

STATE OF MARYLAND
WORKERS' COMPENSATION COMMISSION
10 East Baltimore Street, Baltimore, MD 21202

NOTE: The Memorandum of Understanding and Letter of Credit (LOC) Forms have been updated effective July 2003. Any LOC's issued subsequent to that date shall be on these forms. New provisions have been added to both forms to be consistent with the updated continuous bond form.

Irrevocable Letters of Credit - Information Sheet

The Maryland Workers' Compensation Commission may accept an irrevocable letter of credit from an employer who self-insures as proof of compliance to secure payment of compensation instead of a surety bond, book entry or securities. The Commission's Insurance Division shall determine if the letter of credit is acceptable in format and content, and if the issuing and/or confirming financial institution is acceptable. The letter of credit must be in the format and content as provided in the Irrevocable Letter of Credit (Form A-08). The employer must complete the Memorandum of Understanding between the Commission and the employer and submit it with the Form A-09.

The letter of credit must be issued or confirmed by a financial institution chartered in Maryland or a federally chartered financial institution with a branch office in this State from which funds will be immediately payable on demand. The Irrevocable Letter of Credit must list each company for which the security applies. Therefore, each subsidiary of the parent company must be listed as an applicant along with the parent. The Irrevocable Letter of Credit must also include the following:

Name of Financial Institution
Issuing Office
Address, City, State, Zip

Confirming Financial Institution (If Applicable)
Address, City, State, Zip

Irrevocable Letter of Credit Number
Effective Date
Date and Place of Expiration
Amount (In U.S. Dollars)

Applicant (Name of Self-Insurer)
Address, City, State, Zip

Beneficiary: Maryland Workers' Compensation Commission
10 East Baltimore Street
Baltimore, MD 21202

Credit available with *(Name of Financial Institution)* by sight draft at *(Branch of Financial Institution)*.

REQUIREMENTS

1. The Letter of Credit is irrevocable for the term specified.
2. The expiration date of this Letter of Credit will be automatically extended without amendment for an additional period of one year from the present or each future expiration date unless written notice of non-renewal is sent by the financial institution to the Commission by Registered Mail at least sixty (60) days before the date of expiration.
3. It is a further condition of the letter of credit that any interruption of the financial institution's conduct of business within thirty days of the expiration date caused by an act of God, riot, civil commotion, insurrection, war or other cause beyond the financial institution's control, or by any strike or lockout, will automatically extend the expiration date hereof, as well as future expiration dates, by the period of the interruption beginning on the first day after the interruption on which the financial institution is open.
4. The Irrevocable Letter of Credit is not subject to any condition or qualification, and is the financial institution's individual obligation, which is in no way contingent upon reimbursement.
5. There are special provisions in both forms regarding Financial Institutions whose Weiss ratings fall below 'B-'
6. There is an access to records clause in the Memorandum of Understanding.
7. The laws of the State of Maryland and the Uniform Customs & Practice for Documentary Credits of the International Chamber of Commerce, ICC Publication Number 500 © International Chamber of Commerce govern this Letter of Credit. If any legal proceedings are initiated with respect to payment of the letter of credit, it is agreed that such proceedings shall be subject to the law of the State of Maryland and the jurisdiction of Maryland courts.
8. The Memorandum of Understanding should be filed concurrently with the Irrevocable Letter of Credit at the Maryland Workers' Compensation Commission, Insurance Division, 10 E. Baltimore Street, Baltimore, Md., 21202. The Letter of Credit will not be accepted without the accompanying Memorandum of Understanding