

STATE OF WASHINGTON

MIKE KREIDLER  
STATE INSURANCE COMMISSIONER

Phone: (360) 725-7000  
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OFFICE OF  
INSURANCE COMMISSIONER

June 1, 2015

Dear Washington State Legislator:

RCW 48.43.650 requires my office to collect and report information regarding fixed payment insurance on June 1 of each year.

This 2015 report – the seventh annual report – is based on data collected in 2014. The data focuses specifically on medical payment products and excludes disability-income fixed payment policies and dismemberment fixed payment policies.

This report compares data collected for 2012, 2013 and 2014. The new data shows:

- New sales of group policies increased by 4,086 enrollees or 26 percent. Five companies dominated new group-market sales with 17,663 enrollees, representing 90 percent of all new group enrollees.
- New sales of policies sold to individual consumers decreased by 20 percent and the number of new enrollees decreased by 19 percent. Seven companies issued approximately 92 percent of the new individual policies sold in Washington state, covering 64,542 consumers.
- Complaints reported by companies in this year's survey increased 106 percent, from 18 complaints reported in 2013 compared to 37 complaints in 2014. More complaints were reported in either 2011 or 2012 than in 2014.
- The companies reported a total of 272,604 policies in force and 488,129 enrolled members. American Family Life Assurance Co. reported 323,770 enrollees, or 66 percent of the total fixed payment policies market.

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 insurance policies.

Sincerely,

Mike Kreidler  
Insurance Commissioner

## **Executive Summary**

In 2007, 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. The Insurance Commissioner, per RCW 48.43.650, is required to collect and report information regarding fixed payment insurance on June 1 of each year, starting in 2009.

The law exempts these products from complying with many mandated benefit requirements that apply to more comprehensive medical insurance. Because this coverage is not comprehensive health insurance and the benefit amounts may be significantly less than the cost of care, insurers are required to provide a disclosure form designed to help consumers understand that the coverage will not pay 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.

Fixed payment insurance 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 to individual consumers or to employer groups.

Group fixed payment policies allow an employee to buy minimal coverage through an employer. 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 stay (e.g. \$200 per day). There is also a low calendar year maximum. These payments usually cover only a fraction of the actual cost for provider or facility services.

Proponents of the original 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, resulting in uncovered medical costs or deferred treatment by enrollees.

Each year since 2009, the Commissioner has surveyed the industry offering fixed payment insurance policies and reported to findings to the Legislature. The enclosed report for June 1, 2015 is a result of the survey sent to companies in January 2015.

## Annual Reports

Each January, companies are required to complete a survey and submit data about their fixed payments policies. In 2014, the last two data questions were added to the survey in order ascertain how many policies are currently in force. The questions are:

- 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 WA insurance department complaints received for fixed payment policies?
- What is the total number of enrollees on all fixed payment policies on 12/31/2014?
- What is the total number of existing fixed payment policies in force on 12/31/2014?

## 2014 Annual Report - What the data shows

For purposes of this report, fixed payment policies are defined in RCW 48.43.005 (26)(i) and are specified disease, or illness-triggered fixed payment insurance, hospital confinement fixed payment insurance, or other fixed payment insurance offered as an independent, non-coordinated benefit. The benefits of these policies provide a fixed dollar amount paid to the insured person regardless of the amount charged.

For the 2015 survey, 47 companies reported that they sold fixed payment policies. This year's report compares data from 2012, 2013 and 2014.

Complaints reported by companies in this year's survey increased 106 percent, from 18 complaints reported in 2013 compared to 37 complaints in 2014. In 2012, 56 complaints were reported and in 2011, 41 complaints were reported.

## **Group Market**

- This year's data identified 19 companies reporting new sales of group policies, with an increase of 4,086 enrollees, a 26 percent increase in new enrollees from last year.
- Five companies dominate the new group market sales. Their 17,663 new group enrollees represent 90 percent of all new group enrollees.
- Ten companies reported 150 or less new group enrollees each, for a combined total of 406 group enrollees.

