

Fixed payment insurance products

Annual report to the Legislature

June 1, 2011



Mike Kreidler - Insurance Commissioner

www.insurance.wa.gov

STATE OF WASHINGTON

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OFFICE OF
INSURANCE COMMISSIONER

June 1, 2011

Dear Washington State Legislator:

In 2007, the Legislature passed Substitute House Bill 1233, now codified as RCW 48.43.650. The legislation requires my office to collect and report information regarding fixed payment insurance on June 1st of each year.

This 2011 report – the third annual report – is based on data collected in 2010. As noted in last year's report, we refined the data to focus specifically on medical payment products. This resulted in excluding disability-income fixed payment policies and dismemberment fixed payment policies from future data collection.

This report compares data collected for 2009 and 2010. The new data shows that:

- Sales for group policies have decreased significantly, as has the number of group enrollees.
- Sales for individual policies show a decrease in both the number of policies and the number of individual enrollees.
- Consumer complaints dropped significantly for the 2011 survey, with only 22 complaints compared to 39 for the 2010 survey.

If you have questions about this report, please contact John Haworth at (360) 725-7223 regarding the data survey, or Donna Dorris at (360) 725-7040 regarding fixed payment policies.

Sincerely,

A handwritten signature in black ink that reads "Mike Kreidler".

Mike Kreidler
Insurance Commissioner

Enclosure

Executive summary

In 2007, the Legislature passed Substitute House Bill 1233, now codified as RCW 48.43.650, regarding fixed payment insurance. The Legislature modified the definition of “health plan” in RCW 48.43.005 to exclude fixed payment insurance offered as an independent, non-coordinated benefit. RCW 48.43.650 requires the Insurance Commissioner to collect and report information regarding fixed payment insurance on June 1 of each year, starting in 2009.

The result of this legislation was to exempt these products from having to comply with many mandated benefit requirements that apply to more comprehensive medical insurance.

Fixed payment policies pay a specific amount to a covered individual if that person receives certain types of medical care or services. This payment is made regardless of the amount actually charged by the provider. The policies are sold either on an individual basis or to employer groups.

Group fixed payment plans allow an employer to purchase minimal coverage for employees. Typical benefit designs include a set dollar amount for a doctor visit (e.g. \$25 per visit), or a daily benefit amount for a hospital confinement (e.g. \$200 per day). There is also a low calendar year maximum. Proponents of the legislation testified that employers wanted to provide this limited coverage to their low-wage and seasonal employees so that they would have some coverage. Opponents expressed concern that some employers would replace comprehensive medical coverage with these very limited plans.

Because this coverage is not comprehensive health insurance, and the benefit amounts may be significantly less than the cost of care, the legislation required a disclosure form designed to help consumers understand that the coverage will not cover the entire cost of most medical expenses or hospital care. The companies are required to use a standard disclosure form and file it with the Office of the Insurance Commissioner (OIC) for approval.

On June 1, 2009, the OIC submitted its first report to the legislature. The enclosed report for June 1, 2011 is a result of the survey sent to companies in March of 2011.

Annual Reports

Each March, companies are required to complete and submit a survey answering the following questions:

- Did you write fixed payment policies in Washington state?
- What is the number of new fixed payment policies issued for groups?
- What is the number of new fixed payment policies issued for individuals?
- What is the number of new fixed payment policy group enrollees?
- What is the number of new individual fixed payment policy enrollees?
- What is the number of Washington insurance department complaints received for fixed payment policies?

2011 Annual Report - What the data shows

In 2009, using data from 2008, we surveyed 681 companies licensed to sell products meeting the definition of fixed payment policies. All the companies responded. Companies submitted information that included disability income policies for the 2009 survey, but disability income policies typically do not meet the definition of fixed payment policy, so these types of policies are not included in surveys completed in 2010 or 2011.

