

U.S. Department of Labor

Employment Standards Administration
Office of Workers' Compensation Programs
Division of Longshore and
Harbor Workers' Compensation
Washington, D.C. 20210



DEPARTMENT OF LABOR

Office of Workers' Compensation Programs

Division of Longshore and Harbor Workers' Compensation

Industry Notice 100

Subject: Insurer Security Deposits; Request for Information

The Division of Longshore and Harbor Workers' Compensation (DLHWC) has long required a security deposit from all self-insured employers, and from insurers under certain conditions. These security deposits provide the funds that may be necessary to continue timely benefit payments to claimants without shifting the cost to all other self-insurers and insurance carriers, through increased assessments for the Special Fund, in the event that an employer's or insurer's insolvency would otherwise prevent payments.

In the recent past, DLHWC has required deposits from insurers based on the A.M. Best rating of the individual insurers; if an insurer's rating is A- or lower at the initial application for authorization, or falls to that level during participation, DLHWC requires a deposit. The amount of the deposit is based on DLHWC's evaluation of the insurer's exposure and financial history. The minimum deposit requirement has been \$200,000 for insurers with a small and minimally exposed claims base.

DLHWC is seeking industry input into the evaluation of the security deposit practice. This Notice to the Industry is an invitation to submit your insight, ideas, and suggestions to DLHWC about how to improve the industry evaluation process to determine the circumstances under which DLHWC should require an individual insurance company to deposit securities as a condition of providing insurance in the Longshore system. Are there alternative rating mechanisms that would provide DLHWC with earlier and more objective ratings? Are there other methods of monitoring the financial condition of companies that would be more useful? What are the alternatives to the requirement of a security deposit that would adequately protect workers and the Longshore Special Fund from the costs of insurer insolvency? What incentives might be offered to companies to help avoid the problem? What industry driven practices might be adopted that would provide equivalent protections? DLHWC is eager to consider your ideas.

This request constitutes a general solicitation of comments from the public. No person is required to supply specific information pertaining to the commenter, other than that necessary for self-identification, as a condition of the agency's full consideration of the comment. Please respond not later than March 25, 2002. Written responses, on letterhead, should be addressed to: Michael Niss, Director, Division of Longshore and Harbor Workers' Compensation, U.S. Department of Labor, 200 Constitution Ave., NW, Suite C-4315, Washington, DC 20210.

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Electronic responses may be submitted to Niss.Michael@dol.gov. Please use the subject line, "Insurer Security Suggestions" and include your name, title, company, address, telephone number, and email address in your submission.

Signed at Washington, DC this 15th day of February, 2002.

MICHAEL NISS
Director, Division of Longshore
and Harbor Workers' Compensation Programs