

Fixed-payment benefits plans annual report

June 1, 2017

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



**OFFICE OF
INSURANCE COMMISSIONER**

June 1, 2017

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 ninth report and is based on data collected in 2016 that focus specifically on medical payment products.

This report compares data that my office collected from 2014-2016 and shows:

- New sales of group policies increased by 3,443 enrollees, or 68 percent. Five companies dominated new group-market sales with 35,928 enrollees, representing 88 percent of all new group enrollees.
- New sales of policies sold to individual consumers increased by five percent and the number of new enrollees increased by six percent. Nine companies issued approximately 94 percent of the new individual policies sold in Washington, covering 67,618 consumers.
- The number of complaints that companies reported in this year's survey increased by 100 percent, from 21 complaints in 2015 to 42 complaints in 2016.
- The companies reported a total of 288,395 policies in force and 505,883 enrolled members. This includes new policies that were sold in 2016 as well as policies that were sold prior to 2016.

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

Table of contents

- Executive summary..... 1**
- Annual report..... 2**
 - Survey 2**
 - Data summary..... 2**
 - Group market 2
 - Individual market..... 3
 - Conclusions..... 3
 - Results comparison..... 3**
- Appendix A..... 6**
- Appendix B..... 16**

Executive summary

In 2007, the Legislature modified the definition of “health plan” in [RCW 48.43.005](#) to exclude fixed-payment insurance plans that are offered as a stand-alone 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 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 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 people who receive certain types of medical care or services. Fixed-payment plans make these payments regardless of the actual amount of charges. For example, a plan might pay \$200 a day for each day that a consumer is in the hospital. Insurers sell these policies to individual consumers and to employer groups.

Group fixed-payment policies allow employees to buy 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 2007 change testified that employers wanted to provide this limited coverage to their low-wage and seasonal employees to provide employees an option for 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, 2017 is a result of the survey that the OIC sent to companies in January 2017. The companies reported data for the 2016 calendar year. In this report, we compare the 2016 data with data we collected in 2014 and 2015.

Annual report

Survey

Each January, the OIC requires companies to complete a survey and submit data about their fixed-payment insurance policies. The survey questions are:

- Did you write fixed-payment policies in Washington state in 2016?
- Number of new fixed-payment policies issued in 2016 – group
- Number of new fixed-payment policies issued in 2016 – individual
- Number of new fixed-payment policy group enrollees in 2016
- Number of new individual fixed-payment policy enrollees in 2016
- Total number of enrollees on all fixed-payment policies as of Dec. 31, 2016
- Total number of existing fixed-payment policies in force as of Dec. 31, 2016
- Number of complaints from consumers that the Washington Office of the Insurance Commissioner forwarded to the company regarding fixed-payment policies in 2016

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, noncoordinated benefit. The benefits pay a fixed dollar amount to the insured person regardless of the actual amount of medical costs.

In 2016, 46 companies reported that they sold fixed-payment policies to consumers

Companies reported 42 complaints in 2016, compared to 21 complaints in 2015.

Group market

- This year's results show that 23 companies sold group policies in 2016, with an increase of 16,145 new enrollees on group policies. This is a 58 percent increase in new enrollees from last year.
- Five companies dominate the new group market sales with 35,928 new enrollees: Unum Life Insurance Company of America (15,663 enrollees), Continental American Insurance Company (7,863 enrollees), Lincoln National Life Insurance Company (4,455 enrollees), AAA Life Insurance Company (4,241 enrollees) and Colonial Life and Accident Insurance Company (3,706 enrollees).
- Thirteen companies each reported 200 or fewer new group enrollees, for a combined total of 819 new group enrollees.

