



Department of Labor  
 5 Green Mountain Drive, PO Box 488  
 Montpelier, VT 05601-0488  
 (802) 828-2286

Form No. 30  
 File #: \_\_\_\_\_

## Application for Self Insurance

The undersigned hereby make application for permission to insure itself as provided in 21 VSA §687(4).

Name of Employer: \_\_\_\_\_ Federal ID No.: \_\_\_\_\_  
 Location of Business: \_\_\_\_\_  
 Mailing Address: \_\_\_\_\_  
 Nature of Business: \_\_\_\_\_  
 Average Number of Employees in Vermont: \_\_\_\_\_ Average Number of Employees Nationally: \_\_\_\_\_

1. Attach audited balance sheets for the previous three years. Include notes and auditor's comments.
2. Attach audited income statements for the previous three years. Include notes and auditor's comments.
3. Attach an annual payroll report for the most recent year, categorized in accordance with the system used by the National Council on Compensation Insurance (NCCI).
4. Attach a description and valuation of all real and personal property in Vermont
5. Attach a copy of any trust agreement under which funds are held in trust in Vermont and from which claim payments can immediately be made.
6. Attach a copy of any surety bond, written by a company licensed to do business in the State of Vermont guaranteeing the payment of workers' compensation benefits.
7. Attach a copy of any excess insurance policy for workers' compensation claims in excess of the amount of any surety bond.
8. Identify by attachment the person or claims adjusting agency who is skilled in workers' compensation claims adjustment and has a knowledge of the Vermont Act and who will do the claims adjustment work for the employer. This person or agency must have the full power and authority to act for the self-insurer in any matter respecting workers' compensation.
9. Attach a listing and valuation of any assets located in the State of Vermont which are readily available to satisfy claims.
10. If you are presently self-insured for workers' compensation, have you established a reserve for the actual value of the reported claims?  Yes  No.  
 If yes, how much are your reserves? \_\_\_\_\_ and  
 where are they held? \_\_\_\_\_
11. Using the employer's previous three years financial data, define the following variables as those variables are defined in rule 25.

VARIABLE

	FY ending _____	FY ending _____	FY ending _____
AEC	\$ _____	\$ _____	\$ _____
F	\$ _____	\$ _____	\$ _____
E	\$ _____	\$ _____	\$ _____
A	\$ _____	\$ _____	\$ _____
L	\$ _____	\$ _____	\$ _____
CA	\$ _____	\$ _____	\$ _____
CL	\$ _____	\$ _____	\$ _____
I	\$ _____	\$ _____	\$ _____
TA	\$ _____	\$ _____	\$ _____
S	\$ _____	\$ _____	\$ _____
W	\$ _____	\$ _____	\$ _____
a	\$ _____	\$ _____	\$ _____
b	\$ _____	\$ _____	\$ _____
c	\$ _____	\$ _____	\$ _____

12. Using the variables derived above compute each of the following tests for financial years indicated.

FY Ending                      FY Ending                      FY Ending

**a. Cash Flow Minimum:**

$$\frac{F}{CL + AEC} \geq 0.25$$

**b. Minimum Liquidity:**

$$\frac{CA-I}{CL+AEC} \geq \frac{CA_b-I_b}{CL_b} \quad \text{and} \quad \frac{CA-I}{CL+AEC} > 0.5$$

**c. Minimum Working Capital:**

$$\frac{CA-CL-AEC}{S} \geq \frac{C_{a_b}-CL_b}{S_b} \quad \text{and} \quad \frac{Ca-CL-AEC}{S} > 0.05$$

**d. Minimum Net Worth to Debt:**

$$\frac{A-L}{L+AEC} \geq \frac{A_b-L_b}{L_b} \quad \text{and} \quad \frac{A-L}{L+AEC} > 0.25$$

**e. Minimum Profitability:**

*If E-AEC < 0 in not more than one of the three previous years, the employer shall meet the following test:*

$$\frac{E-AEC}{TA} \geq \frac{E_b}{TA_b} \quad \text{and} \quad \frac{E-AEC}{TA} > 0.03$$

*If E-AEC < 0 in two of the three years, but not in the most recent year, the employer shall meeting the following test:*

$$\frac{E-AEC}{TA} \geq \frac{E_a}{TA_a} \quad \text{and} \quad \frac{E-AEC}{TA} > 0.03$$

*If E-AEC < 0 in two of the three years, including the most recent year the employer shall meet the following test:*

$$\frac{E-AEC}{TA} \geq \frac{E_c}{TA_c} \quad \text{and} \quad \frac{E-AEC}{TA} > 0.03$$

*If E-AEC < 0 for each of the three years, the employer does not meet the test for minimum profitability.*

**f. Turnover Minimum:**

$$\frac{A-L-AEC}{S} \geq \frac{A_b-L_b}{S_b} \quad \text{and} \quad \frac{A-L-AEC}{S} > 0.05$$

I swear under the pains and penalties of perjury that the foregoing information and attachments are accurate and correct.

