
MEMORANDUM OF UNDERSTANDING

This is a Memorandum of Understanding between:

(Employer), and the Maryland Workers' Compensation Commission (Commission). The Employer has applied for the privilege of self-insuring its obligations under the Maryland Workers' Compensation Law Section 9-405 (Labor and Employment Article) and the Commission has approved the application contingent upon the Employer posting security in the amount of \$. The Employer wishes to meet this security requirement by posting an Irrevocable Letter of Credit (Letter of Credit) issued or confirmed by:

which is a Maryland chartered financial institution or federally chartered financial institution with a Maryland office. The Commission and the Employer agree to the following:

1. The Letter of Credit is being furnished to the Commission in lieu of a surety bond, book entry or other security to meet one of the conditions established by the Commission for the Employer to self-insure.
2. Expiration or cancellation of the Letter of Credit is effective sixty (60) days after the Commission has received written notice by registered mail of the cancellation.
3. If the Commission is notified that the Letter of Credit is being canceled or will not be renewed and a new letter of credit or other form of security deposit acceptable to the Commission is not filed with the Commission, the Commission may, at its discretion, draw on the Letter of Credit.
4. The Commission, may, at any time, draw on the Letter of Credit if needed to pay any workers' compensation claim and claims administration expense which are the responsibility of the Self-Insurer.
5. All proceeds drawn on the Letter of Credit shall be deposited with the State Treasurer and a Trust shall be established to pay the obligations of the Self-Insurer under Maryland Workers Compensation Law.
6. If the Letter of Credit Issuer is a Financial Institution whose financial standing according to Weiss Ratings Inc. falls below a B-, the Self-Insurer herein must replace the Financial Institution with another company with an B- or above rating within 60 days of notification by the Commission. If the Self-Insurer herein has discontinued making payments and responsibility for the payment of claims has been transferred to a Commission designated third party and the Financial Institution's Weiss Ratings falls below B-, the Commission at its sole discretion may demand that the full amount of the Letter of Credit, shall be placed in a Maryland depository in the name of the Maryland Workers' Compensation Commission, for the use and benefit of all employees of the Self-Insurer herein and persons who may be entitled to compensation, medical, surgical and other services and funeral expenses under the Workers' Compensation Law of the State of Maryland. The Commission will release all unspent Letter of Credit funds back to the Financial Institution after determination that all workers' compensation liabilities of the Self-Insurer herein while self-insured have been satisfied

7. The Letter of Credit and this Memorandum of Understanding shall be governed by the laws of Maryland and subject to the Uniform Customs & Practice for Documentary Credits, 1993 Revision, ICC Publication Number 500. Any action with respect to the Letter of Credit shall be brought in Maryland and the Self-Insurer shall consent to the court's personal jurisdiction over the Employer.
8. In the event that the employer's self-insurance status is terminated, the Irrevocable Letter of Credit is demanded and responsibility for payment of claims is transferred to a third party administrator by Order of the Commission, the employer shall immediately release all workers' compensation files and reports including indemnity and medical case records and files, related records on paid, incurred, case reserve and IBNR estimates and other reports required by the designated third party administrator.
9. In this Memorandum of Understanding, "Employer" means the following entities, which have been approved to self-insure in Maryland (parent and subsidiaries):

(If required, please attach a page listing additional subsidiaries, including the name of the parent at the top.)

10. This Memorandum of Understanding is effective on:

Signature:

Employer

Representative of Employer

Title

Date

Signature:

Representative of the Commission

Title

Date

Form A-08: Letter of Credit. This form should be filed concurrently with the Irrevocable Letter of Credit at the Maryland Workers' Compensation Commission, Insurance Division, 10 E. Baltimore Street, Baltimore, Md. 21202. The Letter of Credit will not be accepted without the accompanying Memorandum of Understanding.
