



**OFFICE OF
INSURANCE COMMISSIONER**

June 1, 2016

Dear Washington state Legislator:

RCW 48.43.650 requires my office to collect information regarding fixed payment insurance and report it to the Legislature annually.

This is the eighth report and is based on data collected in 2015 that focus specifically on medical payment products.

This report compares data that my office collected from 2013-2015 and shows:

- New sales of group policies increased by 8,185 enrollees or 42 percent. Five companies dominated new group-market sales with 24,454 enrollees, representing 88 percent of all new group enrollees.
- New sales of policies sold to individual consumers increased by three percent, but the number of new enrollees decreased by three percent. Seven companies issued approximately 98 percent of the new individual policies sold in Washington, covering 66,550 consumers.
- The number of complaints that companies reported in this year's survey decreased by 43 percent, from 37 complaints in 2014 to 21 complaints in 2015.
- The companies reported a total of 282,690 policies in force and 491,637 enrolled members. This includes new policies that were sold in 2015 as well as policies that were sold prior to 2015.

If you have questions about this report, please contact John Haworth at (360) 725-7223 regarding the data survey, or Bianca Stoner at (360) 725-7041 regarding fixed payment insurance policies.

Sincerely,

Mike Kreidler
Insurance Commissioner

Fixed payment report

June 1, 2016

Mike Kreidler, *Insurance Commissioner*
www.insurance.wa.gov

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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. Under RCW 48.43.650, the Office of the Insurance Commissioner (OIC) must collect and report information regarding fixed payment insurance on June 1 of each year.

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 must 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 must use a standard disclosure form, which they must file with the OIC for approval.

Fixed payment insurance policies pay a specific amount to covered individuals who receive certain types of medical care or services. Fixed payment plans make these payments regardless of the actual amount of charges. Insurers sell these policies to individual consumers or to employer groups.

Group fixed payment policies allow employees to buy minimal coverage through their employers. Under typical benefit design, there is a set dollar amount for a doctor visit (such as \$25 per visit) or a daily benefit amount for a hospital stay (such as \$200 per day). There is also a low calendar year maximum. These payments usually cover only a fraction of the actual cost of medical services.

Proponents of the original legislation testified that employers wanted to provide this limited coverage to their low-wage and seasonal employees to ensure that the employees would have some coverage. Opponents expressed concern that some employers would replace comprehensive medical coverage with these very limited plans, resulting in enrollees incurring uncovered medical costs or deferring treatment.

Since 2009, the OIC has conducted an annual survey of the insurers that offer fixed payment insurance policies and has reported its findings to the Legislature. The enclosed report for June 1, 2016 is a result of the survey that the OIC sent to companies in January 2016.

Annual report

Survey

Each January, the OIC requires companies to complete a survey and submit data about their fixed payments policies. Survey questions:

- Did you write fixed payment policies in Washington State in 2015?
- Number of new fixed payment policies issued in 2015 – group
- Number of new fixed payment policies issued in 2015 – individual
- Number of new fixed payment policy group enrollees in 2015
- Number of new individual fixed payment policy enrollees in 2015
- Total number of enrollees on all fixed payment policies on 12/31/15
- Total number of existing fixed payment policies in force on 12/31/2015
- Number of Washington insurance department complaints received for fixed payment policies in 2015

Data summary

RCW 48.43.005 defines fixed payment policies as 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 pay a fixed dollar amount to the insured person regardless of the actual amount of medical costs.

For this year's survey, 46 companies reported that they sold fixed payment policies. This year's report includes data from 2015, 2014 and 2013.

Companies reported 21 complaints in this year's survey, compared to 37 complaints in 2014.

Group market

- This year's results show that 20 companies are now selling group policies, with an increase of 8,185 new enrollees on group policies. This is a 42 percent increase in new enrollees from last year.
- Five companies dominate the new group market sales. Their 24,454 new enrollees represent 88 percent of all new group enrollees.
- Eleven companies reported 200 or less new group enrollees each, for a combined total of 502 group enrollees.

Individual market

- This year's results showed 33 companies are now selling new individual policies. The number of new sales of individual policies increased by three percent, but the number of new enrollees decreased by three percent compared to last year.
- In 2015, seven companies issued approximately 98 percent of the new individual policies sold in Washington State, covering 66,550 individual enrollees.
- One company, American Family Life Assurance Company, continues to dominate the market with 314,898 enrollees. This amount is equal to 64 percent of the total fixed payment policies market.

