

STATE OF WASHINGTON

MIKE KREIDLER  
STATE INSURANCE COMMISSIONER

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OFFICE OF  
INSURANCE COMMISSIONER

June 1, 2014

Dear Washington State Legislator:

RCW 48.43.650 requires my office to collect and report information regarding fixed payment insurance on June 1 of each year.

This 2014 report – the sixth annual report – is based on data collected in 2013. The data focuses specifically on medical payment products and excludes disability-income fixed payment policies and dismemberment fixed payment policies from data collection.

This report compares data collected for 2011, 2012 and 2013. The new data shows:

- New sales for group policies decreased by over 41 percent; and new enrollees on group policies decreased by almost 57 percent. Five companies dominate the group market with their group enrollees totaling 14,158 or 91 percent of the new enrollment in this market.
- New sales for individual policies increased less than 1 percent in both the number of policies and the number of individual enrollees.
- Consumer complaints decreased by 64 percent. There were 20 compared to 56 in last year's survey.
- The cumulative total of all policies in force and all enrolled members reported by the companies was 309,040 existing policies and 486,020 enrolled members. American Family Life Assurance Company reported 335,286 enrollees or 69 percent of the total fixed payment policies market.

If you have questions about this report, please contact John Haworth at (360) 725-7223 regarding the data survey, or Donna Dorris at (360) 725-7040 regarding fixed payment insurance policies.

Sincerely,

Mike Kreidler  
Insurance Commissioner

## **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 and required the Insurance Commissioner, per RCW 48.43.650, to collect and report information regarding fixed payment insurance on June 1 of each year, starting in 2009.

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 are required to provide a disclosure form designed to help consumers understand that the coverage will not cover the entire cost of most medical expenses or hospital care. The companies are required to use a standard disclosure form and file it with the Office of the Insurance Commissioner (OIC) for approval.

Fixed payment insurance policies pay a specific amount to a covered individual if that person receives certain types of medical care or services. This payment is made regardless of the amount actually charged by the provider. The policies are sold either on an individual basis or to employer groups.

Group fixed payment policies allow an employee to buy minimal coverage through an employer. Typical benefit designs include a set dollar amount for a doctor visit (e.g. \$25 per visit), or a daily benefit amount for a hospital confinement (e.g. \$200 per day). There is also a low calendar year maximum. These payments usually cover only a fraction of the actual cost for provider or facility services.

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

Each year since 2009, the Commissioner has surveyed the industry offering fixed payment insurance policies, and reported to the Legislature. The enclosed report for June 1, 2014 is a result of the survey sent to companies in March 2014.

## **Annual Reports**

Each March, companies are required to complete and submit a data survey about their fixed payments policies. This year the last two data questions were added to the survey in order ascertain how many policies are currently in force. The questions are:

- Did you write fixed payment policies in Washington state?
- What is the number of new fixed payment policies issued for groups?
- What is the number of new fixed payment policies issued for individuals?
- What is the number of new fixed payment policy group enrollees?
- What is the number of new individual fixed payment policy enrollees?
- What is the number of WA insurance department complaints received for fixed payment policies?
- What is the total number of enrollees on all fixed payment policies on 12/31/2013?
- What is the total number of existing fixed payment policies in force on 12/31/2013?

## **2014 Annual Report - What the data shows**

For purposes of this report, fixed payment policies are defined in RCW 48.43.005 (26)(i) and are 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 of these policies provide a fixed dollar amount paid regardless of the amount charged.

For the 2014 survey, 46 companies reported that they sold fixed payment policies. This year's report compares data from 2011, 2012 and 2013.

Complaints reported by companies in this year's survey decreased 64 percent; only 20 complaints were reported this year compared to 56 complaints reported last year.

## **Group Market**

- This year's data identified 17 companies reporting new sales of group policies, although group enrollees declined almost 57 percent from last year.
- Five companies dominate the new group market sales with their number of new group enrollees totaling 14,158 or 91 percent of all new group enrollees.
- Eight companies reported 36 or less new group enrollees each with a combined total of 128 group enrollees.

