

Office of the Insurance Commissioner

# Fixed payment insurance products

Annual report to the Legislature

6/1/2013

STATE OF WASHINGTON

MIKE KREIDLER  
STATE INSURANCE COMMISSIONER

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OFFICE OF  
INSURANCE COMMISSIONER

June 1, 2013

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 2013 report – the fifth annual report – is based on data collected in 2012. 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 2010, 2011 and 2012. The new data shows:

- Sales for group policies increased over 300 percent; however, the increase is attributed to two companies who represent over 82 percent of group enrollees.
- Sales for individual policies continue to show a decrease in both the number of policies and the number of individual enrollees.
- Consumer complaints increased by 37 percent for the 2013 survey, with 56 complaints compared to 41 for the 2012 survey.

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,

A handwritten signature in black ink that reads "Mike Kreidler".

Insurance Commissioner Mike Kreidler

Enclosure

## **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 purchase 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, 2013 is a result of the survey sent to companies in March of 2013.

## **Annual Reports**

Each March, companies are required to complete and submit a survey answering the following questions:

- 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?

## **2013 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 2013 survey, forty-three companies reported that they sold fixed payment policies. This year's report compares data from 2010, 2011 and 2012.

Complaints reported by companies in this year's survey increased to 56 compared to 41 complaints reported last year, an increase of 37 percent.

## **Group Market**

- This year's data identified 15 companies reporting new sales of group policies.
- Three companies -- American Income Life Insurance, Colonial Life & Accident Insurance Company and Transamerica Life Insurance Company -- reported the largest increase in the number of group enrollees, totaling 31,124 or 82 percent of group enrollees for 2012.

- Seven companies reported less than 50 group enrollees each, with a combined total of 142 group enrollees.

## Individual Market

- This year's data identified 36 companies reporting new sales of individual policies', however, the number of individual policies and enrollees continues to decline. Fourteen companies reported a decline in individual policies and individual enrollees.
- In 2012, eight companies issued approximately 88 percent of the individual policies sold in Washington state covering 76,359 individual enrollees.
- One company, American Family Life Assurance Company, continues to dominate the market with 61,478 individual enrollees or 73 percent.

## Conclusions

New sales of fixed payment insurance policies in the group market continue to fluctuate dramatically from year to year. Between 2011 and 2012, three companies reported significant increases in sales of group policies, resulting in over 31,124 new group enrollees, while two companies reported decreased sales, resulting in a decrease of 5,137 group enrollees.

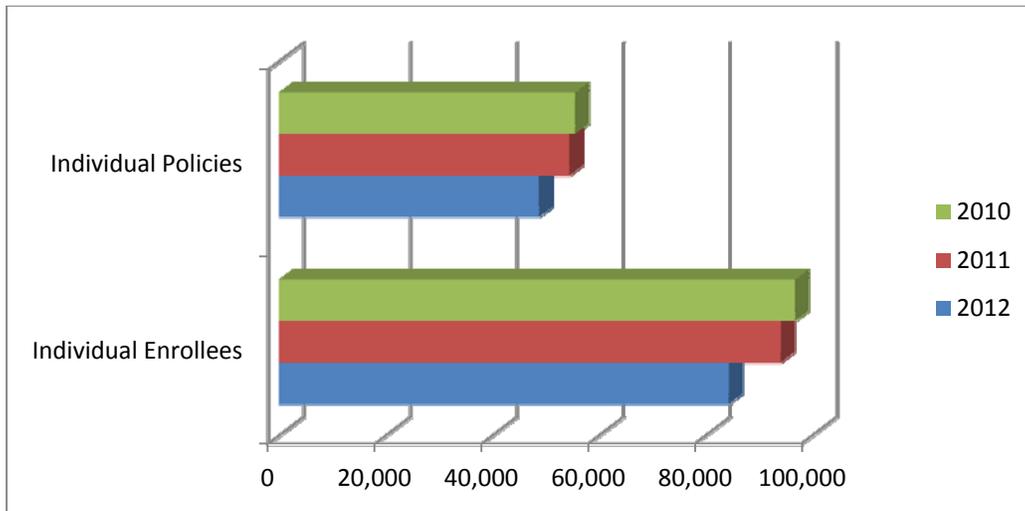
In 2011, American Income Life Insurance Company reported 8 new groups sold and 18,959 group enrollees; for 2012, 22 new groups sold and 24,271 group enrollees. This gave this company 68 percent of all group enrollees in the market.

Companies selling individual fixed payment policies have increased from 30 for 2011 to 36 for 2012, although nine companies report less than 25 individual enrollees on their policies.

**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.** The mandate takes effect Jan. 1, 2014. Due to these dynamics, it is probable that the market for fixed payment policies will decrease.

