

STATE OF MARYLAND
WORKERS' COMPENSATION COMMISSION
10 E. BALTIMORE STREET
BALTIMORE, MARYLAND 21202

**General Information about Workers' Compensation
Self-Insurance Program in the State of Maryland
Labor and Employment Article § 9-405
COMAR 14.09.10**

PART 1 Application

An application [Form MD WCC A-05 (Rev. 2/2009)] with original signatures only will be accepted (a copy will not be accepted). All questions must be answered completely. No changes or modifications to the form are permitted. The application must be accompanied by all supporting documents required:

A. Audited financial statements, with accompanying footnotes and auditors' opinion, for up to the five most recent fiscal years (unaudited statements are not acceptable); 10-Ks, if applicable, for up to the last five years. Include most current 10-Q, if applicable. See COMAR 14.09.10.02(a)(ii).

B. A \$250 non-refundable application fee, payable to the Maryland Workers' Compensation Commission.

C. A list of physical locations of each operation to be self-insured with street address, nature of business, FEINs, SIC code, and number of employees by location for each SIC code and whether the location is a subsidiary, affiliate, division, branch, etc.

D. An organizational chart.

E. If the applicant is a parent company, all local subsidiaries, affiliates or divisions in which the applicant has at least 51% ownership must be included in its self-insurance program. (mixed insurance arrangements are not permitted). For each entity, provide the legal name, date and state of incorporation, FEIN and SIC code and the applicable d/b/a's of any operating division. There is no fee for subsidiaries of the applicant if included as a part of the original application.

F. If the applicant is a subsidiary, the financial statements or 10-K report (where applicable) for the parent company must be provided, along with a parental guarantee (on the Commission's form). Audited financial reports of the parent are required. If deemed necessary, the Commission may request a separate financial statement for a subsidiary requesting self-insurance. The parental guarantee remains in effect until all liability for workers' compensation while self-insured has been paid and any remaining security formally released by the Commission.

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G. A narrative description of the safety program components for the applicant's operations in this state.

H. A narrative description of all state and federal agency citations issued for safety violations in this state during the last three years, if any. Include the specific violation as cited, fines or penalties assessed, fine reductions negotiated, and corrective action taken.

I. If the applicant has been granted the privilege of self-insurance in other jurisdictions, please attach a list of the States where self-insurance was granted and the amount of the security deposit.

(All attachments must clearly identify the applicant. A separate list of attachments is preferred.)

PART II The Privilege of Self-Insurance

A. SECURITY

The minimum is \$100,000 but is usually higher based on financial strength and claims experience. Acceptable forms of security are:

1) A surety bond on the form provided by the Commission, issued by an A- or higher rated admitted carrier, with a Power of Attorney.

2) A Letter of Credit on the form provided by the Commission issued or confirmed by a bank acceptable to the Commission. There are to be no expiration dates stated on the LOC unless they are followed by the statement "or any automatically extended date."

3) U.S. notes or bonds, state and municipal bonds or notes with an assignment of interest to the Maryland Workers' Compensation Commission and related board resolution. The notes or bonds must be of a type and quality acceptable to a court for investment of trust funds, e.g. U.S. Treasury Notes or Maryland general obligation bonds. The employer will continue to receive the interest on any securities deposited with the Commission unless there is a default in claims payment. Deposited securities must be substituted as they mature.

4) Book entries with an assignment of interest to the Maryland Workers' Compensation Commission of a type and quality acceptable to a court for investment of trust funds, e.g. U.S. Treasury Notes or Maryland general obligation bonds. The employer will continue to receive the interest unless there is a default in claims payment. Book entries must be substituted as they mature.

Note: Numbers 2, 3 and 4 of this section must be irrevocable and not subject to revocation by bankruptcy except that securities may be replaced.

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B. EXCESS INSURANCE Employers are required to obtain specific excess insurance from an A- rated or above insurer. The Commission sets the retention level and limit per claim.

Applicants are encouraged to obtain proposals from carriers before applying and to request the desired level of coverage from the Commission. The approved policy levels may not be changed without prior approval of the Commission. A certified copy of a complete specific excess insurance policy, with Maryland endorsements is required. The carrier must be admitted in Maryland and the following endorsements must be included in the policy:

Cancellation Notice:

“This policy may not be cancelled before its expiration unless, at least 30 days before the date of cancellation, the insurer serves on the employer, by personal service or registered mail addressed to the last known address of the employer, a notice of intention to cancel the policy; and the insurer files a copy of the notice with the Workers’ Compensation Commission of Maryland at 10 East Baltimore Street, Baltimore, Maryland 21202 as required by Section 19-406 of the Maryland Insurance Code. The notice under this section shall state when the cancellation takes effect.”

