



PAYGO

INSURANCE PROGRAMS



Business Processes, Products and Strategies Guaranteed
to Help You *Outperform* Your Competition.





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BECOMING A PAYGO PARTNER

What is PAYGO Worker's Compensation?

PAYGO or "Pay As You Go" is a payment plan that is in addition to the traditional installment plans and is intended strictly for an insured customer that utilizes the resources of a Payroll Company, ASO, or PEO to provide payroll services. It entails the situation where the insured must have its own policy rather than being rolled up under a master policy for the PEO, ASO or Payroll Company. The payroll company is responsible for reporting the workers compensation monthly payroll and remitting payment to Appalachian Underwriters on behalf of the insured. Insureds that are direct billed, meaning that the insured is responsible for payroll reporting and payment are considered monthly self-reporting as they are the responsible party.

Navigating the world of insurance, risk management, and Workers' Compensation coverage can seem overwhelming, and we want to provide an easier solution. AUI is devoted to helping you grow your business and in providing the ability for you to enjoy "Business Made Easy." The PAYGO program is a joint venture between the Payroll Company and AUI to promote growth opportunities, efficiency, and accountability on an equal basis between the Payroll Company and AUI. It can seem like there are many obstacles to overcome, but having a strategic relationship can help you in overcoming any hurdles that you may encounter.

How Do We Get Started?

You are concerned with your business and want to feel good that your partners and vendors are doing what they can to help you achieve your goals. At Appalachian Underwriters, we share the same concern. We want to understand how we can help you to achieve your goals, whether they are big or small. We are devoted to being the industry leader for "Pay As You Go" products, and it is important that our relationship with you is based on the same understanding. As an initial step, we would like to understand more about you – your needs, where your business is, and where you expect it to go.

Attached with this packet, you will find the following items:

- An Overview of the Workers' Compensation Process
- Contact Information Sheet
- Strategic Partner Analysis Questionnaire
- Reporting Process Overview
- Remittance Process Overview
- Mutual Non-Disclosure Agreement
- Terms and Conditions



What Are Net Rates and How Are They Calculated?

Net Rates are different from the base rates listed on the policy. The Net Rates roll in all of the items that modify the resulting policy premium from the normal class premium; this includes taxes, fees, and surcharges, in addition to any schedule credits or debits, experience mods, increased limits, or any premium discounts. The method that Appalachian Underwriters uses to calculate Net Rates is a calculation of the annual premium less the expense constant divided by the standard premium. This results in the multiplier (Rate Exposure Factor) for the base rates from the policy. This factor is then multiplied against the base rate for each class code to produce the Net Rate. In the event that the insured has an Anniversary Rating Date or other situation that would result in a mid-term rate change, we are able to maintain this change on a month-by-month basis.

Can I Add Class Codes to My Insured's Policy?

Yes, class codes can be added to the policy after it is bound. All class codes must be submitted for underwriting approval prior to being utilized for monthly reporting. In the event that the Service Provider is notified late of the class code addition, the payroll for the unapproved class code may need to be reported in a subsequent month when it is approved. Email staffingchanges@appund.com for approval of any class code changes. Please note that some class codes may be ineligible.

WORKER'S COMPENSATION PREMIUM ACCOUNTING PROCEDURES

1. The Service Provider remits payment on a gross basis to AUI each month via check or ACH Wire Transfer with an accompanying electronic payment roster (AUI PayGo Remittance File) by the 10th of each month for all policies in-force during the prior calendar month. The payroll reporting must precede the remittance unless it is to cover:
 - A. Down payment
 - I. The Service Provider collects the expense constant and remits to AUI at binding.
 - OR
 - II. The insured is billed directly for the expense constant.
 - B. The Service Provider collects the loss control survey fee and remits to Material Risk Assessment (MRA) at binding.
 - C. No commission is paid on the expense constant, fees, or taxes.
 - D. New class codes are charged the class rate from the date added to the policy.
2. Should the Service Provider fail to remit payment per agreement, AUI will attempt to make contact with the Service Provider up to five days following the close of the reporting cycle. If the Service Provider fails to report or remit payment after the contact from AUI, AUI will initiate direct notice of cancellation to all insureds with payment due for that reporting period.