Individual market

- This year's results showed 33 companies are selling new individual policies. The number of new sales of individual policies increased by five percent and the number of new enrollees increased by six percent compared to last year.
- In 2016, seven companies issued approximately 89 percent of the new individual policies sold in Washington state, covering 64,720 individual enrollees.
- One company, American Family Life Assurance Company (AFLAC), continues to dominate the market with 44,073 new enrollees, 61 percent of the newly enrolled total individual 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 35 percent of the newly enrolled group market, with 15,663 of the 43,925 overall total of new group enrollees.

The number of companies that are actively selling new individual fixed-payment policies – 33 – remained the same from 2015 to 2016. Seventeen companies reported decreases in new individual enrollees. In addition, 17 companies have fewer than 200 new individual enrollees.

The companies reported a total of 288,395 policies in force and 505,883 total 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, it is possible that the market for fixed-payment policies may decrease in the future. However, compared to the 2015 cumulative enrollment totals, the 2016 cumulative enrollment totals show a three percent increase (12,557 total enrollees) in overall enrollment. This is the net result of 115,552 new enrollees (43,925 group plus 71,627 individual) minus the loss of 102,995 former enrollees.

Results comparison

The 2016 survey data show that the number of new individual enrollees has increased by six percent compared to last year, while the number of new individual policies has increased by five percent compared to last year. In 2016, the companies issued 43,039 new individual policies to 71,627 new individual enrollees (spouses and dependents may be covered under individual policies).

New Enrollees and Policies – Individual Policies

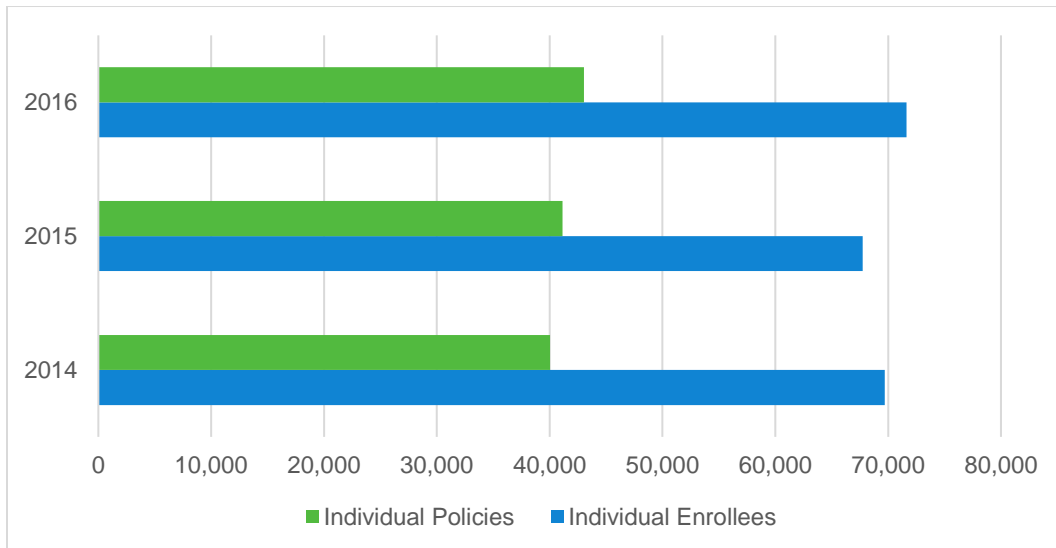


Figure 1: Number of new individual policies sold (shown in green) and number of people enrolled in those policies (shown in blue). Spouses and dependents may be covered under individual policies.

Source: Company responses to the OIC survey for 2016, 2015 and 2014 benefit years. Data is reported based on benefit year, not survey year.

