

State of Rhode Island and Providence Plantations
DEPARTMENT OF BUSINESS REGULATION
Division of Insurance
233 Richmond Street
Providence, RI 02903

INSURANCE REGULATION 33

WORKERS' COMPENSATION GROUP SELF-INSURANCE

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Section 1 *Application: Procedure*

1. Employers seeking approval to become a group self-insurer pursuant to R.I. Gen. Laws §§ 28-47-1 *et seq* shall apply to the Director of the Department of Business Regulation. The application shall be on a form prescribed by the Director and shall contain answers to all questions. The application shall be filed with the Director not less than thirty (30) days prior to the proposed inception date of the group self-insurance plan.
2. After considering the application and all supporting data, the Director will either grant approval or advise the applicants of the requirements to be met before approval is granted. The applicants shall be given thirty (30) days from the receipt of notice in which to comply with such requirements. Authority to operate the group self-insurer will not become effective until there is proof that all requirements for approval have been met.
3. The applicants may, at the discretion of the Director, be granted additional time to meet the requirements for approval of the application. A request

for extension of time shall be made in writing by the applicants to the Director within the initial thirty (30) day compliance period.

4. Upon meeting the requirements for approval, the applicants shall receive a formal certificate approving the group self-insurer. The certificate shall expire one (1) year from the effective date of issuance.
5. The group self-insurer shall submit a renewal application annually, on a form prescribed by the Director, thirty (30) days before expiration of the certificate. Upon receipt of a renewal application, the existing certificate shall be extended until the application is either approved or denied.

Section 2 **Application: Requirements**

1. The application to the Director shall be accompanied by all of the following:
 - (a) a copy of the by-laws of the group self-insurer which shall include the group self-insurer's assessment and dividend policies.
 - (b) an individual application for membership in the group self-insurer, each member of the group self-insurer applying for coverage as of its inception date;
 - (c) proof that the current financial statements of each member of the group self-insurer at its inception, when taken collectively, show all of the following:
 - (i) that the combined net assets of the members applying for coverage on the inception date are not less than five hundred thousand dollars (\$500,000);
 - (ii) that they have working capital in an amount establishing the financial strength and liquidity of their businesses when considered collectively;
 - (d) evidence of the financial ability of the group self-insurer to meet its obligations under the Workers' Compensation Act;
 - (e) a listing of the estimated annual premium to be developed by each member of the group self-insurer at its inception date;
 - (f) proof of payment by each member of the group self-insurer at its inception date of not less than twenty five percent (25%) of its estimated annual premium into a designated depository;

- (g) confirmation of excess insurance in amounts designated by the Director;
- (h) names, addresses, and current business affiliations of the initial board of trustees and the administrator;
- (i) proof of all fidelity bonds required by the Director in amounts and form acceptable to him;
- (j) proof of a surety bond or other acceptable security in an amount and form acceptable to the Director;
- (k) an indemnity agreement in a form acceptable to the Director jointly and severally binding the group self-insurer and each member thereof for all of the obligations of the group incurred during the period of membership;
- (l) a breakdown of all projected administrative expenses for the year, both in dollar amounts and as percentages of premium;
- (m) proof, satisfactory to the Director, that the annual gross premiums of the group self-insurer will be not less than two hundred fifty thousand dollars (\$250,000);
- (n) proof that the group self-insurer has within its own organization ample facilities and competent personnel to service its program with respect to underwriting, industrial safety engineering, claims adjusting, and reporting of loss data or has contracted for the provision of any or all such services.

Section 3 **Security Deposits**

1. Each group self-insurer shall be required to post a security deposit with the Director in an amount not less than one hundred thousand dollars (\$100,000). The Director may require a greater deposit to secure any potential liability of the group not otherwise funded by a security deposit, premium collections, or excess insurance.
2. The securities acceptable to the Director as a security deposit shall be:
 - (a) savings accounts or certificates of deposit in a duly chartered commercial bank located with the State of Rhode Island and insured through the Federal Deposit Insurance Corporation;
 - (b) share accounts or savings certificates in a duly chartered savings and loan association located within the State of Rhode Island and

insured through the Federal Savings and Loan Insurance Corporation;

- (c) direct obligations of the United States Treasury such as notes, bonds, or bills which are backed by the full faith and credit of the United States Government;
- (d) any bond or security issued by the State of Rhode Island and backed by the full faith and credit of the State;
- (e) surety bonds in a form approved by the Director issued by a corporate surety admitted in the State of Rhode Island or authorized by the Director to transact such business in the State;
- (f) a financial guarantee endorsement in a form acceptable to the Director issued as part of an acceptable excess issuance contract.

