

Draft Pending Adoption

Draft: 8/18/20

Producer Licensing (D) Task Force
Virtual Summer National Meeting
August 3, 2020

The Producer Licensing (D) Task Force met via conference call Aug. 3, 2020. The following Task Force members participated: Larry D. Deiter, Co-Chair (SD); Elizabeth Kelleher Dwyer, Co-Chair (RI); Lori K. Wing-Heier represented by Chris Murray (AK); Jim L. Ridling (AL); Alan McClain represented by Crystal Phelps (AR); Ricardo Lara represented by Charlene Ferguson (CA); David Altmaier represented by Matt Guy (FL); Doug Ommen represented by Jackie Russo (IA); Vicki Schmidt represented by Nancy Strasburg (KS); Sharon P. Clark (KY); James J. Donelon represented by Patrick Bell (LA); Anita G. Fox represented Michele Riddering (MI); Chlora Lindley-Myers (MO); Mike Causey represented by Angela Hatchell (NC); Jon Godfread represented by John Arnold (ND); Bruce R. Ramge represented by Martin Swanson (NE); Marlene Caride represented by Joe McDougal (NJ); Jillian Froment represented by Karen Vourvopoulos (OH); Glen Mulready represented by Ron Kreiter (OK); Andrew R. Stolfi represented by Kirsten Anderson (OR); Jessica K. Altman represented by Adriane Force and Katelin Lambert (PA); Kent Sullivan represented by Rachel Cloyd (TX); Todd E. Kiser represented by Randy Overstreet (UT); Scott A. White represented by Mike Beavers and Richard Tozer (VA); Mike Kreidler represented by Jeff Baughman (WA); and James A. Dodrill represented by Robert Grishaber (WV). Also participating was: Colleen Draper (NY).

1. Adopted its May 6 Minutes

Commissioner Clark made a motion, seconded by Director Lindley-Myers, to adopt the Task Force's May 6 minutes (Attachment One). The motion passed unanimously.

2. Discussed Producer Licensing Issues Arising from the COVID-19 Crisis

Superintendent Dwyer said Washington was the only state offering online, proctored examinations when the pandemic began, and she said the Task Force will receive updates from states, industry representatives and examination vendors on the state implementation of online examinations.

Ms. Draper said New York recently implemented remote testing as a permanent way to deliver examinations. She said New York has administered 4,000 remote exams and remote testing accounts for 60% of examinations administered. She said there has not been a negative impact on pass rates, and remote testing is very helpful to candidates who live in rural areas of the state.

Mr. Baughman said Washington made all examinations available through remote testing on March 1. He said Washington administered over 200 remote exams in March. He said his biggest concern was security, but very few incidents have been identified, such as a candidate having a cell phone or materials in sight, or background communication heard that might indicate that someone is assisting a candidate with answers. He said approximately 60% of Washington's exams are administered through the remote platform. He said the security breaches were evident very quickly, and candidates' examinations would end immediately. He said the pass rate in Washington has increased a little with remote testing.

Superintendent Dwyer said Rhode Island will begin offering remote exams on Aug. 11. Mr. Beavers said Virginia began offering remote testing on June 1, and approximately 60% of Virginia's exams are administered through the remote platform. He said Virginia administers approximately 1,200 exams per month, and it did not issue temporary licenses. Ms. Anderson said Oregon began offering remote testing two weeks ago, and the implementation process was very smooth. Ms. Hatchell said North Carolina offered temporary licenses to address the closure of examination centers and a lack of fingerprinting, which is administered through the Federal Bureau of Investigation (FBI) in North Carolina. She said North Carolina is working to implement remote testing.

Douglas Wheeler (New York Life Insurance Company) said New York Life has captive agents, and it set a goal in 2020 of investing upwards of \$500 million on recruiting and training new agents. He said COVID-19 and the closure of examination centers disrupted this goal. He said the issuance of temporary licenses was helpful, and he encouraged states to implement remote testing. He said remote testing allows candidates to take exams in a safe and secure environment.