3. The Service Provider must receive a power of attorney from the insured authorizing the Service Provider to request cancellation on the insured's behalf in the event of non-pay from the insured to the Service Provider. Without this power of attorney documentation or other agreement between the Service Provider and the insured granting the power to request cancellation on the insured's behalf, Appalachian Underwriters is unable to accept the request for cancellation from the Service Provider or an LPR that does not contain the insured's signature. Notification must be sent to payrollreporting@appund.com as soon as the insured non-pay status is known. AUI will then initiate direct notice of cancellation.

4. For audit purposes, the following documentation is required for each insured quarterly, semi-annually, annually, or on an as needed basis to substantiate the reported payroll.
 - A. Form 941's
 - B. State Unemployment Tax Returns
 - C. Form 940's
 - D. W-2's and W-3's
 - E. Other Appropriate Documentation

Name			FEIN
DBA			Area Code/Telephone Number ()
Address			Area Code/Fax Number
City Code	State	Zip	E-mail Website
Primary Contact Name	Title	Area Code/Telephone Number ()	Email
Accounting Contact Name	Title	Area Code/Telephone Number ()	Email
IT Contact Name	Title	Area Code/Telephone Number ()	Email



1. Date in Business: _____
2. Indicate Total Number of Payroll Sales Reps by State: _____
3. Indicate Total Number of Payroll Employees: _____
4. Please indicate the type of Payroll Software you are using: _____
5. List Services & Products Provided (Human Resources, 401KPlan, 125 Plans, etc): _____

6. Provide Total Number of Existing Payroll Clients: _____
7. Does your company specialize in providing services/products to particular industries (Restaurants, Printers, Doctors, Wholesalers, etc): _____
8. Demographic Information on Existing Client Base
 - a. State Breakdown: _____
 - b. Employee Size (per account): _____
9. Is your company currently offering Workers' Compensation? Yes No
 - a. If Yes, list insurance company(s): _____
 - b. Current Premium Volume: _____
10. Has your company ever offered Workers' Compensation? Yes No
 - a. If Yes, please list insurance company(s): _____
11. Is your Company aligned with an Agency? Yes No
 - a. If yes, Agency Name: _____
 - b. Is the Agency appointed as an AUI Agent? Yes No
 - c. If so, please provide Master Agency Code: _____
12. Why is your company looking to expand your product portfolio to include Workers' Compensation? _____

13. How are you planning to distribute and promote this product? Direct Mail Internet Payroll Reps
 - a. Please Explain: _____



14. Are you looking for any revenues to be generated from promoting an integrated Payroll and Workers' Compensation product? Yes No
- a. If Yes, what is the expected revenue? _____
15. Would your company be interested in generating revenues from the offering of other commercial insurance products we have available? Yes No
16. Identify Company's prior 3 year Growth and future Growth and/or Acquisition Plans: _____

17. Please submit a copy of your business plan as it relates to the marketing and selling of the integrated Worker's Compensation and Payroll program. Please be as specific as possible in describing the strategy you plan to employ and the three year results you anticipate.

Mutual Non-Disclosure Agreement

It is understood and agreed to that the parties to this Agreement would each like to provide the other with certain information that may be considered confidential. To ensure the protection of such information and in consideration of the agreement to exchange said information, the parties agree as follows:

1. The confidential information to be disclosed under this Agreement ("Confidential Information") can be described as and includes:
Technical and business information relating to proprietary ideas, patentable ideas and/or trade secrets, existing and/or contemplated products and services, research and development, production, costs, profit and margin information, finances and financial projections, customers, clients, marketing, and current or future business plans and models, regardless of whether such information is designated as "Confidential Information" at the time of its disclosure.

