

Fixed-payment benefits plans annual report

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www.insurance.wa.gov

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Executive summary

In 2007, the Legislature modified the definition of “health plan” in RCW 48.43.00 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, 2018 is a result of the survey that the OIC sent to companies in January 2018. The companies reported data for the 2017 calendar year. In this report, we compare the 2017 data with data we collected in 2016 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 2017?
- Number of new fixed-payment policies issued in 2017-group
- Number of new fixed-payment policies issued in 2017-individual
- Number of new fixed-payment policy group enrollees in 2017
- Number of new individual fixed-payment policy enrollees in 2017
- Total number of enrollees on all fixed-payment policies as of Dec. 31, 2017
- Total number of existing fixed-payment policies in force as of Dec. 31, 2017
- Number of complaints from consumers that the Washington Office of the Insurance Commissioner forwarded to the company regarding fixed-payment policies in 2017

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 2017, 47 companies reported that they sold fixed-payment policies to consumers.

Companies reported 28 complaints in 2017 compared to 42 in 2016 and 21 in 2015.

Group market

- Of the 210 companies which responded to the survey, 47 companies confirmed they wrote fixed-payment policies in Washington state in 2017. Of those companies, 21 companies wrote at least one new group policy.
- This year's results show that the 21 companies which sold at least one new group policy in 2017, had a decrease of 8,396 enrollees on new group policies compared to 2016. This is a 19.1 percent decrease from 2016.
- Six companies dominate the new group market sales with 31,982 new enrollees:
 - UNUM Life Insurance Company of America: 13,879
 - Continental American Insurance Company: 8,330

- Colonial Life & Accident Insurance Company: 3,566
- AAA Life Insurance Company: 3,477
- American Heritage Life Insurance Company: 1,878
- Lincoln National Life Insurance Company: 852
- Nine companies had between 1 to 200 new group enrollees, accounting for a total of 525 new group enrollees.
- Twenty-six companies reported no new group enrollees.

Individual market

- This year's results showed 32 companies sold individual policies in 2017, with an increase of 5,043 enrollees on new individual policies. This is a 7 percent increase from 2016.
- In 2017, six companies issued 90.6 percent of the new individual policies sold in Washington state, covering 69,460 individuals.
- One company, American Family Life Assurance Company of Colorado (AFLAC), continues to dominate the market with 45,884 new enrollees, 59.8 percent of the newly enrolled individual fixed-payment policies market.

Conclusions

Of the 47 companies writing policies in Washington, 30 companies reported selling at least one new individual policy in 2017, down from 32 in 2016. Twenty companies reported decreases in new individual enrollees. In addition, 14 companies have fewer than 200 new individual enrollees.

Companies reported a total of 290,700 policies in force and 527,839 total enrolled members. Compared to 2016, the 2017 cumulative enrollment is 4.3 percent higher, with 21,956 new enrollees. This is the net result of 112,199 new enrollees (35,529 group plus 76,670 individual) minus the loss of 90,243 former enrollees.

Results comparison

The 2017 survey data show that the number of new individual enrollees has increased by 7 percent compared to last year, while the number of new individual policies has increased by 7.3 percent compared to last year. In 2017, the companies issued 46,198 policies to 76,670 new individual enrollees (spouses and dependents may be covered under individual policies)

