

KESA, The Kentucky Workers' Compensation Fund
Assessment Policy

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Workers' compensation self-insured groups such as KESA are allowed to assess their members, if necessary. KESA's Trustees and Officers attempt to manage KESA's affairs so that no assessments will be necessary, but there can be no absolute assurance that assessments will not be necessary.

Kentucky law requires self-insured groups such as KESA to use a formula for the collection of any assessments which may be due which is determined by the group's trustees and approved by the Executive Director of the Kentucky Office of Insurance (KOI). Assessments must be fair and equitable and must not discriminate between members of the same classification.

Should a net loss occur in KESA's operations for any insurance year, the net loss will reduce KESA's Members' equity, which is sometimes referred to as the Members' "fund balance." If that should occur, KESA may seek an increase in its premium rates through a filing with the KOI Executive Director in order to increase the fund balance. (KESA may, of course, seek rate increases at other times for other reasons.)

If KESA is unable to maintain its Members' fund balance at an appropriate level through rate increases, expense reductions, or other methods it may employ, KESA may seek the KOI Executive Director's approval of an assessment of

some or all of its Members and some portion of its former Members. Kentucky law requires self-insured groups such as KESA to report promptly to the KOI Executive Director if the group's members' fund balance decreases to an amount less than \$1,000,000. The report must include a plan for remedying the decrease.

In the unlikely event that KESA must make an assessment, KESA intends that the assessment will be charged to all current and former Members who had premium with KESA in the year or years from which the net loss or losses were generated. KESA intends that any such assessment will be based on the respective percentages of each such Member's and former Member's final audited premium for the year or years in which the losses arose, excluding those former Members who are no longer in business.

KESA cannot assure that any assessments will be calculated on this basis because the KOI Executive Director may direct that another basis be used and, if the matter is brought before a court, the court may direct that another basis be used.

This Plan is subject to being filed with, and approved by, the KOI Executive Director pursuant to KRS 304.50-055. The KOI Executive Director's approval of a plan for assessments does not constitute the KOI Executive Director's approval of any particular assessment