## **Individual Market**

- This year's data identified 34 companies reporting new sales of individual policies. However, the number of individual policies and enrollees remained fairly consistent with less than a 1 percent increase from last year's data.
- In 2013, eight companies issued approximately 92 percent of the new individual policies sold in Washington state, covering 79,726 individual enrollees.
- One company, American Family Life Assurance Company, continues to dominate the market with 55,188 new individual enrollees or 64 percent.

## **Conclusions**

New sales of fixed payment insurance policies in the group market continue to fluctuate dramatically from year to year. Between 2012 and 2013, nine companies reported increasing sales of group policies. However; six companies reported significantly decreasing sales, resulting in a decrease of group enrollees from 35,803 in 2012 to 15,509 in 2013.

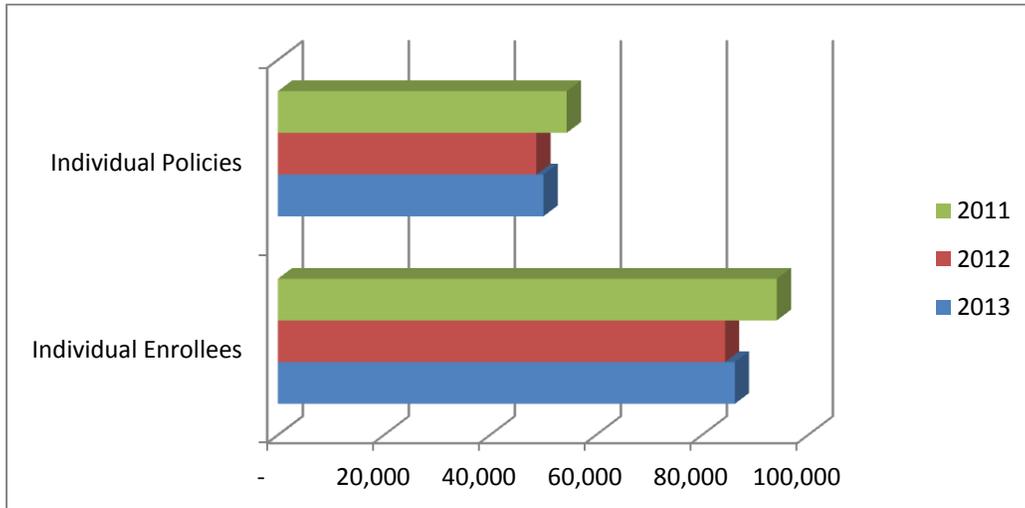
Companies selling individual fixed payment policies have decreased from 36 for 2012, to 34 for 2013, and seven companies report less than 25 individual enrollees on their policies.

The cumulative total of all policies in force and all enrolled members reported by the companies was 309,040 existing policies and 486,020 enrolled members. American Family Life Assurance Company reported 335,286 enrollees or 69 percent of the total fixed payment policies market.

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 (Pub. L 111-148 (2010)), and is not eligible as coverage that meets the 2014 individual mandate requirement to purchase minimum essential coverage. As a result of enrollment in the new state-based Exchange, the Washington HealthPlanFinder, which opened in October 2013, and policies effective January 1, 2014, it is probable that the market for fixed payment policies will decrease.

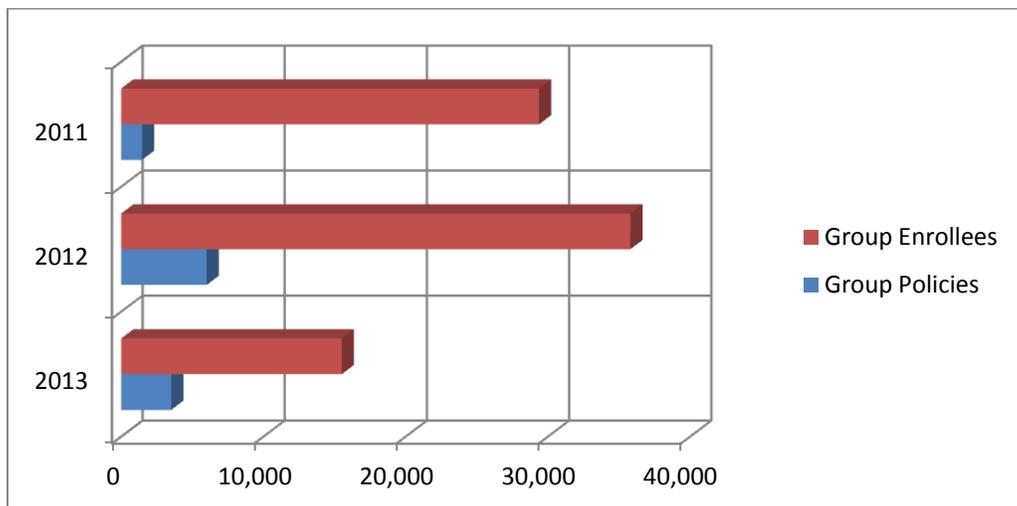
## Comparisons of the 2012, 2013 and 2014 surveys.

