

Office of the Insurance Commissioner Annual Report

2018 Insurance Regulation Overview
June 1, 2019

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 88,000 people and maintain a statewide network of volunteers who advise almost 200,000 consumers about health-coverage issues.

In 2018, the Insurance Commissioner regulated 2,439 companies and 180,000 licensees who work in the insurance industry.



In fiscal year 2018, we collected \$630.5 million in premium taxes from insurance companies. In fiscal year 2017, we collected \$603.9 million in premium taxes.

Of that amount:

- We sent \$612 million to the state general fund to support K-12 education, higher education, human services and general government operations.
- We sent \$18.5 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 246 people in Olympia, Tumwater, Spokane and Seattle. Our budget for 2017-2019 — called a biennium — is \$64.9 million.

Insurance plays an important role in our state's economy. The insurance industry in Washington generated more than \$43.4 billion in premiums in 2018. As of 2017, the most recent data available, the industry employed nearly 57,000 people in the state and accounted for nearly \$4.6 billion in wages and salaries. In 2015, the most recent data available, it contributed \$6.8 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

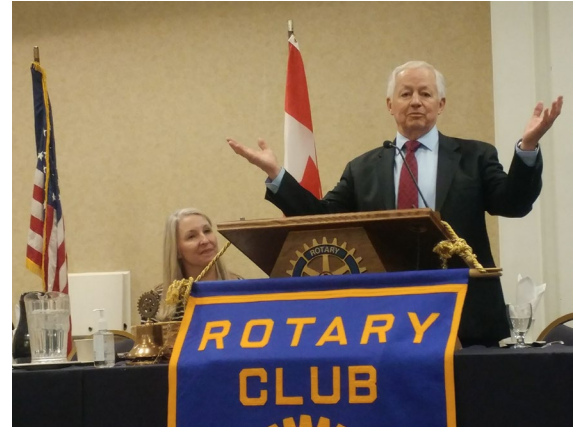
Mike Kreidler is Washington's eighth insurance commissioner.

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 resilience 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 45 years.



Insurance Commissioner Mike Kreidler talks an Olympia Rotary Club in February 2018

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 2018

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 2018, our consumer advocates:

- Received and processed 6,779 consumer complaints, resulting in recovery of over \$15.9 million related to insurance billings, refunds and various claim-handling issues.
- Answered 73,983 calls to our consumer hotline regarding insurance issues, rights and responsibilities.
- Conducted 2,013 live chat sessions.
- Responded to 5,408 written consumer inquiries.
- Mailed 1,725 copies of insurance-related publications to consumers at their request.
- Made 1,105 in-person contacts at public outreach events.
- 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.



Consumer Advocate Josh, right, talks disaster preparedness with Steven from Washington state Emergency Management Division in September 2018.

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 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 2018:

- More than 400 volunteers donated their time to train and help consumers with Medicare.
- SHIBA educated more than 108,000 people and assisted more than 94,000 people with one-on-one counseling.
- SHIBA held more than 3,200 outreach events across the state.



Commissioner Kreidler talks to a SHIBA volunteer at Senior Lobby Day in Olympia in October 2018.

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 2018, we reviewed more than 12,400 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.

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.

Health insurance

In 2018, 11 insurers sold 74 health insurance plans inside the Washington state Health Benefit Exchange (Exchange) and outside the Exchange on the individual market. The Insurance Commissioner approved an average rate increase of 36.4 percent for those plans. Ten percent of the increase was attributed to the federal administration's decision to stop funding cost-sharing reduction assistance for qualified consumers.

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 and Forms division reviews these network documents to determine if they meet requirements in state law. In 2018, insurance companies submitted 6,734 provider contracts for approval and 1,353 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.:** 17 percent of the market; last approved average rate change was a 4 percent decrease in September 2016.
2. **SAFECO Insurance Co. of America:** 9.8 percent of the market; last approved average rate increase was 3.7 percent in April 2018.
3. **PEMCO Mutual Insurance Co.:** 6.1 percent of the market; last approved average rate increase was 7.9 percent in July 2018.
4. **Allstate Property and Casualty Insurance Co.:** 4.2 percent of the market; last approved average rate increase was 9 percent in November 2018.
5. **United Services Automobile Association:** 3.6 percent of the market; last approved average rate increase was 1.9 percent in November 2018.