In addition to the above, Confidential Information shall also include, and the parties shall have a duty to protect, other confidential and/or sensitive information which is (a) disclosed as such in writing and marked as confidential (or with other similar designation) at the time of disclosure; and/or (b) disclosed by in any other manner and identified as confidential at the time of disclosure and is also summarized and designated as confidential in a written memorandum delivered within thirty (30) days of the disclosure
2. The parties shall use the Confidential Information only for the purpose of evaluating potential business, employment and/or investment relationships.
3. The parties shall limit disclosure of Confidential Information within its own organization to its directors, officers, partners, members and/or employees having a need to know and shall not disclose Confidential Information to any third party (whether an individual, corporation, or other entity) without prior written consent. The parties shall satisfy its obligations under this paragraph if it takes affirmative measures to ensure compliance with these confidentiality obligations by its employees, agents, consultants and others who are permitted access to or use of the Confidential Information.
4. This Agreement imposes no obligation upon the parties with respect to any Confidential Information (a) that was possessed before receipt; (b) is or becomes a matter of public knowledge through no fault of receiving party; (c) is rightfully received from a third party not owing a duty of confidentiality; (d) is disclosed without a duty of confidentiality to a third party by, or with the authorization of the disclosing party; or (e) is independently developed.



General Terms and Conditions

This Agency Agreement (“Agreement”) is made this ___ day of _____ by and between Appalachian Underwriters, Inc., having its principal office at 800 Oak Ridge Turnpike, Suite A-100, Oak Ridge, TN 37830 (hereafter referred to as “AUI”) and _____ having its principal office at _____ (hereafter referred to as “Service Provider”).

Background

Whereas, Service Provider desires to place contracts of insurance with AUI and AUI desires to place such contracts of insurance for Service Provider and;

Whereas, AUI and Service Provider agree to define their rights and obligations in connection with Service Provider’s placement of contracts of insurance with AUI;

Now therefore, in consideration of the mutual promises contained in this agreement (“Agreement”), the parties agree as follows:

1. **Term.** The term of this Agreement shall commence on the ___ day of _____, and shall continue until terminated by the parties, in accordance with the termination provisions set forth in Paragraph 12 herein.

2. **Definitions**

As used throughout this agreement, the following terms shall have the meanings set forth below:

- A. “SERVICE PROVIDER” shall mean a Payroll Service Bureau, Administrative Services Organization (ASO), Professional Employer Organization (PEO), or other entity providing payroll services on the behalf of an insured customer under this contract.
- B. “INSURED” shall mean the Service Provider’s customer, the entity for which the coverage is obtained.
- C. “AGENT” shall mean the producer of the policy, whether the Service Provider performs these duties or not.
- D. W-2’s and W-3’s

3. **Right of Review**

- A. Appalachian Underwriters, Inc. maintains the right to review the Service Provider’s business history, including business credit reports, historical business analysis, and/or references to verify that the Service Provider represents a viable partner as outlined in the prior documentation.
- B. All inspections and evaluations shall be performed in such a manner that will not unduly interfere with the contractor’s business or work hereunder.

4. **Authority and Relationship of the Parties.** Upon appointment by AUI, Service Provider shall have authority, pursuant to the terms of this Agreement and on a non-exclusive basis, to submit accounts or risks to AUI for the purpose of placement of insurance coverage with AUI. This Agreement, and the relationship between the parties and their officers and employees, is not intended, and shall not be construed, to create a partnership, joint venture or employment relationship between Service Provider and AUI. Service Provider is for all purposes an independent contractor.

- A. **Binding Authority.** Service Provider shall have limited authority to bind AUI, or any of its principals, and to commit to issue binders or policies of insurance on behalf of AUI. Agent shall not make any representation on behalf of AUI that is not strictly in accordance with the contracts of insurance placed pursuant to the terms of this Agreement. Service Provider will act in accordance with AUI’s policies and administrative guidelines including, but not limited to, AUI’s practices regarding the issuance of certificates and other evidence of insurance.



