

Office of the Insurance Commissioner Annual Report

2020 Insurance Regulation Overview
July 1, 2021

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 over 83,000 people and maintain a statewide network of volunteers who advise almost 85,000 consumers about health-coverage issues.

In 2020, the insurance commissioner regulated 2,526 companies and 212,307 licensees who work in the insurance industry.



In fiscal year 2020, we collected \$691.3 million in premium taxes from insurance companies.

Of that amount:

- We sent \$665.3 million to the state general fund to support K-12 education, higher education, human services and general government operations.
- We sent \$26 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 265 people in Olympia, Tumwater, Spokane and Seattle. Our budget for 2019-2021—called a biennium—is \$75.6 million.

Insurance plays an important role in our state's economy. The insurance industry in Washington generated more than \$48.2 billion in premiums in 2020. As of 2019, the most recent data available, the industry employed more than 62,400 people in the state and accounted for nearly \$5 billion in wages and salaries. It contributed \$8.8 billion to Washington's gross state product, about 1.4% 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

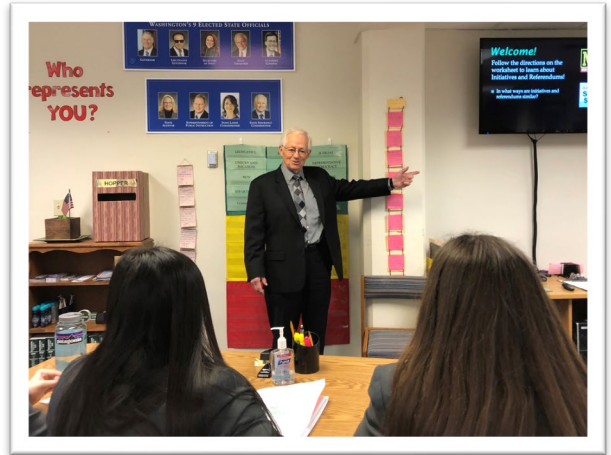
Mike Kreidler is Washington's eighth insurance commissioner.

A former member of Congress, he was first elected as insurance commissioner in 2000 and was re-elected to a sixth term in 2020.

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 resilience and how it affects insurance companies and consumers. In June 2020, Insurance ERM [named Commissioner Kreidler an insurance industry leader on climate change](#).

From his local school district to the state Legislature and halls of Congress, Commissioner Kreidler has served Washingtonians for 48 years.



Commissioner Kreidler talks to Legislative pages at the Washington state Capitol days before the COVID-19 pandemic shut down in-person operations in our state in March 2020.

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 2020

Coronavirus pandemic

Life changed drastically in March 2020 with the COVID-19 pandemic. While rapidly transitioning to full-time telework, our staff issued guidance to insurers in response to coronavirus concerns for consumers.

Health insurance

Commissioner Kreidler issued emergency orders to make sure that insurance companies:

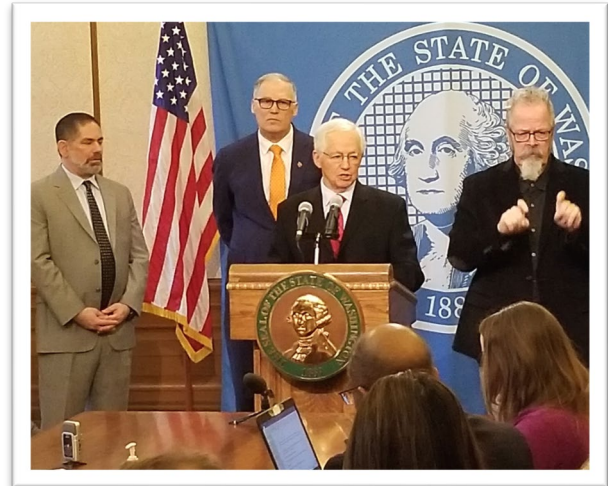
- Pay for medically necessary coronavirus testing with no copay or deductible for the test and associated visit. Insurers must pay for testing whether the provider is in the plan's network or not. And they cannot balance bill policyholders.
- Pay for telemedicine services at the same rates they pay for in-person visits and cover additional methods of telehealth.
- Open a special enrollment for health insurance from February until April 2021 for people who needed coverage.

He also [let people in Washington know](#) that all coronavirus vaccines are free of charge to anyone, regardless if they have insurance or not and that all insurers will waive copays and deductibles for vaccines.

Property insurance

The pandemic also affected property insurance. Commissioner Kreidler issued emergency orders to make sure that insurance companies:

- Give policyholders grace periods during the first few months due to job losses and the economy's closure.
- Extend the deadlines for property insurance claims involving building repairs due to the statewide stay-at-home order.