New enrollees and policies – Individual policies

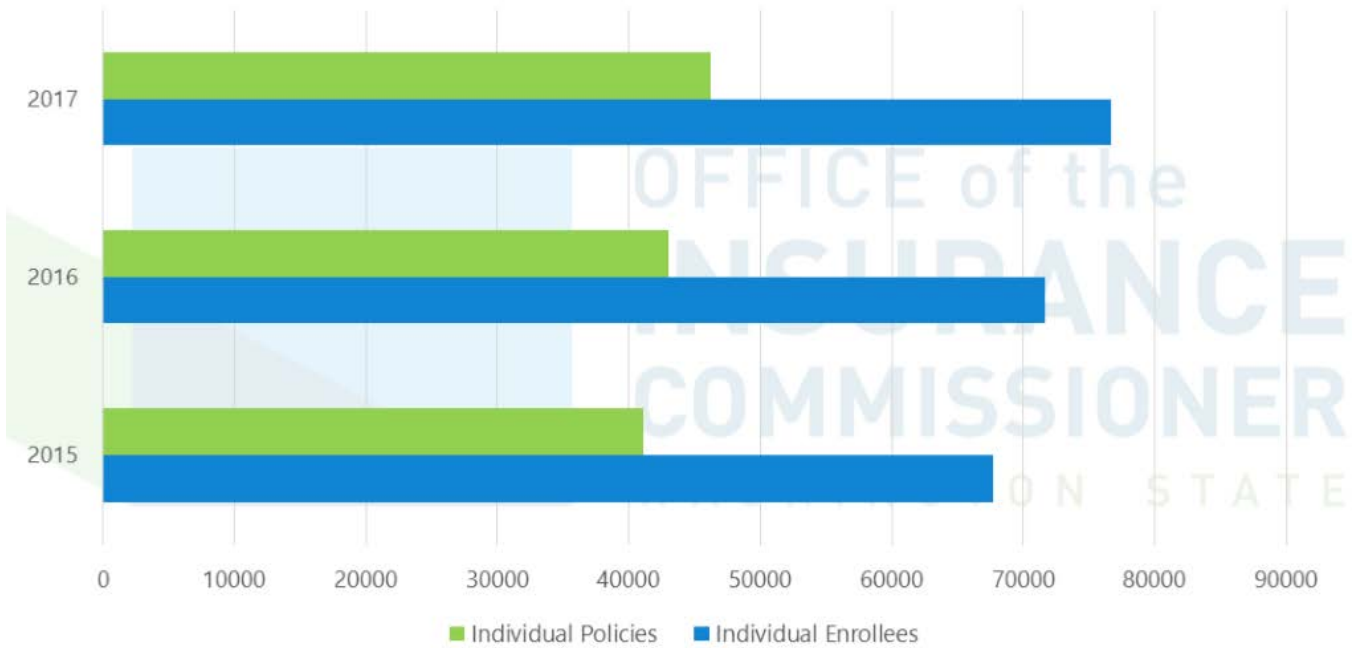


Figure 1: Number of new individual policies sold (shown in green) and number of people enrolled in those policies (shown in blue). Individual policies may cover the enrollee’s spouses and dependents.

Source: Company responses to the OIC survey for 2017, 2016 and 2015 benefit years. Data is reported based on benefit year, not survey year.