Section 4 **Excess Insurance**

1. Each group self-insurer shall maintain excess insurance as follows:
 - (a) specific excess insurance with limits of not less than one million dollars (\$1,000,000) per occurrence. Group self-insurers containing businesses with a high risk of multiple injury from a single accident may be required to maintain higher limits. The retention of the required specific excess coverage shall be the retention generally available for group self-insurers with similar exposures and annual premiums;
 - (b) aggregate excess insurance with limits above the aggregate retention level of not less than one million dollars (\$1,000,000) or twenty five percent (25%) of the annual premiums of the group self-insurer for the term of the policy, whichever is greater.
2. No contract or policy of excess insurance shall be considered in fulfillment of the group self-insurer's obligations unless such contract or policy complies with all of the following:
 - (a) it is issued by a casualty insurance company admitted in the State of Rhode Island or authorized to write such business within the State;
 - (b) is not cancellable unless written notice by registered or certified mail is given to the other party to the policy and to the Director not less than sixty (60) days before cancellation, by the party desiring to cancel the policy;

- (c) is automatically renewable at the expiration of the policy period unless written notice by registered or certified mail is given to the other party to the policy and to the Director not less than sixty (60) days before expiration, by the party desiring to not renew the policy;
 - (d) provides that any commutation effected under a commutation clause contained in the contract or policy shall not relieve the underwriter of further liability in respect to claims and expenses unknown at the time of such commutation or in regard to claims apparently closed which may subsequently be revived by and through a competent authority and that in the event the underwriter proposes to redeem any future payment payable as compensation for accidents occurring during the term of the policy by the payment of a lump sum to be fixed as provided in the commutation clause of the policy, not less than sixty (60) days prior notice of such commutation shall be given to the Director by certified mail by the underwriter or its agent. In the event any commutation is effected, the Director shall have the right to require that such sum either be placed in trust for the benefit of the injured employee or employees entitled to such future payment of compensation or be invested in an approved security and deposited with the Director to insure such future payment of compensation to the employee or employees entitled thereto;
 - (e) contains the provision that the Director may order that the monies due under the terms of an excess contract or policy be paid directly to the injured employee or such other parties as the Director determines that it is necessary to insure continued benefit to the injured employee.
3. Copies of the complete policies of excess insurance shall be filed with the Director together with certification that such policies fully comply with these rules and with the Workers' Compensation Law.

Section 5 **Members: Admission: Termination**

1. After the inception date of the group self-insurer, prospective new members shall submit an application for membership to the board of trustees or its administrator. The trustees or administrator shall approve or deny the application for membership pursuant to the by-laws of the group self-insurer. Membership shall take effect upon approval, and the approved application shall be filed with the Director not more than ten (10) days after approval.

2. Individual members of the group self-insurer shall be subject to cancellation by the trustees pursuant to the by-laws. Cancellation shall not be effective until at least ten (10) days after notice of such cancellation, on prescribed form, has either been filed in the office of the Director or sent by certified or registered letter, return receipt requested, and also served in the same manner upon the member. A member cancelled for reasons other than nonpayment of premium shall be entitled to a hearing before the trustees prior to cancellation.

