronic application submission. This change eliminates potential revisions should a transition from EASi to some other electronic system be introduced in the future.

References to Voluntary All Other Automobile Liability and Physical Damage written premiums are updated to replace “All Other” with “Commercial” in sections pertaining to the commercial Plan assessment and voluntary commercial premium data from the Exhibit of Premiums and Losses of the company’s annual statement that is used to develop CAIP participation ratios.

Frequently Asked Questions (FAQs) are introduced to provide specific Plan requirements and provisions. State specific FAQs will be uploaded to the state Plan’s website.

### **PREAMBLE**

The PREAMBLE is deleted in its entirety and will be added to the Plan website under “Click here for Plan Information”.

### **INTRODUCTION**

The Introduction is deleted in its entirety as this information is contained in the Personal, Commercial or Common Provisions of the Kentucky Automobile Insurance Plan or on the Plan’s website under Frequently Asked Questions (FAQs).

### **DEFINITIONS**

A DEFINITIONS section is introduced defining terms used throughout the Plan of Operation.

### **PERSONAL PROVISIONS**

#### **Sec. 1. PURPOSES OF PLAN**

New paragraph A clarifies that the main purpose of the Plan is to make automobile insurance coverage available to eligible risks who are unable to obtain coverage in the voluntary market.

Paragraphs B pertaining to the availability of medical payments coverage is deleted. This information is contained in the Eligibility and Extent of Coverage sections of the Personal Provisions.

#### **Sec. 2. ELIGIBILITY**

Paragraph A.1 is revised to state that the applicant must have attempted to obtain automobile insurance in the voluntary market within 60 calendar days of the date of application to the Plan.

The definitions of nonfleet and fleet in Paragraph B have been deleted from this section and moved to the new Definitions section.

Paragraph C.4. is deleted in its entirety as the provision is applicable to commercial risks.

Paragraph C.3. is amended to introduce a note clarifying that medical payments coverage is available only with the same policy written through the Plan affording liability coverage for a four-wheel vehicle classified and rated as a private passenger vehicle.

### **Sec. 3. REELIGIBILITY**

Paragraph B is deleted in its entirety. This information is duplicative and found under performance standards for service providers.

### **Sec. 5. EXTENT OF COVERAGE**

Paragraph A.2.b. is amended to clarify that personal injury protection coverage is available only in conjunction with the same policy written through the Plan affording liability coverage.

### **Sec. 6. PREMIUM DEPOSIT REQUIREMENTS AND PAYMENT OPTIONS**

Paragraph A.2 is amended to clarify that 30% of the total estimated annual premium as a deposit must accompany the application. The balance must be paid within 30 calendar days of the date of the billing notice.

The minimum premium payment requirements of a specific dollar amount in the Installment Premium Payment Option in Paragraph B are eliminated.

Paragraph D is amended and moved to Section 15.F.3 of the Personal Provisions producer performance standards pertaining to producer submission of payments.

### **Sec. 7. APPLICATION FOR COVERAGE AND DETERMINATION OF EFFECTIVE DATE**

This Section is retitled Application for Coverage and Determination of Effective date and is amended to remove redundant language.

Paragraph A.2.f is deleted. The information regarding alternate application submission is included in new paragraph E.

The third lead-in paragraph is introduced and paragraph B.10 is amended to clarify that any electronic communication between the producer and the applicant to acquire signatures and any authentication certificates and documents produced by the producer's e-signature software product must be maintained by the producer.

New paragraph E., Application Submission if Electronic Submission is Unavailable is introduced. Producers who are authorized by the Plan may submit applications using the Alternate Application Submission Procedure. The producer must contact the state Plan. Coverage is effective in accordance with the Application for Coverage and Determination of Effective Date section.

### **Sec. 14. PERFORMANCE STANDARDS FOR SERVICE PROVIDERS WRITING KENTUCKY AUTOMOBILE INSURANCE PLAN PRIVATE PASSENGER NONFLEET RISKS**

This section is amended for clarification purposes and redundant language is deleted.

**Sec. 15. PERFORMANCE STANDARDS FOR PRODUCERS WRITING KENTUCKY AUTOMOBILE INSURANCE PLAN PRIVATE PASSENGER NONFLEET RISKS**

The performance standard in paragraph A.3 is introduced to require that any electronic communication between the producer and the applicant to acquire signatures and any authentication certificates and documents produced by the producer's e-signature software product must be maintained by the producer.

Paragraph A.4 is introduced which requires that producers comply with Plan rules pertaining to the retraction of electronic applications.

Paragraph A.F.3 is amended to introduce a performance standard for producer checks dishonored by the bank.

New paragraph I, Procedures for Compliance with the Performance Standards for Producers are introduced that allow the Plan to suspend a producer from submitting business to the Plan if the Plan determines immediate action is necessary to protect the public interest prior to the producer hearing.

A new provision is introduced in paragraph I that allows for the final decision of a producer hearing of a Governing Committee be reported to the governing body in any other state automobile insurance plan in which the producer is certified or registered to submit business. The governing body in that other state may take any action it deems appropriate upon review of that decision.

The producer responsibility section previously located in the Appendix Section 40 is moved in its entirety to Paragraph I.3.

**COMMERCIAL PROVISIONS**

**Sec. 17. PURPOSES OF PLAN**

New paragraph A clarifies that the main purpose of the Plan is to make automobile insurance coverage available to eligible risks who are unable to obtain coverage in the voluntary market.

Paragraphs B pertaining to the availability of medical payments coverages is deleted. This information is contained in the Eligibility and Extent of Coverage sections of the Commercial Provisions.

**Sec. 18. ELIGIBILITY**

Paragraphs A.3 is amended to delete provisions pertaining to the eligibility of members of the military forces.

Paragraph B.1 is amended to remove nonfleet and fleet definitions. These definitions are moved to the new Definitions section.

Paragraph C.1 is amended to replace 'entitled' with 'eligible'.

Paragraph C.7. is amended to introduce two notes clarifying that medical payments coverage is available only with the same policy written through the Plan affording bodily injury and property damage liability coverage for a four-wheel vehicle classified and rated as a private passenger vehicle.

**Sec. 19. REELIGIBILITY**

Paragraph B is deleted in its entirety. This information is duplicative and can be found under the CAIP servicing carrier performance standards.

**Sec. 21. EXTENT OF COVERAGE**

Paragraph A.2.b. is amended to clarify that personal injury protection coverage is only available through the Plan when liability coverage is afforded under the same policy.

Paragraph B.2 is amended to clarify that filings of policy or endorsement forms shall be prepared by AIPSO.

**Sec. 22. PREMIUM DEPOSIT REQUIREMENTS AND PAYMENT OPTIONS**

Paragraph B.2 is amended to clarify that the installment premium payment bill will include the total installment charge and eliminate a reference to a minimum installment payment requirement of a specific dollar amount.

Paragraph D is amended and moved to the producer performance standards in Commercial Provisions Section 33.F.3 pertaining to producer submission of payments.

**Sec. 23. APPLICATION FOR COVERAGE AND DETERMINATION OF EFFECTIVE DATE**

The section is retitled Application for Coverage and Determination of Effective Date.

Lead-in paragraphs are introduced to clarify 1) producers must electronically transmit commercial applications and 2) any electronic communication between the producer and the applicant to acquire signatures and any authentication certificates and documents produced by the producer's e-signature software product must be maintained by the producer.

Paragraphs A.3.h is deleted. The information regarding alternate application submission is included in new paragraph E.

Paragraph A.4 is deleted. The information is included under Commercial Provision performance standards for producers.

New paragraph E, Application Submission if Electronic Submission is Unavailable, is introduced. Producers who are authorized by the Plan may submit applications using the Alternate Application Submission Procedure. The producer must contact the Kentucky Plan. Coverage is effective in accordance with the Application for Coverage and Determination of Effective Date section.

**Sec. 30. COMPENSATION TO PRODUCER OF RECORD**

Paragraph B is amended to clarify that compensation will be paid to the producer by the servicing carrier on the basis of premium received.

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

Paragraph F is amended to clarify the servicing carrier responsibilities on the collection of premium.

Paragraph K is introduced to clarify servicing carrier responsibilities to furnish files and records for compliance audits.

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

A new provision is introduced in paragraph A.3 for producers to maintain records of all risks submitted to the Plan including electronic communication between the producer and the applicant to acquire signatures and any authentication certificates and documents produced by the producer's e-signature software product must be maintained by the producer.

Paragraph F.3 is amended to introduce a performance standard for producer checks dishonored by the bank.

New paragraph I, Procedures for Compliance with the Performance Standards for Producers are introduced that allow the Plan to suspend a producer from submitting business to the Plan if the Plan determines immediate action is necessary to protect the public interest prior to the producer hearing.

A new provision is introduced in paragraph I.3 that allows for the final decision of a Governing Committee be reported to the governing body in any other state automobile insurance plan in which the producer is certified or registered to submit business. The governing body in that other state may take any action it deems appropriate upon review of that decision.

The producer responsibility language previously located in Section 39 is moved in its entirety to paragraph I.3.

**COMMON PROVISIONS**

The Appendix is retitled Common Provisions

**Sec. 39. PRODUCER RESPONSIBILITY**

This section is deleted in its entirety. This information is found in the Personal and Commercial Provisions producer performance standards under Sections 15. I.3 and 33. I.3.

**Sec. 39. PERSONAL AUTOMOBILE INSURANCE PROCEDURE (PAIP)**

Paragraph B is amended to include new language pertaining to AIPSO as an appointed service provider and its duties and responsibilities in that role.

Paragraph F. is added to clarify that if there is a conflict of provisions between the Plan of Operation and the Service Provider Agreement, the provisions of the Plan shall prevail.

**Sec. 40. PERSONAL AUTOMOBILE INSURANCE PROCEDURE (PAIP) PARTICIPATION PROVISIONS**

Paragraph C.1 is deleted because the assessment calculation occurred prior to the implementation of PAIP.

Newly designated paragraph C.3 is amended to clarify that if the data for the first prior year is not available, the preliminary assessment is based upon the latest available year's data.

**Sec. 50. PRODUCER REGISTRATION TO ACCESS ELECTRONIC APPLICATION SUBMISSION**

The procedure for producer registration to access electronic application submission is enhanced.

**Sec. 52. ALTERNATE APPLICATION SUBMISSION PROCEDURES**



This section is deleted. The information is incorporated in the Personal and Commercial provisions.

### **SUPPLEMENT**

The Supplement is deleted in its entirety. The provisions within this part are obsolete.

### **Attachments**

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Exhibit A— Proposed amendments to the Personal Provisions, Commercial Provisions, the introduction of the Definitions section, the renaming of Appendix to Common Provisions, and the deletion of the Preamble, Introduction, and Supplement.

The **Preamble** and **Introduction** are deleted.

## INTRODUCTION

### PREAMBLE

~~UNLESS SPECIFICALLY IDENTIFIED OTHERWISE THE SECTIONS OF THIS PLAN APPLY TO ALL COVERAGES AVAILABLE.~~

~~SECTIONS 1 THROUGH 16 AND 34 THROUGH 52 ARE APPLICABLE TO THE ASSIGNMENT OF PRIVATE PASSENGER NONFLEET AUTOMOBILES, MISCELLANEOUS NONFLEET VEHICLES (AS DEFINED IN SECTION 40), AND NAMED NONOWNER APPLICANTS NOT SUBJECT TO THE MOTOR CARRIER ACT OF 1980 OR ANY LAW OR REGULATION REQUIRING HIGHER LIMITS THAN THE MAXIMUM PROVIDED IN SECTION 5 OF THE PLAN.~~

~~SECTIONS 17 THROUGH 33 AND 34 THROUGH 52 ARE APPLICABLE TO ALL APPLICANTS OTHER THAN THOSE MENTIONED ABOVE AND ARE PROVIDED COVERAGE UNDER THE COMMERCIAL AUTOMOBILE INSURANCE PROCEDURE (CAIP).~~

## INTRODUCTION

The Kentucky Automobile Insurance Plan was created to provide automobile insurance coverage to eligible risks who seek coverage and are unable to obtain such coverage through the voluntary market (For complete eligibility requirements, see [Sections 2](#) and [18](#)). This Plan became effective on August 20, 1948.

The Plan of Operation is divided into three parts and a Supplement as follows:

### Part I—Personal Automobile

- Eligibility
- Coverages
- Other applicable provisions

### Part II—Commercial Automobile

- Availability and scope of the Commercial Automobile Insurance Procedure (CAIP)
- Eligibility
- Coverages
- Other applicable provisions

### Part III—Appendix—Administrative Rules of Plan

### Supplement—Provisions Applicable to Private Passenger Risks Prior to January 1, 2019

Before submitting an application for coverage, it is strongly recommended that users of this Manual read “How to Submit an Application to the Kentucky Automobile Insurance Plan”. However, it is required that users of this Manual read the Personal and Commercial Plan Manual contained in Parts I and II, the Appendix, the Supplement, and review the General Rules. To the extent to which “How to Submit an Application to the Plan” conflicts with the Personal or Commercial Automobile Parts or Appendix of this Plan, the provisions of the respective Personal or Commercial Automobile Part, Appendix, or Supplement shall apply.

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## 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](#).

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• ~~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. The Electronic Application Submission Interface (EASi) must be used to apply to the Plan. Copies and facsimiles are not acceptable. Before electronically transmitting the online application or forwarding 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 Section 6 or 22 of this Plan~~

Manual;

- ~~the applicant has read the application and concurs that all answers are correct and complete;~~
- ~~the original application generated by EASi is 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, 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)**

~~The application 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.~~

• **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~~

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- 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. The insured's policy number and other identification numbers must be included 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. All Policy Change Request forms must be submitted to the service provider or the servicing carrier in accordance with Sections 7 and 23.

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](http://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](mailto: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.

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~~“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.~~

*The following **DEFINITIONS** section is introduced:*

**DEFINITIONS**

For purposes of this Plan of Operation, the following definitions shall apply, unless the context otherwise requires:

“Automobile Insurance Plan (AIP)” means the mechanism under which applicants who cannot obtain insurance in the voluntary market are shared equitably among all auto insurers in a state.

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

“Contract” means a legal agreement between two parties where one agrees to provide something in return for some kind of consideration. In the insurance industry, the parties are the insured and the company. The company agrees to provide protection for losses for which the insured will pay a premium. The contract is also the policy itself which is given to the insured by the company when the company agrees to provide insurance.

“Electronic application submission” means the online process used by producers to complete an application form and transmit it to the Plan.

“Electronically transmit” means (1) the online process used to submit an application to the Plan; and (2) for Electronic Application Submission Retraction Request Forms, the facsimile and e-mail methods by which the producer may submit the paper form to the Plan.

“Equity date” is the date at which all collected premium is earned as computed pro rata.

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

“Forward” means the methods by which a producer may send to the Plan (1) a completed, signed, paper application, deposit, and supporting documentation, (2) a completed paper Electronic Application Submission Retraction Request Form, or (3) other forms or documents as specified in the Plan provisions. Such methods may include USPS mail or overnight mail, courier, or other delivery service.

“Fronting company” means a licensed insurance company which contracts with AIPSO Insurance Operations (AIO), allowing AIO to issue and service Plan policies on behalf of the company.

“Insurer” means an insurance company or other organization (such as pool/association) that issues insurance policies and accepts the risk, provides coverage and services, collects the premiums, and pays the losses.

“Member company” is a company that is licensed to write automobile insurance in the voluntary market and participates in the underwriting and operating results of a pooling mechanism (such as PAIP, CAIP, SRDP, JUAs, etc.).

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

“Personal Automobile Insurance Procedure (PAIP)” means a pooling arrangement for Plan private passenger risks.

“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.

“Producer” means any person or persons, corporation, or other legal entity licensed by the state to transact automobile insurance business in this state. Also referred to as a registered producer.

“Resident” means a person who resides in the state and has made their primary residence within the state.

“Service provider” means the entity appointed by the Plan’s governing body to service assignments from the Plan using the Plan’s paper to issue policies on behalf of its members.

“Servicing carrier” means a licensed insurer appointed by a Plan’s governing body to service assignments from the Plan on behalf of its member companies.

“Signatures” means (1) the copies of applicant and producer signatures on the completed application electronically transmitted to the Plan and (2) 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.

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"Subscriber company" means a company that is licensed to write voluntary automobile insurance in a given state where it must be a subscriber to the state's AIP or alternative mechanism. A company that is licensed and writing is subject to an assessment based on its voluntary writings. A company who is writing in a given state also is billed for their share of the Plan assessment for that state (Cost of Administration). A company that is licensed and not writing is subject to a minimum assessment.

"Voluntary market" refers to insurers writing insurance in a competitive environment with the freedom to accept or reject applicants based on their underwriting criteria and objectives.

"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 AUTOMOBILE PART  
PROVISIONS**

**Sec. 1. PURPOSES OF PLAN**

The purposes of the Plan are

A. ~~to make basic automobile bodily injury and property damage liability insurance and no fault coverage, as required by Kentucky Law, available subject to the conditions hereinafter stated, and~~

to provide automobile insurance coverage to those eligible risks who are unable to obtain coverage in the voluntary market.

B. ~~to make medical payments insurance available, subject to the conditions hereinafter stated, to four wheel vehicles classified and rated as private passenger automobiles, and~~

~~C-B.~~ to establish a procedure for the sharing of expenses and operating results generated by the Personal Automobile Insurance Procedure among all subscriber companies licensed and/or writing Voluntary Private Passenger Nonfleet (PPNF) policies in the state of Kentucky, and

~~D-C.~~ to preserve to the public the benefits of price competition by encouraging maximum use of the normal voluntary private insurance system.

**Sec. 2. ELIGIBILITY**

**A. Applicant Eligible for Plan**

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

1. As a prerequisite to consideration for coverage through the Plan, ~~an~~ the applicant must certify, in the ~~prescribed~~ approved private passenger application form, that ~~he has~~ they have attempted,

~~within 60 days prior to the date of application, to obtain automobile insurance in the state within 60 calendar days prior to the date of application and that he has have been unable to obtain such insurance.~~

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

3. The Plan shall be available to residents and nonresidents of the state only with respect to automobiles that are registered or will be registered in the state within 15 calendar days, except that nonresidents who are members of the United States military forces shall be eligible with respect to automobiles registered in other states provided such military nonresidents are stationed in this state at the time application is made and are otherwise eligible for insurance under the Plan.

4. ~~In the event~~ If the operator's license of the applicant, any operator resident in the same household, or an individual who customarily operates the motor vehicle(s) has been suspended or revoked, including operator licenses requiring SR-22 filings, the applicant is ~~entitled to~~ eligible for automobile insurance coverage through the Plan for the operation of properly registered vehicle(s) provided

- a. another duly licensed operator is shown on the application, or
- b. the application is returned with an additional duly licensed operator, or
- c. current valid operator's license information is submitted, or
- d. a notice of restoration of license is received from the state of Kentucky, or
- e. an SR-22 filing is requested at the time of application.

**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:

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- 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, mopeds, and autocycles<sup>3</sup>.

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.~~

C. **Applicant Not Eligible for Plan**

An applicant shall not be ~~entitled to~~ eligible for automobile insurance coverage nor shall the Plan service provider be required to afford or continue insurance under the following circumstances:

1. if any person who usually drives the motor vehicle does not hold or is not eligible to obtain an operator's license, ~~or fails to obtain such license as required by law;~~
2. if any person who usually drives the automobile is a new resident to the state and fails to obtain a Kentucky operator's license as required by law;
3. if the applicant ~~or anyone who usually drives the motor vehicle fails~~ failed to meet all obligations to pay a ~~Plan service provider any~~ automobile insurance premiums due within the past 36 months; or

**Note:** Medical payments coverage is only available through this Plan on the same policy affording liability coverage for a four-wheel vehicle classified and rated as a private passenger vehicle.

4. ~~if the applicant is one of two or more entities, in each of which the same person or group of persons or corporations owns a majority interest, none of such entities shall be eligible for insurance under the Plan if any of such entities has failed to meet its premium obligations as outlined above. If an entity owns the majority interest in another entity which in turn owns the majority interest in another entity, all~~

~~entities so related shall be considered as under the same majority ownership for purposes of this Part.~~

- ~~D. Medical payments insurance shall be available to an applicant, but only in conjunction with the same policy written in accordance with this Plan affording bodily injury and property damage coverage for a four-wheel vehicle classified and rated as a private passenger automobile.~~

**Sec. 3. REELIGIBILITY**

~~Applicants eligible for coverage in accordance with Section 2 are subject to the following reeligibility provisions:~~

A. **New Application**

Any applicant denied insurance under Section 2 or cancelled under Section 12.B of the Plan may reapply to the Plan as soon as the cause of ineligibility is removed. If reapplication is made, a new application shall be forwarded to the Plan along with the appropriate deposit and required documentation.

1. ~~Applicants cancelled under Section 12.B.1.a by the service provider may reapply at any time provided no earned premium is owed to the previous service provider. for not being in good faith shall not be eligible to reapply to the Plan for 12 months after the effective date of cancellation.~~
2. ~~Applicants cancelled under Section 12.B.1.e of the Plan may reapply to the Plan at any time providing no earned premium is owed the previous service provider.~~
3. ~~If an applicant cancelled under Section 12.B.1.e reapplies, provided such applicant is otherwise eligible, the application shall be accompanied by the deposit prescribed in Section 6.~~
4. ~~Such application shall be considered a new application and coverage will be determined in accordance with the provisions of Section 7.~~

**Exception:** An applicant cancelled by the service provider for not being in good faith is not eligible to reapply to the Plan for 12 months after the effective date of cancellation.

B. **Renewals**

~~An applicant who fails to pay the renewal premium quoted by the service provider, in accordance with the provisions of Section 14.A.2 of this Plan, may reapply to the Plan at any time.~~

1. ~~If an applicant reapplies, provided such applicant is otherwise eligible, the application shall be accompanied by the deposit prescribed in Section 6.~~

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- ~~2. Such application shall be considered a new application and coverage will be determined in accordance with the provisions of Section 7.~~

**Sec. 4. RESERVED FOR FUTURE USE**

**Sec. 5. EXTENT OF COVERAGE**

**A. Coverages and Limits**

1. Bodily Injury, Property Damage, Medical Payments, ~~and~~ Personal Injury Protection, and Uninsured and Underinsured Motorists Coverages

- a. The service provider shall ~~be required to write a policy or binder for basic limits of \$25,000/50,000 bodily injury and \$25,000 property damage.~~
- b. An insured eligible for Plan coverage may, at his option, also purchase additional coverage to be written in the same policy as the liability coverages for
- (1) liability limits adequate to comply with the provisions of the financial responsibility law of any state in which the motor vehicle will be operated, but applicable only while the motor vehicle is being operated in that state/province;
- (2) ~~the Plan shall be obligated to write liability~~ limits in excess of the basic limits, as set forth in Section 5.A.1.a, only when the said basic limits are written through the Plan;
- (3) ~~Liability~~ limits at the following optional limits:

**BI Limits**

\$50,000/100,000

- (4) ~~Uninsured and underinsured motorists coverage at the standard limits of liability specified in the applicable rules and rates; and~~
- (5) ~~With respect only to four-wheel private passenger vehicles, not for hire, the assigned company shall upon request of the applicant or insured provide medical payments coverage in the amount of \$1,000.~~

Medical payments coverage at a limit of \$1,000 with respect to four wheel vehicles classified and rated as private passenger automobiles.

2. Personal Injury Protection

- a. Personal injury protection coverage shall be ~~afforded included in the same policy on policies or binders providing bodily injury and property damage liability coverages~~ subject to the provisions of Subtitle 39 of the Kentucky Revised Statutes, Chapter 304. Such coverage shall be for an aggregate limit of \$10,000 per insured injured person.

b. Optional Personal Injury Protection Coverage

- (1) ~~For personal injury protection afforded in accordance with 2.a above, the Plan service provider shall upon request of the applicant or insured provide aggregate deductibles per accident for the personal injury protection coverage of \$250, \$500, or \$1,000 applicable to the named insured and family members. (Except corporate or voluntary association insured.)~~
- (2) With respect to private passenger non-fleet risks for which personal injury protection is ~~afforded in accordance with 2.a above~~, the Plan service provider, upon request of the applicant or insured, shall afford added reparations benefits in units of \$10,000 up to limits of \$30,000 subject to a total maximum of \$40,000 for basic and additional personal injury protection, if such risk has purchased bodily injury limits in accordance with A.1.b.(3) above Plan provisions.

**Note:** Personal injury protection coverage is only available through this Plan when liability coverage is afforded under the same policy.

