

Office of the Insurance Commissioner Annual Report

2019 Insurance Regulation Overview
July 1, 2020

Mike Kreidler, *Insurance Commissioner*

www.insurance.wa.gov

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 that people get the coverage they've paid for. Each year, we answer questions and investigate problems for over 81,000 people and maintain a statewide network of volunteers who advise almost 200,000 consumers about health-coverage issues.

In 2019, the Insurance Commissioner regulated 2,439 companies and 180,000 licensees who work in the insurance industry.



In fiscal year 2019, we collected \$640.1 million in premium taxes from insurance companies.

Of that amount:

- We sent \$612.1 million to the state general fund to support K-12 education, higher education, human services and general government operations.
- We sent \$28 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 \$75.1 million.

Insurance plays an important role in our state's economy. The insurance industry in Washington generated more than \$47.2 billion in premiums in 2019. As of 2018, the most recent data available, the industry employed more than 57,000 people in the state and accounted for nearly \$4.8 billion in wages and salaries. In 2016, the most recent data available, it contributed \$8.2 billion to Washington's gross state product, about 1.6% 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 fifth term in 2016.

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 and is a national and international voice on climate change risk and resilience and how it affects insurance companies and consumers.

From his local school district to the state Legislature and halls of Congress, Commissioner Kreidler has served Washingtonians for 48 years.



Commissioner Kreidler discusses Washington state's public health care option at a news conference in Seattle in January 2019.

OIC's MISSION

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

OIC's work in 2019

Law changes

In 2019, two health insurance laws changed that greatly help people in Washington state.

The state Legislature passed Commissioner Kreidler's request legislation to protect Washington state consumers from [surprise medical bills](#).

Patients in Washington who receive emergency services or certain services at an in-network hospital or surgical facility cannot be surprise or 'balance' billed from an out-of-network provider.

Washington is just one of 15 states to approve comprehensive protections against surprise bills. Its law is considered among the strongest in the nation.

The law took effect on Jan. 1, 2020. [Watch a short video](#) about the new surprise billing law.

Starting Jan. 1, 2019, a state law took effect that required health insurers cover [comprehensive reproductive health care](#).

All state-regulated health plans must cover FDA-approved over-the-counter contraceptives and voluntary sterilization and vasectomies with no cost-sharing. Also, health plans must cover abortion services if it also covers maternity services and people cannot be denied reproductive health care based on their gender.



Gov. Jay Inslee signs Washington's landmark surprise medical billing law into effect in May 2019.

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 2019, our consumer advocates:

- Received and processed 6,015 consumer complaints, resulting in recovery of over \$13.9 million related to insurance billings, refunds and various claim-handling issues.
- Answered 62,650 calls to our consumer hotline regarding insurance issues, rights and responsibilities.
- Conducted 3,844 live chat sessions.
- Responded to 5,306 written consumer inquiries.
- Distributed 3,300 copies of insurance-related publications to consumers.
- Made an estimated 1,293 in-person contacts at public outreach events.
- Helped consumers resolve various policy issues, including claims, billing and underwriting problems.
- Provided over 1,000 referrals to other places that can provide help, including the Washington Health Benefit Exchange.

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



An OIC consumer advocate participates in an outreach event at a local library in 2019.

Statewide Health Insurance Benefits Advisors (SHIBA)

SHIBA provides free, unbiased and confidential assistance with Medicare and health care choices through a network of 20 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 2019:

- More than 400 volunteers donated their time to train and help consumers with Medicare.
- SHIBA educated more than 108,000 people and assisted more than 94,000 people with one-on-one counseling.
- SHIBA held more than 3,200 outreach events across the state.