## **Individual Market**

- This year's data identified 33 companies that reported selling new individual policies. However, the number of new sales of individual policies decreased by 20 percent and the number of new enrollees decreased by 19 percent from last year's data.
- In 2014, seven companies issued approximately 92 percent of the new individual policies sold in Washington state, covering 64,542 individual enrollees.
- One company, American Family Life Assurance Co., continues to dominate the market with 49,964 new individual enrollees, or 72 percent of the market.

## **Conclusions**

New sales of fixed payment insurance policies in the group market continue to fluctuate dramatically from year to year. Between 2013 and 2014, 12 companies out of 19 that reported new sales in the group market also reported increased sales of group policies. However, one company, Unum Life Insurance Co. of America, has 48 percent of the market, with 9,405 new group enrollees of the 19,595 overall total of new group enrollees.

Companies that are actively selling new individual fixed payment policies decreased slightly from 34 in 2013 to 33 in 2014. Twenty companies, or 61 percent of those selling individual fixed payment policies, reported decreases in new individual enrollees. Sixteen companies have fewer than 200 new individual enrollees.

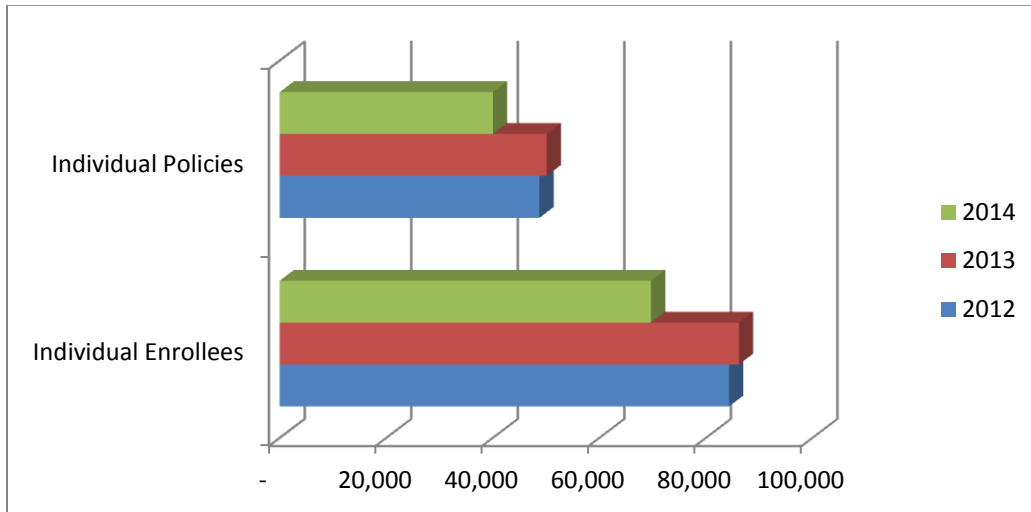
The companies reported a total of 272,604 policies in force and 488,129 enrolled members. American Family Life Assurance Co. reported 323,770 enrollees, or 66 percent of the total fixed payment policies market (individual plus group).

The market for fixed payment insurance coverage does not meet the definition of a comprehensive health plan or the requirements under the Affordable Care Act (Pub. L 111-148 (2010)), and does not meet the 2014 individual mandate requirement to purchase minimum essential coverage.

As a result of continuing health insurance enrollment through the Washington HealthPlanFinder, which opened in October 2013, it is probable that the market for fixed payment policies will decrease. A comparison of the 2014 cumulative enrollment totals to those for 2013 shows a 12 percent drop in overall new enrollments and only a 0.4 percent increase in overall enrollment.

