



STATE OF TENNESSEE  
DEPARTMENT OF COMMERCE AND INSURANCE  
Financial Affairs / Analytical Unit 0576  
500 James Robertson Parkway, 4<sup>th</sup> Fl.  
Nashville, TN 37243  
615-741-1633  
November 17, 2011

## PLEASE READ - IMPORTANT INFORMATION UPDATED

### Renewal for the Privilege of Self-Insuring the Payment of Workers' Compensation Claims

TO: Self-Insured Addressed

FROM: Bob Ribe, Chief Analyst 11-21-2011 9:02

The following deadlines must be met in order to continue the privilege of self-insuring the payment of workers' compensation claims that arise in this State. **January 31, 2012**, is the due date for filing the renewal application. **March 1, 2012**, is the due date for filing the payroll report for calendar year 2011. **April 15, 2012**, is the due date for filing the experience modification factor (EMOD) for the calendar year 2012. Premium tax invoices must be paid on or before **June 30, 2012**.

Failure to timely report all required information in full, including excess insurance policies, payroll, and Tennessee specific EMOD, may result in the imposition of civil penalties as well as suspension or revocation of employer authorization to self-insure.

Tenn. Code Ann. § 50-6-405(b)(2) requires all self-insurers of workers' compensation to file an annual certified financial statement as evidence of ability to pay all claims that may arise against the employer. The financial statement must include a statement of assets and liabilities and a statement of profits and losses. The statement must be filed no later than six months after the company's immediately preceding fiscal year. The financial statement must also include a detailed accounting of reserves for outstanding losses incurred in connection with workers' compensation self-insurance. *Please note that losses and the adequacy of reserves must now be certified annually by a qualified actuary.* Tenn. Code Ann. § 50-6-405(b)(4) authorizes the Department to take action against a company's certificate of authority to self-insure for failure to provide the requested documents.

Any changes made to your program such as the addition or deletion of locations, changes in ownership or subsidiaries, name changes, address changes, contact person changes or claims handler changes should be addressed in the form of a cover letter attached to the renewal information being submitted.

As part of the renewal process, detailed paid loss information valued as of December 31, 2011, for the years 2009, 2010 and 2011 must be provided. Also, please provide the open claims information required by the enclosed, "Notice Of Information Needed for 2012 Renewals."

ALL self-insurers are required to furnish a Tennessee experience modification factor. Application for the factor should be filed promptly with the National Council on Compensation Insurance (NCCI) as this factor is necessary for the calculation of self-insurance taxes. The 2012 factor will be based upon losses from calendar years 2008, 2009 and 2010. **YOU SHOULD APPLY FOR YOUR EXPERIENCE MODIFICATION FACTOR UPON RECEIPT OF THIS RENEWAL NOTICE. PLEASE ENSURE THAT THE EXPERIENCE MODIFICATION FACTOR WILL BE EFFECTIVE AS OF JANUARY 1, 2012. INTERSTATE EXPERIENCE MODIFICATION FACTORS OR FACTORS CALCULATED BY ANYONE OTHER THAN THE NCCI ARE NOT ACCEPTABLE WITHOUT THE WRITTEN APPROVAL OF THE COMMISSIONER.** INFORMATION SUBMITTED TO THE NCCI TO PROMULGATE YOUR EXPERIENCE MODIFICATION FACTOR SHOULD MATCH EXACTLY WITH PREVIOUS PAYROLL INFORMATION SUBMITTED TO THE STATE OF TENNESSEE FOR THE CALCULATION OF TAXES. ALL EXPERIENCE RATING MODIFICATION FACTORS ARE SCHEDULED FOR CALCULATION AND ISSUANCE AT LEAST 45 DAYS PRIOR TO THE EFFECTIVE DATES. IN ORDER TO RECEIVE A COMPLETED RATING ON OR BEFORE APRIL 15, 2012, SELF-INSURERES MUST FILE LOSS INFORMATION (ERM 6 FORM) WITH THE NCCI ON OR BEFORE MARCH 1, 2012, AT THE FOLLOWING ADDRESS:

National Council on Compensation Insurance  
Customer Service Center  
901 Peninsula Corporate Circle  
Boca Raton, FL 33487  
Phone: 561-893-1000 or 1800-622-4123  
Fax: 561-893-1191

Please see the current Self-Insured Workers' Compensation Single Employer Rules 0780-1-81 and 0780-1-83. If you are unable to read or print from the links below, please contact the Department at: Jarasbot.kirsch@tn.gov  
<http://www.state.tn.us/sos/rules/0780/0780-01/0780-01-81.20081227.pdf>  
<http://www.state.tn.us/sos/rules/0780/0780-01/0780-01-83.pdf>