- B. **Class Codes.** Agent will utilize its list of eligible and ineligible class codes that has been provided by AUI.
 - C. **Parameters of Binding Authority.** Service Provider's binding authority shall be limited to the placement of workers' compensation policies for Staffing Clients within pre-approved parameters established by AUI and Service Provider, as well as other risks as specifically approved by AUI. AUI may decline to place any risks that fall outside of the pre-approved parameters and the placement of such risks shall be subject to prior written agreement by AUI. Service Provider shall have no authority to appoint or contract with any other agent or broker on AUI's behalf or grant binding authority to any other party pursuant to this Agreement.
 - D. **Co-Brokering.** Service Provider may work with other agents, brokers or organizations in connection with the submission of applications and placement of policies through AUI. Service Provider understands and acknowledges that its responsibilities, representations and warranties under the Agreement are in no way effected by its utilization of other agents, brokers or organizations in connection with this Agreement. AUI expressly disclaims any and all responsibility to third party agents, Brokers or organizations. AUI will only pay commissions to the Agent, as set forth in the Agreement, and will in no way compensate any other parties in connection with Agent's placement of policies pursuant to the Agreement.
 - E. **Policy Issuance.** AUI will be responsible for issuing all policies placed pursuant to this Agreement. Agent will forward AUI's Managing Agent, Advanced Risk Services (ARS) all necessary documents to issue a policy within 24 hours of binding. ARS will also provide all necessary policy endorsements directly to Agent. Agent will also be responsible for providing AUI with a signed Subscriber's Agreement for every policy that is bound.
 - F. **Certificates and Evidence of Insurance.** Agent, and its approved co-brokers, shall have the authority to issue or communicate certificates of insurance, or evidence of insurance, relating to insurance placed pursuant to this Agreement as long as such certificates or evidence are strictly in accordance with AUI's policies and contracts and the terms of this Agreement. Agent, and its approved co-brokers, will act in accordance with AUI's policies and administrative guidelines that are communicated to it, or which it should be aware of by reasonable due diligence. Agent, and its approved co-brokers, will be solely responsible for the accuracy and completeness of any certificate or evidence issued by them with AUI's consent and shall not make any changes to any such AUI certificate or evidence of insurance.
5. **Agent's Representations and Warranties.** As a material inducement for AUI to enter into this Agreement, Agent represents and warrants the following:
- A. **Licensing.** Service Provider is properly licensed to transact business as an agent, ASO, or PEO in accordance with the insurance laws, rules and regulations of each state in which Service Provider transacts business. Service Provider will maintain such license or licenses in good standing for the duration of this Agreement and will furnish proof of such licensing to AUI upon execution of this Agreement and then annually or upon request by AUI. Service Provider will provide AUI will all information required by AUI to appoint Service Provider on its behalf. Additionally, Service Provider will promptly notify AUI of any suspension, cancellation or disciplinary action with respect to its license(s) and will be responsible for the payment of any fines or penalties resulting from non-compliance with or violation of laws in connection with Service Provider licenses.



- B. **Errors & Omissions Coverage.** Service Provider now has, and shall maintain at all times throughout the term of this Agreement, agent's professional liability (Errors and Omission) insurance coverage with a minimum aggregate policy limit of five-million dollars (\$5,000,000). Service Provider's Errors and Omissions carrier shall be of recognized reputation and responsibility and acceptable to AUI. Service Provider will furnish proof of such coverage to AUI upon execution of this Agreement and thereafter annually or upon request by AUI. Service Provider will provide AUI with prompt written notice of any material change, cancellation or other termination of this coverage

- C. **Insurance Applications.** Any and all information provided to AUI by Service Provider in connection with an application for insurance subject to this Agreement shall be true and complete. Service Provider represents and warrants that such applications shall contain no material misrepresentations of any kind of which Service Provider is, or should be, aware. Service Provider shall ensure that all material facts are accurately described and completely disclosed to AUI. Further, it is the duty of the Service Provider to make AUI aware of any material changes affecting the risk during the policy period and at any subsequent renewal.

6. Commissions and Premiums.

A. Premium and Accounts

- I. **Premium.** Service Provider agrees to remit the amount due for the expense constant to AUI on the tenth day of the month in which the policy is effective if the policy effective date is prior to the tenth (10th) day of the month and within ten (10) days of the end of the month in which the policy becomes effective if the policy effective date falls on or after the tenth (10th) day of the month. All additional premiums due are based on a calculation of monthly payrolls reported and the "Net Rates" provided by AUI. The payroll and resulting premium due must be submitted with accompanying remittance to AUI within ten (10) days of the end of the month. Service Provider guarantees the full payment of all premiums due to AUI, including deposit premium; earned premium; extension premium; and adjustable premium, on every insurance contract bound or written for Service Provider pursuant to this Agreement, whether or not collected by the Service Provider. Service Provider's obligation to make payment to AUI is not contingent upon the issuance of the policy. It is expressly understood and agreed that all premiums collected by Service Provider pursuant to this Agreement are the property of AUI and that Service Provider has no interest in these premiums. Any credit extended to the Insured or others shall be at the sole risk and responsibility of the Service Provider, unless otherwise agreed in writing by AUI.