New Enrollees and Policies – Group Policies

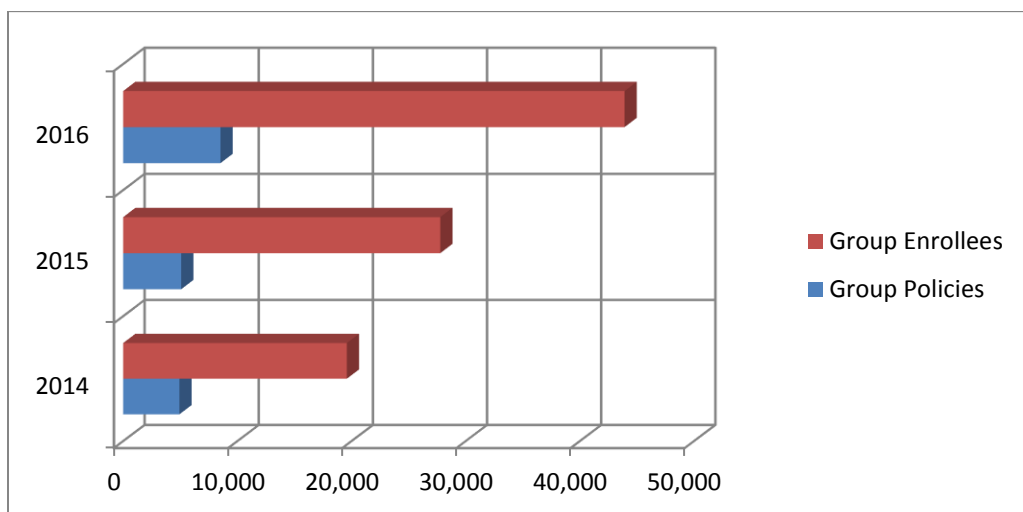


Figure 2: Number of new people enrolled under group policies and number of group policies issued. The number of new sales of group policies purchased (shown in blue) increased 67 percent, from 5,085 in 2015 to 8,528 in 2016. New group enrollment (shown in red) increased by 58 percent, from 27,780 in 2015 to 43,925 in 2016.

Source: Company responses to the OIC survey for 2016, 2015, and 2014 benefit years. Data is reported based on benefit year, not survey year.

New Enrollees and Policies – Individual and Group Policies

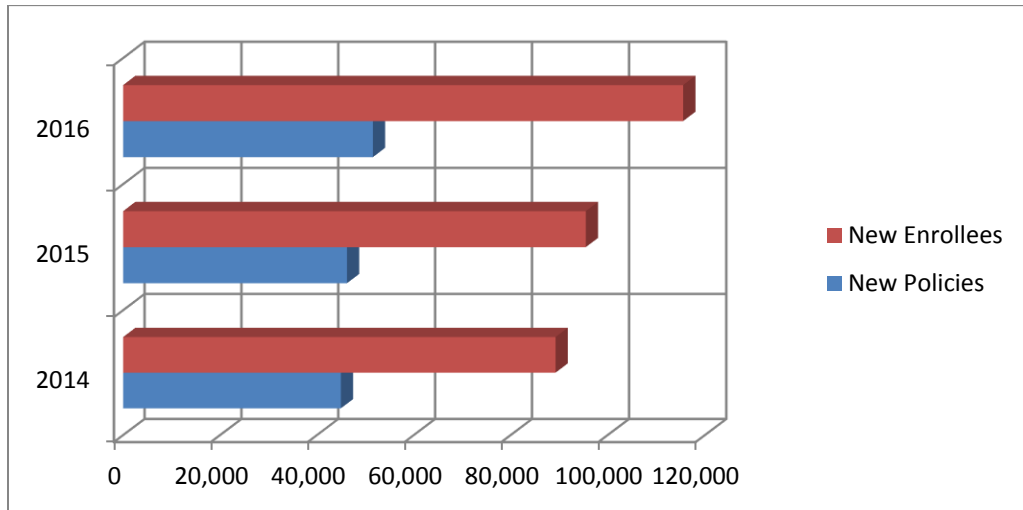


Figure 3: Total number of new enrollees and total number of new policies issued. Between 2015 and 2016, the total number of new individual and group policies (shown in blue) increased by 11 percent, from 46,224 in 2015 to 51,567 in 2016. In the same time period, the total number of new enrollees (shown in red) increased by 20 percent, from 95,522 in 2015 to 115,552 in 2016.

