

Office of the Insurance Commissioner Annual Report

2021 Insurance Regulation Overview
July 1, 2022

Mike Kreidler, *Insurance Commissioner*

www.insurance.wa.gov

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About the Office of the Insurance Commissioner

The Washington state Office of the Insurance Commissioner (OIC) protects insurance consumers and oversees the insurance industry. We make sure insurance companies follow laws and rules and people get the coverage they've paid for. Each year, we answer questions and investigate problems for over 125,000 people and maintain a statewide network of volunteers who helped almost 85,000 consumers with their health-coverage issues.

In 2021, the insurance commissioner regulated 2,567 companies and 240,000 licensees who work in the insurance industry.



In fiscal year 2021, we collected \$683.6 million in premium taxes from insurance companies.

Of that amount:

- We sent \$660.7 million to the state general fund to support K-12 education, higher education, human services and general government operations.
- We sent \$22.9 million to the Washington Health Benefit Exchange account at the state treasury. The Exchange sells insurance plans to Washington consumers and to the state's Medicaid recipients.

We employ 265 people in Olympia, Tumwater, Spokane and Seattle. Our budget for 2019-2021 — called a biennium — is \$75.6 million.

Insurance plays an important role in our state's economy. The insurance industry in Washington generated more than \$55.2 billion in premiums in 2021.

As of 2020, the most recent data available, the industry employed more than 57,500 people in the state and accounted for nearly \$5 billion in wages and salaries. It contributed \$10.3 billion to Washington's gross state product, about 1.7% of the state's overall total.

The OIC is a member of the National Association of Insurance Commissioners (NAIC), which is the national standard-setting and regulatory support organization created and governed by the chief insurance regulators from the 50 states, the District of Columbia and five U.S. territories. Through the NAIC, state insurance regulators establish standards and best practices, conduct peer review, and coordinate their regulatory oversight. NAIC staff supports these efforts and represents the collective views of state regulators domestically and internationally.

About Insurance Commissioner Mike Kreidler

Mike Kreidler is Washington's eighth insurance commissioner.

A former member of Congress, he was first elected as insurance commissioner in 2000 and was re-elected to a sixth term in 2020.

A doctor of optometry with a master's degree in public health, Kreidler practiced at the former Group Health Cooperative in Olympia for 20 years, with 16 of them shared with the Washington State Legislature. He served as a member of the Northwest Power Planning Council and as regional director for the U.S. Department of Health and Human Services. He retired as a lieutenant colonel from the Army Reserves with 20 years of service. His first elected office was on a public school board in 1973.

Commissioner Kreidler is a staunch advocate for consumer protection and has earned a reputation as a fair and balanced regulator. He was honored in 2009 with the "Excellence in Consumer Advocacy Award,"

presented by consumer advisors to the National Association of Insurance Commissioners.

Commissioner Kreidler helped implement the Affordable Care Act in Washington state, worked to pass the strongest law in the country protecting people from surprise medical bills, supported efforts to protect reproductive rights and access to health coverage for transgender people. He is a national and international voice on climate change risk and resilience and how it affects insurance companies and consumers. In June 2020, Insurance ERM [named Commissioner Kreidler an insurance industry leader on climate change](#).

From his local school district to the state Legislature and halls of Congress, Commissioner Kreidler has served Washingtonians for 50 years.

OIC's MISSION

WE PROTECT THE PUBLIC
INTEREST AND OUR STATE'S
ECONOMY THROUGH FAIR AND
EFFICIENT REGULATION OF THE
INSURANCE INDUSTRY.

The OIC's work in 2021

Coronavirus pandemic

This past year, we continued to adapt to life changes from the COVID-19 pandemic. Our staff transitioned into a hybrid work model in mid-2021 and issued more guidance to insurers in response to coronavirus concerns for consumers.

Health insurance

Commissioner Kreidler issued emergency orders to make sure that insurance companies:

- Pay for medically necessary coronavirus testing with no copay or deductible for the test and associated visit. Insurers must pay for testing whether the provider is in the plan's network or not, and they cannot balance bill policyholders.
- Pay for telemedicine services at the same rates they pay for in-person visits and cover additional methods of telehealth.
- Open a special enrollment for health insurance from February until April 2021 for people who needed coverage.