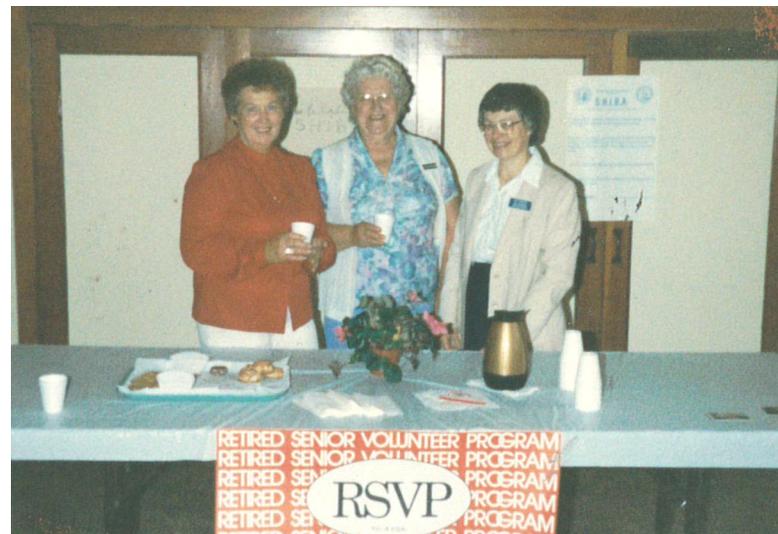
In 2019, SHIBA celebrated 40 years of helping people in Washington state with their Medicare choices.

SHIBA was started in 1976 by a grassroots group of volunteers in Skagit County who wanted to help people understand Medicare and related policies, funded by the local Retired Senior Volunteer Program (RSVP). Three years later, the Office of the Insurance Commissioner launched the group as a statewide program called SHIBA, based on its success in Skagit County. In 1979, SHIBA had 25 locations and 250 volunteers statewide and it was the first program of its kind in the country.

Washington state's SHIBA program inspired the federal government to create a national model, called State Health Insurance Assistance Programs (SHIP). In 1990, funding was authorized to create similar programs in all 50 states and Puerto Rico, Guam, Washington DC and the U.S. Virgin Islands.



A SHIBA staffer and volunteer help Medicare beneficiaries at an outreach event in November 2019.



Skagit County volunteers celebrate incorporating with the Office of the Insurance Commissioner circa 1978.

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 2019, we reviewed more than 12,400 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 discrimination.

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.

Health insurance

In 2019, 11 insurers sold 74 health insurance plans 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 13.5% percent for those plans.

Network access and provider contracting

Insurance companies submit their provider contracts to the OIC for approval and file network access reports to demonstrate they 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 2019, insurance companies submitted 6,929 provider contracts for approval and 1,400 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.:** 16.8 percent of the market; last approved average rate change was a 4 percent decrease in September 2016.
2. **SAFECO Insurance Co. of America:** 10.1 percent of the market; last approved average rate increase was 3.7 percent in April 2018.
3. **PEMCO Mutual Insurance Co.:** 6.2 percent of the market; last approved average rate increase was 4.3 percent in April 2019.
4. **Allstate Property and Casualty Insurance Co.:** 3.9 percent of the market; last approved average rate increase was 9 percent in November 2018.
5. **United Services Automobile Association:** 3.8 percent of the market; last approved average rate increase was 7.9 percent in April 2019.

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

1. **State Farm Mutual Automobile Insurance Co.:** 14.5 percent of the market; last approved average rate change was a 2.9 percent decrease in July 2018.
2. **Progressive Direct Insurance Co.:** 7.2 percent of the market; last approved average rate increase was 2.3 percent in September 2017.
3. **First National Insurance Co. of America:** 6.5 percent of the market; last approved average rate increase was 15.1 percent in March 2019.

UNINSURED RATE DROPS

THE NUMBER OF PEOPLE WITHOUT HEALTH INSURANCE IN WASHINGTON STATE DROPPED FROM 14.5% IN 2012 TO 6.6% IN 2019.

4. **Allstate Fire and Casualty Insurance Co.:** 5.8 percent of the market; last approved average rate increase was 4 percent in March 2017.
5. **PEMCO Mutual Insurance Co.:** 5.2 percent of the market; last approved average rate increase was 3.7 percent 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. Our website lists all insurance companies that are authorized to do business in Washington.

In 2019, we regulated 2,454 insurance and risk-bearing entities. These entities are registered as:

- 165 domestic companies.
- 2,269 foreign companies.
- 20 alien companies.

