

Office of the Insurance Commissioner Annual Report

2015 Insurance Regulation Overview
April 2016

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 the rules and people get the coverage they've paid for. Each year, we answer questions and investigate problems for nearly 100,000 people and maintain a statewide network of volunteers who advise consumers on health-coverage issues.

In 2015, the Insurance Commissioner regulated more than 2,250 companies and more than 155,000 licensees who work in the insurance industry.



In fiscal year 2015, we collected **\$555.9 million** in premium taxes from insurance companies.

Of that amount:

- We sent **\$539.6 million** to the state general fund to support K-12 education, higher education, human services and general government operations.
- We sent **\$16.3 million** in premium taxes 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 225 people in Olympia, Tumwater, Seattle, Yakima and Spokane. Our budget for fiscal years 2015-2017—also called the biennium—is \$59.5 million.

Insurance plays an important role in our state's economy. The insurance industry in Washington generated nearly \$37 billion in premiums in 2015. As of 2014, the most recent data available, the industry employed more than 38,700 people in the state and accounted for \$2.9 billion in wages and salaries. In 2013, the most recent data available, it contributed \$5.94 billion to Washington's gross state product, about 1.5 percent of the state's 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



Insurance Commissioner Mike Kreidler during a trip to Washington D.C. to testify before Congress in 2015.

Mike Kreidler is Washington's eighth insurance commissioner. A former member of Congress, he was first elected as insurance commissioner in 2000 and has served four terms. A doctor of optometry with a master's degree in public health, Kreidler practiced at 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 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 more than 40 years.

OIC's work in 2015

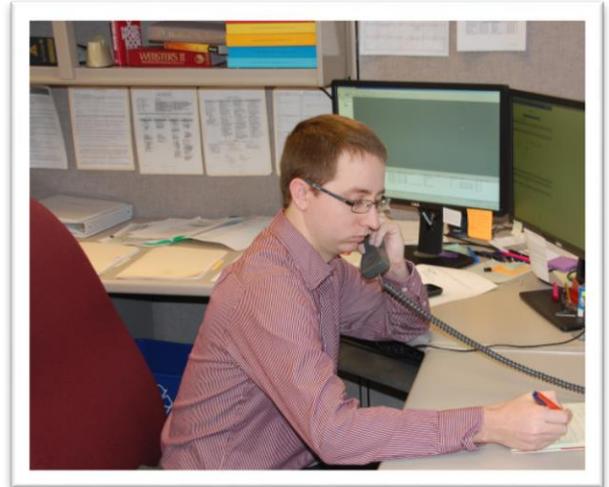
Consumer Protection

Our Consumer Protection Division is dedicated to helping Washington consumers understand their insurance rights and answer questions about all types of insurance, 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, file a complaint against an insurance company, and verify if an agent, agency, or company is authorized to sell insurance in Washington.

In 2015, our consumer advocates:

- Received and processed 6,130 consumer complaints, resulting in recovery of \$9,152,210 related to insurance billings, refunds and various claim-handling issues.
- Answered 73,234 calls to our consumer hotline regarding insurance issues, rights and responsibilities.
- Responded to 4,870 written consumer inquiries.
- Mailed 2,290 copies of insurance-related publications to consumers at their request.
- Helped consumers resolve various policy issues, including claims, billing and underwriting problems, and offered referral services to other state agencies and organizations, including the Washington Health Benefit Exchange.



One of our consumer advocates takes a phone call from a Washington consumer.

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 more than 20 sponsoring agencies and hundreds of volunteers who counsel Washington consumers via one-on-one appointments and at outreach events. SHIBA is funded by the federal Medicare program.



SHIBA volunteers help Washington consumers learn about their health care choices.

In 2015:

- More than 390 volunteers donated 97,957 hours. The value of those hours was \$2.7 million.
- SHIBA educated more than 100,000 people and assisted more than 79,000 people with one-on-one counseling.
- SHIBA held more than 2,700 outreach events across the state.

Reviewing insurance rates and forms

Insurance companies submit their insurance policy forms and insurance rates to the Insurance Commissioner for approval. Our Rates and Forms division reviews them and, if they meet requirements in state law, approves them. In 2015, we reviewed more than 9,000 form filings, which include policies, amendments and endorsements.

Health insurers submit rates each year for the following calendar year. 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 unfairly discriminate against consumers.

Health insurance

In 2015, 15 insurers sold 230 health insurance plans inside the Washington state Health Benefit Exchange and outside the Exchange on the individual market.

REGULATING HEALTH INSURERS

The Insurance Commissioner doesn't regulate self-insured plans, offered by employers including Microsoft, Boeing; or plans offered to employees of Washington state government.