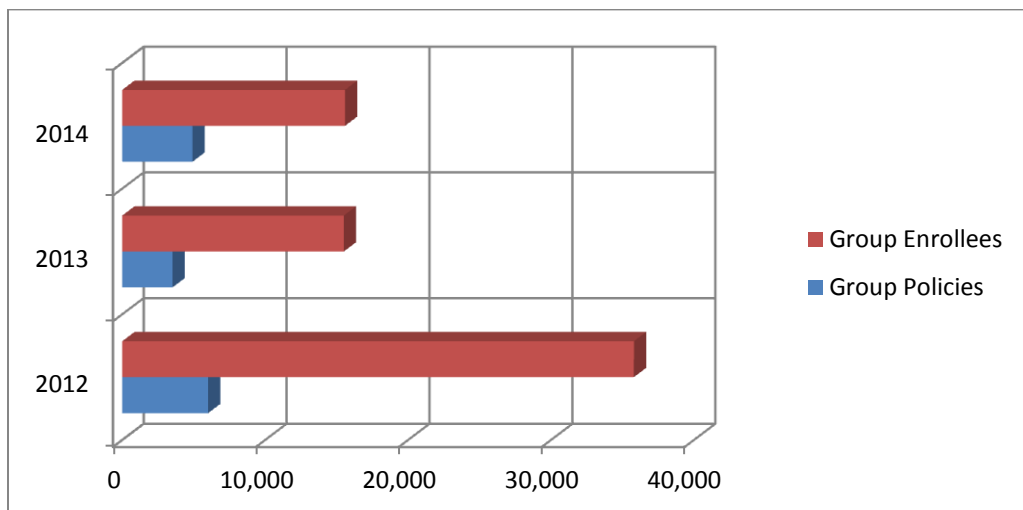
## Comparisons of the 2012, 2013 and 2014 surveys.

This year's new sales survey data shows both the number of new individual enrollees and individual policies decreasing from last year's data. Enrollees decreased by 19 percent, from 86,201 to 69,695, and policies decreased by 20 percent, from 50,117 to 40,026.



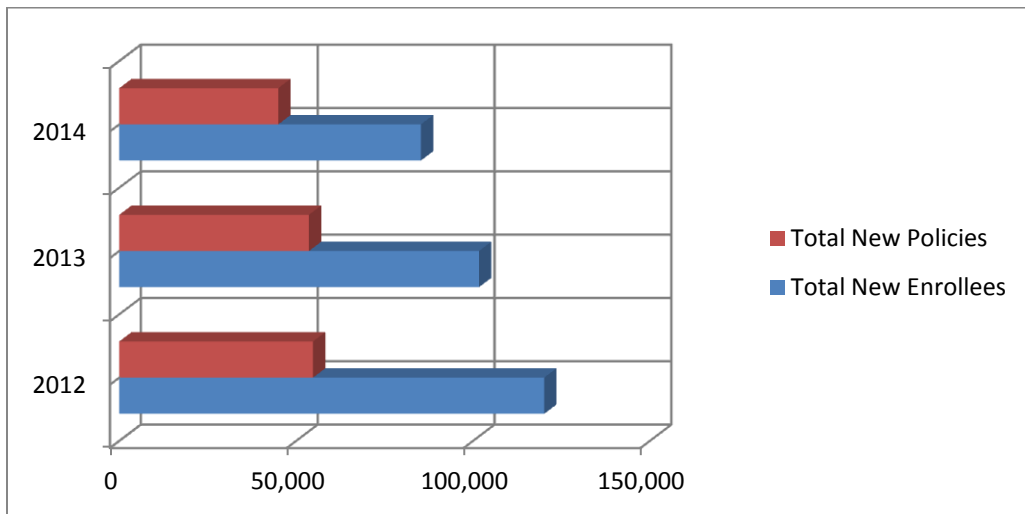
**Figure 1:** Number of individual policies sold and number of people enrolled in those policies (spouses and dependents may be covered under individual policies). **Source:** Company responses to the OIC survey for 2012, 2013 and 2014 benefit years, as surveyed in 2012, 2013, and 2014. Data is reported based on benefit year, not survey year.

The number of new sales of group policies purchased increased 40 percent from 3,521 to 4,923 and new group enrollment increased 26 percent from 15,509 to 19,595.



**Figure 2:** Number of people enrolled under group policies and number of group policies issued. **Source:** Company responses to the OIC survey for 2011, 2012, and 2013 benefit years, as surveyed in 2012, 2013 and 2014. Data is reported based on benefit year, not survey year.

Between 2012 and 2014, the total number of new individual and group policies decreased 18 percent from 54,783 to 44,949 and total number of new enrollees decreased 29 percent from 120,150 to 85,290.



**Figure 3:** Total number of new enrollees and total number of new policies issued. Source: Company responses to the OIC survey for 2011, 2012, and 2013 benefit years, as surveyed in 2012, 2013 and 2014. Data is reported based on benefit year, not survey year.