- II. **Adjustable Premiums.** Notwithstanding anything to the contrary set forth herein, in situations where premiums for a policy or policies which have been issued cannot be fully determined in advance, such amounts are fully earned and due at the invoice date as evidenced by an AUI invoice. The collection of any premium due, as the result of necessary adjustments, is the responsibility of the Service Provider even if they are billed or become due after a change in broker by the Insured.

- II. **Collection of Premium.** In the event that Service Provider is unable to collect premiums, AUI agrees that Service Provider will only be responsible for premiums earned on a pro-rata basis from the date of inception to the date on which AUI is notified by Service Provider, that Service Provider is unable to collect premiums. If Service Provider has made any payment on behalf of the policyholder, AUI shall return only that portion of the premium that is in excess of pro-rata premium mentioned above.

- B. **Refunds of Premiums.** In the event of cancellation or modification of an insurance contract, for whatever reason, that results in an obligation to refund all or part of the premium, AUI's sole obligation shall be to remit the required premium or premium tax directly to Service Provider or, at its option, to the insured.
 - C. **Unearned Commissions.** Agent shall be liable to AUI and shall pay return commission at the same rate as originally allowed to Agent for all return premium adjustments or cancellations, including return premium on cancellations ordered or made by AUI. Such return commission shall be paid to AUI by the due date indicated on the billing document.
7. **Claims.** Service Provider shall notify AUI promptly of any claims, suits or notices of loss (or circumstances which might reasonably be expected to result in a claim, suit or notice of loss) and shall cooperate fully with AUI to facilitate the investigation and adjustment of any claim when and as requested by AUI.
 8. **Cancellation of Insurance.** Notwithstanding anything to the contrary in this Agreement, but subject to applicable legal requirements and insurance contract provisions, AUI shall have the right to cancel any binder, policy or contract of insurance issued. AUI will not recognize flat cancellations unless written evidence of coverage prior to the inception date of the contract for insurance is provided. Earned premium shall be computed and charged on every binder, policy or contract cancelled after the inception date in accordance with the cancellation provision of the applicable contract. If the Service Provider fails to make timely payment of any sums due AUI, then AUI may, without limitation of other remedies, cancel the binder, policy or contract for non-payment. If coverage is bound by AUI, all additional fees charged by AUI for the entire policy term shall be fully earned upon binding. Service Provider hereby acknowledges that AUI is under no duty to reinstate a policy if the policy is cancelled. Unless otherwise authorized by AUI, Service Provider shall not accept from any insured the late payment of premiums with prior knowledge, whether actual or constructive, that the policy for which the late premiums have been collected has been cancelled.
 9. **Advertising.** Service Provider shall not cause any advertisement referring to or using the name, logo, or service marks of AUI, or issue or cause to have issued any letter, circular, pamphlet, or other publication or statement so referring, without the express written consent of AUI. In the event AUI suffers a loss or expense arising out of any unauthorized advertisement, publication or statement of the Service Provider, the Service Provider shall be liable for and hereby agrees to indemnify AUI and hold AUI harmless from all resulting damages, fines, penalties and costs.
 10. **Confidentiality.** The parties to this Agreement hereby represent and acknowledge to each other that in the course of the performance of their respective obligations, they will each make available to the other party certain information pertaining to each party's business and operations ("Information"). Each party hereby agrees that as a condition to being provided the Information, that neither party will use any Information except in connection with the performance of their duties hereunder. Each party agrees not to disclose any Information to anyone other than employees, officers and directors of such party, that have a need to know, and to cause all such persons to abide by this Agreement. The limits on use and disclosure will not apply to any Information which (a) at the time of disclosure is generally available to the public or (b) which becomes generally available other than through a breach of this obligation of confidentiality.
 11. **Inspection of Records.** Agent shall keep complete records and accounts of all transactions under this Agreement. During the term of this Agreement, and for a period of three (3) years following termination for any reason, AUI shall have the right to audit and inspect Service Provider's books and records concerning the business to which this Agreement applies. Such right of audit and inspection shall be during normal business hours upon reasonable notice to Service Provider. The costs of such audit and inspection, including the costs of making copies of relevant records, shall be borne by AUI.