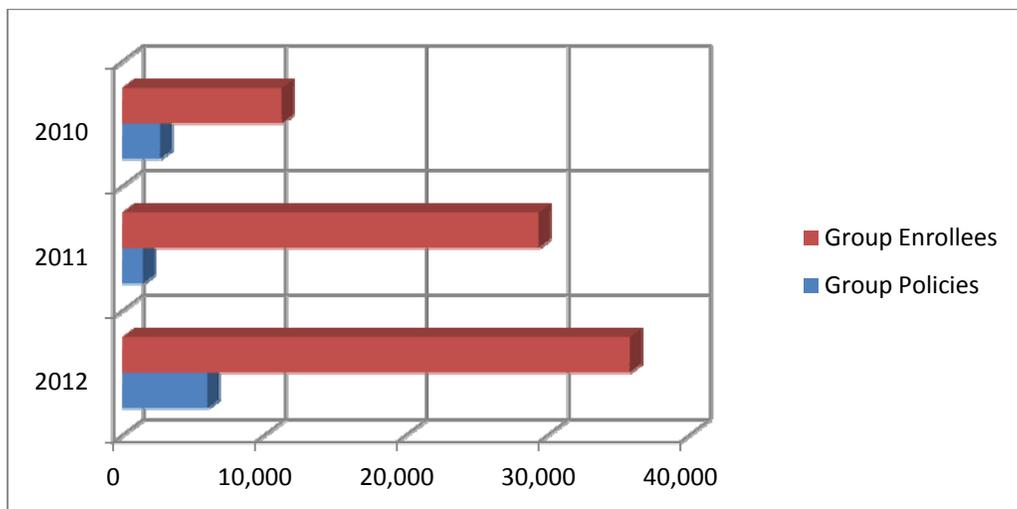
## Comparisons of the 2011, 2012 and 2013 surveys.

In 2013 the number of individual enrollees declined by 10 percent, compared to the previous year's 3 percent decline, decreasing from 94,117 to 84,347. Individual policy sales also decreased 11 percent, dropping from 54,493 in 2012 to 48,766 in 2013.



**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 2010, 2011 and 2012 benefit years, as surveyed in 2011, 2012, and 2013. Data is reported based on benefit year, not survey year.

Group enrollment, on the other hand, increased 22 percent, from 29,387 to 35,803. The number of group policies increased 319 percent, from 1,436 to 6,017. This increase is largely attributed to one company reporting 4,650 group policies with 5,197 group enrollees.



**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

### Group policies and group enrollees by company

Company	2010 Group Policy	2011 Group Policy	2012 Group Policy	2010 Group Enrollees	2011 Group Enrollees	2012 Group Enrollees
AAA LIFE INSURANCE COMPANY	1	1	0	4113	4113	0
AETNA LIFE INSURANCE COMPANY	5	2	0	215	57	0
AMERICAN GENERAL LIFE INSURANCE COMPANY	0	0	1	0	0	30
AMERICAN HERITAGE LIFE INSURANCE COMPANY	72	125	351	145	124	219
AMERICAN INCOME LIFE INSURANCE COMPANY	2	8	22	500	18959	24271
BCS INSURANCE COMPANY	1	73	0	20	90	0
COLONIAL LIFE & ACCIDENT INSURANCE COMPANY	0	0	4650	0	0	5197
COMPANION LIFE INSURANCE COMPANY	2	3	1	158	426	4
CONTINENTAL AMERICAN INSURANCE COMPANY	0	1	3	0	697	23
KANSAS CITY LIFE INSURANCE COMPANY	35	18	14	1382	448	744
LINCOLN NATIONAL LIFE INSURANCE COMPANY	0	0	7	0	0	156
MUTUAL OF OMAHA INSURANCE COMPANY	2359	1141	858	3180	1528	1178
NATIONWIDE LIFE INSURANCE COMPANY	1	0	0	1	0	0
PAN-AMERICAN LIFE INSURANCE COMPANY	1	1	3	9	75	48
RELIASTER LIFE INSURANCE COMPANY	148	0	0	198	0	0
SYMETRA LIFE INSURANCE COMPANY	10	13	12	985	2201	2240
TRANSAMERICA LIFE INSURANCE COMPANY	19	34	40	344	649	1656
TRUSTMARK INSURANCE COMPANY	1	10	2	1	11	5
UNUM LIFE INSURANCE COMPANY OF AMERICA	0	1	48	0	2	25
WASHINGTON NATIONAL INSURANCE	0	7	5	0	7	7
<b>Total</b>	<b>2,657</b>	<b>1,438</b>	<b>6,017</b>	<b>11,251</b>	<b>29,387</b>	<b>35,803</b>