He also continued to let people in Washington know that [all coronavirus vaccines are free of charge](#) to anyone, regardless if they have insurance or not. Additionally, all insurers must waive copays and deductibles for vaccines.

Insurance licensees (producers, adjusters, surplus lines brokers)

During the pandemic, we took steps to help insurance licensees who were affected by the statewide shutdown and resulting economic fallout. We licensed just under 194,000 insurance producers in 2021. Our state was the first in the nation to allow insurance licensees to take online licensing exams, which started before the pandemic. Based on Washington's experience, most states have now adopted the same practice.

We allowed licensees with renewal dates from March through June to renew until July 31 if they had a COVID-related hardship. We approved all 166 requests we received.

We expedited the approval for 411 continuing education courses to move online from in-person classrooms. To renew their license each year, Washington state-based insurance licensees are required to complete 24 hours of continuing education.

We allowed insurance licensees who paid renewal fees late to request we waive the associated penalties if there was a COVID-related reason for being late. We approved all 15 of the requests we received.

Law changes

Captive insurance

Washington businesses have used captive insurance to cover their Washington risks for over a decade. Captive insurance is critical to some businesses for risk mitigation, financial management and

sustainability. However, prior to 2021, the insurance code did not require captive insurers to register to do business within Washington. This meant captive insurance companies were doing business in Washington without regulatory oversight and without paying premium taxes.

Commissioner Kreidler recognized captive insurance as a prudent risk management tool but also believed that captives should pay their fair share of premium tax to Washington, like other insurance companies have done for years. As a result, Commissioner Kreidler worked collaboratively with interested parties to introduce [2SSB 5315](#) during the 2021 Washington state legislative session. This bill provided the legal framework for captive insurers to register, pay premium taxes and cover Washington risks.

The legislation passed and was signed into [law \(RCW 48.01\)](#) by Governor Inslee on May 12, 2021, and took effect immediately. Commissioner Kreidler also provided regulatory guidance and clarification for implementing captive insurance through [rulemaking WAC 284-201](#).

As of January 2022, the OIC has registered 26 eligible captive insurers in Washington and collected over \$10 million in premium taxes. The new captive insurance authorities represent thoughtful collaboration between the OIC and the insurance industry.

Clarifying the definition of an insurance adjuster

The state Legislature passed Commissioner Kreidler's request legislation to clarify the definition of an insurance adjuster. The new law defines an insurance adjuster as someone who either investigates and negotiates insurance claim or loss settlements and/or applies the factual circumstances of an insurance claim to the insurance policy provisions to determine coverages. The new law does not apply to non-insurance professionals who only provide damage evaluations on insurance claims; they're exempt from the requirement to be licensed as an adjuster. It further clarifies that an appraiser or umpire functioning under the contractual appraisal clause in the policy is not deemed an adjuster. As well, the new law requires continuing education for all resident adjusters. Finally, the new law created a registration process to allow emergency adjusters to work in Washington state after a declared disaster further helping the insurance industry provide the necessary claim adjustments on covered losses after catastrophic events.

Reinsurance

The state Legislature passed Commissioner Kreidler's request legislation to amend the state's insurance code to align with agreements between the U.S. and the European Union (EU). The international agreement eliminates reinsurance collateral and local presence requirements for EU reinsurers that maintain \$250 million of their own funds and 100% solvency capital. Conversely, U.S. reinsurers that maintain similar capital and surplus would not be required to maintain a local presence to do business in the EU or in any EU jurisdiction. A similar agreement was signed with the United Kingdom and extends similar treatment to qualified jurisdictions and accredited NAIC jurisdictions. This new law allows an insurer to list reinsurance policy coverages as an allowable accounting asset or reduced liability when the reinsurer meets a basic set of requirements to prove its solvency, licensure and compliance with regulatory standards across the country. With the passing of this law, Commissioner Kreidler has increased the financial safeguards for our state's insurance market.

Other noteworthy accomplishments

The Balance Billing Protection Act and the federal No Surprise Act

In response to federal legislation addressing surprise medical bills, we started working on our own legislation to combine the benefits of Washington's Balance Billing Protection Act with the new federal protections. The federal No Surprise Act passed in 2020 and incorporated many of the provisions already in place under Washington's recent law. The new federal law also applied to self-insured plans. During our initial legislative work, we began the process of incorporating similar balance billing protections to additional critical services, including behavioral health and substance use disorder services that are delivered in a crisis triage centers and evaluation and treatment facilities. [Read more about surprise billing](#) and protections for Washington state consumers.