Source: Company responses to the OIC survey for 2016, 2015, and 2014 benefit years. Data is reported based on benefit year, not survey year.

APPENDIX A

Sales of New Group Policies and Group Enrollees by Company¹

Company	2014 Group Policies	2014 Group Enrollees	2015 Group Policies	2015 Group Enrollees	2016 Group Policies	2016 Group Enrollees
AAA Life Insurance Company	1	1,850	0	1,750	0	4,241
Aetna Life Insurance Company	1	25	0	0	1	39
American Fidelity Assurance Company	0	0	0	0	1	53
American General Life Insurance Company	2	134	3	1,599	1	2,838
American Heritage Life Insurance Company	486	1,268	754	1,764	722	1,106
Assurity Life Insurance Company	0	0	0	0	30	66
Colonial Life and Accident Insurance Company	2,660	3,085	2,660	3,085	3,158	3,706
Combined Insurance Company of America	2	2	0	0	1	1
Companion Life Insurance Company	0	25	10	498	8	285

¹ Companies reporting they no longer are selling fixed payment policies as of 2016 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 2014 and 2015 do not reflect the companies that have stopped selling policies.

Company	2014 Group Policies	2014 Group Enrollees	2015 Group Policies	2015 Group Enrollees	2016 Group Policies	2016 Group Enrollees
Continental American Insurance Company	2	8	7	8,450	8	7,863
Guardian Life Insurance Company of America	1	27	1	42	3	32
Hartford Life and Accident Insurance	0	0	0	0	0	13
Hartford Life Insurance Company	0	0	0	0	0	1
Lincoln Life and Annuity	0	0	0	0	2	114
Lincoln National Life Insurance Company	9	351	6	80	9	4,455
Principal Life Insurance Company	1	127	4	116	5	188
ReliaStar Life Insurance Company	10	777	3	325	1	121
Symetra Life Insurance Company	0	0	1	405	3	788
Transamerica Life Insurance Company	54	2,055	82	173	431	2,161
TransAmerica Premier Life Insurance Company	0	0	2	2	2	2
Trustmark Insurance Company	11	23	31	71	47	68
United of Omaha Life Insurance Company	0	0	0	0	2	121

Company	2014 Group Policies	2014 Group Enrollees	2015 Group Policies	2015 Group Enrollees	2016 Group Policies	2016 Group Enrollees
United States Branch of the Sun Life Assurance Company	0	0	2	15	9	0
Unum Life Insurance Company of America	1,519	9,405	1,519	9,405	4,084	15,663
Total	4,923	19,595	5,085	27,780	8,528	43,925

Sales of New Individual Policies and Individual Enrollees by Company²

Company	2014 Individual Policies	2014 Individual Enrollees	2015 Individual Policies	2015 Individual Enrollees	2016 Individual Policies	2016 Individual Enrollees
American Family Life Assurance Company of Columbus	25,489	49,964	24,848	48,756	22,667	44,073
American Fidelity Assurance Company	633	979	927	1,331	833	1,148
American General Life Insurance Company	350	350	344	344	267	267
American Heritage Life Insurance Company	42	257	31	105	44	203
American Income Life Insurance Company	655	909	969	1,481	976	1,869
Assurity Life Insurance Company	113	141	9	11	26	41
Bankers Fidelity Life Insurance Company	29	29	28	28	18	18
Bankers Life and Casualty Company	160	168	485	487	434	435
Chesapeake Life Insurance Company	1,669	2,237	2,260	4,549	2,416	3,166
Colonial Life and Accident Insurance Company	5,583	6,932	5,583	6,932	9,141	11,116

² Companies reporting they no longer are selling fixed payment policies as of 2016 are not listed in this chart, but are listed in the existing policies chart. Totals for years 2014 and 2015 do not reflect the eliminated companies in order to keep the data consistent for prior years' reports.