Commissioner Kreidler participates in a news conference about the state's COVID-19 pandemic response in March 2020 with, from left, Department of Labor and Industries Director Joel Sacks, Gov. Jay Inslee and an ASL interpreter.

Commissioner Kreidler also:

- Encouraged auto insurers to give consumers rebates during the statewide stay-at-home order. Approximately 30 insurers voluntarily offered discounts during part of 2020.
- Encouraged auto insurers to cover policyholders who work for small businesses to deliver goods and food to homebound people during the statewide stay-at-home order.
- Advised more than 370 consumers who inquired or filed complaints about travel insurance from people who had to cancel travel plans.
- Responded the questions about property insurance that were submitted via an online form.

Commercial insurance

We heard from a great many businesses who filed business interruption claims with their insurers that were denied because the policies only covered direct physical loss, such as damage to the actual property. As a result, [we undertook a study](#) to find out a thorough picture of business interruption insurance.

We reviewed 226 sample notices to policyholders from 84 individual insurance companies and insurance groups doing business in Washington. The insurers reported over 194,000 commercial policies had at least one type of business interruption or civil authority coverage in effect as of March 15, 2020, with an estimated premium totaling \$437 million.

We found that only two insurers offered coverage for a pandemic event through their base policy, focused on large companies with complex supply chains. We found that 15 other insurers offered limited endorsements at an extra cost, but the policyholder had to have purchased the policy before the pandemic shut down the state in March 2020.

Insurance producers

During the pandemic, we took steps to help insurance producers — known as insurance agents and brokers — who were affected by the statewide shutdown and resulting economic fallout. We licensed just under 194,000 insurance producers in 2020. Our state was the first in the nation to allow insurance producers to take online licensing exams, which was fully implemented March 1, 2020 just before the pandemic started. Based on Washington’s experience, more than 24 states have now adopted the same practice.

We allowed producers with renewal dates from March through June until July 31 if they had a COVID-related hardship. We approved all 166 requests we received.

We expedited the approval for 411 continuing education courses to move online from in-person classrooms. Washington state-based insurance producers are required to complete 24 hours of continuing education in order to renew their license each year.

We allowed insurance producers who paid renewal fees late to request us to waive the associated penalties if there was a COVID-related reason for being late. We approved all of the 15 requests we received.

Other noteworthy accomplishments

In 2020, we also accomplished some other noteworthy work for people in Washington state.

Surprise billing and the Balance Billing Protection Act

Starting Jan. 1, 2020, Washington state law protects people from surprise or balance billing if they receive emergency care at any medical facility or when they're treated at an in-network hospital or outpatient surgical facility by an out-of-network provider. The law applies to all state-regulated health plans. We also implemented rules to support the law changes. [Read more about surprise billing](#) and protections for Washington state consumers.

2020 Climate Summit

Commissioner Kreidler's biannual climate summit was scheduled to happen in person in 2020 but we quickly pivoted to a virtual summit. In October 2020, we brought together a national audience of climate, government and insurance professionals to understand and explore how climate change affects our communities, regulatory efforts, and businesses. Speakers included National Congress of American Indians President Fawn Sharp, climate scientists from the U.S. Department of Energy and University of Washington, representatives from Zurich Insurance Group, Amazon and Microsoft, U.S. Rep. Derrick Kilmer and many others. More than 3,000 people watched the summit. [Find more information or watch the summit.](#)

Washington Disaster Resiliency work group

The Washington Disaster Resiliency work group was created out of SSB 5106 in 2019. It was tasked to review disaster resiliency activities and provide a recommendation by December 2020 to the Legislature and governor on whether Washington should have an ongoing resiliency program.

Commissioner Kreidler delivered recommendations to create a statewide disaster resilience office to Gov. Jay Inslee, the Legislature and other state leaders in November 2020. The work group, a coalition of 30 state, local and Tribal governments, private sector and industry associations, was charged with reviewing and making recommendations on how to best coordinate and improve disaster resilience work in Washington state.

Read the [work group's full recommendations](#).

Consumer Protection

Our Consumer Protection Division helps 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 2020, our consumer advocates:

- Processed 6,678 consumer complaints, resulting in recovery of over \$45.4 million related to insurance billings, refunds and various claim-handling issues.
- Answered 64,148 calls to our consumer hotline regarding insurance issues, rights and responsibilities.
- Conducted 7,209 live chat sessions.
- Responded to 5,866 written consumer inquiries.
- Distributed 822 copies of insurance-related publications to consumers.
- Helped consumers resolve policy issues, including claims, billing and underwriting problems.
- Provided over 1,000 referrals to other places that can provide help, including the Washington Health Benefit Exchange.