Bankruptcy/Insolvency:

“Bankruptcy or insolvency of the insured shall not relieve the insurer from the payment of compensation for injuries or death sustained by an employee during the life of this policy. Payment shall be made either directly to the claimant or the Workers’ Compensation Commission of Maryland, as directed by the Commission.”

(All workers’ compensation insurance policies, including excess contracts for self-insurance, are subject to the approval of the Commission pursuant to IN §19-402. Normally a standard form is submitted by the carriers for approval, but individual filings are also monitored for unacceptable deviations from required coverage.)

C. ASSESSMENTS AND FEES

<u>Assessment</u>	<u>Fee</u>
Annual Payroll	Approximately 20 cents per \$1,000 of annual Maryland payroll
Subsequent Injury Fund	6 ½% of all awards and settlements for permanency, death, and disfigurement, in addition to the award
Uninsured Employers’ Fund	1 % of all awards and settlements for permanency, death, and disfigurement, in addition to the award
Annual Audit and Actuarial Studies	\$1,500

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D. ANNUAL REPORTING

1. Annual Information Report (IC-1) is normally released between July 1 and 15 each year and is due on or about August 31 of the same year. See our web page - http://www.wcc.state.md.us/Gen_Info/ICR.html for a copy of the IC-1.

2. Loss Run – A list of losses by year while self-insured not to exceed 20 years. Except for the immediate past 5 years, annual totals of incurred, paid and reserved for indemnity and medical must be included. This report should accompany the IC-1 report. Effective 7/1/06, the loss runs must include the filed claim number assigned by the Commission.

3. Audited Financial Statements – The Annual Report including SEC 10-K forms, where applicable, must be received no later than 120 days after the end of the self-insured employer's fiscal year. **Note: For non-publicly held self-insured employers, quarterly financial statements (unaudited) are required in addition to the Annual Report. Quarterly statements are due within 60 days of the end of the quarter.**

4. Excess Policy Renewals – Excess policy contracts are usually for one year. Each time the policy is renewed, a copy of the rider should be submitted within 30 days of renewal. If the carrier (or policy number) has been changed, a complete copy of the policy with original endorsements is required.

PART III OTHER REQUIREMENTS

A. The self-insurer must maintain a toll-free number that allows employees, claimants, or their representatives to make direct telephone inquiries during regular business hours in accordance with Section 9-405(d)(2) of the Maryland Workers' Compensation Law.

B. Each time a new subsidiary, affiliate or division is added to an existing program, an application to add a subsidiary must be filed. A \$250 non-refundable application fee is required each time a request is made to add new subsidiary, affiliate or division to an existing program of self-insurance.

C. Once granted the privilege of self-insurance, the privilege is continuous until canceled or revoked.

D. The burden is on the employer to keep the Commission informed in advance of any expected changes including adding or deleting subsidiaries and any changes in the self-insured employer's status such as buyouts, reorganization, merger, etc.

E. All Commission prescribed forms for self-insurance can be obtained from the Insurance,

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Compliance and Reporting Division at the Maryland Workers' Compensation Commission.
Please request forms at 410.864.5290 or 410.864.5293 or access forms on our web page -
http://www.wcc.state.md.us/Gen_Info/ICR.html.

F. Upon receipt of the application, a review will be made and the applicant will be contacted if additional information is required. The Commission usually meets on the 2nd and 4th Thursdays of each month. Please allow 60 days from submission of a **COMPLETE** application for a decision. If the application is approved, a Conditional Order of the Commission will be mailed to you. When all of the conditions are satisfactorily complied with, the effective date of self- insurance will be established in a Final Order of the Commission.

G. Self-insurance matters are kept confidential. The Workers' Compensation Law, under the Labor and Employment Title 9-1104 provides that "An employee of the Commission may not disclose to any person other than a member of the Commission any information that the employee obtains about a business, property or transactions of another." Violations are subject to penalty and dismissal from appointment or employment.

Contact Information

Insurance, Compliance & Reporting Division

email: wccinsur@wcc.state.md.us

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APPLICATION FOR SELF-INSURANCE

NOTE: The undersigned (hereinafter referred to as the "Applicant") makes the following declarations for the purpose of enabling the Workers' Compensation Commission of Maryland to determine whether Applicant possesses sufficient financial ability to render certain the payment of compensation to Applicant's employees who contract occupational disease or sustain accidental injury, or to the dependents of employees who die in consequence of occupational disease or accident.