Section 6 **Premiums**

1. The premium collected from each member shall be computed by applying the appropriate manual rates and rules per payroll code classification by an experience modification factor, such rates and modification factor to be those filed by the National Council on Compensation Insurance, Northeast Region and approved by the Director.
2. In addition to any stock discounts, the trustees of a group self-insurer may offer advance premium discounts to members, subject to the following limitations:
 - a) For all premium discounts the Director shall be notified in writing of a group self-insurer's intention to offer any premium discounts. Such notice shall be submitted with actuarial and other appropriate supporting documentation.
 - b) All premium discounts must have the approval of the excess underwriter.
 - c) For discounts up to fifteen percent (15%); within ten (10) days after the group self-insurer has made or issued a contract or policy at the discounted premium, the group shall notify the Director in writing of this action. Unless this discount is disapproved or additional information is requested by the Director within thirty (30) days after receipt of this notice from the group, the premium discount shall be deemed to be approved.
 - d) For discounts in excess of fifteen percent (15%); there shall be a waiting period of thirty (30) days from the date that notification is received by the Director before the premium discount becomes effective. This waiting period may be extended for an additional period not to exceed thirty (30) days, if the Director gives written notice to the group within the initial thirty (30) day waiting period. Unless the discount is disapproved or additional information is requested within the waiting period, the premium discount shall be deemed to be approved.

3. Each member shall pay a deposit premium equal to not less than twenty five percent (25%) of its estimated annual premium and for each and every succeeding month thereafter, shall pay premiums based upon estimated payroll for that month.
4. Subject to the approval of the Director, the trustees may adopt a premium payment plan or plans other than that set forth in Paragraph 3 of this section, but in no event shall the time for payment be greater than as set forth in Paragraph 5 of this section.

Section 7 **Trustees: Trustees Responsibilities: Administration Fiscal Agent**

1. To insure stability of the operations of each group self-insurers plan, a board of trustees, elected by the members of the group self-insurer shall be responsible for all operations of the group self-insurer. A trustee shall not be an owner, officer or employee of a business furnishing services to the group self-insurer.
2. The board of trustees of each group shall take all necessary precautions to safeguard the assets of the group including but not limited to all of the following:
 - (a) designation of an administrator or fiscal agent or both to administer the day-to-day affairs of the group self-insurer. The board of trustees may delegate authority for specific functions to the administrator or fiscal agent including but not limited to such matters as: contracting for services, determining the premium charge to and refunds payable to members, investing surplus monies, and approving applications for membership. All delegated authority shall be specifically defined in the by-laws and/or the written minutes of the trustees' meetings and shall be subject to disapproval by the Director. The Director shall require the administrator or fiscal agent or both, to furnish a fidelity bond with the trustees as obligees in an amount sufficient to protect the plan against the misappropriation or misuse of any monies or securities.
 - (b) the trustees shall retain control of all monies collected or disbursed and shall segregate such monies into a loss fund and a trustees' fund. The amount allocated to the loss fund shall be sufficient to cover payment of the entire aggregate loss fund as defined in the aggregate excess insurance policy. Only disbursements that are credited toward the loss fund, as defined in the aggregate excess insurance policy, will be made from the loss fund. All administrative costs and other disbursements will be made from the trustees' fund. If the trustees contract for the provision of

claims services, they shall establish a revolving fund for use by the claims service company, which will be replenished from time to time from the loss fund. The claim service company and its employees shall be covered by a fidelity bond with the trustees as obligees in an amount sufficient to protect all monies placed in such revolving fund;

- (c) the board of trustees or its fiscal agent or administrator shall not utilize any of the monies collected as premiums for any purpose unrelated to workers' compensation. Further, it shall not borrow any monies from the fund or in the name of the fund without advising of the nature and purpose of the loan and obtaining approval from the Director, nor shall they have the authority to extend credit to individual members for payment of premium. Trustees' funds and claims funds shall be invested in the following types of investments only:
 - (i) savings accounts or certificates of deposit in a duly chartered commercial bank located within the State of Rhode Island and insured through the Federal Deposit Insurance Corporation;
 - (ii) share accounts or savings certificates in a duly chartered savings and loan association located within the State of Rhode Island and insured through the Federal Savings and Loan Insurance Corporation;
 - (iii) direct obligations of the United States Treasury, such as notes, bonds and bills which are backed by the full faith and credit of the United States;
 - (iv) any bonds or security issued by the State of Rhode Island and backed by the full faith and credit of the State.
3. The trustees shall cause to be adopted a set of by-laws to govern the operation of the group self-insurer. Copies of the current by-laws and written policies of the group self-insurer shall be maintained on file with the Director. Any changes in the by-laws or written policies shall be filed with the Director no later than ten (10) days after their taking effect. The Director shall have the right to order the trustees to rescind or revoke any by-law or policy in violation of these rules or the Workers' Compensation Law.