This year's new sales survey data shows both the number of new individual enrollees and individual policies increasing by less than 1 percent, enrollees to 86,201 from 84,347, and policies to 50,117 from 48,766 from last year's data.



**Figure 1:** Number of individual policies sold and number of people enrolled under those policies (spouses and dependents may be covered under individual policies). **Source:** Company responses to the OIC survey for 2011, 2012 and 2013 benefit years, as surveyed in 2012, 2013, and 2014. Data is reported based on benefit year, not survey year.

The number of new sales of group policies purchased decreased 41.5 percent from 6,017 to 3,521 and new group enrollment decreased 56.7 percent from 35,803 to 15,509.



**Figure 2:** Number of people enrolled under group policies and number of group policies issued. **Source:** Company responses to the OIC survey for 2010, 2011, and 2012 benefit years, as surveyed in 2011, 2012 and 2013. Data is reported based on benefit year, not survey year.

**APPENDIX A**  
**New Sales of Group Policies and Group Enrollees by Company<sup>1</sup>**

<b>Company</b>	<b>2011 Group Policy</b>	<b>2012 Group Policy</b>	<b>2013 Group Policy</b>	<b>2011 Group Enrollees</b>	<b>2012 Group Enrollees</b>	<b>2013 Group Enrollees</b>
AAA Life Insurance Company	1	0	1	4,113	0	4,058
Aetna Life Insurance Company	2	0	16	57	0	161
American General Life Insurance Company	0	1	1	0	30	34
American Heritage Life Insurance Company	125	351	566	124	219	499
American Income Life Insurance Company	8	22	0	18,959	24,271	0
BCS Insurance Company	73	0	0	90	0	0
Colonial Life & Accident Insurance Company	0	4,650	1,221	0	5,197	1,493
Companion Life Insurance Company	3	1	1	426	4	139
Continental American Insurance Company	1	3	7	697	23	34
Guardian Life Insurance Company Of America	0	0	1	0	0	36
Lincoln National Life Insurance Company	0	7	5	0	156	142
Mutual Of Omaha Insurance Company	1,141	858	160	1,528	1,178	205
Reliaster Life Insurance Company	0	0	3	0	0	77
Symetra Life Insurance Company	13	12	1	2201	2,240	1,635
Transamerica Life Insurance Company	34	40	60	649	1,656	1,365
Trustmark Insurance Company	10	2	7	11	5	11
Union Labor Life Insurance Company			8			8
Unum Life Insurance Company Of America	1	48	1,459	2	25	5,607
Washington National Insurance	7	5	4	7	7	5
<b>Total</b>	<b>1,438</b>	<b>6,017</b>	<b>3,521</b>	<b>29,387</b>	<b>35,803</b>	<b>15,509</b>

<sup>1</sup> Companies reporting they no longer are selling fixed payment policies as of 2013 are not listed in this chart, but are listed in the existing policies chart. Totals for years 2011 and 2012 do not reflect the eliminated companies in order to keep the data consistent for prior year reports.