New enrollees and policies – Group policies

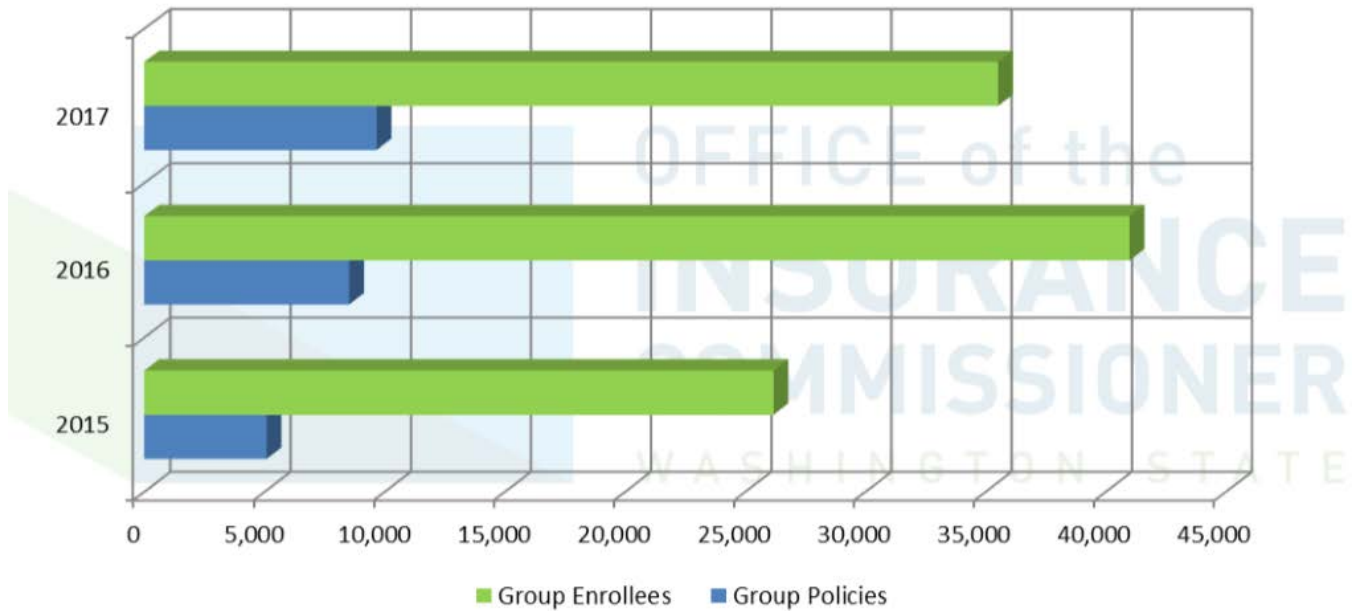


Figure 2: Number of new people enrolled in group policies (shown in green) and number of group policies issued (shown in blue). The number of new group policies purchased increased 13.6 percent, from 8,528 in 2016 to 9,667 in 2017. New group enrollment decreased by 19.1 percent, from 43,925 in 2016 to 35,529 in 2017.

Source: Company responses to the OIC survey for 2017, 2016, and 2014 benefit years. Data is reported based on benefit year, not survey year.