Commissioner Kreidler talks to a TV reporter about wildfires and homeowner insurance in February 2020.

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 18 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 2020, SHIBA pivoted to virtual methods of helping with Medicare during the pandemic:

- More than 225 volunteers donated their time to train and help consumers with Medicare.
- SHIBA educated more than 26,000 people and assisted more than 58,800 people with one-on-one counseling.
- SHIBA held more than 800 online outreach events across the state.

Reviewing insurance rates and forms

Insurance companies submit their insurance policy forms and proposed rates to the insurance commissioner for approval. Our Rates, Forms and Provider Network division reviews them to determine if they meet state law requirements. In 2020, we reviewed more than 13,291 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 2020, 13 insurers sold health insurance inside the Washington state Health Benefit Exchange (Exchange) and outside the Exchange on the individual market. The insurance commissioner approved an average rate decrease of -3.25% for those plans.

Network access and provider contracting

Insurance companies submit their provider contracts to the OIC for approval and file network access reports to demonstrate they provide access to medically necessary services guaranteed in the insurance plan at in-network cost sharing without billing an enrollee for extra charges.

Our Rates, Forms and Provider Networks division reviews these network documents to determine if they meet requirements in state law. In 2020, insurance companies submitted 7,368 provider contracts for approval and 1,450 network access reports.

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.:** 16.8% of the market; last approved average rate change was a 4% decrease in September 2016.

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.

UNINSURED RATE DROPS

THE NUMBER OF PEOPLE WITHOUT HEALTH INSURANCE IN WASHINGTON STATE DROPPED **FROM 14.5% IN 2012 TO 6.4% IN 2020.**

2. **SAFECO Insurance Co. of America:** 10.1% of the market; last approved average rate change was a 3.7% increase in April 2018.
3. **PEMCO Mutual Insurance Co.:** 6.2% of the market; last approved average rate change was a 4.8% increase in September 2020.
4. **Allstate Property and Casualty Insurance Co.:** 3.9% of the market; last approved average rate change was a 9% increase in November 2018.
5. **United Services Automobile Association:** 3.8% of the market; last approved average rate change was a 7.9% increase in April 2019.

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

1. **State Farm Mutual Automobile Insurance Co.:** 14.1% of the market; last approved average rate change was a 14.5% decrease in August 2020.
2. **Progressive Direct Insurance Co.:** 7.2% of the market; last approved average rate change was a 2.3% increase in September 2017.
3. **First National Insurance Co. of America:** 6.5% of the market; last approved average rate change was a 15.1% increase in March 2019.
4. **Allstate Fire and Casualty Insurance Co.:** 5.8% of the market; last approved average rate change was a 4% increase in March 2017.
5. **PEMCO Mutual Insurance Co.:** 5.2% of the market; last approved average rate change was a 3.7% increase in September 2018.

Overseeing insurance companies

Our Company Supervision Division 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 [look up insurance companies](#) that are authorized to do business in Washington.

In 2020, we regulated 2,526 insurance and risk-bearing entities, are registered as:

- 218 domestic companies.
- 2,288 foreign companies.
- 20 alien companies.

The registered companies are:

- 1,378 insurers, health carriers, and fraternal benefit societies.
- 708 other risk-bearing entities such as charitable gift annuity issuers, discount health plans, life settlement providers, risk retention groups, and service contract providers.

WHAT ARE DOMESTIC, FOREIGN AND ALIEN?

Domestic: Means the company is incorporated in Washington state.

Foreign: Means the company is incorporated in another state or territory.

Alien: Means the company is incorporated in another country.

- 417 registered entities doing business with risk-bearing entities such as advisory and rating organizations, independent review organizations, pharmacy benefit managers, reinsurance intermediaries, risk-purchasing groups, and organizations administering state and national programs.
- 23 accredited, certified, and single-trusted alien insurers.

We also track and report activity of 51 direct-practice providers to the state Legislature.

Each year, 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 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 our annual [market information reports](#) on our website.

We also conduct financial examinations of insurance companies and other companies that are incorporated in Washington. In 2020, our financial examiners completed one qualifying examination and six full-scope examinations of the following companies.

Qualifying financial examinations:

- Community Health Network of Washington

Health insurance companies:

- Premera Blue Cross
- LifeWise Health Plan of Washington
- Molina Healthcare of Washington
- Kaiser Foundation Health Plan of Washington Options, Inc.
- Kaiser Foundation Health Plan of Washington

Life insurance companies:

- Washington Life & Disability Insurance Guaranty Association

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

- 13 charitable gift annuities issuers.

