

FINAL BILL REPORT

SSB 6302

C 241 L 98

Synopsis as Enacted

Brief Description: Establishing risk-based capital standards for health carriers.

Sponsors: Senate Committee on Financial Institutions, Insurance & Housing (originally sponsored by Senators Winsley and Prentice; by request of Insurance Commissioner).

Senate Committee on Financial Institutions, Insurance & Housing
House Committee on Financial Institutions & Insurance

Background: The National Association of Insurance Commissioners (NAIC) and several states are moving towards standardization of risk assessment tools, in order to protect insureds by improving the ability to monitor solvency of carriers.

Summary: For the purpose of monitoring health carrier solvency, a method of tracking and reporting of risk based capital– (RBC) is established. The RBC of all domestic carriers (and foreign or alien carriers under some circumstances) is reported by the carriers to the Insurance Commissioner, the NAIC, and in other jurisdictions where the carrier is authorized to do business.

The goal is to maintain an excess of capital above the required RBC level. There are various problematic levels of RBC. For each of these levels, the Insurance Commissioner requires explanation and corrective action by the carrier, including revision of the RBC plan. At the mandatory control level, the commissioner can place the carrier under regulatory control.

A carrier's authorized control level RBC– is determined by a formula, taking into account the carrier's assets, the risks of adverse experience, interest rate risk, and other business risk.

Three additional RBC levels are calculated, by using a multiplier with the authorized control level.– The three RBC levels at which the commissioner takes action are the company action level,– the regulatory action level– and the mandatory control level.– These three levels represent perceived levels of seriousness of risk.

Rights to notice and hearing are provided, with specified times for the carriers and the commissioner to respond to one another. Carriers have the ability to challenge the commissioner's findings, reports and determinations.

The Insurance Commissioner may contract for experts and consultants, whose fees, costs and expenses are paid by the affected carrier being reviewed.

All RBC reports and plans are confidential, to be used only as a regulatory tool, and cannot be used to rank carriers, or for ratemaking, or to calculate appropriate premium levels or rates of return.

Votes on Final Passage:

Senate	46	0	
House	95	0	(House amended)
Senate	47	0	(Senate concurred)

Effective: June 11, 1998