2021 Climate Summit

Commissioner Kreidler's biannual climate summit was, again, held virtually. In October 2021, we brought together a national audience of climate, government and insurance professionals to understand and explore how climate change affects our communities, regulatory efforts and businesses. Speakers included Secretary General Ekhosuehi Iyahan with Insurance Development Forum (IDF); climate scientists from the University of Washington and the Yale program; representatives from The Travelers Companies, Inc., Athene Life and Annuity, Amazon and Microsoft; Washington state Governor Jay Inslee; Washington state Rep. Joe Fitzgibbon; and many others. [Find more information or watch the 2021 Climate Summit.](#)

Behavioral health

In 2018, the agency applied for and received a federal grant to examine access to behavioral health services in state-regulated health plans. Grant activities began in 2018 and will continue into 2023. To date, we have completed two market scans to gather data on health insurers' policies that impact access to care and compliance with mental health parity laws. Next steps include consumer advocacy and outreach on coverage issues and developing proposals for policy changes.

Consumer Protection

Our Consumer Protection division helps Washington consumers understand insurance and answer questions about all types of products, including annuities, auto, business, health, home, life and more.

We help Washington consumers understand their insurance rights, including how to file a health insurance appeal, submit a complaint against an insurance company, and verify if an agent, agency, or company is authorized to sell insurance in Washington.

In 2021, our consumer advocates:

- Processed 7,705 consumer complaints, resulting in recovery of over \$15.7 million related to insurance billings, refunds and various claim-handling issues.
- Answered 93,863 calls to our consumer hotline regarding insurance issues, rights and responsibilities.
- Conducted 14,906 live chat sessions.

- Responded to 9,342 written consumer inquiries.
- Distributed 4,040 copies of insurance-related publications to consumers.
- Helped consumers resolve policy issues, including claims, billing and underwriting problems.
- Provided over thousands of referrals to other places that can provide help, including the Washington Cares Fund and Washington Health Benefit Exchange.

Consumers can contact our consumer advocates at 800-562-6900 or www.insurance.wa.gov.

Statewide Health Insurance Benefits Advisors (SHIBA)

SHIBA provides free, unbiased and confidential assistance with Medicare and health care choices through a network of 16 sponsor agencies and hundreds of volunteers who counsel Washington consumers via one-on-one appointments and at outreach events.

SHIBA receives federal funding from the U.S. Department of Health and Human Services Administration for Community Living.

In 2021, SHIBA pivoted to virtual methods of helping with Medicare during the pandemic:

- More than 200 volunteers donated their time to train and help consumers with Medicare.
- SHIBA educated more than 57,000 people and assisted more 26,000 people with one-on-one counseling.
- SHIBA held more than 800 online outreach events across the state, helping more than 3,000 people

Reviewing insurance rates and forms

Insurance companies submit their insurance policy forms and proposed rates to the insurance commissioner for approval. Our Rates, Forms and Provider Network division reviews them to determine if they meet state law requirements. In 2021, we reviewed more than 11,884 form filings, which include policies, amendments and endorsements.

Health insurers submit rates each year for the following calendar year for individual and small-group plans. They submit rates for large-group plans anytime they want to change them.

Property and casualty insurers submit rates anytime they want to change them.

Rates must be sufficient to cover claims and expenses but must not overcharge consumers or result in unfair discrimination.

Health insurance

In 2021, 12 insurers sold health insurance inside the Washington state Health Benefit Exchange (Exchange) and outside the Exchange on the individual market. The insurance commissioner approved an average rate increase of 4.14% for those plans.

Network access and provider contracting

Insurance companies submit their provider contracts to the OIC for approval and file network access reports. Network access reports demonstrate a company's ability to provide access to medically necessary services guaranteed in the insurance plan, at in-network cost sharing, without billing an enrollee for extra charges.

Our Rates, Forms and Provider Networks division reviews these network documents to determine if they meet requirements in state law. In 2021, insurance companies submitted 6,318 provider contracts for approval and 1,787 network access reports.

Property and casualty insurance

Property and casualty insurance covers things like your house and the contents of your house or rental residence; vehicles, including cars, motorcycles and boats; business property or liability; and even pets.