**B. Standard Policy Coverage**

1. Personal Auto Policy

- a. The following risks shall be provided ~~uniform~~ coverage, equivalent to the coverage of the Edition of the Insurance Services Office, Inc. (ISO) Personal Auto Policy and the ISO and Automobile Insurance Plan endorsements which have been approved by the Kentucky Office Department of Insurance for use with Automobile Insurance Plan business.
- (1) Private passenger automobiles, as defined in the Automobile Insurance Plan Manual of Rules and Rates, which have four wheels and are owned or hired under a long-term contract by an individual or by ~~a married couple~~ spouses who are residents in the same household



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or jointly by relatives other than ~~a married couple~~ spouses or jointly by resident individuals

- (2) Motorcycles or similar type motor vehicles, or motor homes used for private passenger purposes which are owned or hired under a long-term contract by an individual or ~~a married couple~~ spouses who are residents in the same household, and written on a specified car basis
  - b. For motorcycles or similar type motor vehicles or motor homes, referred to above, coverage shall be amended by an approved Automobile Insurance Plan Miscellaneous Type Vehicle Endorsement.
  - c. For private passenger automobiles owned or hired under a long-term contract by individuals, other than spouses, residing in the same household or nonresident relatives, coverage shall be amended by an approved Automobile Insurance Plan Joint Ownership Coverage Endorsement.
  - d. Personal injury protection coverage shall be afforded by approved Kentucky No-Fault endorsements.
2. Named Nonowner Policy
    - a. Named nonowner risks shall be afforded coverage through the Automobile Insurance Plan Named Nonowner Policy and Automobile Insurance Plan endorsements which have been approved by the Kentucky Office of Insurance for use with Automobile Insurance Plan business.
    - b. Personal injury protection coverage shall be afforded by approved Kentucky No-Fault endorsements.
  3. Filing of Policy and Endorsement Forms

Any required filing of policy or endorsement forms shall be made on behalf of the Plan by AIPSO.

**Sec. 6. PREMIUM DEPOSIT**  
**REQUIREMENTS AND PAYMENT**  
**OPTIONS**

~~The application for insurance under the Plan must be submitted to the Plan on a prescribed form accompanied by the full gross annual premium or a deposit on a gross basis as indicated below. If the premium is financed with a premium finance company, a copy of the Premium Finance Agreement must be submitted with the application.~~

**A. Full Annual Premium Payment Option**

~~The full annual premium as determined by the Plan Manual of Rules and Rates shall be submitted as the deposit. There is no installment charge required with the deposit. If the premium deposit is inadequate, the outstanding balance shall be billed immediately and due within 30 calendar days of the date of the premium notice.~~

The deposit payment requirements and payment options listed below are applicable to new business and renewals.

**B.A. Advance Premium Payment Option**

The premium payment requirements for this option are as follows:

1. The full estimated annual premium, or
2. 30% of the total estimated annual premium shall accompany the application. There is no installment charge required with the deposit. The balance will be billed immediately and due of the annual premium must be paid within 30 calendar days from of the date of the premium notice. (This payment option is not available for renewal policies.)

**C.B. Installment Premium Payment Option**

**Note:** The installment premium payment option is not available if any portion of the annual premium is financed by a premium finance company.

If any portion of the annual premium is financed after the installment premium payment option is elected, the service provider may bill the insured immediately for the unpaid balance of the annual premium.

1. Deposit

25% of the total estimated annual premium shall accompany the new application and as the initial payment on renewal policies. ~~(No~~ There is no installment charge on the deposit premium.)
2. Installments

The first installment bill will show the current annual premium plus the total installment charge minus the deposit. Each installment bill should display the status of the account and is to be ~~released~~ sent to the insured with a copy to the producer.

Each installment will consist of one-fifth of the remainder of the premium ~~subject to a minimum amount due of \$20 (to which any outstanding balance of less than \$20 is to be added)~~ plus an installment charge of \$4 on each installment, due as follows:

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- a. 1st installment—2 months after the effective date of the policy
- b. 2nd installment—3 months after the effective date of the policy
- c. 3rd installment—4 months after the effective date of the policy
- d. 4th installment—5 months after the effective date of the policy
- e. 5th installment—6 months after the effective date of the policy

~~At any point during the installment billing period, should~~ If the insured elects to pay the outstanding balance, the installment charge for the current bill ~~would~~ will apply.

3. Additional Premium—Changes

Additional premium resulting from changes to the policy may be spread over the remaining installments, ~~if any,~~ or may be billed ~~immediately~~ as a separate transaction. ~~Full compensation on the additional premium is payable by the company after the endorsement is issued.~~

4. Return Premium—Changes

Return premium resulting from changes to the policy may be used to reduce the outstanding balance, ~~or, if~~ the outstanding balance is eliminated, any amount remaining from the return premium will be returned, ~~immediately.~~ If any outstanding balance remains, the number and amounts of the remaining installments will be adjusted accordingly. ~~If the return amount is less than \$20, it may be treated as a separate transaction.~~

5. If the installment is past due and the next installment is due to be billed, a notice of cancellation may be issued to be effective no earlier than the due date of the current installment. The total of the past due installment and the current installment shall become the minimum amount required to avoid cancellation of the policy. If the minimum payment is received by the effective date of cancellation, the policy shall be continued, and subsequent installments shall be processed on schedule.

**D-C. Deposit or Additional Premium Payments  
Applicable to Either A, or B, ~~or~~ C**

All deposit, installments, and additional premium payments shall be submitted gross. ~~Compensation will be paid in accordance with Section 13.~~

The deposit shall be by producer's check, applicant's check, certified check, ~~bank~~ cashier's check, or money

order payable to the Kentucky Automobile Insurance Plan. ~~If the risk is ineligible for coverage, the deposit shall be returned.~~

Additional premium payments shall be by producer's check, applicant's check, certified check, ~~bank~~ cashier's check, or money order payable to the service provider.

A finance company check submitted as premium payment shall be made payable to the Kentucky Automobile Insurance Plan or the service provider.

If the deposit premium is 20% or more inadequate, the service provider may bill for the deficiency immediately. If there are additional premium charges during the policy period, the service provider may collect the additional premium as a separate amount or may add it to the remaining amount due and adjust the remaining installments accordingly. ~~Refunds may be handled in the same manner as additional charges, i.e., credit applied to the remaining balance due or refunded immediately if the outstanding balance is eliminated.~~

**E-D. Dishonored Producer Checks**

~~Producers who have submitted dishonored checks issued by the agency or by an agent individually, on one or more occasions during a one-year period to the Plan or a service provider, must submit future payments by certified check, bank check, or money order. This shall not negate any rights of the Plan to pursue action against a producer.~~

Dishonored producer checks shall be reported to the Plan.

**F-E. Premium Owed for Prior Insurance**

~~Upon receipt of the deposit accompanying an application for insurance, if an applicant is assigned or reassigned to a service provider and the applicant owes earned premium for prior Plan coverage, the service provider may deduct from such the deposit any unpaid balance of earned premium owed to the service provider by the applicant and apply such the amount deducted to the unpaid balance of the deposit or installment required. The service provider will bill the applicant for the balance of deposit or installment required if the resulting balance is not paid within the time permitted by Plan rules, the service provider shall be entitled to cancel such insurance pursuant to Section 12.B of this Plan, will issue a cancellation notice.~~

**Note:** A premium finance check cannot be deducted for prior balance.

**G. Minimum Billing**

Any amount due which is less than \$5 will not be billed.

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

The producer must electronically transmit private passenger applications to the Plan using the online process for electronic application submission authorized by the Plan. The electronic application submission process offers online rating for private passenger risks and electronically transmits the application to the Plan.

The producer may not transmit the application electronically until the application for coverage has been completed and the deposit has been received by the producer.

The producer shall maintain appropriate records of all risks submitted to the Plan, including any electronic communication between the producer and the applicant to acquire signatures and any authentication certificates and documents produced by the producer's electronic signature software product.

**A. Original Application**

1. Upon receipt of ~~an original prescribed properly the completed EASI private passenger application and the deposit specified in Section 6, and if the application form shows that the applicant is eligible for coverage, the Plan shall will process the application and shall so will advise the applicant and~~ producer of record and shall state in such notice the service provider date when the coverage shall become and the effective date of coverage.
2. In no event shall coverage be effective ~~unless~~
  - a. prior to the time shown on the application;
  - b. prior to the time shown on the Evidence of Insurance section of the application.
  - a-c. unless the application includes the signatures of the applicant and the producer;
  - b-d. unless the required deposit premium is submitted with the application.

**2-3. Electronic Application Submission Interface (EASI)**

The producer of record must use EASI to transmit the application electronically to 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 54.~~

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

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.

**a. Immediate Coverage**

~~If the application requires that the coverage applied for become Coverage shall be effective at the time and date of transmission of the electronic application, the producer shall indicate the date and time when the coverage is required. The coverages and limits applied for shall become effective at the time the application is completed and executed, provided all of the following requirements are met for the deposit payment option chosen:~~

- (1) ~~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 transmitted.~~
- (2) ~~The electronic application generated by EASI and deposit, premium and supporting documentation must be mailed to received by the Plan no later than one working day 15 calendar days following the date of transmittal of the application. An application received by the Plan on the 15<sup>th</sup> calendar day shall be considered a timely submission, as evidenced by the postmark on the mailed envelope, or must be hand delivered to the Plan (including delivery by means of overnight mail, courier, or other delivery services) no later than one working day following the date of transmittal of the application. If the original application produced by EASI and deposit premium are not mailed or delivered to the Plan in accordance with this section, coverage shall be effective at 12:01 A.M. on the day following receipt of the application and the deposit premium by the Plan. The Plan will consider this a producer violation of performance standards.~~

- (3) if the application, deposit, and supporting documentation are received by the Plan more than 15 calendar days following the date of transmittal of the application, coverage shall be effective in accordance with the following procedure and the Plan shall charge the producer with a complaint for violation of producer performance standards.

Coverage will become effective on the day following the date of mailing the application, deposit, and supporting documentation to the Plan as shown by the postmark on the envelope accompanying the application.

Coverage will become effective at 12:01 A.M. on the day following receipt by the Plan, if

- the USPS postmark is illegible, or
- the envelope does not contain a USPS postmark, or
- the envelope is stamped by postage meter and does not contain a USPS postmark, or
- the application is delivered by means of overnight mail, courier, or other delivery service.

b. Future Effective Date of Coverage

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

- (1) The requested effective date of coverage does not exceed 30 calendar days from the date of transmittal of the application.
- (2) 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.) of the future effective date of coverage.
- (3) The electronic application ~~generated by EASi—~~ and deposit, premium and supporting documentation must be mailed to received by the Plan no later than one working day 15 calendar days following the date the application is transmitted of transmittal of the

application. An application received by the Plan on the 15<sup>th</sup> calendar day shall be considered a timely submission,—as evidenced by the postmark on the mailed envelope, or must be hand delivered to the Plan (including delivery by means of overnight mail, courier, or other delivery services) no later than one working day following the date of transmittal of the application. If the application produced by EASi and deposit premium are not mailed or delivered to the Plan in accordance with this section, coverage shall be effective at 12:01 A.M. on the day following receipt of the application and the deposit premium by the Plan or the future effective date of coverage, whichever is later. The Plan will consider this a producer violation of performance standards.

If the application, deposit and supporting documentation are not received by the on the 15<sup>th</sup> calendar day from electronic transmission, the Plan shall charge the producer with a complaint for violation of producer performance standards.

- (4) If the application, deposit, and supporting documentation are received by the Plan more than 15 calendar days following the date of transmittal of the electronic application, coverage shall be effective in accordance with Plan provisions and the Plan shall charge the producer with a complaint for violation of producer performance standards.

If the applicant does not desire coverage until a later date, not to exceed 30 calendar days from the date of application, the applicant shall indicate such date in the application. Coverage shall become 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 on date later than the date determined per this section, the applicant shall indicate such date in the application. Coverage becomes effective at 12:01 A.M. on the termination date of coverage of the in-force policy or at 12:01 A.M. on the day following receipt of the application by the Plan, whichever is later.

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

~~d. Appropriate records for 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.c.~~ Private Passenger Application Retraction Procedure

(1) ~~When to Retract an EASi Application Retraction~~

~~Following issuance of a reference number and prior to mailing or delivery of a completed, signed application to the Plan, the producer of record may retract a private passenger application for the reasons stated in Section 7.A.2.c.(2).~~

The producer may retract an electronic application following the issuance of a reference number provided the application and supporting documentation have not been received by the Plan for the following reasons:

(2) ~~Reasons for Retraction of an EASi Application~~

~~An EASi private passenger 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)(2) Electronic Retraction Process

~~The producer of record shall access EASi and use the on-line electronic process to request retraction~~ an EASi application. The retraction must be transmitted to the Plan no later than one working day after the date 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 the Plan shall charge the producer with a complaint for violation of performance standards.

When retraction is requested because the producer has made an error in the application information and a corrected application has been transmitted, the producer must forward the corrected application, deposit and any supporting documentation accompanied by a copy of the completed Electronic Application Submission Retraction Request Form to the Plan.

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

~~If, for any reason, EASi the electronic application submission 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 an Electronic Application Submission Interface Retraction Request Form available on the Plan website and forward it to the Plan no later than within two working days after following the issuance of a reference number. date the application is submitted using EASi.~~

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

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

If the Plan does not receive the paper Electronic Application Submission ~~Interface~~ Retraction Request Form within 15 calendar days after the date of issuance of the EASi reference number, ~~the producer to whom the reference number is assigned will be considered in the Plan shall charge the producer with a complaint~~ for violation of producer performance standards.

~~(5)~~(4) Plan Retraction of EASi an Application

If the producer fails to retract the EASi application ~~in accordance with Section 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.

~~f. If EASi is not available, the producer of record must submit an original application form in accordance with the Alternate Application Submission Procedure in Appendix, Section 52. The effective date of coverage will be determined in accordance with Appendix, Section 52.~~

~~g-d.~~ The Plan shall maintain a record of producer violations of EASi infractions pertaining to electronic application submission. 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 electronic application submission.

~~h. Access to EASi 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.~~

~~3-4.~~ Plan Submission to Service Provider

~~The Plan shall forward to the service provider the application form, the notice of the effective date of coverage, and the deposit, same to be credited by the service provider against the policy premium.~~

The Plan shall forward the application, the notice of effective date of coverage, and the deposit to the service provider. The service provider will credit the deposit against the policy premium.

~~4-5.~~ Filings of Policies and Certificates

The service provider shall make such filings of policies and certificates for the applicant, or for the spouse if eligible under the Plan, as may be required by law. The certificate shall become effective as of the effective date of coverage.

~~5-6.~~ Applicant Refusal to Accept Policy

If ~~for any reason~~ the applicant refuses to accept the policy for any reason, the service provider shall retain whichever of the following is greater, and return the balance to the applicant:

- the earned premium for the period of coverage and .10 of the pro rata unearned policy premium, or
- the minimum policy premium as contained in the Automobile Insurance Plan Manual of Rules and Rates.

B. Additional Vehicles or Coverages

1. If additional coverages ~~as described in Section 5 of this Plan are desired~~ requested during the policy period or coverage for an additional or replacement vehicle is ~~desired~~ requested, a completed approved Policy Change Request form shall be submitted to the service provider no later than the first working day after completion.

2. Premium requirements for additional vehicles or coverages include the following:

- The Policy Change Request form shall be accompanied by a ~~check or money order~~ deposit payable to the service provider for an amount equal to 30% of the annual premium or the pro rata premium for the remainder of the policy period, whichever is less.

If the Policy Change Request form is submitted electronically, any additional premium must be forwarded to the ~~servicing carrier~~ service provider no later than the first working day after electronic transmittal of the Policy Change Request form. If additional payment is not received by the service provider within 10 working days, the producer will be charged with a complaint ~~pursuant to Section 15 for violation of producer performance standards.~~

- The balance of the additional premium shall be payable in accordance with the provisions of ~~Section 6~~ the Plan.

- All premium payments for additional vehicles or coverages shall be submitted on a gross basis.

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- ~~e.d.~~ The producer shall not deduct their commission from any premium payment for additional vehicles or coverages submitted to the service provider.
3. Except as otherwise provided in the policy contract, coverage will be effective at the date and hour specified in the Policy Change Request form provided:
- a. The producer and applicant certify the date and hour of completion of the Policy Change Request form.
- ~~a.b.~~ The producer ~~of record~~ forwards the completed Policy Change Request form to the service provider, ~~in accordance with Section 7.B.4;~~
- ~~b.c.~~ The United States Postal Service postmark date on the transmittal envelope ~~complies with the mailing requirements shown in Section 7.B.4,~~ verifies the policy change form was forwarded to the service provider no later than the first working day after the form was completed.
4. ~~If the provisions of Sections 7.B.3.a and b above are not met,~~ policy change request is not forwarded to the service provider within the first working day after the form is completed, the effective date of coverage shall be determined as follows:
- a. ~~The coverage shall be made effective at 12:01 A.M. on the day following the date the Policy Change Request form is mailed to the service provider as shown by the postmark if the transmittal envelope bears a legible postmark affixed by the United States Postal Service,~~ coverage is effective at 12:01 A.M. on the day following the date the Policy Change Request form is mailed to the service provider.
- b. If the transmittal envelope does not bear a legible postmark affixed by the United States Postal Service, or if the envelope is stamped by a metered mail postmark, electronic stamp, or other postage service or stamp, coverage shall be made effective at 12:01 A.M. on the day the Policy Change Request form is received by the service provider.
- c. If the Policy Change Request form is delivered to the service provider by means other than the United States Postal Service (including delivery by means of overnight mail, courier, or other delivery service), coverage shall be made effective at 12:01 A.M. on the day following receipt by the service provider.
5. If the Policy Change Request form is transmitted to the service provider via facsimile ("~~fax~~") or e-mail, coverage will be effective at the date and hour specified in the Policy Change Request form, provided all the following requirements are met:
- a. The producer ~~of record~~ and applicant certify the date and hour of completion of the Policy Change Request form.
- b. The producer ~~of record~~ electronically transmits the completed Policy Change Request form to the service provider no later than the first working day after the ~~Policy Change Request form~~ Policy Change Request form is completed.
- c. The producer ~~of record~~ forwards additional premium payment, if required, to the service provider in accordance with ~~Section 7.B.2.a above~~ Plan provisions.
- ~~d. If the provisions of Sections 7.B.5.a and b are not met,~~ coverage shall be made effective at 12:01 A.M. on the day following the receipt of electronic transmission of the policy change request by the service provider-if
- (1) The producer and applicant do not certify the date and hour of completion of the policy change request, and/or
- (2) The producer does not electronically transmit the completed Policy Change Request form to the service provider within the first working day after completion.
6. Except when there is a reduction or elimination of coverage, the producer may provide the service provider with policy change requests by telephone if the option is available by the service provider. Coverage will be effective at the date and hour specified by telephone, provided all the following requirements are met:
- a. The producer must forward the completed approved Policy Change Request form to the service provider no later than the first working day after the policy change request information is transmitted by telephone.
- b. The producer ~~of record~~ and applicant certify the date and hour of completion of the Policy Change Request form.
- c. The producer ~~of record~~ forwards additional premium payment, if required, to the service provider in accordance with ~~Section 7.B.2.a above~~ Plan provisions.
7. If the policy change request is not forwarded to the service provider within the first working day after the form is completed, provisions of Sections

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~~7.B.6.a and b are not met, the effective date of~~  
coverage shall be determined as follows:

- a. ~~The coverage shall be made effective at 12:01 A.M. on the day following the date the Policy Change Request form is mailed to the service provider as shown by the postmark if the transmittal envelope bears a legible postmark affixed by the United States Postal Service, coverage shall be effective at 12:01 A.M. On the day following the date the Policy Change Request form is mailed to the service provider.~~
  - b. If the transmittal envelope does not bear a legible postmark affixed by the United States Postal Service, or if the envelope is stamped by a postage meter, electronic stamp, or other postage service or stamp, coverage shall be made effective at 12:01 A.M. on the day the Policy Change Request form is received by the service provider.
  - c. If the Policy Change Request form is delivered to the service provider by any means other than the United States Postal Service (including delivery by means of overnight mail, courier, or other delivery service), coverage shall be made effective at 12:01 A.M. on the day following receipt by the service provider.
  - d. If the Policy Change Request form is transmitted to the service provider via facsimile ("fax") or e-mail, coverage shall be made effective at 12:01 A.M. on the day following the receipt of electronic transmission of the policy change request by the service provider.
8. In no event shall any change in coverage be effective prior to the date and hour of completion of the Policy Change Request form except as provided for by the provisions of the policy contract.
  9. If the application has been submitted to the Plan and the producer has not yet been notified of the service provider, the Policy Change Request form and premium payment must be forwarded to the Plan no later than the first working day after completion.
  10. The producer ~~of record~~ shall maintain appropriate records of for all risks for which they have designated the date and hour of coverage and submitted to the Plan, including any electronic communication between the applicant and the producer to acquire signatures and any authentication certificates and documents produced by the producer's electronic signature software product. The producer agrees to permit inspection or photocopying of such office records

by the Plan or by a service provider representative. ~~This inspection or photocopying will be limited to situations where the date and hour of coverage is in question due to the occurrence of an accident or claim arising under the Policy Change Request form completed in accordance with this Section.~~

**C. Reduction or Elimination of Coverage**

~~In the event~~ If a reduction or elimination of coverage is desired during the policy period, a completed approved Policy Change Request form must be signed by the ~~applicant or insured~~ and submitted to the service provider.

**D. Incomplete Applications**

Applications ~~The application and required deposit shall be accepted by the Plan and processed by the service provider, if the Plan requirements shown in Sections 6 and 7 are reasonably complied with, and it shall be the responsibility of the Plan and the service provider to communicate clearly to the applicant and to the producer of record in what respect an application requires correction except~~

~~1. Applications Returned by the Plan~~

~~For EASI applications and plain paper 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.~~

~~2. Applications Received by the Service Provider~~

~~The service provider 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 12 of this Plan, as applicable.~~

1. If the completed application and required deposit are not received by the Plan within 20 calendar days from the date of electronic transmission 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 shall be in effect. The application shall be retracted by the Plan. The producer shall receive a complaint for violation of producer performance standards.
2. If an application is submitted without a deposit premium, the application shall be returned to the producer, and no coverage will be afforded.

It shall be the responsibility of the Plan and the service provider to communicate clearly to the insured and producer if an application is incomplete and requires correction.

#### **E. Application Submission if Electronic Submission is Unavailable**

If the electronic application submission is not available, producers licensed to transact automobile insurance in the state and who are authorized by the Plan may submit applications using the Alternate Application Submission Procedure.

Producers eligible to use the Alternate Application Submission Procedure shall contact the Kentucky Plan.

Coverage will be effective in accordance with Application for Coverage and Determination of Effective Date.

### **Sec. 8. RESERVED FOR FUTURE USE**

### **Sec. 9. ASSIGNMENT PERIOD**

An applicant shall be assigned to a service provider for a period of three consecutive years. The service provider shall be required to renew the policy for two consecutive years following the initial policy term, provided the insured continues to be eligible for coverage through the Plan.

If an insured is unable to obtain insurance at the end of the three-year period, reapplication for insurance may be made to the Plan. ~~Such reapplication shall be considered as a new application.~~

~~In the case of nonresident military personnel, as described under Section 2 of the Plan, the service provider shall not be required to renew if, at the time of renewal, the insured~~

~~is stationed in another state and his automobile is not registered in Kentucky.~~

### **Secs. 10-11. RESERVED FOR FUTURE USE**

### **Sec. 12. CANCELLATIONS**

#### **A. Cancellation at Request of Insured**

If for any reason the insured requests a cancellation, other than placement of coverage through the voluntary market, the service provider shall retain the earned premium for the period of coverage and .10 of the pro rata unearned policy premium, or the minimum policy premium as contained in the Automobile Insurance Plan Manual of Rules and Rates, whichever is greater, and return the balance to the insured.

~~In the event~~ If the insured requests cancellation of a policy because coverage has been replaced in the voluntary market with an admitted carrier, and the service provider receives proof documenting same, the cancellation shall be on a pro rata basis, or the minimum policy premium as contained in the Automobile Insurance Plan Manual of Rules and Rates, whichever is greater.

#### **B. Cancellation by the Plan Service Provider**

1. A service provider ~~acting on behalf of the Plan,~~ which has issued a policy ~~or binder~~ under this Plan, shall have the right to cancel the insurance by giving notice as required in the policy ~~or binder~~ if the insured
  - a. is not, or ceases to be, eligible or in good faith ~~entitled to eligible for~~ insurance, or
  - b. has failed to comply with reasonable safety requirements, or
  - c. has violated any of the terms or conditions upon the basis of which the insurance was issued, or
  - d. has obtained the insurance through fraud or misrepresentations, or
  - e. has failed to pay any premiums due under the policy, or
  - f. has failed to remedy defects in the application ~~as outlined in Section 7.D,~~ or
  - g. cannot be located by the service provider for purposes of its underwriting review, or fails to respond to at least two written requests for pertinent underwriting information which would have a direct bearing on the rating of a policy.