## New Sales of Individual Policies and Individual Enrollees by Company<sup>2</sup>

Company	2011 Individual Policy	2012 Individual Policy	2013 Individual Policy	2011 Individual Enrollees	2012 Individual Enrollees	2013 Individual Enrollees
American Family Life Assurance Company Of Columbus	34,591	32,014	28,661	66,805	61,478	55,188
American Fidelity Assurance Company	815	802	594	1,608	1,398	992
American General Life Insurance Company	877	579	533	877	579	533
American Heritage Life Insurance Company	451	550	632	380	416	487
American Income Life Insurance Company	2,963	2,016	446	4,314	2,860	559
Amex Assurance Company	4	0	9	4	0	9
Assurity Life Insurance Company	3	0	2	16	0	6
Bankers Fidelity Life Insurance Company	197	116	80	197	116	80
Bankers Life & Casualty Company	22	71	221	22	71	221
Chesapeake Life Insurance Company	0	947	1,834	0	1401	2,835
Colonial Life & Accident Insurance Company	5,275	2,163	4,515	6,117	2,363	5,282
Combined Insurance Company Of America	1,345	1,471	1,939	2,324	2,446	3,209
Companion Life Insurance Company	0	3	0	0	5	0
Equitable Life & Casualty Insurance Company	6	8	0	6	8	0
Family Heritage Life Ins. Company Of America	835	986	834	2,079	2,484	2,135
Federal Insurance Company	0	0	4,258	0	0	7,579
Globe Life And Accident Insurance Company	389	347	344	389	347	344
Guarantee Trust Life Insurance Company	105	146	347	105	146	347
Illinois Mutual Life Insurance Company	0	0	6	0	0	6
Kanawha Insurance Company	0	393	318	0	393	318
Liberty National Life Insurance Company	0	3	1	0	3	1
Lincoln National Life Insurance Company	0	1	0	0	97	0

<sup>2</sup> Companies reporting they no longer are selling fixed payment policies as of 2013 are not listed in this chart, but are listed in the existing policies chart. Totals for years 2011 and 2012 do not reflect the eliminated companies in order to keep the data consistent for prior year reports.

<b>Company</b>	<b>2011 Individual Policy</b>	<b>2012 Individual Policy</b>	<b>2013 Individual Policy</b>	<b>2011 Individual Enrollees</b>	<b>2012 Individual Enrollees</b>	<b>2013 Individual Enrollees</b>
Medico Insurance Company	0	220	67	0	220	67
Mutual Of Omaha Insurance Company	18	14	47	18	14	47
Omaha Woodmen Life Insurance Society	5	7	15	5	7	15
Physicians Mutual Insurance Company	22	9	10	23	11	13
Provident Life And Accident Insurance Company	2,395	2,153	1,429	2,869	2,323	2,090
Reliastar Life Insurance Company	0	179	217	0	179	217
State Farm Mutual Auto Insurance Company	815	587	739	884	649	819
Sterling Life Insurance Company	87	50	63	87	50	63
Transamerica Life Insurance Company	70	55	78	159	124	165
Trustmark Insurance Company	98	52	204	158	71	351
United American Insurance Company	26	24	37	49	61	76
United States Fire Insurance Company	0	1,001	1,228	0	1,001	1,407
United Teacher Associates Insurance Company	79	188	122	119	286	163
United Transportation Union Insurance Assoc.	1,452	1,390	174	2,427	2,487	394
Washington National Insurance	610	215	113	812	247	183
<b>Total</b>	<b>54,493</b>	<b>48,766</b>	<b>50,117</b>	<b>94,117</b>	<b>84,347</b>	<b>86,201</b>

## Cumulative Total of Existing Policies and Enrollees by Company

Company	Did you write fixed payment policies in WA in 2013?	2013 Total Enrollees	2013 Total Existing Policies
AAA Life Insurance Company	Yes	12,744	1
Aetna Life Insurance Company	Yes	176	13
American Family Life Assurance Company Of Columbus	Yes	335,286	165,158
American Fidelity Assurance Company	Yes	992	594
American General Life Insurance Company	Yes	2,344	2,133
American Heritage Life Insurance Company	Yes	2,870	3,511
American Income Life Insurance Company	Yes	8,997	12,335
American National Insurance Company	No	0	20
Amex Assurance Company	Yes	3,221	2,165
Assurity Life Insurance Company	Yes	20	16
Bankers Fidelity Life Insurance Company	Yes	1,199	1,199
Bankers Life & Casualty Company	Yes	274	53
BCS Insurance Company	Yes	3,643	3,643
Chesapeake Life Insurance Company The	Yes	3,521	2,287
Colonial Life & Accident Insurance Company	Yes	6,775	19,987
Combined Insurance Company Of America	Yes	35,714	45,798
Companion Life Insurance Company	Yes	324	4
Conseco Life Insurance Company	No	102	102
Continental American Insurance Company	Yes	300	10
Equitable Life & Casualty Insurance Company	No	23	23
Family Heritage Life Insurance Company Of America	Yes	7,886	3,162
Federal Insurance Company	Yes	7,579	4,258
Fidelity Security Life Insurance Company	No	5	1
Globe Life And Accident Insurance Company	Yes	3,977	3,977
Guarantee Trust Life Insurance Company	Yes	624	277
Guardian Life Insurance Company Of America The	Yes	36	1
Illinois Mutual Life Insurance Company	Yes	0	11
Kanawha Insurance Company	Yes	318	1,109
Kansas City Life Insurance Company	No	2	2
Liberty National Life Insurance Company	Yes	1	1
Lifesecond Insurance Company	No	0	16
Lincoln National Life Insurance Company	Yes	388	12
Medico Insurance Company	Yes	193	193
Metropolitan Life Insurance Company	No	51	51
Mid-West National Life Ins Co Of Tennessee	No	284	182