12. **Ownership of Accounts.** In the event of termination of this Agreement by either party, so long as Service Provider has promptly accounted for and paid all premiums or return commissions for which it may be liable, the Service Provider's records and use and control of its expirations for policies placed with AUI, shall remain the property of Service Provider and AUI shall not attempt to directly solicit any of Service Provider's accounts placed with AUI during the term of this Agreement or for the first policy renewal period thereafter. If Service Provider has not promptly accounted for and paid all premiums or return commissions for which it may be liable or is otherwise in default of the terms of this Agreement, use of record and control of expirations shall be vested promptly and exclusively in AUI.

13. **Termination of Agreement.** This Agreement may be terminated by either party for any reasons, at any time, by providing ninety (90) days advance written notice, via certified mail, return receipt requested to the other party. This Agreement will also terminate: (1) automatically, upon violation of law, or if any public authority cancels or declines to renew the Service Provider's license or certificate of authority; (2) automatically, upon the death of the Service Provider or on the effective date of the sale, transfer, or merger of Service Provider's business with the provision AUI may in its discretion, upon review, appoint the successors as a Service Provider; (3) immediately, upon either party giving written notice to the other of termination because of fraud, insolvency, failure to pay balances, or willful or gross misconduct; (4) upon a material violation of this agreement by Service Provider. Upon termination, such duties that AUI deems necessary will continue throughout the duration of any policy of insurance including the pendency of any claim hereunder. All representations and obligations of the Service Provider herein shall survive the termination of this Agreement.

After the date of termination of this Agreement, Service Provider shall complete the collection and accounting to AUI for all premiums, commissions and other transactions unaccounted for on the date of termination or arising thereafter in respect of outstanding policies of insurance, including but not limited to, return premium and return commissions. Outstanding policies will be permitted to run to expiration.

14. **Indemnification and Hold Harmless.** Service Provider shall indemnify, defend and hold AUI harmless from any loss, claim, liability, damage and expense (including attorney's fees and expenses of litigation or regulatory proceedings) which AUI may incur or suffer by reason of any breach by Service Provider of the terms, conditions, representations or warranties in this Agreement or which are caused by or contributed to by Service Provider in connection with its performance under this Agreement, including, but not limited to, any certificate or evidence of insurance issued or communicated by Service Provider or any material inaccuracy or misrepresentation of any term, condition or other representation by Service Provider, or any sub- Service Provider or co- Service Provider of Service Provider.

AUI shall indemnify, defend and hold Service Provider harmless from any loss, claim, liability, damage and expense (including attorney's fees and expenses of litigation or regulatory proceedings) which Service Provider may incur or suffer by reason of any breach by AUI of the terms, conditions, representations or warranties in this Agreement.

Service Provider understands that AUI assumes no responsibility for any policy with regard to the adequacy, amount or form of coverage and Service Provider agrees to indemnify and hold AUI harmless from any claim asserted against AUI in following the instructions of the Service Provider. Service Provider agrees to immediately report to AUI any fact, claim or incident that may result in a loss or claim under any policy of insurance issued by AUI, or against Service Provider or AUI on account of any alleged act or omission with respect to any insurance policy issued hereunder or which allegedly should have been issued hereunder.