**APPENDIX A**  
**New Sales of Group Policies and Group Enrollees by Company<sup>1</sup>**

<b>Company</b>	<b>2012 Group Policy</b>	<b>2013 Group Policy</b>	<b>2014 Group Policy</b>	<b>2012 Group Enrollees</b>	<b>2013 Group Enrollees</b>	<b>2014 Group Enrollees</b>
AAA Life Insurance Company	0	1	1	0	4,058	1,850
ACE American Insurance Company	0	0	4	0	0	29
Aetna Life Insurance Company	0	16	1	0	161	25
American General Life Insurance Company	1	1	2	30	34	134
American Heritage Life Insurance Company	351	566	486	219	499	1,268
Colonial Life & Accident Insurance Company	4,650	1,221	2660	5,197	1,493	3,085
Combined Insurance Company of America	0	0	2	0	0	2
Companion Life Insurance Company	1	1	0	4	139	25
Continental American Insurance Company	3	7	2	23	34	8
Federal Insurance Company	0	0	3	0	0	202
Guardian Life Insurance Company Of America	0	1	1	0	36	27
Lincoln National Life Insurance Company	7	5	9	156	142	351
Mutual Of Omaha Insurance Company	858	160	152	1,178	205	189
Principal Life Insurance Company	0	0	1	0	0	127
ReliaStar Life Insurance Company	0	3	10	0	77	777
Transamerica Life Insurance Company	40	60	54	1,656	1,365	2,055
Trustmark Insurance Company	2	7	11	5	11	23
Union Labor Life Insurance Company	0	8	6	0	8	6
Unum Life Insurance Company Of America	48	1,459	1,519	25	5,607	9,405
<b>Total</b>	<b>6,017</b>	<b>3,521</b>	<b>4,923</b>	<b>35,803</b>	<b>15,509</b>	<b>19,595</b>

<sup>1</sup> Companies reporting they no longer are selling fixed payment policies as of 2014 are not listed in this chart, but are listed in the existing policies chart. Totals for years 2012 and 2013 do not reflect the eliminated companies in order to keep the data consistent for prior year reports.

## New Sales of Individual Policies and Individual Enrollees by Company<sup>2</sup>

Company	2012 Individual Policy	2013 Individual Policy	2014 Individual Policy	2012 Individual Enrollees	2013 Individual Enrollees	2014 Individual Enrollees
American Family Life Assurance Company Of Columbus	32,014	28,661	25,489	61,478	55,188	49,964
American Fidelity Assurance Company	802	594	633	1,398	992	979
American General Life Insurance Company	579	533	350	579	533	350
American Heritage Life Insurance Company	550	632	42	416	487	257
American Income Life Insurance Company	2,016	446	655	2,860	559	909
Assurity Life Insurance Company	0	2	113	0	6	141
Bankers Fidelity Life Insurance Company	116	80	29	116	80	29
Bankers Life & Casualty Company	71	221	160	71	221	168
Chesapeake Life Insurance Company	947	1,834	1,669	1,401	2,835	2,237
Colonial Life & Accident Insurance Company	2,163	4,515	5,583	2,363	5,282	6,932
Combined Insurance Company Of America	1,471	1,939	677	2,446	3,209	1,077
Equitable Life & Casualty Insurance Company	8	0	2	8	0	2
Family Heritage Life Ins. Company Of America	986	834	451	2,484	2,135	1,032
Federal Insurance Company	0	4,258	1	0	7,579	73
Globe Life And Accident Insurance Company	347	344	300	347	344	300
Guarantee Trust Life Insurance Company	146	347	349	146	347	349
Illinois Mutual Life Insurance Company	0	6	3	0	6	2
Kanawha Insurance Company	393	318	333	393	318	333
Medico Insurance Company	220	67	38	220	67	38
Mutual Of Omaha Insurance Company	14	47	20	14	47	20
Omaha Woodmen Life Insurance Society	7	15	27	7	15	27
Physicians Mutual Insurance Company	9	10	6	11	13	6

<sup>2</sup> Companies reporting they no longer are selling fixed payment policies as of 2014 are not listed in this chart, but are listed in the existing policies chart. Totals for years 2012 and 2013 do not reflect the eliminated companies in order to keep the data consistent for prior years' reports.