The top five insurance companies that sell homeowner's insurance in Washington are:

1. **State Farm Fire and Casualty Co.:** 17.2% of the market; last approved average rate change was a 3.9% decrease in July 2022.

REGULATING HEALTH INSURERS

The Insurance Commissioner doesn't regulate self-insured health plans, offered by employers including Microsoft, Boeing and some plans in Washington state government.

Self-insured plans are regulated by the U.S. Department of Labor.

UNINSURED RATE DROPS

THE NUMBER OF PEOPLE WITHOUT HEALTH INSURANCE IN WASHINGTON STATE DROPPED FROM 14.5% IN 2012 TO 5.2% IN 2021.

2. **SAFECO Insurance Co. of America:** 9.9 % of the market; last approved average rate increase was 3.9% in June 2022.
3. **PEMCO Mutual Insurance Co.:** 6.1% of the market; last approved average rate increase was 3.1% in September 2021.
4. **United Services Automobile Association:** 3.7% of the market; last approved average rate increase was 7.9% in April 2019.
5. **Allstate Property and Casualty Insurance Co.:** 3.4% of the market; last approved average rate increase was 12% in February 2022.

The top five insurance companies that sell auto insurance in Washington are:

1. **State Farm Mutual Automobile Insurance Co.:** 13.9% of the market; last approved average rate increase was 7.1% in June 2022.
2. **Progressive Direct Insurance Co.:** 8.3% of the market; last approved average rate increase was 2.3% in September 2017.
3. **First National Insurance Co. of America:** 6.4% of the market; last approved average rate increase was 15.1% in March 2019.
4. **Allstate Fire and Casualty Insurance Co.:** 6.1% of the market; last approved average rate increase was 7% in March 2017.
5. **PEMCO Mutual Insurance Co.:** 4.7% of the market; last approved average rate increase was 3.7% in September 2018.

Overseeing insurance companies

Our Company Supervision division oversees all companies that conduct insurance business in Washington. The division oversees companies' licensing and monitors insurance companies for financial health, ability to pay claims and their market conduct. You can [look up insurance companies](#) that are authorized to do business in Washington.

In 2021, we regulated 2,567 insurance and risk-bearing entities, are registered as:

- 224 domestic companies.
- 2,318 foreign companies.
- 25 alien companies.

The registered companies are:

- 1,418 insurers, health carriers, and fraternal benefit societies.
- 763 other risk-bearing entities such as charitable gift annuity issuers, discount health plans, life settlement providers, risk retention groups, and service contract providers.
- 362 registered entities doing business with risk-bearing entities, such as advisory and rating organizations, independent review organizations, pharmacy benefit managers, reinsurance intermediaries, risk-purchasing groups, and organizations administering state and national programs.
- 24 accredited, certified, and single-trusted alien insurers.

We also track and report activity of 52 direct-practice providers to the state Legislature.

Each year, we post information from the NAIC that includes:

- A list of domestic insurers and their market share.
- A summary of Washington premiums and loss ratios.
- A summary of each line of business for all authorized companies to provide direct premiums written, market share and loss ratios.
- Top 40 authorized companies and top 10 groups with direct written premiums, market share, loss ratios and enrollment.

You can find our annual [market information reports](#) on our website.

We also conduct financial examinations of insurance companies and other companies that are incorporated in Washington. In 2021, our financial examiners completed one qualifying examination and six full-scope examinations of the following companies:

Health insurance companies:

- United Healthcare of Washington, Inc.
- Willamette Dental of Washington, Inc.
- Washington State Health Care Authority

Life insurance companies:

- GPM Health and Life Insurance Company

Title insurance companies:

- Retime Insurance Company

Guaranty Associations:

- Washington Insurance Guaranty Association

Rating Organizations:

- Washington Title Insurance Rating Organization

We also performed financial examinations of the following entities that are not insurance companies but are required by Washington state law to be examined:

- 11 charitable gift annuities issuers.