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- i. becomes eligible for CAIP midterm because of limits in excess of maximum limits available under the Plan.

2. ~~Each such~~ cancellation shall be on a pro rata basis, subject to the minimum policy premium prescribed in the Automobile Insurance Plan Manual of Rules and Rates, whichever is greater, and a copy of ~~each such~~ the cancellation notice shall be furnished to the producer ~~of record~~. A statement of facts in support of ~~each such~~ the cancellation shall be furnished to the producer ~~of record~~ and to the insured at least 10 calendar days prior to the effective date of cancellation.

Cancellation shall be effective on the date specified and coverage shall cease on such date.

~~At the option of the service provider, the~~ nonpayment cancellation date may be the equity date computed on the pro rata basis. ~~(Equity date is the date at which all collected premium is earned as computed on the pro rata basis.)~~

No coverage will be effective if the insured's premium remittance which accompanies ~~which accompanies~~ the application is justifiably dishonored by the financial institution.

If the service provider issues a cancellation notice for nonpayment of premium to a private passenger nonfleet insured and the insured's remittance received by the service provider subsequent to the issuance of such cancellation notice is justifiably dishonored by the financial institution, the Plan policy will terminate on the date and time shown on the cancellation notice issued for nonpayment of premium.

Nothing herein shall be deemed to affect the service provider's right to rescind a policy or to invoke other remedies provided by law for fraud, or misrepresentation, or if the insured's premium remittance which accompanies the application is justifiably dishonored by the financial institution, or to invoke other remedies provided by law.

**C. Cancellation at the Request of the Producer**

A service provider shall, at the request of a producer, cancel a policy in conformity with law where producer presents proof that a check, tendered by the insured to be used for the payment of premium and which has been deposited in the producer's premium account, has been refused payment by the bank upon which it has been drawn. ~~Such~~ The cancellation shall be on a pro rata basis, and the unearned portion of the paid premium, if any, shall be returned to the producer to the extent of the amount of the dishonored check.

**D. Minimum Refund**

Any unearned premium amounts under \$5 will be refunded only upon the insured's request.

**Sec. 13. COMPENSATION TO PRODUCER OF RECORD**

- ~~A. Unless other arrangements have been made with the Executive Director of the Office of Insurance, the compensation under the Plan shall be as follows:~~

~~5% of the policy premium for compensation to a licensed producer designated by the insured~~

- ~~A. The licensed producer designated by the insured shall receive 5% of the policy premium for compensation.~~

- ~~B. Compensation may be paid by the service provider either (1) on the full annual premium, or (2) on the basis of the premium received by the service provider.~~

- ~~C. A producer accounting system may be utilized by a service provider in its payment of producer compensation.~~

- ~~D. Compensation will not be paid on installment charges.~~

- ~~E. On any risk rated and domiciled outside of this state, the licensed producer may be paid only that portion of the producer's compensation specified above which is permissible under the laws of the state in which the risk is rated and domiciled.~~

- ~~F. Producer compensation under Section 6.C. Installment Premium Payment Option may be paid as installment payment is received by the service provider.~~

- ~~G. In the event of cancellation, policy change, or a termination resulting in a reduction of premium, compensation will be payable on the earned premium received by the service provider.~~

- ~~H. Final compensation adjustment will be in accordance with this Section.~~

- ~~I. Should the producer fail to provide their tax identification number, the service provider may defer the payment of compensation until the proper tax identification is provided.~~

The service provider may defer the payment of compensation until the proper tax identification number is provided by the producer.

**Sec. 14. PERFORMANCE STANDARDS  
FOR SERVICE PROVIDERS  
WRITING KENTUCKY  
AUTOMOBILE INSURANCE  
PLAN PRIVATE PASSENGER  
NONFLEET RISKS**

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

**A. Issuance of Original Policy**

Upon receipt of the ~~Notice of Designation assignment notice~~ and the premium or deposit from the Plan, the service provider shall

1. within two working days ~~following the effective date of coverage or receipt of the Notice of Designation, whichever occurs last,~~ make filings of policies and certificates, as may be required, provided all information necessary is contained in the application form and such application is accompanied by the deposit ~~prescribed in Section 6.~~ Such filings will indicate the effective date specified by the Plan in the ~~Notice of Designation assignment notice,~~
2. within 30 calendar days issue a policy if all information necessary for the service provider to ~~fix~~ determine the proper rate is contained in the application ~~form, such~~ The policy to ~~shall~~ become effective in accordance with the provisions of ~~Section 7 the Plan, or~~
3. ~~within 30 calendar days issue a binder if all information necessary for the service provider to fix the proper rate is not contained in the application form or if the Plan Manual does not contain rates applicable to an applicant.~~

The day the assignment and premium or deposit are received by the service provider shall be considered the first working day regardless of the time of receipt.

The producer shall be notified as to the disposition of the assignment.

4. Classification of Risks not Specifically included in the Manual

~~In the event the Plan Manual does not contain applicable rates, the service provider must request that AIPSO make the necessary rate filing with the Executive Director of the Office of Insurance. Upon receipt of information necessary for the service provider to fix the proper rate or notification of approval of the rate filing, the service provider shall issue a policy to become effective in accordance with the provisions of Section 7.~~

If rules and rates for eligible autos are not specifically included in this Manual, the service provider shall refer the matter to AIPSO for rules and rates by completing an Individual Risk Submission Application, with a copy of such request to the Plan. Refer to the Manual of Rules and Rates.

4. ~~Unless the service provider finds the applicant ineligible for insurance under the rules of the Plan, the service provider will notify the insured and the producer of record of the collection procedure to be followed. The service provider will be guided by the following:~~

- ~~Full Annual Premium Payment Option~~

~~See Section 6.A.~~

- ~~Advance Premium Payment Option~~

~~See Section 6.B.~~

- ~~Installment Premium Payment Option~~

~~See Section 6.C.~~

~~The day the Notice of Designation and premium or deposit are received from the Plan shall be deemed the first working day, whatever may be the time of such receipt. No Saturday, Sunday, or legal holiday in the place of receipt shall be deemed a working day.~~

~~The producer of record shall be notified as to the disposition of the assignment in accordance with Section 14.A.~~

**B. Renewal Policies or Certificates**

1. At least 30 calendar days prior to the inception date of renewals, the service provider shall notify the applicant insured and producer that
2. a renewal will be issued provided the premium ~~stipulated set~~ by the service provider is received ~~at the service provider's address identified by the premium bill on or before the expiration inception date of the current policy, or~~

~~if the renewal is to be written on the installment premium payment option, such renewal will be written provided the deposit premium stipulated by the service provider is received at the service provider's address identified on the premium bill on or before the expiration inception date of the current policy, or~~

3. a renewal will not be issued for the reason that the applicant is not entitled to eligible for insurance under the Plan.

~~Renewal premium quotations will be made as stipulated in the present Plan rules. A copy of such notice shall be filed with the producer of record. In the event the service provider will not issue a~~

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~~renewal, the reason supporting such action together with a copy of said notice shall be filed with the Executive Director of the Office of Insurance of the state and the Plan.~~

~~Renewal policies or certificates will be issued and mailed within 30 days of the service provider's receipt of the renewal premium specified under Section 14.B.2 above.~~

**C. End of Assignment Period**

At least 45 calendar days prior to the expiration date of the final renewal of the assignment period, the service provider shall notify the applicant that the period of assignment under the Plan will terminate on said expiration date. A copy of such notice shall be sent to the producer of record.

**D. Endorsements**

Any endorsement requested of the service provider shall be issued and mailed within 30 calendar days by the service provider.

**E. Return Premiums**

The service provider shall mail the return premium within 30 calendar days of the receipt of a request for either cancellation or an endorsement resulting in a return premium; the service provider must mail the return premium check.

**F. Collection of Premium**

Service providers are to follow present Plan rules, ~~see Section 6 of this Plan.~~

**G. Compensation**

Compensation shall be paid no less frequently than monthly and shall be paid within 15 calendar days after the close of the month in which the commission was credited to the producer's account. The service provider must issue a statement and, if applicable, the proper compensation check unless the producer fails to provide ~~his or her proper~~ their tax identification number. ~~Final compensation adjustment will be in accordance with Section 13.~~

**H. Claim Handling**

1. Service providers shall provide policyholders and producers with information on how and where to report claims.
2. ~~Each~~ The service provider is responsible for handling all claims properly and promptly in accordance with the terms of the contracts of insurance subject to the limits of coverage provided. ~~Claim adjustment practices and procedures shall correspond with those followed for voluntary business, if applicable. Where unfair~~

claim practices, regulations, or legislation exist, service providers must comply with such regulations or legislation.

3. Service providers must have the ability to service insurance claims in every state, the District of Columbia, and Canada.
4. Contact (First- and Third-Party Claimants)

~~Initial contact with insureds and claimants must comply with claim handling compliance procedures.~~

Upon receipt of notification of a claim containing sufficient information to identify the insured, claimant, and policy number, the service provider must acknowledge receipt of such notice within the applicable state's regulations or unfair claims practices. If the state has not established time guidelines, the service provider must acknowledge receipt of such notice to first-party claimants within 2 working days and third-party claimants within 15 working days and have the date of the acknowledgement documented in the service provider's claim file.

The service provider will provide first party claimants with the necessary forms and instructions to permit compliance with all policy conditions.

5. Appraisal

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

6. Coverage

The service provider must verify that the proper coverage was in effect at the time of loss which covers the damages claimed by the first- or third party claimant.

7. Investigation

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

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

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

8. Reserving

Reserving practices must comply with the requirements outlined in the Claims Guidelines Manual.

9. Documentation/File Reporting

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

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

10. Payment

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

Final notice of close-out-settlements will be furnished to producers within 30 working days of the closing date.

11. Expenses

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

12. Fraud Prevention/Detection

Claims personnel shall receive training in fraud prevention and detection which complies with claim handling compliance procedures.

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

13. Noncompliance with claim handling performance standards will be reported to the ~~Governing~~ Committee for appropriate corrective action which cannot include monetary penalties. The matter may also be reported to the Executive Director of the Office of Insurance for such action as is deemed necessary.

I. **Surcharges**

At the time of the initial application of a surcharge based on a driving record obtained from a state motor vehicle record, the service provider will furnish to the insured a listing of the accidents/convictions which determined the surcharge.

**Sec. 15. PERFORMANCE STANDARDS  
FOR PRODUCERS WRITING  
KENTUCKY AUTOMOBILE  
INSURANCE PLAN PRIVATE  
PASSENGER NONFLEET  
RISKS**

A. **Original Applications**

1. 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 filings; and
  - b. name, address, and tax identification number of the producer; and
  - c. signatures of the applicant and the producer; and
  - d. 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.

2. Deposit premiums shall be submitted gross with the application, ~~in accordance with Section 6.~~

The Plan shall charge the producer with a complaint for being in violation of these provisions.

3. ~~If violations pertaining to the use of EASI have occurred, the Governing Committee may limit, suspend or terminate producer access to EASI.~~

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~~If the Plan determines that immediate action is required to protect the public interest prior to a hearing before the Governing Committee in accordance with usual Plan procedures, the Plan may immediately suspend a producer's privilege to use EASI. The Plan shall notify the producer, in writing, of the suspension and provide the written statement of the alleged violations against the producer which clearly evidence that delay until a Governing Committee hearing can be held will pose harm to the public interest. A hearing on the merits before the Governing Committee will take place within 10 days of the notice of suspension. Within 7 days of the hearing, the Plan shall notify the producer, in writing, of the Governing Committee's decision. Any final decision of the Governing Committee under this Section shall be subject to the right of appeal of the Executive Director of the Office of Insurance of the state.~~

The producer shall maintain appropriate records of all risks submitted to the Plan, including any electronic communication between the applicant and the producer to acquire signature and any authentication certificates and documents produced by the producer's electronic signature software product. The producer agrees to permit inspection or photocopying of their records by the Plan or service provider representative.

4. Producers shall comply with Plan rules pertaining to the retraction of electronically transmitted applications.

**B. Return Compensation**

Return compensation shall be paid within 45 calendar days from the date of notice to the producer.

**C. Cancellation of Plan Policy**

No producer shall cancel and rewrite a Plan policy for the purpose of avoiding a rate increase, a rate decrease, or additional charges.

**D. Policy Change Request**

Producers must use the Policy Change Request form authorized for Plan use or one provided by the service provider when making a policy change request.

**E. Claims**

When an insured reports an accident or claim to the producer, the producer shall report it to the service provider within one working day in accordance with the instructions of the service provider.

**F. Payments**

1. Additional premium payments shall be submitted gross, ~~in accordance with Section 6.C.3.~~

2. Producers shall immediately remit all payments received from insureds within one working day, by the due date.
3. ~~Dishonored producer checks shall be reported to the Plan.~~

Producer checks dishonored by the bank shall be considered a violation of this performance standard. Any producer who submits to the Plan or service provider three checks within a 12-month period that are subsequently dishonored by the bank when presented for payment shall submit future payments by certified check, cashier's check, or money order.

Producers who are subject to the above provisions may be removed from this requirement after one calendar year from its imposition provided the producer has met the following terms:

- a. the Plan has received no additional notices of checks which were dishonored by the producer's bank after the producer was placed on the certified check requirement, and
- b. the producer has resolved all dishonored checks

Should the Plan receive any additional notice(s) of checks which were dishonored by the producer's bank, the producer shall be referred to the Committee for review.

**G. License**

Producers must be properly licensed and conform to the requirements of the Plan.

**H. Fraud or Misrepresentation**

No producer shall engage either in fraud or misrepresentation with regard to the contents of an application, the necessary information to rate and write a policy, a claim, or any other information material to underwriting a risk.

**I. Procedures for Compliance with the Performance Standards for Producers**

1. The Plan shall report violations of producer performance standards to the Committee.
2. If the Plan determines that immediate action is required to protect the public interest prior to a hearing in accordance with usual Plan procedures, the Plan may immediately suspend a producer's privilege to electronically submit applications. Upon suspension, the producer cannot access the online process for application submission or submit new applications.

The Plan shall notify the producer, in writing, of the suspension of access to the online process for

application submission and the privilege to submit new applications to the Plan and provide a statement of the alleged violations of the producer which clearly evidences that delay until a full hearing will pose harm to the public interest.

A full hearing on the merits shall take place before the Committee within 10 calendar days of the notice of suspension, in accordance with usual Plan procedures. Within 7 calendar days of the hearing, the Committee shall render a decision and make appropriate recommendations. The Plan shall notify the producer immediately in writing of the Committee's decision.

The summary suspension procedure shall also apply to any producer whose license has been suspended or revoked through the administrative action of any other state or involuntary automobile insurance mechanism authority as a result of failure to remit premium or the producer's improper withholding of any funds.

3. A final decision by the Committee may be reported to the governing body in any other state automobile insurance plan in which the producer is certified or registered to submit business. The governing body in that other state may take any action it deems appropriate upon review of that decision.

The actions of a producer under all 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 all sections 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.

## **Sec. 16. RESERVED FOR FUTURE USE**

## **COMMERCIAL AUTOMOBILE PART PROVISIONS**

The Commercial Automobile Insurance Procedure (CAIP) servicing carrier shall include a service provider appointed with a fronting company, unless otherwise specified.

## **Sec. 17. PURPOSES OF PLAN**

The purposes of the Plan are

- A. ~~to make basic automobile bodily injury and property damage liability insurance, including auto dealer liability insurance, and no-fault coverage, as required by Kentucky law, available subject to the conditions hereinafter stated, and~~

to provide automobile insurance coverage to those eligible risks who are unable to obtain coverage in the voluntary market.

- B. ~~to make medical payments insurance available, subject to the conditions hereinafter stated, to four-wheel vehicles classified and rated as private passenger automobiles, and~~

- ~~C.~~ B. to establish a procedure for the sharing of premiums, losses, and expenses generated by the Commercial Automobile Insurance Procedure (CAIP) among all subscriber companies writing Voluntary Other than Private Passenger (OTPP) commercial policies in the state of Kentucky, and

- ~~D.~~ C. to preserve to the public the benefits of price competition by encouraging maximum use of the normal private insurance system.

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

## **Sec. 18. ELIGIBILITY**

### **A. Applicant Eligible for Plan**

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

1. ~~As a prerequisite to consideration for coverage through the Plan, an applicant must certify, in the prescribed approved commercial application form, that he or she has they have attempted, within 60 days prior to the date of application, to obtain automobile insurance in the state within 60 calendar days prior to the date of application, and that he or she has they have been unable to obtain such insurance.~~
2. ~~An applicant so certifying shall be considered for coverage through the Plan upon making application in good faith to the Plan. An applicant shall To be considered in good faith if he or she the applicant must reports all information of a material nature required to properly rate the risk and does not willfully make incorrect or misleading statements in the prescribed commercial application form, or does not come within any of the prohibitions or exclusions shown in Section 18.C.~~

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3. ~~Except as provided in Section 18.E, the Plan shall be available to residents and nonresidents of applicants domiciled in the state, only with respect to automobiles that are registered or will be registered in the state within 15 calendar days, except that nonresidents who are members of the United States military forces shall be eligible with respect to automobiles registered in other states provided such military nonresidents are stationed in this state at the time application is made and are otherwise eligible for insurance under the Plan.~~  
An eligible applicant must be the owner of a motor vehicle(s) to automobiles that are registered or will be registered in the state within 15 calendar days, except that nonresidents who are members of the United States military forces shall be eligible with respect to automobiles registered in other states provided such military nonresidents are stationed in this state at the time application is made and are otherwise eligible for insurance under the Plan.
4. ~~In the event the operator's license of the applicant, any operator resident in the same household, or an individual who customarily operates the motor vehicle(s) has been suspended or revoked, including operator licenses requiring SR-22 filings, the applicant is entitled to automobile insurance coverage through the Plan for the operation of properly registered vehicle(s) provided~~  
a. another duly licensed operator is shown on the application, or  
b. the application is returned with an additional duly licensed operator, or  
c. current valid operator's license information is submitted, or  
d. a notice of restoration of license is received from the state of Kentucky, or  
e. an SR-22 filing is requested at the time of application.

**B. Risks Eligible for Coverage**

1. All applicants risks 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
    - (5) Antique autos
    - (6) Amphibious autos
    - (7) Snowmobiles

(8) Golf carts

(9) Motorcycles, motorscooters, motorbikes, trail bikes, 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.~~

- ~~2. The foregoing exception shall not apply to those vehicles of any applicant subject to the Federal Motor Carrier Act of 1980 or any law or regulation requiring higher limits than those otherwise available under the Plan, and further, the exception shall not apply to any vehicle that is part of a risk which includes a vehicle required to be pooled.~~

- ~~3.2. When one or more vehicles owned or hired by a single entity are to be provided coverage under this Part the Commercial Provisions, and the vehicle(s) require a filing or a limit of liability as mandated by federal law, state law, or an ordinance or regulation of a political subdivision, all vehicles owned or hired by such entity shall be written under this Part the Commercial Provisions. The risk is not eligible for coverage unless all vehicles owned or hired by the entity are written on the same Plan policy.~~

**C. Applicant Not Eligible for Plan**

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

- 1. if any person who usually drives the motor vehicle does not hold or is not eligible to obtain an operator's license or fails to obtain such license as required by law; or
- ~~2. if any person who usually drives the automobile is a new resident to the state and fails to obtain a Kentucky operator's license as required by law;~~
- ~~3.2. if the applicant or anyone who usually drives the motor vehicle fails to meet all obligations to pay any insurance company any automobile insurance premiums due within the past 36 months; or~~
- ~~4.3. if the applicant is one of two or more entities, in each of which the same person or group of persons or corporations owns a majority interest, none of such entities shall be eligible for insurance under the Plan if any of such entities has failed to~~



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meet its premium obligations as outlined above. If an entity owns the majority interest in another entity which in turn owns the majority interest in another entity, all related entities ~~so related~~ shall be considered as under the same majority ownership ~~for purposes of this Part; or~~

4. if an applicant has vehicles insured in the voluntary market and is requesting supplementary excess or contingent coverage only through the Plan, e.g., hired or employers nonownership liability, or
5. if the applicant has owned or nonowned auto exposures, not insured in the Plan, or
6. if the insured has failed to obtain a producer, or
- 5.7. an applicant is considered ineligible if the applicant has been cancelled for failure to respond to a request to schedule an audit or for failure to comply with a request to conduct an audit and has not submitted to and permitted the completion of an audit, unless the cause of ineligibility has been removed, in accordance with Section 19.

**Note:** Medical payments coverage is only available through this Plan on the same policy affording liability coverage for a four-wheel vehicle classified and rated as a private passenger automobile.

~~D. Medical payments insurance shall be available to an applicant, but only in conjunction with the same policy written in accordance with this Plan affording bodily injury and property damage coverage for a four-wheel vehicle classified and rated as a private passenger automobile.~~

**E.D. Applicant with Multistate Operations**

1. For multistate operations, the state Plan in which the operating headquarters of the risk is located shall provide the insurance. For prepared food delivery services, only risks with a store providing retail sales located in Kentucky paying Kentucky sales tax with delivery in Kentucky are eligible for coverage under this Section.

~~For the purpose of this Part, o~~Operating headquarters is defined as the chief or usual place of business. It is the head office, the place where the principal officers generally transact business and the place to which reports are made and from which orders emanate. It is also the place where the corporate functions are performed. It is where executive offices are located and corporate decisions are made.

The burden of proof with regard to the location of the operating headquarters, ~~consistent with the definition as stated above,~~ lies with the applicant

and producer who seeks to be insured through a particular state Plan.

A vehicle principally garaged in another state shall be subject to the rates, additional charges, and rating rules applicable under the Plan of the state of principal garaging.

**2. Liability Insurance Coverage**

~~The servicing carrier shall provide, u~~Upon the request of the applicant, the servicing carrier shall provide limits of bodily injury and property damage liability insurance coverage equal to the maximum limits of liability insurance coverage afforded in any state Plan in which the applicant's vehicles are garaged.

**3. Physical Damage Insurance coverage**

Physical damage insurance coverage is available for vehicles garaged outside of the headquarters state. ~~Such coverage~~ Coverage shall be provided by the servicing carrier upon request of the applicant for such vehicles garaged outside of the headquarters state but only to the extent that if physical damage coverage is afforded under the Plan of the state(s) in which ~~such the~~ the vehicles are principally garaged.

**Sec. 19. REELIGIBILITY**

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

**A. New Application**

Any applicant denied insurance under Section 18 or cancelled under Section 28.B of the Plan may reapply to the Plan as soon as the cause of ineligibility is removed. If reapplication is made, a new application shall be forwarded to the Plan along with the appropriate deposit and required documentation.

A.1. An a~~Applicants cancelled by the servicing carrier may reapply at any time provided no earned premium is owed to the previous servicing carrier, under Section 28.B.1.a for not being in good faith shall not be eligible to reapply to the Plan until 12 months after the effective date of cancellation.~~

**Exception:** An applicant cancelled by the servicing carrier for not being in good faith is not eligible to reapply to the Plan for 12 months after the effective date of cancellation.

2. ~~Applicants cancelled under Section 28.B.1.e of the Plan may reapply to the Plan at any time providing no earned premium is owed the previous servicing carrier.~~

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~~3. If an applicant cancelled under Section 28.B.1.e reapplies, provided such applicant is otherwise eligible, the application shall be accompanied by the deposit prescribed in Section 22.~~

~~4. Such application shall be considered a new application and coverage shall be determined in accordance with the provisions of Section 23.G. If such reapplication is made, a new application shall be forwarded directly to the Plan.~~

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

If such reapplication is made, a new application shall be forwarded directly to the Plan.

**B. Renewals**

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

**Sec. 20. RESERVED FOR FUTURE USE**

**Sec. 21. EXTENT OF COVERAGE**

**A. Coverages and Limits**

1. Bodily Injury, Property Damage, Medical Payments, Uninsured and Underinsured Motorists, and Personal Injury Protection Coverages

a. ~~Each~~ The servicing carrier shall be required to write a policy ~~or binder~~ for basic combined single limit of \$60,000.

b. An insured eligible for Plan coverage may, ~~at his option,~~ also purchase additional coverage to be written in the same policy as the liability coverages for the following:

(1) Limits in excess of the basic limits, as stated in Section 21.A.1, which are required of the applicant by a financial responsibility law enacted by the U.S.

