



**ILLINOIS WORKERS' COMPENSATION COMMISSION  
SELF-INSURER'S AGREEMENT TO POST LETTER OF CREDIT**

Date of Agreement: \_\_\_\_\_

**Employer**

Name: \_\_\_\_\_

Address: \_\_\_\_\_

**Issuing Bank**

Name: \_\_\_\_\_

Letter of Credit No.: \_\_\_\_\_

Address: \_\_\_\_\_

Amount \$: \_\_\_\_\_

**Confirming Bank**

Name: \_\_\_\_\_

Confirmation No.: \_\_\_\_\_

Address: \_\_\_\_\_

This Agreement is made on the above date by and between the parties signatory hereto.

**I. Purpose:** The Illinois Workers' Compensation Commission ("Commission") granted the Employer permission to self-insure under the laws of the State of Illinois known as the Workers' Compensation Act and the Workers' Occupational Diseases Act, both effective July 9, 1951, as amended, (hereinafter collectively called the "Acts") provided that it deposit the irrevocable letter of credit ("Letter of Credit") issued in favor of the Commission under the letter of credit number listed above for the purpose of qualifying or continuing as a private self-insurer or for the use and benefit of its employees as a former self-insurer. With the written approval of the Commission, this Letter of Credit may be supplemented by the letter(s) of credit listed on the Schedule(s) of Supplement attached hereto (if any). Any letter(s) of credit supplementing the letter of credit identified above shall also be held by the Commission for the purpose of qualifying or continuing to qualify the Employer as a private self-insurer under the Acts or for the use and benefit of its employees as a former self-insurer.

If one or more confirming bank(s) are named above or on the Schedule(s) of Supplement attached hereto (if any), the Employer is also depositing with the Commission confirmation(s) of the Letter of Credit under the confirmation number listed above for the purpose of qualifying or continuing to qualify as a private self-insurer or for the use and benefit of its employees as a former self-insurer under the Acts. Any confirmation held by the Commission for this purpose may hereinafter be referred to as the "Confirmation." Any bank that issues one or more Letter of Credit or one or more Confirmation may hereinafter be referred to as the "Bank."

It is agreed by the parties hereto that each Letter of Credit and each Confirmation, if required, shall be held by the Commission as security for the payment of the Employer's obligations incurred under the Acts as the result of injuries or exposures occurring at any time while the Employer is a qualified private self-insurer under the Acts and for payment of related administrative and defense costs.

By their terms, each Letter of Credit will be automatically extended for an additional one-year period unless the Bank that has issued the Letter of Credit notifies the Commission otherwise by registered mail at least 60 days before the expiration date of the Letter of Credit.

**II. Permissible Draws:** Whenever the Employer shall fail to perform its obligations as a private self-insurer as determined by the Chairman of the Commission ("Chairman"), the Chairman may draw down all or any part of any Letter of Credit, and in the exercise of his or her own discretion, may use the proceeds of the Letter(s) of Credit or any part thereof for the immediate payment of the Employer's outstanding obligations under the Acts as a private self-insurer and any payment of related administrative and defense costs. At the Chairman's discretion, the proceeds of the Letter of Credit may be delivered to the Treasurer of the State of Illinois ("Treasurer") for deposit in the same manner as state funds; or deposited in an escrow account established with an escrow agent acceptable to the Chairman pursuant to the terms of the escrow agreement that the Commission requires of private self-insurers.

Whenever a particular Letter of Credit shall fail to be renewed under conditions that would not entitle the Employer to a return of the Letter of Credit as provided below or whenever the Chairman shall determine, for whatever reason, that the Bank that issued or confirmed the Letter of Credit no longer provides the Commission with an acceptable level of security with respect to the payment of the Employer's obligations as a private self-insurer, the Chairman may draw down the entire amount of any such Letter of Credit and, in the exercise of his or her own discretion, may direct the proceeds of the Letter of Credit be delivered to the Treasurer for deposit in the same manner as state funds; or deposit the proceeds in an escrow account established with an escrow agent acceptable to the Chairman pursuant to the terms of the escrow agreement.

