

Office of the Insurance Commissioner Annual Report

2016 Insurance Regulation Overview
May 1, 2017

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 nearly 83,000 people and maintain a statewide network of volunteers who advise 188,000 consumers about health-coverage issues.

In 2016, the Insurance Commissioner regulated 2,388 companies and 164,000 licensees who work in the insurance industry.



In fiscal year 2016, we collected **\$534.7 million** in premium taxes from insurance companies.

Of that amount:

- We sent **\$521 million** to the state general fund to support K-12 education, higher education, human services and general government operations.
- We sent **\$13.7 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 241 people in Olympia, Tumwater, Seattle, and Yakima. Our budget for 2015-2017—called a biennium—is \$60.9 million.

Insurance plays an important role in our state's economy. The insurance industry in Washington generated more than \$39.5 billion in premiums in 2016. As of 2014, the most recent data available, the industry employed more than 39,500 people in the state and accounted for \$3 billion in wages and salaries. In 2014, the most recent data available, it contributed \$6.5 billion to Washington's gross state product, about 1.5 percent 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

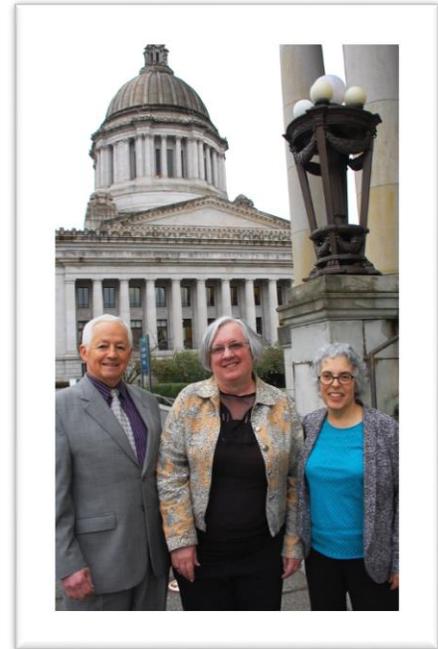
Mike Kreidler is Washington's eighth insurance commissioner. A former member of Congress, he was first elected as insurance commissioner in 2000 and was re-elected to a fifth term in 2016.

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 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.



Commissioner Mike Kreidler with two consumers who testified in favor of his surprise medical billing legislation in late 2016.

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 2016

Consumer Protection

Our Consumer Protection Division is dedicated to helping 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 2016, our consumer advocates:

- Received and processed 7,915 consumer complaints, resulting in recovery of \$11.3 million related to insurance billings, refunds and various claim-handling issues.
- Answered 67,405 calls to our consumer hotline regarding insurance issues, rights and responsibilities.
- Responded to 5,449 written consumer inquiries.
- Mailed 1,905 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.

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



Our consumer advocates, including Paul, help people by phone and electronically, and also attend outreach events like this small business fair in Renton.

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 2016:

- More than 400 volunteers donated 98,000 hours. The value of those hours was \$2.3 million.
- SHIBA educated more than 105,000 people and assisted more than 83,000 people with one-on-one counseling.
- SHIBA held more than 3,300 outreach events across the state.



SHIBA volunteers attend an outreach event in 2016.

Reviewing insurance rates and forms

Insurance companies submit their insurance policy forms and proposed rates to the Insurance Commissioner for approval. Our Rates and Forms division reviews them to determine if they meet state law requirements. In 2016, we reviewed more than 9,200 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.

Health insurance

In 2016, 13 insurers sold 154 health insurance plans inside the Washington state Health Benefit Exchange (Exchange) and outside

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.

the Exchange on the individual market. The Insurance Commissioner approved an average rate increase of 13.6 percent for those plans.

- **Nine insurers sold 98 health plans** inside the Exchange.
- **Seven insurers sold 56 health plans** in the individual market outside the Exchange.

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.:** 18 percent of the market; last approved rate filing was an average 4 percent decrease in September 2016
2. **SAFECO Insurance Co. of America:** 9.7 percent of the market; last approved average rate increase was 5.5 percent in November 2016
3. **PEMCO Mutual Insurance Co.:** 6.2 percent of the market; last approved average rate increase was 2 percent in December 2015
4. **Allstate Property and Casualty Insurance Co.:** 4.8 percent of the market; last approved average rate increase was 5 percent in June 2014
5. **Farmers Insurance Co. of Washington:** 4.3 percent of the market; last approved average rate increase was 3.2 percent in May 2016

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

1. **State Farm Mutual Automobile Insurance Co.:** 14.9 percent of the market; last approved average rate increase was 2.6 percent in June 2016
2. **First National Insurance Co. of America:** 6 percent of the market; last approved average rate increase was 14.2 percent in December 2016
3. **PEMCO Mutual Insurance Co.:** 5.7 percent of the market; last approved average rate increase was 7.7 percent in June 2016
4. **Allstate Fire and Casualty Insurance Co.:** 5.6 percent of the market; last approved average rate increase was 4.9 percent in July 2016
5. **Farmers Insurance Co. of Washington:** 5.3 percent of the market; last approved average rate increase was 6.9 percent in September 2016

UNINSURED RATE DROPS

THE NUMBER OF PEOPLE WITHOUT HEALTH INSURANCE IN WASHINGTON STATE DROPPED FROM 14.5 PERCENT IN 2012 TO 5.8 PERCENT, OR 410,000 PEOPLE, IN 2016.