Section 8 **Reports**

1. Each group self-insurer shall be required to submit the following documents and reports on a continuing basis:
 - (a) quarterly status reports which accurately reflect the financial condition of each open fiscal year shall be filed with the Director within thirty (30) days after the close of each fiscal year quarter and signed by the chairman of the board of trustees or the administrator. A fiscal year is considered open as long as one claim from that year remains unsettled. A listing of any and all delinquent accounts and the amount owed shall be furnished to the Director as part of this report;
 - (b) properly classified and audited payrolls for each member shall be submitted to the Director within ninety (90) days after the close of the fiscal year;
 - (c) a verified copy of the minutes of all trustees' meetings shall be submitted to the Director within thirty (30) days of the meeting date;
 - (d) an audited statement of financial condition shall be submitted annually, within ninety (90) days after the close of the group self-insurer fiscal year;
 - (e) summary loss data for the group self-insurer and individual members shall be furnished to the Director upon request.

Section 9 **Surplus Distributions and Deficits**

1. Any monies for a coverage year in excess of the amount necessary to fulfill all of the group self-insurer's obligations for that year shall be considered surplus that may be declared refundable to members by the trustees at any time. The amount of such declaration shall be a liability of the group self-insurer at the time of the declaration. A distribution of such surplus monies may not be made by the group self-insurer until the date of payment has been agreed to by the trustees, proper notification has been provided to the Director in accordance with paragraph (3) of this Section, and the requirements of this Section are otherwise complied with.
2. A group self-insurer may notify the Director of its intention to make a distribution when surplus exists for a given coverage year. However, in no event shall a distribution take place less than twenty-four (24) months after the end of the coverage year, or if a deficit exists for any coverage year that has not been adequately addressed in accordance with paragraph

(4) of this Section. The amount of the distribution must be within the following guidelines:

- a) The amount of the initial distribution may not exceed forty percent (40%) of the recalculated surplus for the coverage year from which the distribution is to be made.
 - b) Additional distributions may be made annually thereafter in accordance with the following schedule:
 1. Second year (36 months after the end of the coverage year); up to thirty-three percent (33%) of the remaining recalculated surplus amount.
 2. Third year (48 months after the end of the coverage year); up to fifty percent (50%) of the remaining recalculated surplus amount.
 3. Fourth year and ensuing years (60 months after the end of the coverage year); up to one hundred percent (100%) of the remaining recalculated surplus amount, but only if all claims for that coverage year are closed.
3. A notification by a group self-insurer to the Director of its intent to distribute any surplus shall be made in writing at least sixty (60) days prior to each desired distribution date. Such notice shall be supported by the following: (a) A supplemental schedule detailing by each coverage year the total surplus position of the group self-insurer, as of the most recent fiscal year-end, both before and after the desired distribution in substantially the same form as that attached as Exhibit A; (b) An attestation by the group self-insurer's Certified Public Accountant of the information in the schedule and an opinion that the pre-distribution surplus for each coverage year is fairly stated; (c) A current year-ending balance sheet for the group self-insurer; (d) A case incurred loss report by coverage year as of the most recent month-end; (e) A copy of the board of trustees' resolution authorizing the amount and payment date of the distribution; and (f) A letter from the group self-insurer stating that such distribution will not impair the financial condition of the group self-insurer.
4. In the event of a surplus deficit for a group self-insurer in any coverage year, the surplus deficit shall be immediately made up from any of the following: (a) unencumbered surplus from any coverage year other than the current year; (b) assessment of the membership for the coverage year in which the deficit exists, if ordered by the trustees or the Director; or (c) by such alternative method as the Director may order or approve. The

Director shall be notified in writing of any surplus deficit within fifteen (15) days after it becomes known by the board of trustees or the group self-insurer's administrator, and this notification shall include a plan to resolve the deficit.

