

**Automotive Aftermarket Fund
11245 Chantilly Parkway Court
Montgomery, AL 36117**

TO: AUTOMOTIVE AFTERMARKET FUND MEMBERS

RE: Workers' Compensation coverage information

The Automotive Aftermarket Fund is proud to provide you with the enclosed information.

The AAF is a self-insured group fund operating under authorization and regulation by the Alabama Department of Labor. The Fund is governed by a Board of Trustees comprised of members from various regions of the state.

Premium contribution from participating employers is used to pay the claims and administrative costs of the Fund. Participants may become eligible to share in distributions of excess contributions, if any, and investment income, subject to eligibility criteria and approval of the Board of Trustees and the Department of Industrial Relations.

Coverage is limited to the employer named on the Application for Membership and the declarations (information) page. Any change in ownership, location, status or operations must be immediately reported to the Fund to ensure uninterrupted coverage.

Coverage becomes effective at 12:01 a.m. on the date stated on the declarations page and is continuous until cancelled by written notification by either party at least thirty days prior to the cancellation date unless notice is for nonpayment, then notice is 10 days.

Should you elect to terminate your participation, a 30-day written notification is required.

The employer named is insured for benefits payable under the Workers' Compensation Act for bodily injury by accident or bodily injury by disease.

Bodily injury by accident must occur during the coverage period. Bodily injury by disease must be caused or aggravated by the conditions of employment. The employee's last day of last exposure to the conditions causing or aggravating such bodily injury by disease must occur during the coverage period.

You are responsible for payments in excess of the benefits provided by the Workmen's Compensation Act, including excess payments due to:

- your willful misconduct
- your knowledge of employment in violation of the Workmen's Compensation Act or any federal, state or local law, regulation or ordinance
- your discharge of, coercion or discrimination against any employee in violation of law.

EMPLOYERS LIABILITY COVERAGE

Subject to the limits, terms and conditions of the Fund's reinsurance policy, you have protection for negligence liability for occupational injuries and diseases that do not come under the provisions of the Workmen's Compensation Act.

OTHER COMPENSATION ACTS

Coverage for Fund participants is limited to the provisions of the Workmen's Compensation Act of Alabama. No coverage is provided for any other state workers compensation law or federal laws, such as the U.S. Longshore and Harbor Worker's Act or the Jones Act. For these or any other exposures not within the provisions of the Alabama Act, consult your agent if you have out-of-state operations.

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USE OF AIRCRAFT OR WATERCRAFT

If you own or lease aircraft or watercraft for business purposes, notify your agent. Coverage is subject to the prior approval of the Fund's reinsurer and payment of the additional premium contribution for this exposure.

PREMIUM CONTRIBUTION

The basis for computing workers compensation premium contribution is commonly referred to as "payroll" however, the appropriate term is "remuneration". Remuneration means money or substitutes for money and includes:

- commissions
- bonuses:
- overtime wages (excluding the extra pay for overtime work)
- pay for holidays, vacations or periods of sickness
- payment for allowance for hand tools or power tools provided by employees and used in their work
- the value of meals and lodging received by employees as part of their pay.

Your premium contribution is determined by multiplying your employee remuneration (payroll and other forms of employee compensation) per \$100.00 by a rate for the classification that best describes your business. For businesses eligible for experience rating, the premium contribution is modified based on the employer's claims experience.

Rules, classifications, rates and experience rating computations are determined in accordance with the manuals of the National Council on Compensation Insurance (NCCI).

Call the AAAS office if you have any questions.

PREMIUM CONTRIBUTION PAYMENTS AND PENALTY ASSESSMENTS

Your premium contribution is based on estimates of your payroll by classification. Participants who have elected the monthly or quarterly payment plan must deposit a security premium contribution equal to 25% of the current estimated annual premium contribution. The deposit requirement is adjusted annually to account for changes in classifications, payroll exposures and rates.