The registered companies are:

- 1,373 insurers, health carriers, and fraternal benefit societies.
- 649 other risk-bearing entities such as charitable gift annuity issuers, discount health plans, life settlement providers, risk retention groups, and service contract providers.
- 410 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.
- 22 accredited, certified, and single-trusted alien insurers.

We also track and report activity of 34 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.

WHAT DOES DOMICILED MEAN?

Insurance regulators talk about where insurance companies are domiciled. That means where they are incorporated to do business.

Domestic: Means the company is domiciled in Washington state.

Foreign: Means the company is domiciled in another state or territory.

Alien: Means the company is domiciled in another country.

- 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 2019, our financial examiners completed 15 full-scope examinations of the following companies.

Health insurance companies:

- Asuris Northwest Health
- Regence BlueShield
- Amerigroup Washington, Inc.
- Soundpath Health
- Coordinated Care of Washington, Inc.
- Washington State Health Insurance Pool (WSHIP)

Life insurance companies:

- Lifewise Assurance Co.
- Commencement Bay Risk Management Insurance Co.
- Academe, Inc.

Property and casualty insurance companies:

- Red Shield Insurance Co.
- PEMCO Mutual Insurance Co.
- Farmers Insurance Co. of Washington

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

- 10 charitable gift annuities issuers

New admissions

In 2019, we admitted the following companies as new insurers in Washington state:

- Agents National Title Insurance Co.
- American Transportation Group Insurance Risk Retention Group
- Amrock Title Insurance Co.
- Attorneys Liability Assurance Society Ltd A Risk Retention Group
- Boston Indemnity Company Inc.
- CM Regent Insurance Co.
- Copic Insurance Co.
- The General Automobile Insurance Company Inc.
- Hartford Insurance Co. of Illinois
- Hartford Insurance Co. of the Southeast
- Humana Health Plan of California Inc.

- Insurance Company of the South
- Investors Heritage Life Insurance Co.
- Lemonade Insurance Co.
- Midwest Family Advantage Insurance Co.
- Root Insurance Co.
- Trexis Insurance Co.
- United Life Insurance Co.
- Vault Reciprocal Exchange
- Wellcare Health Insurance Company of Washington Inc.
- Wellcare of Washington Inc.

Companies we revoked or suspended

Insurance companies must have a certificate of authority in order to legally sell insurance in Washington state. In 2019, we revoked or suspended certificates of authority for these companies.

Revoked:

- American Association of Distributors, Inc.
- Independent Contractor Services, PG, Inc.
- Social Service PG, Inc.

Suspended

- Bankers Life Insurance Co.
- Capson Physicians Insurance Co.
- Colorado Bankers Life Insurance Co.
- Franchised Restaurants Risk Purchasing Group
- HP, Inc.
- I-Elite Risk Purchasing Group, LLC
- Loyal Christian Benefit Association
- Maidstone Insurance Co.
- Palmer National Alliance, LLC
- Philadelphia Reinsurance Corp.
- Project Hope – The People-to-People Health Foundation
- Rampart Insurance Co.
- Time Insurance Co. II

Companies in receivership

Although rare, if an insurance company becomes financially unstable, we step in to make sure it stops selling new policies and we run the company until its financial condition is stable. There were no companies in receivership in 2019.

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 2019 we licensed:

- 171,202 producers
- 13,893 adjusters
- 3,191 surplus line brokers

We also licensed 352 insurance education providers and approved 5,541 education courses. Each resident insurance producer is required to complete 24 hours of continuing education in order 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 2019, our Legal Affairs division issued 452 enforcement actions against insurance producers and companies and imposed \$2.8 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 2019, RIU closed 207 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.

