

191—56.3(87,505) Requirements for self-insurance.

56.3(1) A proposed workers' compensation self-insurance association shall file with the commissioner its application for a certificate of approval accompanied by a nonrefundable filing fee in the amount of \$100. The application shall include the association's name, location of its principal office, date of organization, name and address of each member, and such other information as the commissioner may reasonably require, together with the following:

- a.* Proof of compliance with the provisions of subrule 56.3(2).
- b.* A copy of the articles of association, if any.
- c.* A copy of agreements with the administrator and with any service company.
- d.* A copy of the bylaws of the proposed association.
- e.* A copy of the agreement between the association and each member securing the payment of workers' compensation benefits.
- f.* Designation of the initial board of trustees and administrator.
- g.* The address in this state where the books and records of the association will be maintained at all times.
- h.* A pro forma financial statement on a form acceptable to the commissioner showing the financial ability of the association to pay the workers' compensation obligations of its members.
- i.* Proof of payment to the association by each member of not less than a 25 percent deposit of that member's first year estimated annual net premium on a date prescribed by the commissioner. Such payment shall be considered the deposit premium payment of each member required by subrule 56.17(1), paragraph "a" if the proposed association is granted a certificate of approval.

56.3(2) To obtain and to maintain its certificate of approval, a workers' compensation self-insurance association shall comply with the following requirements:

- a.* A combined net worth of all members of an association of private employers of at least \$1 million.
- b.* Maintain excess insurance of not less than \$3 million per occurrence. Associations containing members with a high risk of multiple injury from a single accident may be required to maintain higher limits. The retention shall be the retention generally available to associations with similar exposures and annual premiums.
- c.* Maintain annual aggregate excess insurance with limits above the aggregate retention of not less than \$2 million, with an aggregate retention no greater than the estimated earned normal premium collected in the policy year less all estimated expenses during the year including excess insurance premiums.
- d.* Provide a security deposit in an amount not less than the association's per occurrence excess insurance retention. The security deposit shall either be in the form of a surety bond on a form prescribed by the commissioner or a financial security endorsement issued by a company authorized under subrule 56.5(1). The commissioner may require a larger security deposit to secure any potential liability of the association not otherwise funded by premium collections or excess insurance.
- e.* An estimated annual standard premium of at least \$250,000 during an association's first year of operation.
- f.* An indemnity agreement jointly and severally binding the association with private employers and each member thereof to meet the workers' compensation obligations of each member, in a form prescribed by the commission. In an association with public employers, several liability shall not be required.
- g.* A fidelity bond in the amount of \$250,000 for the administrator.
- h.* A fidelity bond in the amount of \$250,000 for the service company. The commissioner may also require the service company providing claim services to furnish a performance bond in a form and amount acceptable to the commissioner.
- i.* Each association 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 members' employees or shall contract with a service company to provide these services.

56.3(3) An association shall notify the commissioner of any change in the information required to be filed under subrule 56.3(1), or in the manner of its compliance with subrule 56.3(2), no later than 30 days after such change.

56.3(4) The commissioner shall evaluate the information provided by the application required to be filed under subrule 56.3(1) to assure that no gaps in funding exist and that funds necessary to pay workers' compensation benefits will be available on a timely basis.

56.3(5) After an initial review, the commissioner may require additional relevant information and additional security.

56.3(6) Within a reasonable time, the commissioner shall issue to the association a certificate of approval upon finding that the applicant association has met all requirements or the commissioner shall issue an order refusing such certificate setting forth reasons for such refusal upon finding that the applicant association does not meet all requirements.

56.3(7) Each workers' compensation self-insurance association shall be deemed to have appointed the commissioner as its attorney to receive service of legal process issued against it in this state. The appointment shall be irrevocable, shall bind any successor in interest, and shall remain in effect as long as there is in this state any obligation or liability of the association for workers' compensation benefits.