15. **Alternative Dispute Resolution.** The parties hereby agree that all disputes, controversies or claims of any kind and nature between the parties arising out of or in any way related to this Agreement, its interpretation, performance or breach, shall be resolved exclusively by the following alternative dispute resolution mechanisms:
- A. **Negotiation.** The parties shall first engage in a good faith effort to negotiate any controversy or claim by communications between them. Said negotiations may be oral or written. To the extent they are oral, they must be confirmed in writing.
 - B. **Mediation.** Should the above-stated negotiations be unsuccessful, the parties shall engage in mediation pursuant to the rules promulgated by the National Arbitration Forum relating to commercial mediations. Any costs relating to or arising out of mediation shall be borne equally between the parties.
 - C. **Venue.** If the controversy or claim between the parties cannot be resolved by negotiation or mediation, the parties agree that this Agreement shall be deemed to have been made and performed in Anderson County, TN and shall be governed by, and construed and enforced in accordance with the laws of the state of Tennessee, in a court situated in Anderson County, TN.
16. **Miscellaneous.** The parties hereby agree that all disputes, controversies or claims of any kind and nature between the parties arising out of or in any way related to this Agreement, its interpretation, performance or breach, shall be resolved exclusively by the following alternative dispute resolution mechanisms:
- A. **Waiver of Default.** Failure of AUI to enforce any provision of this Agreement or to terminate it because of a breach shall not be deemed to be a waiver of such provisions or of any breach committed by the Service Provider. No breach of any provision of this Agreement can be waived unless done so in writing, executed by the waiving party. The waiver of any one breach shall not be deemed to be a waiver of any other breach of the same or any other provision of this Agreement.
 - B. **Severability.** If any clause or provision of this Agreement shall be adjudged invalid or unenforceable by a court of competent jurisdiction or by operation of any applicable law, it shall not affect the validity or any other clause or provision, which shall remain in full force and effect. Each of the provisions of the Agreement shall be enforceable independently of any other provision, unless expressed otherwise herein.
 - C. **Assignment.** This Agreement and the obligations hereunder may not be assigned by Service Provider without the prior written consent of AUI.
 - D. **Notices.** All notices required to be sent hereunder shall be sent either by certified mail or by overnight delivery service to the following addresses:

Appalachian Underwriters, Inc.
Attention: PAYGO
800 Oak Ridge Turnpike
Suite A-1000
Oak Ridge, TN 37830

Service Provider
Attention: _____



17. Execution and Acceptance of Agreement. Service Provider acknowledges that a breach of any of the terms, conditions, or provisions of this Agreement by the Service Provider may give rise to a cause of action by AUI against the Service Provider and/or may result in disciplinary action by AUI, including but not limited to, the termination of this Agreement, all in the sole discretion of AUI. Each individual who executes this Agreement in a representative capacity warrants that he or she has the full right and power to execute this Agreement and to bind the entity or individuals on whose behalf him or her so signs. If this Service Provider is an individual, the individual must sign; if the Service Provider is a partnership, one of the partners must sign; if the Service Provider is a corporation, an authorized officer must sign and indicate the title of such authorized officer. The parties agree this Agreement shall not become effective until executed and accepted by AUI.

Service Provider

Print Name

Signature

Title Title

Federal Tax ID No. License #

Appalachian Underwriters, Inc.

Print Name

Signature

Title Title

Federal Tax ID No. License #

PLEASE ATTACH A COPY OF SERVICE PROVIDER'S LICENSES
AND CERTIFICATE OF PROFESSIONAL LIABILITY INSURANCE.

Appendix A: Payroll Reporting File

Overview

AUI is able to accept payroll reporting at a summary level for insureds by state and class code. This flexibility allows you to avoid the hassle of submitting individual payroll reports for each of the policies that you administer and ensures timely processing of your payroll data. The payroll file must be submitted prior to the 10th of the month and prior to the remittance file, if applicable. Payroll must be submitted for all class codes on a policy, even if the resulting payroll for the month is \$0.00.

Field No.	Field Name	Data Type	Value	Restrictions / Notes
1	Agent Name	Char (25)	ASO, PEO, or Payroll Company (Service Provider) name that is initiating the payroll file.	Required
2	Start Date	Date	YYYY-MM-DD OR NULL for 'DP' transaction type	Required
3	End Date	Date	YYYY-MM-DD OR NULL for 'DP' transaction type	Required
4	Policy Number	Char (15)	The AUI issued policy number	Required
5	Insured Name	Char (25)	The AUI listed name for the policy insured	Required
6	Policy Effective Date	Date	YYYY-MM-DD	Required
7	Employee Count	SmallInt	The number of employees included in the class code for the specified insured policy. OR NULL for 'DP' transaction type	Optional
8	State/Class Code	Char (9)	The class code per state for monthly reporting. Format: ST - 1234; i.e. 8810 for Tennessee would be TN - 8810. OR NULL for 'DP' transaction type	Required
9	Net Rate	Decimal[(5[,3])]	The AUI provided Net Rate for each class code. This factor is per every \$100 of payroll. OR NULL for 'DP' transaction type	Required
10	Gross Wages	Money	The sum of all remuneration – wages, salaries, commissions, bonuses, vacation, holiday and sick pay, overtime payments, the market value of gifts, and all substitutes for money earned during the policy period by employees. OR NULL for 'DP' transaction type	Optional
11	Wage Basis	Money	The sum of all remuneration at the standard rate of pay. [1.5 OT payroll x .6667]; [2.0 OT x .5] OR NULL for 'DP' transaction type	Required
12	Premium Due	Money	The resulting amount of the Net Rate and Wage Basis: [(Net Rate/100) x Wage Basis]	Required