New enrollees and policies – Individual and group policies

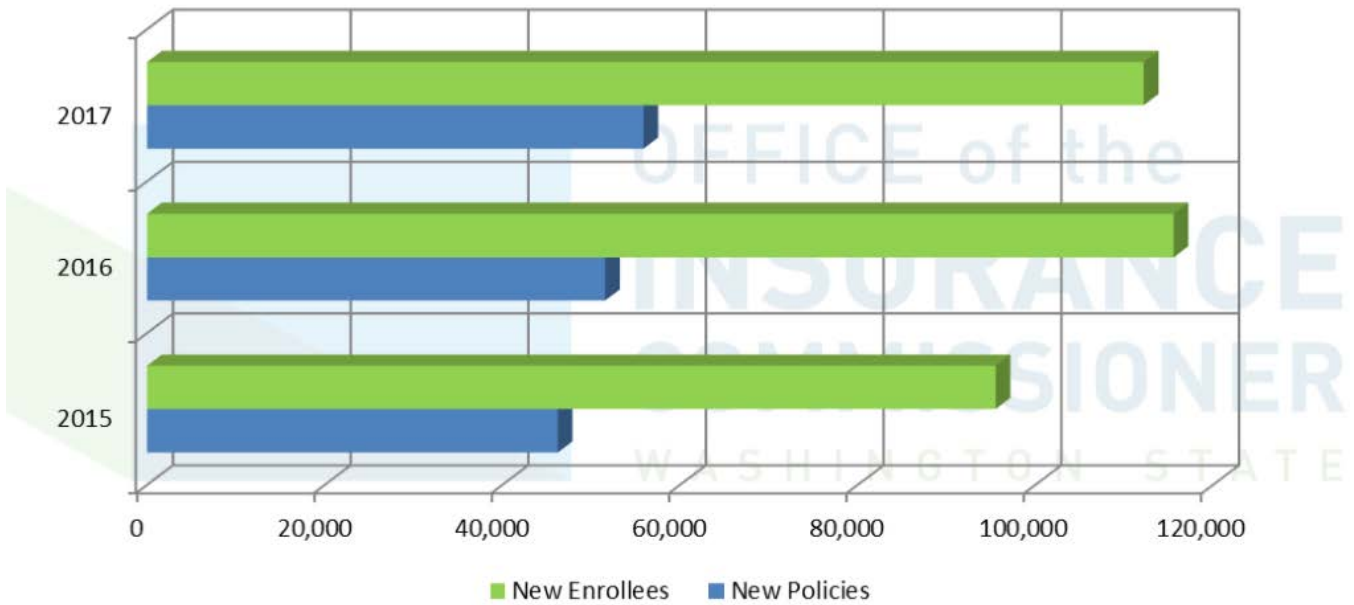


Figure 3: Total number of new enrollees (shown in green) and total number of new policies issued (shown in blue). Between 2016 and 2017, the total number of new individual and group policies increased by 8.3 percent, from 51,567 in 2016 to 55,865 in 2017. In the same time period, the total number of new enrollees decreased by 2.9 percent, from 115,552 in 2016 to 112,199 in 2017.

Source: Company responses to the OIC survey for 2017, 2016, and 2015 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	2015 Group Policies	2015 Group Enrollments	2016 Group Policies	2016 Group Enrollments	2017 Group Policies	2017 Group Enrollments
AAA Life Insurance Company	0	1,750	0	4,241	0	3,477
American Heritage Life Insurance Company	754	1,764	722	1,106	1,164	1,878
Assurity Life Insurance Company	0	0	30	66	95	147
Colonial Life & Accident Insurance Company	2,660	3,085	3,158	3,706	2,832	3,566
Combined Insurance Company of America	0	0	1	1	6	6
Companion Life Insurance Company	10	498	8	285	0	338
Continental American Insurance Company	7	8,450	8	7,863	13	8,330
Guardian Life Insurance Company of America, The	1	42	3	32	29	478
Hartford Life and Accident Insurance	0	0	0	13	0	3
Lincoln Life & Annuity Company of New York	0	0	2	114	4	605
Lincoln National Life Insurance Company	6	80	9	4,455	14	852
Monumental Life Insurance Company	0	0	0	0	4	4
Monumental Life Insurance Company	0	0	2	2	4	4
Principal Life Insurance Company	4	116	5	188	1	12
Prudential Insurance Company of America	0	0	0	0	2	72
Reliastar Life Insurance Company	3	325	1	121	2	12
Standard Insurance Company	0	0	0	0	11	211

¹ Companies reporting they no longer are selling fixed payment policies as of 2017 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 2015 and 2016 do not reflect companies that have stopped selling policies.

Company	2015 Group Policies	2015 Group Enrollments	2016 Group Policies	2016 Group Enrollments	2017 Group Policies	2017 Group Enrollments
Symetra Life Insurance Company	1	405	3	788	1	102
TransAmerica Life Insurance Company	82	173	431	2,161	311	654
TransAmerica Premier Life Insurance Company	2	2	2	2	4	4
Trustmark Insurance Company	31	71	47	68	9	15
United of Omaha Life Insurance Company	0	0	2	121	11	735
United States Branch of the Sun Life Assurance Company of Canada	2	15	0	0	1	153
UNUM Life Insurance Company of America	1,519	9,405	4,084	15,663	5,125	13,879
Totals	5,082	26,181	8,518	40,996	9,667	35,529

