

WAC 296-15-123 Financial watch. (1) What is financial watch? Financial watch occurs when the department has concerns regarding a self-insured employer's ability to promptly provide benefits to its injured workers based on an analysis of the audited financial statements provided by that employer.

The purpose of financial watch is two-fold:

(a) It serves to alert the employer that the department is concerned with its ability to provide benefits to its injured workers; and

(b) It enforces the due diligence that the department must exercise in preserving the financial integrity of each self-insurer.

(2) What factors can lead to a firm being placed on financial watch? Contributing factors that can lead to a firm being placed on financial watch are negative changes in the following ratios and trends:

- (a) Net losses;
- (b) Ratio of debt to equity;
- (c) Liquidity ratios;
- (d) Ratios of debt and equity to total assets;
- (e) Ratio of net income to revenue;
- (f) Trends in earnings;
- (g) Trends in liquidity;
- (h) Trends in levels of debt;
- (i) Ratio of tangible net worth to levels of debt.

To assess an employer's ability to promptly provide any and all required benefits to its injured workers, the department will utilize these and other analytical ratios. The department may also utilize industry standards and other relevant information in its analysis.

(3) What are the consequences of being placed on financial watch? At the department's discretion, the surety requirement for a firm being placed on financial watch may be increased by up to twenty-five percent. No reduction in surety will be allowed while an employer is on financial watch.

(4) How long can a firm remain on financial watch? The status of a firm on financial watch will be re-evaluated annually upon receipt of its audited financial statements. The department may request interim financial information in addition to the annual audited financial statement.

If significant improvement is not demonstrated to the department's satisfaction after three years of being placed on financial watch, the department may undertake action to withdraw the self-insurance certification of that employer.

[Statutory Authority: RCW 51.04.020, 51.14.020, 51.32.190, 51.14.090, and 51.14.095. WSR 06-07-141, § 296-15-123, filed 3/21/06, effective 5/1/06.]