

WAC 296-15-161 Surety for a group self insurance program. (1)
How does the department determine the required surety level for a group self insurer? After the initial five years of certification, the department will annually calculate the surety requirement for a group self insurer by comparing its original liability estimate to its reserve fund. If the difference is:

(a) Less than fifteen percent, the department will accept the stated reserves of the group as the required surety level.

(b) Greater than fifteen percent, the department will establish the group's required surety level.

(2) What type of surety is acceptable for a group self insurer's reserve fund? A group self insurer's reserve fund must be cash.

(3) May a group self insurer pay expenses from its reserve fund? A group self insurer may pay only the following items from its cash reserve fund:

(a) Administrative expenses for operating the group self insurance program, including claims handling expenses, legal, investigative or administrative costs and department administrative assessments.

(b) Claim expenditures. Supplemental pension fund (SPRF) benefits may also be paid from the reserve fund if the group redeposits SPRF reimbursements into the reserve account. Interest earned by the reserve account must remain in the account while this method is in effect.

(c) Reinsurance premiums. All recoveries from these policies must be redeposited into the reserve fund. Within eighteen months of premium payment, the group must return the amount paid for premiums if reinsurance recoveries were not sufficient to return the account to its original amount.

(4) How can a group self insurer assess its members for reserve fund costs? A group self insurer may determine how it will assess members for required reserve fund costs. The group's bylaws must describe the procedures it will use to collect these costs.

(5) Must a group self insurer purchase reinsurance? A group self insurer must obtain reinsurance for each year of operation to ensure adequate protection against catastrophic or unexpected loss.

(6) What if a group self insurer collects excess premiums during a fund year and has a surplus? A group self insurer may refund surplus money from a fund year if it retains sufficient money to fulfill all of its workers' compensation obligations. This includes maintaining the required reserve fund.

(7) What if a group self insurer collects insufficient premiums during a fund year and has a deficit? A group self insurer may cover a deficit by:

(a) After receiving department approval, using:

(i) Unencumbered surplus from a different fund year;

(ii) An alternative method; or

(b) Assessing the membership. The department may require the group to use this method.

[Statutory Authority: RCW 51.14.077, 51.14.120(7), 51.14.150(4), 51.14.160, 51.44.040(3), 51.44.070 and 51.44.150. WSR 99-23-107, § 296-15-161, filed 11/17/99, effective 12/27/99.]