

**191—57.3(87,505) Requirements for self-insurance.** To qualify to receive a certificate of relief from insurance, an employer must satisfy the following requirements:

**57.3(1)** File with the division an annual surety bond issued by an insurance company licensed to do business in the state of Iowa in an amount determined by applying the formula below, but in no case shall the bond be less than \$200,000 or, if an employer cannot obtain a bond, then any other security such as cash or negotiable securities which is agreeable to the commissioner, in an equal amount. Such surety bond shall be in the form prescribed by the commissioner and, in the event of insolvency of the employer, shall be payable to the division to ensure the payment of the employer's workers' compensation liabilities in the same manner as if the division were such employer, subject to the dollar limitation of such surety bond.

The following formula will be used to determine the appropriate amount of security required:

*a.* Determine the following three ratios:

- (1) Current assets: Current liabilities
- (2) Capital + retained earning (net of treasury stock) as a percentage of sales (less discounts)
- (3) Long term debt: Capital + retained earnings

*b.* Upon determination of the value for the above ratios, points will be calculated from the following tables:

(1) Current assets to current liabilities

2	:	=	6 Points
1.75	:	=	5 Points
1.6	:	=	4 Points
1.4	:	=	3 Points
1.25	:	=	2 Points
1.1	:	=	1 Point
1	:	=	0 Points

(2) Equity to sales

20%	=	6 Points
17.5%	=	5 Points
13.5%	=	4 Points
10%	=	3 Points
8.5%	=	2 Points
7%	=	1 Point
5%	=	0 Points

(3) Long term debt to equity

1 : 2	=	6 Points
1 : 1.75	=	5 Points
1 : 1.6	=	4 Points
1 : 1.4	=	3 Points
1 : 1.25	=	2 Points
1 : 1.11	=	1 Point
1 : 1	=	0 Points

*c.* Total the number of points for the three ratios and assign the appropriate percentage:

18	Points	=	0%
16 - 17	Points	=	20%
14 - 15	Points	=	40%
12 - 13	Points	=	60%
9 - 11	Points	=	70%
Less than 9	Points	=	100%

d. The amount of the required security shall then be calculated as follows:

(1) Determine the three years average of medical payments and compensation paid under the workers' compensation laws (If fiscal year, specify dates \_\_\_\_\_ through \_\_\_\_\_.)

Year 1	Year 2	Year 3	Total
\$ _____	+ _____	+ _____	= \$ _____
Divide the total by 3 =			\$ _____
(2) Multiply this average by 2 =			\$ _____
(3) Enter the total amount of compensation for fatalities and permanent disabilities, both permanent total and permanent partial for which the employer is presently liable but has not paid, including medical reserves.			\$ _____
(4) Add lines 2 and 3			\$ _____
(5) Multiply line 4 by the percentage determined in subrule 57.3(1) "c." This, when rounded to the nearest thousand, will be the security required.			\$ _____

**57.3(2)** For a private employer, a parental guarantee, completed on forms provided by the division, to cover statutory losses and any loss adjusting expense is required from any parent company.

a. The parental guarantee shall provide for giving the commissioner 60 days' notice for cancellation. Once notice is given, the division reserves the right to require additional security to be obtained prior to the effective date of the cancellation.

b. For a subsidiary that is to be sold, which desires to avoid cancellation of the certificate of relief from insurance, it must file pro forma financial statements representing the condition of the subsidiary before and after sale, sales agreement, financial statement of acquiring company and the parental guarantee of acquiring company.

**57.3(3)** Each employer shall have within its own organization ample facilities and competent personnel to service its own program with respect to claims, administration, loss prevention, loss control, safety engineering and rehabilitation services for injured employees or shall contract with a service company to provide these services.