<b>Company</b>	<b>Did you write fixed payment policies in WA in 2013?</b>	<b>2013 Total Enrollees</b>	<b>2013 Total Existing Policies</b>
Mony Life Insurance Company	No	1	1
Mutual Of Omaha Insurance Company	Yes	717	626
Nationwide Life Insurance Company	No	0	1
New York Life Insurance	Yes	89	8
Old American Insurance Company	No	256	256
Omaha Woodmen Life Insurance Society	Yes	49	49
Pan-American Life Insurance Company	No	4	3
Physicians Mutual Insurance Company	Yes	1,455	1,195
Professional Insurance Company	No	2	1
Provident Life And Accident Insurance Company The	Yes	2,090	6,507
Reliastar Life Insurance Company	Yes	8,142	651
Riversource Life Insurance Company	No	2	2
Standard Life And Accident Insurance Company	No	0	47
State Farm Mutual Automobile Insurance Company	Yes	819	8,345
Sterling Life Insurance Company	Yes	441	441
Sunset Life Insurance Company Of America	No	6	6
Symetra Life Insurance Company	Yes	2,281	33
Thrivent Life Insurance Company	Yes	21	17
Transamerica Life Insurance Company	No	2,146	1,177
Trustmark Insurance Company	Yes	450	254
Unified Life Insurance Company	No	0	12
Union Labor Life Insurance Company The	Yes	113	75
United American Insurance Company	Yes	477	273
United States Fire Insurance Company	Yes	1,407	1,228
United States Life Insurance Company In The City Of New York The	No	5,925	7
United Teacher Associates Insurance Company	Yes	518	360
United Transportation Union Insurance Association	Yes	2,340	1,690
Unum Life Insurance Company Of America	Yes	5,607	5,492
Usable Life	No	6	6
Washington National Insurance	Yes	10,788	7,958
Western And Southern Life Insurance Company The	No	0	15
<b>Total</b>		<b>486,020</b>	<b>309,040</b>

# APPENDIX B

MIKE KREIDLER  
STATE INSURANCE COMMISSIONER

## STATE OF WASHINGTON



## OFFICE OF INSURANCE COMMISSIONER

OLYMPIA OFFICE:  
INSURANCE BUILDING  
P.O. BOX 40255  
OLYMPIA, WA 98504-0255  
Phone: (360) 725-7000

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, 2013.

In order to meet this deadline, you must file a report with us by March 1<sup>st</sup>, 2013, 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, 2014.

Field #	Question	Field Type
1	Did you write fixed payment policies in WA in 2013?	Y or N
2	Number of new fixed payment policies issued in 2013 - group	Numeric
3	Number of new fixed payment policies issued in 2013 - individual	Numeric
4	The number of new fixed payment policy group enrollees in 2013	Numeric
5	The number of new individual fixed payment policy enrollees in 2013	Numeric
6	Total number of enrollees on all fixed payment policies on 12/31/2013	Numeric
7	Total number of existing fixed payment policies in force on 12/31/2013	Numeric
8	The number of WA insurance department complaints for fixed payment policies received in 2013	Numeric

This information should be emailed to [Market.ConductOversight@oic.wa.gov](mailto:Market.ConductOversight@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,

Handwritten signature of John Haworth.

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