Please remit ALL requested materials to: Jara Kirsch, Insurance Analyst  
Department of Commerce and Insurance  
Financial Affairs / Analytical Unit 0576  
500 James Robertson Parkway, 4<sup>th</sup> Floor  
Nashville, TN 37243

JK/Enclosures



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**Notice of Information Needed For 2012 Renewals**

To : All Self-Insurance Companies  
 From : Bob Ribe, Chief Analyst *RJR*  
 Re : Workers' Compensation Self-Insurance Program  
 Date : November 17, 2011

As part of the Department's annual review of self-insurance companies in Tennessee, the following information is required:

PLEASE PROVIDE	DESCRIPTION
<input type="checkbox"/> 1	<b>Application – Deadline: January 31, 2012. The application must be signed, notarized and completed in its entirety. Attach an updated list of all Tennessee locations with full mailing address, FEIN number, contact person, phone number, fax number and e-mail. The list should match the excess policies list.</b>
<input type="checkbox"/> 2	<b>Payroll Report – Deadline: March 1, 2012.</b> The actual payroll information for calendar year 2011 must be provided and must be signed and notarized. If a correction is needed, a new signed original must be filed again. Payroll must be filed, otherwise premium tax invoices cannot be processed. The employer will be responsible for any late filing fees.
<input type="checkbox"/> 3	<b>Intrastate Experience Modification Factor – Deadline: April 15, 2012.</b> The effective date must be January 1, 2012. <b>This must be a Tennessee rating, not an interstate rating.</b>
<input type="checkbox"/> 4	<b>Independently Audited Financial Statement</b> – This must be filed no later than the last day of the sixth month after the end of the company's immediately preceding fiscal year. Failure to comply with this requirement could result in a <b>civil penalty of \$100 per day</b> for each day the filing requirement is not met.
<input type="checkbox"/> 5	<b>Reserve Report Accompanied by Actuarial Opinion</b> – This annual report must be filed no later than the last day of the sixth month after the end of the company's immediately preceding fiscal year.
<input type="checkbox"/> 6	<b>Loss Run Reports for 2009, 2010, 2011</b> - Detail pages and summary pages must be provided for each year.
<input type="checkbox"/> 7	<b>Open Claims</b> – Detail pages and summary pages of all reserves outstanding from the inception of self-insurance date to December 31, 2011.
<input type="checkbox"/> 8	<b>List of Open and Paid Claims</b> which have hit and exceeded the self-insured retention (SIR) from the inception of self-insurance to December 31, 2011.
<input type="checkbox"/> 9	<b>Excess Policy Accompanied by Actuarial Certification</b> – <b>Provide the full policy which should include both specific and aggregate insurance. The excess policy must include all Tennessee locations.</b>
<input type="checkbox"/> 10	<b>Third Party Administrator (TPA)</b> who is licensed in accordance with Rule 0780-1-81. Attach a copy of the agreement between the TPA and the employer and an amendment evidencing that the current period is included.
<input type="checkbox"/> 11	Name, address and e-mail of the Tennessee <b>contact person</b> must be submitted.
<input type="checkbox"/> 12	Evidence of the current <b>amount of securities</b> including copies of the following: bonds, certificates of deposit with current maturity date, UST notes, UST bonds or letters of credit.
<input type="checkbox"/> 13	If the applicant is a subsidiary, a signed and notarized <b>Parent Guarantee (Indemnity Agreement)</b> is required.
<input type="checkbox"/> 14	If items #2 & #3 are not received by the due dates, the Division will determine your premium tax based upon a rate calculated by the Division. The premium tax invoices must be paid on or before <b>June 30, 2012</b>



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## MEMORANDUM

**To:** All Self-Insurance Companies

**From:** Mark Jaquish, Director of Financial Affairs

**Date:** August 5, 2011

**Re:** Certificate of Authority for Self-insuring Workers' Compensation in the State of Tennessee

- Excess Insurance Policy

Pursuant to Tenn. Code Ann. § 50-6-405(b)(2) and Tenn. Comp. R. & Reg. Ch. 0780-1-83-.06 an employer shall obtain and maintain excess insurance, both specific and aggregate in an amount sufficient to cover its liabilities for losses not paid by the employer and as set by a qualified actuary.