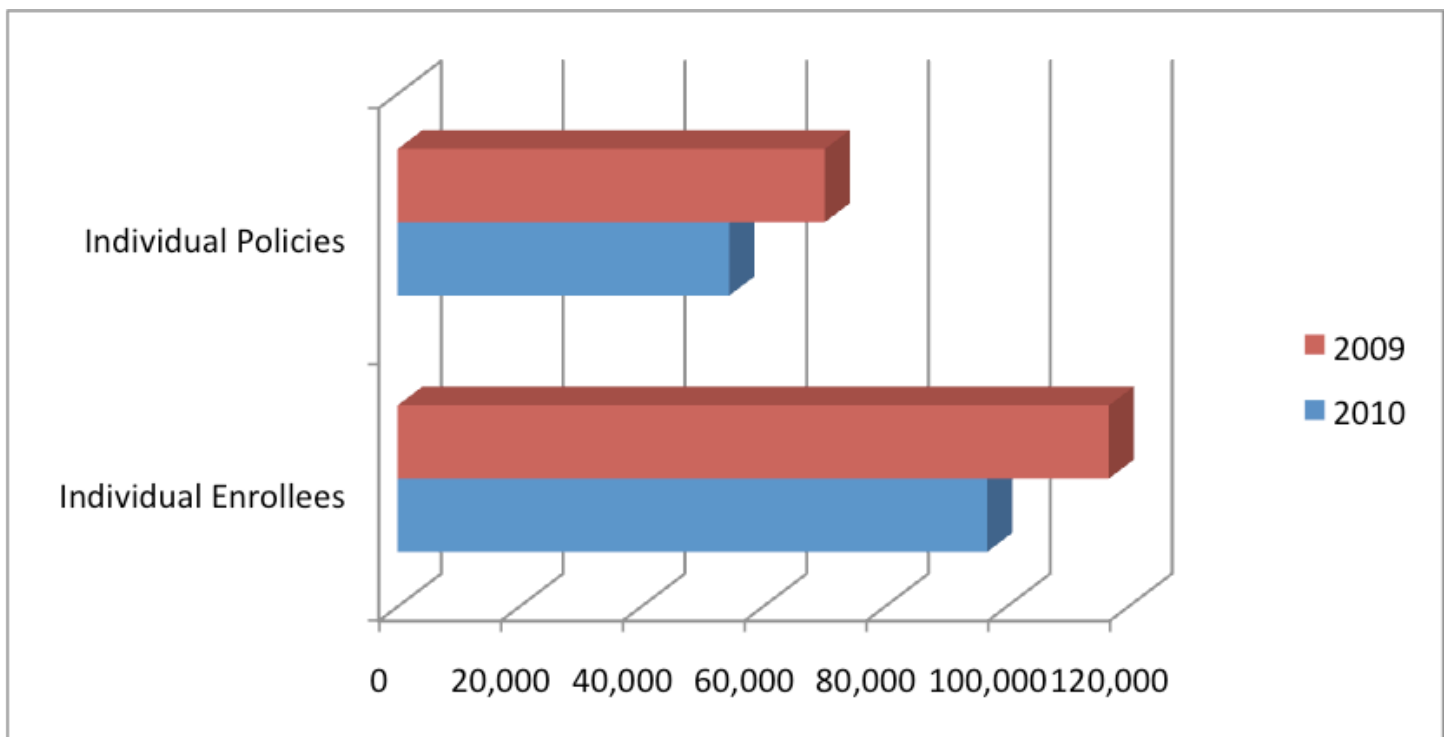
For purposes of this report, from 2010 forward, the definition of fixed payment policies are illness-triggered fixed payment insurance, hospital confinement fixed payment insurance, or other fixed payment insurance policies where the benefit provided is a fixed dollar amount paid regardless of the amount charged. Fixed payment riders attached to any policy type are not included.

For the 2011 survey, using data from 2010, we surveyed the original 75 companies from the previous year. To ensure consistency of the data, this year's report compares data from 2009 and 2010 only, after the refinement of the definition of fixed payment policies.

