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To: [Beatty, Don](#)
Cc: [Brandenburg, Aaron](#); [Goheen, LeeAnn](#); [Oppenheimer, Josh](#); [Jensen, Kate](#)
Subject: Follow-Up Information from NAPHIA
Date: Monday, November 16, 2020 8:34:28 AM

Dear Chairman Beatty –

I hope you had a nice weekend. Below, please find NAPHIA's responses to the requests for further information raised during the November 6th Pet Insurance Working Group call. Importantly, all of the issues and coverage terms discussed below represent ways in which pet insurance consumers are offered choice in depth and breadth of coverage, and accessibility to pet insurance products at different price points. Because of the voluntary nature of pet insurance, product design and cost must satisfy ever-evolving consumer demands. Industry recognizes that some consumers are willing to pay for very robust coverage, while others are not able or willing to do so. Ultimately, consumers benefit from – and want – product variation. Coverage of all preexisting conditions, for instance, is a potential product offering that insurers should be able to price and offer if there is demand (and the same should be true for narrower coverage). Mandating that coverage, however, would drive healthy pets out of the marketplace and limit pet insurance to only those who can afford that level of coverage.

1. Time-limited coverage for certain conditions.

There are some pet insurance products that provide coverage for a given condition or illness within a certain timeframe (e.g., until the next anniversary date of coverage or until an annual limit is reached). Thereafter, the particular condition or illness is not covered. This coverage option works well for discrete, yet unexpected care needs (e.g., when a pet is in an accident or has an illness that is treatable within a relatively short timeframe). These policies remain in force, unless canceled by the policyholder. The concept behind these offerings is similar to annual or lifetime coverage limits. These products, which can be offered at a much lower price point than other coverage options, contain clear disclosures about the terms and restrictions of the coverage, so consumers understand what they are purchasing. It is our understanding that these products have been sold in the past, but they are no longer common.

2. Provider networks.

NAPHIA is aware of one division of one of its member companies filing pet insurance products with provider networks and in-network and out-of-network rates, but today, these arrangements are not common. This is an example of recent innovation and response to evolving consumer needs and demand in this market. As noted by Idaho on the Working Group call, these arrangements are reflected in the policy filings and are subject to regulator review. They also are fully disclosed to consumers. A question also was raised about “balance billing” risk with these policies. Again, consumers are informed about both in-network and out-of-network rates and eligible

reimbursements when they purchase their policies.

3. **Continuous coverage.**

Because pet insurance is not a mandatory product, consumers often do change policies and carriers, and will sometimes have gaps in coverage for their pet. When these changes and/or gaps occur, any new/subsequent policies will consider prior treated conditions to be preexisting conditions and the new policy's terms regarding preexisting conditions will apply. Again, preexisting condition terms are clearly disclosed to consumers so they know what is and is not covered under their policy (under both new and old policies).

Finally, we want to emphasize that our interests are aligned with regulators and consumers in wanting consumers to know and understand what they are purchasing, and what is and is not covered. This can most meaningfully and consistently be accomplished through consumer-friendly and timely disclosures. Coverage terms, exclusions, etc., should be clearly explained to consumers, as is the case with all of the issues/terms discussed above. These disclosures are vital consumer tools and – unlike imposing rules restricting or requiring policy terms and coverage – they enhance consumer choice and product availability to the greatest number of consumers.

We hope this information is helpful and we look forward to continued discussions with the Working Group.

Sincerely,
Kate Jensen