



# PROPOSED RULE MAKING

## CR-102 (June 2012)

(Implements RCW 34.05.320)

Do NOT use for expedited rule making

**Agency:** Office of the Insurance Commissioner

- Preproposal Statement of Inquiry was filed as WSR 14-19-079; or  
 Expedited Rule Making--Proposed notice was filed as WSR \_\_\_\_\_; or  
 Proposal is exempt under RCW 34.05.310(4) or 34.05.330(1).

- Original Notice  
 Supplemental Notice to WSR  
 Continuance of WSR \_\_\_\_\_

**Title of rule and other identifying information:** (Describe Subject) Fraternal Benefit Society Risk-Based Surplus (RBS) Standards

Insurance Commissioner Matter No. R 2014-12

**Hearing location(s):**  
 Insurance Commissioner's Office  
 302 Sid Snyder Ave. SW, Suite 200  
 Olympia, WA 98504-0258

Date: January 6, 2015 Time: 10:00AM

**Date of intended adoption:** January 7, 2015  
 (Note: This is **NOT** the effective date)

**Submit written comments to:**  
 Name: Jim Tompkins  
 Address: PO Box 40258  
 Olympia, WA 98504-0258  
 e-mail [rulescoordinator@oic.wa.gov](mailto:rulescoordinator@oic.wa.gov)  
 Fax: 360-586-3109 by (date) January 5, 2015

**Assistance for persons with disabilities:**  
 Contact: Lori Villaflores by January 5, 2015  
 TTY (360) 586-0241 or (360) 725-7087

**Purpose of the proposal and its anticipated effects, including any changes in existing rules:** The Commissioner will consider rules to amend the RBS trend test for Fraternal Benefit Societies to comport with changes in the trend test in the NAIC model law.

**Statutory authority for adoption:** RCW 48.36A.100

**Statute being implemented:** RCW 48.36A.100 and RCW 48.05.340.

**Is rule necessary because of a:**

Federal Law?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Federal Court Decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
State Court Decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

If yes, CITATION:

**DATE**  
 December 2, 2014

**NAME** (type or print)  
 Mike Kreidler

**SIGNATURE**

**TITLE**  
 Insurance Commissioner

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 STATE OF WASHINGTON  
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**DATE:** December 02, 2014

**TIME:** 1:51 PM

**WSR 14-24-106**

**Agency comments or recommendations, if any, as to statutory language, implementation, enforcement, and fiscal matters:**

None

**Name of proponent:** (person or organization) Mike Kreidler, Insurance Commissioner

- Private
- Public
- Governmental

**Name of agency personnel responsible for:**

Name	Office Location	Phone
Drafting..... Jim Tompkins	PO Box 40258, Olympia, WA 98504-0258	(360) 725-7036
Implementation.... Bill Michels	PO Box 40259, Olympia, WA 98504-0259	(360) 725-7214
Enforcement..... Bill Michels	PO Box 40259, Olympia, WA 98504-0259	(360) 725-7214

**Has a small business economic impact statement been prepared under chapter 19.85 RCW or has a school district fiscal impact statement been prepared under section 1, chapter 210, Laws of 2012?**

Yes. Attach copy of small business economic impact statement or school district fiscal impact statement.

A copy of the statement may be obtained by contacting:

Name:

Address:

phone ( ) \_\_\_\_\_

fax ( ) \_\_\_\_\_

e-mail \_\_\_\_\_

No. Explain why no statement was prepared.

This proposed rule does not require a Small Business Economic Impact Statement under the provisions of RCW 19.85.025(3).

The proposed rule amendment does not impose any additional costs on a business. It raises the risk-based capital (RBC) threshold from 2.5 to 3.0.