Congress or by the state legislature, or which are required by the express provisions of any regulation of a federal or state agency authorized by such a law to prescribe specific limits of financial responsibility;

(2) ~~The Plan shall be obligated to write limits in excess of the basic limits, as set forth in Section 21.A.1, only when the said basic limits are written through the Plan;~~

~~(3) Liability limits adequate to comply with the provisions of the financial responsibility law of any state in which the motor vehicle will be operated, but applicable only while the motor vehicle is being operated in that state/province;~~

~~(4) In no event however, shall the Plan be required to write limits in excess of the basic limits as set forth in Section 21.A.1 that exceed \$5,000,000;~~

~~(5)~~ (3) Liability limits at the following optional limits:

\$125,000	\$325,000
\$150,000	\$350,000

~~(6)~~ (4) Uninsured and underinsured motorists coverage at the standard limits of liability specified in the applicable rules and rates; and

~~(7) With respect only to four-wheel private passenger vehicles, not for hire, the servicing carrier shall upon request of the applicant or insured provide medical payments coverage in the amount of \$1,000.~~

(5) medical payment coverage in the amount of \$1,000 with respect to four-wheel vehicles classified and rated as private passenger vehicles.

In no event shall the Plan be required to write limits in excess of the basic limits that exceed \$5 million.

2. Personal Injury Protection

a. Personal injury protection coverage shall be afforded on policies ~~or binders~~ providing bodily injury and property damage liability coverages for owned motor vehicles registered in the Commonwealth of Kentucky and subject to the provisions of Subtitle 39 of the Kentucky Revised Statutes, Chapter 304. Such coverage shall be for an aggregate limit of \$10,000 per insured injured person.

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b. Optional Personal Injury Protection Coverage

- (1) ~~For personal injury protection afforded in accordance with 2.a above, the servicing carrier shall upon request of the applicant or insured provide aggregate deductibles per accident for the personal injury protection coverage of \$250, \$500, or \$1,000 applicable to the named insured and family members (except corporate or voluntary association insured).~~
- (2) With respect to private passenger non-fleet risks for which personal injury protection is afforded ~~in accordance with 2.a above~~, the servicing carrier, upon request of the applicant or insured, shall afford added reparations benefits in units of \$10,000 up to limits of \$30,000 subject to a total maximum of \$40,000 for basic and additional personal injury protection. ~~if such risk has purchased bodily injury limits in accordance with A.1.b.(5) above.~~

**Note:** PIP coverage is only available through this Plan when liability coverage is afforded under the same policy.

3. Hired Auto and Nonowned Auto Liability Coverages

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

4. Excess Coverage for Nonowned Automobiles on Commercial Policies

Excess liability coverage for nonowned automobiles is a supplementary coverage on commercial policies. This coverage should be written on the same policy that provides coverage for the applicant's/insured's owned or long-term leased automobiles.

When such automobiles are insured in the voluntary market (i.e., other than through the Plan) excess coverage for nonowned automobiles is **NOT** available through the Plan.

When there are no owned or long-term leased automobiles, excess coverage for nonowned automobiles is available through the Plan.

B. Standard Policy Coverage

1. Commercial Auto ~~Coverage Part Program Policy~~

Commercial risks shall be provided uniform coverage, equivalent to the coverage of the Edition of the ISO Commercial Auto Coverage Part Program and the ISO and Automobile Insurance Plan endorsements which have been ap-proved by the Kentucky Office of Insurance for use with Automobile Insurance Plan business. Personal injury protection coverage shall be afforded by approved Kentucky No-Fault Endorsements.

Policies issued under the provisions of the Commercial Automobile ~~Part~~ shall indicate that they ~~have policy~~ have been issued on behalf of the Kentucky Automobile Insurance Plan.

2. Filing of Policy and Endorsement Forms

Any required filing of policy or endorsement forms shall be made on behalf of ~~all companies subscribing to this the Plan by AIPSO. For the purposes of such filings, each company subscribing to this Plan is a subscriber to AIPSO.~~

**Sec. 22. PREMIUM DEPOSIT REQUIREMENTS AND PAYMENT OPTIONS**

~~The application for insurance under the Plan must be submitted to the Plan on a prescribed form in duplicate accompanied by the full gross annual premium or a deposit on a gross basis as indicated below. If the premium is financed by a premium finance company, a copy of the Premium Finance Agreement must be submitted with the application.~~

The deposit requirements and payment options listed below are applicable to new business and renewals.

A. **Advance Premium Payment Option**

The premium payment requirements for this option are as follows:

1. The full estimated annual premium, or
2. A deposit of 40% of the estimated annual premium, or a minimum of \$250 as a deposit, whichever is greater

The balance of the annual premium due as stipulated by the servicing carrier must be paid within 30 calendar days of the date of the premium notice. This payment option is available for new and renewal policies.

B. **Installment Premium Payment Option—The insured may elect to pay his premium as follows:**

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**Note:** The installment premium payment option is not available if any portion of the annual premium is financed by a premium finance company.

If any portion of the annual premium is financed after the installment premium payment option is elected, the servicing carrier may bill the insured ~~immediately~~ for the unpaid balance of the annual premium.

1. Deposit

A deposit of 40% of the total estimated annual premium, or a minimum of \$250 as a deposit, whichever is greater, must accompany a new application or be submitted to the servicing carrier as the initial payment on renewal policies. There is no installment charge on the deposit premium for either new applications or renewal policies.

2. Installments

The first installment bill will show the current annual premium plus the installment charge minus the deposit. Each installment bill should display the status of the account and is to be released sent to the insured with a copy to the producer.

Each installment will consist of one-fifth of the remainder of the premium, subject to a minimum amount due of \$20, (to which any outstanding balance of less than \$20 is to be added) plus an installment charge of \$4 on each installment, due as follows:

- a. 1st installment—2 months after the effective date of the policy
- b. 2nd installment—3 months after the effective date of the policy
- c. 3rd installment—4 months after the effective date of the policy
- d. 4th installment—5 months after the effective date of the policy
- e. 5th installment—6 months after the effective date of the policy.

At any point during the installment billing period, ~~should the policyholder~~ if the insured elect to pay the outstanding balance, the installment charge for the current bill ~~would~~ will apply.

3. Additional Premium—Changes

Additional premium resulting from changes to the policy may be spread over the remaining installments or may be billed as a separate transaction.

When any A additional premium is developed as a result of an inadequate deposit submitted with the

~~application or policy change request, or shortage in premium resulting from a policy change request, preliminary premium audit, or other determination of a premium shortage,~~ the total additional premium ~~must~~ will be billed within 30 calendar days from determination of the additional premium due, or the next premium installment billing date, whichever occurs first. The premium payment due date must not exceed 30 calendar days from the premium billing date.

**Note:** ~~The determination date is the processing or typing date of the policy or endorsement.~~

4. Return Premium-Changes

Return premium resulting from changes to the policy may be used to reduce the outstanding balance. If the outstanding balance is eliminated, any amount remaining from the return premium will be returned, immediately. If any outstanding balance remains, the number and amount of the remaining installments will be adjusted accordingly. ~~If the return amount is less than \$20, it may be treated as a separate transaction.~~

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

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

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

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

A finance company check submitted as premium payment shall be made payable to either the Kentucky Automobile Insurance Plan or the service provider.

~~Additional premium developed as a result of an inadequate deposit submitted with the application or policy change request, or shortage in premium resulting from a policy change request, preliminary premium audit, or other determination of a premium shortage, the total additional premium must be billed~~ If the deposit is inadequate or the policy develops an additional premium, the servicing carrier shall bill for the deficiency within 30 calendar days from determination of the additional premium due, or the next premium installment billing date, whichever occurs first. The premium payment due date must not exceed 30 calendar days from the premium billing date. Credits may be applied to the remaining balance

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due or refunded if the outstanding balance is eliminated.

**D. Dishonored Producer Checks**

~~Producers who have submitted dishonored checks issued by the agency or by an agent individually, on one or more occasions during a one-year period to the Plan or a servicing carrier, must submit future payments by certified check, bank check, or money order. This shall not negate any rights of the Plan to pursue action against a producer.~~

Dishonored producer checks shall be reported to the Plan.

**E. Premium Owed for Prior Insurance**

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 reassigned applicant's 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 calendar days to pay the remainder of the deposit premium due.
2. If the reassigned applicant's 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. The servicing carrier shall return the new application to the Plan as ineligible. The Plan shall return the application to the producer as ineligible, 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.~~

NOTES: 1. A premium finance check cannot be deducted for an outstanding prior balance.

2. If the applicant can furnish documentation that the outstanding earned premium in question (a) is 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 Plan Appeal provisions, ~~of Plan Section 49.~~

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

The producer must electronically transmit commercial applications to the Plan using the online process for electronic application submission authorized by the Plan. The electronic application submission process offers online completion of the application form and electronically transmits the application to the Plan.

The producer may not transmit the application electronically until the application for coverage has been completed and the deposit has been received.

The producer shall maintain appropriate records of all risks submitted to the Plan, including any electronic communication between the applicant and the producer to acquire signatures and any authentication certificates and documents produced by the producer's electronic signature software product.

**A. Distribution of Applications**

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

**B-A. Original Application**

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1. Upon receipt of the ~~current and correct completed~~ commercial application for insurance properly completed and the appropriate 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 applicant and the producer of the servicing carrier and effective date of coverage of record and shall state in such notice when the coverage shall become effective, only if the application includes 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 and tax identification numbers
- e. Headquarters of applicant's operation
- f. Legal status
- g. Description of applicant's business operation
- h. Motor carrier number 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 signatures
- 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 as a minimum requirement 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 the minimum application requirements contained in section BA.1;

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

3. Electronic Application Submission ~~Interface (EASI)~~

~~The producer of record must transmit the application electronically to 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.~~

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

The completed electronic 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 date and time of transmission of the electronic 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.~~

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

- (b) ~~The application generated by~~ The producer forwards a copy of the electronic application

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~~submission, deposit premium, and supporting documentation must be mailed to the Plan and must be received no later than 15 calendar days following the date of transmittal of the application. 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. 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~~ received by the Plan more than 15 calendar days following the date of transmittal of the application, coverage shall be effective in accordance with the following and the Plan shall charge the producer with a complaint for violation of producer performance standards. ~~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 effective 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.~~

Coverage will become effective on 12:01 A.M. on the day following the date of mailing the application, deposit, and

supporting documentation to the Plan as shown by the postmark on the envelope accompanying the application.

- (d) Coverage will become effective at 12:01 A.M. on the day following receipt by the Plan, if
- the USPS postmark is illegible, or
  - the envelope does not contain a USPS postmark, or
  - the envelope is stamped by postage meter and does not contain a USPS postmark, or
  - the application is delivered by means of overnight mail, courier, or other delivery service.

(2) Future Effective Date of Coverage

~~In the event~~ If a future effective date of coverage ~~has been~~ is requested by the producer ~~of record~~, coverage shall be-come effective ~~as of~~ at 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 calendar 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~~ received by the Plan no later than 15 calendar days following the date of transmittal of the application. The date of receipt of the electronic application by the Plan shall be established by the date and time the application is transmitted by the producer, ~~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 received by the Plan more than 15 calendar days following the date of transmittal of the application, coverage shall be effective in accordance with Plan provisions and the Plan shall charge the producer with a complaint for 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 producer performance standards.~~

If the applicant does not desire coverage until a later date, not to exceed 30 calendar days from the date of application, the applicant shall indicate such date in the application, and the Plan shall fix the date when eCoverage 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~~ determined per this Section, the applicant shall indicate such date in the application, and the Plan shall fix the date when eCoverage 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. 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.~~

For those applicants requiring filings or a limit in excess of \$350,000 combined single limit, coverage is effective on a date specified by the applicant which may not be earlier than 15 calendar days following the Plan assignment date.

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~~ If 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 to be ineligible for coverage through the Plan within 15 calendar days following the Plan assignment date, the servicing carrier will return the ineligible application to the Plan. The Plan will forward a notice of ineligibility to the applicant with a copy to the producer prior to the date which coverage would have been effective, 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 to be ineligible for coverage through the Plan after 15 calendar days have elapsed following the Plan assignment, a cancellation shall be issued. after the policy effective date, as shown on the Notice of Designation, cancellation shall be in accordance with Section 28.
- (5) ~~For~~ If, following assignment a CAIP risks which were eligible under Section 23.B.3. but following the assignment date request requires 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 policy change 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. The producer of record completing and signing the application may not transmit the application using EASi until the deposit premium has been received by the producer and the application for coverage has been completed.~~
- ~~f. Appropriate records for all risks submitted using EASi must be maintained. The producer agrees to permit the inspection or photo-copying of such office records by the Plan or by a company representative.~~

~~g-c. Commercial Application Retraction Procedures~~

- ~~(1) When to Retract an EASi Application Retraction~~

~~Following assignment of an EASi reference number and prior to mailing or delivery of a completed, signed application to the Plan, the The producer of record may retract an electronic application following the issuance of a reference number and prior to the forwarding of the electronic application to the Plan for the following reasons: EASi commercial application for the reasons stated in Section 23.B.3.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)~~(2) 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 transmitted, 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 Plan shall charge the producer with a complaint for violation of producer performance standards. ~~the producer to whom the EASi reference number is assigned will be considered in violation.~~

When retraction is requested because the producer has made an error in the application information and a corrected application has been transmitted, the producer must forward the corrected application, deposit and any supporting documentation accompanied by a copy of the completed Electronic Application Submission Retraction Request Form to the Plan.

~~(4)~~(3) Alternate Procedure for Submission of an ~~EASi~~ Retraction Request Form

If, for any reason, EASi electronic application submission 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 an Electronic Application Submission Interface Retraction Request Form available on the Plan website and forward it to the Plan no later than within two working days following the issuance of a

reference number, 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 issuance of the reference number, the Plan shall charge the producer with a complaint for violation of producer performance standards. producer to whom the reference number is assigned will be considered in violation of performance standards.~~

~~(5)~~(4) Plan Retraction of ~~EASi~~ an Application

If the producer fails to retract the ~~EASi~~ application in accordance with ~~Sections 23.B.3.g.(3) or (4)~~ Plan provision, 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.

- ~~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.~~

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~~i.d.~~ The Plan shall maintain a record of producer violations of EASi pertaining to electronic submission. 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 electronic application submission.

~~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.

~~4.~~ 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.

5.4. Plan Submission to Servicing Carrier

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

6.5. Filings of Policies and Certificates

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

7.6. Applicant Refusal to Accept Policy

~~If for any reason~~ the applicant refuses to accept the policy, the servicing carrier shall retain whichever of the following is greater, and return the balance to the applicant:

- a. the earned premium for the period of coverage and .10 of the pro rata unearned policy premium, or
- b. the minimum policy premium as contained in the Automobile Insurance Plan Manual of Rules and Rates.

If the risk is premium financed, the balance is returned to the premium finance company.

C.B. Additional Vehicles or Coverages

1. If additional coverages ~~as described in Section 21 of this Plan~~ are desired requested during the policy

period or coverage for an additional or replacement vehicle is ~~desired~~ requested, a completed approved Policy Change Request form shall be submitted directly to the servicing carrier no later than the first working day after completion.

2. Premium requirements for additional vehicles or coverages include the following:

- a. A The Policy Change Request form submitted for a CAIP risk shall be accompanied by additional payment, if required, in the form of a certified check, ~~bank check~~ cashier's check, or money order payable to the servicing carrier for an amount equal to 30% of the annual premium or pro rata premium for the remainder of the policy period, whichever is less.

If the Policy Change Request form is submitted electronically, any additional premium must be forwarded to the servicing carrier no later than the first working day after electronic transmittal of the Policy Change Request form. If additional payment is not received by the servicing carrier within 10 working days, the producer will be charged with a complaint pursuant to Section 33 for violation of producer performance standards.

- b. The balance of the additional premium shall be payable in accordance with the provisions of Section 22 the Plan.

- c. The producer shall not deduct their commission from any premium payment for additional vehicles or coverages sent to the service provider.

3. ~~For CAIP risks requesting either limits in excess of \$350,000 or filings, (FMCSA, PUC, PSC, etc.) or as otherwise provided in the policy contract, For policy changes not requiring filings or limits in excess of \$350,000 combined single limit,~~ coverage will be effective at the date and hour specified in the Policy Change Request form provided:

- a. The producer and applicant certify the date and hour of completion of the Policy Change Request form.

- ~~a.b.~~ The producer ~~of record~~ forwards the completed Policy Change Request form to the servicing carrier ~~in accordance with Section 23.C.4~~ not later than the first working day after the form is completed.

- ~~b.c.~~ The United States Postal Service postmark date on the transmittal ~~envelope complies with the mailing requirement shown in Section 23.C.4~~ verifies that the policy

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- change form was forwarded to the servicing carrier no later than the first working day after the form was completed.
4. If the ~~provisions of Sections 23.C.3.a and b above are not met,~~ policy change request is not forwarded to the servicing carrier within the first working day after the form is completed, the effective date of coverage shall be determined as follows:
- a. ~~The coverage shall be made effective at 12:01 A.M. on the day following the date the Policy Change Request form is mailed to the servicing carrier as shown by the postmark. If the transmittal envelope bears a legible postmark affixed by the United States Postal Service, coverage shall be effective at 12:01 A.M. on the day following the date the Policy Change Request form is mailed to the servicing carrier.~~
  - b. If the transmittal envelope does not bear a legible postmark affixed by the United States Postal Service, or if the envelope is stamped by a metered mail postmark, electronic stamp, or other postage service or stamp, coverage shall be made effective at 12:01 A.M. on the day the Policy Change Request form is received by the servicing carrier.
  - c. If the Policy Change Request form is delivered to the servicing carrier by means other than the United States Postal Service (including delivery by means of overnight mail, courier, or other delivery service), coverage shall be made effective at 12:01 A.M. on the day following receipt by the servicing carrier.
5. For CAIP risks requesting either limits in excess of \$350,000 or filings (FMCSA, PUC, PSC, etc.), the requested endorsement may take effect no earlier than 15 calendar days following the receipt of the request.
6. If a Policy Change Request form is submitted for a CAIP risk ~~that requires~~ requiring federal filings or endorsements, a CAIP Inspected Units following Plan assignment Form must be completed. ~~The completed, signed form must accompany and submitted with~~ the policy change request ~~submitted~~ to the servicing carrier.
7. If a Policy Change Request form is transmitted to the servicing carrier via facsimile ("fax") or e-mail, coverage will be effective at the date and hour specified in the Policy Change Request form, provided all the following requirements are met:
- a. The producer ~~of record~~ and applicant certify the date and hour of completion of the Policy Change Request form.
  - b. The producer ~~of record~~ electronically transmits the completed Policy Change Request form to the servicing carrier no later than the first working day after the Policy Change Request form is completed.
  - c. The producer ~~of record~~ forwards additional premium payment, if required, to the servicing carrier in accordance with Section ~~23.C.2.a above~~ Plan provisions.
  - d. ~~If the provisions of Sections 23.C.7.a and b are not met,~~ eCoverage shall be made effective at 12:01 A.M. on the day following receipt of electronic transmission of the policy change request by the servicing carrier, if
    - (1) The producer and applicant do not certify the date and hour of completion of the policy change request, and/or
    - (2) The producer does not electronically transmit the completed policy change request form to the servicing carrier within the first working day after completion.
8. In no event shall any change in coverage be effective prior to the date and hour of completion of the Policy Change Request form except as provided for by the provisions of the policy contract.
9. If the application has been submitted to the Plan and the producer has not yet been notified of the servicing carrier, the Policy Change Request form and premium payment must be forwarded to the Plan no later than the first working day after completion.
10. The producer ~~of record~~ shall maintain appropriate records of all risks submitted to the Plan, including any electronic communication between the applicant and the producer and any authentication certificates and documents produced by the producer's electronic signature software product, for which they have designated the date and hour of coverage and The producer agrees to permit inspection or photocopying of such office records by the Plan or by a servicing carrier representative. This inspection or photocopying will be limited to situations where the date and hour of coverage is in question due to the occurrence of an accident or claim arising under the Policy Change Request form completed in accordance with this Section.

**D.C. Reduction or Elimination of Coverage**

~~In the event~~ If a reduction or elimination of coverage is desired during the policy period, a completed approved Policy Change Request form must be signed by the ~~applicant or insured~~ and submitted to the servicing carrier.

**E.D. Incomplete Application**

~~Applications~~ The application and required deposit shall be accepted by the Plan and shall be processed by the Plan servicing carrier if the Plan 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, except:

**1. Applications Returned by the Plan**

~~For electronically transmitted commercial applications and 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 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.~~

1. If the completed application and required deposit are not received by the Plan within 20 calendar days from the date of electronic transmission 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 shall be in effect. The application shall be retracted by the Plan. The producer shall receive a complaint for violation of producer performance standards.

2. If an application is submitted without a deposit premium, the application shall be returned to the producer and no coverage will be afforded.

It shall be the responsibility of the Plan and the servicing carrier to communicate clearly to the insured and producer if an application is incomplete and requires correction.

**E. Application Submission if Electronic Submission is Unavailable**

If the electronic application submission is not available, producers licensed to transact automobile insurance in the state and who are authorized by the Plan may submit applications using the Alternate Application Submission Procedure.

Producers eligible to use the Alternate Application Submission Procedure shall contact the Kentucky Plan.

Coverage will be effective in accordance with Application for Coverage and Determination of Effective Date.

**Secs. 24. RESERVED FOR FUTURE USE**

**Secs. 25. ASSIGNMENT PERIOD**

An applicant shall be assigned to a servicing carrier for a period of three consecutive years provided the applicant is eligible for Plan assignment through CAIP.

If an insured is unable to obtain insurance at the end of the three-year period, reapplication for insurance may be made to the Plan. Such reapplication shall be considered as a new application.

In the case of nonresident military personnel, as described under Section 18 of the Plan, the servicing carrier shall not be required to renew if, at the time of renewal, the insured is stationed in another state and his automobile is not registered in Kentucky.

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

All exposures of commonly owned entities (as determined in paragraph B of this Section) and insured in the Plan should be written on the same policy and combined for rating purposes. All entities of a risk will be combined when determining eligibility for experience rating. All previous experience of a risk will continue in the experience rating subject to the provisions of paragraphs A, B, and C below:

**A. Ownership**

The experience for any entity undergoing a change in ownership shall be excluded from future experience ratings only if ~~both~~ each of the following conditions are met:

1. The change must be a material change such that the entire ownership interest after the change had no ownership interest before the change. A transfer of ownership to a family member (whether natural or by law), a household resident, or a previous owner is not considered a change in ownership.
2. The change in ownership is accompanied by a change in company management. A change in company management is defined as including all of the following, but not limited to, the chairman of the board, president, partners, and other executive officers.

**B. Combination of Entities**

Entities with a majority (more than 50%) common ownership interest will be combined for rating.

1. Determination of majority ownership is based on the following:
  - a. ~~majority~~ Majority of issued voting stock;
  - b. ~~majority~~ Majority of the members if no voting stock is issued;
  - c. ~~majority~~ Majority of the board of directors or comparable governing body if a or b above is not applicable;
  - d. ~~participation~~ Participation of each general partner in the profits of a partnership. Limited partners are not considered in determining majority interest.

Limited partners are not considered in determining majority interest.

2. If the rules above provide for more than one possible combination of entities, the combination involving the most entities shall be made.

However, the experience of any entity may be used in only one combination.

**C. Reapplication to the Plan**

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

The insured must report any change to the servicing carrier, in writing, within 30 calendar days of such change. The type, nature, and details of the change must be provided to the servicing carrier ~~for purposes of who shall determine~~ eligibility for ~~such~~ this change as stated in paragraphs A, B, and C of this Section. ~~The appropriate information must be provided on the Name and/or Ownership Change form, approved for use in the Plan, must be fully completed and signed by the insured and include the appropriate information.~~ The Name and/or Ownership Change form is available from the Plan or servicing carrier upon request. The Name and/or Ownership Change form must be fully completed and signed by the insured within 10 calendar days of the date of request.

Failure of the insured or producer to provide complete information on the approved form may delay a return premium due the insured. ~~pending receipt of the completed form. Upon the request of the servicing carrier, a Name and/or Ownership Change form must be fully completed and signed by the insured within 10 days of the date of the request.~~ Failure of the insured or producer to return the fully completed and signed form, following two written requests by the servicing carrier, could result in loss of coverage as stated in the cancellation ~~Section 28~~ of this Plan.