5. Distributions other than those made under the guidelines of this Section will be considered extraordinary, and may only be permitted after a written request, submitted with actuarial support, is approved by the Director. Prior to approving the payment of any extraordinary distribution, the Director shall request and review any information deemed appropriate, and shall determine that such distribution will not impair the group self-insurer's ability to meet all obligations.

EXHIBIT A								
Supplemental Schedule of Surplus Available for Distribution by Policy Year Through December 31, xxxx								
	Policy Year						All Prior Years	Total All Years
	Current Year	Current Year Minus One	Current Year Minus Two	Current Year Minus Three	Current Year Minus Four	Current Year Minus Five		
REVENUE								
Premium								
Interest								
Other Income								
Total Revenue	_____	_____	_____	_____	_____	_____	_____	
EXPENSES								
Claim and Claim Adj. Exp.								
Management Fees								
Professional Services								
Marketing Fees								
Reinsurance								
Assessments/Taxes								
Other Expenses								
Total Expenses	_____	_____	_____	_____	_____	_____	_____	
Undistributed surplus Available for Distribution To Policyholders (1)								
Proposed Distribution to Policyholders	_____	_____	_____	_____	_____	_____	_____	
Undistributed surplus after Proposed Distribution (1)	_____	_____	_____	_____	_____	_____	_____	

(1) Note: Total undistributed surplus for all policy years combined must agree to the year-end statutory annual statement.

11/20/95

Section 10 **Contract Services**

1. Any individual, co-partnership or corporation contracting to provide underwriting, industrial safety engineering, claims adjusting and/or data reporting services to a group self-insurer shall register with the Director, on a form prescribed by him, not less than ten (10) days prior to the effective date of its contract.
2. All claims adjusting services provided by or on behalf of a group self-insurer shall be performed by individuals having at least three (3) years experience in workers' compensation claims or subject to the direct supervision of an individual having such experience.
3. All persons performing industrial safety engineering services for a group self-insurer shall have not less than three (3) years experience in safety engineering.

Section 11 **Revocation or Termination of Authority**

1. Any of the following shall be considered good cause for revocation or termination of the authority to operate a group self-insurer;
 - (a) failure to comply with any of the rules herein;
 - (b) failure to comply with any order of the Director;
 - (c) failure to comply with any of the provisions of the workers' compensation law with particular reference to those relating to time and method of compensation payments, the furnishing of medical treatment and the filing of accident and compensation reports;
 - (d) failure to pay any assessment or penalty;
 - (e) failure to maintain required reserves, security deposits and excess insurance coverage;
 - (f) failure to maintain proper fiscal control over the plan's assets;

- (g) failure to provide proper claims adjusting, underwriting, and safety engineering services.
2. The Director shall give written notice of such revocation or termination to the trustees or administrator. The group self-insurer shall have fifteen (15) days from the date of mailing of the notice to request a hearing on revocation or termination. Failure to mail a request for hearing within the time prescribed shall result in the revocation or termination becoming effective thirty (30) days after the date of mailing of the original notice. In no event shall revocation or termination become effective prior to the date that a hearing on the question is scheduled.

Section 12 Indemnity Agreements

1. Each group self-insurer member shall enter into an indemnity agreement jointly and severally binding the self-insurer and each member thereof to comply with the provisions of the Rhode Island Workers' Compensation Law.
2. The indemnity agreement shall conform to the form of the indemnity agreement hereinafter set forth and shall contain all its provisions but may also contain other provisions not inconsistent with these rules.

INDEMNITY AGREEMENT

THIS INDENTURE, made and entered into this _____ day of _____, A.D., _____, by and between all the parties who are now or may hereafter become members of the _____ Group Self-Insurance Fund, acting by and through a Board of Trustees of their own selection.

