

Title 8. Industrial Relations  
Division 1. Department of Industrial Relations  
Chapter 8. Office of the Director  
Subchapter 2. Administration of Self-insurance  
Article 13. Group Self Insurance

§ 15484. Continuing Financial Capacity of Group Self Insurers.

(a) Each group self insurer shall submit annually the group's un-audited financial statement to the Manager by March 1. The group self insurer shall obtain a current certified, independently audited financial statement complete with all notes and schedules. The financial statement shall be prepared according to Generally Accepted Auditing Principles (GAAP) and shall be submitted to the Manager by July 1 following the end of the program year.

(b) The group self insurer's financial statement for each year shall include exhibits indicating specific amounts collected as group member contributions and earned from investments, as well as specific amounts for the year reported for the following administrative costs:

- (1) Fees and commissions paid to the Group Administrator
- (2) Commissions paid to brokers
- (3) Fees paid to the third party administrator
- (4) Premium paid for excess insurance
- (5) Premium paid for fidelity and errors and omissions coverage
- (6) Fees paid for surety bonds, letters of credit, or any other security deposit related cost
- (7) Fees paid to actuaries
- (8) Fees paid to accountants
- (9) Regulatory costs
- (10) Taxes
- (11) Other expenses

(c) Each group self insurer shall ensure that group members maintain their suitability for group self insurer membership as follows:

- (1) Annually obtaining current certified, independently audited financial statements or reviewed financial statements together with all schedules and notes showing that the core members of the group self insurer meet in aggregate the financial requirements provided in Section 15472(a) of these regulations;
- (2) For each other group member, the group self insurer may annually determine the group member's suitability for membership in the group self insurer by review of a tax return, credit report, or other appropriate documentation as specified in the bylaws of the group self insurer.

(d) The Group Administrator shall submit to the Manager on request any financial documentation received pursuant to subsection (c), and shall advise the Manager of any group member not submitting its financial documentation to the group self insurer.

(e) Each group self insurer shall demonstrate sufficient income from annual member contributions and/or assessments to fund:

- (1) The group self insurer's actuarially projected claim liabilities for each program year at the 80% actuarial confidence level, or at a lesser actuarial confidence level if authorized by the Manager pursuant to Section 15477(a)(2);

- (2) The expected administrative expenses needed to meet the group self insurer's day to day obligations; and
  - (3) The continued posting of the required security deposit.
- (f) The Group Administrator shall immediately advise the Manager in writing if the group self insurer's core members do not meet in aggregate the financial requirements set forth in Section 15472(a) of these regulations.
- (g) A group self insurer's solvency is presumed impaired if any of the following occurs:
- (1) There is a marked reduction in financial strength as evidenced by the findings in the annual audit by the independent certified public accountant;
  - (2) The group self insurer fails to submit a financial statement pursuant to subsection (a) of this section;
  - (3) The Group Administrator fails to submit documentation as provided by subsection (d) to substantiate that core members meet financial requirements as set forth in subsection (c)(1) and Section 15472(a);
  - (4) The contribution rates, rating plan, or contribution fails to generate enough funds to cover the costs of projected claims and administrative costs for the group self insurer as required by subsection (e) of this Section.
- (h) Demonstration of impaired solvency of the group self insurer as described in subsection (g) of this section is good cause for increased security deposit or involuntary revocation of a Certificate of Consent to Self Insure, Interim Certificate of Consent to Self Insure, and/or Affiliate Certificate of Consent to Self Insure.
- (i) The Group Administrator shall, on or before March 1<sup>st</sup> of each year, file with the Office of Self Insurance Plans the budget for the group's current year together with:
- (1) The rates of contribution from members in effect for the current year,
  - (2) Any deviation from these rates,
  - (3) All actuarial reports and other documents supporting the rates of contribution,
  - (4) All minutes of board of trustees meetings or other evidence of board of trustees action where rates of contributions from members were discussed or approved.
- (j) The Group Administrator shall file any changes in the rates of contribution from members with documents listed in subsection (i), (1) through (4) within 30 days of such change.

Note: Authority cited: Sections 54, 55 and 3702.10, Labor Code. Reference: Sections 59, 3700, 3701, 3702 and 3702.10, Labor Code.