<b>Company</b>	<b>2012 Individual Policy</b>	<b>2013 Individual Policy</b>	<b>2014 Individual Policy</b>	<b>2012 Individual Enrollees</b>	<b>2013 Individual Enrollees</b>	<b>2014 Individual Enrollees</b>
Provident Life And Accident Insurance Company	2,153	1,429	1183	2,323	2,090	2,047
ReliaStar Life Insurance Company	179	217	63	179	217	63
Sentinel Security Life Insurance Co	0	0	9	0	0	9
Standard Life and Accident Insurance Company	0	0	10	0	0	11
State Farm Mutual Auto Insurance Company	587	739	1181	649	819	1,253
Transamerica Life Insurance Company	55	78	141	124	165	298
Trustmark Insurance Company	52	204	139	71	351	217
United American Insurance Company	24	37	86	61	76	188
United Teacher Associates Insurance Company	188	122	137	286	163	211
United Transportation Union Insurance Assoc.	1,390	174	22	2,487	394	45
Washington National Insurance	215	113	125	247	183	128
<b>Total</b>	<b>48,766</b>	<b>50,117</b>	<b>40,026</b>	<b>84,347</b>	<b>86,201</b>	<b>69,695</b>

## Cumulative Total of Existing Policies and Enrollees by Company

Company	Did you write fixed payment policies in WA in 2014?	2014 Total Enrollees	2014 Total Existing Policies
AAA Life Insurance Company	Yes	18,390	1
ACE American Insurance Company	Yes	29	4
Aetna Life Insurance Company	Yes	501	14
American Family Life Assurance Company Of Columbus	Yes	323,770	158,510
American Fidelity Assurance Company	Yes	979	633
American General Life Insurance Company	Yes	2,414	2104
American Heritage Life Insurance Company	Yes	1,525	1466
American Income Life Insurance Company	Yes	12,461	8,997
American National Insurance Company	No	21	17
Amex Assurance Company	Yes	237	173
Assurity Life Insurance Company	Yes	164	132
Bankers Fidelity Life Insurance Company	Yes	1,161	1161
Bankers Life & Casualty Company	Yes	1,872	865
BCS Insurance Company	Yes	1,569	1569
Chesapeake Life Insurance Company The	Yes	3,725	2588
Colonial Life & Accident Insurance Company	Yes	10,017	23,026
Companion Life Ins. Co.	No	25	12
Combined Insurance Company Of America	Yes	32,460	25,619
Conseco Life Insurance Company	No	91	91
Continental Assurance Company	No	2	2
Continental American Insurance Company	Yes	300	12
Equitable Life & Casualty Insurance Company	Yes	21	21
Family Heritage Life Insurance Company Of America	Yes	7,865	3177
Federal Insurance Company	Yes	3,930	11
Globe Life And Accident Insurance Company	Yes	3,933	3933
Guarantee Trust Life Insurance Company	Yes	349	871
Guardian Life Insurance Company Of America, The	Yes	27	27
Humana Insurance Co	No	10	10
Illinois Mutual Life Insurance Company	Yes	2	14
Kanawha Insurance Company	Yes	333	54
Kansas City Life Insurance Company	No	2	2
Liberty National Life Insurance Company	Yes	0	0
Lincoln Life & Annuity Company of New York	Yes	0	0
Lincoln National Life Insurance Company	Yes	507	15
Medico Insurance Company	Yes	212	214
Metropolitan Life Insurance Company	No	51	51