Sales of new individual policies and individual enrollees by company

Company	2015 Individual Policies	2015 Individual Enrollments	2016 Individual Policies	2016 Individual Enrollments	2017 Individual Policies	2017 Individual Enrollments
American Family Life Assurance Company of Columbus	24,848	48,756	22,667	44,073	24,268	45,884
American Fidelity Assurance Company	927	1,331	833	1,148	717	960
American General Life Insurance Company	344	344	267	267	216	216
American Heritage Life Insurance Company	31	105	44	203	40	251
American Income Life Insurance Company	969	1,481	976	1,869	643	970
Assurity Life Insurance Company	9	11	26	41	29	108
Bankers Fidelity Life Insurance Company	28	28	18	18	3	3
Bankers Life and Casualty Company	485	487	434	435	392	394
Chesapeake Life Insurance Company	2,260	0	2,416	3,166	2,510	3,379
Colonial Life and Accident Insurance Company	5,583	6,932	9,141	11,116	10,133	13,015
Combined Insurance Company of America	709	1,227	870	1,396	400	613
Family Heritage Life Insurance Company of America	605	1,454	683	1,750	690	1,648
Federal Insurance Company	109	109	96	96	190	190
Globe Life and Accident Insurance Company	339	339	383	383	484	484
Great Northern Insurance	0	0	0	0	16	16
Guarantee Trust Life Insurance Company	245	245	84	84	88	91
Illinois Mutual Life Insurance Company	3	3	6	6	3	3
Kanawha Insurance Company	251	251	153	153	128	128
Loyal American Life Insurance Company	3	3	43	63	115	185

Company	2015 Individual Policies	2015 Individual Enrollments	2016 Individual Policies	2016 Individual Enrollments	2017 Individual Policies	2017 Individual Enrollments
Medico Insurance Company	152	152	222	222	155	155
Monumental Life Insurance Company	0	0	0	0	36	36
Mutual of Omaha Insurance Company	170	206	134	183	185	249
Provident Life and Accident Insurance Company	1,183	2,047	1,064	1,662	881	2,637
Standard Life and Accident Insurance Company	139	189	16	23	12	21
State Farm Mutual Auto Insurance Company	1,222	1,286	1,398	1,438	983	1,048
Time Insurance Company	0	0	0	0	2,121	2,897
TransAmerica Financial Life Insurance Company	0	0	0	0	5	6
TransAmerica Life Insurance Company	5	10	95	160	40	62
TransAmerica Premier Life Insurance Company	0	0	0	0	36	36
Trustmark Insurance Company	134	213	654	941	594	845
United American Insurance Company	82	162	26	42	30	49
United Transportation Union Insurance Association	55	106	30	62	45	80
Washington National Insurance Company	98	98	47	49	46	47
Total	40,988	67,575	42,826	71,049	46,198	76,670

Cumulative total of existing policies and enrollees by company

Company	Did you write fixed payment policies in WA in 2017?	2017 Total Enrollees	2017 Total Existing Policies
AAA Life Insurance Company	Yes	16,919	1
Aetna Life Insurance Company	No	71	1
American Family Life Assurance Company of Colorado	Yes	305,610	14,8974
American Fidelity Assurance Company	Yes	960	718
American Gen Life Insurance Company	Yes	1,865	1,850
American Heritage Life Insurance Company	Yes	3,361	862
American Income Life Insurance Company	Yes	12,917	9,414
American National Insurance Company	No	9	6
Assurity Life Insurance Company	Yes	217	143
Bankers Fidelity Life Insurance Company	Yes	652	652
Bankers Life & Casualty Company	Yes	11,203	9,644
BCS Insurance Company	Yes	877	32
BrightHouse Life Insurance Company	No	2	2
Chesapeake Life Insurance Company	Yes	5,734	4,215
Colonial Life & Accident Insurance Company	Yes	16,581	32,683
Combined Insurance Company of America	Yes	25,398	19,955
Companion Life Insurance Company	Yes	516	12
Continental American Insurance Company	Yes	20,208	20
Continental Gen Insurance Company	Yes	375	0
Equitable Life & Casualty Insurance Company	No	21	21
Family Heritage Life Insurance Company of America	Yes	9,839	3,976
Federal Insurance Company	Yes	4,280	4,280
Fidelity Security Life Insurance Company	No	3	0
Globe Life & Accident Insurance Company	Yes	4,093	4,093
Great Northern Insurance Company	Yes	521	521
Guarantee Trust Life Insurance Company	Yes	706	704
Guardian Life Insurance Company of America	Yes	668	38
Hartford Life & Accident Insurance Company	No	84	0
Hartford Life Insurance Company	No	27	0
Illinois Mutual Life Insurance Company	No	23	20
Kanawha Insurance Company	Yes	128	681
Kansas City Life Insurance Company	No	2	2

