

Notice of Rulemaking Hearing  
Department of Commerce and Insurance  
Insurance Division

There will be a hearing before the Insurance Division of the Department of Commerce and Insurance ("Division") to consider the promulgation of amendments to rules of Chapter 0780-01-81. The hearing will be conducted in the manner prescribed by the Uniform Administrative Procedures Act, Tennessee Code Annotated, Section 4-5-204 and will take place in Conference Room A of the Davy Crockett Tower located at 500 James Robertson Parkway, Nashville, Tennessee 37243 at 10:00 a.m. CST on the 18th day of September, 2007.

Any individuals with disabilities who wish to participate in these proceedings should contact the Division to discuss any auxiliary aids or services needed to facilitate such participation. Such initial contact may be made no less than ten (10) days prior to the scheduled meeting date, to allow time for the Division to determine how it may reasonably provide such aid or service. Initial contact may be made with the Division's ADA Coordinator at Davy Crockett Tower, 500 James Robertson Parkway, Nashville, Tennessee 37243 and (615) 741-6500.

For a copy of this notice of rulemaking hearing contact: Karen L. Heidel, Staff Attorney, Office of Legal Counsel, Davy Crockett Tower, Twelfth Floor, 500 James Robertson Parkway, Nashville, Tennessee 37243, Department of Commerce and Insurance, telephone (615) 741-2199.

Substance of Proposed Amendments

Chapter 0780-01-81

Administration of Self Insurance Workers' Compensation Programs by Single Employers or Pool

Amendments

Rule 0780-01-81-.02 Definitions is amended by adding the following new subparagraph at the end of Paragraph (13):

- (13) (h) A Tennessee licensed insurance company that performs services on behalf of a self-insured employer under T.C.A. §§ 50-6-405(a) and (b) or a self-insured pool under T.C.A. § 50-6-405(c).

Authority: T.C.A.. § 50-6-405(b) and (c).

Rule 0780-01-81-.09 Certificate of Authority is amended by deleting subparagraph (2)(d) and replacing it with the following:

- (2) The application shall include or be accompanied by the following information and documents:
  - (d) Audited annual financial statements for the past year that are no more than six (6) months older than the date of application that prove that the applicant has a positive net worth. In lieu of audited financial statements, an applicant may submit financial statements or reports that are attested to by a company officer in a form approved by the commissioner. If attested, the attestation must refer to the financial statement by date and bear original signatures and notarized seal. The financial statements may be prepared on a GAAP basis but the commissioner reserves the ability to only consider assets that would be admitted by the NAIC's Accounting Practices and Procedures Manual.

The financial statement must be in the name of the applicant or prepared on a consolidated basis that includes a columnar consolidating or combining worksheet that is filed with the report and includes the following:

1. Amounts shown on the consolidated audited or attested financial report shall be shown on the worksheet;
2. Amounts for each entity shall be stated separately; and
3. Explanations of consolidation and eliminating entries;
4. Other information as the commissioner may require in determining the current financial condition of the applicant.

Authority: T.C.A.. § 50-6-405(b) and (c).

Rule 0780-01-81-.09 Certificate of Authority is amended by adding the following as Paragraph (3) and renumbering all subsequent paragraphs accordingly:

- (3) Proof of a fidelity bond in the amount of Two Hundred Fifty Thousand Dollars (\$250,000) issued in the name of the applicant. The deductible on the bond may not exceed ten percent (10%) of the third party administrator's or applicant's net worth as determined by the commissioner.
  - (a) Bonds must be written by an insurance company licensed to do business in Tennessee.
  - (b) Bonds must specify the beginning and end date. The notation "until cancelled" is not acceptable for purposes of this subparagraph.
  - (c) The Department of Commerce and Insurance shall be listed as the certificate holder on the bond so as to be notified in the event of the bond's cancellation.

Authority: T.C.A.. § 50-6-405(b) and (c).

The notice of rulemaking hearing set out herein was properly filed in the Department of State on the 31st day of July, 2007. (FS 07-27-07; DBID 693)