Conclusions

New sales of fixed payment insurance policies in the group market continue to fluctuate dramatically from year to year. One company, Unum Life Insurance Company of America, has 34 percent of the group market, with 9,405 new group enrollees of the 27,780 overall total of new group enrollees.

The number of companies that are actively selling new individual fixed payment policies – 33 - remained the same from 2014 to 2015. Thirteen companies reported decreases in new individual enrollees, while 19 companies have fewer than 200 new individual enrollees.

The companies reported a total of 282,690 policies in force and 491,637 enrolled members.

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 (ACA) (Pub. L 111-148 (2010)), and does not meet the ACA's requirement to purchase minimum essential coverage.

As a result of continuing health insurance enrollment through the Washington HealthPlanfinder, also known as the Exchange, the market for fixed payment policies may decrease. However, compared to the 2014 cumulative enrollment totals, the 2015 cumulative enrollment totals show a one percent increase in overall new enrollments.

Results comparison

This year's survey data show that the number of new individual enrollees has decreased by three percent compared to last year, while the number of new individual policies has increased by three percent compared to last year. There were 67,742 individual enrollees in 2015, and 41,139 individual policies.

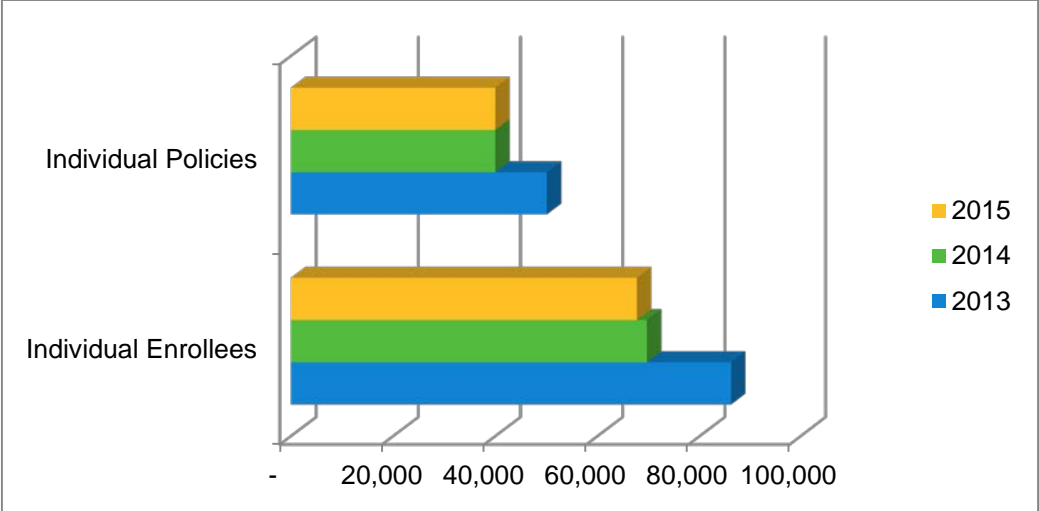


Figure 1: Number of individual policies sold and number of people enrolled in those policies (spouses and dependents may be covered under individual policies). Source: Company responses to the OIC survey for 2015, 2014 and 2013 benefit years. Data is reported based on benefit year, not survey year.

The number of new sales of group policies purchased increased three percent, from 4,923 in 2014 to 5,085 in 2015. New group enrollment increased by 42 percent, from 19,595 in 2014 to 27,780 in 2015.

