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May 12, 2021

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BY E-MAIL TO donald.beatty@scc.virginia.gov

Donald Beatty
Chair, Pet Insurance (C) Working Group
Virginia State Corporation Commission
1300 E. Main Street
Richmond, VA 23219

RE: Companion Protect Comments on Draft Pet Insurance Model Act

Dear Chairperson Beatty and Members of the Working Group:

Companion Protect Agency, LLC, (“Companion Protect”) is an insurance agency that specializes in the sale of pet insurance. The agency was founded by experienced insurance professionals who are actively and substantially involved in nonprofit animal welfare efforts. Companion Protect is licensed as a major line property and casualty producer in 50 states and is offering pet insurance in 48 states.

Companion Protect is pleased to offer the suggested language and supporting comments below regarding the Model Act:

| <i>Companion Protect’s Suggested Language</i> | <i>Supporting Comments</i> |
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| <p>Section 3 Definitions - Preamble</p> <p>If a pet insurer uses any of the terms in this Act in a policy of pet insurance, the insurer shall <u>define each of those terms in the policy substantially as set forth herein or as otherwise approved by the Commissioner</u>use the definition of each of those terms as set forth herein and include the definition of the term(s) in the policy.</p> | <p>We believe the industry and state insurance regulators should be allowed a degree of flexibility to use and approve alternative definitions of terms like “preexisting condition” that are equally or more favorable to the insurance buying public.</p> |

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Polsinelli PC, Polsinelli LLP in California

| <i>Companion Protect's Suggested Language</i> | <i>Supporting Comments</i> |
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| <p>Section 3 Definitions - Preamble</p> <p>The insurer shall also make the definition available through a link on the main page of the insurer's or insurer's program administrator's Internet Web site. <u>The link shall be located with the marketing information for the applicable policy.</u></p> | <p>Insurers may offer more than one pet insurance product. And program administrators may administer multiple pet insurance products for multiple insurers. Companion Protect supports having the link located with the marketing information for the applicable policy.</p> <p>We support similar revisions to Sections 4(B), 4(F), 4(C)(2), and 4(D)(2).</p> |
| <p>Section 3 Definitions – Subsections D & G</p> <p>D. “Pet insurance” means an individual or group insurance policy that provides coverage for veterinary <u>eligible</u> expenses.</p> <p>G. “Veterinary expenses” means the costs associated with medical advice, diagnosis, care or treatment provided by a veterinarian, including, but not limited to, the cost of drugs prescribed by a veterinarian.</p> | <p>Companion Protect supports retaining the reference to “individual or group” in the definition because pet insurance products are well suited to a group offer.</p> <p>Companion Protect supports the suggestion to eliminate the defined term “veterinary expenses” and replace it with the undefined term eligible expenses in the definition of “pet insurance” because the scope of coverage provided by a pet insurance policy may, and should be allowed to, exceed veterinary expenses (e.g., behavioral modification services).</p> |

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| <p>Section 3 Definitions – Subsections E, H, & I</p> <p>E. “Preexisting condition” means any condition for which any of the following are true prior to the effective date of a pet insurance policy or during any waiting period:</p> <ul style="list-style-type: none"> i. A veterinarian provided medical advice; ii. The pet received previous treatment; or iii. Based on information from verifiable sources, the pet had signs or symptoms directly related to the condition for which a claim is being made. A condition for which a claim was properly paid under coverage is afforded on a policy cannot be considered a pre-existing condition on any renewal of the policy. <p>H. “Waiting period” means the period of time specified in a pet insurance policy that is required to transpire before some or all of the coverage in the policy can begin. A condition for which a claim was properly paid under coverage is afforded on a policy cannot be excluded within subjected to a waiting period on any renewal of the policy.</p> <p>I. “Renewal” means to issue and deliver at the end of an insurance policy period a policy which supersedes a policy previously issued and delivered by the same insurer or affiliated insurer and which provides types and limits of coverage substantially similar to those contained in the policy being superseded.</p> | <p>Companion Protect supports the intent of the highlighted language in subsections E and H, but encourages the use of more precise language to avoid erroneous or inconsistent interpretation.</p> <p>Companion Protect opposes including a definition of renewal in the Model Act because existing insurance laws may already address what renewal means and this definition may be inconsistent with those laws leading to confusion. If clarity is the goal, then we think it would best not to adopt a competing definition of renewal.</p> |