**Sec. 27. RESERVED FOR FUTURE USE**

**Sec. 28. CANCELLATIONS**

**A. Cancellation at Request of Insured**

If for any reason the insured requests cancellation, other than placement of coverage through the voluntary market, the servicing carrier shall retain the earned premium for the period of coverage and .10 of the pro rata unearned policy premium, or the minimum policy premium prescribed in the Automobile Insurance Plan Manual of Rules and Rates, whichever is greater, and return the balance to the insured.

In the event the insured requests cancellation of a policy because coverage has been replaced in the voluntary market with an admitted carrier, and the servicing carrier receives proof documenting same, the cancellation shall be on a pro rata basis, or the minimum policy premium prescribed in the Automobile

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Insurance Plan Manual of Rules and Rates, whichever is greater.

**B. Cancellation by Servicing Carrier**

1. A servicing carrier which has issued a policy ~~or binder~~ under this Plan shall have the right to cancel the insurance by giving notice as required in the policy ~~or binder~~ if the insured
  - a. is not, or ceases to be, eligible or in good faith ~~entitled to~~ eligible for insurance, or
  - b. has failed to comply with reasonable safety requirements, or
  - c. has violated any of the terms or conditions upon the basis of which the insurance was issued, or
  - d. has obtained the insurance through fraud or misrepresentations, or
  - e. has failed to pay any premiums due under the policy, or
  - f. has failed to remedy defects in the application ~~as outlined in Section 23.E~~, or
  - g. cannot be located by the servicing carrier for purposes of its underwriting review, or fails to respond to at least two written requests for pertinent underwriting information which would have a direct bearing on the rating of a policy, or
  - h. failed to respond to at least two written requests for pertinent safety inspection information which would have a direct bearing on the rating of a policy, or
  - i. fails to respond to two ~~documented~~ written requests to schedule ~~or complete~~ an audit, or does not permit the auditor to complete an audit.

~~If the insured is found to be ineligible for insurance under the rules of the Plan by the servicing carrier for failure to respond to a request to schedule an audit or failure to comply with a request to conduct an audit, the servicing carrier has the right to cancel.~~
2. Each ~~such~~ cancellation shall be on a pro rata basis, subject to the minimum policy premium prescribed in the Automobile Insurance Plan Manual of Rules and Rates, whichever is greater, with the balance returned to the insured. and a A copy of ~~each such~~ the cancellation notice shall be furnished to the producer, ~~of record~~. A statement of facts in support of each such cancellation shall be furnished to the producer ~~of record~~ and to the insured 10 calendar days prior to the effective date of cancellation.

Cancellation shall be effective on the date specified and coverage shall cease on such date.

At the option of the servicing carrier, the nonpayment cancellation date may be the equity date computed on the pro rata basis. ~~(Equity date is the date at which all collected premium is earned as computed on the pro rata basis.)~~

No coverage will be effective if the insured's premium remittance ~~which accompanies~~ accompanying the application is justifiably dishonored by the financial institution.

Nothing herein shall be deemed to affect the servicing carrier's right to rescind a policy for fraud, misrepresentation, or if the insured's premium remittance ~~which accompanies the application~~ is justifiably dishonored by the financial institution, or to invoke other remedies provided by law.

**C. Cancellation at the Request of the Producer**

A servicing carrier shall, at the request of a producer, cancel a policy in conformity with Law where producer presents proof that a check, tendered by the insured to be used for the payment of premium and which has been deposited in the producer's premium account, has been refused payment by the bank upon which it has been drawn. Such cancellation shall be on a pro rata basis, and the unearned portion of the paid premium, if any, shall be returned to the producer to the extent of the amount of the dishonored check.

**Sec. 29. MIDTERM PRODUCER CHANGE**

For CAIP applicants and insureds, a substitute producer may be designated by the ~~CAIP~~ applicant or insured at any time and, upon designation, shall be the producer ~~of record~~ subject to the following provisions:

- A. All commissions will go to the original producer for the remainder of the policy period.
- B. All requests for a substitute producer must be accompanied by a broker of record letter on the named insured's letterhead including the following signed statements:

**1. By the New Producer of Record**

"I hereby certify that I am a licensed agent/broker of the state of Kentucky and have read the Automobile Insurance Plan and have explained the provisions to the applicant/insured. I acknowledge that I am acting on behalf of the applicant/insured and have no authority to establish or reverse the terms or conditions of coverage. I agree to return any unearned premium to the insured (net of any minimum premium due the carrier)."

In addition to the above signed statement, the producer's license, IRS Tax ID, and or social security numbers must be submitted.

2. By the Applicant or Insured

"I understand that any designated producer cannot act as an agent of the Automobile Insurance Plan and any carrier for the purpose of this insurance and that the producer has no authority to establish, alter, or amend terms or conditions of coverage."

**Sec. 30. COMPENSATION TO PRODUCER OF RECORD**

- A. Unless other arrangements have been made with the Executive Director of the Office of Insurance, the compensation under the Plan shall be as follows:

5% of the policy premium for compensation to a licensed producer designated by the insured

- B. Compensation ~~may~~ will be paid by the servicing carrier ~~either (1) on the full annual premium, or (2) on the basis of the premium received, by the servicing carrier.~~

- ~~C. A producer accounting system may be utilized by a servicing carrier in its payment of producer compensation.~~

- ~~D.C.~~ Compensation will not be paid on installment charges.

- ~~E.D.~~ ~~On any risk rated and domiciled outside of this state, the licensed producer may be paid only that portion of the producer's compensation specified above which is permissible under the laws of the state in which the risk is rated and domiciled.~~

- ~~F. Producer compensation under Section 22.B. Installment Premium Payment Option may be paid as installment payment is received by the servicing carrier.~~

- ~~G.E.~~ In the event of cancellation, policy change, a final audit, or a termination resulting in a reduction of premium, compensation will be payable on the earned premium received by the servicing carrier.

- ~~H. Final compensation adjustment will be in accordance with this Section.~~

- ~~I.F.~~ ~~Should the producer fail to provide their tax identification number, the servicing carrier may defer the payment of compensation until the proper tax identification is provided.~~

The servicing carrier may defer the payment of compensation until the proper tax identification number is provided by the producer.

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

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

Any exception to the performance standards must be documented in the servicing carrier's files and be available for review and audit.

**A. Issuance of Original Policy**

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

1. within two working days following the effective date of coverage or receipt of the ~~Notice of Designation assignment notice~~, whichever occurs last, make filings of the policy and certificates, including motor carrier and Financial Responsibility Certificates, including SR-22 Certificates as may be required, provided all information necessary is contained in the application ~~form~~ and ~~such~~ the application is accompanied by the appropriate deposit ~~prescribed in Section 22. Such filings will indicate the effective date specified by the Plan in the Notice of Designation.~~
2. within 30 calendar days issue a policy if all information necessary for the servicing carrier to ~~fix~~ determine the proper rate is contained in the application form, such policy to become effective in accordance with the provisions of ~~Section 23 the Plan~~, or
3. ~~within 30 calendar days issue a binder if all information necessary for the servicing carrier to fix the proper rate is not contained in the application form or if the Plan Manual does not contain rates applicable to the applicant. In the event the Plan Manual does not contain applicable rates, the servicing carrier must request that AIPSO make the necessary rate filing with the Executive Director of the Office of Insurance. Upon receipt of information necessary for the servicing carrier to fix determine the proper rate or notification of approval of the rate filing, the servicing carrier shall issue a policy to become effective in accordance with the provisions of Section 23 the Plan.~~

~~Unless the servicing carrier finds the applicant ineligible for insurance under the rules of the Plan, the servicing carrier will notify the insured and the producer of record of the collection procedure to be followed.~~



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~~The servicing carrier will be guided by the following: in accordance with the advance or installment deposit payment options available in the Plan.~~

• ~~Advance Premium Payment Option~~

~~See Section 22.~~

• ~~Installment Premium Payment Option~~

~~See Section 22.~~

The day the ~~Notice of Designation assignment and~~ premium or deposit are received from the Plan the servicing carrier shall be ~~deemed~~ considered the first working day, ~~whatever may be~~ regardless of the time of such receipt. ~~No Saturday, Sunday, or legal holiday in the place of receipt shall be deemed a working day.~~

The producer of record shall be notified as to the disposition of the assignment, in accordance with Section 31.A.

**B. Renewal Policies or Certificates**

At least 30 calendar days prior to the inception date of renewals, the servicing carrier shall notify the applicant that

1. a renewal will be issued ~~provided if the premium stipulated by such servicing carrier is received on or before the inception date of such renewal, or~~
2. if the renewal is to be written ~~on~~ with the advance premium payment option, ~~such renewal will be issued provided either the full annual premium or the deposit premium stipulated by the servicing carrier is must be received by the servicing carrier on or before the inception date of such renewal, or~~
3. if the renewal is to be written ~~on~~ with the installment premium payment option, ~~such the renewal will be written provided the deposit premium (40% of the total annual premium subject to a minimum of \$250) stipulated must be received by the servicing carrier is received on or before the inception date of such renewal, or~~
4. a renewal will not be issued ~~for the reason that the applicant if the insured is not entitled to eligible for insurance under the Plan.~~

~~Renewal premium quotations will be made as stipulated in the present Plan rules. A copy of such notice shall be filed with the producer of record. In the event the servicing carrier will not issue a renewal, the reason supporting such action together with a copy of said notice shall be filed with the Executive Director of the Office of Insurance of the state and the Plan.~~

~~Renewal policies or certificates will be issued and mailed within 30 days of the servicing carrier's~~

~~receipt of the renewal premium specified under Section 31.A above.~~

**C. Endorsements**

~~Any e~~Endorsement requested of the servicing carrier shall be issued and mailed within 30 calendar days by the servicing carrier.

**D. Return Premiums**

The servicing carrier shall mail the return premium ~~W~~within 30 calendar days of the receipt of a request for either cancellation or an endorsement resulting in a return premium, ~~the servicing carrier must mail the return premium check.~~

~~For commercial risks subject to audit, following the receipt of a request for cancellation (or policy termination) the company must mail the return premium check within 30 days following the date the typed final audit report is produced.~~

If the servicing carrier receives a request to cancel or the policy is terminated on a risk subject to audit, the servicing carrier must return the premium within 30 calendar days following the date the final audit report is issued.

**E. Premium Billing**

All billing and payment guidelines are to be consistent with the provisions outlined in the Plan.

For policies that develop an additional premium, the total additional premium must be billed within 30 calendar days from determination of additional premium due, or the next premium installment billing date, whichever occurs first. The premium payment due date must not exceed 30 calendar days from the premium billing date.

Policies subject to a final premium audit that result in additional earned premium must be billed within 30 calendar days of completion of the final premium audit and premium payment due date must not exceed 30 calendar days from the premium billing date.

If the final premium audit develops a return premium, the servicing carrier will remit gross return premium to be insured within 30 calendar days from the completion date of the audit. The producer will be billed for the return commission.

NOTE 1: Completion date of the audit is defined as the date the final audit report is produced.

NOTE 2: The determination date is the processing date of the policy or endorsement.

**E. Collection of Premium**

**F. Premium Collection**

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Servicing carriers are to follow present Plan rules.—  
~~see Section 22 of this Plan.~~

~~All billing and payment guidelines are to be consistent with the provisions outlined in the Plan and the CAIP Accounting and Statistical Requirements Manual.~~

The servicing carrier will perform all the necessary collection functions to protect the assets of CAIP.

Within seven calendar days following the premium payment due date, the servicing carrier shall issue a Notice of Cancellation and cancel all financial responsibility filings if premium payment has not been received. Established collection practices of a servicing carrier must include the following minimum standards:

1. At least two letters requesting immediate payment of the outstanding earned premium balance issued a minimum of 15 calendar days apart with both letters being issued within 45 calendar days following the cancellation effective date.
2. For policies subject to a final premium audit after policy expiration or cancellation, at least one letter requesting payment issued within 15 calendar days following the premium due date of the final premium audit bill.

All net collection expenses incurred by the servicing carrier will be borne by CAIP.

Each servicing carrier shall develop specific written procedures to satisfy itself that all requirements of the CAIP Accounting and Statistical Requirements Manual are met and complied with. These procedures will be reviewed during the servicing compliance audit.

#### **F-G. Compensation**

Compensation shall be paid no less frequently than monthly and shall be paid within 15 calendar days after the close of the month in which the commission was credited to the producer's account. The servicing carrier must issue a statement and, if applicable, the proper compensation check ~~except if~~ unless the producer fails to provide ~~his or her proper~~ their tax identification number. ~~Final compensation adjustment will be in accordance with Section 30.~~

The servicing carrier should take steps to collect unearned producer compensation from the producer.

#### **G-H Claim Handling**

1. A servicing carrier shall provide policyholders and producers with information on how and where to report claims.
2. The servicing carrier is responsible for handling all claims properly and promptly in accordance with the terms of the contracts of insurance subject to the limits of coverage provided. Where

unfair claim practices laws and regulations exist, the servicing carrier must comply with such laws and regulations.

3. A servicing carriers must have the ability to service insurance claims in every state, the District of Columbia, and Canada.
4. Contact (First- and Third-Party Claimants)

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

The servicing carrier will provide first-party claimants with the necessary forms and instructions to permit compliance with all policy conditions.

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

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

7. Investigation  
The servicing carrier must begin an investigation of any claim within 15 working days of receipt of notification of the claim.  
The servicing carrier must substantially complete an investigation of each claim 30 working days after notification of the claim.

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

8. Reserving

Reserving practices must be consistent and must comply with the requirements outlined in the CAIP Accounting and Statistical Manual.

9. Documentation/File Reporting

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

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

10. Payment

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

11. Expenses

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

12. Fraud Prevention/Detection

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

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

~~H. Surcharges~~

~~At the time of the initial application of a surcharge based on a driving record obtained from a state motor vehicle record, the servicing carrier will furnish to the insured a listing of the accidents/convictions which determined the surcharge.~~

I. Underwriting/Rating

The servicing carrier must

1. properly price all policies in accordance with the approved rating plans contained in the Manual of Rules and Rates and establish procedures for appropriate and timely verification of policyholders' and operators' driving records and/or obtain other information as necessary to assist in the proper classification and rating of an applicant;
2. attempt to secure and verify account loss history from the previous company or companies to insure proper application of any applicable premium surcharge or rating plans;
3. perform a preliminary premium audit on every applicant assigned in the following classes:
  - All policies with Any Auto coverage symbol
  - All FMCSA, PUC, and PSC regulated carriers
  - All policies with MCS 90 or MCS 90B endorsement
  - All policies with a Form E filing
  - Any other class or classes of commercial business designated by the Committee

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

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

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

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

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

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

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

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

**J. Premium Billing**

~~All billing and payment guidelines are to be consistent with the provisions outlined in Sections 22 and 23 of the Plan.~~

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

~~For policies subject to a final premium audit that result in an additional earned premium due the CAIP, the premium must be billed within 30 days of the completion of the final premium audit and the premium payment due date must not exceed 30 days from the premium billing date.~~

~~If the final premium audit develops a return premium, the servicing carrier will remit gross return premium to the insured within 30 days from the completion date of the audit. The producer will be billed for the return commission in accordance with Section 33. Performance Standards for Producers Writing Automobile Insurance Plan Commercial Risks.~~

~~NOTE 1: Completion date of the audit is defined as the date the typed final audit report is produced.~~

~~NOTE 2: The determination date is the processing or typing date of the policy or endorsement.~~

**K. Premium Collection**

~~The servicing carrier will perform all the necessary collection functions to protect the assets of CAIP.~~

~~Within seven days following the premium due date, the servicing carrier shall issue a Notice of Cancellation and cancel all financial responsibility filings if premium payment has not been received. Established collection practices of a servicing carrier must include the following minimum standards:~~

- ~~1. At least two letters requesting immediate payment of the outstanding earned premium balance issued a minimum of 15 days apart with both letters being issued within 45 days following the cancellation effective date~~
- ~~2. For policies subject to a final premium audit after policy expiration or cancellation, at least one letter requesting payment issued within 15 days following the premium due date of the final premium audit bill~~

~~All net collection expenses incurred by the servicing carrier will be borne by CAIP.~~

~~Each servicing carrier shall develop specific written procedures to satisfy itself that ineligible charge offs are not submitted to the Central Processor (See Section A, Chapter 1 of the CAIP Accounting and Statistical Requirements Manual). These procedures will be reviewed during the servicing carrier compliance audit.~~

**L. Accounting/Statistical and Results Reporting**

Serviceing carriers must

1. have the ability to carry out all necessary accounting procedures and prepare reports as outlined in the CAIP Accounting and Statistical Requirements Manual;
2. have the ability to collect the necessary data to disburse compensation payments to producers and have the ability to store this data and report

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same to the Internal Revenue Service, annually as required;

3. select a qualified statistical agent with the ability to report data in accordance with the AIPSO statistical program.

**K. Compliance Audits**

It is the responsibility of the servicing carrier to furnish the appropriate files and records to auditors performing a servicing carrier compliance audit. Failure to comply with this requirement will be reported to the Plan Manager with a request that the matter be brought to the attention of the Committee.

If it is necessary for the auditors to subsequently review files and records not available at the time of the scheduled audit, the additional cost of the audit will be borne by the servicing carrier.

If the files and records that support a claim are not located by the servicing carrier, the auditors will advise the Committee of their unavailability. The Committee may request that the servicing carrier reverse the claim including any loss and expense payments and removal of current and future loss and expense reserves.

**Sec. 32. RESERVED FOR FUTURE USE**

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

**A. Original Applications**

1. ~~Only the electronic application submission may be submitted for coverage. Applications shall~~ must be fully completed and comply with the minimum commercial application requirements of this Plan.
  - 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, and
  - c. signatures of the applicant and the producer.;
  - d. ~~Electronic Application Submission Interface (EASI) has been used to transmit the application to the Plan in accordance with Section 23.B.3, t~~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. ~~For those applications where the~~

- 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 will ~~consider this a~~ shall charge the producer with a complaint for violation of performance standards.
2. Deposit premiums shall be submitted gross with the application, ~~in accordance with Section 22.C. CAIP applications of risks requiring state or local filings or risks subject to the Motor Carrier Act and Bus Regulatory Act shall be accompanied by additional payment, if required, in the form of a certified check, bank check, or money order.~~
3. ~~If violations pertaining to the use of EASI have occurred, the Governing Committee may limit, suspend, or terminate producer access to EASI.~~

~~If the Plan determines that immediate action is required to protect the public interest prior to a hearing before the Governing Committee in accordance with usual Plan procedures, the Plan may immediately suspend a producer's privilege to use EASI. The Plan shall notify the producer in writing of the suspension and provide the written statement of the alleged violations against the producer which clearly evidence that delay until a Governing Committee hearing can be held will pose harm to the public interest. A hearing on the merits before the Governing Committee will take place within 10 days of the notice of suspension. Within 7 days of the hearing, the Plan shall notify the producer, in writing, of the Governing Committee's decision. Any final decision of the Governing Committee under this Section shall be subject to the right of appeal of the Executive Director of the Office of Insurance of the state.~~

The producer shall maintain appropriate records of all risks submitted to the Plan, including any electronic communication between the applicant and the producer to acquire signatures and any authentication certificates and documents produced by the producer's electronic signature software product. The producer agrees to permit inspection or photocopying of their records by the Plan or company representative.

4. Producer shall comply with Plan rules pertaining to the retraction of electronically submitted applications.

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**B. Cancellation of Plan Policy**

No ~~producer~~ Plan policy shall be canceled and ~~rewrite~~ a Plan policy for the purpose of avoiding rewritten to take advantage of a rate increase, a rate decrease, or to avoid a rate increase, experience modification, or additional charges.

**C. Return Compensation**

Return compensation shall be paid within 30 calendar days from the date of notice to the producer.

**D. Policy Change Request**

Producers must use the Policy Change Request form authorized ~~for by the Plan use~~ or one provided by the servicing carrier when making a policy change request. ~~The Policy Change Request form must be completed and forwarded to the servicing carrier in accordance with Section 23.~~

For CAIP risks that 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 servicing carrier shall submit a complaint to the Plan. ~~†The Plan shall consider this a charge the producer with a complaint for violation of producer performance standards.~~

**E. Claims**

When an insured reports an accident or claim to the producer, the producer shall report it to the servicing carrier within one working day in accordance with the instructions of the servicing carrier.

**F. Payments**

1. Additional premium payments shall be submitted gross, ~~in accordance with Section 22.B.5.~~
2. Producers shall ~~immediately~~ remit all gross payments received from insureds within one working day, by the due date.
3. ~~Dishonored producer checks shall be reported to the Plan.~~

Producer checks dishonored by the bank shall be considered a violation of this performance standard. Any producer who submits to the Plan or service provider three checks within a 12-month period that are subsequently dishonored by the bank when presented for payment shall submit future payments by certified check, cashiers check, or money order.

Producers who are subject to the above provisions may be removed from this requirement after one calendar year from its imposition provided the producer has met the following terms:

- a. the Plan has received no additional notices of checks which were dishonored by the producer's bank after the producer was placed on the certified check requirement; and
- b. the producer has resolved all dishonored checks.

Should the Plan receive any additional notice(s) of checks which were dishonored by the producer's bank, the producer shall be referred to the Committee for review.

**G. License**

Producers must be properly licensed and conform to the requirements of the Plan.

**H. Fraud or Misrepresentation**

No producer shall engage either in fraud or misrepresentation with regard to the contents of an application, the necessary information to rate and write a policy, a claim, or any other information material to underwriting a risk.

**I. Procedures for Compliance with Performance Standard for Producer.**

1. The Plan shall report violations of producer performance standards to the Committee.
2. If the Plan determines that immediate action is required to protect the public interest prior to a hearing in accordance with usual Plan procedures, the Plan may immediately suspend a producer's privilege to electronically submit applications. Upon suspension, the producer cannot access the online process for application submission or submit new applications.

The Plan shall notify the producer, in writing, of the suspension of access to the online process for application submission and the privilege to submit new applications to the Plan and provide a statement of the alleged violations of the producer which clearly evidences that delay until a full hearing will pose harm to the public interest.

A full hearing on the merits shall take place before the Committee within 10 calendar days of the notice of suspension, in accordance with usual Plan procedures. Within 7 calendar days of the hearing, the Committee shall render a decision and make appropriate recommendations. The Plan shall notify the producer immediately in writing of the Committee's decision.

The summary suspension procedure shall also apply to any producer whose license has been suspended or revoked through the administrative action of any other state or involuntary automobile insurance mechanism authority as a result of failure to remit premium or the producer's improper withholding of any funds.

3. A final decision by the Committee may be reported to the governing body in any other state automobile insurance plan in which the producer is certified or registered to submit business. The governing body in that other state may take any action it deems appropriate upon review of that decision.

The actions of a producer under all 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 all sections 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.

#### **APPENDIX—COMMON PROVISIONS**

##### **Sec. 34. PLAN MEMBERSHIP**

The Plan became effective on August 20, 1948 when all companies licensed to write direct automobile liability insurance in the state subscribed thereto. No company which is licensed to write only reinsurance shall be a subscriber to this Plan.

- A. Every insurer licensed to write automobile liability insurance in this state shall be a member of the Plan and shall subscribe to and be bound by the rules and regulations adopted thereto.
- B. A company may terminate membership in the Plan as of the close of a calendar year upon ceasing to be licensed to write automobile insurance within the state. However, termination of membership shall not discharge or otherwise affect liabilities incurred prior to termination for assessments of a member's responsibility to properly share in the operating results of the and PAIP and CAIP, participation as indicated in Section 46.

##### **Sec. 35. ADMINISTRATION**

###### **A. Governing Committee Composition**

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

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

- Three subscriber companies chartered outside of Kentucky
- In addition, one independent insurance agent licensed in the Commonwealth of Kentucky shall be appointed to the Committee, and one member meeting any of the following:
- One additional subscriber representing either a company chartered within or outside of Kentucky; or
- A public member, meaning an individual who currently works, has worked, or has retired from work within the property and casualty insurance industry. The public member shall be a resident of the Commonwealth of Kentucky; or
- A representative of a self-insured fund operating within the Commonwealth of Kentucky

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

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

There shall be a chairperson and vice chairperson elected from and by the Committee. The Committee shall elect a secretary/treasurer. Committee members, companies not serving on the Committee and Plan staff may serve as secretary/treasurer.

###### **B. Appointment of Governing Committee Representatives**

The ~~Governing~~ Committee representatives shall be appointed by the manager, and approved by the Commissioner of Insurance, to a term of three years. At least annually, the Plan shall provide notice to the Commissioner of Insurance in Kentucky of the composition of the Committee. At any point, should the Committee fail to fill the ~~Governing~~ Committee seats, the manager shall notify the Commissioner who may then seat a representative filling the committee subject to the core outlines of the committee representatives as defined in Section 35.A.

