



MEMORANDUM OF UNDERSTANDING IRREVOCABLE STANDBY LETTER OF CREDIT

This is a memorandum of understanding between _____ and the Department of Labor and Industries regarding the use of an irrevocable standby letter of credit (hereafter referred to as letter of credit) by the self-insurer as surety for its self-insurance obligations.

WHEREAS, _____ has been certified to self-insure its workers' compensation liabilities under the Industrial Insurance Act of the state of Washington; and

WHEREAS, the self-insurer wishes to meet all or part of its surety requirement by providing a letter of credit.

Therefore:

The self-insurer and the Department agree as follows:

(a) The letter of credit providing surety for the self-insurer's workers' compensation claims liability will cover all past, present and future liability of the self-insurer regardless of any date of injury.

(b) Unless the Department is notified otherwise by registered mail at least 60 days prior to its expiration date, the letter of credit will be automatically extended without amendment for an additional one year period.

(c) The self-insurer may substitute a bond and/or cash or securities deposited into an escrow account, in an amount designated by the Department, as replacement for the letter of credit.

(d) If the Department is notified that the letter of credit will not be renewed and no acceptable replacement surety is provided within 30 days of receipt of such notice, the Department will draw the full value of the letter of credit. All proceeds of the letter of credit will be deposited with the Accident Fund under a subsidiary ledger account. Accrued interest in excess of the self-insurer's surety requirement will be returned semi-annually. If the self-insurer provides acceptable replacement surety at a later date, the proceeds will be returned.

(e) If, in addition to not providing replacement surety for a nonrenewed letter of credit, the self-insurer then defaults on payment of its workers' compensation liabilities, the proceeds of the letter of credit previously deposited with the Accident Fund and the accrued interest will be used to provide for payment of the self-insurer's workers' compensation liabilities.

(f) If the self-insurer's letter of credit remains in force and the self-insurer defaults on the payment of its workers' compensation liabilities, the Department will draw the full value of the letter of credit. The proceeds will be deposited and accounted for as indicated in paragraph (d) and, with the accrued interest, used to provide for payment of the self-insurer's workers' compensation liabilities.

(g) The financial condition of a bank issuing a letter of credit will be assessed by periodic review of its financial statement or reference to its rating by a recognized rating agency. If the financial condition of the issuing bank changes so that its letters of credit are no longer deemed acceptable as security, the Department will require, in writing, that a confirming letter of credit or acceptable replacement security be provided by the self-insurer. If none is provided, the Department will draw the full value of the letter of credit. The proceeds will be deposited and accounted for as indicated in paragraph (d). If the Self-insurer provides acceptable replacement security at a later date, the proceeds will be returned.

(h) Legal proceedings initiated by any party with respect to this letter of credit shall be subject to the courts and laws of the state of Washington.

This agreement is effective on _____ / _____ / _____	
Date	Self-Insurer authorizing signature
Department of Labor and Industries	
Date	Assistant Director of Self-Insurance