<b>Company</b>	<b>Did you write fixed payment policies in WA in 2014?</b>	<b>2014 Total Enrollees</b>	<b>2014 Total Existing Policies</b>
Mid-West National Life Ins Co Of Tennessee	No	204	132
Mony Life Insurance Company	No	1	1
Mutual Of Omaha Insurance Company	Yes	817	704
Nationwide Life Insurance Company	No	93	1
Old American Insurance Company	No	221	221
Omaha Woodmen Life Insurance Society	Yes	66	66
Pan-American Life Insurance Company	No	6	1`
Physicians Mutual Insurance Company	Yes	1,267	1,048
Principal Life Insurance Company	Yes	127	1
Professional Insurance Company	No	2	1
Provident Life And Accident Insurance Company The	Yes	2,047	5,854
ReliaStar Life Insurance Company	Yes	8,757	428
Riversource Life Insurance Company	No	3	3
Sentinel Security Life Insurance	Yes	15	15
Standard Life And Accident Insurance Company	Yes	52	48
State Farm Mutual Automobile Insurance Company	Yes	10,067	8,298
Stonebridge Life Insurance Company of America	No	623	499
Sunset Life Insurance Company Of America	No	5	5
Symetra Life Insurance Company	No	269	17
Thrivent Financial for Lutherans	No	0	26
Transamerica Financial Life Insurance Company	No	7	5
Transamerica Life Insurance Company	Yes	3,425	1,624
TransAmerica Premier Life Insurance Company	No	1,927	1,370
Trustmark Insurance Company	Yes	690	440
Unified Life Insurance Company	No	0	10
Union Labor Life Insurance Company, The	Yes	107	70
United American Insurance Company	Yes	588	321
United States Fire Insurance Company	Yes	23	1
United States Life Ins. Co. In The City Of New York, The	No	7,867	7
United Teacher Associates Insurance Company	Yes	563	415
United Transportation Union Insurance Association	Yes	347	282
Unum Life Insurance Company Of America	Yes	9,405	7,988
Usable Life	No	6	6
Washington National Insurance	Yes	9,577	7,283
Western And Southern Life Insurance Company The	No	0	15
Wilton Reassurance Life Company of NY	No	0	2
<b>Total</b>		<b>488,129</b>	<b>272,604</b>

# APPENDIX B

MIKE KREIDLER  
STATE INSURANCE COMMISSIONER

## STATE OF WASHINGTON



## OFFICE OF INSURANCE COMMISSIONER

OLYMPIA OFFICE:  
INSURANCE BUILDING  
P.O. BOX 40255  
OLYMPIA, WA 98504-0255  
Phone: (360) 725-7000

Washington State Authorized Disability Carrier:

RCW 48.43.650 requires the Office of Insurance Commissioner (OIC) to file a report with the Legislature annually showing specific aggregate information about fixed payment policies, as defined in RCWs 48.20.555 and 48.21.375. The next report is due June 1, 2015.

In order to meet this deadline, you must file a report with us by February 28, 2015, giving us the aggregate information we need to report to the legislature. The data required is to be sent to us electronically as an EXCEL spreadsheet utilizing the template provided by our agency.

For purposes of this report, fixed payment policies are defined as 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 that is paid regardless of the amount charged. Fixed payment riders attached to any policy type are not included nor are policies typically defined as disability income policies.

To file this report, we need the following information sent to us by February 28, 2015.

Field #	Question	Field Type
1	Did you write fixed payment policies in WA in 2014?	Y or N
2	Number of new fixed payment policies issued in 2014 - group	Numeric
3	Number of new fixed payment policies issued in 2014 - individual	Numeric
4	The number of new fixed payment policy group enrollees in 2014	Numeric
5	The number of new individual fixed payment policy enrollees in 2014	Numeric
6	Total number of enrollees on all fixed payment policies on 12/31/2014	Numeric
7	Total number of existing fixed payment policies in force on 12/31/2014	Numeric
8	The number of WA insurance department complaints for fixed payment policies received in 2014	Numeric

This information should be emailed to [Market.ConductOversight@oic.wa.gov](mailto:Market.ConductOversight@oic.wa.gov). Include the name, email address, and phone number of the designated company contact person for this report. Future requests will be sent to this contact person. If this information changes, please notify us at the email address listed above.

You are receiving this request as our records indicate that you have either previously sold this type of product, were planning to sell this type of product or have this type of product filed in Washington State.

If you have any questions, you can email them to the email address previously listed or you may call John Haworth at 360.725.7223. Thank you for your time and cooperation.

Sincerely,

Handwritten signature of John Haworth in black ink.

John Haworth, AIE, CPCU, MCM  
Chief Market Analyst-Market Conduct Oversight  
State of Washington, Office of Insurance Commissioner  
Phone: (360)725-7223 | Email: [JohnHaw@oic.wa.gov](mailto:JohnHaw@oic.wa.gov)