

## REPORTING

### Note X – Solvency

#### A. Financial Solvency Property and Liability Pool (Joint Pools)

Washington Administrative Code (WAC) 200-100 requires (Pool) to maintain certain levels of primary and secondary assets to meet solvency standards. As defined in WAC 200-100-03001 total primary assets, cash and cash equivalents less non-claim liabilities, must be at least equal to the unpaid claims estimate at the expected level as determined by the actuary. Additionally, total primary and secondary assets must be at least equal to the unpaid claims estimate at the 80 percent confidence level as determined by the actuary. Secondary assets are defined as insurance receivables, real estate or other assets (less any non-claim liabilities) the value of which can be independently verified by the state risk manager.

#### Solvency test for program:

Primary Asset Test	
Cash and cash equivalents	
Investments	
<b>Total</b>	
Less: Non-claims liabilities	
Accounts payable/Tax liability	
Less: Unearned member contributions in excess of member contribution receivables	
<b>Total Primary Assets</b>	
<i>compared to:</i>	
<b>Claim liabilities at expected level per actuary (sum of all claims liabilities)</b>	
<b>Test #1 - Primary Asset Test</b>	<b>MET/NOT MET</b>

Secondary Asset Test	
Cash and cash equivalents	
Investments	
Receivables, member contributions	
Capital Assets	
Less: Non-claims liabilities	
Accounts payable/Tax liability	
Less: Unearned member contributions	
<b>Total Secondary Assets</b>	
<i>compared to:</i>	
<b>Claim liabilities at 80 percent confidence level per actuary (from actuarial study)</b>	
<b>Test #2 - Secondary Asset Test</b>	<b>MET/NOT MET</b>

**B. For Health and Welfare Pools (Joint Pools)[1]**

Washington Administrative Code 200-110-040 requires all joint health and welfare programs self-insuring medical benefit programs to establish program reserves in an amount greater than 16 weeks. For vision, dental or prescription drug benefit programs or any combination of programs to establish program reserves in an amount not less than eight weeks of program expenses for each program offered. In addition, maintain an aggregate stop-loss insurance policy with an attachment point set at or below one hundred twenty-five percent of annual expected claim costs; and establish by ordinance or resolution of the governing body, an additional contingency reserve for a joint vision, dental or prescription drug program in the amount equal to at least eight weeks of program expenses.

**Solvency test for program:**

FOR MEDICAL PROGRAM EXPENSES - 16 WEEK RESERVE IS REQUIRED UNLESS ESTIMATED BY ACTUARY	
Medical 16 weeks claims test	
<u>Program expenses</u>	
Medical Claims Paid	-
Other Operating Expenses related to medical claims (would include admin fees)	-
Other Operating Expenses other than related to medical	-
<b><i>TOTAL</i></b>	-
<u>Minimum Program Reserves</u>	
Total Program Expenses	-
Divided by 52	-
x 16	-
<b><i>Total expected program reserves</i></b>	-
<u>Actual Program reserves</u>	
Net Position or liability	-
<b>16 weeks claims test</b>	<b>NOT MET</b>

FOR VISION, DENTAL OR PRESCRIPTION PROGRAM EXPENSES - 8 WEEK RESERVE IS REQUIRED UNLESS ESTIMATED BY ACTUARY			
8 weeks claims test		Additional contingency reserve	
<u>Program expenses</u>		<u>Program expenses</u>	
Dental/Vision or Rx claims	-	Dental/Vision or Rx claims	-
Other Operating Expenses <i>related to medical claims</i>	-	Other Operating Expenses <i>related to medical claims</i>	
Other Operating Expenses other than related to claims	-	Other Operating Expenses other than related to claims	-
<b>TOTAL</b>	-	<b>TOTAL</b>	-
<u>Minimum Program Reserves</u>		<u>Minimum Program Reserves</u>	
Total Program Expenses	-	Total Program Expenses	-
Divided by 52	-	Divided by 52	-
x 8	-	x 8	-
<b>Total expected program reserves</b>	-	<b>Total expected program reserves</b>	-
<u>Actual Program reserves</u>		<u>Reserves, after meeting 8 week test</u>	
Net Position or liability	-	Net Position - 8 weeks of claims	-
<b>8 weeks claims test</b>	<b>NOT MET</b>	<b>Additional contingency reserve</b>	<b>NOT MET</b>

### INSTRUCTIONS TO PREPARER

[1] This note should be customized specifically to the risk pool's circumstances particularly if programs in existence less than one year have established reserves according to the initial plan submitted and approved by the state risk manager, if different than the required eight week reserve, OR if reserve is determined by obtaining an independent actuary estimate.