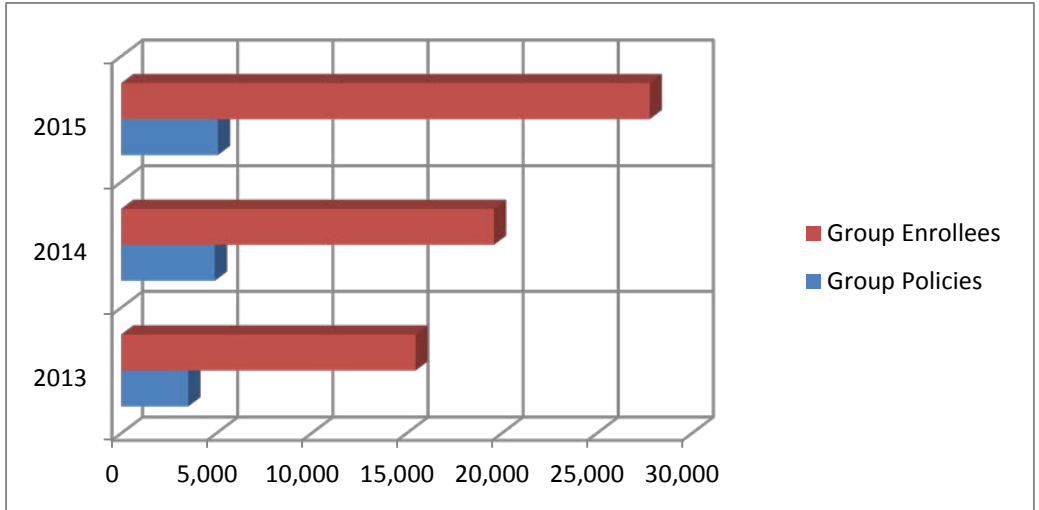


Figure 2: Number of people enrolled under group policies and number of group policies issued. Source: Company responses to the OIC survey for 2015, 2014, and 2013 benefit years. Data is reported based on benefit year, not survey year.

Between 2014 and 2015, the total number of new individual and group policies increased by three percent, from 44,949 in 2014 to 46,224 in 2015. In the same time period, the total number

of new enrollees increased by seven percent, from 89,290 in 2014 to 95,522 in 2015. Despite this increase, the 2015 totals are lower than the totals in any of the surveys from 2008 to 2013.

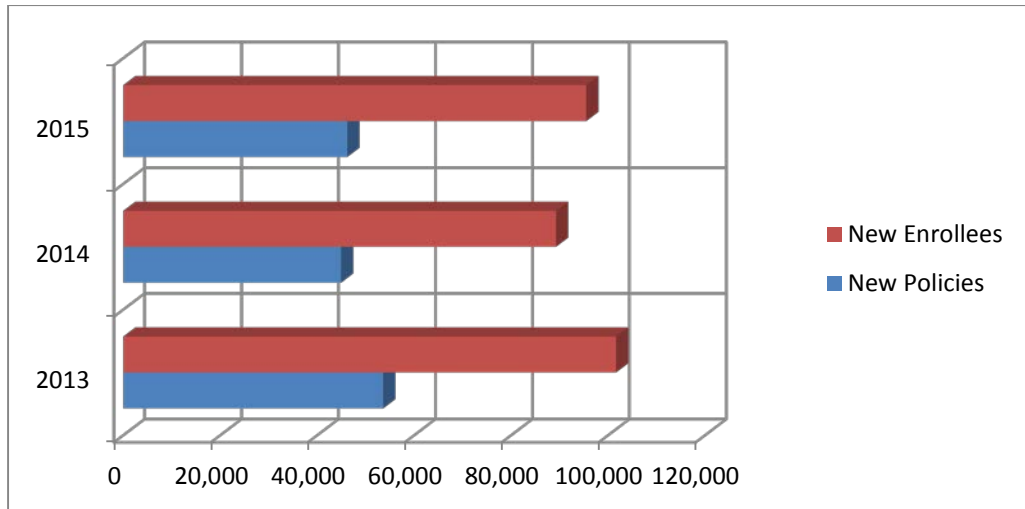


Figure 3: Total number of new enrollees and total number of new policies issued. Source: Company responses to the OIC survey for 2015, 2014, and 2013 benefit years. Data is reported based on benefit year, not survey year.

APPENDIX A

New Sales of Group Policies and Group Enrollees by Company¹

Company	2013 Group Policies	2014 Group Policies	2015 Group Policies	2013 Group Enrollees	2014 Group Enrollees	2015 Group Enrollees
AAA Life Insurance Company	1	1	0	4,058	1,850	1,750
Aetna Life Insurance Company	16	1	0	161	25	0
American General Life Insurance Company	1	2	3	34	134	1,599
American Heritage Life Insurance Company	566	486	754	499	1,268	1,764
Colonial Life and Accident Insurance Company	1,221	2,660	2,660	1,493	3,085	3,085
Combined Insurance Company of America	0	2	0	0	2	0
Companion Life Insurance Company	1	0	10	139	25	498
Continental American Insurance Company	7	2	7	34	8	8,450
Federal Insurance Company	0	3	0	0	202	0
Guardian Life Insurance Company of America	1	1	1	36	27	42
Lincoln National Life Insurance Company	5	9	6	142	351	80

¹ Companies reporting they no longer are selling fixed payment policies as of 2015 are not listed in this chart, but are listed in the existing policies chart. To keep the data consistent for prior year reports, totals for years 2013 and 2014 do not reflect the companies that have stopped selling policies.