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

- **10 insurers sold 90 health plans** inside the Washington state Health Benefit Exchange.
- **10 insurers sold 140 health plans** in the individual market, outside the Washington state Health Benefit Exchange.
- Insurers **requested an average 8.3 percent increase** in premiums. The Insurance Commissioner **approved an average rate increase of 1.5 percent.**

In 2014, the Insurance Commissioner enacted health care access rules that are now a national model. The rules ensure that consumers have reasonable access to their health insurance benefits by requiring insurers' provider networks to include enough health care providers within reasonable distance to where consumers live and work. In 2015, Washington became the first state to set requirements for maintaining insurers' provider networks.

Health plan networks must:

- Include certain types of medical providers, such as women's health care practitioners, tribal and rural health care services and centers, primary care doctors and mental health providers.
- Have sufficient numbers of each type of provider to meet anticipated consumer needs.
- Ensure access to medically necessary services at in-network prices without billing the balance to consumers.

UNINSURED RATE DROPS

THE NUMBER OF PEOPLE WITHOUT HEALTH INSURANCE IN WASHINGTON STATE DROPPED FROM 14.5 PERCENT IN 2012 TO 7.3 PERCENT, OR 522,000 PEOPLE, IN 2015.

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 Company: 17.7 percent of the market; last approved average rate increase was 2.9 percent in March 2015
2. SAFECO Insurance Company of America: 10 percent of the market; last approved average rate increase was 1.1 percent in October 2015
3. PEMCO Mutual Insurance Company: 6.1 percent of the market; last approved average rate increase was 2 percent in December 2015
4. Farmers Insurance Company of Washington: 5 percent of the market; last approved average rate increase was 5 percent in April 2015
5. Allstate Property and Casualty Insurance Company: 4.5 percent of the market; last approved average rate increase was 5 percent in June 2014

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

1. State Farm Mutual Automobile Insurance Company: 13.9 percent of the market, last approved average rate increase was 7.1 percent, in October 2015
2. Farmers Insurance Company of Washington: 6.8 percent of the market; last approved average rate increase was 4.5 percent, in August 2015
3. PEMCO Mutual Insurance Company: 6 percent of the market; last approved average rate increase was 2.6 percent, in August 2014.
4. Allstate Fire and Casualty Insurance Company: 5 percent of the market; last approved average rate increase was 5 percent, in December 2015.
5. First National Insurance Company of America: 4.8 percent of the market; last approved average rate increase was 6 percent, in November 2015.

Overseeing insurance companies

Company Supervision 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 [search for insurance companies that are authorized to do business](#) in Washington.

In 2015, we regulated:

- 2,252 insurance companies.
- 36 domestic companies.
- 2,125 foreign companies.
- 18 alien companies.
- 320 charitable gift annuity issuers.
- 3 discount health plans.
- 11 life settlement providers.
- 274 purchasing groups.
- 23 reinsurance intermediaries.
- 101 risk retention groups.
- 191 service contract providers.
- 14 trustee alien reinsurers.
- 30 associations.

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

- A list of domestic insurers and their market share.

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.

- A summary of Washington premiums and loss ratios.
- A summary of each line of business for all authorized and redomesticated 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 that information when it's available on the [market information annual reports](#) webpage.

We also conduct financial examinations of insurance companies and other companies that are incorporated in Washington.

In 2015, our financial examiners completed 24 full-scope examinations of:

Health insurance companies:

- Amerigroup Washington, Inc.
- Group Health Cooperative
- Group Health Options
- KPS Health Plans

Property and casualty insurance companies:

- Enumclaw P&C Insurance Company
- Farmers Insurance Company of Washington
- Mutual of Enumclaw
- Red Shield Insurance Company

One title insurance company, REtitle Insurance Company, and 15 charitable gift annuity issuers.

We also perform financial examinations of organizations that we don't otherwise regulate:

- Washington Life and Disability Guaranty Association
- Washington Insurance Guaranty Association
- Washington Insurance Examining Bureau, Inc.
- Washington Surveying and Rating Bureau
- Washington State Health Insurance Pool
- Washington State Health Care Authority's Uniform Medical Plan

WHAT ARE THE TYPES OF INSURANCE?

Property and casualty insurance: This type of insurance covers your property and your liability for "negligent acts and omissions." The most common examples are auto, homeowner's, renter's or business/commercial insurance.

Life insurance: Pays a benefit to your beneficiary upon your death.

Health insurance: Pays for medical expenses, minus your deductibles and copayments.

Companies in receivership

Although rare, if an insurance company experiences financial issues or becomes financially unstable, we step in to make sure the insurance company stops selling new policies and to run the company until its financial condition is stable. Cascade National Insurance Co. is in receivership for liquidation.

Licensing

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) and nonresident (they live outside of Washington).

