

SAFEKEEPING AGREEMENT FOR WORKERS' COMPENSATION SELF-INSURED GROUPS (FORM 826)

I. PARTIES AND PURPOSE

(1.) The parties to this agreement are the Department of Insurance, the _____
_____ ("Bank"), _____
_____ (Address), _____
_____ ("Fund"), _____
_____ (Address), and their respective successors in interest.

(2.) The purpose of this agreement is to provide for the safekeeping of the Fund's assets deposited with the Bank to provide security deposit under statutes and regulations for workers' compensation group self insurers and as required by the Department.

II. THE FUND

(3.) The Fund's status is as follows and the Fund will notify the Bank immediately of any change in the Fund's status.

TAX I.D. NUMBER: _____

III. THE BANK

(4.) The Bank shall be a depository designated by the Department of Insurance. The Bank's custodial functions hereunder shall be carried out by employees of the Bank. The Bank shall be audited annually by independent certified public accountants whose audit report, together with related financial statements, and a report on internal controls, shall be made available upon request to the Fund and to the Department. The Bank shall at all times maintain blanket bond coverage relating to its custodial functions hereunder with limits equal to or exceeding those suggested by the American Bankers Association. The Capital and Surplus Funds of the Bank shall at all times equal or exceed Twenty-Five Million Dollars unless it is licensed and regulated by the Commonwealth of Kentucky, in which case its capital and surplus funds shall equal or exceed Ten Million Dollars.

(5.) Assets deposited hereunder shall be recognized as "special deposits" rather than "general deposits," and remain the specific property of the Fund, and shall not be subject to any creditor relationship of the Bank.

IV. ADMINISTRATION OF DEPOSITS

(6.) The Bank shall furnish its custodian services which include the safekeeping of the Fund's assets, the collection of interest and dividends, and the clipping of coupons. The Bank shall notify the Fund promptly as to any information the Bank receives regarding redemptions, conversion privileges, and the issuance of rights for assets deposited hereunder. The Bank may provide other security clearance services on behalf of the Fund subject to the prior approval of the Department. Bank records shall at all times show that the Fund's security assets in the Bank's custody are pledged to the Department of Insurance and that the Bank is not at any time under any duty or responsibility to supervise the investment of, or to advise or make any recommendation for the sale, purchase, or other disposition of, security assets held by the Bank. It is understood that the Bank is not at any time under any duty or responsibility to see that payments are made by the issuer of the securities or that notices or demands are given or other action taken with regard to any asset in the account as to which a default has occurred, provided that the Bank has given prompt notice of such default to the Fund.

(7.) Assets deposited hereunder shall be held subject to control and instructions of the Fund, as approved by the Department. All directions with respect to the account will be signed by an appropriate officer of the Fund and signed and approved by the Department and shall be on a form prescribed by the Department and incorporated herein by reference. The Bank shall arrange for execution of transactions in assets deposited hereunder in accordance with the instructions of the Fund as approved by the Department, and the Bank shall not exercise discretionary authority to effect transactions in assets deposited hereunder.

(8.) Except for income receivable on securities registered in the name of the Fund, the Bank is authorized to receive all income and principal which may be due on the assets in the account. Such income shall be promptly paid to the Fund, but such principal shall not be transferred to the Fund except through instructions of the Fund as approved by the Department.

(9.) During the course of the Bank's regular business hours, any independent certified public accountant selected by the Fund or any representative of the Department shall be entitled to examine on the Bank's premises the Bank's records relating to assets deposited hereunder and the assets themselves, but only upon furnishing the Bank with written instructions to that effect from the Department.

(10.) The Bank shall maintain records sufficient to determine and verify information relating to assets deposited hereunder that may be reported in the Fund's annual financial statement filings and supporting supplementals as filed and in connection with any audit of the Fund's financial statements.

(11.) The Bank shall provide appropriate safekeeping receipts with respect to assets deposited hereunder. Such safekeeping receipts shall be in a form to be agreed to by the parties.

(12.) The Bank shall furnish the Fund and the Department with reports of holdings of assets deposited hereunder not more frequently than monthly nor less frequently than annually of each fund year.

(13.) The Bank is authorized to execute, as custodian, any certificates of ownership, declarations or other certificates required under any tax laws now or hereafter in effect, or pursuant to any other law or governmental regulation now or hereafter in effect, but the Bank shall furnish copies to the Fund. The Bank is further authorized to supply any information regarding the account which is required by law or governmental regulation now or hereafter in effect without having received prior approval.

V. LIABILITY

(14.) The Bank shall indemnify the Fund and the Department for any loss of assets deposited hereunder, except that the Bank shall not be so obligated to the extent that such loss was caused by other than the Bank's negligence or dishonesty. In the event that there is a loss of assets deposited hereunder for which the Bank is obligated to indemnify the Fund and the Department as provided herein, the Bank shall promptly replace the assets or the value thereof.

(15.) The Bank shall not be liable for any failure to take any action required to be taken under this Agreement in the event and to the extent that the taking of such action is prevented or delayed by war (whether declared or not and including existing wars), revolution, insurrection, riot, civil commotion, act of God, accident, fire, explosion, stoppage of labor, strikes or other differences with employees, laws, regulations, orders, or other acts of any governmental authority, or any other cause whatever beyond the Bank's reasonable control.

VI. FEES

(16.) The Bank's fees will be as agreed between the Bank and the Fund in writing from time to time. These fees shall be paid by the Fund. The bank shall have no rights of set off for unpaid fees under this agreement.

VII. TERMINATION

(17.) The Bank, the Office, or the Fund with the Department 's approval, may terminate this Agreement.

(18.) Notice of termination shall be in writing and shall be given not less than thirty (30) days prior to the effective date of termination. Notice of termination hereunder shall be effective only upon receipt thereof. Fees provided for herein shall be prorated to their termination date. It is further understood that the termination of this Agreement does not affect in any way any obligations that may be due and owing to or by the Bank prior to the effective day of such termination. Further, termination of this agreement, in itself, does not relieve the fund of its obligation to maintain assets on deposit as required by laws, regulations and order administered or issued by the Department.

VIII. CHOICE OF LAW; ENTIRE AGREEMENT

(19.) This agreement shall be construed and interpreted according to the laws of the Commonwealth of Kentucky.

(20.) Except as otherwise provided herein, this Agreement signed by the parties constitutes a final written expression of all the terms of this agreement and is a complete and exclusive statement of those terms.

(Signature)

(Date)

(Fund Officer's Name and Title)

(Name of Fund)

(Street Address)

(City)

(State) (ZIP Code)

(Signature)

(Date)

(Bank Officer's Name and Title)

(Name of Bank)

(Street Address)

(City)

(State) (ZIP Code)

Sharon P. Clark
Commissioner
Department of Insurance

(Date)