Monthly or quarterly reports must be received at the address indicated on the forms no later than the 15th of the month following the reporting period. Even if there were no business activity, the report must be filed indicating that there was no payroll exposure. If payment is not received, a Notice of Cancellation will be issued. To help offset the additional costs incurred by the Fund, the following penalties will be assessed:

- first late payment \$25.00
- second late payment. \$50.00
- third and subsequent late payment. . . \$100.00

The Notice of Cancellation may be rescinded only upon receipt prior to the cancellation date of all outstanding reports, premium contribution payments and penalty assessments.

ASSOCIATION MEMBERSHIP

The employer's membership in the Automotive Aftermarket Association Southeast (AAAS) is a requirement for participation in the Fund. If your AAAS membership lapses, a Notice of Cancellation will be issued and may be rescinded only upon reinstatement of your membership prior to the cancellation date.

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REAPPLICATION FOR MEMBERSHIP

If you are cancelled for nonpayment of premium contribution or noncompliance with membership requirements, all outstanding reports, premium contribution payments and penalty assessments must be received before a new application will be considered. To help offset the additional underwriting, processing and audit expense incurred, a \$250.00 application fee will be assessed for re-application within 12 months of the cancellation date. Acceptance and payment terms will be subject to the approval of underwriting management.

PREMIUM AUDIT

Your final premium contribution for a coverage period will be determined by an audit of your records - including ledgers, journals, vouchers, contracts, tax reports, and payroll and disbursement records. If you contract work to others, Certificates of Insurance and records of payment to subcontractors are included. You are responsible for obtaining these records and making them available for examination by our representatives.

You will be billed for any additional premium contribution. Any overpayment of premium contribution will be refunded or applied to any outstanding balance.

If you do not agree with your premium contribution audit billing, contact the AAAS office for assistance.

UNINSURED SUBCONTRACTORS

If you subcontract work to others, you should have a written agreement and require that subcontractors provide evidence of workers compensation insurance. Depending on the subcontractor's coverage anniversary, two Certificates of Insurance may be required to substantiate insurance for your coverage period.

As a condition of participation in the Fund, you accept liability for claims for workers compensation benefits by uninsured subcontractors or their employees. You are responsible for the premium contribution for this exposure.

REPORTING UNINSURED SUBCONTRACTORS

For subcontractors for whom you do not provide Certificates of Insurance, a payroll amount should be included under the appropriate classification on your payroll reports. If the contract included materials cost or heavy equipment charges, your records must substantiate a specific amount for materials or equipment in order to receive an allowance. Otherwise, the entire contract amount will be considered payroll. Allowance for materials cost may not exceed 50% of the contract amount. Allowance for heavy equipment charges may not exceed two-thirds of the contract amount. Percentage estimates of materials cost or equipment charges are not acceptable.

INSPECTION

Although not obligated to do so, the Fund and its authorized agents may inspect your workplace during normal business hours. The purpose of our inspections is to obtain additional underwriting information or to assist you in developing or expanding a loss control program. We may ask that you correct hazardous conditions identified on inspection, but we do not undertake to perform any duty of providing for the health and safety of your employees or the general public. We do not warrant that your workplace is safe or healthful or complies with any laws, regulations, codes or standards.

If you are interested in loss control information or assistance, please contact the Fund.

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RESPONSIBILITY FOR REPORTING INJURIES

If you have the misfortune of having an employee injured on the job, it is important that you understand your responsibility for reporting the injury and cooperating with the Fund's claims administrator. Forms and instructions for reporting injuries are included in your information packet.

You should provide immediate medical and other services required by law. You should promptly report the injury to the claims administrator on the provided form and include the names and addresses of witnesses or other information about the accident. You must promptly provide to the claims administrator all notices, demands and legal papers related to the injury, claim, proceeding or lawsuit. If requested, you will cooperate with the claims administrator and assist as directed in the investigation, settlement of any claim, proceeding or lawsuit. You will not take any action that will interfere with our right to recover from others. You will not voluntarily make payments, assume obligations or incur expenses, except at your own cost.

Contact the claims administrator for additional forms or information:

**York Risk Services Group
P. O. BOX 2408, Birmingham, AL 35201-2408 Phone:
(205) 581-9330 or (800) 277-7500
Fax (205) 581-9172**