In 2015:

- We licensed 155,475 insurance producers.
- We also licensed 416 insurance education providers and approved 5,921 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 legal interpretation of insurance laws and rules, administrative investigations into insurance producers and companies, and taking action against producers and companies that violate insurance laws and rules.

In 2015, we issued 145 enforcement actions and collected fines exceeding \$1.7 million from licensed producers and companies. The fines we collect are sent to the state's general fund.

Investigating insurance fraud

The Insurance Commissioner's Special Investigations Unit (SIU) investigates criminal insurance fraud and works with the state attorney general and local prosecutors to prosecute insurance fraud.

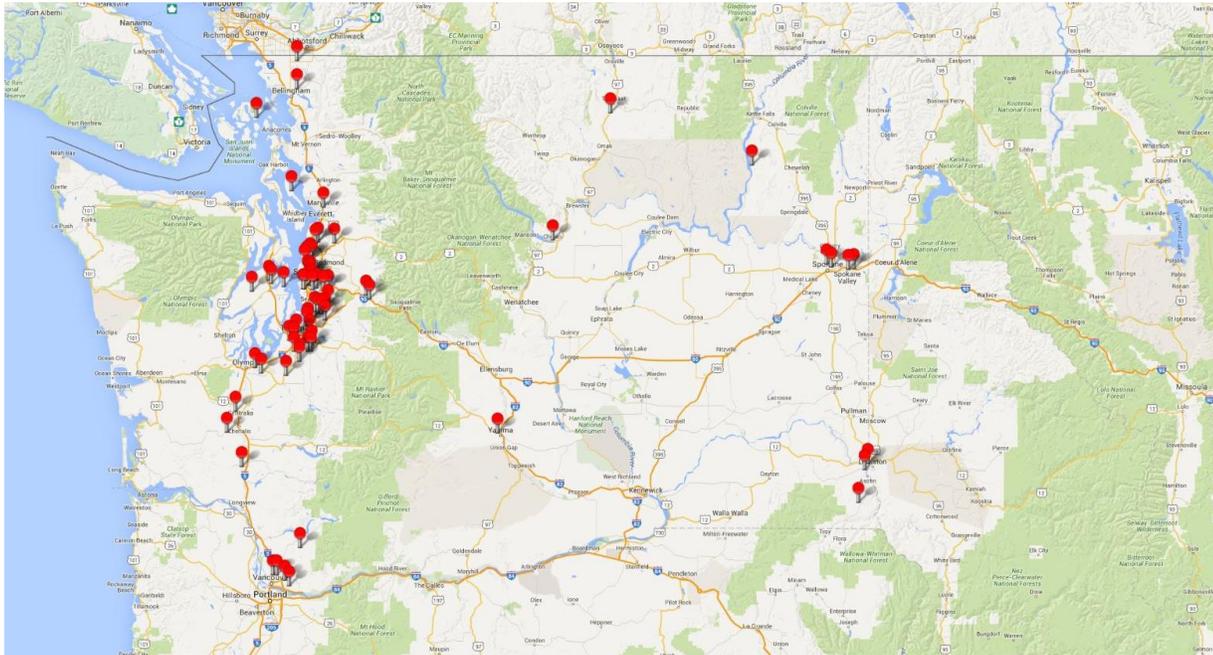
An advisory board of representatives from the insurance industry, consumers, the National Insurance Crime Bureau, county prosecutors and law enforcement was created to oversee the unit and advise the Insurance Commissioner of its progress.

In 2015, SIU:

- Received 1,694 fraud referrals from insurance companies, law enforcement agencies, the National Fraud Insurance Crime Bureau other government agencies and the public.
- Opened 77 criminal cases, a record number since the SIU was established in 2006.
- Submitted 29 criminal cases to a prosecutor, also a record number.

- Had 17 cases adjudicated, or ruled on by a judge.
- Had 22 felony guilty pleas or convictions.

We investigated insurance fraud cases in the following Washington cities:



Other divisions

We have employees who support the agency’s mission and work in other ways:

- **Policy and Legislative Affairs:** They write and implement rules, advise the Commissioner and executive team on policy issues, and work with the Legislature on bills and laws. In 2015, our policy staff [adopted 12 sets of rules](#), ranging from technical updates to model rules from the NAIC and more significant changes to insurance regulations. The division also completed several reports to the Legislature, including the uninsured report and the K-12 school districts’ health insurance report. You can find these reports on the [Commissioner reports](#) webpage.
- **Operations:** They keep our many IT systems running, make sure our buildings are working, help plan for emergencies and serve as a liaison to the state Emergency Management Division. Operations also manages all financial and budget matters.
- **Public Affairs:** They work with the media, manage the agency’s website and social media channels. In 2015, the OIC communicated with nearly 86,000 consumers, media and insurance industry professionals through our subscription news service; reached more than 4,100 people on social media and had more than 1 million visits to our website, www.insurance.wa.gov.

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