



TEXAS DEPARTMENT OF INSURANCE

Division of Workers' Compensation
Self-Insurance Regulation, MS-60
7551 Metro Center Dr., Ste 100, Austin, Texas 78744-1609
(512) 804-4775 FAX (512) 804-4776

SURETY BOND for Certified Self-Insurance Liabilities

Bond Number _____

KNOW ALL PERSONS BY THESE PRESENTS, THAT WE _____

_____, a _____
(Name of Certificate Holder (Principal) (State))

corporation with its principal place of business in the City of _____, State

of _____, as Principal, and _____
(State) (Name of Surety)

_____, a _____ corporation, authorized to do business in

Texas, as Surety, are held and firmly bound unto the Commissioner of the Division of Workers' Compensation for the Obligations and Liabilities of the Principal as a Certified Self-Insurer under the Texas Workers' Compensation Act in the sum of _____

_____ Dollars (\$ _____), lawful money of the United
(Written Amount) (Decimal Amount)

States, for the payment of which sum we bind ourselves, our successors and assigns, jointly and severally, firmly by these presents.

In this Bond, these terms have the following meanings:

1. "Act" refers to the Texas Workers' Compensation Act; Texas Labor Code, Title 5, Subtitle A.
2. "Rules" refers to the adopted administrative rules of the Texas Department of Insurance, Division of Workers' Compensation.
3. "Commissioner" refers to the Commissioner of the Division of Workers' Compensation.
4. "Division" refers to the Division of Workers' Compensation.
5. "Bond" means this Surety Bond and all riders and amendments thereto accepted by the Commissioner in accordance with the terms hereof.
6. "Penal Sum" refers to the dollar amount of this Bond.
7. "Security Deposit" refers to the security (Surety Bond, irrevocable letter of credit, cash, or negotiable securities of the United States or Texas) provided by the Principal to the Commissioner to guarantee its Obligations and Liability.
8. "Texas Certified Self-Insurer Guaranty Association" refers to the quasi-governmental entity governed by Subchapter G, Chapter 407, Texas Labor Code.
9. "Declaration of Impairment" refers to the certification by the Division that a Certified Self-Insurer is impaired in accordance with the Act.
10. "Bond Call" refers to the written demand by the Commissioner to secure the release of this Bond's proceeds.

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11. "Bond Draw" refers to a partial payment by the Surety on the Penal Sum of this Bond in accordance with the terms of this Bond.
12. "Cancellation" refers to the point in time at which the Principal and Surety are no longer incurring Obligations and Liabilities under this Bond.
13. "Termination" refers to the full release of all Surety responsibility under this Bond.
14. "Obligations and Liabilities" means the amount equal to the sum of the amount of the liabilities for the payment of outstanding workers' compensation claims, including claims incurred but not yet reported, and the amount necessary to provide for the payment of the administration of those claims, including legal costs and expenses.
15. "Impaired Employer" means a Certified Self-Insurer:
 - 15.1 who has suspended payment of compensation as determined by the Division;
 - 15.2 who has filed for relief under bankruptcy laws;
 - 15.3 against whom bankruptcy proceedings have been filed; or
 - 15.4 for whom a receiver has been appointed by a court of this state.
16. "Principal" refers to the Certified Self-Insurer and all entities included on all of the self-insurers' Certificates of Authority.

WHEREAS, in accordance with the provisions of the Act and Rules, the Principal has elected to self-insure, and made application for, or received from the Division, a Certificate of Authority to Self-Insure; and

WHEREAS, the Principal is required to furnish proof satisfactory to the Commissioner of its ability to self-insure and to assure that all workers' compensation Obligations and Liabilities incurred by the Principal under the Act are promptly met.

NOW THEREFORE, the conditions of this Bond or obligation are such that if the Principal shall pay and furnish compensation, pursuant to the terms, provisions and limitations of the Act, then this Bond shall not be liable for those liabilities, which have been paid by the Principal.

FURTHERMORE, it is understood and agreed that:

1. Term of This Bond

This Bond shall be continuous in term and shall remain in full force and effect unless terminated in the manner provided herein. This Bond and the Obligations and Liabilities in this Bond, shall otherwise remain and continue in full force and effect so long as the liability of the Principal as a self-insurer exists under the Act.

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2. Scope of This Bond's Coverage

The Surety undertakes and agrees that the obligation of this Bond shall cover and extend to all Obligations and Liabilities of the Principal, as a self-insurer under the Act to the extent of the Penal Sum herein named, without regard to specific injuries, date or dates of injuries, happenings, or events. Obligations and Liabilities are deemed hereby to be incurred on the date an injury is sustained by an employee of the Principal.

