

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

§ 15478. Excess Insurance.

(a) Each group self insurer shall have and maintain in full force one or more specific excess workers' compensation insurance policies issued by an admitted casualty insurance carrier or carriers authorized to transact such business in the State of California by the California Department of Insurance. The specific excess policy shall not have a retention level above \$500,000 nor an upper limit of less than twenty-five million dollars (\$25,000,000) without express written consent of the Manager pursuant to subsection (b). The policy may not lapse, be canceled or otherwise terminated without prior written notice to the Manager and the group self insurer no later than 30 days prior to the date of cancellation or termination by the carrier. On the policy issuance date and on any subsequent renewal date of the policy, the excess carrier or its parent company shall have an adjusted policyholders' surplus of no less than twenty-five million dollars (\$25,000,000) and an acceptable credit rating as set forth below:

- (1) Standard and Poor's Insurer Financial Strength Rating of A or better rating, or
- (2) A.M. Best Company, Financial Strength Rating of B+ or better rating.

If the group self insurer's specific excess carrier's credit rating falls below a B rating as rated by either rating agency specified in subsections (a)(1) or (a)(2), the group self insurer shall replace the policy or obtain new coverage for the remainder of the unused prior policy period and for future coverage through a specific excess carrier that meets the requirements of this section.

(b) Each private group self insurer seeking to maintain a specific excess policy with a retention level above \$500,000 or an upper limit of less than twenty-five million dollars (\$25,000,000) shall first demonstrate in writing to the satisfaction of the Manager through its audited financial statement(s) and a current written actuarial report or portion thereof specifically demonstrating that the group self insurer has the financial strength to assume a retention level above \$500,000 per occurrence and/or an upper limit of the policy of less than twenty-five million dollars (\$25,000,000). The Manager may consider the group self insurer's financial reports, actuarial reports, spread of risk, its level of contributions and/or assessments, current membership size, loss prevention program, any aggregate stop loss insurance policy in place, and/or other factors the requesting group wishes to have the Manager consider in making his or her determination on the request to grant the group self insurer permission to carry specific excess insurance above the \$500,000 per occurrence level. The group self insurer shall maintain specific excess coverage with a minimum \$500,000 self insurer's retention and an upper limit of the policy of no less than twenty-five million dollars (\$25,000,000), unless written consent from the Manager for a higher retention level and/or upper limit of less than twenty-five million dollars (\$25,000,000) is obtained. In no event shall the group self insurer's retention level be greater than \$1,000,000 per occurrence.

(c) Any private group self insurer may have and maintain in full force an aggregate excess workers' compensation insurance policy. As set forth in Section 15210.3 of these regulations, no security deposit credit will be allowed for aggregate excess coverage.

(d) If the Director orders the Self Insurer's Security Fund to assume the liabilities of the group self insurer pursuant to Labor Code Section 3701.5, the specific excess carrier or aggregate excess carrier shall make all payments due directly to the Security Fund as would have been made by the excess carrier to the group self insurer after the retention level of the policy had been reached.

(e) The group self insurer or any affiliate member of the group self insurer shall not own or have controlling ownership in the specific excess carrier that issues the specific excess policy. Any known direct ownership in the specific excess carrier or carriers by any current or proposed service providers, including the Group Administrator, shall be disclosed in writing to the group's Board of Trustees along with the price quoted for the policy or policies. No group self insurer or member of a group self insurer shall function as a re-insurer of any specific excess insurance policy or policies issued to a group self insurer or renewed by a group self insurer.

Note: Authority cited: Sections 54, 55 and 3702.10, Labor Code. Reference: Sections 3700, 3701, 3701.5, 3702.10 and 3744, Labor Code.