Mutual of Omaha Insurance Company	160	152	0	205	189	0
Principal Life Insurance Company	0	1	4	0	127	116
ReliaStar Life Insurance Company	3	10	3	77	777	325
Symetra Life Insurance Company	1	0	1	1,635	0	405
Transamerica Life Insurance Company	60	54	82	1,365	2,055	173
TransAmerica Premier Life Insurance Company	0	0	2	0	0	2
Trustmark Insurance Company	7	11	31	11	23	71
United States Branch of the Sun Life Assurance Company	0	0	2	0	0	15
Unum Life Insurance Company of America	1,459	1,519	1,519	5,607	9,405	9,405
Total	3,521	4,923	5,085	15,509	19,595	27,780

New Sales of Individual Policies and Individual Enrollees by Company²

Company	2013 Individual Policies	2014 Individual Policies	2015 Individual Policies	2013 Individual Enrollees	2014 Individual Enrollees	2015 Individual Enrollees
American Family Life Assurance Company of Columbus	28,661	25,489	24,848	55,188	49,964	48,756
American Fidelity Assurance Company	594	633	927	992	979	1,331
American General Life Insurance Company	533	350	344	533	350	344
American Heritage Life Insurance Company	632	42	31	487	257	105
American Income Life Insurance Company	446	655	969	559	909	1,481
Assurity Life Insurance Company	2	113	9	6	141	11
Bankers Fidelity Life Insurance Company	80	29	28	80	29	28
Bankers Life and Casualty Company	221	160	485	221	168	487
Chesapeake Life Insurance Company	1,834	1,669	2,260	2,835	2,237	4,549
Colonial Life and Accident Insurance Company	4,515	5,583	5,583	5,282	6,932	6,932
Combined Insurance Company of America	1,939	677	709	3,209	1,077	1,227

² Companies reporting they no longer are selling fixed payment policies as of 2015 are not listed in this chart, but are listed in the existing policies chart. Totals for years 2013 and 2014 do not reflect the eliminated companies in order to keep the data consistent for prior years' reports.

Company	2013 Individual Policies	2014 Individual Policies	2015 Individual Policies	2013 Individual Enrollees	2014 Individual Enrollees	2015 Individual Enrollees
Equitable Life and Casualty Insurance Company	0	2	11	0	2	11
Family Heritage Life Insurance Company of America	834	451	605	2,135	1,032	1,454
Federal Insurance Company	4,258	1	109	7,579	73	109
Globe Life And Accident Insurance Company	344	300	339	344	300	339
Guarantee Trust Life Insurance Company	347	349	245	347	349	245
Illinois Mutual Life Insurance Company	6	3	3	6	2	3
Kanawha Insurance Company	318	333	251	318	333	251
Loyal American Life Insurance Company	0	0	3	0	0	3
Medico Insurance Company	67	38	152	67	38	152
Mutual Of Omaha Insurance Company	47	20	170	47	20	206
Provident Life And Accident Insurance Company	1,429	1,183	1,183	2,090	2,047	2,047
ReliaStar Life Insurance Company	217	63	95	217	63	95
Sentinel Security Life Insurance Company	0	9	3	0	9	3
Standard Life and Accident Insurance Company	0	10	139	0	11	189
State Farm Mutual Auto Insurance Company	739	1,181	1,222	819	1,253	1,286

Company	2013 Individual Policies	2014 Individual Policies	2015 Individual Policies	2013 Individual Enrollees	2014 Individual Enrollees	2015 Individual Enrollees
Transamerica Life Insurance Company	78	141	5	165	298	10
Trustmark Insurance Company	204	139	134	351	217	213
United American Insurance Company	37	86	82	76	188	162
United Teacher Associates Insurance Company	122	137	40	163	211	58
United Transportation Union Insurance Association	174	22	55	394	45	106
Washington National Insurance	113	125	98	183	128	98
Western and Southern Life Insurance Company	0	0	2	0	0	0
Total	50,117	40,026	41,139	86,201	69,695	67,742

Cumulative Total of Existing Policies and Enrollees by Company

Company	Did you write fixed payment policies in WA in 2015?	2015 Total Enrollees	2015 Total Existing Policies
AAA Life Insurance Company	Yes	12,705	1
Aetna Life Insurance Company	Yes	13	3
American Family Life Assurance Company of Columbus	Yes	314,898	153,532
American Fidelity Assurance Company	Yes	1,331	927
American General Life Insurance Company	Yes	5,624	2,105
American Heritage Life Insurance Company	Yes	1,869	642
American Income Life Insurance Company	Yes	9,302	12,976
American National Insurance Company	No	15	12
Assurity Life Insurance Company	Yes	169	111
Bankers Fidelity Life Insurance Company	Yes	899	899
Bankers Life and Casualty Company	Yes	12,684	10,746
BCS Insurance Company	Yes	54	2
Chesapeake Life Insurance Company	Yes	4,549	3,326
Colonial Life and Accident Insurance Company	Yes	10,017	23,026
Combined Insurance Company of America	Yes	30,301	23,717
Companion Life Insurance Company	Yes	498	0
Continental American Insurance Company	Yes	11,516	15
Equitable Life and Casualty Insurance Company	Yes	29	29
Family Heritage Life Insurance Company of America	Yes	8,437	3,395
Federal Insurance Company	Yes	3,550	3,550
Fidelity Security Life Insurance Company	No	0	2