Hopefully, in most cases a certificate of insurance will be issued before the expiration date of the current excess policy. Evidence of renewal of coverage such as this can be filed with the Insurance Division upon expiration of the excess policy. Keep in mind that although this certificate page can serve the purpose of notifying the Insurance Division of continuing excess insurance from one period to the next, the actual excess insurance policy should be filed as soon as completed. Therefore, the Insurance Division requests:

- The filing of evidence of continuing excess coverage upon renewal and prior to the expiration date of the current specific and aggregate excess insurance policies. This should be accompanied by the actuarial statement as to the sufficiency of the amount of aggregate coverage being carried.
- The filing of the complete excess insurance policy is still required and should be filed as soon as it's available.

As a reminder, failure to maintain the required excess insurance coverage could jeopardize the employers authority to self insure. Recently, the Insurance Division has accepted these filings beyond their effective dates. We are in the process of implementing stronger internal procedures to ensure timely compliance with this requirement.

As a result, we may request information about your company's excess insurance program, and evidence of its coverage, sooner than what has been recently allowed. We respectfully request and appreciate your understanding and cooperation as we work to improve our files that serve as evidence of compliance with these requirements. We welcome any comments or suggestions you may have. Thank you.



13. Past three-year Accident Experience
- |   |            |            |            |
|---|------------|------------|------------|
| a. Number of deaths   | Year _____ | Year _____ | Year _____ |
| b. Number of dismemberments                                   | # _____    | # _____    | # _____    |
| c. Number of temporary disabilities exceeding 7 days duration | # _____    | # _____    | # _____    |
| d. Number of accidents of all kinds                           | # _____    | # _____    | # _____    |

14. In consideration of the approval of this application, the applicant hereby expressly agrees as follows:
- That this privilege may be revoked by the Commissioner of Commerce and Insurance, as provided in Tenn. Code Ann. § 50-6-405.
  - That the applicant, if required to secure excess catastrophe reinsurance coverage, shall file a photocopy of the policy with the Department of Commerce and Insurance.
  - That the applicant shall file with the Commissioner an acceptable security in an amount not less than five hundred thousand dollars (\$500,000).
  - That the employer will not solicit, receive or collect any money from employees or make any deduction from their wages for the purpose of discharging any part of the employer's liability under the Workers' Compensation Act and that the employer will not permit any person with the employer's knowledge to sell or try to sell medical or hospital tickets to the company's employees for medical, surgical or hospital treatment required by law to be furnished to injured employees.
  - When the applicant is a subsidiary company or a partnership, the Commissioner requires that the parent company, or any other company or persons holding stock in the applicant company, or a partner in the applicant partnership, shall give a satisfactory guarantee that the applicant will fully and promptly pay all sums which are or may become payable under the provisions of the Tennessee Workers' Compensation Law and under the terms of the agreement contained in this application.

15. Rating Agency: Indicate whether your company or parent company is rated by the following rating agencies: \_\_\_\_\_ No  
 \_\_\_\_\_ Yes If YES, indicate present rating:
- Standard & Poor's Corporation \_\_\_\_\_  
 Moody's Investors Service, Inc. \_\_\_\_\_  
 Dun & Bradstreet \_\_\_\_\_  
 Other: \_\_\_\_\_

16. Loss Runs for the three latest calendar years valued as of December 31, 2011. (Attach copy of detailed loss runs.)

YEAR	INCURRED	PAID INDEMNITY	PAID MEDICAL	RESERVED	EXCESS RECOVERABLE
2009	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2010	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2011	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
<b>TOTALS</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>

Total reserve amount for all **open** claims since inception of self-insurance \$ \_\_\_\_\_  
 Total amount of excess recoverable on all **open** claims \$ \_\_\_\_\_

Signed \_\_\_\_\_ Self-Insured Employer  
 By \_\_\_\_\_  
 \_\_\_\_\_  
 (Official Position)

**AFFIDAVIT**

**(The person subscribing the affidavit below should be the employer himself; or if the employer is a partnership, one of the partners; or if the employer is a corporation, its President, Vice-President, Secretary or Treasurer.)**

STATE of - \_\_\_\_\_, County \_\_\_\_\_

\_\_\_\_\_ first being sworn on oath, deposes and says that he/she is the person who signed the foregoing application for the employer therein named and that he/she is acquainted with the affairs of said applicant Employer to which the representations and statements set forth in the foregoing application relate, and that he/she has read said Application, knows the contents thereof and that said representations and statements therein contained are true to the best of his/her knowledge, information and belief.

\_\_\_\_\_  
 (Affiant's Signature)

\_\_\_\_\_  
 (Official Position)

Subscribed and sworn to before me at \_\_\_\_\_, this \_\_\_\_\_ day of \_\_\_\_\_ A.D., \_\_\_\_\_

\_\_\_\_\_  
 (Notary Public)