**Is a cost-benefit analysis required under RCW 34.05.328?**

Yes A preliminary cost-benefit analysis may be obtained by contacting:

Name: Jim Tompkins

Address: PO Box 40258

Olympia, WA 98504-0258

phone (360) 725-7036

fax (360) 586-3109

e-mail [rulescoordinator@oic.wa.gov](mailto:rulescoordinator@oic.wa.gov)

No: Please explain:

**WAC 284-36A-040 Society action level event.** (1) "Society action level event" means any of the following events:

(a) The filing of an RBS report by a fraternal benefit society which indicates that the fraternal benefit society's has total adjusted surplus which is greater than or equal to its society action level RBS but less than the product of its authorized control level RBS and ((2.5)) 3.0 and has a negative trend;

(b) The notification by the commissioner to the fraternal benefit society of an adjusted RBS report that indicates an event in (a) of this subsection, provided the insurer does not challenge the adjusted RBS report under WAC 284-36A-060; or

(c) If, pursuant to WAC 284-36A-060, a fraternal benefit society challenges an adjusted RBS report that indicates the event in (a) of this subsection, the notification by the commissioner to the fraternal benefit society that the commissioner has, after a hearing, rejected the fraternal benefit society's challenge.

(2) In the event of a society action level event, the fraternal benefit society shall prepare and submit to the commissioner an RBS plan which shall:

(a) Identify the conditions which contribute to the society action level event;

(b) Contain proposals of corrective actions which the fraternal benefit society intends to take and would be expected to result in the elimination of the society action level event;

(c) Provide projections of the fraternal benefit society's financial results in the current year and at least the four succeeding years, both in the absence of proposed corrective actions and giving effect to the proposed corrective actions, including projections of statutory operating income, net income, and surplus. (The projections for both new and renewal business might include separate projections for each major line of business and separately identify each significant income, expense and benefit component);

(d) Identify the key assumptions impacting the fraternal benefit society's projections and the sensitivity of the projections to the assumptions; and

(e) Identify the quality of, and problems associated with, the fraternal benefit society's business, including but not limited to its assets, anticipated business growth and associated surplus strain, extraordinary exposure to risk, mix of business and use of reinsurance, if any, in each case.

(3) The RBS plan shall be submitted:

(a) Within forty-five days of the society action level event; or

(b) If the fraternal benefit society challenges an adjusted RBS report pursuant to WAC 284-36A-060, within forty-five days after notification to the fraternal benefit society that the commissioner has, after a hearing, rejected the fraternal benefit society's challenge.

(4) Within sixty days after the submission by a fraternal benefit society of an RBS plan to the commissioner, the commissioner shall notify the fraternal benefit society whether the RBS plan shall be implemented or is, in the judgment of the commissioner, unsatisfactory. If the commissioner determines the RBS plan is unsatisfactory, the notification to the fraternal benefit society shall set forth the reasons for the determination, and may set forth proposed revisions which

will render the RBS plan satisfactory, in the judgment of the commissioner. Upon notification from the commissioner, the fraternal benefit society shall prepare a revised RBS plan, which may incorporate by reference any revisions proposed by the commissioner, and shall submit the revised RBS plan to the commissioner:

(a) Within forty-five days after the notification from the commissioner; or

(b) If the fraternal benefit society challenges the notification from the commissioner under WAC 284-36A-060, within forty-five days after a notification to the fraternal benefit society that the commissioner has, after a hearing, rejected the fraternal benefit society's challenge.

(5) In the event of a notification by the commissioner to a fraternal benefit society that the fraternal benefit society's RBS plan or revised RBS plan is unsatisfactory, the commissioner may at the commissioner's discretion, subject to the fraternal benefit society's rights to a hearing under WAC 284-36A-060, specify in the notification that the notification constitutes a regulatory action level event.

(6) Every fraternal benefit society that files an RBS plan or revised RBS plan with the commissioner shall file a copy of the RBS plan or revised RBS plan with the insurance commissioner in any state in which the fraternal benefit society is authorized to do business if:

(a) Such state has an RBS provision substantially similar to WAC 284-36A-035(1); and

(b) The insurance commissioner of that state has notified the fraternal benefit society of its request for the filing in writing, in which case the fraternal benefit society shall file a copy of the RBS plan or revised RBS plan in that state no later than the later of:

(i) Fifteen days after the receipt of notice to file a copy of its RBS plan or revised plan with the state; or

(ii) The date on which the RBS plan or revised RBS plan is filed under subsections (3) and (4) of this section.