13	Tender Type	Char (5)	'CHECK' for payments by a physical check OR 'EFT' for payments made by ACH wire transfer OR 'DEBIT' for payments to be debited directly from the insured customer	Required
14	Tender Number	Char (20)	The reference or confirmation number of the successfully initiated remittance for the Tender Type of 'EFT' OR The check number for the Tender Type of 'CHECK' OR NULL for 'DEBIT' tender type	Required
15	Transaction Type	Char (2)	'PR' for Premium Due as a result of monthly reporting OR 'DP' for down-payment due on a new or renewal policy	Required

File Submission

The payroll file can be submitted by email or FTP on a monthly basis. Reporting and remittance files must be received on or before the 10th of the month for the prior month's payroll reporting and payment.

Email

Files can be sent by email to payrollreporting@appund.com, Subject: AUI PayGo Payroll File [Filename].

FTP

Files that will be sent through FTP or SFTP should be tested with the Appalachian Information Technology department prior to implementation. For more information, email payrollreporting@appund.com, Subject: FTP AUI PayGo Payroll File.

File Types: Excel- .xls and .xlsx, Text- .txt, Comma Separated (CSV) - .csv

File Naming Convention: Example: APF20101109094100_85_01

File Identifier: APF (AUI Payroll File)

Transmission Date and Time: The date and time that the file is created as CCYYMMDDHHMMSS
Example: 9:41:00 AM on 11/9/2010 would be 20101109094100

Number of Records: Separated by an underscore (_), totals the number of policy payment records included in the batch file

Agent ID: The AUI assigned Agent ID for the ASO, PEO, or Payroll Company



Appendix B: Customer Cancellation Addendum

I, [NAME] of [ADDRESS, COUNTY, STATE], ACTING on behalf of [INSURED NAME], appoint [NAME], of [ADDRESS, COUNTY, STATE], my true and lawful attorney-in-fact for me, in my name and on my behalf:

- 1. To exercise or perform any act, power, duty, right or obligation whatsoever that I now have, or may subsequently acquire the legal right, power or capacity to exercise or perform, in connection with, arising from or relating to the management of all faculties relating to the Workers' Compensation Insurance policy acquired on our behalf as a result of the payroll service contract in place between the above appointed attorney-in-fact, including the execution of all documents and requests, up to and including cancellation requests on our behalf, necessary to the management of my insurance policy.
2. I grant to my attorney-in-fact full power and authority to do, take, and perform each and every act or thing whatsoever necessary or proper to be done, in the exercise of any of the rights and powers granted in this instrument, as fully to all intents and purposes as I might or could do if personally present, with full power of substitution or revocation, and by this instrument I ratify and confirm whatever act or thing that my attorney-in-fact shall lawfully do or cause to be done by virtue of this durable power of attorney and the rights and powers granted by this instrument.
3. The rights, powers and authority of my attorney-in-fact as granted in this durable power of attorney shall commence and be in full force on the date of this instrument and such rights, powers and authority shall remain in full force and effect thereafter until full completion of the Workers' Compensation Insurance policy for the insured entity described above.

This instrument is to be construed and interpreted as a durable power of attorney. This durable power of attorney shall not be affected by disability of the principal, except as provided by statute.

In witness, by signing this instrument I affirm all that is written above.

Dated: [DATE]

[NAME]

Signed in the presence of:

[WITNESS]

[WITNESS]

Subscribed and sworn to before me on [DATE].

Notary Public, [COUNTY, STATE].

My commission expires