RCW 48.13.021 Minimum financial security benchmark—Determination of amount. (1) Minimum financial security benchmark.

(a) Unless otherwise established in accordance with (b) and (c) of this subsection, the amount of the minimum financial security benchmark for an insurer shall be the greater of:

(i) The authorized control level risk-based capital applicable to the insurer as set forth by RCW 48.05.450 or 48.43.320; or

(ii) The minimum capital or minimum surplus required by statute or rule for maintenance of an insurer's certificate of authority, certificate of registration, or other form of authorization to transact business pursuant to Title 48 RCW.

(b) The commissioner may, in accordance with the factors in subsection (2)(b) of this section, establish by order a minimum financial security benchmark to apply to a specific insurer provided it is not less than the amount determined by (a) of this subsection, in the event the insurer falls below three and one-half times the authorized control level risk-based capital applicable to the insurer as set forth by RCW 48.05.450 or 48.43.320.

(c) The commissioner may establish by rule a minimum financial security benchmark that is a multiple of authorized control level risk-based capital to apply to any class of insurers provided the amount established by the rule is not less than the amount determined in (a) of this subsection.

(2) The commissioner shall determine the amount of surplus that shall constitute an insurer's minimum financial security benchmark, as an amount that will provide reasonable security against contingencies affecting the insurer's financial position that are not fully covered by reserves or by reinsurance.

(a) Types of contingencies. The commissioner shall consider the risks of:

(i) Increases in the frequency or severity of losses beyond the levels contemplated by the rates charged;

(ii) Increases in expenses beyond those contemplated by the rates charged;

(iii) Decreases in the value of or the return on invested assets below those planned on;

(iv) Changes in economic conditions that would make liquidity more important than contemplated and would force untimely sale of assets or prevent timely investments;

(v) Currency devaluation to which the insurer may be subject;

(vi) Diminished prospects for performance of reinsurers' or other counter parties' obligations; and

(vii) Any other contingencies the commissioner can identify that may affect the insurer's operations.

(b) Controlling factors. In making the determination under this subsection, the commissioner shall take into account the following factors:

(i) The most reliable information available as to the magnitude of the various risks under (a) of this subsection;

(ii) The extent to which the risks in (a) of this subsection are independent of each other or are related, and whether any dependency is direct or inverse;

(iii) The insurer's recent history of profits or losses;

(iv) The extent to which the insurer has provided protection against the contingencies in other ways than the establishment of surplus; including redundancy of premiums, adjustability of contracts under their terms, investment valuation reserves whether voluntary or mandatory, appropriate reinsurance, the use of conservative actuarial assumptions to provide a margin of security, reserve adjustments in recognition of previous rate inadequacies, contingency or catastrophe reserves, diversification of assets, and underwriting risks;

(v) Independent judgments of the soundness of the insurer's operations, as evidenced by the ratings of reliable professional financial reporting services; and

(vi) Any other relevant factors. [2011 c 188 § 3.]