### Individual Policies and Individual Enrollees by company

<b>Company</b>	<b>2010 Individual Policy</b>	<b>2011 Individual Policy</b>	<b>2012 Individual Policy</b>	<b>2010 Individual Enrollees</b>	<b>2011 Individual Enrollees</b>	<b>2012 Individual Policy</b>
AAA LIFE INSURANCE COMPANY	2	2	0	2	2	0
AMERICAN FAMILY LIFE ASSURANCE COMPANY OF COLUMBUS	35032	34591	32014	67184	66805	61478
AMERICAN FIDELITY ASSURANCE COMPANY	824	815	802	1553	1608	1398
AMERICAN GENERAL LIFE INSURANCE COMPANY	2	877	579	2	877	579
AMERICAN HERITAGE LIFE INSURANCE COMPANY	479	451	550	977	380	416
AMERICAN INCOME LIFE INSURANCE COMPANY	3875	2963	2016	5883	4314	2860
AMERICAN NATIONAL INSURANCE COMPANY	0	2	0	2	877	0
AMEX ASSURANCE COMPANY	0	4	0	0	4	0
ASSURITY LIFE INSURANCE COMPANY	16	3	0	16	16	0
BANKERS FIDELITY LIFE INSURANCE COMPANY	269	197	116	269	197	116
BANKERS LIFE & CASUALTY COMPANY	27	22	71	28	22	71
CHESAPEAKE LIFE INSURANCE COMPANY	0	0	947	0	0	1401
COLONIAL LIFE & ACCIDENT INSURANCE COMPANY	3835	5275	2163	4323	6117	2363
COMBINED INSURANCE COMPANY OF AMERICA	3084	1345	1471	5507	2324	2446
COMPANION LIFE INSURANCE COMPANY	27	0	3	27	0	5
EQUITABLE LIFE & CASUALTY INSURANCE COMPANY	0	6	8	0	6	8
FAMILY HERITAGE LIFE INS. COMPANY OF AMERICA	788	835	986	1950	2079	2484
GLOBE LIFE AND ACCIDENT INSURANCE COMPANY	505	389	347	505	389	347
GUARANTEE TRUST LIFE INSURANCE COMPANY	170	105	146	170	105	146
KANAWHA INSURANCE COMPANY	0	0	393	0	0	393
LIBERTY NATIONAL LIFE INSURANCE COMPANY	0	0	3	0	0	3
LINCOLN NATIONAL LIFE INSURANCE COMPANY	0	0	1	0	0	97
MEDICO INSURANCE COMPANY	0	0	220	0	0	220
MUTUAL OF OMAHA INSURANCE COMPANY	11	18	14	11	18	14
NATIONWIDE LIFE INSURANCE COMPANY	1090	1	0	1090	105	0

<b>Company</b>	<b>2010 Individual Policy</b>	<b>2011 Individual Policy</b>	<b>2012 Individual Policy</b>	<b>2010 Individual Enrollees</b>	<b>2011 Individual Enrollees</b>	<b>2012 Individual Policy</b>
OMAHA WOODMEN LIFE INSURANCE SOCIETY	12	5	7	12	5	7
PHYSICIANS MUTUAL INSURANCE COMPANY	298	22	9	404	23	11
PROVIDENT LIFE AND ACCIDENT INSURANCE COMPANY	2757	2395	2153	3395	2869	2323
RELIASTAR LIFE INSURANCE COMPANY	0	0	179	0	0	179
STANDARD LIFE AND ACCIDENT INSURANCE COMPANY	0	0	4	0	0	4
STATE FARM MUTUAL AUTO INSURANCE COMPANY	962	815	587	1043	884	649
STERLING LIFE INSURANCE COMPANY	125	87	50	124	87	50
TRANSAMERICA LIFE INSURANCE COMPANY	4	70	55	9	159	124
TRUSTMARK INSURANCE COMPANY	30	98	52	50	158	71
UNITED AMERICAN INSURANCE COMPANY	10	26	24	11	49	61
UNITED STATES FIRE INSURANCE COMPANY	0	0	1001	0	0	1001
UNITED TEACHER ASSOCIATES INSURANCE COMPANY	109	79	188	167	119	286
UNITED TRANSPORTATION UNION INSURANCE ASSOC.	952	1452	1390	1761	2427	2487
USABLE LIFE	18	9	1	18	9	1
WASHINGTON NATIONAL INSURANCE	266	610	215	350	812	247
WESTERN AND SOUTHERN LIFE INSURANCE COMPANY	0	0	1	0	0	1
<b>Total</b>	<b>55,581</b>	<b>54,493</b>	<b>48,766</b>	<b>96,843</b>	<b>94,117</b>	<b>84,347</b>

### **Companies licensed to sell group and individual policies but reporting no new sales for 2012**

AAA LIFE INSURANCE COMPANY	ASSURITY LIFE INSURANCE COMPANY
AETNA LIFE INSURANCE COMPANY	BCS INSURANCE COMPANY
AMEX ASSURANCE COMPANY	NATIONWIDE LIFE INSURANCE COMPANY

# 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 March 1<sup>st</sup>, 2013.

Field #	Question	Field Type
1	Did you write fixed payment policies in WA in 2012?	Y or N
2	Number of new fixed payment policies issued in 2012 - group	Numeric
3	Number of new fixed payment policies issued in 2012 - individual	Numeric
4	The number of new fixed payment policy group enrollees in 2012	Numeric
5	The number of new individual fixed payment policy enrollees in 2012	Numeric
6	The number of WA insurance department complaints for fixed payment policies received in 2012	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,

A handwritten signature in black ink, appearing to read "John Haworth", enclosed in a hand-drawn oval.

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)