Company	2014 Individual Policies	2014 Individual Enrollees	2015 Individual Policies	2015 Individual Enrollees	2016 Individual Policies	2016 Individual Enrollees
Combined Insurance Company of America	677	1,077	709	1,227	870	1,396
Companion Life Insurance Company	0	0	0	0	181	84
Equitable Life and Casualty Insurance Company	2	2	11	11	5	5
Family Heritage Life Insurance Company of America	451	1,032	605	1,454	683	1,750
Federal Insurance Company	1	73	109	109	96	96
Globe Life And Accident Insurance Company	300	300	339	339	383	383
Guarantee Trust Life Insurance Company	349	349	245	245	84	84
Illinois Mutual Life Insurance Company	3	2	3	3	6	6
Kanawha Insurance Company	333	333	251	251	153	153
Loyal American Life Insurance Company	0	0	3	3	43	63
Medico Insurance Company	38	38	152	152	222	222
Mutual Of Omaha Insurance Company	20	20	170	206	134	183

Company	2014 Individual Policies	2014 Individual Enrollees	2015 Individual Policies	2015 Individual Enrollees	2016 Individual Policies	2016 Individual Enrollees
Physicians Mutual Insurance Company	0	0	0	0	3	4
Provident Life And Accident Insurance Company	1,183	2,047	1,183	2,047	1,064	1,662
ReliaStar Life Insurance Company	63	63	95	95	22	22
Standard Life and Accident Insurance Company	10	11	139	189	16	23
State Farm Mutual Auto Insurance Company	1,181	1,253	1,222	1,286	1,398	1,438
Transamerica Life Insurance Company	141	298	5	10	95	160
Trustmark Insurance Company	139	217	134	213	654	941
United American Insurance Company	86	188	82	162	26	42
United Transportation Union Insurance Association	22	45	55	106	30	62
Washington National Insurance	125	128	98	98	47	49
Western and Southern Life Insurance Company	0	0	2	0	2	0
Total	40,026	69,695	41,139	67,742	43,039	71,627

Cumulative Total of Existing Policies and Enrollees by Company

Company	Did you write fixed-payment policies in WA in 2016?	2016 Total Enrollees	2016 Total Existing Policies
AAA Life Insurance Company	Yes	15,188	1
Aetna Life Insurance Company	Yes	149	2
American Family Life Assurance Company of Columbus	Yes	309,411	151,001
American Fidelity Assurance Company	Yes	1,201	834
American General Life Insurance Company	Yes	4,800	1,963
American Heritage Life Insurance Company	Yes	2,293	687
American Income Life Insurance Company	Yes	9,601	13,011
American National Insurance Company	No	14	11
Assurity Life Insurance Company	Yes	241	145
Bankers Fidelity Life Insurance Company	Yes	762	762
Bankers Life and Casualty Company	Yes	11,918	10,179
BCS Insurance Company	Yes	743	1
Chesapeake Life Insurance Company	Yes	5,087	3,797
Colonial Life and Accident Insurance Company	Yes	14,822	28,274
Combined Insurance Company of America	Yes	27,657	21,721
Companion Life Insurance Company	Yes	816	22
Continental American Insurance Company	Yes	15,846	14
Equitable Life and Casualty Insurance Company	Yes	25	25
Family Heritage Life Insurance Company of America	Yes	9,136	3,663
Federal Insurance Company	Yes	2,163	2,163
Fidelity Security Life Insurance Company	No	4	0