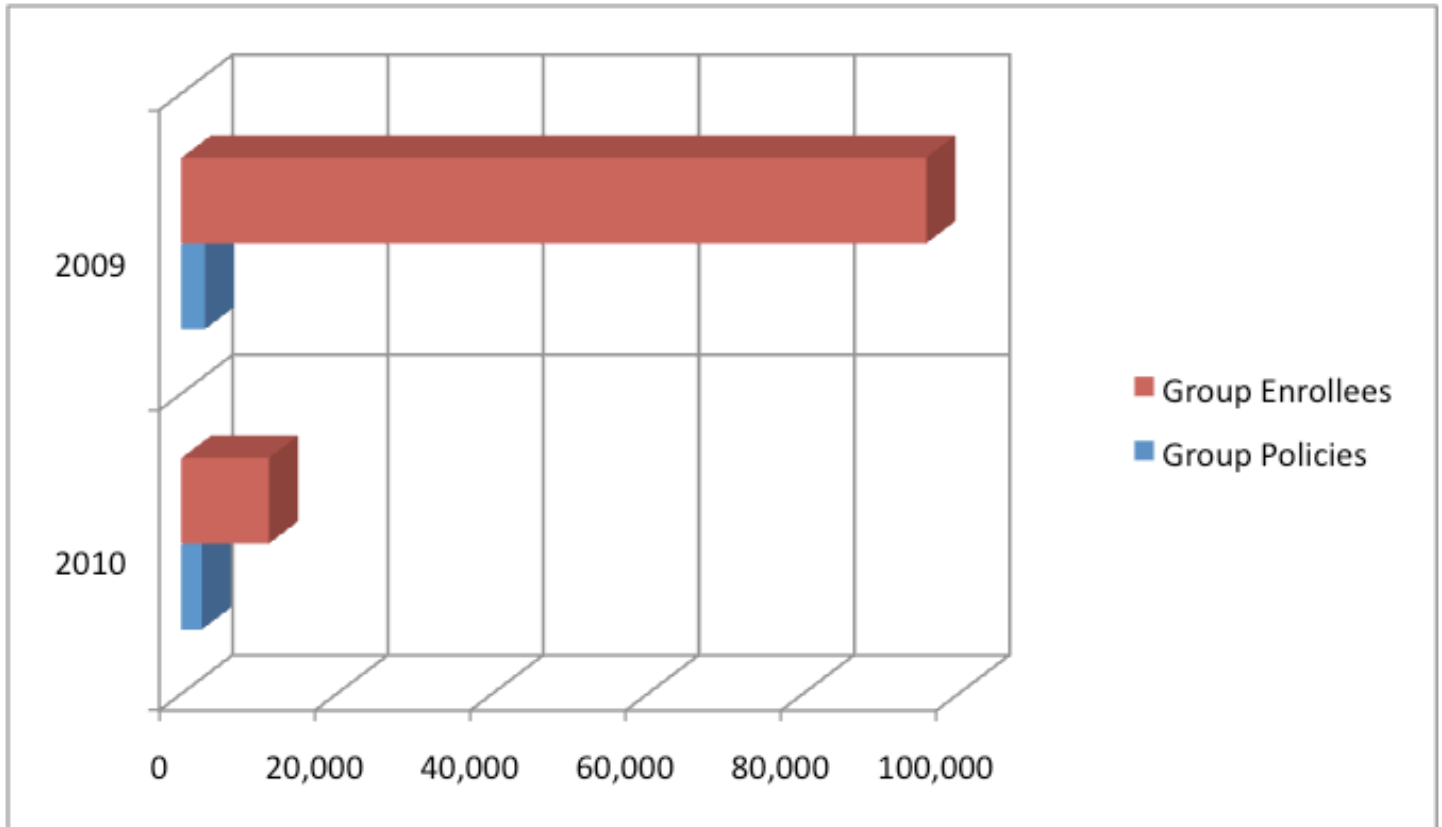
In the 2011 survey, companies reported 22 complaints, compared to 39 in 2010.

Comparisons of the 2010 and 2011 surveys

Individual enrollees decreased from 116,821 to 96,843, a 17 percent decrease. Individual policies decreased from 70,173 to 55,581, a 21 percent decrease.



Group enrollees decreased from 95,838 to 11,251 – a decrease of 88 percent. Group policies decreased from 3,033 to 2,654 – a 12 percent decrease.



Conclusions

Data from the 2011 survey show that:

- Five companies have approximately 88 percent of the individual policies sold in this state, covering 86,292 individual enrollees. This represents a 22.5 percent decrease for these companies in individual policies sold, with a decrease of 19,834 individual enrollees compared to the 2010 survey.
- In the group policy market, five companies covered 90,553 group enrollees representing approximately 99 percent of total group enrollees for the 2010 survey. For the 2011 survey, group enrollees for these companies totaled 6,047, a decrease of 93 percent.
- National Union Fire of Pittsburg reported 71,737 group enrollees enrolled in four group policies for the 2010 survey. For 2011, the company reported no new sales, and they discontinued marketing hospital indemnity coverage in Washington state for 2010, accounting for the difference in their data from 2009 to 2010.

APPENDIX A

Group policies and group enrollees by company

Company	2009 Group Policy	2010 Group Policy	2009 Group Enrollees	2010 Group Enrollees
AAA LIFE INSURANCE COMPANY	0	1	0	4113
AETNA LIFE INSURANCE COMPANY	1	5	0	215
AMERICAN HERITAGE LIFE INSURANCE COMPANY	80	72	138	145
AMERICAN INCOME LIFE INSURANCE COMPANY	9	2	6462	500
BCS INSURANCE COMPANY	0	1	40	20
COMPANION LIFE INSURANCE COMPANY	9	2	241	158
KANSAS CITY LIFE INSURANCE COMPANY	43	35	8460	1382
MUTUAL OF OMAHA INSURANCE COMPANY	2542	2359	3382	3180
NATIONAL UNION FIRE INSURANCE	4	0	71737	0
NATIONWIDE LIFE INSURANCE COMPANY	0	1	0	1
PAN-AMERICAN LIFE INSURANCE COMPANY	1	1	42	9
RELIASTAR LIFE INSURANCE COMPANY	269	148	446	198
SYMETRA LIFE INSURANCE COMPANY	16	10	512	985
TRANSAMERICA LIFE INSURANCE COMPANY	23	19	59	344
TRUSTMARK INSURANCE COMPANY	18	1	21	1
Sub-Total	3015	2,657	91,540	11,251
Company (YES for 2009 and No for 2010) *Companies not reporting 2010 data	2009 Group Policy	2010 Group Policy	2009 Group Enrollees	2010 Group Enrollees
CAPITOL INDEMNITY CORPORATION	6		3980	
MONUMENTAL LIFE INSURANCE COMPANY	2		2	
RIVERSOURCE LIFE INSURANCE COMPANY	0		0	
*UNITED STATES FIRE INSURANCE COMPANY	10		316	
UNITED TEACHER ASSOCIATES INSURANCE COMPANY	0		0	
WESTERN AND SOUTHERN LIFE INSURANCE COMPANY	0		0	
Sub-Total	18		4298	
Final Total	3033		95,838	