New admissions

In 2021, we admitted the following companies as new insurers in Washington state:

- Somers Re Ltd.
- Chubb European Group SE
- Monitor Life Insurance Company of New York

- Coastal Select Insurance Company
- Great Plains Casualty Inc.
- MTAW Insurance Company
- Chiron Insurance Company
- Real Advantage Title Insurance Company
- Compass Specialty Insurance A Risk Retention Group Inc.
- Primary Care Insurance A Risk Retention Group Inc.
- Healthcare Professional Long Term Care Risk Retention Group Inc.
- Notting Hill Risk Retention Group LLC.
- Commodore Risk Retention Group Inc.
- Clinician Assurance Inc. A Risk Retention Group
- NCMIC Risk Retention Group Inc.
- Loxdon Insurance Company Inc. A Risk Retention Group
- Platinum Transport Insurance Risk Retention Group Inc.

Revoked or suspended companies

Insurance companies must have a certificate of authority to legally sell insurance in Washington state. In 2021, we revoked or suspended certificates of authority for these companies:

Revoked:

- Bedivere Insurance Company
- Western General Insurance Company

Suspended:

- ACCC Insurance Company
- Americas Home Warranty
- American Service
- Axiom Production Administration
- Boy Scouts of America
- Corporation of the Catholic Archbishop of Seattle
- Daybreak Youth Services
- Emergency Physicians Insurance Exchange Risk Retention Group
- HP Inc
- Kornerstone Administrative Services LLC
- Ministry Advance Foundation
- NUI of Florida
- Project Hope The People to People Health Foundation
- Puget Sound Bloodworks
- Regents of the University of California
- Siskin Enterprise
- United Church Funds

- Western Grocers Employee Benefits Trust

Companies in receivership

Although rare, if an insurance company becomes financially unstable, we step in to make sure it stops selling new policies and run the company until its financial condition is stable. There were no companies in receivership in 2021.

Accreditation

In August 2020, the NAIC Financial Regulation Standards and Accreditation Committee voted to accredit the OIC's Company Supervision division. Accredited insurance departments undergo comprehensive, independent review every five years to ensure they meet financial solvency oversight standards.

The purpose of the accreditation program is for state insurance departments to meet baseline standards of solvency regulation, particularly with respect to regulation of multi-state insurers. NAIC accreditation allows non-domestic states to rely on the accredited domestic regulator to fulfill a baseline level of effective financial regulatory oversight. This creates substantial efficiencies for insurance regulators, who are then able to coordinate and rely on each other's work.

Licensing insurance professionals

We regulate people who do business in the insurance industry in Washington, called producers. There are several types of producers, including agents, brokers, adjusters and business entities. All producers are classified as "resident" (they live in Washington) or "nonresident" (they live outside of Washington).

In 2021 we licensed:

- 190,924 producers
- 13,643 adjusters
- 3,302 surplus line brokers

The number of licensed producers in Washington state increased 8% in 2021. Since 2012, we've seen an 80% increase.

We also licensed 318 insurance education providers and approved 5,600 education courses. Each resident insurance producer is required to complete 24 hours of continuing education to renew a license. Each continuing education provider and the courses they offer are reviewed to ensure each course meets requirements before being approved.

Enforcing insurance laws and rules

Our Legal Affairs division is responsible for interpreting and enforcing insurance laws and rules, encouraging compliance through clear and consistent interpretation of the law, and monitoring enforcement of agency actions. The division assists with the state's legislative agenda, provides prompt and meaningful responses to the public, industry and government inquiries, participates in agency policy development and creates procedures to support the organization's framework.

In 2021, our Legal Affairs division issued 582 enforcement orders against insurance producers, insurance companies, other regulated entities, and unauthorized entities. Through these enforcement actions, Legal Affairs imposed \$4.1 million in fines. The fines we collect are sent to the state's general fund.

The division's Regulatory Investigations Unit (RIU) conducts administrative investigations of insurance producers, insurance companies, and unlicensed and unauthorized entities that violate insurance laws and rules. In 2021, RIU closed 164 cases and investigated a variety of complaints. Complaint outcomes can involve the substantiation of harmful behavior such as misrepresentation, financial misconduct, and untrustworthiness or incompetence, for example.

Investigating insurance fraud

The insurance commissioner's Criminal Investigations Unit (CIU) investigates criminal insurance fraud and works with the state and local prosecutors to prosecute insurance fraud.

An advisory board of representatives from the insurance industry, consumers, the National Insurance Crime Bureau, county prosecutors and law enforcement provides advice to the commissioner to combat fraud.