3. Limitation of Liability on This Bond

The aggregate liability of the Surety shall not exceed the Penal Sum in any event except as expressly stated in this Bond.

4. Cancellation of This Bond

4.1 Scope of Cancellation - This Bond shall secure the payment of all Obligations and Liabilities incurred by the Principal before the effective date of Cancellation. Cancellation of this Bond does not alter or limit:

4.1.1 The Term of this Bond or

4.1.2 The responsibilities of the Surety under this Bond or

4.1.3 The Obligations and Liabilities incurred by the Principal before the effective date of Cancellation.

4.2 Cancellation by Surety - The Surety may cancel this Bond by the Commissioner receiving written notice of Cancellation from the Surety 60 days before the requested effective date of Cancellation. The Commissioner will acknowledge the written notice and promptly notify the Principal of the pending Cancellation date.

4.3 Automatic Cancellation - This bond is automatically cancelled on the effective date of the following events:

4.3.1 The Division declares the Principal an Impaired Employer, or

4.3.2 The Division revokes the Principal's Certificate of Authority to Self-Insure, or

4.3.3 The Division does not renew the Principal's Certificate of Authority to Self-Insure, or

4.3.4 The Principal voluntarily withdraws from on-going participation in the program, or

4.3.5 The Principal fails to provide a replacement Security Deposit before the expiration date of a 60-day written notice period under Section 4.2.

4.4 Effect of Failure to Furnish a Replacement Security Deposit - Failure by the Principal to furnish a replacement qualifying, acceptable Security Deposit in the full amount, and in the form as approved and required by the Commissioner will be considered a voluntary withdrawal from on-going participation as a Certified Self-Insurer, effective the same date as the automatic cancellation under Section 4.3.4.

4.5 Effective Cancellation Date - The effective cancellation date may be earlier than the 61st day after the Commissioner receives written notice under Section 4.2; however, in no case will it be later than the 61st day.

4.6 Notification by Commissioner – The Commissioner will provide the Surety and the Principal written notification of the effective date of any Cancellation under Section 4 of this Bond.

5. Termination

5.1 Full Release of Surety - All of the Surety's obligations under this Bond are terminated whenever:

5.1.1 The Principal furnishes a replacement qualifying, acceptable Security Deposit(s) in the full amount, and in the form as approved and required by the Commissioner, or

5.1.2 The Surety has paid the full Penal Sum of the Bond plus assessed legal costs, if any.

5.2 Notification by Commissioner - The Commissioner will provide the Principal and the Surety written notice of the effective Termination date of this Bond.

6. Effective Dates and Times

6.1 Dates – For purposes of this Bond, the Commissioner shall count dates starting with the first calendar day after receipt and approval.

6.2 Times - For purposes of this Bond, times are effective at 12:01 a.m.

7. Return of Original Bond - Upon acceptance of a replacement Security Deposit(s), the Commissioner will return the original Bond to the Principal.

8. Amendments to This Bond

8.1 If the Principal legally changes its name, this Bond shall be amended by rider or endorsement to state the correct name of the Principal after such change in name. Such rider or endorsement shall be executed by the Principal and Surety and delivered to the Commissioner.

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8.2 If the Penal Sum of this Bond is increased or decreased to maintain an adequate Security Deposit as required by the Act, this Bond shall be amended by rider or endorsement acceptable to the Commissioner and executed by the parties to reflect such increase or decrease upon prior written approval of the Commissioner.

8.3 Except as provided (or set forth) in 8.2 above, no amendment of this Bond shall in any way impair or limit the Obligations and Liabilities incurred under this Bond for the overall coverage of said Principal.

9. Impact of Changes in Law on This Bond

No change in Texas law, in the Act, or in the Rules, procedures, or organization of the Division shall in any way impair or limit the responsibilities of this Bond, and the Division shall not be required to notify the Surety of such changes in order for them to be effective.

10. Applicable Law

This Bond shall be governed by, construed, and enforced in accordance with the laws of the State of Texas. Venue for any action with respect to this Bond shall be in the state district courts of Travis County, Texas. The Principal and Surety hereby consent to the personal jurisdiction of the Travis County District Courts in any action taken on this Bond.

11. Conflict between This Bond and Applicable Law

This Bond is submitted in connection with the self-insurance provisions of the Act and is intended to be governed thereby. In the event of any conflict between this Bond and any statute, rule, regulation or other law, the statute, rule, regulation or other law shall control.