###### **C. Annual Plan Meeting**

Annually, on a date fixed by the Committee, there shall be held a meeting of representatives of all subscribers

for the purpose of receiving reports by the Committee and the Manager regarding the operations of the Plan and for discussion of matters pertaining to the Plan. Thirty days' notice of such meeting shall be given in writing to all subscribers, the Commissioner of Insurance, and members of the Committee. The notice of each annual meeting shall be accompanied by an agenda for such meeting. A majority of such subscriber companies shall constitute a quorum and voting by proxy shall be permitted. A company may not appoint more than one company in its class of companies to exercise its proxy. At the annual meeting a company must cast one vote for purposes of quorum determination.

### **Sec. 36. COST OF ADMINISTRATION**

#### **A. Subscriber Fee**

Each Subscriber Company shall pay to the Plan a separate minimum annual fee of \$100.

#### **B. Plan Assessments**

##### **1. Private Passenger Plan Assessment**

Each subscriber's ratio of Automobile Liability Written premiums (as defined in Section 41.A) to the statewide industry total Automobile Liability Written premiums shall be used as the basis of apportionment of all expenses incurred in excess of minimum fees.

If, at the time of the initial assessment for any given calendar year, data for the first prior year is not available, the assessment shall be based upon the latest available year's data. In such event, the assessment shall be adjusted subsequently using the data for the first prior year.

##### **2. Commercial Plan Assessment**

Each subscriber's ratio of voluntary commercial automobile liability written premiums from the first-prior year to the corresponding statewide industry total shall be used as the basis of apportionment of all Plan expenses in excess of the minimum fee.

"Voluntary Commercial Automobile Liability Written Premiums" means the automobile premiums shown on the Exhibit of Premiums and Losses (statutory Page 14 Data) of each insurers Annual Statement, Lines 19.3 Commercial Auto No-Fault (PIP) and 19.4 Other Commercial Auto Liability.

The first-year prior data used to determine assessment shares shall be acquired from the NAIC as of June of the given assessment year. For example, 2021 assessment ratios will be

based on 2020 Annual Statement premium acquired from the NAIC as of June 2021.

If, at the time of the initial assessment for any given calendar year, data for the first prior year is not available, the assessment shall be based upon the latest available year's data. In such event, the assessment shall be adjusted subsequently using the data for the first prior year.

### **Sec. 37. DUTIES OF THE GOVERNING COMMITTEE AND MANAGER**

The Committee shall meet as often as may be required to perform the general duties of administration of the Plan. A quorum shall consist of a majority of the members currently serving on the Committee.

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

Annually, the Manager shall prepare an operating budget in the prescribed manner for submission to the Committee. ~~Such~~The budget shall be approved by the Committee and furnished to the companies which are Plan subscribers on request. Any expenditure in excess of, or not included in, the annual budget shall be approved by the Committee.

~~The Committee shall make available to all companies which are subscribers to the Plan, a~~ An annual written report of operations, in such form and detail as the Committee may determine. ~~The annual report shall be made available to all subscribers on the Plan website. In addition, hardcopies of the report may be obtained by contacting the Plan.~~

### **Sec. 38. AMENDMENT OF PLAN**

Changes in the Plan require the prior approval of the ~~Governing~~ Committee and the Office of Insurance of the Commonwealth of Kentucky.

### **Sec. 39. 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 servicing carrier.~~



**Sec. 40-39. PERSONAL AUTOMOBILE  
INSURANCE PROCEDURE  
(PAIP)**

**A. Administration**

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

**B. Service Providers**

The Kentucky Automobile Insurance Plan is authorized to write and service Kentucky Plan personal automobile insurance policies.

Acting on behalf of the Kentucky Plan, service providers will issue personal automobile insurance policies in the name of the Kentucky Automobile Insurance Plan and provide policyholder and claim handling services.

The Committee may appoint one or more service providers based on Plan need. Service provider appointment will be for a specified term not to exceed five years. When there is more than one service provider, private passenger applications shall be allocated to service providers based on percentages mutually agreed upon by the Committee and the service providers.

AIPSO will also contract with a national claims service company to process claims. As the service provider, AIPSO will handle all policy processing services, such as underwriting, accounting, billing, etc. through their AIPSO Insurance Operation (AIO) division.

As the approved PAIP service provider, all duties and obligations of the Plan of Operation shall apply, absent exceptions approved by the Committee and made a part of the Servicing Agreement.

**C. Eligibility Requirements**

Service providers are appointed by the Committee and must meet and continuously maintain all of the following eligibility requirements. If at any time, the servicing provider does not meet one or more eligibility requirements, the service provider must immediately notify the Plan.

The service provider must

1. have a service facility affording policy issuance and all other policyholder services,

2. have the ability to service insurance claims in every state, the District of Columbia, and Canada,
3. be able to comply with statistical reporting requirements to the Central Processor, and
4. execute the Servicing Agreement and comply with the provisions of that agreement.

**D. Service Requirement**

The service provider must provide full service for all policies written, including claims and statistical reporting.

**E. Administrative Requirements**

The Plan and service provider will mutually agree on the reports to be provided and the level of detail required. Specific requirements shall be included in the Servicing Agreement.

**~~F. Service Provider Fee~~**

~~The service provider fee shall be negotiated annually and be subject to approval by both the Plan and the service provider.~~

**~~G.F. Service Standards~~**

The following service standards will be provided in the Servicing Agreement by mutual consent between the Plan and the service provider.

1. Reporting and Processing of Applications
2. Underwriting Plan
3. Claims Handling
4. Financial and Statistical Reporting
5. Notification and Communication Standards.
6. Access to Data

**~~H.G. Conflict of Provisions~~**

If a conflict exists between the Plan of Operation and the Servicing Agreement, the provisions of this Plan shall ~~apply~~ prevail.

**Sec. 41-40. PERSONAL AUTOMOBILE  
INSURANCE PROCEDURE  
(PAIP) PARTICIPATION  
PROVISIONS**

**A. Participation Ratios**

The operating results of the PAIP will be apportioned to member companies based on participation ratios. Each member company shall be liable for their share of the fiscal assessment based on their proportion of

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Automobile Liability Written premiums for the first prior calendar year to the statewide total of Private Passenger Automobile Liability Written premiums of all companies in the state.

“Private Passenger Automobile Liability Written premiums” means the automobile premiums shown on the Exhibit of Premiums and Losses (Statutory Page 14 Data) of each insurer’s Annual Statement for Private Passenger No-Fault and Other Private Passenger Auto Liability, Lines 19.1 and 19.2, excluding business written on a nonadmitted surplus lines basis.

The first prior year data used to determine assessment shares shall be acquired from the NAIC as of June of the given assessment year. For example, 2020 PAIP participation ratios will be based on 2019 Annual Statement premium acquired from the NAIC as of June 2020.

If data for the first prior year is not available, the initial assessment shall be based upon the latest available year’s data. The assessment shall be adjusted subsequent using the data for the first prior year.

**B. Distribution**

The Plan shall distribute applications to service providers.

**C. PAIP Assessments**

~~1. Initial Assessment~~

~~Prior to the implementation of PAIP, an assessment will be made to fund the procedure for an amount to be determined by the Governing Committee. Each member company’s share will be based on their participation ratio calculated in accordance with Section 41.A above.~~

~~1.2. Annual Assessment/Distribution~~

~~The Plan may periodically, but not less than annually, assess or disburse to member companies, if necessary, to settle the operating results and fund the program. Each member company’s share will be based on their participation ratio, calculated in accordance with Section 41.A above.~~

~~3. Basic PAIP Fee~~

~~All companies licensed to write automobile insurance in the state shall be assessed a basic PAIP fee of \$100 annually to defray the cost of PAIP operation.~~

~~2.4. Contingency Reserve~~

~~Excess funds shall be held in a contingency reserve established to fund PAIP. The contingency fund shall be reviewed annually.~~

~~3.5. Data Availability~~

If, at the time of the ~~initial~~ preliminary assessment for any given calendar year, data for the first prior year is not available, the assessment shall be based upon the latest available year’s data. In this event, the assessment shall be adjusted subsequently using the data for the first prior year.

**D. Responsibilities of Participating Member Companies**

**1. Recording of Results**

All participating member companies must record their share of the Kentucky PAIP operating results on their book of business as Boards and Bureaus Expense. Participating member companies should not book their share of Kentucky PAIP operating results as direct business.

**2. Overdue Payment of Assessment**

~~The criterion for determining overdue payments of assessments will be the postmark or wire transfer date of the payment.~~ All payments with postmark or wire transfer dates within 30 calendar days of the assessment invoice date will be considered to be on time.

Participating member companies submitting payments with a postmark date or wire transfer date later than the 30th calendar day following the assessment invoice date will be subject to a late payment fee. ~~That~~ The late payment fee will be computed at the rate of 1.5% per month (0.5% per day) on the unpaid balance from the due date to the postmark or wire transfer date of the payment under a specific assessment, subject to a \$50 minimum.

Late payment fees are payable within 30 calendar days of the late fee invoice date. If payment has not been received by the 55th calendar day from the assessment invoice date, a report may be submitted to the Kentucky Office of Insurance for appropriate action.

**E. Responsibilities of Central Processor**

AIPSO, as Central Processor, will balance, review, and distribute to the member companies, at least annually, an assessment invoice of the Kentucky PAIP operating results that displays each member company’s share. The assessment invoice will be issued to member companies with fiscal year results ending December 31st.

An annual basic PAIP fee shall be billed to all companies licensed to write personal automobile insurance in the state. Any assessment due and payable to the Kentucky PAIP will be due within 30 calendar days of the assessment invoice date.

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Distribution checks shall be ~~mailed~~ forwarded within 30 calendar days after the date of the assessment.

**F. ~~Transition Provision for Companies with In-Force Plan Personal Auto Policies~~**

~~All companies with in-force Plan policies with effective dates of December 31, 2018 and prior shall be required to renew such policies for the remainder of the three-year assignment period, provided the insured continues to be eligible for coverage through the Plan.~~

**Sec. 42.41. RESERVED FOR FUTURE USE**

**Sec. 43.42. COMMERCIAL AUTOMOBILE INSURANCE PROCEDURE ADMINISTRATION**

**A. Administration**

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

**B. CAIP Service Provider**

**1. Service Provider Selection**

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

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

**2. Appointment of AIPSO as CAIP Service Provider**

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

~~As the approved CAIP service provider, then all~~ duties and obligations of the Plan of Operation and

CAIP Accounting and Statistical Requirements Manual shall apply, absent exceptions approved by the ~~Governing~~ Committee and made a part of the ~~Servicing Agreement~~ Service Provider Agreement.

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

**3. Eligibility Requirements**

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

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

**4. Service Provider Fee**

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

**5. Service Requirement**

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

**6. Performance Standards**

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

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~~Servicing Agreement~~      Service Provider  
Agreement.

**C. Servicing Carrier Allowances**

1. In addition to the direct reimbursement of all actual paid losses, a servicing carrier will be allowed
  - a. a percent of liability written premium for administrative expense, other than claim expenses, producer compensation and premium taxes;
  - b. a percent of earned premium for unallocated liability loss adjustment expenses for liability, personal injury protection, uninsured motorists, underinsured motorists, and medical payments coverage claims;
  - c. allocated liability claim expenses as defined in the CAIP Accounting and Statistical Requirements Manual (direct reimbursement of actual expenses);
  - d. producer compensation (direct reimbursement of actual expenses);
  - e. premium taxes incurred (direct reimbursement of actual expenses).

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

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

$$\begin{aligned} \text{Liability Servicing Carrier Allowance} &= \text{Administrative Expense} + \left[ \text{Unallocated Liability Loss Adjustment Expense} \left( \frac{\text{Actual Loss Ratio}}{\text{Best's Loss Ratio}} \right) \right] \\ &\quad + \text{Allocated Liability Claims Expense} + \text{Taxes} + \text{Compensation} \end{aligned}$$

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

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

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

- a. The unallocated liability loss adjustment expense allowance shall be based on the latest three-year average Best's Commercial Automobile Aggregates and Averages liability loss adjustment expense (adjusted to eliminate the allocated loss expenses) applicable to the liability, personal injury protection, uninsured motorists, underinsured motorists, and medical payments coverage earned premium.
- b. The actual CAIP incurred loss ratio for the latest three years of CAIP operation, if credible, will be used for the actual loss ratio element. In the absence of credibility, accepted industry actuarial practices will be applied in determining the actual loss ratio.
- c. The loss adjustment expense is adjusted by the ratio of the actual loss ratio to the Best's loss ratio subject to a maximum actual loss ratio of 150% and a minimum actual loss ratio of 50%.

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

**D. Account Information**

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

**E. Servicing Carrier Withdrawal or Termination**

1. ~~In the event that~~ If an insurer who is (or formerly was) operating as a servicing carrier exercises its option to withdraw or is terminated as a servicing carrier, in accordance with the provisions of the Servicing Agreement Service Provider Agreement, the servicing carrier shall be permitted to nonrenew its CAIP policies at expiration by giving at least 60 calendar days' notice of nonrenewal to the insured and producer ~~of record~~ prior to the next annual policy expiration date, and
2. The withdrawing servicing carrier shall submit a claims handling plan, to include current claims handling methods and procedures, with its letter of resignation. A terminated servicing carrier shall submit a claims handling plan 60 calendar days prior to the date of termination or as directed by the ~~Governing~~ Committee.

The claims handling plan must include detailed explanations of each of the following:

- a. Any management or organizational changes planned or anticipated that will impact the handling of CAIP claims

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

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

- 3. The servicing carrier must immediately advise the ~~Governing~~ Committee in writing and in advance of any change to its claims handling plan specifically relating to items 2.a, b, c, d, and e above and all other substantive changes to their operation and claims handling plan as submitted to the ~~Governing~~ Committee.
- 4. The servicing carrier shall provide the Plan with loss statements, by policy year, at the time of its resignation, termination, or insolvency and on a quarterly basis thereafter or until such time as the ~~Governing~~ Committee deems the statements are no longer necessary. Loss statements must be received at the same time as CAIP Quarterly Summary Control reports and include the following minimal loss detail:
  - a. Claim number
  - b. Policy number
  - c. Policy year
  - d. Accident year
  - e. Adjusting office
  - f. Insured name
  - g. Date of loss
  - h. Amount of loss—incurred/paid/reserved
  - i. Historical company loss trend and development factors for a minimum of the most recent five years
- 5. The submitted data will be evaluated for trends that may require further review. A final report containing the findings of the evaluation will be presented to the ~~Governing~~ Committee on a frequency agreed to by both parties. If questionable or adverse trends are found in the outstanding loss detail provided, the ~~Governing~~ Committee may consider the following options:
  - a. Request a full claims audit.

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

6. Claim Reassignment Procedure

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

- a. if the servicing carrier is meeting and is expected to continue to meet reasonable claim handling standards, it should continue the handling of its files to a conclusion;
- b. if the servicing carrier has not met reasonable claim standards, or refuses or is unable to further handle the claims, the ~~Plan~~ Governing Committee should consider the following:
  - (1) Allow the servicing carrier to handle to a conclusion all outstanding claims reported to the servicing carrier prior to its withdrawal or termination. All subsequently reported claims will be reassigned by the ~~Plan~~ Governing Committee.
  - (2) Allow the servicing carrier to retain only suit files where competent counsel is handling and the servicing carrier is meeting reasonable standards. All other claims will be reassigned by the ~~Plan~~ Governing Committee.
  - (3) Place settlement authority limitations on all claims until reassignment by the ~~Plan~~ Governing Committee. Final settlement authority, until reassignment, is to be vested with the ~~Plan~~ Governing Committee.
  - (4) Unless contrary to or prohibited by law, return all the claim files and notices to the ~~Plan~~ Governing Committee for reassignment as the ~~Plan~~ Governing Committee directs.

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

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

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

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

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

7. Statistical and Accounting Consideration

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

F. Servicing Carrier Insolvency

1. Upon receipt of notice of insolvency, or if the ~~Plan Governing~~ Committee finds it necessary to terminate a servicing carrier for financial reasons, the ~~Plan Governing~~ Committee may request a claim review of open claims files.

The claim review will enable the ~~Plan Governing~~ Committee to

- a. select the appropriate option for further handling of claims,
  - b. determine the level of work completed on the files,
  - c. estimate future adjustment expense needed for completion of claim file work.
2. The files will be subject to periodic review by the ~~Plan Governing~~ Committee or its designate. If a review indicates the servicing carrier fails to meet reasonable claim handling standards, the ~~Plan Governing~~ Committee may then consider other options included but not limited to those in Section 43.42.E. Servicing Carrier Withdrawal or Termination.

**Sec. 44.43. COMMERCIAL AUTOMOBILE  
INSURANCE PROCEDURE  
PARTICIPATION PROVISIONS**

A. ~~All-Other~~ Commercial Liability Writers

For the purpose of participation in the premiums, losses, and expenses of the Commercial Automobile Insurance Procedure as outlined in Section 44.43.B,

Voluntary ~~All-Other~~ Commercial Automobile Liability Net Direct Written premiums, shall be defined as follows:

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

1. Total private passenger nonfleet automobile bodily injury and property damage liability, medical payments, uninsured motorists, and personal injury protection voluntary premium
2. Miscellaneous nonfleet personal vehicle and named nonowner applicant liability premiums
3. Total Automobile Insurance Plan premiums (including CAIP direct written premiums of a servicing carrier or a fronting company who is acting on behalf of a service provider) written
4. Premiums for death and disability coverage

Such premium shall be gross direct premiums, including policy and membership fees less return premium and premiums on policies not taken, without including reinsurance assumed and without deducting reinsurance ceded, but including premiums for ~~other than private passenger~~ commercial excess of loss policies except in the case of a company which writes no basic limits automobile liability insurance.

B. Member Company Participation

1. For the purpose of participation in the premiums, losses, and expenses there shall be one class of business:

~~All-Other~~ Commercial automobile liability

At the end of each fiscal period, profit or loss for such class of business shall be determined separately for each policy year. A policy year shall include all policies written to be effective during a calendar year. Profit shall be credited or distributed to each subscriber and loss shall be charged against each subscriber in the proportion of the subscriber's Voluntary ~~All-Other~~ Commercial Automobile Liability Net Direct Written premiums to the comparable direct written statewide totals for all subscribers for the calendar year ending December 31 of the second prior year.

Any ~~CAIP all other~~ commercial physical damage experience will be combined with ~~CAIP all other~~ commercial automobile liability experience for the purpose of participation.

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In the event automobile personal injury protection coverage is not offered by the Plan in a state where CAIP is in effect, any ~~CAIP all other commercial~~ automobile personal injury protection experience for out-of-state garaged risks will be combined with ~~CAIP all other commercial~~ automobile bodily injury experience for the purpose of participation.

2. Each subscriber shall be liable for all other costs or expenses not chargeable to the allocated experience of any class of business in the same proportion as described in B.1 above.
3. Voluntary ~~all other commercial~~ data necessary to comply with the foregoing participation procedures shall be reported to AIPSO in the same manner as described under Section 46.A.
4. ~~For the purpose of such participation as described above, Voluntary All Other Commercial Automobile Liability Not Direct Written premiums required to calculate participation ratios shall be as defined in Section 44. A above.~~

4. If implemented by the Committee, each member company will be liable for its share of a contingency reserve in accordance with the member's participation. The details of this procedure are in the CAIP Accounting and Statistical Requirements Manual.

**C. Responsibilities of the Central Processor**

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

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

**Sec. 45.44. RESERVED FOR FUTURE USE**

**Sec. 46.45. GENERAL PROVISIONS**

**A. Reporting of Statistical Data**

**1. Distribution Data**

All of the data necessary to comply with the foregoing distribution procedures shall be reported to AIPSO by each company subscribing to this Plan or by the statistical agencies designated by such companies and each company agrees to:

- permit its statistical agent to release such data to AIPSO, and
- ~~agrees that~~ permit its statistical agent shall be permitted to furnish AIPSO with statements of its Automobile Insurance Plan experience and

voluntary private passenger nonfleet and ~~other than private passenger commercial~~ net direct automobile data in accordance with the annual AIPSO statistical program.

- ~~Each company agrees to~~ allow AIPSO to use its NAIC Annual Statement Automobile Written premium to estimate unreported or inaccurate voluntary data in accordance with Section ~~46. 45.A.1.c.~~

It is the responsibility of each member company to ensure that the above statistical reporting requirements are met if they furnish the data directly to AIPSO or if they utilize a designated statistical agency and to provide AIPSO and/or their statistical agent with corrected or appropriate data within the timeframes specified in Section ~~46. 45.A.2~~ below.

If a member company fails to report its data in accordance with the annual AIPSO statistical program requirements, or if in the reasonable judgment of the statistical agent and AIPSO, the data the member company reports is inaccurate, the following procedures shall apply:

- a. If the member company is affiliated with a statistical agent, the statistical agent shall estimate the data. In such instances, the statistical agent is authorized to estimate the data and release it to AIPSO. It is the responsibility of the member company to provide the statistical agent with corrected or appropriate data. Upon receipt of the corrected or appropriate data from the subscriber company, the statistical agent will resubmit the data to AIPSO in accordance with Plan rules. If the statistical agent is unable to estimate the data for any reason, then AIPSO may estimate the voluntary data in accordance with Section ~~46. 45.A.1.c.~~
- b. If a member company with unreported or inaccurate data has no affiliation with a statistical agent, it is their responsibility to provide the appropriate data and data corrections. Failure to do so will result in AIPSO estimating the member company's voluntary data in accordance with Section ~~46. 45.A.1.c.~~
- c. AIPSO shall use the company's NAIC Annual Statement Automobile Written premium to estimate the company's statistical data.

**2. Data Corrections**

For PAIP participation, prior year Annual Statement premium acquired from the NAIC as of June of the given assessment year is not subject to further adjustment or correction, except as

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specified in Section 44, 40.A or as otherwise authorized by the Plan.

For CAIP, corrections and adjustments to a given calendar year's Voluntary ~~All-Other~~ Commercial premium data reported by statistical agents will be accepted for a period of 2½ years from the close of the calendar year.

**Note:** ~~For example, companies may submit corrections to calendar year 2018 voluntary base data until June 30, 2021-3.~~

3. NAIC Data Reporting

Each company agrees to allow the use of its Annual Statement automobile written premium data, acquired by the Plan from the NAIC, to develop participation ratios for Plan use.

4. Voluntary ~~All-Other~~ Commercial Distribution Data

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

**B. Mergers or Consolidation of Companies**

~~In the event~~ If a company is merged with another company or there is a consolidation of companies, the continuing company shall receive the assessments and participation of the company merged or consolidated until the obligation of such merged or consolidated company, as established by its writings prior to such merger or consolidation, has been filled. However, the continuing company may be relieved from such obligations if another company has agreed, in a manner satisfactory to the Committee, to assume such obligations.

**C. Company Groups**

Company groups under the same ownership may elect to be treated as one company to receive assessments and PAIP and CAIP participation.

**D. Companies Discontinuing Writing or No Longer Licensed**

1. Personal Automobile Insurance Writers

A company that is discontinuing writing or is no longer licensed to write automobile liability insurance in the state shall participate in assessments and the operating results of PAIP for

those calendar years for which the company reported data.

If the automobile liability business of such company has been purchased by, transferred to, or reinsured by another company, the latter shall receive the assessments and participation of the former until the obligation(s) of the former as established by its writings prior to such transfer has been filled, unless another company has agreed, in a manner satisfactory to the Committee, to assume such obligations.

2. Commercial Automobile Insurance Writers

A company that is discontinuing writing or that is no longer licensed to write automobile insurance in this state will participate in assessments and the operating results of CAIP for those policy years for which the company reported two years prior voluntary base data. Such companies will participate for each policy year of CAIP experience to a maximum of 11 years.

When all companies in a group are under the same ownership and management or a group elects to be treated as a single company, and a company in the group discontinues writing or is no longer licensed, the remaining licensed companies shall not adjust voluntary base data to exclude Voluntary ~~All-Other~~ Commercial premium of the company no longer licensed. Any CAIP participation statements for the company that has discontinued writing or is no longer licensed shall be the responsibility of the remaining companies in the group. When a company is no longer licensed during a calendar year, it shall be considered a member of the group for the year.

**E. Insolvent Companies**

~~In the event~~ If proceedings have been initiated in a court of competent jurisdiction to have a company declared insolvent, and a receiver or liquidator has been approved by such court, that company's share of the Plan assessment shall become the shared obligation of all companies licensed to write automobile insurance in the state. Each member company will be assessed proportionately for the insolvent company's share of the Plan assessment. ~~In the event~~ If the company is subsequently found by the court not to be insolvent, the proceedings are dismissed and the liquidator or receiver has been discharged, the company shall be assessed for the total amount expended to reimburse all companies licensed to write automobile insurance in the state.

