

**KESA, The Kentucky Workers' Compensation Fund
Kentucky Employers Safety Association, Inc.**

Member Information Memorandum

KESA, The Kentucky Workers' Compensation Fund
Kentucky Employers Safety Association, Inc.
Member Information Memorandum

Thank you for choosing KESA for your workers' compensation coverage. This Memorandum presents information about KESA and its affiliate, Kentucky Employers Safety Association, Inc. You may have already discussed some of this information with the independent insurance agent you have selected. If you have questions after reviewing this Memorandum, please contact Page Barrow, KESA's Underwriting Manager, at:

KESA, The Kentucky Workers' Compensation Fund
200 Executive Park
Louisville, Kentucky 40207-4202
1-800-367- KESA, 502-894-8484
Fax: (502) 894-0066
pbarrow@kesa.org

KESA's Group Self-Insurance Program

Kentucky law requires employers to secure workers' compensation insurance coverage for their employees either through a private insurance company or by qualifying to self-insure. It allows qualifying groups of employers to pool their liabilities and self-insure on a group basis.

KESA is a group of Kentucky employers which the Kentucky Office of Insurance has certified as a workers' compensation group self-insurer. By joining KESA, an employer obtains workers' compensation coverage and related employers' liability coverage in accordance with the terms of Policies issued by KESA. You have received or will soon be receiving your KESA Policy and a related Information Page with particular information about your coverage.

KESA's Operating Agreement and Bylaws govern KESA and its members. A copy is included in this booklet. The Operating Agreement and Bylaws contain many important provisions regarding your rights and duties as a KESA member. All KESA members have potential payment obligations, in addition to their obligation to pay premiums, as set forth in Articles VII and XII of the Operating Agreement and Bylaws, and in the KESA Indemnity Agreement, a copy of which also is included in this booklet. KESA's members also may have the right to distributions under Article VIII of the Operating Agreement and Bylaws. KESA is governed by its Board of Trustees of KESA, who are elected by KESA's members. The Trustees may amend the Operating Agreement and Bylaws and the Indemnity Agreement from time to time.

All members of KESA are also members of Kentucky Employers Safety Association, Inc., a nonprofit trade association of employers affiliated with KESA, which

develops and maintains information on controlling accidents and other hazards in the workplace. Copies of the Association's Bylaws are included in this booklet.

You may apply for membership in KESA and the Association by signing and returning to KESA the Acknowledgement and Signature by Employer/Member Endorsement accompanying this booklet, along with other information the independent insurance agent you have selected will assist you in preparing. The Acknowledgement and Signature by Employer/Member Endorsement is required to be signed and returned to KESA at each renewal of your policy.

As an applicant for membership in KESA and Kentucky Employers Safety Association, Inc., you agree as follows:

- (a) You acknowledge that you have carefully reviewed this Memorandum, including each of the other documents in this booklet, and agree to be bound by their terms, and by the applicable provisions of the Kentucky Workers' Compensation Act (KRS Chapter 342) and the Kentucky Insurance Code (KRS Chapter 304).
- (b) You agree to abide by KESA's Operating Agreement and Bylaws and any and all rules and regulations KESA has promulgated, as now in effect and as they may be amended from time to time.
- (c) You agree to assume all of the obligations of a KESA member, including, but not limited to, the payment obligations in Articles VII and XII of KESA's Operating Agreement and Bylaws, and the joint and several liabilities described therein and in the Indemnity Agreement, as now in effect and as they may be amended from time to time.
- (d) You agree to be bound by the Articles of Incorporation and Bylaws of Kentucky Employers Safety Association, Inc., with respect to your membership in the Association, and any and all rules and regulations of the Association affecting members, as now in effect and as amended from time to time.
- (e) You will notify KESA in writing promptly regarding any changes in your legal or business structure and the addition or deletion of any locations from which you operate.
- (f) Should you desire to cancel your coverage with KESA, you will give written notice to KESA and to the Executive Director of the Kentucky Office of Workers' Claims at least sixty (60) days before cancellation; and should KESA desire to cancel your coverage, it will give written notice to you and to the Executive Director of the Kentucky Office of Workers' Claims at least thirty (30) days before cancellation.

(g) You understand that any failure on your part to pay KESA any premium on or before the due date may result in your immediate suspension or expulsion from KESA ten (10) days after written notice to you and to the Executive Director of the Kentucky Office of Workers' Claims.

(h) You understand that KESA will provide group self-insurance coverage for your Kentucky operations only, except for limited extraterritorial coverage as provided in applicable Kentucky statutes.

(i) You recognize that a Kentucky statute, KRS 304.50-095, prohibits the Trustees of KESA from accepting as a member any employer that does not have a net worth

of at least two times its estimated annual premium unless such employer pays its full estimated annual premium in advance. Accordingly, you hereby represent and warrant to KESA and to all of the other members of KESA that you have such a net worth.

(j) You understand that KESA has no obligation to accept your application for membership; but if it does the terms of this Memorandum, together with the Policy and related Information Page KESA will issue to you, will become a binding contract between you and KESA.

If you have questions after reviewing this Memorandum, please contact KESA at the address and the numbers set out above.