New admissions

In 2020, we admitted the following companies as new insurers in Washington state:

- Bright Health Insurance Co.
- Graph Insurance Group A Risk Purchasing Group LLC
- Medical Mutual Insurance Co. of North Carolina
- Beazley America Insurance Co. Inc.
- Cardinal Logistics Risk Retention Group Inc.
- Humana Insurance Co. of Kentucky
- Mobilitas General Insurance Co.
- Humana Medical Plan of Utah Inc.
- American Digital Title Insurance Co.
- Circle Star Insurance Co. A Risk Retention Group
- Community Health Network of Washington
- Motor Transport Mutual Risk Retention Group, Inc.
- Vanderbilt Insurance Company a Risk Retention Group
- Dairyland National Insurance Co.
- Park Wood Risk Retention Group Inc.
- Manhattanlife of America Insurance Co.
- ARI Insurance Co.
- Preferred Employers Insurance Co.
- Hoxbridge Insurance Company, Inc.. a Risk Retention Group
- Skyraider Risk Retention Group, Inc.
- YRIG Risk Retention Group, Inc.
- FirstCare, Inc.

Companies we revoked or suspended

Insurance companies must have a certificate of authority in order to legally sell insurance in Washington state. In 2020, we revoked or suspended certificates of authority for these companies.

Revoked:

- Capson Physicians Insurance Co.
- Global Hawk Insurance Co. Risk Retention Group
- Maidstone Insurance Co.
- Windhaven National Insurance Co.

Suspended

- Bankers Life Insurance Co.
- Colorado Bankers Life Insurance Co.
- Rampart Insurance Co.
- Time Insurance Co.
- YCI Inc.

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. There were no companies in receivership in 2020.

Accreditation

In August 2020, the NAIC Financial Regulation Standards and Accreditation Committee voted to accredit the OIC's Company Supervision Division. Accredited insurance departments undergo comprehensive, independent review every five years to ensure they meet financial solvency oversight standards.

The purpose of the accreditation program is for state insurance departments to meet baseline standards of solvency regulation, particularly with respect to regulation of multi-state insurers. NAIC accreditation allows non-domestic states to rely on the accredited domestic regulator to fulfill a baseline level of effective financial regulatory oversight. This creates substantial efficiencies for insurance regulators, who are then able to coordinate and rely on each other's work.



The OIC's accreditation team was recognized by Commissioner Kreidler during a virtual meeting in July 2020.

Licensing insurance professionals

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 2020 we licensed:

- 190,924 producers
- 13,643 adjusters
- 3,302 surplus line brokers

The number of licensed producers in Washington state increased 8% in 2020. Since 2012, we've seen an 80% increase.

We also licensed 318 insurance education providers and approved 5,600 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 interpreting and enforcing insurance laws and rules, encouraging compliance through clear and consistent interpretation of the law, and monitoring enforcement of agency actions. The division assists with the state's legislative agenda, provides prompt and meaningful responses to the public, industry and government inquiries, participates in agency policy development and creates procedures to support the organization's framework.

In 2020, our Legal Affairs division issued 528 enforcement actions against insurance producers and companies and imposed \$4 million in fines. The fines we collect are sent to the state's general fund.

The division's Regulatory Investigations Unit (RIU) conducts administrative investigations of insurance producers, insurance companies, and unlicensed and unauthorized entities that violate insurance laws and rules. In 2020, RIU closed 164 cases and investigated a variety of complaints. Complaint outcomes can involve the substantiation of harmful behavior such as misrepresentation, financial misconduct, and untrustworthiness or incompetence, for example.

Investigating insurance fraud

The insurance commissioner's Criminal Investigations Unit (CIU) investigates criminal insurance fraud and works with the state 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 provides advice to the Commissioner concerning combatting fraud.