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

1. **State Farm Mutual Automobile Insurance Co.:** 14.5 percent of the market; last approved average rate change was a 2.9 percent decrease in July 2018.
2. **First National Insurance Co. of America:** 6.2 percent of the market; last approved average rate increase was 14.2 percent in December 2016.

UNINSURED RATE DROPS

THE NUMBER OF PEOPLE WITHOUT HEALTH INSURANCE IN WASHINGTON STATE DROPPED FROM 14.5 PERCENT IN 2012 TO 5.5 PERCENT IN 2018.

3. **Progressive Direct Insurance Co.:** 6 percent of the market; last approved average rate increase was 2.3 percent in September 2017.
4. **Allstate Fire and Casualty Insurance Co.:** 5.5 percent of the market; last approved average rate increase was 4 percent in March 2017.
5. **PEMCO Mutual Insurance Co.:** 5.4 percent of the market; last approved average rate increase was 3.7 percent in September 2018.

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 2018, we regulated:

- 2,439 insurance companies
- 34 domestic companies
- 1,290 foreign companies
- 22 alien companies
- 325 charitable gift annuity issuers
- 3 discount health plans
- 12 life settlement providers
- 282 purchasing groups
- 19 reinsurance intermediaries
- 98 risk retention groups
- 196 service contract providers
- 15 trustee alien reinsurers
- 41 direct practice providers
- 16 independent review organizations

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.

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.

You can find [market information annual reports](#) on our website.

We also conduct financial examinations of insurance companies and other companies that are incorporated in Washington. In 2018, our financial examiners completed 15 full-scope examinations of:

Health insurance companies:

- Community Health Plan of Washington
- Delta Dental of Washington
- Dental Health Services

Life insurance companies:

- Western United Life Insurance Company

Property and casualty insurance companies:

- Grange Insurance Association
- Granwest P&C
- Washington Insurance Examining Bureau, Inc.
- Washington Surveying & Rating Bureau
- Physicians Insurance A Mutual Company
- Western Professional Insurance Company

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

- 5 charitable gift annuities issuers

New admissions

In 2018, the following companies were admitted as new insurers in Washington state:

- Amerigroup Insurance Company
- Atlantic Coast Life Insurance Company
- Auto-Owners Specialty Insurance Company
- Cambridge Mobile Telematics
- Clermont Insurance Company
- CM Select Insurance Company
- Continental Life Insurance Company of Brentwood, Tennessee
- Cronus Insurance Company
- Humana Health Plan of Texas, Inc.
- Indemnity National Insurance Company
- Puritan Life Insurance Company of America
- SBLI USA Life Insurance Company, Inc.
- Selective Insurance Company of South Carolina
- Selective Insurance Company of the Southeast
- Selective Way Insurance Company
- Shenandoah Life Insurance Company
- Southern Guaranty Insurance Company

- West Bend Mutual Insurance Company
- Westminster American Insurance Company

Companies we revoked or suspended

Insurance companies must have a certificate of authority in order to legally sell insurance in Washington state. In 2018, we revoked or suspended certificates of authority for these companies.

Revoked:

- Aviation Alliance Insurance Risk Retention Group, Inc.
- Elite Transportation Risk Retention Group, Inc.
- Lancet Indemnity Risk Retention Group, Inc.
- Spirit Commercial Auto Risk Retention Group, Inc.

Suspended

- Ashmere Insurance Company
- Financial American Life Insurance Company
- Public Service Insurance Company
- Upper Hudson National Insurance Company

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 2018.

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 2018:

- We licensed 180,000 insurance producers.
- We also licensed 394 insurance education providers and approved 5,319 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.

In 2018, our Legal Affairs division issued 503 enforcement actions against insurance producers and companies and imposed \$3.3 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 2018, RIU closed 239 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.

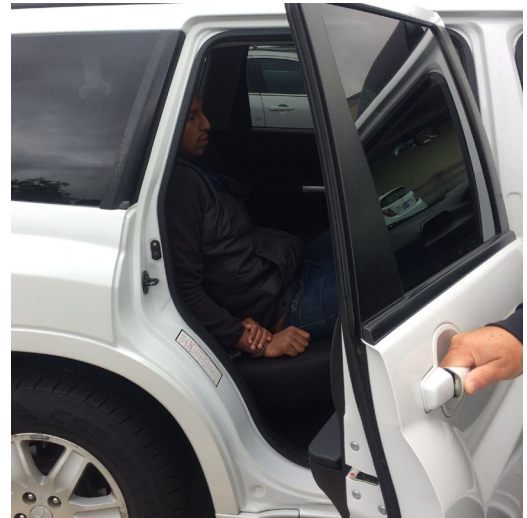
Investigating insurance fraud

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 the combatting of fraud.