**F. Negotiation of Settlement of Balances with Companies in Rehabilitation**



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On behalf of the Plan, AIPSO shall negotiate the best offer or settlement of balances due for AIPSO and Plan assessments and PAIP and CAIP participation and shall protect the financial interest of the Plan. Any offer or settlement for the Plan or CAIP in excess of \$10,000 shall be ratified by the ~~Governing~~ Committee.

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

**Sec. 47.46. RATE DETERMINATION**

**A. General Provisions**

1. All risks placed through the Plan shall be subject to the rules, rates, surcharges, minimum premiums, and classifications filed by the Plan on behalf of all subscribing companies.
2. For the purposes of such filings, each company subscribing to the Plan authorizes the Executive Director of the Office of Insurance to accept such filings on its behalf.
3. All of the statistical data required to develop the appropriate rates shall be furnished to AIPSO by each company subscribing to this Plan or by a statistical agency designated by such company.

**B. Resident and Nonresident Rate Determination**

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

This does not include

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

1. State of Principal Garaging—Plan State
  - a. Bodily injury, property damage, medical payments, and personal injury protection coverages shall be afforded as follows:

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

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

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

**C. Surcharge for Extra Hazardous Risks**

If the hazard of an applicant or insured is determined to be greater than that contemplated by the rate normally applicable, the service provider or servicing carrier shall supply the Kentucky Automobile Insurance Plan with a recommendation for the additional charge along with the necessary information for the determination of the increase in such rate.

The Plan shall submit this recommendation to AIPSO for determination of the additional charge due to the exposure of the risk. AIPSO will advise the Plan which will in turn notify the service provider or servicing carrier. If an objection is not received from the service provider or servicing carrier within 15 calendar days, the Plan will be in a position to submit a filing to the Kentucky Office of Insurance for approval. On receipt of written approval from the Office of Insurance, the service provider or servicing carrier will be so informed that the additional charge is in order. An approved increase in such rate shall be deemed to include any applicable additional charges.

**Sec. 48.47. RESERVED FOR FUTURE USE**

**Sec. 49.48. RIGHT OF APPEAL**

The Committee may hear any appeal from an applicant, insured, producer, insurer, service provider, or servicing carrier on a matter pertaining to the proper administration of the Plan. Each Notice of Cancellation or denial of insurance under the provisions of the Plan shall contain or be accompanied by a statement that the insured or applicant has a right of appeal to the Committee. The action of the Committee may be appealed to the Executive Director of the Office of Insurance of the state.

The Plan shall promptly notify the insured or applicant, the producer ~~of record~~, and the insurer, service provider, or servicing carrier of the disposition of the appeal, which notification in the case of refusal to sustain a cancellation shall include notice that, upon payment of the deposit premium to the company, a policy ~~or binder~~ will be issued.

An appeal shall not operate as a stay of cancellation, provided, however, ~~that~~ if either the Committee or the Executive Director of the Office of Insurance refuses to sustain the cancellation, the company which issued the policy or binder shall, within two working days after receipt of the deposit premium, provided such deposit premium is received within 30 calendar days after determination of the appeal, issue a new policy ~~or binder~~ effective for a period of one year from the date of issuance of such new policy or binder. The balance of the premium shall be payable as provided in accordance with Plan provisions. ~~Personal Automobile Part—Section 6 and Commercial Automobile Part—Section 22.~~

**Sec. 50.49. INDEMNIFICATION**

The Plan shall indemnify each individual or insurer against any and all losses, damages, judgements, interest, settlements, fines, court costs, and other reasonable costs and expenses, including attorney's fees, and any other liabilities (hereafter, "liability") incurred by, imposed upon, or suffered by such individual or insurer in connection with or resulting from any claim, action, suit, or proceeding, actual or threatened (hereafter, "claim") arising out of and in connection with the performance of duties on any committee or on the ~~Governing~~ Committee of the Plan or predecessor organization or arising out of and in connection with the performance of duties as an officer or employee of the Plan or predecessor organization, provided such individual or insurer

- A. acted in good faith; and
- B. reasonably believed the performance of duties was in accordance with the objectives of the Plan; and
- C. had no reasonable cause to believe the performance of duties was improper or illegal; and
- D. shall have promptly notified the Plan of any claim in writing at its main office.

Indemnification as described in this Section shall be provided whether or not the individual or the insurer is still serving on the ~~Governing~~ Committee or on any committee of the Plan or is still an officer or employee of the Plan at the time of the commencement of any claim, and whether or not any possible liability is incurred through the performance of duties prior to the adoption of this Section.

Whenever an individual or insurer seeks indemnification under this Section, entitlement to indemnification shall be determined by the ~~Governing~~ Committee which shall also determine the time and manner of indemnification including reimbursement with interest.

The Plan may elect to defend, pay, or otherwise dispose of any claims, at its own cost, and will promptly advise the individual or insurer seeking indemnification whether it so elects.

The cost of fulfilling the Plan's obligations under this Section shall be a cost of administration, ~~as provided in Section 36.~~

**Sec. 51.50. PRODUCER REGISTRATION  
TO ACCESS THE  
ELECTRONIC APPLICATION  
SUBMISSION INTERFACE  
(EASi)**

Producers licensed to transact automobile insurance in Kentucky must be registered to access EASi electronic application submission. ~~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](http://www.aipso.com/PlanSites/Kentucky). 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.

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.

To maintain access to electronic application submission, A a copy of all producer licenses shall be submitted to the Manager within 60 calendar days of the renewal date.

- C. If violations pertaining to electronic submission of applications have occurred, the Committee may recommend the limitation, suspension, or termination of producer access to the online application submission process.

- D. If the Plan determines that immediate action is required to protect the public interest prior to a hearing in accordance with usual Plan procedures, the Plan may immediately suspend a producer's privilege to electronically submit applications.

A hearing on the merits before the Committee will take place within 10 calendar days of the notice of suspension. Within 7 calendar days of the hearing, the Committee shall render a decision.

Any final decision of the Plan or the Committee under this section shall be subject to the right of appeal to the Commissioner of Insurance.

## **Sec. 52. ★ALTERNATE APPLICATION SUBMISSION PROCEDURES**

~~The Electronic Application Submission Interface (EASi), authorized by the Kentucky Automobile Insurance Plan, provides 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. 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](http://www.aipso.com/PlanSites/Kentucky), 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 applications. 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. Alternate Submission Procedures 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 notify the producer of record of 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.~~

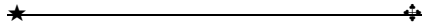
#### **2. Applications Submitted Via the United States Postal Service**

~~a. Coverage shall become effective at 12:01 A.M. on the day following the date of mailing~~

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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.



- 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.★

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 they have designated the time and date of coverage and agrees that 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 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 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 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~~

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- 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. ~~ICG 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 signatures~~
- 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 post mark, 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, 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 photo-copying 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~~

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~~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.D.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.~~

~~5. Producer Submission of Application to Plan~~

~~The producer of record shall forward the original application bearing the original signatures of the applicant and producer, 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.~~

~~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.~~

~~THE FOLLOWING SECTIONS ARE APPLICABLE TO APPLICATIONS ASSIGNED UP TO AND INCLUDING DECEMBER 31, 2018 AND ARE PROVIDED FOR REFERENCE PURPOSES~~

~~SUPPLEMENT~~

~~Sec. 36 COST OF ADMINISTRATION~~

~~A. Subscriber Fee~~

~~Each company subscribing to the Plan shall pay a separate minimum annual fee of \$10.~~

~~B. Assessment~~

~~Each subscriber's ratio of Voluntary Private Passenger Nonfleet Written Car Years (as defined in Section 40.A.1) and Voluntary All Other Not Direct Written premiums (as defined in Section 44.A) to the statewide industry total written car years and premiums shall be used as the basis of apportionment of all expenses incurred in excess of the minimum fees.~~

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If, at the time of the initial assessment for any given calendar year, data for the second prior year is not available, the assessment shall be based upon the latest available year's data. In such event, the assessment shall be adjusted subsequently using the data for the second prior year.

**C. ~~Companies Not Writing~~**

No assessment other than the minimum annual fee shall be levied against a company which has written no automobile liability insurance other than for the Automobile Insurance Plan during the period for which the quotas are based.

**DIRECT ASSIGNMENT OF PRIVATE PASSENGER APPLICATIONS ENDED ON DECEMBER 31, 2018. EFFECTIVE JANUARY 1, 2019, THE PERSONAL AUTOMOBILE INSURANCE PROCEDURE (PAIP), A POOLING MECHANISM, REPLACED THE ASSIGNMENT MECHANISM.**

**Sec. 40. DETERMINATION AND FULFILLMENT OF QUOTAS**

**A. ~~Distribution of Applications~~**

The Plan shall distribute those risks which are eligible for coverage so that each company will receive the same proportion of Private Passenger Nonfleet Automobile Insurance Plan premiums that its respective Voluntary Private Passenger Nonfleet Liability Net Direct Written Car Years bear to the statewide total of the Voluntary Private Passenger Nonfleet Liability Net Direct Written Car Years of all companies in the state.

$$\text{Market Share} = \frac{\text{Company Voluntary PPNF Liability Net Direct Written Car Years}}{\text{Statewide Voluntary PPNF Liability Net Direct Written Car Years}}$$

For the purpose of such distribution as described above (1) Voluntary Private Passenger Nonfleet Liability Net Direct Written Car Years and (2) Private Passenger Nonfleet Automobile Insurance Plan premiums shall be as defined below:

1. "Voluntary Private Passenger Nonfleet Liability Net Direct Written Car Years" shall be the number of private passenger nonfleet automobile bodily injury liability car years written by the company in the state for the calendar year ending December 31 of the second prior year under a personal auto policy of any type, excluding Private Passenger Nonfleet Automobile Insurance Plan Car Years. Voluntary Private Passenger Nonfleet Liability Net Direct Written Car Years shall include calculated car years for miscellaneous nonfleet and named nonowners for the following classes:

- a. ~~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~~
- (5) ~~Antique autos~~
- (6) ~~Amphibious autos~~
- (7) ~~Snowmobiles~~
- (8) ~~Golf carts~~
- (9) ~~Motorcycles, motorscooters, motorbikes, trail bikes, and mopeds~~
- (10) ~~Low speed vehicles~~

- b. ~~Named nonowner applicants~~

~~Snowmobile and low speed vehicle bodily injury liability calculated car years shall be excluded from the Voluntary Private Passenger Nonfleet Liability Net Direct Written Car Years for the purpose of distribution of applicants.~~

Each statistical agent will report voluntary data for all ten classes of miscellaneous non fleet personal vehicles shown in Section 40.A.1.a above. AIPSO will make the appropriate adjustments to miscellaneous nonfleet personal vehicle data to comply with Section 40.A.4.

2. ~~"Private Passenger Nonfleet Automobile Insurance Plan premiums" shall mean the total of~~

- a. ~~automobile bodily injury and property damage liability, and personal injury protection premiums including premiums for medical payments, and uninsured motorists coverage for private passenger nonfleet Automobile Insurance Plan insureds;~~

- b. ~~the premium credits allowed under this Section.~~

3. ~~Private Passenger Nonfleet Automobile Insurance Plan premiums shall include the total Automobile Insurance Plan liability premiums written in the state for the following assignable classes:~~

- a. ~~Miscellaneous nonfleet personal vehicles including the following types that are registered:~~

- (1) ~~Motor homes, auto homes (self-propelled)~~

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- ~~(2) Campers and travel trailers~~
- ~~(3) Dune buggies~~
- ~~(4) All terrain vehicles~~
- ~~(5) Antique autos~~
- ~~(6) Amphibious autos~~
- ~~(7) Golf carts~~
- ~~(8) Motorcycles, motorscooters, motorbikes, trail bikes, and mopeds~~

b. ~~Named nonowner applicants~~

4. ~~For quota determination purposes, AIPSO will convert each company's reported voluntary liability premium for the calendar year ending December 31 of the second prior year for all eight classes of miscellaneous nonfleet personal vehicles and named nonowner applicants as shown in Section 40.A.3 above to car years using the statewide average Voluntary Private Passenger Nonfleet Liability premium per car year for the calendar year ending December 31 of the third prior year. Each company's reported Voluntary Private Passenger Nonfleet Liability Car Year data for the calendar year ending December 31 of the second prior year will be adjusted to include calculated car years for miscellaneous nonfleet personal vehicles and named nonowner applicants to comply with Section 40.A.1.~~

~~"Nonfleet" is defined as four or less motor vehicles of any type.~~

~~"Fleet" is defined as five or more motor vehicles of any type.~~

**~~THE LIMITED ASSIGNMENT DISTRIBUTION PROCEDURE (LAD) TERMINATED ON DECEMBER 31, 2018.~~**

**B. ~~Limited Assignment Distribution Procedure (LAD)~~**

~~The provisions of this subsection shall apply to all private passenger nonfleet risks submitted to the Plan on and after August 1, 1997. Companies which agree to participate will enter into a written agreement with the Kentucky Automobile Insurance Plan.~~

1. ~~Any subscriber company may apply to serve as a LAD servicing company and receive additional assignments by executing a LAD Agreement with Servicing Companies. LAD assignments shall be allocated to servicing companies based on percentages that are mutually agreed upon by the Governing Committee and the servicing companies. Annually, the Plan shall review the allocations with current and prospective servicing companies prior to September 1. The Governing~~

~~Committee may adjust allocations as deemed necessary to meet the needs of the LAD. When a servicing company is the only servicing company, they must agree to accept an allocation of 100% of the LAD assignments. All allocations shall be approved by the Governing Committee and shall be effective January 1 of the new assignment year. The appointment of a new servicing company shall be effective January 1. Subscriber companies who do not elect to receive additional assignments will continue to receive their own assignments.~~

2. ~~LAD servicing companies are appointed by the Governing Committee and must meet and continuously maintain all of the following eligibility requirements. If, at any time, the servicing company does not meet one or more eligibility requirements, the servicing company must immediately notify the Plan. A servicing company must~~

a. ~~be a company whose market share of the Voluntary Private Passenger Nonfleet Liability Net Direct Written Car Years, as defined above, is 1% or more. If the individual company does not meet the 1% market share requirement and is part of a group of companies under common ownership, control, and management, the voluntary private passenger nonfleet liability car years of all companies in the group combined may be used to fulfill this requirement;~~

b. ~~have a statutory capital and surplus of not less than \$25,000,000;~~

c. ~~have and maintain a net premium to surplus ratio that does not exceed 3 to 1;~~

d. ~~have maintained an A.M. Best's financial rating of A- or better for a continuous three-year period from the most current publication date of the servicing company's rating. A financial rating from an alternative rating service cannot be used to fulfill this eligibility requirement;~~

e. ~~have been licensed to write automobile liability and physical damage insurance without restriction for a minimum period of five years in the state of Kentucky;~~

f. ~~have a service facility affording policy issuance and all other policyholder services;~~

g. ~~have the ability to service insurance claims in every state, the District of Columbia, and Canada; and~~



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~~h. execute the LAD Agreement with Servicing Companies, and comply with the provisions of that agreement.~~

~~EXCEPTIONS: (1) The Committee has the option to consider a servicing company application from a company that does not meet the following eligibility criteria:~~

~~(a) The 1% market share requirement~~

~~(b) The five-year period of licensing for the writing of automobile liability and physical damage in the state~~

~~(c) The service facility requirement to provide policy issuance and policy-holder services~~

~~(d) The ability to service insurance claims in every state, the District of Columbia, and Canada~~

~~(2) The following eligibility requirements shall not be subject to exception in the evaluation of a company to serve as a LAD servicing company:~~

~~(a) The statutory capital and surplus requirement of \$25,000,000~~

~~(b) The net premium to surplus ratio of the company which cannot exceed 3 to 1~~

~~(c) A company financial rating from A.M. Best of A- or better for a continuous three-year period from the most current publication date of the company's rating~~

~~3. Subscriber companies which agree to assume additional assignments (servicing companies) will be paid a prescribed service fee established by the Governing Committee. The service fee is a component of the buy-out percentage formula~~

~~which is stated as a percentage of the additional quota accepted.~~

~~4. Monitoring Servicing Company Eligibility~~

~~The Plan will annually review the eligibility of each servicing company to ensure it continues to meet eligibility requirements. The Plan may also review the eligibility of a servicing company at any other time that circumstances warrant. Such review may include, but is not limited to, verification of any or all of the eligibility criteria in Section 40.B.2, review of quarterly financial statements filed by the servicing company with the Insurance Department, and monitoring of the volume of LAD business written in relation to any applicable assignment limitation.~~

~~If the Plan determines that a servicing company does not continue to meet one or more of the eligibility requirements in Section 40.B.2, the Plan shall immediately provide written notification to the servicing company and Governing Committee. If the servicing company advises the Plan that it no longer meets one or more eligibility requirements, the Plan shall verify the information and provide written acknowledgement to the servicing company. The Plan shall immediately advise the Governing Committee, in writing, that the servicing company no longer meets one or more of the eligibility requirements. The Governing Committee may take such action as deemed necessary, including establishment of a period of time for the servicing company to remedy the cause of ineligibility or termination of the LAD servicing company.~~

~~In the event a LAD servicing company is terminated due to ineligibility or any other cause, the Plan will issue notification to all Plan subscriber companies advising them of the termination.~~

~~5. Monitoring Buy-Out Capacity~~

~~AIPSO, acting on behalf of the Plan, will review on a quarterly basis the volume of additional assignments written by each servicing company on behalf of excused companies in the LAD arrangement and advise the Plan.~~

~~6. Termination of LAD Servicing Company~~

~~a. insolvency or Insurance Department Order~~

~~If a servicing company is terminated due to insolvency, rehabilitation, or insurance department order, the Governing Committee and Plan will be guided by the following:~~

~~(1) Assignments to the servicing company will be restricted. At the discretion of the Governing Committee, all LAD~~

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~~assignments may be directed to another active servicing company, if one exists and the servicing company is in agreement. Otherwise, such assignments will be distributed to companies with quotas who are not LAD excused companies. As directed by the Plan, the servicing company shall return LAD fees it has received.~~

~~(2) The Governing Committee may review the capacity of any other active LAD servicing companies to handle additional assignments. At their discretion, the Governing Committee may solicit for another LAD servicing company.~~

~~(3) If the terminated servicing company was the only servicing company and a replacement cannot be located, the former excused companies will be restricted from receiving assignments for a period of no longer than 90 days. At the conclusion of the restriction period, the companies must be prepared to handle their own Plan assignments.~~

~~b. Any Other Reason~~

~~If a servicing company is terminated for any reason, other than those indicated in Section 40.B.6.a, the Governing Committee and Plan will be guided by the following:~~

~~(1) The Governing Committee will provide the servicing company with at least 90 days' written notice of such termination. The servicing company will continue to receive assignments on behalf of its LAD excused companies until the termination date. The servicing company must continue to service its LAD business until the end of three-year assignment in the Plan has been reached, unless otherwise directed by the Governing Committee.~~

~~(2) The Plan will provide the excused companies with at least 90 days' written notice of termination of the only servicing company. If another active LAD servicing company does not exist or the Plan is unable to obtain another LAD servicing company, the notice must advise of termination of the servicing company, cancellation of the excused company contracts, and dissolution of the LAD arrangement. The notice must also indicate that the former excused companies must be prepared to receive and write Plan assignments as of a specific date.~~

~~(3) The former servicing company shall be responsible for its own assignments after termination of the LAD arrangement. The servicing company may seek a LAD buy-out arrangement for its Plan assignments.~~

~~c. Termination of LAD Agreements with Ex-cused Companies~~

~~When the procedures in Section 40.B.6 above are utilized, the existing agreements between the Plan and the excused companies are terminated and are subject to the provisions contained herein.~~

~~7. Annual Review of Estimated Plan Premium Volume~~

~~Annually, the Plan will review the estimated private passenger premium volume when the first quarter (February 1 through April 30) quota reports are distributed. The Plan will advise the Governing Committee whether the estimated Plan private passenger premium volume is less than, meets, or exceeds \$2 million. The Governing Committee shall be guided by the following:~~

~~a. If the Plan estimated private passenger premium volume is \$2 million or less, all companies with private passenger nonfleet quotas have the option to buy out.~~

~~b. If the Plan estimated private passenger premium volume exceeds \$2 million, the Governing Committee may, at their discretion;~~

~~(1) reinstate the buy out eligibility requirement shown in Section 40.B.8 in accordance with the procedure in Section 40.B.9;~~

~~(2) solicit for another LAD servicing company;~~

~~(3) continue to offer all companies with quotas the option to buy out until such time as the Governing Committee feels further action is deemed necessary;~~

~~(4) implement a combination of (2) and (3) above; or~~

~~(5) take any other action deemed appropriate by the Governing Committee.~~

~~8. Buy-Out Eligibility Requirement~~

~~Subscriber companies with a private passenger nonfleet quota whose market share of the Kentucky Voluntary Private Passenger Nonfleet Liability Not Direct Written Car Years is less than 5% may elect to be excused from all private passenger nonfleet assignments (excused companies). An excused company shall pay a pre-~~

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~~scribed fee on the basis of its applicable private passenger nonfleet quota. Excused companies shall be allowed to buy out commencing on February 1, May 1, August 1, and November 1 of the year.~~

~~Subscriber companies with a private passenger nonfleet quota whose market share of Kentucky Voluntary Private Passenger Nonfleet Liability Net Direct Written Car Years is 5% or greater may apply to the Governing Committee for an exception. The Governing Committee may approve or deny a new exception or revoke an existing exception for any circumstances warranted for the benefit of the Plan.~~

~~Annually, all company exceptions will be reviewed by the Governing Committee based upon each company's first quarter (February 1 through April 30) quota distribution reports. Any company whose market share equals or exceeds 5% may have its market share exception revoked. If a company's market share exception is revoked by the Governing Committee, the Plan shall notify the excused company and servicing companies by June 30th that the LAD Agreement with Excused Companies will terminate as of December 31 of that calendar year.~~

**Exception:** ~~The above buy-out eligibility requirement and exception procedure are not in effect when the estimated Plan private passenger premium volume is \$2 million or less. Any company with a quota has the option to buy out in LAD. If the estimated Plan private passenger premium volume exceeds \$2 million, the Governing Committee shall be guided by the procedure in Section 40.B.7.~~

**9. Reinstatement of Buy-Out Eligibility Requirement**

~~If the buy-out eligibility requirement is reinstated by the Governing Committee in accordance with Section 40.B.7, the Plan shall be guided by the following:~~

- ~~a. All servicing companies and excused companies shall be notified by June 30th that the buy-out eligibility requirement will be reinstated as of January 1 of the new year.~~
- ~~b. Former excused companies and new excused companies with private passenger quotas who meet the buy-out eligibility requirement in Section 40.B.8 may buy out from their quotas as of January 1 of the new calendar year.~~

~~c. Current excused companies whose market shares of the Private Passenger Liability Net Direct Written Car Years are equal to or greater than 5% shall be notified in writing by June 30th that their LAD arrangements are terminated as of December 31 and that they should prepare to receive their own private passenger assignments as of December 31 of that calendar year.~~

~~d. Current excused companies and new excused companies with market shares of 5% or greater may apply to the Governing Committee for an exception in accordance with the procedure in Section 40.B.8.~~

~~10. Such excused companies shall nonrenew all policies covering private passenger nonfleet automobiles assigned to it by the Plan, which expire on or after August 1, 1997. Not less than 45 days prior to the expiration date of such policies, the excused company shall provide the insured with a letter of nonrenewal.~~

~~11. The fee to be paid by the excused companies shall be distributed among the servicing companies. The buy-out fee percentage shall be calculated annually in accordance with the following formula:~~

$$\text{Buy - Out Fee Percentage} = \frac{\left[ \left( 1.0 + \frac{\text{Service Fee}}{\text{Percentage}} \right) \times \frac{\text{Statewide Indicated Average Premium}}{\text{Per Car}} \right] - \frac{\text{Statewide Current Average Premium}}{\text{Per Car}}}{\text{Statewide Current Average Premium Per Car}}$$

$$\text{Buy-Out Fee} = (\text{Buy-Out Fee Percentage}) \times (\text{Excused Company Quota Premium})$$

- ~~a. The buy-out fee percentage shall be evaluated annually as of January 1 of each year utilizing the formula.~~
- ~~b. The components of the formula shall be defined as follows:~~

- ~~(1) Statewide Indicated Average Premium Per Car: This is the indicated average premium per car that should be adequate to cover losses and expenses expected on the policies written during the 12 months beginning with January 1 of each year. This indicated average premium per car is based on the most recent rate indication available.~~
- ~~(2) Statewide Current Average Premium Per Car: This is the premium per car that is paid by the average insured as of January 1 of each year to purchase liability coverage.~~