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| <p>Section 4 Disclosures – Subsections B, C, & D</p> <p>(B) An insurer shall clearly disclose a summary description of the basis or formula on which the insurer determines claim payments under a pet insurance policy within the policy, prior to policy issuance and through a link on the main page of the insurer or insurer's program administrator's Internet Web site.</p> <p>(C) An insurer that uses a benefit schedule to determine claim payment under a pet insurance policy shall do both of the following:</p> <p>(1) Clearly disclose the applicable benefit schedule in the policy.</p> <p>(2) Disclose all benefit schedules used by the insurer under its pet insurance policies through a link on the main page of the insurer or insurer's program administrator's Internet Web site.</p> <p>(D) An insurer that determines claim payments under a pet insurance policy based on usual and customary fees, or any other reimbursement limitation based on prevailing veterinary service provider charges, shall do both of the following:</p> <p>(1) Include a usual and customary fee limitation provision in the policy that clearly describes the insurer's basis for determining usual and customary fees <u>prevailing veterinary service provider charges</u> and how that basis is applied in calculating claim payments.</p> | <p>Companion Protect supports the deletion of subsection (B) because subsections (B) and (C) already require disclosure of the important claim payment information and if the basis or formula used by the insurer to determine claim payments does not fall with (D) or (C), then no disclosure should be necessary.</p> <p>Companion Protect does not support replacing the phrase “usual and customary fees” with “reasonable and necessary fees” in subsection (D). Subsections (B), (C) and (D) are discussing how claims payments are calculated. The term “necessary” brings to mind whether a veterinary service is subject to the insuring agreement portion of the insurance policy based on whether it was necessary to provide the service at all. As such, the use of the term “necessary” here confuses how claims are calculated with whether a claim is going to be covered at all.</p> |

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| <p>(2) Disclose the insurer's basis for determining usual and customary fees prevailing veterinary service provider charges through a link</p> | <p>If a service is unnecessary, it should not be paid no matter what it costs.</p> |
| <p>Section 4 Disclosures – Subsection G</p> <p>(G) (1) In connection with the issuance of a new pet insurance policy, the insurer shall provide the consumer with a copy of the “Insurer Disclosure of Important Policy Provisions” document required pursuant to subdivision (E) in at least 12-point type when it delivers the policy.</p> <p>(2) In addition, the pet insurance policy shall have clearly printed thereon or attached thereto a notice stating that, after receipt of the policy by the insured, the policy may be returned by notifying in writing the insured for cancellation “free look period” by delivering it or mailing it to the insurer or to the agent through whom it was purchased.</p> <p>(a) The free look period shall be clearly stated on the notice, and shall be not less than 30 days. The insured may return the policy to the insurer or the agent through whom the policy was purchased at any time during the free look period specified in the notice.</p> <p>(b) The notification of cancellation delivery or mailing of the policy by the insured pursuant to this paragraph shall void the policy from the beginning, and the parties shall be in the same position as if a policy or contract had not been issued.</p> | <p>Companion Protect opposes mandating a free look period because it drives bad customer behavior. In Companion Protect's experience, a free look period encourages customers who do not really want the product to buy it because they see it as a no regrets decision to buy it and then cancel it within the free look period. Requiring a free look period drives higher premium rates through a higher cost of acquisition on an average customer basis because one would expect to see a higher volume of purchases and a higher volume of early terminations; thus, causing the insurer to incur acquisitions costs for many more customers from whom they will receive no premium.</p> <p>As an alternative to mandating a free look period, Companion Protect would not oppose requiring prorated premium refunds for cancellations made within the first 30 days rather than short rate premium refunds.</p> |

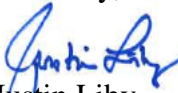
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| <p>(c) All premiums paid and any policy fee paid for the policy shall be refunded to the insured within 30 days from the date that the insurer is notified of the cancellation. However, if the insurer has paid any claim, or has advised the insured in writing that a claim will be paid, the 30-day free look right pursuant to this paragraph is inapplicable and the policy provisions relating to cancellation shall apply.</p> | |
| <p>Section 7 Preexisting Conditions – Subsection (B)</p> <p>(B) A pet insurer that does not utilize a preexisting condition provision may impose a waiting or affiliation period not to exceed 30 days before the coverage subject to this part shall become effective <u>with appropriate disclosure to the consumer. If a waiting or affiliation period applies to all coverage under the policy, then</u> D during the waiting or affiliation period, the insurer is not required to provide coverage for veterinary-eligible expenses and no premium shall be charged to the policyholder or insured.</p> | <p>Companion Protect supports allowing the industry to use both preexisting condition exclusions and waiting periods in tandem within the same policy for the same reasons cited by NAPHIA. Additionally, while waiting periods and preexisting condition exclusions both combat adverse selection, a waiting period operates differently from a preexisting condition exclusion. A waiting period prevents a claim from being covered under the insuring agreement portion of the insurance policy for a specified period of time. A preexisting condition exclusion only applies after a claim is determined to be covered under the insurance agreement portion of the insurance policy and may or may not be limited to a specified period of time.</p> <p>Companion Protect supports not mandating a cap on the duration of waiting periods. Companion Protect believes that as long as there is appropriate disclosure of waiting periods, customers can choose the product that best fits their needs at the right price.</p> |

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| | Companion Protect opposes mandatory reductions to premium based on waiting periods because the premium rates generally already take into account the waiting period provisions that apply in the policy. However, the Company does not oppose prohibiting an insurer from charging any premium whatsoever during a waiting period when the waiting period applies to all coverage provided under the policy. |
| Wellness Programs | Companion Protect opposes the regulation of all wellness programs as pet insurance. The existing body of insurance law already addresses what does and does not constitute insurance and it should not be addressed in this Model Act. |

Thank you for taking our comments into consideration as you work to develop a Model Act for pet insurance.

Sincerely,



Justin Liby

JTL:jtl

cc: John Chaskey (by e-mail to chaskeyj@westmontlaw.com)