All such monies delivered to the Treasurer pursuant to the terms of either of the preceding paragraphs shall be held in trust for the benefit of the Employer's employees for use in paying the Employer's outstanding obligations under the Acts as a private self-insurer, and any related administrative and defense costs. One year after all obligations that the Employer owes as a private self-insurer under the provisions of the Acts and any taxes due on any interest accruing on the proceeds of the Letter of Credit have been satisfied and paid, any proceeds from the Letter of Credit and the interest thereon (if any) remaining on deposit shall be returned to the Employer. The return of any monies deposited into an escrow account pursuant to the provisions of the preceding paragraph shall be governed by the terms of the Escrow Agreement.

**III. Permissible Draws; Insolvent Self-Insurer:** Whenever the Employer shall become an insolvent self-insurer as defined in the Acts, the Chairman may draw down all or any part of any Letter of Credit for deposit in the Self-Insurers Security Fund created by the Acts ("Fund") for use in paying the Employer's outstanding obligations as a private self-insurer under the Acts and all related administrative and defense costs. One year after the payment of all such obligations owed to the employees of the Employer under the provisions of the Acts and any taxes due on the interest that may accrue on the proceeds of the Letter of Credit in accord with the provisions of Section 4a-5 of the Workers' Compensation Act, any proceeds from the Letter of Credit and any interest accrued thereon remaining on deposit in the Fund shall be returned to the Employer.

**IV. Return of Security:** Termination of the Employer's qualification as a private self-insurer does not terminate its obligation to provide the Commission with security in the form of the Letter of Credit and any required Confirmation. Upon request of the Employer, the Chairman shall return the Letter of Credit and any Confirmation to the Employer, provided that: 1) the Chairman determines in his or her own discretion that the Employer as a private self-insurer has no outstanding liability under the Acts, or 2) the Employer provides a subsequent surety bond, escrow agreement, letter of credit (deposited pursuant to another Agreement to Post Letter of Credit) or other financial security for the benefit of the Employer's employees accepted by the Commission.

**V. Approval as Self-Insurer; Additional Security:** Approval of this Agreement by the Chairman does not waive any right of the Chairman to require additional security for the payment of the Employer's liability for claims and related administrative and defense costs. Notwithstanding the provisions of this Agreement, the Chairman may hereafter terminate the approval of the Employer as a private self-insurer if the Employer fails to provide any required additional security, or if the Chairman deems termination to be appropriate for any other reason.

**VI. Defense of Claims; Settlement:** The Employer shall have the right at its own expense to administer and defend any claims against the Employer under the Acts; and no settlement of any claim to be paid from the proceeds of any Letter of Credit shall be made without the consent of the Employer and the Commission. In the event the Board determines the Employer is an insolvent self-insurer, the Board is authorized to administer and defend all claims against the Employer under the Acts as a private self-insurer and pay said claims and all related administrative and defense costs on behalf of the Employer from the proceeds of any Letter of Credit without the consent of the Employer or the Employer's successor.

**VII. Changes; Termination:** The Commission may, from time to time, revise the form of the agreement that it requires of private self-insurers which choose to secure the payment of their obligations under the Acts by means of a letter of credit. Whenever said form is amended, the Commission may send the Employer a revised agreement or an amendment to this Agreement reflecting the changes made to the form and require the Employer to have said revised agreement or amendment fully executed and returned to the Commission within thirty (30) days of its receipt. If the Employer fails to do so, the Commission may terminate the self-insurance privilege, or require some other form of security as means of securing the performance of the Employer's obligations under the Acts.

**VIII. Bank Responsibility:** It is agreed between the parties hereto that, regardless of whether it has notice of the existence of this Agreement, no Bank shall have any additional responsibilities to either party by reason of the execution of the Agreement.

**IX. General:** This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Illinois. Any action with respect to this Agreement shall be brought in the Circuit Court of either Cook County or Sangamon County, Illinois and the Employer shall consent to the said court's personal jurisdiction over the Employer in that action.

The section headings in this Agreement are for reference only and shall not affect the meaning or interpretation of the Agreement. In the event any provision of this Agreement is deemed to be in violation of law, such provision shall not be deemed to impair the validity of any other provision hereof. This Agreement may be executed in separate parts, each of which shall be deemed original, but all of which together shall constitute one and the same instrument.

**EMPLOYER CORPORATE SEAL**

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Signature of Employer's representative

Date

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Name and title

This Agreement is approved by the  
Illinois Workers' Compensation Commission.

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Chairman

Date