Company	Did you write fixed-payment policies in WA in 2016?	2016 Total Enrollees	2016 Total Existing Policies
Globe Life And Accident Insurance Company	Yes	3,910	3,910
Guarantee Trust Life Insurance Company	Yes	84	1,020
Guardian Life Insurance Company of America	Yes	144	4
Hartford Life and Accident Insurance	No	97	0
Hartford Life Insurance Company	No	37	0
Illinois Mutual Life Insurance Company	Yes	24	21
Kanawha Insurance Company	Yes	153	774
Kansas City Life Insurance Company	No	2	2
Lincoln Life and Annuity Company	Yes	105	1
Lincoln National Life Insurance Company	Yes	4,748	21
Loyal American Life Insurance Company	Yes	63	46
Medico Insurance Company	Yes	447	447
Metropolitan Life Insurance Company	No	51	51
Mid-West National Life Insurance Company of Tennessee	No	170	106
Mony Life Insurance Company	No	1	1
Mutual of Omaha Insurance Company	Yes	920	771
Nationwide Life Insurance Company	No	447	0
Old American Insurance Company	No	152	152
Omaha Woodmen Life Insurance Society	No	59	59
Pennsylvania Life Insurance Company	No	0	2
Physicians Mutual Insurance Company	No	990	815
Principal Life Insurance Company	Yes	431	10

Company	Did you write fixed-payment policies in WA in 2016?	2016 Total Enrollees	2016 Total Existing Policies
Professional Insurance Company	No	1	1
Provident Life And Accident Insurance Company	Yes	1,662	5,008
ReliaStar Life Insurance Company	Yes	7,013	111
Riversource Life Insurance Company	No	3	3
Sentinel Security Life Insurance	No	13	13
Standard Life And Accident Insurance Company	Yes	85	76
State Farm Mutual Automobile Insurance Company	Yes	9,684	8,207
Sunset Life Insurance Company of America	No	4	4
Symetra Life Insurance Company	Yes	1,234	6
The United States Life Insurance Company	No	8,121	0
Thrivent Financial for Lutherans	No	0	23
Transamerica Casualty Insurance Company	No	1	1
Transamerica Financial Life Insurance Company	No	14	5
Transamerica Life Insurance Company	Yes	3,401	2,383
TransAmerica Premier Life Insurance Company	Yes	3,079	1,991
Trustmark Insurance Company	Yes	1,272	893
Unified Life Insurance Company	No	0	9
Union Labor Life Insurance Company	No	98	64
United American Insurance Company	Yes	610	330
United of Omaha	Yes	121	2
United States Branch of the Sun Life Assurance Company	Yes	0	470
United Transportation Union Insurance Association	Yes	484	144

Company	Did you write fixed-payment policies in WA in 2016?	2016 Total Enrollees	2016 Total Existing Policies
Unum Life Insurance Company of America	Yes	15,663	15,235
Usable Life	No	0	3
Washington National Insurance	Yes	8,320	6,309
Western And Southern Life Insurance Company	Yes	0	20
WIICAC Life Insurance	No	0	2
Wilco Life Insurance Company	No	88	88
Total		505,883	288,395

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, 2017.

In order to meet this deadline, you must file a report with us by February 28, 2017, 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, 2017.

Field #	Question	Field Type
1	Did you write fixed-payment policies in WA in 2016?	Y or N
2	Number of new fixed-payment policies issued in 2016 – group	Numeric
3	Number of new fixed-payment policies issued in 2016 – individual	Numeric
4	The number of new fixed-payment policy group enrollees in 2016	Numeric
5	The number of new individual fixed-payment policy enrollees in 2016	Numeric
6	Total number of enrollees on all fixed-payment policies on 12/31/2016	Numeric
7	Total number of existing fixed-payment policies in force on 12/31/2016	Numeric
8	The number of WA insurance department complaints for fixed-payment policies received in 2016	Numeric

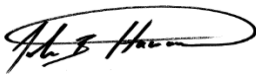
This information should be emailed to MarketConductOversig@oic.wa.gov. Include the name, email address, and phone number of the designated company contact person for this report. Future

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
Market Conduct Oversight Manager
State of Washington, Office of Insurance Commissioner
Phone: (360)725-7223 | Email: JohnHaw@oic.wa.gov