

**WAC 284-24-065 Demonstration that rates satisfy the requirements of RCW 48.19.020.**

(1) When an insurer or rating organization files rates with the commissioner, it must demonstrate that the proposed rates satisfy the requirements of chapter 48.19 RCW. RCW 48.19.020 requires that premium rates for insurance are not excessive, inadequate, or unfairly discriminatory. A rate is reasonable and not excessive, inadequate, or unfairly discriminatory if it is an actuarially sound estimate of the expected value of all future costs associated with an individual risk transfer. Such costs include claims, claim settlement expenses, operational and administrative expenses, and the cost of capital.

(2) For the purposes of this section, "operating ratio" means the sum of after-tax underwriting profit (or loss) and after-tax investment income on assets corresponding to unearned premium reserves and loss and loss adjustment expense reserves, divided by premium.

(3) For liability insurance, if the increased limits factors include risk loads, the proportion of the expected premium (net of expenses) arising from the risk loads for all policy limits must be included in the expected underwriting profit or loss.

(4) The commissioner will not consider rates excessive if the expected operating ratio corresponding to the proposed rate level is less than or equal to five percent.

(5) The commissioner will not consider rates inadequate if the expected operating ratio corresponding to the proposed rate level is greater than or equal to zero.

(6) When an insurer, advisory organization, or rating organization files rates for which the expected operating ratio corresponding to the proposed rate level is less than zero or greater than five percent, it must demonstrate that the proposed rates are consistent with the principles stated in subsection (1) of this section. In other words, the insurer or rating organization must show how it has accounted for all expected costs, including claims, claim settlement expenses, operational and administrative expenses, and the cost of capital.

[Statutory Authority: RCW 48.02.060, 48.110.150. WSR 08-21-091 (Matter No. 2007-11), § 284-24-065, filed 10/15/08, effective 2/1/09. Statutory Authority: RCW 48.02.060, 48.19.020, 48.19.080. WSR 05-22-061 (Matter No. R 2003-05), § 284-24-065, filed 10/31/05, effective 1/1/06. Statutory Authority: RCW 48.02.060, 48.19.080, 48.19.370 and 48.19.020. WSR 98-20-102 (Matter No. R 98-4), § 284-24-065, filed 10/7/98, effective 11/7/98. Statutory Authority: RCW 48.02.060 and 48.19.080. WSR 91-01-073 (Order R 90-13), § 284-24-065, filed 12/17/90, effective 1/17/91.]