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### **Information: Irrevocable Letters of Credit**

The South Carolina Workers' Compensation Commission may accept an irrevocable letter of credit as proof of compliance instead of a surety bond or securities. The Commission's Self-Insurance Division must determine if the letter of credit is acceptable in format and content, and if the issuing and/or confirming bank is acceptable. The letter of credit must be substantially the format and content as that provided in Form 8B: Irrevocable Letter of Credit, which follows these instructions. The Employer must complete the Memorandum of Understanding between the Commission and the Employer and submit it with the Irrevocable Letter of Credit (Form 8B).

The letter of credit must be issued or confirmed by a bank chartered in South Carolina or a federally-chartered bank with a branch office in this state from which funds will be immediately payable on demand. The Irrevocable Letter of Credit must include the following:

Name of Bank  
Issuing Office  
Address, City, State, Zip

Confirming Bank (If Applicable)  
Address, City, State, Zip

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

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

Beneficiary: South Carolina Workers' Compensation Commission  
1333 Main Street, Suite 500  
Post Office Box 1715  
Columbia, South Carolina 29202-1715

Credit available with (Name of Bank) by sight draft at (Branch of Bank).

### **Requirements**

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 not less than sixty (60) days prior to such date the bank notifies the Commission in writing that the bank elects not to renew the letter of credit.

It is further condition of the letter of credit that any interruption of the bank's conduct of business within thirty days of the expiry date caused an act of God, riot, civil commotion, insurrection, war or other cause beyond the bank's control, or by any strike or lockout, will automatically extend the expiry date hereof, as well as future expiry dates, by the period of the interruption beginning on the first day after the interruption on which the bank is open.

The Irrevocable Letter of Credit is not subject to any condition or qualification, and is the bank's individual obligation which is in no way contingent upon reimbursement.

This letter of credit shall be governed by the laws of South Carolina and subject to the Uniform Customs & Practice for Documentary Credits, 1993 Revision, ICC Publication Number 500. 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 South Carolina courts and law.

See R. 67-1516 for further information.

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Attach this form to the Memorandum of Understanding and file with the Self-Insurance Division of the Commission within sixty days of the Commission's contingent approval of the application to self-insure. See R. 67-1501 through R. 67-1516 for further information.

## Irrevocable Letter of Credit

Name of Self-Insurer: \_\_\_\_\_  
Irrevocable Letter of Credit Number: \_\_\_\_\_  
Date: \_\_\_\_\_

South Carolina Workers' Compensation Commission  
Self-Insurance Administrator  
1333 Main Street, Suite 500  
Post Office Box 1715  
Columbia, South Carolina 29202-1715

Dear Sir or Madame:

We have established this Irrevocable Letter of Credit solely in your favor for drawings up to U.S. \$\_\_\_\_\_ effective \_\_\_\_\_ and expiring at our \_\_\_\_\_ (bank address) with our close of business on \_\_\_\_\_.

We hereby undertake to promptly honor your sight draft(s) drawn on us, indicating our Letter of Credit Number \_\_\_\_\_, for all or any part of this Letter of Credit if presented at \_\_\_\_\_ (bank address) on or before the expiry date or any automatically extended date.

Except as stated herein, this understanding is not subject to any condition or qualification. The obligation of the Bank, in no way contingent upon reimbursement with any respect thereto.

It is a condition of this Letter of Credit that it shall be deemed automatically extended without amendment for one year from the expiry date hereof, or any future expiry date, unless sixty (60) days prior to any expiry date we shall notify you in writing that we elect not to consider this Letter of Credit renewed for any such additional period.

It is further condition of this Letter of Credit that any interruption of the Bank's conduct of business within thirty days of the expiry date caused an act of God, riot, civil commotion, insurrection, war or other causes beyond the Bank's control, or by any strike or lockout, will automatically extend the expiry date hereof, as well as future expiry dates, by the period of the interruption beginning on the first day after the interruption on which the bank is open.

This letter shall be governed by the laws of South Carolina and subject to the Uniform Customs & Practice for Documentary Credits, 1993 Revision, ICC Publication Number 500. If any legal proceedings are initiated with respect to payment of this Letter of Credit, it is agreed that such proceedings shall be subject to South Carolina courts and law.

Bank: \_\_\_\_\_

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

Authorized  
Signature: \_\_\_\_\_

Title: \_\_\_\_\_

## Memorandum of Understanding

This is a Memorandum of Understanding between \_\_\_\_\_ (Employer) and the South Carolina Workers' Compensation Commission (Commission). The Employer has applied for the privilege of self-insuring its obligations under the South Carolina Workers' Compensation Law, and the Commission has approved the application contingent upon the Employer posting security in the amount of \$\_\_\_\_\_. The Employer wishes to meet this security requirement by posting an Irrevocable Letter of Credit (Letter of Credit) issued or confirmed by \_\_\_\_\_ (Bank), which is a South Carolina chartered bank or federally chartered bank with a South Carolina office. The Commission and the Employer agree to the following:

1. The Letter of Credit is being furnished to the Commission in lieu of a surety bond or other security to meet one of the conditions established by the Commission for the Employer to self-insure.
2. Expiration or cancellation of the Letter of Credit is effective sixty (60) days after the Commission has received written notice of the cancellation.
3. If the Commission is notified that the Letter of Credit is being cancelled or will not be renewed and a new letter of credit or surety bond acceptable to the Commission is not filed with the Commission, the Commission may, at its discretion, draw on the Letter of Credit.
4. The Commission may, at any time, draw on the Letter of Credit if needed to pay any workers' compensation claim and claims administration expense which are the responsibility of the Employer.
5. All proceeds drawn on the Letter of Credit shall be deposited with the State Treasurer.
6. The Letter of Credit and this Memorandum of Understanding shall be governed by the laws of South Carolina and subject to the Uniform Customs & Practice for Documentary Credits, 1993 Revision, IIC Publication Number 500. Any action with respect to the Letter of Credit shall be brought in South Carolina and the Employer shall consent to the court's personal jurisdiction over the Employer.
7. In this Memorandum of Understanding "Employer" means the following entities which have been approved to self-insure in South Carolina (parent and subsidiaries):  
  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

8. This Memorandum of Understanding is effective on: \_\_\_\_\_ (m/d/yyyy).

Signed:

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Representative of Employer

Title

Date

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Representative of Employer

Title

Date