

**REPORT ON EXAMINATION**  
**OF**  
**KANSAS INSURANCE GUARANTY ASSOCIATION**  
**1873 SOUTH BELLAIRE STREET, SUITE 920**  
**DENVER, COLORADO 80222**  
**AS OF**  
**DECEMBER 31, 2019**

**FILED**

**JUN 11 2021**

**VICKI SCHMIDT**  
**Commissioner of Insurance**

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Denver, Colorado  
March 8, 2021

Honorable Vicki Schmidt  
Commissioner of Insurance  
Kansas Insurance Department  
1300 SW Arrowhead Rd.  
Topeka, Kansas 66604

Dear Commissioner:

In accordance with your authorization and pursuant to K.S.A. 40-2912, an examination has been conducted of the financial condition and business affairs of:

**KANSAS INSURANCE GUARANTY ASSOCIATION**

with its statutory home and main administrative office at:

**1873 SOUTH BELLAIRE STREET, SUITE 920  
DENVER, COLORADO 80222**

hereinafter referred to as the "Association" or "KIGA". The following report on such examination is respectfully submitted.

**SCOPE OF EXAMINATION**

This statutory financial examination was conducted in accordance with the rules, regulations, and directives of the Kansas Insurance Department ("Department"). During the examination, the affairs and activities of the Association were reviewed and analyzed to determine their compliance with applicable Kansas statutes, regulations, and directives. The examiner reviewed the Association's adherence to the provisions of its Plan of Operation ("Plan") and the Articles of Agreement ("Agreement") with Western Guaranty Fund Services ("WGFS"), a management and claims service organization through which the Association discharges its financial responsibilities.

This statutory examination covers the five-year period from January 1, 2015, through December 31, 2019, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

### **Independent Audit Reports**

Financial statements of WGFS were audited by Stockman Kast Ryan & Co. LLP for the years ending December 31, 2015, through December 31, 2019. In each of the years under examination, the auditors concluded that the financial statements present fairly, in all material respects, the financial position of WGFS and the changes in its net assets and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America. The audited financial statement also includes supplemental schedules of the Association's Statement of Cash Receipts and Disbursements of Insolvencies of each insurer's insolvency along with administrative fund.

The independent auditor's work papers were reviewed and analyzed by the examiner; whereby significant reliance was placed on select work papers during this examination.

### **SUMMARY OF SIGNIFICANT FINDINGS**

No significant findings were noted during the examination.

### **ASSOCIATION HISTORY**

The Association was formed March 27, 1970, pursuant to K.S.A. 40-2901. The Association is a non-profit, state-based, and statutorily-created system to promptly process covered claims in the event of an insolvency, and a mechanism to levy assessments to all member insurers to cover the cost in accordance with the applicable Kansas statutes and insurance policies. The Association is made up of member insurers

who are admitted in Kansas to write property and casualty insurance pursuant to K.S.A. 40-901, except for the kinds of insurance specified in the sections (a), (e), (f), (g), (h), and (i) of K.S.A. 40-1102. K.S.A.40-902 provides that accident and sickness coverage written pursuant to K.S.A. 40-1110 do not apply.

**MANAGEMENT AND CONTROL**

The Plan, last amended and approved by the Commissioner on June 25, 2014, consists of eight articles. The Plan provides that the board of directors will consist of nine persons elected by member insurers at their annual meeting and approved by the Commissioner. The directors will serve staggered three-year terms. On December 31, 2019, the following directors were serving in that capacity:

MEMBER INSURER	MEMBER REPRESENTATIVE	TERM EXPIRATION
Farmers Alliance Mutual Ins. Co.	Andy Edwardson	2020
The Travelers	John Pechar	2020
Farmers Insurance Group	Kim Decker	2020
Farm Bureau Financial Services	Tony Kimmi	2021
The Hartford	Ricky Keaton	2021
State Farm Insurance Companies	Dave Allsop	2021
American Family Insurance	Dave Monaghan	2022
Upland Mutual Insurance, Inc.	Chris Brown	2022
EMC Insurance Companies	Mike Akin	2022

The board elects from its members a chair, vice chair, and a secretary/treasurer, with each serving a one-year term. On December 31, 2019, the following officers were serving in that capacity:

OFFICE	MEMBER REPRESENTATIVE	MEMBER INSURER
Chair	Chris Brown	Upland Mutual Insurance, Inc.
Vice Chair	John Pechar	The Travelers
Secretary/Treasurer	Mike Akin	EMC Insurance Companies

### FINANCIAL STATEMENTS

The reconciliation of the Statement of Cash Receipts and Disbursements presents the cash receipts and disbursements of the Association for all years under examination and ending on December 31, 2019.

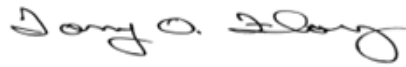
#### KANSAS INSURANCE GUARANTY ASSOCIATION RECONCILIATION OF CASH RECEIPTS AND DISBURSEMENTS DECEMBER 2015 - DECEMBER 2019

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Cash Receipts:					
Member insurer assessments	\$0	\$0	\$0	\$0	\$0
Interest Income	169,324	265,809	328,592	528,142	795,406
Recoveries	2,155,028	1,240,158	4,544,357	2,979,803	5,517,771
Special deposits					
Large deductible, WC		114,907	1221		102,581
Total Cash Receipts	<u>2,324,352</u>	<u>1,620,874</u>	<u>4,874,170</u>	<u>3,507,945</u>	<u>6,415,758</u>
Cash Disbursements:					
Premium refunds	\$0	\$0	\$0	\$0	-
Losses	2,218,397	1,430,104	1,001,603	1,110,778	1,276,546
Loss adjusting expenses - allocated	252,235	126,002	122,244	95,280	45,138
Loss adjusting expenses - unallocated	496,852	454,804	414,613	347,278	354,687
Total Cash Disbursements	<u>2,967,484</u>	<u>2,010,910</u>	<u>1,538,460</u>	<u>1,553,336</u>	<u>1,676,371</u>
Increase/(decrease) in restricted member guaranty	(643,132)	(390,036)	3,335,710	1,954,609	4,739,387
Restricted member guaranty funds:					
Beginning of year	29,463,607	28,820,475	28,430,439	31,766,149	33,720,758
End of year	<u>\$28,820,475</u>	<u>\$28,430,439</u>	<u>\$31,766,149</u>	<u>\$33,720,758</u>	<u>\$38,460,145</u>

**CONCLUSION**

The assistance and cooperation by the officers of the Association and the officers and employees of the WGFS during this examination is hereby acknowledged and appreciated.

Respectfully submitted,



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Tony O. Florez, CFE  
Examiner-in-Charge  
Kansas Insurance Department