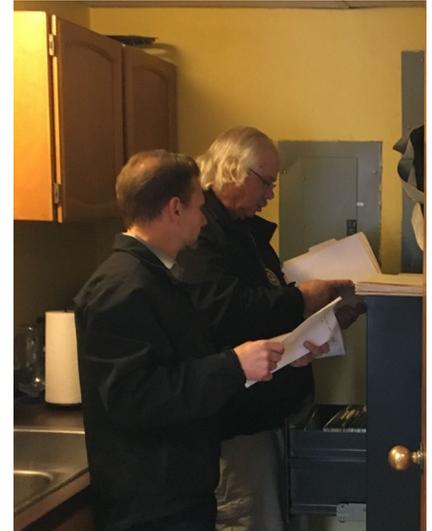
Investigating insurance fraud

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 concerning the combatting of fraud.

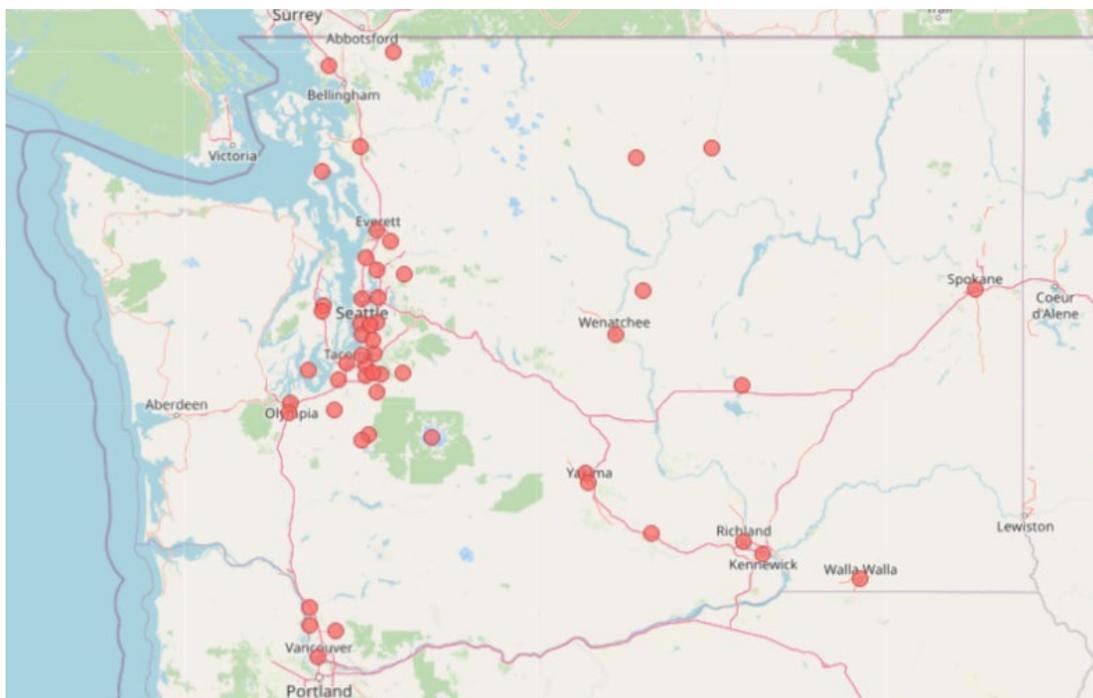
In 2019, CIU:

- Received a record 2,567 fraud referrals from insurance companies, law enforcement agencies, the National Fraud Insurance Crime Bureau, other government agencies and the public.
- Opened 104 criminal cases.
- Worked on more than 140 cases.
- Submitted 39 criminal cases to a prosecutor.
- Had 34 criminal guilty pleas or convictions for Theft 1, Theft 2, False Insurance Claims, and other crimes from 41 defendants.
- Completed Washington Association of Sheriffs and Police Chiefs (WASPC) accreditation renewal



Detectives executing a search warrant in an insurance fraud investigation

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:

- **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 2019, policy staff analyzed 147 bills, 107 fiscal notes and adopted 10 sets of rules, ranging from balance billing protection to health plan coverage of reproductive health care and contraception. 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.
- **Public Affairs** works with the media and manages the agency's website and social media channels. In 2019, the OIC communicated with more than 227,000 consumers, media and insurance industry professionals through our subscription news service; reached 6,300 people on social media; and had 708,609 visits to our website, www.insurance.wa.gov.

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