

## Resolution Regarding Credit Rating Policy

WHEREAS, 8 Cal. Code Regs. section 15220(d)(3) provides that in order to fully participate in the Alternative Security Program ("ASP"), the member must possess an acceptable credit rating on the date of the Security Fund's written alternative composite deposit proposal. An acceptable credit rating shall be any "A" or any "B" rating or equivalent as determined by section 15220.1, in either of the following publications: (A) Moody's Investor Service Corporate Finance monthly subscription rating guide entitled "Moody's Global Rating Guide", or (B) Standard & Poor's Credit Market Services monthly subscription rating guide entitled "Global Ratings Handbook;"

WHEREAS, 8 Cal. Code Regs. section 15220(d)(3) provides that in the event that ratings have been determined pursuant to both subsection (d)(3)(A) and (B), and the ratings differ, the most recently published rating shall be utilized;

WHEREAS, 8 Cal. Code Regs. sections 15220(e)(2) and 15220(h)(1) and (2) provide that the Security Fund may request that the Manager exclude otherwise eligible members, and that the Manager may, for cause, downgrade an eligible private self insured employer from: (1) fully participating employer to partially participating employer as provided in subsection (e)(2); or (2) from partially participating employer to excluded;

WHEREAS, the Security Fund has determined that the regulations may not adequately protect the members of the Security Fund from unnecessary credit risk;

IT IS HEREBY RESOLVED, after discussion and upon motion duly made and seconded, as follows:

(1) Where two or more ratings are issued on the same day, the Security Fund shall recommend to the Manager that the lower rating be used to determine eligibility;

(2) Where there are two or more ratings are issued on different days, and one rating is below the minimum acceptable credit rating, the Security Fund shall request an exclusion.

Said resolution was ratified, confirmed and approved in all respects.

Dated: May 7, 2008