

Text of Modified Regulations

The Office of Self Insurance Plans has illustrated changes to the original text in the following manner: regulation language originally proposed is underlined; deletions from the language originally proposed are shown in double strike through using "="; and additions to the language originally proposed are in italics.

Section 15212

(a) Surety bonds shall be accepted by the Manager only if written by an "admitted surety insurer" as defined by California Code of Civil Procedure, Chapter 2, Bonds and Undertaking, Section 995.120(a).

(b) A surety bond underwritten by an organization owned and/or controlled by the self insurer, who is also the principal on the surety bond, shall be rejected by the Manager unless the surety company is financially independent of its parent.

(c) The Manager shall make available, upon request of any self insurer, an appropriate quantity of surety bond forms (Form A4-20 (Rev. 11/92)), increase riders (Form A4-21b (Rev. 4/92)) decrease riders (Form A4-21a (Rev. 4/92)), name change riders (Form A4-22 (Rev. 4/92)), and special form change riders (Form A4-23 (Rev. 4/92)), and Release of Surety (Form A4-24 (11/92)), California Code of Regulations, Title 11, Chapter 2, Section 25, which are hereby incorporated by reference.

Note: The current surety bond forms and rider forms are contained in Plates F-1 through F-6 of the Appendix immediately following the last Article in these Subchapter 2 regulations.

(d) A surety bond accepted by the Manager as security deposit shall be continuous in form. Surety bonds shall be exonerated only by their terms and cancelled only according to the specific language in the bond form. Exoneration of a surety bond by the Manager shall only be done when the bond language includes a release provision and the self insurer has substituted another acceptable security deposit or combination of acceptable deposits that totals to the amount determined by the Director to be required as a security deposit.

Note: Bond forms previously accepted as security deposit have differing terms and conditions from the current surety bond forms and some of the prior bond forms may not include a release provision in the bond language. Such bonds cannot be exonerated by the Manager unless the prior bond form is changed to the current terms and conditions by means of reinstatement of the surety bond, if cancelled, and execution of a Special Form Change Rider.

(e) The surety company shall submit a Notice of Cancellation in writing to the Manager on any surety bond according to the terms of the bond. The surety shall give the Manager written notice at least (thirty) 30 days in advance of the effective date of cancellation of an existing surety bond. After receipt of the written cancellation notice and receipt of a replacement security deposit, as set forth in subsection (d) and (g), in the amount required by the Director, the Manager may issue a Release of Surety to the surety company for the cancelled bond.

(f) Surety bonds and all riders to the surety bonds shall be executed by the surety company's Attorney-In-Fact and the Attorney-In-Fact's appointment or power of attorney must accompany all copies of the bond or rider being submitted.

Note: The Attorney-In-Fact does not need to be a California Attorney- In-Fact.

(g) The self insurer shall substitute the deposit represented by the penal sum of the cancelled surety bond with another acceptable form of security deposit, in the full amount required by the Director, within thirty (30) days of the receipt of bond cancellation notice to the Manager.

Exceptions:

(1) A surety bond issued prior to the effective date of these regulations where the bond secures liabilities of a former self insurer.

(2) An active self insurer in the process of revocation on the effective date of this regulation of its self insurance authority and which has fully insured its workers' compensation liabilities with a standard workers' compensation policy from an admitted carrier prior to the effective date of this regulation.

(h) The surety company or its parent company shall have and maintain an acceptable credit rating as set forth below:

(1) Standard and Poors Insurer Financial Strength Rating of A or better rating, or

(2) A.M. Best Company, Financial Strength Rating of B+ or better rating.

(i) A surety bond shall be replaced by the self insurer in the event the surety is placed in conservatorship, or is seized, or declares ~~bankruptcy~~ insolvency, or the current credit rating is below the ratings required in subsection (h).

Authority cited: Sections 54, 55 and 3702.10, Labor Code.
Reference: Sections ~~59, 129,~~ 3700, 3700(b), 3701, 3701.5, ~~3702, 3702.5, 3702.6,~~ 3702.10, 3703, 3705 and 3740-3744, Labor Code; and Sections 995.120(a) and 995.430, Code of Civil Procedure.