MEMORANDUM OF UNDERSTANDING

This is a memorandum of understanding between _____ and the State of Oregon, Department of Consumer and Business Services ("the department"). As used in the memorandum of understanding, "self-insured employer" means _____ and all subsidiaries and affiliated legal entities approved by the department and included in the employer's self-insurance certification and any new legal entities approved by the department and included in the employer's self-insurance certification. "Director" means the director of the Department of Consumer and Business Services or the director's designated authorized representative, acting on behalf of the State of Oregon.

WHEREAS, the employer has applied for certification as a self-insured workers' compensation employer or is a certified self-insured workers' compensation employer under Oregon Revised Statute (ORS) 656.407 and 656.430; and

WHEREAS, as a condition for certification as a self-insured employer or continuing as a certified self-insured employer, the employer must provide the department with a security deposit in a form the director has determined acceptable under Oregon Administrative Rule (OAR) chapter 436 and in an amount determined by the director; and

WHEREAS, the employer wishes to meet the security deposit requirement by providing an irrevocable standby letter of credit (ISLOC) issued by an Oregon state-chartered bank or federally chartered bank with an Oregon branch office; therefore,

The Department of Consumer and Business Services and the self-insured employer agree as follows:

1. An ISLOC is being provided to the director instead of, or in addition to, a surety bond or other form of security that the director has determined acceptable under OAR chapter 436.
2. The ISLOC will be automatically extended, without amendment, for one (1) year from the expiration date, or any subsequent expiration date, unless, at least 60 days before the expiration date, the director is notified in writing by the issuing or confirming bank that the ISLOC will not be extended for another period.
3. The ISLOC may be replaced with another ISLOC or surety bond of equal amount that is accepted by the director as substitute security or by a policy of paid-up insurance that is accepted by the director in accordance with OAR chapter 436.
4. The director may immediately demand payment under the ISLOC if:
    a. The self-insured employer fails to pay its workers' compensation liabilities, obligations, or payments due to the director under ORS chapter 656;
    b. The self-insured employer files bankruptcy;
    c. The self-insured employer fails to renew or provide acceptable substitute security at least 15 days before the expiration date of the ISLOC; or

   d. The director has ordered the self-insured employer to provide additional or replacement security and neither has been provided, notwithstanding written notice to the self-insured employer.

5. If the director demands payment under the ISLOC for any of the reasons under section 4. above, the funds provided by the ISLOC will be deposited with the State Treasurer in an account separate and distinct from the General Fund.
6. In the event the self-insured employer defaults, or is unable to make all payments due under ORS chapter 656, the director may use the funds provided by the ISLOC to the extent necessary to ensure continued payments and in such a manner as to ensure minimum delay in the processing of injured workers' claims.
7. If legal proceedings are initiated by any party with respect to payment of any ISLOC, the proceedings shall be subject to the jurisdiction of Oregon courts and application of Oregon laws.

EMPLOYER

By: ______________________________

Type name of officer

Signature: ______________________________

Title: ______________________________

Date: ______________________________

OREGON DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

By: ______________________________

Name and title of authorized representative

Signature: ______________________________

Date: ______________________________