

Workers' Compensation Self-Insurance Group (SIG) Application Checklist

An unincorporated association or business trust composed of five or more private employers that proposes to organize as a Workers' Compensation Self-Insurance Group shall file with the Texas Department of Insurance ("the Department") an application for a Certificate of Approval. Please completely review Ch. 407A of the Labor Code and 28 Texas Administrative Code (TAC) §§5.6401-5.64013 to determine the statutory requirements for filing an application for a Certificate of Approval and obtaining the Certificate of Approval.

Please see [Important Definitions](#) (on page 4).

CONTENTS OF THE SIG APPLICATION FOR CERTIFICATE OF APPROVAL INCLUDE THE FOLLOWING:

- I. SIG Application form (see FIN465)
- II. SIG Employer Membership form for each member (see FIN467)
- III. Documentation (organizational documents, annual reports, conventions, seminars, etc.) establishing that the sponsoring association has been in existence for more than (5) years in the State of Texas for purposes other than providing insurance.
- IV. Charter documents and bylaws evidencing the organization of the applicant SIG. If an incorporated association, please provide (1) certified copy of each document from the Texas Secretary of State.
- V. (see FIN478, Pro Forma) SIG Projected financial statements for the 24-month period from the Group's start of operations using quarterly balance sheet projections based on the Group's fiscal year, quarterly cash flow schedules reflecting expenditures by category, quarterly revenue and expense projections and an actuarial projection of the Group's total projected incurred liabilities for workers' compensation which demonstrate compliance with Labor Code §407A.051(c)(10) which requires the Group to show its financial ability to pay the workers' compensation obligations of the employers who are members of the Group and Labor Code §407A.053(c) which requires the Group to post security equal to the greater of \$300,000 or twenty-five percent (25%) of the Group's total incurred liabilities for workers' compensation. The projections shall include an estimate of the employees to be covered on which the projections and actuarial assumptions are based. The projections must reflect the identity, qualifications and credentials of the persons making the projections. Include proof that the SIG has received payment or a promise to pay from each member of twenty-five percent (25%) of its first year estimated modified schedule rating premium.

- VI. A business plan or plan of operation that describes the Group's business activities, safety program and organization. The plan must also include:
 - A. the identity of the Administrator of the Group and any Third-Party Administrator that provides services to or on behalf of the Group;
 - B. excluding any person identified pursuant to subparagraph (C) of this paragraph, the identity of any service company that performs one or more of the following services:
 - i. provides cash and asset management services to a Group, including any person that has access to or disbursement authority over any of the Group's assets and accounts;
 - ii. maintains the Group's accounting records or organizational documents;
 - iii. stores or maintains the Group's electronic books and records, including a person identified by a Group under 28 TAC §5.6409(b)(3) (relating to Books and Records); or
 - iv. provides management of a function for which the Group retains ultimate responsibility under the Texas Insurance Code, the Labor Code, or rules adopted thereunder;
 - C. the identity of:
 - i. the accountant of the Group; and
 - ii. the actuary of the Group.
 - D. a general description of the experience, qualifications, facilities, and personnel of a person identified pursuant to subparagraph (A) or (B) of this paragraph; and
 - E. the identity of the affiliates of a person identified pursuant to subparagraph (A) or (B) of this paragraph. A Group may identify such affiliates in an organizational chart.
- VII. A written commitment, binder, or policy or contract of excess insurance that meets the requirements of 28 TAC § 5.6405 (relating to Excess Insurance).
- VIII. A fidelity bond for an Administrator in the amount of \$250,000. The fidelity bond must meet the requirements of 28 TAC §5.6408 of this division (relating to Fidelity and Performance Bonds).
- IX. A fidelity bond for a service company identified pursuant to paragraph (12)(A) or (B) of this subsection, if there is one, in the amount of \$250,000. The fidelity bond must meet the requirements of 28 TAC § 5.6408.
- X. A performance bond for a service company that provides claims service to or on behalf of a Group, if there is one, in the amount of \$250,000. This performance bond is in addition to the fidelity bond.

- XI. A copy of each written agreement required under 28 TAC §5.6411 for an Administrator, TPA, Service Company, or any entity with which these services have been delegated too. Including service companies that provide cash and asset management services, maintains accounting and organizational documents (including electronic versions), and provides management of a function for which the SIG retains ultimate responsibility (relating to Contract Provisions).

- XII. Verification that a Third-Party Administrator holds the required authorization from the Department or has applied for the required authorization from the Department and that the Group will verify that such authorization has been granted by the Department before the Group allows the Third-Party Administrator to provide services to or on behalf of the Group.

- XIII. Biographical affidavits for each member of the initial board of trustees of a Group, subsequent members of the board of trustees of a Group, and the executive officers of a Administrator or service company. A biographical affidavit is not required if a biographical affidavit from the individual has been filed with the Department within the prior three (3) years and contains substantially accurate information. (see FIN 311)

Important Definitions

Self-Insurance Group (SIG)--An unincorporated association or business trust composed of five or more private employers that meet all of the requirements of the Labor Code Chapter 407A.

Administrator--An individual, partnership, or corporation engaged by the board of trustees of a Group to implement the policies established by the board of trustees and to provide day-to-day management of the Group, as defined in the Labor Code §407A.001(a)(1). Day-to-day management may include, but is not limited to, claims adjustment; safety engineering; compilation of statistics and the preparation of premium, loss, and tax reports; preparation of other required self-insurance reports; development of members' assessments and fees; and administration of a claim fund. Administrator includes and has the same meaning as managing company, as that term is defined in the Labor Code §407A.001(a)(5-a). Any reference to the term Administrator in all contexts necessarily includes and references both Administrator and managing company.

Third-Party Administrator--An Administrator or service company, as those terms are defined includes an individual or entity holding itself out or acting as an Administrator, as that term is defined in the Texas Insurance Code §4151.001(1). A Group shall engage only one Administrator to implement the policies established by the board of trustees and to provide day-to-day management of the Group. A Group may engage more than one service company to provide services to the Group. An individual, partnership, or corporation may act as an Administrator for more than one Group. An individual, partnership, or corporation may act as an Administrator for one Group and as a service company for another Group. An individual, partnership, or corporation may not act as both an Administrator and a service company for the same Group at the same time.

Service company--A person that directly or indirectly provides services to or on behalf of a Group, other than the services provided by an Administrator, including, but not limited to:

- claims adjustment;
- safety engineering;
- compilation of statistics and the preparation of premium, loss, and tax reports;
- preparation of other required self-insurance reports;
- development of members' assessments and fees; and
- administration of a claim fund.

Books and Records--All books, accounts, records, documents, written agreements, contracts, papers, correspondence, claims files, receipts, bills, notes, pleadings, investigatory files, or any other written or electronic material relating to the business of a Group.

Certified Public Accountant--An accountant or firm in good standing with the American Institute of Certified Public Accountants and the Texas State Board of Public Accountancy and who conforms to the Code of Professional Ethics of the American Institute of Certified Public Accountants.

 Email filings to CLRFilings@tdi.texas.gov

► Questions?

Email us at CompanyLicense@tdi.texas.gov or call 512-676-6365.