\_\_\_\_\_  
Applicant's Signature

At \_\_\_\_\_ in the County of \_\_\_\_\_ and State of \_\_\_\_\_  
this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ personally  
appeared \_\_\_\_\_ and made oath to the truth of the foregoing  
statement.

Before me, \_\_\_\_\_  
Notary Public

**Rule 26.0000**  
**SELF-INSURANCE**

26.1100 An employer desiring to self-insure under 21 V.S.A. §687(3) shall annually apply to the Commissioner for approval on a form provided by the Commissioner. The applicant shall submit, for each of the employer's three fiscal years immediately preceding the application:

26.1110 an audited balance sheet and income statement;

26.1120 an annual payroll report, categorized in accordance with the system used by the National Council on Compensation Insurance (NCCI) Occupational Classifications; and

26.1130 the workers' compensation insurance rate including the disease rate for each \$100.00 of payroll category above as most recently determined by NCCI and as filed with and approved by the Commissioner of Financial Regulation. Copies of that filing may be obtained from NCCI, One Penn Plaza, New York, NY 10119.

26.1200 Using the information obtained in **Rule 26.1100**, the Commissioner shall annually determine whether or not the employer meets each of the following tests for each of the preceding three years:

Cash Flow Minimum:

$$\frac{F}{CL - AEC} > 0.25$$

and

$$\frac{Ca - CL - AEC}{S} > 0.05$$

Minimum Working Capital:

$$\frac{CA - CL - AEC}{S} > \frac{Cab - CLb}{Sb}$$

Minimum Liquidity:

$$\frac{CA - I}{CA + AEC} > \frac{CAb - Ib}{CLb}$$

and

Minimum Net Worth to Debt:

$$----- > \frac{A - L}{L + AEC} \quad \frac{Ab - Lb}{Lb}$$

and

$$\frac{CA - I}{CL + AEC} > 0.5$$

$$----- > 0.25 \quad \frac{A - L}{L + AEC}$$

Minimum Profitability:

If E - AEC = 0 in not more than one of the three previous years, the employer shall meet the following test:

$$\frac{E - AEC}{TA} > \frac{E_b}{TA_b} \quad \text{and} \quad \frac{E - AEC}{TA} > 0.03$$

If E - AEC = 0 in two of the three years, but not in the most recent year, the employer shall meet the following test:

$$\frac{E - AEC}{TA} > \frac{E_a}{TA_a} \quad \text{and} \quad \frac{E - AEC}{TA} > 0.03$$

If E - AEC = 0 for each of the three years, the employer does not meet the test for minimum profitability.

Turnover Minimum:

$$\frac{A - L - AEC}{S} > \frac{A_b - L_b}{S_a} \quad \text{and} \quad \frac{A - L - AEC}{S} > 0.05$$

26.1300 For the purposes of **Rule 26.1200**:

26.1310 AEC = Average Expected Claims = the sum of the products of the actual payroll as determined by category under **Rule 26.1120**, multiplied by the rate for each payroll category as determined in **Rule 26.1130**, divided by 100.

26.1311 F = cash flow = net income after taxes plus allowances for depreciation and depletion.

26.1320 E = earnings = net income before taxes and extraordinary items.

26.1321 A = total assets.

26.1330 L = total liabilities.

26.1331 CA = current assets.

26.1340 CL = current liabilities.

26.1341 I = inventory.

26.1350 TA = tangible assets = total assets less intangible items.

26.1351 S = net sales = gross sales less returns and allowances.

26.1360 W = net worth = assets less liabilities (A-L).

26.1361 a = subscript denoting industry median data.

26.1370 b = subscript denoting lower base quartile industry data.

26.1371 c = subscript denoting upper quartile industry data.

26.1400 If the Commissioner finds that an employer fails one or more of the tests enumerated in **Rule 26.1200**, the Commissioner shall disapprove the application for self-insurance unless the Commissioner finds that a test is inappropriate to a particular employer because of the nature of that employer's business, in which case the Commissioner may waive that test. If the Commissioner finds that the employer passes each of the tests enumerated in **Rule 26.1200**, the Commissioner may approve the application for self-insurance and require the employer to do one or more of the following:

26.1410 Establish a cash reserve fund, held in trust in this state, from which claim payments can immediately be made. The fund should be equal to 25% of AEC as defined in **Rule 26.1300**. Payments from the fund must be able to be made by the Commissioner; and

26.1420 Hold a surety bond in an amount determined by the Commissioner written by a company licensed to do business in this state guaranteeing the payment of claims in the amount of that bond. The bond must require notice to the Commissioner at least 90 days before cancellation; and

26.1430 Hold excess insurance issued by a company authorized to do business in the State of Vermont for claims in excess of the amount of the surety bond under which claims are payable regardless of the financial condition (including bankruptcy) of the employer; and

26.1400 Identify a person or claims adjusting agency who is skilled in workers' compensation claims adjustment and who has a demonstrated knowledge of the Vermont Act. That person must have the full power and authority to act for the self-insurer in any matter respecting workers' compensation; and

26.1500 Have sufficient assets located in this state that are readily available to satisfy claims.