1300.77 Reimbursements

(a)

"Adequate insurance" for reimbursement for the purposes of subdivision (a)(2) of Section 1377 of the Act means a performance bond or insurance policy issued by an insurer licensed by the California Insurance Director, in an amount equal to at least the amount of cash, or cash equivalents, required to be maintained pursuant to subdivision (a)(1) of Section 1377 of the Act. The bond or insurance policy shall be payable to a corporate trustee for the benefit of noncontracting providers, subscribers and enrollees whose claims are unpaid upon the plan ceasing to do business because of insolvency or upon the plan being adjudged bankrupt.

(b)

For the purposes of subdivision (a) of Section 1377 of the Act, "equivalents" to cash include only the following, provided that the investment in any one issuer of securities (other than securities issued or fully guaranteed or insured by the United States Government or any agency thereof) does not exceed 5% of the amount required pursuant to such subdivision: (1) Shares listed on the New York Stock Exchange, the American Stock Exchange, the Pacific Stock Exchange or the O.T.C. Margin List, which shall be valued at 90 percent of their market value. (2) Securities issued or guaranteed by the United States Government or any agency thereof, which shall be valued at the percentages of their market value specified below: (A) less than 3 years to maturity100% (B) 3 or more years to maturity98% (3) Obligations of any state or political subdivision or instrumentality thereof which are rated A or better by Moody's Investors Service or A or better by Standard & Poor's, which shall be valued at the percentages of their market value specified below: (A) less than 5 years to maturity98% (B) 5 or more years to maturity95% (4) Certificates of deposit or other evidence of deposit in, or acceptance of, a bank insured by the F.D.I.C. or certificates of deposit or share accounts of a savings and loan association insured by the F.S.L.I.C., which shall be valued at their book value. (5) Promissory notes or other evidences of indebtedness having a maturity date within nine months of issuance, exclusive of days of grace, or any renewal thereof which is likewise limited, and which are rated P2 or better by Moody's Investors Service and A2 or better by Standard & Poor's, which shall be valued at their market value. (6) Nonconvertible debt securities having a fixed maturity which are rated A or better by Moody's Investors Service or A or better by Standard & Poor's, which shall be valued at the percentages of their market value specified below:(A) less than 2 years to maturity--100% (B) 2 years but less than 5 years to maturity--98% (C) 5 or more years to maturity--95%.

(1)

Shares listed on the New York Stock Exchange, the American Stock Exchange, the Pacific Stock Exchange or the O.T.C. Margin List, which shall be valued at 90 percent of their market value.

(2)

Securities issued or guaranteed by the United States Government or any agency thereof, which shall be valued at the percentages of their market value specified below:

(A) less than 3 years to maturity100% (B) 3 or more years to maturity98%

(3)

Obligations of any state or political subdivision or instrumentality thereof which are rated A or better by Moody's Investors Service or A or better by Standard & Poor's, which shall be valued at the percentages of their market value specified below: (A) less than 5 years to maturity98% (B) 5 or more years to maturity95%

(4)

Certificates of deposit or other evidence of deposit in, or acceptance of, a bank insured by the F.D.I.C. or certificates of deposit or share accounts of a savings and loan association insured by the F.S.L.I.C., which shall be valued at their book value.

(5)

Promissory notes or other evidences of indebtedness having a maturity date within nine months of issuance, exclusive of days of grace, or any renewal thereof which is likewise limited, and which are rated P2 or better by Moody's Investors Service and A2 or better by Standard & Poor's, which shall be valued at their market value.

(6)

Nonconvertible debt securities having a fixed maturity which are rated A or better by Moody's Investors Service or A or better by Standard & Poor's, which shall be valued at the percentages of their market value specified below:(A) less than 2 years to maturity--100% (B) 2 years but less than 5 years to maturity--98% (C) 5 or more years to maturity--95%.

(A)

less than 2 years to maturity--100%

(B)

2 years but less than 5 years to maturity--98%

(C)

5 or more years to maturity--95%.

(c)

The Director may waive the "haircut" requirements set forth in subsection (b) subject to the condition that the plan establish and maintain a securities valuation reserve fund consisting of cash or equivalents in an amount not less than 10 percent of the total amount of "cash and equivalents" required under Section 1377 which is not otherwise maintained in cash, or such other amount as the Director may require.