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Part VIII

Department of Labor

**Office of Workers' Compensation
Programs**

**Division of Longshore and Harbor
Workers' Compensation; Insurer Security
Deposits; Request for Information; Notice**

DEPARTMENT OF LABOR**Office of Workers' Compensation Programs****Division of Longshore and Harbor Workers' Compensation; Insurer Security Deposits; Request for Information****Security Deposits**

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 insurer; 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 & Harbor Workers' Compensation, U.S. Department of Labor, Constitution Ave. NW., Suite C-4315, Washington, DC 20210.

Electronic responses may be submitted to mniss@dol-esa.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 & Harbor Workers' Compensation, Office of Workers' Compensation Programs.

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