Individual Policies and Individual Enrollees by company

Company	2009 Individual Policy	2010 Individual Policy	2009 Individual Enrollees	2010 Individual Enrollees
AAA LIFE INSURANCE COMPANY	1	2	2	2
AMERICAN FAMILY LIFE ASSURANCE COMPANY OF COLUMBUS	47209	35032	83365	67184
AMERICAN FIDELITY ASSURANCE COMPANY	947	824	947	1553
AMERICAN GENERAL LIFE INSURANCE COMPANY	5	2	5	2
AMERICAN HERITAGE LIFE INSURANCE COMPANY	744	479	1282	977
AMERICAN INCOME LIFE INSURANCE COMPANY	3793	3875	7890	5883
ASSURITY LIFE INSURANCE COMPANY	0	16	0	16
BANKERS FIDELITY LIFE INSURANCE COMPANY	379	269	379	269
BANKERS LIFE & CASUALTY COMPANY	27	27	29	28
COLONIAL LIFE & ACCIDENT INSURANCE COMPANY	4079	3835	4438	4323
COMBINED INSURANCE COMPANY OF AMERICA	4607	3084	6536	5507
COMPANION LIFE INSURANCE COMPANY	0	27	0	27
FAMILY HERITAGE LIFE INS. COMPANY OF AMERICA	898	788	1708	1950
GLOBE LIFE AND ACCIDENT INSURANCE COMPANY	560	505	560	505
GUARANTEE TRUST LIFE INSURANCE COMPANY	36	170	36	170
MUTUAL OF OMAHA INSURANCE COMPANY	32	11	32	11
NATIONWIDE LIFE INSURANCE COMPANY	0	1090	0	1090
OMAHA WOODMEN LIFE INSURANCE SOCIETY	10	12	10	12
PHYSICIANS MUTUAL INSURANCE COMPANY	304	298	429	404
PROFESSIONAL INSURANCE COMPANY	9	1	10	1
PROVIDENT LIFE AND ACCIDENT INSURANCE COMPANY	3055	2757	3897	3395
STATE FARM MUTUAL AUTO INSURANCE COMPANY	1476	962	1747	1043
STERLING LIFE INSURANCE COMPANY	2	125	2	124
TRANSAMERICA LIFE INSURANCE COMPANY	2	4	5	9

TRUSTMARK INSURANCE COMPANY	22	30	34	50
UNITED AMERICAN INSURANCE COMPANY	310	10	455	11
UNITED TEACHER ASSOCIATES INSURANCE COMPANY	22	109	60	167
UNITED TRANSPORTATION UNION INSURANCE ASSOC.	1207	952	2414	1761
USABLE LIFE	5	18	5	18
WASHINGTON NATIONAL INSURANCE	0	266	0	350
Sub -Total	69,741	55,581	116,280	96,843
Company (YES for 2009 and No for 2010) *Companies not reporting 2010 data	2009 Individual Policy		2009 Individual Enrollees	
*AMEX ASSURANCE COMPANY	2		3	
*CONSECO HEALTH INSURANCE COMPANY	34		34	
*CONSECO INSURANCE COMPANY	91		185	
*EQUITABLE LIFE & CASUALTY INSURANCE COMPANY	28		31	
*KANAWHA INSURANCE COMPANY	27		27	
*MEDICO INSURANCE COMPANY	24		38	
MONUMENTAL LIFE INSURANCE COMPANY	0		0	
PAN-AMERICAN LIFE INSURANCE COMPANY	0		0	
PENNSYLVANIA LIFE INSURANCE COMPANY	3		3	
RIVERSOURCE LIFE INSURANCE COMPANY	221		221	
WESTERN AND SOUTHERN LIFE INSURANCE COMPANY	2		2	
Sub-Total	432		541	
Final Total	70,173	55,581	116,821	96,843