WITNESSETH

WHEREAS, the undersigned persons, firms and corporations, hereinafter referred to as "Members," have applied to the Director of the Rhode Island Department of Business Regulation, hereinafter referred to as the "Director," for authority to pool our liabilities pursuant to the terms of the Rhode Island Workers' Compensation Law and specifically as provided by R.I. Gen. Laws § 28-27-1 *et seq*, and

WHEREAS, the said members have organized and formed a fund pursuant to said Chapter, which shall be known as _____ Group Self-Insurance Fund, herein referred to as the "Group," and

WHEREAS, the members of said Group have designated _____ as its first Board of Trustees to direct the affairs of said Group and to pass on the admissibility of

future members of the Group until the members select succeeding Trustees for said Group, and

WHEREAS, the said Trustees have designated _____ as Service Agent for said Group;

NOW, THEREFORE, for and in consideration of the mutual covenants, promises and obligations herein contained, which are given to and accepted by each member hereof to the other, the parties to this instrument covenant, stipulate and agree as follows:

1. The Group hereby agrees either to file with the Director a corporate bond or other acceptable security in the principal sum of _____ dollars (\$) or to deposit _____ dollars (\$) in acceptable securities with the Director to secure performance by the Group for payment of all lawful awards made by the Director against any member or members of the group, predicated on a claim or claims by an employee or employees of any member of the Group, arising out of and in the course of such claimant's employment, and which awards shall have been sustained by the courts where an appeal by either party is taken.

2. The members of this Group do jointly and severally covenant and agree that they will pay any such award as would otherwise be a claim against the aforesaid surety bond or securities as soon as the same shall become payable under the laws of the State of Rhode Island; and do further jointly and severally covenant and agree to pay all taxes and assessments as may be required by law.

3. The members intend this agreement as a mutual covenant of assumption and not as partnership, but should any court of competent jurisdiction construe same to be a partnership, then it is the intention of the parties that such partnership be limited in scope to the uses for which this contract is executed and no other.

4. That, subject to the approval of the Director, the Trustees of the Group shall set up, operate, and enforce its own administrative rules, regulations and by-laws as between the individual members of the Fund.

5. The members ratify and confirm appointment by the Trustees of _____ as Service Agent for the Group and its members, individually and collectively. The Service Agent's books and records are to be open to inspection by the Director and by the Trustees or their agents at all reasonable times.

6. All premiums as and when collected shall be deposited to the account of the Trustees at any bank or banks designated by the Trustees, and said monies shall be disbursed only as provided by (1) the rules, regulations and by-laws of the Trustees, (2) the Agreement between the Trustees and the Service Agent, and (3) the Rules of the Director pertaining to self-insurers funds.

7. The Trustees are authorized and directed to take all reasonable precaution to protect the members from losses and shall provide for excess insurance coverage designed to protect said members against excess losses. The contracts for coverage shall be governed by the Rules for the Director pertaining to self-insurers.

8. All members of the Group hereby agree that the Trustees may admit as members of this Group only acceptable and financially sound employers in the State of Rhode Island, and that, subject to the approval of the Director, the Trustees shall be sole judge of whether or not any applying business shall be admitted to membership.

9. The rules and regulations for the administering of the Group and the admission and expulsion or suspension of members shall be promulgated by the Trustees. However, each member of the Fund agrees to abide by the following rules and regulations:

(a) In the event of an accident or a reported claim, to make immediate provision for remedial care for his employees, and to give immediate notification of said accident to the Service Agent on the prescribed forms.

(b) The members shall make prompt payment of all premiums and assessments as required by the Trustees, said premiums to be determined by applying applicable experience modification to the standard rates for the exposure to risk, said standard rates and rules as filed by the Northeastern Council on Compensation Insurance and approved by the Director. Further, said premium shall include loss and expense constants and minimum premiums, where applicable. Finally, said premium may be reduced by any discount allowed by the Trustees as long as such discount does not exceed the amount permitted by the Rules of the Director pertaining to self-insurers.

(c) The member hereby appoints the Service Agent of this Group as his agent and attorney-in-fact to act in his behalf and to execute all contracts and reports, waivers, agreements, and excess insurance contracts; to make or arrange for payment of claims, medical expenses and all other things required or necessary insofar as they effect his workers' compensation and/or employer's liability and as covered by the terms of this Agreement and the rules and regulations as now provided or as hereafter promulgated by the Trustees and the Director.