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- ~~c. The rating methodology used to determine the adequacy/inadequacy of rates in the calculation of the LAD fee will be consistent with the rating methodology used to determine Plan rates.~~
- ~~d. The service fee percentage factor in the above equation is set at 15% and may be adjusted annually at the start of the new assignment year. The buy-out fee percentage shall never be lower than the service fee percentage. The value of the other components of the formula will be adjusted annually on the basis of the most current rate indication available.~~
- ~~The minimum buy-out fee is 15% or \$500, whichever is greater, and is paid annually. In no event shall the buy-out fee be less than 15%. If the buy-out formula results in a buy-out percentage of less than 15%, the buy-out percentage shall be set at 15%, subject to periodic review by the Governing Committee. However, if the buy-out percentage formula results in a buy-out percentage greater than 15%, the buy-out fee shall be set at the greater amount as determined by the formula.~~
- ~~12. Annually, when the buy-out fee percentage is announced, the excused company may, within 30 days of such announcement, elect to terminate this agreement by providing written notice to the Plan. The effective date of such termination shall coincide with the August quota distribution. The excused company shall be billed at the new annual buy-out rate prorated for the six months coinciding with the February and May quota periods. Without such notice of termination, the agreement shall be deemed renewed for successive terms of one year.~~
- ~~The excused company may terminate this agreement for any successive term (calendar year) by giving written notice to the Plan no later than December 31 prior to the year it elects not to participate in the LAD Procedure.~~
- ~~13. Each calendar year, AIPSO, on behalf of the Kentucky Automobile Insurance Plan, shall calculate, collect, and distribute the estimated buy-out fees in accordance with the provisions of this Section. Subsequent to each calendar year, AIPSO shall review and adjust each company's market share and premium quota to reflect changes in premium assigned and in the voluntary data used to calculate each company's quota. This final calculation of market share and premium quota shall not reflect any change in the components of the buy-out formula for that year.~~
- ~~14. Servicing companies will provide full service for the entire quota of excused companies including that for claims and statistical reporting.~~

~~15. Whenever there is a termination of an excused company, a servicing company shall continue each policy in force under this Section for the remainder of its three-year assignment. The Governing Committee may direct that quota adjustments be accelerated upon termination of a subscriber if it is deemed equitable.~~

~~16. In the event a Plan subscriber which is an excused company in accordance with Section 40.B is declared insolvent and owes buy-out fee monies to the servicing companies, the Plan shall pay the servicing companies for such outstanding balance. The amount expended by the Plan for such payment shall be deemed a cost of administration of the Plan and shall be apportioned to subscriber companies as provided in Section 36. The Plan shall be subrogated in the liquidation proceedings to the rights of the servicing companies so paid.~~

~~17. Termination of LAD Excused Company Agreement~~

~~a. Court Order or Insurance Department Order~~

~~In the event proceedings have been initiated in a court of competent jurisdiction to have an insurer declared insolvent and a receiver or liquidator has been appointed by such court, or if the company is the subject of an insurance department order that restricts its ability to write automobile insurance, the excused company's LAD agreement shall be terminated. AIPSO, acting on behalf of the Plan, will remove the excused company from LAD at the start of the next quota quarter.~~

~~The excused company's LAD obligation will be subject to true up as of the date of receipt of the order.~~

~~b. Any Other Reason~~

~~An excused company agreement may be terminated by either the Plan or the excused company in accordance with the terms and conditions stated in the excused company agreement.~~

~~c. Termination of Excused Company Agreements~~

~~When the procedure of Section 40.B.17.a above is utilized, the existing excused company agreement between the Plan and the excused company is terminated and is subject to the provisions herein.~~

~~18. Conflict of Provisions~~

~~If a conflict exists between Section 40.B of this Plan and the LAD Agreement with Excused~~

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Companies and/or LAD Agreement with Servicing Companies, the provisions of this Plan shall apply.

**C. ~~Distribution Restrictions~~**

~~Distribution shall be made on the basis that any applicant within the foregoing definitions eligible for assignment shall be assigned or reassigned to any company with a quota, subject to the following restrictions:~~

1. ~~No risk shall be assigned to more than one company.~~

2. ~~Household Procedure~~

~~If automobile insurance coverage is in force on a vehicle owned by a member of the household at the time of application, the applicant shall be assigned to the company providing the existing insurance, provided all of the following requirements are met:~~

a. ~~The applicant is eligible under the rules of the Plan.~~

b. ~~A copy of the Declarations page for the policy providing automobile insurance coverage for a vehicle owned by a member of the household is submitted with the application.~~

c. ~~The company providing the existing insurance for the household is taking assignments.~~

d. ~~The limits and coverages requested are available by the assigned household company.~~

e. ~~The surplus provisions in paragraph 3 of this subsection are met.~~

~~An assignment to any company under the provisions of the household procedure which is contrary to the above provisions shall be returned to the Plan promptly for reassignment.~~

3. ~~Company Surplus Provision~~

~~No insurer whose surplus to policyholders is less than \$1,500,000 shall be assigned a risk requesting or required by law to carry limits of liability in excess of 50/100/10.~~

4. ~~Companies Without Voluntary Writings~~

~~No assignments shall be made to a company which has written no automobile liability insurance other than for Automobile Insurance Plan insureds during the period on which the quotas are based.~~

**D. ~~Quota Adjustment~~**

~~AIPSO shall adjust the current assignment quota of each company periodically, but not less than quarterly, to reflect the amount of Automobile Insurance Plan~~

~~premium which was less than or in excess of its proportionate share of the total Automobile Insurance Plan premium. AIPSO shall periodically, but not less than quarterly, notify the Plan of each company's quota adjustment.~~

**Sec. 46. GENERAL PROVISIONS**

**A. ~~Reporting of Statistical Data~~**

1. ~~Distribution Data~~

~~All of the data necessary to comply with the foregoing distribution procedures shall be reported to AIPSO by each company subscribing to this Plan or by the statistical agencies designated by such companies and each company agrees to permit its statistical agent to release such data to AIPSO and agrees that its statistical agent shall be permitted to furnish AIPSO with statements of its Automobile Insurance Plan experience and voluntary private passenger nonfleet and other than private passenger not direct automobile data in accordance with the annual AIPSO statistical program.~~

~~If a subscriber company fails to report its data in accordance with the annual AIPSO statistical program requirements, or if in the reasonable judgment of the statistical agent and AIPSO, the data the subscriber company reports is inaccurate, the statistical agent designated by the subscriber company shall estimate the data. In such instances, the statistical agent is authorized to estimate the data and release it to AIPSO. It is the responsibility of the subscriber company to provide the statistical agent with corrected or appropriate data. Upon receipt of the corrected or appropriate data from the subscriber company, the statistical agent will resubmit the data to AIPSO in accordance with Plan rules. Any subscriber company whose data has been estimated and who does not materially comply with data correction procedures contained herein shall be referred to the Governing Committee for remedial action and, if deemed necessary, the Executive Director of the Office of Insurance.~~

2. ~~Corrections to Quota/Participation Data~~

~~Corrections and adjustments to a given calendar year's voluntary base data will be accepted for a period of 2½ years from the close of the calendar year.~~

~~Corrections and adjustments to a given calendar year's Automobile Insurance Plan premium data will be accepted for a period of 1½ years from the close of the calendar year.~~

**Note:** ~~For example, companies may submit corrections to calendar year 1992~~

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~~voluntary base data until June 30, 1995. Corrections to calendar year 1992 Automobile Insurance Plan premium data may be submitted by companies until June 30, 1994.~~

**B. Assignments**

**1. Assignment Exceptions**

~~Unless the Plan is amended accordingly there shall be no exceptions to the type or class of risks assigned to a company other than as provided in this subsection nor shall there be any agreement with a company to refrain from assigning risks in any territory or area of the state.~~

**2. Assignment Suspensions**

~~Assignments to a company may not be suspended for any period of time, for any reason, without the knowledge and concurrence of the Committee. All subscribers shall be promptly notified of such action.~~

**C. Mergers or Consolidation of Companies**

~~In the event a company is merged with another company or there is a consolidation of companies, the continuing company shall receive the assignments and assessments of the company merged or consolidated until the quota of such merged or consolidated company, as established by its writings prior to such merger or consolidation, has been filled. In addition, the continuing company shall be responsible for the CAIP participation of the merged or consolidated company for CAIP policy year experience up to a maximum of 11 years. However, the continuing company may be relieved from such obligations if another company has agreed, in a manner satisfactory to the Committee, to assume such obligations.~~

**D. Company Groups**

~~Company groups under the same ownership may elect to be treated as one company to receive assignments, assessments, and CAIP participation.~~

**E. Companies Discontinuing Writing or No Longer Licensed**

**1. Companies Discontinuing Writing Automobile Liability In the State**

~~In the event a company discontinues writing automobile liability insurance in this state but retains its license to write such business, it shall continue to pay assessments and receive assignments until its quota(s) established by its writing prior to discontinuance of business has been filled; provided, however, that if the automobile liability business of a company discontinuing the writing of automobile liability insurance in this state~~

~~has been purchased by, transferred to, or reinsured by another company, the latter shall receive the assignments and assessments of the former until the quota(s) of the former as established by its writings prior to such transfer has been filled, unless another company has agreed, in a manner satisfactory to the Committee, to assume such obligations.~~

~~In the event the discontinuing writer is unable to fulfill its outstanding quota obligation as provided above, the company shall settle its cumulative unfulfilled quota obligation with the Plan in accordance with Section 46.E.2.b.~~

**2. Assignments to Companies No Longer Licensed in the State**

~~a. A company that is no longer licensed to write automobile insurance in this state should have its Automobile Insurance Plan business treated in the same manner as its voluntary business and should not receive new assignments.~~

~~The run-off of existing business should be conducted in an orderly manner with policies nonrenewed upon the next policy anniversary date.~~

~~A company that elects to surrender its license or has its license to do business in the state revoked must comply with the following requirements:~~

**(1) Surrender of License**

~~If a company elects to leave this state by surrender of its license to write automobile insurance, it must submit to the Committee, as a condition precedent to license surrender, an acceptable plan that will~~

~~(a) dispose of its quota of assignments established by its voluntary writings, including settlement of any outstanding quota obligation as provided in Section 46.E.2.b, and~~

~~(b) provide for the handling of its outstanding assigned risk policies, including payment of claims, by appropriate reinsurance agreements and/or financial arrangements.~~

**(2) Revocation of License**

~~In the event a company's license to do business in this state is revoked by the Commissioner, Department of Insurance pursuant to Kentucky insurance law, the company shall have an obligation to~~

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~~submit to the Committee an acceptable plan that will~~

~~(a) dispose of its quota of assignments established by its voluntary writings, including settlement of any outstanding quota obligation as provided in Section 46.E.2.b, and~~

~~(b) provide for the handling of its outstanding assigned risk policies, including payment of claims, by appropriate reinsurance agreements and/or financial arrangements.~~

~~b. Buy-Out Procedure~~

~~Companies unable to fulfill their cumulative assignment quota obligation through a LAD arrangement or by grouping with an affiliated company shall request a buy-out of their outstanding quota obligation with the Plan. Such buy-out provision applies to the following:~~

- ~~• Companies that have discontinued writing auto insurance liability in the state but remain licensed, including LAD servicing companies~~
- ~~• Companies who are surrendering or have surrendered their license to write automobile insurance in this state~~
- ~~• Companies whose license to do business in the state has been or is being revoked by the Commissioner, Department of Insurance~~

~~The company must submit a written request to the Committee asking for approval to buy out. The request must include the company's Voluntary Private Passenger Nonfleet (PPNF) Liability Net Direct Written Car Years by calendar year, beginning with the second calendar year preceding the date of the written request and continuing forward as necessary for each successive year until all vehicles have been run off. The Committee may grant or deny a request to buy out for any circumstances warranted for the benefit of the Plan.~~

~~Once approved by the Committee, the company shall pay a cash settlement of its obligation. This is a one-time cash settlement and shall include the current quota year's obligation as well as the projected future quota years of obligation, based upon the private passenger nonfleet vehicles provided by the company. The formula for establishing the cash settlement is:~~

~~Cash  
Settlement  
(\$)~~

$$\left[ \left( \frac{\text{Company's Current Year Basic Quota Ratio} \times \text{Company's Future Year Adjustment Factor} \times \text{Statewide Estimated AIP Premium}}{\text{Company's Over/Under Assignment As of Last Finalized Year}} \right) \times \text{Company's AIP Fulfillment Premium for All Years Subsequent to Last Finalized Year}^* \right]$$

~~× Buy Out Fee Percentage~~

~~In no event shall the total cash settlement for all years of obligation be less than the minimum settlement fee due the Plan as approved by the Committee. Any over assigned position remaining after fulfillment of the current and future years of obligation shall be brought to zero.~~

~~The cash settlement is final and is not subject to true-up based on changes to company data, statewide data, or the buy-out fee percentage, unless so authorized by the Committee.~~

~~For purposes of the cash settlement calculation, the company's future year adjustment factor is determined as follows:~~

$$1 + \left( \frac{\text{Company's Combined PPNF Liability Net Direct Written Car Years for All Years Subsequent to the Current Quota Year}^{**}}{\text{Company's PPNF Liability Net Direct Written Car Years for the Current Quota Year}} \right)$$

~~For purposes of the cash settlement calculation, the buy-out fee percentage shall be calculated when requested in accordance with the following formula:~~

$$\text{Buy - Out Fee Percentage} = \frac{\left( \left( 1.0 + \frac{\text{Administrative Fee}^{***}}{\text{Statewide Estimated Loss and Expense Per Car (Statewide Indicated Average Premium)}} \right) \times \text{Statewide Current Average Premium Per Car} \right)}{\text{Statewide Current Average Premium Per Car}}$$

~~\* Includes the net of actual AIP fulfillment premium written since the last finalized quota year plus any projected AIP fulfillment premium, including negative run-off premium~~

~~\*\* Includes actual car years, projected car years, or a combination of both~~

~~\*\*\* Administrative fee is 0.15~~

~~In no event will application of the formula result in a buy-out fee percentage that is less than the administrative fee.~~

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~~Any company that agrees to the cash settlement but fails to remit payment shall be referred to the Governing Committee for remedial action.~~

~~When all companies in a group are under the same ownership and management or a group elects to be treated as a single company and a company in the group is no longer licensed, the company no longer licensed shall make provisions for its quota of assignments as outlined in Section 46. E.2.~~

~~3. CAIP Participation of Companies Discontinuing Writing or No Longer Licensed to Write in the State~~

~~A company that is discontinuing writing or that is no longer licensed to write automobile insurance in this state will participate in the operating results of CAIP for those policy years for which the company reported two years prior voluntary base data. Such companies will participate for each policy year of CAIP experience to a maximum of 11 years.~~

~~When all companies in a group are under the same ownership and management or a group elects to be treated as a single company, and a company in the group discontinues writing or is no longer licensed, the remaining licensed companies shall not adjust voluntary base data to exclude voluntary all other premium of the company no longer licensed. Any CAIP participation statements for the company that has discontinued writing or is no longer licensed shall be the responsibility of the remaining companies in the group. When a company is no longer licensed during a calendar year, it shall be considered a member of the group for the year.~~

**F. Companies in Financial Difficulty**

~~1. New assignments may be suspended when a legal directive of suspension is issued by an Executive Director of the Office of Insurance and is authorized and valid under the rules of the Plan or applicable laws of the state, confirmed by legal opinion and by vote of the Committee.~~

~~2. The company may be relieved of its obligation to renew existing policies at expiration when a legal directive of suspension is issued by an Executive Director of the Office of Insurance and is authorized and valid under the rules of the Plan or applicable laws of the state, confirmed by legal opinion and by vote of the Committee.~~

~~3. The company's quota upon resuming the writing of insurance will reflect the assignments it would have received and the renewal policies it would have issued, during the period of suspension. The required assignment adjustment shall be spread over a period of years as determined by the Committee, but in no event shall the period of adjustment be less than three years. After the agreed period of adjustment, normal adjustment will be resumed, or, at the request of the company, the limitation may be continued after approval by the Committee.~~

**G. Negotiation of Settlement of Balances with Companies in Rehabilitation**

~~On behalf of the Plan, AIPSO shall negotiate the best offer or settlement of balances due for AIPSO and Plan assessments and CAIP participation and shall protect the financial interest of the Plan. Any offer or settlement for the Plan or CAIP in excess of \$10,000 shall be ratified by the Governing Committee.~~



## [STATE PLAN] FREQUENTLY ASKED QUESTIONS

### 1. What is the (state) Automobile Insurance Plan (state) AIP?

The (state) AIP was created to provide automobile insurance coverage to eligible risks who seek coverage and are unable to obtain coverage through the voluntary market. Complete eligibility requirements are located in the (state) Automobile Insurance Plan Manual at [\(state\)AIP Manuals \(aipso.com\)](#).

### 2. How do I start writing business through the (state) AIP?

- a. Producers licensed to transact automobile insurance in the state must do the following:
  - (1) Register or certify with the Plan to submit private passenger and commercial applications electronically.
  - (2) Complete an Application for Registration (Application for Certification if a certification state) to access the Electronic Application Submission system at: [EASi 2.0 \(aipso.com\)](#).
  - (3) Submit a valid producer's license with the completed application to the Plan by email (Plan email address) or fax (Plan fax number).
- b. Once all the above requirements are met, the producer will receive a username and password to access the electronic application system. This system must be used to apply to the Plan and include both of the following:
  - (1) A copy of the electronic application bearing the signatures of the applicant and producer
  - (2) The appropriate premium deposit and supporting documentation for processing

### 3. Can I view assignment information online if I use Electronic Application Submission?

Yes, any producer who uses the electronic application submission can view prior submissions for up to 120 days from the day an application is submitted online. When viewing a prior submission, if the application has been received and processed by the Plan, producers will be able to view the assignment information and view or print a copy of the assignment notice.

### 4. Why can't I log on to AIPSO.com if I have a user ID and password for electronic application submission?

The electronic application submission and AIPSO.com require you to register separately. Your AIPSO.com username is the email address you used when you registered at AIPSO.com. The electronic application submission username is the username assigned to you by the Plan.

### 5. When do I contact the Plan or Web Support?

- a. Contact the Plan office at (xxx) xxx-xxxx or use the Chat feature on the Plan website when you have questions regarding the following:
  - (1) Plan rules and rates
  - (2) Coverages
  - (3) Electronic Application Submission registration
  - (4) Other insurance related items
- b. Contact Web Support at (888) 424-0026 when you have questions regarding:
  - (1) Web technical difficulties
  - (2) Error messages
  - (3) Saving, submitting, and printing electronic applications
  - (4) Producer information not populating on electronic applications
  - (5) Resetting your password

## [STATE PLAN] FREQUENTLY ASKED QUESTIONS

### 6. What do I send to the Plan?

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

#### a. Private Passenger Applications

The producer must send a copy of the electronic application including the signatures of the applicant and producer, deposit check or money order, and supporting documentation to the Plan within two working days following the date of transmittal of the application.

**Note:** The effective date of coverage for all private passenger applications will be determined in accordance with the procedures outlined in the Application for Coverage and Determination of Effective Date section of the (State) AIP Plan of Operation.

#### b. Commercial Applications Not Requiring Filings or Limits in Excess of \$xxx,xxx Combined Single Limit

The electronic application bearing the signature of the applicant and producer, the deposit, and supporting documentation must be forwarded to the Plan no later than 2 working days following the date of transmittal of the application.

#### c. Commercial Applications Requiring Filings or Limits in Excess of \$xxx,xxx Combined Single Limits (Subject to 15-Day Delay in Effective Date of Coverage)

The electronic application bearing the signature of the applicant and producer, the deposit, and supporting documentation (supplemental vehicle schedule if applicable, supplemental operator schedule if applicable, CAIP Inspected Units Form must be submitted with the application if the applicant requires federal filings or endorsements) must be forwarded to the Plan no later than two working days following the date of transmittal of the application. The supplemental vehicle schedule, supplemental operator schedule and CAIP Inspected Units Form are available online at [www.aipso.com/Plan-Sites/stateplan](http://www.aipso.com/Plan-Sites/stateplan).

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. The CAIP Inspected Units Form is available on our web site under Forms.

**Note:** The effective date of coverage for all commercial applications will be determined in accordance with the procedures outlined in the Application for Coverage and Determination of Effective Date section of the (State) AIP Plan of Operation.

### 7. How do I submit a private passenger or commercial application to the Plan if Electronic Application Submission is not available?

If the Electronic Application Submission is not available, producers licensed to transact automobile insurance in the state and who are authorized by the Plan, certified, or registered with the Plan, may submit applications using the Alternate Application Submission Procedure. Producers eligible to use the Alternate Application Submission Procedure shall contact the (state) Plan at xxx-xxx-xxxx.

### 8. What types of deposits are acceptable?

#### a. Private Passenger Applications:

The deposit check must be either producer's check, applicant's check, certified check, cashier's check, money order, or premium finance checks payable to the (state) Automobile Insurance Plan.

## [STATE PLAN] FREQUENTLY ASKED QUESTIONS

- b. Commercial Applications Not Requiring Filings or Limits in Excess of \$xxx,xxx Combined Single Limit:

The deposit check must be either producer's check, applicant's check, certified check, cashier's check, or money order payable to the (state) Automobile Insurance Plan.

- c. Commercial Applications Requiring Filings or limits in excess of \$xxx,xxx combined single limit, or subject to the Motor Carrier Act or Bus Regulatory Act:

The deposit check must be in the form of a certified check, cashier's check, or money order payable to the (state) Automobile Insurance Plan.

### **9. What payment options are available to the insured?**

- a. Private Passenger Applications:

- (1) Full annual premium
- (2) Advance premium-xx% of the total annual premium submitted with the application. The remainder will be billed immediately and due within 30 calendar days from the date of the premium notice.
- (3) Installment premium-xx% of the total annual premium be submitted with the application. The remainder will be paid in installments of one-fifth of the remainder of the premium plus an installment charge of \$xx on each installment payment.

- b. Commercial Applications:

- (1) Full annual premium
- (2) Advance premium-xx% of the total annual premium submitted with the application. The remainder will be billed immediately and due within 30 calendar days from the date of the premium notice.
- (3) Installment premium-xx% of the total annual premium submitted with the application. The remainder will be paid in installments of one-fifth of the remainder of the premium plus an installment charge of \$xx on each installment payment.

### **10. Are applicants who are in the military eligible for the Plan?**

Military personnel are eligible for the Plan if they hold a valid driver's license in one of the states or US possessions and either their vehicle is registered in the state, or they are stationed in the state.

### **11. How are Financial Responsibility (SR-22) Certificates filed?**

If the risk is eligible for coverage under the Plan and the applicant or spouse requires an SR-22, the company will issue the certificate and file with the proper authority. The SR-22 will become effective on the effective date of application coverage.

### **12. Does the Plan offer rating?**

The electronic system calculates an estimated rate for private passenger risks based on information provided by the producer. However, it is the responsibility of the producer to use the Plan Manual to calculate a rate for risks not rated by the electronic system.

### **13. How do I handle vehicle additions/deletions/changes?**

A Policy Change Request form, available on the Plan web site under Forms, must be completed and sent to the assigned company no later than the first working day after completion. Additional information regarding submission of policy changes is located in the Application for Coverage and Determination of Effective Date section of the Plan of Operation.

## [STATE PLAN] FREQUENTLY ASKED QUESTIONS

**14. Are international licenses acceptable?**

Licenses and ID requirements for the state are regulated by the state Department of Motor Vehicles. Please visit the state DMV website for information regarding license and ID requirements for foreign nationals. (Include link to state DMV website)

**15. What if there is a title change during the policy period?**

Any change in title necessitates that a new policy be written. The original policy is cancelled, and a new application must be submitted to the Plan with the corrected title.

**16. If an insured has a personal policy through the Plan and then purchases a commercial vehicle, can the commercial vehicle be added to the personal policy?**

No, a commercial vehicle cannot be added to a personal policy. A new commercial application must be completed and submitted. Any private passenger vehicles may be included on the commercial application. Once the commercial policy is issued, the personal policy would be cancelled.

**17. What is the maximum liability limit available through the Plan?**

xxx/xxx/xx for private passenger risk and \$xxx,xxx combined single limit commercial risks unless higher limits are required by law or regulation.

**18. Is comprehension available without collision?**

No.

**19. What happens when vehicles are registered in one state, but the headquarters of the company is located in another state?**

For multistate operations, the state Plan in which the operation headquarters of the risk is located shall provide the insurance. For further details, see the eligibility sections of the Plan manual.