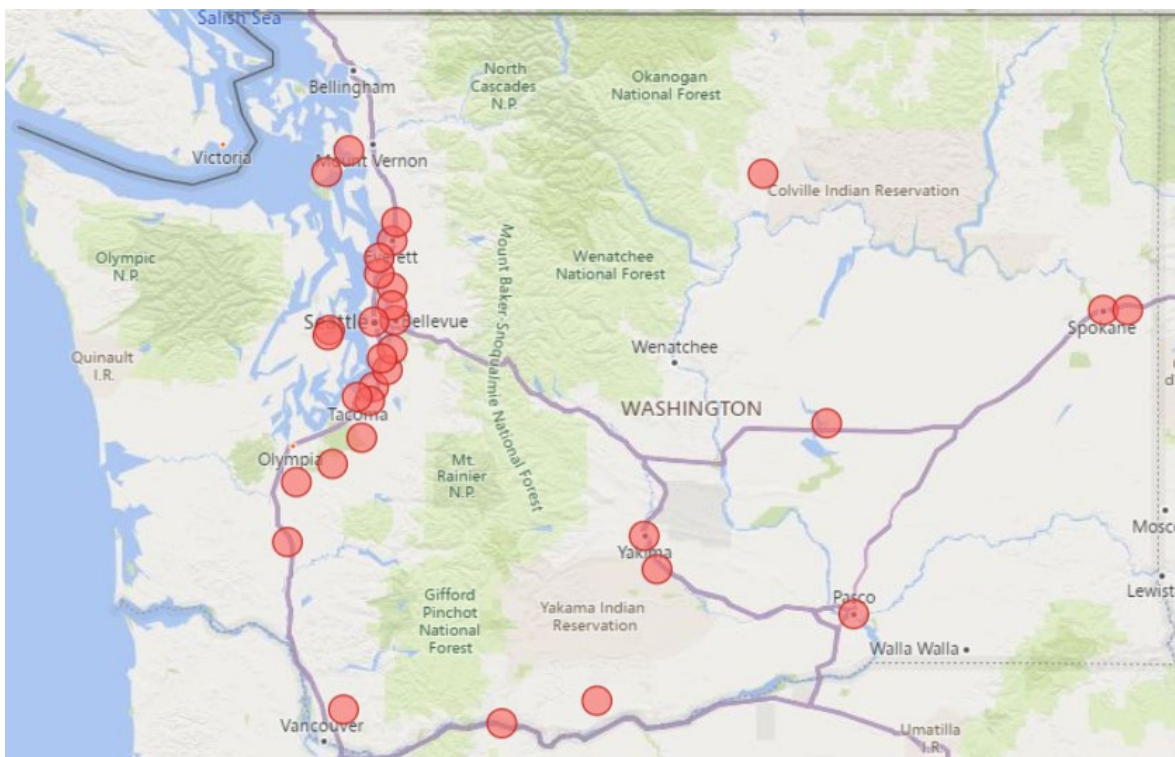
In 2018, CIU:

- Received a record 2,279 fraud referrals from insurance companies, law enforcement agencies, the National Fraud Insurance Crime Bureau, other government agencies and the public.
- Opened 82 criminal cases.
- Worked on more than 130 cases.
- Submitted 36 criminal cases to a prosecutor.
- Had 25 criminal guilty pleas or convictions for Theft 1, Theft 2, False Insurance Claims, and other crimes from 22 defendants.



Commissioner Kreidler's detectives arrest an insurance fraud suspect in Federal Way, Wash.

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 2018, policy staff analyzed 406 bills and 90 fiscal notes. They adopted 13 sets of rules, ranging from technical updates to geographic rating areas for certain health plans, to allowing risk mitigation to emergency response activities for property insurers of noncommercial properties. 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.
- **Public Affairs** works with the media and manages the agency's website and social media channels. In 2018, the OIC communicated with nearly than 188,000 consumers, media and insurance industry professionals through our subscription news service; reached more than 8,300 people on social media; and had 722,804 visits to our website, www.insurance.wa.gov.

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