(d) The member agrees that in the event of the payment of any loss by the Group under this contract, the Group shall be subrogated to the extent of such payment to all the rights of the member against any person or other entity legally responsible for damages for said loss, and in such event the member hereby agrees to render all reasonable assistance, other than pecuniary, to effect recovery.

(e) The Group is to defend in the name of and on behalf of the member any suits or other proceedings which may at any time be instituted

against him on account of injuries or death within the purview of the Workers' Compensation Law or on the basis of the employer's liability, including suits or other proceedings alleging such injuries and demanding damages or compensation therefore, although such suits, other proceedings, allegations or demands are wholly groundless, false, or fraudulent, and to pay all costs taxed against this member in any legal proceeding defended by the company, all interest accruing after entry of judgement and all expenses incurred for investigation, negotiation or defense.

(f) Liability for the Group to the employees of any employer is specifically limited to such obligations as are imposed by law against the employer for workers' compensation and/or employer's liability.

(g) The Trustees of the Group, the Service Agent, and any of their agents, servants, employees or attorneys shall be permitted at all reasonable times to inspect the work places, plants, works, machinery and appliances covered by this agreement, and shall be permitted at all reasonable times and within two years after the final termination of the membership to examine member's books, vouchers, contracts, documents, and records of any and every kind which show or tend to show or verify the premium which is payable under the terms hereof.

(h) The coverage of the Group does not apply to punitive or exemplary damages on account of such injuries to any employee or employer in violation of the law.

10. The Trustees are authorized to set aside from the premiums collected a reasonable sum for the operating expenses or administrative expenses of the Group. All remaining funds coming into their hands during any one fiscal year of the Group shall be set aside and shall be used only for the following purposes:

- (a) Fee for the Service Agent for said Group.
- (b) Payments for medical, surgical, hospital and nursing expense, and payments of compensation to employees covered by this contract, including settlements, awards, judgments, legal fees, and costs in all contest cases.
- (c) Payment of assessments and taxes as required by law.
- (d) Payment of cost of all bonds and auditing expenses required of the Group or its agents or employees.
- (e) Distribution to members in such a manner as the Trustee shall deem to be equitable of any excess monies remaining after payment of claims and claims expenses and after provision has been made for open claims and outstanding reserves.

11. The Group shall operate on a fiscal year from 12:01 a.m. _____ first to midnight of the last day in _____ of the succeeding year. Application for continuing membership, when approved in writing by the Trustees or their designee, shall constitute a continuing contract for each succeeding fiscal period unless cancelled by the Director or the Group or unless the member shall have resigned or withdrawn from said Group by written notice.

12. The members jointly and severally covenant and agree that there will be no disbursement out of this Fund by way of dividends or distribution of accumulated reserve to members until after provision has been made for all obligations under the Workers' Compensation Law against said Group and except at the discretion of the Trustees, upon application to and approval by the Director.

13. Any member who formally applies for membership in this Group and is accepted by the Trustees shall thereupon become a party to this agreement and be bound by all of the terms and conditions hereof, and said approved application shall constitute a counterpart of this agreement.

IN WITNESS WHEREOF, the members of

Group Self-Insurance Fund have caused these presents to be signed by their duly authorized Chairman of the Board of Trustees and have had this agreement attested by its duly authorized secretary. _____ Group Self-Insurance Fund.
By _____

ATTEST:

Secretary of Board of Trustees

Signed, sealed and delivered in the presence of:

We, the undersigned _____ do hereunto set our hands and seals to certify our acceptance of our duties as Service Agent for _____

Self-Insurance Fund this _____ day of _____, _____.

By _____
Attest _____
Its Secretary

Signed, sealed and delivered in the presence of:

Section 13 **Partial Invalidity**

If any provision of these rules is held by a court of competent jurisdiction to be invalid or unenforceable, the remainder of the provisions shall remain in full force and effect and shall in no way be affected.

EFFECTIVE DATE: July 21, 1983
AMENDED: December 11, 1995
REFILED: December 19, 2001