

amortization, using the same valuation method used in your audited annual financial statement and expressed in U.S. dollars. The net value of the reserved assets must be at least two times the self-insurance amount requested for demonstration.

§ 253.27 When I submit audited annual financial statements to verify my unencumbered assets, what standards must they meet?

Any audited annual financial statements that you submit must:

- (a) Meet the standards in § 253.24; and
- (b) Include a certification by the independent accountant who audited the financial statements that states:
 - (1) The value of the unencumbered assets is reasonable and uses the same valuation method used in your audited annual financial statements;
 - (2) Any existing encumbrances are noted;
 - (3) The assets are long-term assets held for use; and
 - (4) The valuation method used in the audited annual financial statements is for long-term assets held for use.

§ 253.28 What financial test procedures must I use to evaluate the amount of self-insurance allowed as OSFR evidence based on unencumbered assets?

- (a) Divide the total amount of the stockholders'/owners' equity listed on the balance sheet by 4.
- (b) Divide the value of the unencumbered U.S. assets by 2.
- (c) The smaller number calculated under paragraphs (a) or (b) of this section is the maximum allowable amount you may use to demonstrate OSFR under this method.

§ 253.29 How can I use insurance as OSFR evidence?

- (a) If you use insurance to satisfy all or part of your obligation to demonstrate OSFR, you may use only insurance certificates issued by insurers that have achieved a "Secure" rating for claims paying ability in their latest review by A.M. Best's Insurance Reports, Standard & Poor's Insurance Rating Services, or other equivalent rating made by a rating service acceptable to MMS.

(b) You must submit information about your insurers to MMS on a completed and unaltered Form MMS-1019. The information you submit must:

- (1) Include all the information required by § 253.41 and
- (2) Be executed on one original insurance certificate (*i.e.*, Form MMS-1019) for each OSFR layer (see paragraph (c) of this section), showing all participating insurers and their proportion (quota share) of this risk. The certificate must bear the original signatures of each insurer's underwriter or of their lead underwriters, underwriting managers, or delegated brokers, depending on who is authorized to bind the underwriter.
- (3) For each insurance company on the insurance certificate, indicate the insurer's claims-paying-ability rating and the rating service that issued the rating.

(c) The insurance evidence you provide to MMS as OSFR evidence may be divided into layers, subject to the following restrictions:

- (1) The total amount of OSFR evidence must equal the total amount you must demonstrate under § 253.13;
- (2) No more than one insurance certificate may be used to cover each OSFR layer specified in § 253.13(b) (*i.e.*, four layers for an OCS COF, and five layers for a non-OCS COF);
- (3) You may use one insurance certificate to cover any number of consecutive OSFR layers;
- (4) Each insurer's participation in the covered insurance risk must be on a proportional (quota share) basis, must be expressed as a percentage of a whole layer, and the certificate must not contain intermediate, horizontal layers;
- (5) You may use an insurance deductible. If you use more than one insurance certificate, the deductible amount must apply only to the certificate that covers the base OSFR amount layer. To satisfy an insurance deductible, you may use only those methods that are acceptable as evidence of OSFR under this part; and
- (6) You must identify a U.S. agent for service of process on each insurance certificate you submit to MMS. The agent may be different for each insurance certificate.