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 2016, we regulated:

- 2,388 insurance companies
- 36 domestic companies
- 2,201 foreign companies
- 20 alien companies
- 323 charitable gift annuity issuers
- 2 discount health plans
- 10 life settlement providers
- 280 purchasing groups
- 21 reinsurance intermediaries
- 104 risk retention groups
- 192 service contract providers
- 15 trustee alien reinsurers

Each June, 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 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.

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.

In 2016, our financial examiners completed 25 full-scope examinations of:

Health insurance companies:

- Asuris Northwest Health
- Lifewise Health Plan of Washington
- Premera Blue Cross
- Regence BlueShield
- Soundpath Health
- UnitedHealthcare of Washington
- Willamette Dental of Washington

Life insurance companies:

- GPM Health and Life Insurance Co.

Property and casualty insurance companies:

- Fraternal Beneficial Association
- Washington Casualty Co.

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

- 12 charitable gift annuities issuers
- Washington Life and Disability Insurance Guaranty Association
- Washington Insurance Guaranty Association
- Washington State Health Care Authority

New admissions

In 2016, the following companies were admitted as new insurers in Washington state:

- All America Insurance Co.
- Amguard Insurance Co.
- Clear Spring Life Insurance Co.
- Eastguard Insurance Co.
- EMC Property & Casualty Co.
- EMCASCO Insurance Co.
- Mag Mutual Insurance Co.
- Norguard Insurance Co.
- OBI America Insurance Co.
- Rockwood Casualty Insurance Co.
- Seaview Insurance Co.
- Triangle Insurance Co., Inc.
- Union Insurance Co. of Providence
- White Pine Insurance Co.

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. Cascade National Insurance Co., a Bellevue-based property and casualty insurer, 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) or nonresident (they live outside of Washington).

In 2016:

- We licensed 164,000 insurance producers.
- We also licensed 411 insurance education providers and approved 5,662 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 2016, we issued 193 enforcement actions and collected fines exceeding \$2 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 Criminal Investigations Unit (CIU) 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 oversees the unit and advises the insurance commissioner.

In 2016, the CIU earned law enforcement accreditation from the Washington Association of Sheriffs and Police Chiefs, joining 20 percent of Washington state law enforcement agencies to earn it. Earning accreditation was a two-year process during which examiners looked at 133 standards in 29 areas including use of force, health and safety, training, evidence control, and code of conduct.

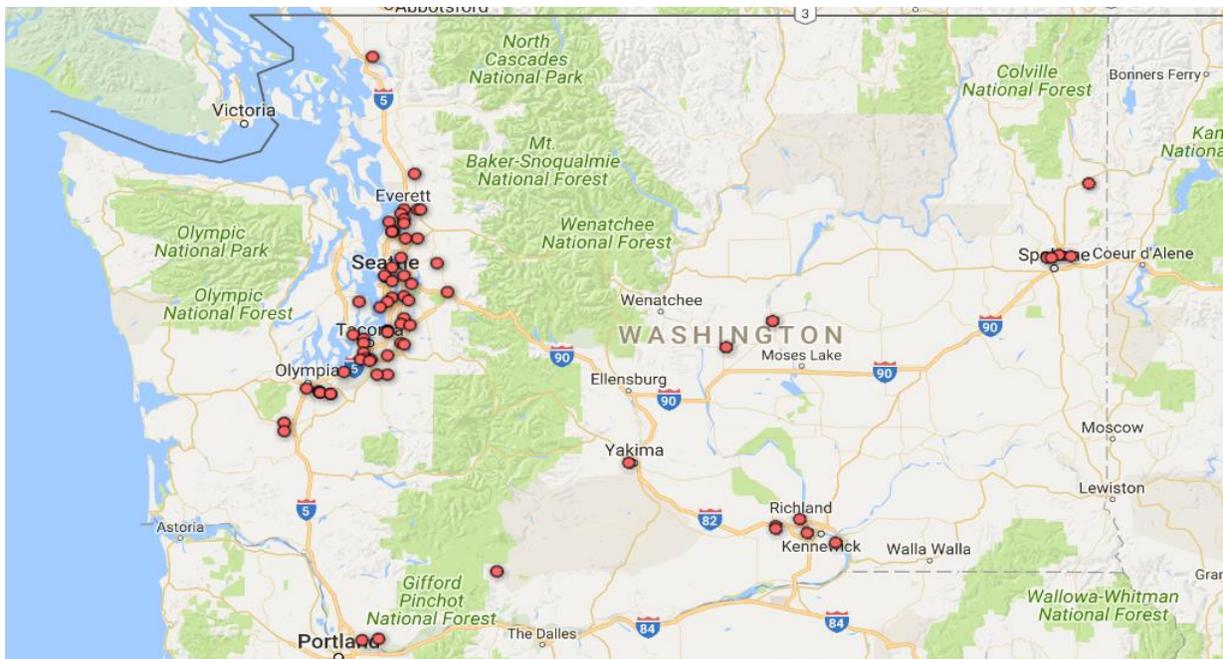


Kreidler's Criminal Investigations Unit staff

In 2016, CIU:

- Received 1,879 fraud referrals from insurance companies, law enforcement agencies, the National Fraud Insurance Crime Bureau, other government agencies and the public.
- Opened 77 criminal cases, tying a record number since the CIU was established in 2006.
- Submitted 25 criminal cases to a prosecutor.
- Had 20 cases and 22 defendants adjudicated, or ruled on by a judge.
- Had 20 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 2016, our policy staff [adopted 20 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 [Legislative and 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 2016, the OIC communicated with 88,000 consumers, media and insurance industry professionals through our subscription news service; reached more than 4,600 people on social media and had 1.25 million visits to our website, www.insurance.wa.gov.

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