

2780.1200 FINANCIAL STANDARDS.

Subpart 1. **Net worth.** Each individual self-insurer shall have and maintain a net worth at least equal to the greater of ten times the retention limit selected with the WCRA or one-third the amount of the self-insurer's current annual modified premium. The requirements of this subpart shall be modified if the self-insurer can demonstrate through a reinsurance program, other than coverage provided by the WCRA, that it can pay expected losses without endangering the financial stability of the company.

Subp. 2. **Assets, net worth, and liquidity.** Each individual self-insurer shall have and maintain sufficient assets, net worth, and liquidity to promptly and completely meet all of its obligations that may arise under the Workers' Compensation Act. In determining whether a self-insurer meets this requirement, the commissioner shall consider the self-insurer's current ratio; its long-term and short-term debt to equity ratios; its net worth; financial characteristics of the particular industry in which the self-insurer is involved; any recent changes in the management and ownership of the company; any excess insurance purchased by the self-insurer from a licensed company or an authorized surplus line carrier, other than excess insurance from the WCRA; any other financial data submitted to the commissioner by the company; and the company's workers' compensation experience for the last four years.

Subp. 3. **Guarantee by affiliates.** Where an employer seeking to self-insure fails to meet the financial requirements set forth in subparts 1 and 2, the commissioner shall grant authority to self-insure provided that an affiliated company, whose financial statement is filed with the commissioner and meets the requirements set forth in subparts 1 and 2, provides a written guarantee adopted by resolution of its board of directors that it will pay all workers' compensation claims incurred by its affiliate, and that it will not terminate the guarantee under any circumstances without first giving the commissioner and its affiliate 30 days' written notice. If said guarantee is withdrawn or if the guarantor ceases being an affiliate, the affiliate shall give written notice to the commissioner and the self-insured. The self-insured's authority to self-insure shall automatically terminate upon expiration of the 30-day notice period.

Statutory Authority: *MS s 176.181*

Published Electronically: *September 14, 2007*