12. Liability for Enforcement Costs

In addition to the Penal Sum of this Bond, the Principal and the Surety shall be jointly and severally liable for all costs including, but not limited to, reasonable legal fees, administrative costs, and expert witness fees incurred by the State of Texas or the Texas Certified Self-Insurer Guaranty Association to collect, defend, or otherwise enforce this Bond; however, costs may be assessed up to ten percent of the Penal Sum of the Bond. Any costs associated with enforcing this Bond exclude legal costs and expenses associated with any claims administration payout of Obligations and Liabilities.

13. Subrogation

If the payment of benefits, and claims administration are made through the Texas Certified Self-Insurer Guaranty Association, the Texas Certified Self-Insurer Guaranty Association assumes all rights of subrogation, exclusively, from the Principal, beginning on the date of impairment.

IF THE DIVISION DETERMINES THAT THE PRINCIPAL HAS BECOME AN IMPAIRED EMPLOYER IN ACCORDANCE WITH THE ACT, it is understood and agreed that:

1. The Principal is in fact impaired.
2. The undersigned Surety will become responsible for the indemnification of the Principal's Obligations and Liabilities as a Certified Self-Insured upon the issuance of a Declaration of Impairment.
3. A Declaration of Impairment satisfies any and all requirements for proof of loss with the Surety on behalf of the Texas Department of Insurance, Division of Workers' Compensation or the Texas Certified Self-Insurer Guaranty Association.
4. Upon a receipt of a Bond Call, the Surety will remit the entire Penal Sum of this Bond, or any portion thereof, which the Commissioner calls within ten (10) calendar days of receipt of such Bond Call. The ten-day period does not include the day of receipt of this Bond Call by the Surety. The Surety shall make payment in accordance with written instructions from the Commissioner as to the payee, place and manner of payment submitted by the Commissioner in this Bond Call.
5. Upon a Bond Call by the Commissioner for the full Penal Sum of this Bond and upon prior written approval from the Commissioner, the Surety and the Texas Certified Self-Insurer Guaranty Association may enter into an agreement and negotiate a series of Bond draws against the full Penal Sum of this Bond that are sufficient to fund the monetary requirements of the Texas Certified Self-Insurer Guaranty Association in paying benefits and administering claims as determined solely by the Texas Certified Self-Insurer Guaranty Association. Failure of the Surety and the Texas Certified Self-Insurer Guaranty Association to reach a timely, mutually acceptable agreement, or failure of the Surety to timely perform according to a mutual agreement will result in the full Penal Sum of this Bond being due and payable in accordance with the Bond Call. The Commissioner has sole authority to determine when the Surety and the Texas Certified Self-Insurer Guaranty Association either have failed to reach a timely, mutually acceptable agreement or that the Surety has failed to timely perform according to such a mutual agreement.
6. Any agreement under the preceding paragraph, entered into by the Surety with the Texas Certified Self-Insurer Guaranty Association for a series of Bond Draws, shall not alter, affect or modify, impair or limit the term or scope of this Bond.
7. Any funds remaining, after all Obligations and Liabilities of the Principal have been paid, shall be repaid to the Surety one year after all Obligations and Liabilities have been paid.

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8. Any interest earned from the investment of Bond proceeds by the Texas Department of Insurance, Division of Workers' Compensation and/or the Texas Certified Self-Insurer Guaranty Association, whoever is administering the claims of the Principal, becomes the property of that administrator for the benefit of the Obligations and Liabilities of the Principal.

DISPUTES CONCERNING THE DEPOSIT, RENEWAL, TERMINATION, RELEASE, OR RETURN OF ALL OR PART OF THE SECURITY, or any liability arising out of the submission or failure to submit security, or the adequacy of the security or reasonableness of the administrative costs, including legal fees, shall be resolved by the Commissioner pursuant to Section 407.066 of the Texas Labor Code.

PROVIDED FURTHER, THIS BOND SHALL BE EFFECTIVE AS OF 12:01 a.m. on the

_____ day of _____, _____.

Signed, sealed, and delivered this _____ day of _____, _____.

FOR SURETY

Name of Insurance Company

Address/City/State/Zip of Insurance Company

Area Code/Telephone Number of Insurance Company

Signature: Attorney In-Fact and/or Authorized Representative

Printed Name/Title

Area Code/Telephone Number

Business Name of Representative

Business Address of Representative

City/State/Zip of Representative

ATTEST

(Affix Seal Here)

Corporate Secretary of Surety

Printed Name

SURETY BOND

Bond Number _____

FOR PRINCIPAL

Signature: Attorney In-Fact and/or Authorized Representative

Business Name

Printed Name/Title

Business Address

Area Code/Telephone Number

City/State/Zip

ATTEST (Affix Seal Here)

Corporate Secretary of Principal

Printed Name