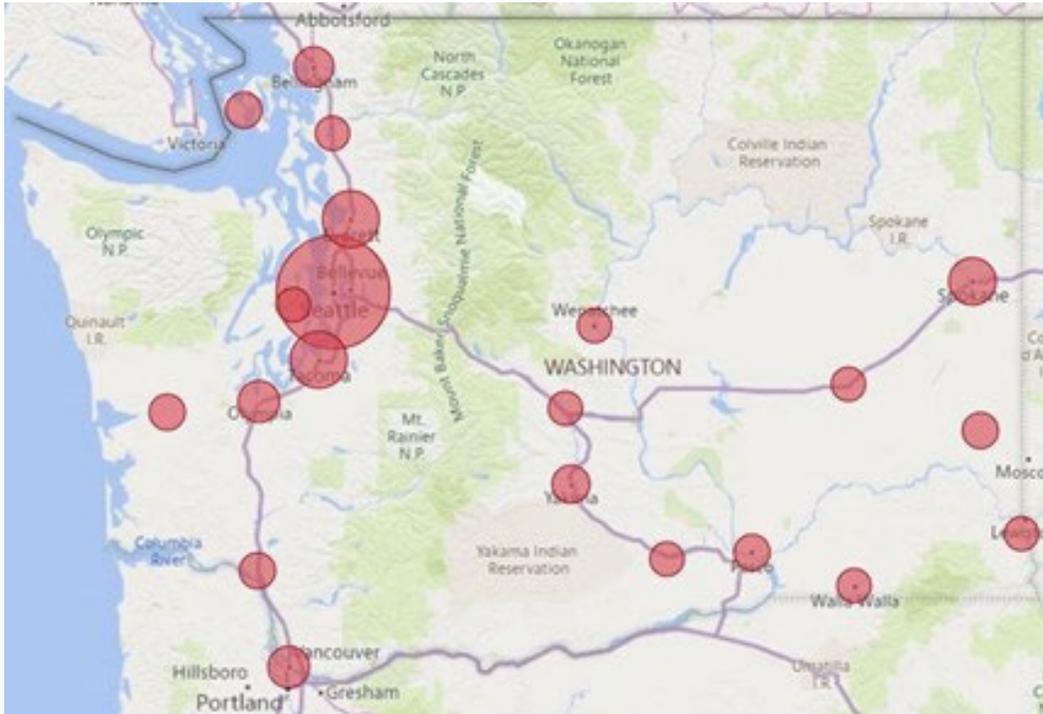
Due to pandemic-related restrictions, access to courts for criminal proceedings in all counties was dramatically affected. Many court proceedings were delayed, postponed and reset for future dates.

Many referred criminal cases remain filed, awaiting formal adjudication in the courts.

In 2021, CIU:

- Received 2,657 fraud referrals from insurance companies, law enforcement agencies, the National Insurance Crime Bureau (NICB), other government agencies and the public.
- Opened 112 criminal cases.
- Submitted 30 criminal cases to a prosecutor.
- Had 19 criminal guilty pleas or convictions for False Insurance Claims, Theft and Wire Fraud.

We investigated insurance fraud cases in the following Washington locations:



Other divisions

We have employees who support the agency's mission and work in other ways too, including:

- **Policy and Legislative Affairs** writes and implements rules, advises the Commissioner and executive team on policy issues, and works with the Legislature on bills and laws. In 2021, policy staff analyzed 137 bills, 114 fiscal notes and adopted 18 sets of rules, ranging from requiring insurance coverage for gender affirming treatment to regulating captive insurers. Find information about our [legislation and rulemaking](#) and [Legislative and commissioner reports](#).
- **Operations** keeps many IT systems running, makes sure our buildings are working, helps plan for emergencies and serves as a liaison to the state Emergency Management Division. Operations also manages all financial and budget matters and recruits and hires qualified staff. In 2021, our IT department successfully completed a rapid deployment of equipment and online tools to allow our employees to telework full-time during the pandemic.
- **Public Affairs** works with the media and manages the agency's website and social media channels. In 2021, the OIC communicated with more than 283,000 consumers, media and insurance industry professionals through our subscription news service; reached more than 8,100 people on social media; and had 1.27 million visitors to our website, www.insurance.wa.gov.



The Legislative Building and Insurance Building at the Washington state Capitol campus in Olympia.

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