Company	Did you write fixed payment policies in WA in 2015?	2015 Total Enrollees	2015 Total Existing Policies
Globe Life And Accident Insurance Company	Yes	4,001	4,001
Guarantee Trust Life Insurance Company	Yes	245	1,018
Guardian Life Insurance Company of America	Yes	90	2
Illinois Mutual Life Insurance Company	Yes	19	16
Kanawha Insurance Company	Yes	251	747
Kansas City Life Insurance Company	No	2	2
Lincoln National Life Insurance Company	Yes	542	17
Loyal American Life Insurance Company	Yes	25	25
Medico Insurance Company	Yes	315	343
Metropolitan Life Insurance Company	No	53	53
Mid-West National Life Insurance Company of Tennessee	No	198	123
Mony Life Insurance Company	No	2	2
Mutual of Omaha Insurance Company	Yes	907	777
Nationwide Life Insurance Company	No	466	0
Old American Insurance Company	No	185	185
Omaha Woodmen Life Insurance Society	No	63	63
Pennsylvania Life Insurance Company	No	3	3
Physicians Mutual Insurance Company	No	1,105	913
Principal Life Insurance Company	Yes	243	5
Professional Insurance Company	No	2	1
Provident Life And Accident Insurance Company	Yes	2,047	5,854
ReliaStar Life Insurance Company	Yes	3,535	326

Company	Did you write fixed payment policies in WA in 2015?	2015 Total Enrollees	2015 Total Existing Policies
Riversource Life Insurance Company	No	3	3
Sentinel Security Life Insurance	Yes	14	14
Standard Life And Accident Insurance Company	Yes	142	118
State Farm Mutual Automobile Insurance Company	Yes	9,769	8,151
Sunset Life Insurance Company of America	No	5	5
Symetra Life Insurance Company	Yes	269	7
The United States Life Insurance Company	No	10,168	4
Thrivent Financial for Lutherans	No	0	26
Transamerica Casualty Insurance Company	No	1	1
Transamerica Financial Life Insurance Company	No	10	7
Transamerica Life Insurance Company	Yes	4,768	2,471
TransAmerica Premier Life Insurance Company	Yes	3,094	1,991
Trustmark Insurance Company	Yes	651	439
Unified Life Insurance Company	No	0	7
Union Labor Life Insurance Company	No	99	65
United American Insurance Company	Yes	670	356
United States Branch of the Sun Life Assurance Company	Yes	15	2
United States Fire Insurance Company	Yes	0	1
United Teacher Associates Insurance Company	Yes	593	414
United Transportation Union Insurance Association	Yes	436	322
Unum Life Insurance Company of America	Yes	9,405	7,988

Company	Did you write fixed payment policies in WA in 2015?	2015 Total Enrollees	2015 Total Existing Policies
Usable Life	No	5	5
Washington National Insurance	Yes	8,672	6,566
Western And Southern Life Insurance Company	Yes	0	19
WIICAC Life Insurance	No	0	2
Wilco Life Insurance Company	No	87	87
Wilton Reassurance Life Company of NY	No	0	2
Total		491,637	282,690

APPENDIX B



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, 2016.

In order to meet this deadline, you must file a report with us by February 29, 2016, 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 29, 2016.

Field #	Question	Field Type
1	Did you write fixed payment policies in WA in 2015?	Y or N
2	Number of new fixed payment policies issued in 2015 – group	Numeric
3	Number of new fixed payment policies issued in 2015 – individual	Numeric
4	The number of new fixed payment policy group enrollees in 2015	Numeric
5	The number of new individual fixed payment policy enrollees in 2015	Numeric
6	Total number of enrollees on all fixed payment policies on 12/31/2015	Numeric
7	Total number of existing fixed payment policies in force on 12/31/2015	Numeric
8	The number of WA insurance department complaints for fixed payment policies received in 2015	Numeric

This information should be emailed to MarketConductOversig@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,

A handwritten signature in black ink, appearing to read "John Haworth", enclosed in a thin black oval.

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