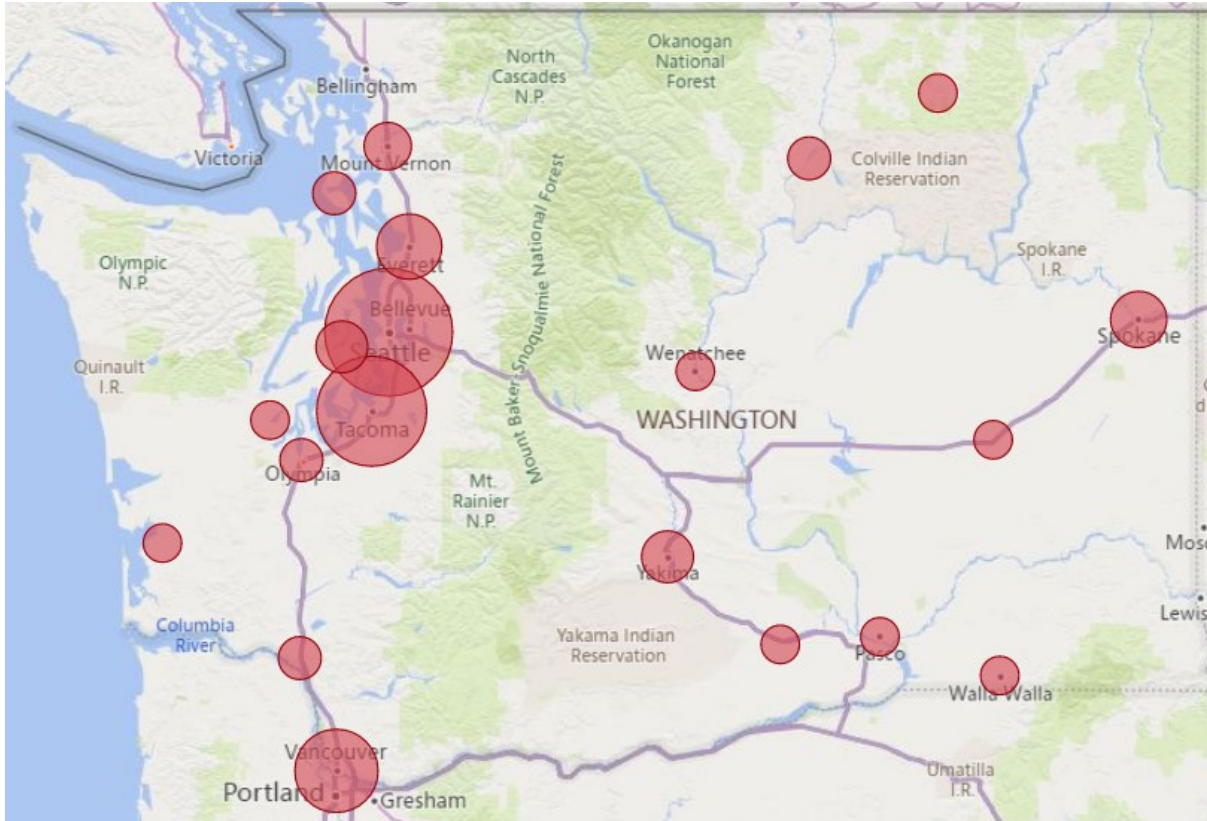
Due to pandemic-related restrictions, access to courts for criminal proceedings in all counties was dramatically affected. Many court proceedings were delayed, postponed and reset for future dates.

Many referred criminal cases remain filed, awaiting formal adjudication in the courts.

In 2020, CIU:

- Received a record 2,712 fraud referrals from insurance companies, law enforcement agencies, the National Fraud Insurance Crime Bureau, other government agencies and the public.
- Opened 95 criminal cases.
- Worked on more than 140 cases.
- Submitted 36 criminal cases to a prosecutor.
- Had 12 criminal guilty pleas or convictions for Theft 2, Theft 3, False Insurance Claims, Federal Health Care Fraud and Tax Evasion.

We investigated insurance fraud cases in the following Washington locations:



Other divisions

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

- **Policy and Legislative Affairs** writes and implements rules, advises the Commissioner and executive team on policy issues, and works with the Legislature on bills and laws. In 2020, policy staff analyzed 136 bills, 114 fiscal notes and adopted 18 sets of rules, ranging from implementation of balance billing protection to health care benefit managers. Find information about our [legislation and rulemaking](#) and [Legislative and commissioner reports](#).
- **Operations** keeps many IT systems running, makes sure our buildings are working, helps plan for emergencies and serves as a liaison to the state Emergency Management Division. Operations also manages all financial and budget matters, and recruits and hires qualified staff. In 2020, our IT department successfully completed a rapid deployment of equipment and online tools to allow our employees to telework full-time during the pandemic.
- **Public Affairs** works with the media and manages the agency's website and social media channels. In 2020, the OIC communicated with more than 283,000 consumers, media and insurance industry professionals through our subscription news service; reached more than 8,100 people on social media; and had 912,495 visitors to our website, www.insurance.wa.gov.



The Legislative Building and Insurance Building at the Washington state Capitol campus in Olympia.

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