Company	Did you write fixed payment policies in WA in 2017?	2017 Total Enrollees	2017 Total Existing Policies
Lincoln Life & Ann Co of NY	Yes	1,453	8
Lincoln Natl Life Insurance Company	Yes	9,104	33
Loyal American Life Insurance Company	Yes	185	119
Madison Natl Life Insurance Company, Inc.	No	1	1
Medico Insurance Company	Yes	522	522
Metropolitan Life Insurance Company	No	51	51
Mony Life Insurance Company	No	1	1
Mutual of Omaha Insurance Company	Yes	1,023	848
Old American Insurance Company	No	127	127
Pennsylvania Life Insurance Company	No	3	3
Physicians Mutual Insurance Company	No	882	720
Principal Life Insurance Company	Yes	160	10
Professional Insurance Company	No	2	1
Provident Life & Accident Insurance Company	Yes	2,637	4,599
Prudential Insurance Company of America	Yes	83	6
Reliastar Life Insurance Company	Yes	7,263	37
Sentinel Security Life Insurance Company	No	10	10
Standard Insurance Company	Yes	211	11
Standard Life & Accident Insurance Company	Yes	60	50
State Farm Mutual Auto Insurance Company	Yes	9,089	7,693
Sunset Life Insurance Company of America	No	3	3
Symetra Life Insurance Company	Yes	902	7
Thrivent Financial For Lutherans	No	23	23
Time Insurance Company	Yes	2,946	2,035
TransAmerica Casualty Insurance Company	No	1	1
TransAmerica Financial Life Insurance Company	No	23	14
TransAmerica Life Insurance Company	Yes	2,553	1,092
TransAmerica Premier Life Insurance Company	Yes	2,257	1,450
Trustmark Insurance Company	Yes	1,385	976
Unified Life Insurance Company	No	10	9
Union Labor Life Insurance Company	No	93	59
United American Insurance Company	Yes	598	324
United of Omaha Life Insurance Company	Yes	1,013	16

Company	Did you write fixed payment policies in WA in 2017?	2017 Total Enrollees	2017 Total Existing Policies
United States Life Insurance Company in the City	No	17,250	0
United Transportation Union Ins Assn	Yes	348	189
Unum Life Insurance Company of America	Yes	13,879	20,521
US Branch Sun Life Assur Company of Canada	Yes	470	10
USAA Life Insurance Company	No	101	101
USABLE Life	No	2	2
Washington Natl Insurance Company	Yes	7,089	5,340
Western & Southern Life Insurance Company	No	13	15
Wilcac Life Insurance Company	No	2	2
Wilco Life Insurance Company	Yes	82	82
Wilton Reassurance Life Company of New York	No	2	2
Woodmen World Life Insurance Society	No	57	57
Totals		527,839	290,700

Appendix B

Survey questions

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, 2018.

In order to meet this deadline, you must file a report with us by February 28, 2018, 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, 2018.

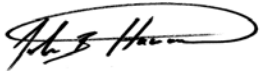
Field #	Question	Field Type
1	Did you write fixed-payment policies in WA in 2017?	Y or N
2	Number of new fixed-payment policies issued in 2017 – group	Numeric
3	Number of new fixed-payment policies issued in 2017 – individual	Numeric
4	The number of new fixed-payment policy group enrollees in 2017	Numeric
5	The number of new individual fixed-payment policy enrollees in 2017	Numeric
6	Total number of enrollees on all fixed-payment policies on 12/31/2017	Numeric
7	Total number of existing fixed-payment policies in force on 12/31/2017	Numeric
8	The number of WA insurance department complaints for fixed-payment policies received in 2017	Numeric

This information should be emailed to MarketConductOversight@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 within a thin, hand-drawn oval.

John Haworth, CIE, CPCU, FLMI, MCM
Market Conduct Oversight Manager
State of Washington, Office of the Insurance Commissioner
Phone: (360)725-7223 | Email: JohnHaw@oic.wa.gov