PART I - General Information

A. Name of Applicant:
Contact Information

Headquarters' Address:

1. Program Contact Person:

Title:

Phone No.:

Fax No.:

Toll Free Number:

E-mail Address:

2. Financial (CFO) Contact Person:

Title:

Phone No.:

Fax No.:

E-mail Address:

3. Legal Counsel Contact Person:

Title:

Phone No.:

Fax No.:

E-mail Address:

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4. Maryland Address:

Contact Person:

Title:

Phone No.:

Fax No.:

E-mail Address:

B. Nature of Business, Financial Standing and Insurance

1. Nature of Business:

Corporation

LLC

Partnership

Date of Incorporation:

State of

FEIN No.

2. If Applicant is rated by Moody's or Standard & Poor's, provide the following:

Rating: from

on (date)

If evaluated by Dun & Bradstreet, provide Duns No:

3. Name of current insurance carrier:

Policy Number:

Effective Date:

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PART II - Employee Information

A. Provide the following information for each year of the last three years prior to filing an application for self-insurance:

Dates		Total No. of Employees	Annual Maryland Payroll	W.C. Experience Modifier	Annual W.C. Premium
To	From				

B. For the last 12 months prior to filing this application, please provide the following:

Classes of Employees	No. of Employees (in each class)

PART III - Subsidiary Information

If the applicant is a subsidiary, complete the following:

Exact legal name of parent:

Date parent incorporated:

State:

Parent's FEIN No:

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PART IV - Claims Administration

Do you intend to administer workers' compensation claims "in-house"? Yes No

If "Yes" include the resumes of the competent individuals who will be handling and adjusting each disputed workers' compensation claim in the State for the employer and who possess the knowledge and experience to handle and adjust each disputed claim. If "No" provide the following information regarding the Applicant's Maryland workers' compensation representative:

Service Company:

Maryland Address:

City, State, ZIP code:

Contact Person:

Title:

Phone No:

Fax No:

Toll Free No.

E-mail Address:

PART V - Claims Data

A. Number of accidents each year for the last three years:

Year	No. of Accidents

B. Occupational disease claims during the last three years: (Use attachments if necessary.)

Year	Nature of Claim	Total Number

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C. Workers' compensation claims incurred (both paid and unpaid) in the past three years (including medical, indemnity payments plus transfers to reserve):

Year	Employer Paid	Insurer Paid
During one year period up to date of this report:		
First year prior:		
Second year prior:		

D. Total value of reserves for all years including all outstanding and unpaid awards (medical and indemnity) and Incurred But Not Reported. Employer share only \$

Current Policy deductible amount \$

PART VI - Safety Information

A. Have you taken measures to prevent the hazard of fire at all locations? Yes No

B. Are there dangers to which your employees are subjected because of explosive materials, boiler explosions, etc.?

If "Yes" attach an explanation. Yes No

C. Are there exposures to toxic chemicals or to conditions which have, here or elsewhere, been considered a cause of occupational diseases in any of your locations?

If "Yes" attach an explanation.

D. Is there anything on or about any of your locations that might possibly cause a catastrophe at that location?

If "Yes" attach an explanation. Yes No

E. Has OSHA inspected any of your facilities in Maryland

If "Yes" attach an explanation and a copy of their report. Yes No

PART VII - Excess Coverage

Amount of retention requested by applicant: \$

Amount of excess insurance planned: \$

PART VIII - Effective Date

Effective date of self -insurance requested:

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To the best of my knowledge, I hereby certify that the foregoing report is a true, correct, and complete representation of the information requested. This certification further acknowledges full and complete responsibility for any and all information provided by a third party and included in this application. I am aware that this application is being prepared for use by the Maryland Workers' Compensation Commission and intend that the Maryland Workers' Compensation Commission will rely upon the representations made herein.

Name of Applicant

Print Name of Authorized Company Representative

Title

Signature

Date

(Affix corporate seal)

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State of _____

(seal)

City or County of _____

I hereby certify that on this _____ day of _____, 2____, before
me the subscriber, a _____ of the State of _____, in and
for said County, personally appeared _____ and
made oath in due form of law that the matters and facts set forth in the foregoing application are true.

My Commission expires _____, 2____.