Bill Johnson (Fidelity Investments Life Insurance) said New York Life helps Fidelity meet the security needs of its customers. He said the need for financial advice has increased during the pandemic, and Fidelity has seen an increase in the purchase of new annuities compared to this time last year. He said Fidelity needs 4,000 new associates to meet the demand, and the limited availability of examinations has hindered Fidelity's ability to meet client demands and provide employment opportunities for

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new associates. He said the issue of temporary licenses has helped and encouraged states to implement remote testing. He said there are protocols to ensure that remote exams are secure and that states that have implemented remote testing have had a positive experience.

Brad Burd (GoHealth) said GoHealth said the closure of exam centers creates a backlog of exam availability, and access to fingerprinting was also a challenge. He said he agrees with prior comments and the direction to implement remote testing. He said insurance and financial security becomes very important to consumers, especially for health insurance and seniors. He said GoHealth would like to see further implementation of remote testing, and he suggested the creation of a best practice checklist for states to conduct a self-review of the state examination process. He said the issue of temporary licenses was helpful, but individuals holding a temporary license were unable to obtain appointments with companies. He encouraged states to explore additional options available for fingerprinting beyond exclusive contracts with examination vendors.

David Leifer (American Council of Life Insurers—ACLI) said the ACLI appreciates the states' issuance of temporary licenses and the progress of implementing remote exams. Julie Mix McPeak (Greenberg Traurig) requested that states be deliberative in unwinding their emergency regulations, and she asked for communication and transparency with stakeholders.

Brad Erickson (Prometric) said Prometric will implement remote testing in its ninth state. He said Prometric worked with the Financial Industry Regulatory Authority (FINRA) on its implementation of remote testing, and it can implement a state with remote testing as quickly as one week. He said the pass rate for remote tests is within 1% of traditional examinations. He said Prometric also facilitates fingerprints, but a paper fingerprint requirement is a challenge with social distancing guidelines.

Jason McCartney (PSI Services) said PSI worked with Washington, and approximately 50–60% of exams administered in Washington are administered via a remote testing platform. He said PSI can implement remote testing in a state within 60 days. He said PSI implemented remote testing in Washington in October, in New York in June, and in Pennsylvania and Oregon in July. Mr. He said PSI will implement remote testing in South Carolina and Michigan in August and in New Jersey in September. Paula Sisneros (Pearson VUE) said Pearson VUE implemented remote testing in Colorado and Rhode Island in August. She said approximately 30% of the exams in Colorado are scheduled as remote exams.

3. Received an Update from the Producer Licensing Uniformity (D) Working Group and the Uniform Education (D) Working Group

Mr. Murray said the Producer Licensing Uniformity (D) Working Group has not met because of COVID-19. He said the Working Group remains ready to assist the Task Force, and it will be reviewing its charges and holding a call in the coming months. Superintendent Dwyer provided the Uniform Education (D) Working Group update on behalf of Rachel Chester (RI), chair of the Working Group. Superintendent Dwyer said the Working Group will be monitoring state implementation of the Continuing Education Reciprocity (CER) Agreement. She said the Working Group has not met because of COVID-19, but it will also review its charges in the coming months. She said the Working Group will review the course guidelines for classroom webinar delivery.

4. Received a Report from the NIPR Board of Directors

Director Deiter said 48 states have issued over 100 separate bulletins regarding producer licensing since the onset of the COVID-19 pandemic. Thirty-three bulletins specifically address license renewal extensions, and 30 states issued bulletins offering temporary licensing. These bulletins and state changes required the National Insurance Producer Registry (NIPR) to complete significant coding work to move the states' license expiration dates and provide an electronic solution for a new temporary producer license class through NIPR. Director Deiter said NIPR has also been developing enhancements to its Attachment Warehouse product, which allows insurance producers and other licensees to upload licensing related documents for review by state insurance regulators.

Having no further business, the Producer Licensing (D) Task Force adjourned.

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Draft: 11/10/20

Producer Licensing (D) Task Force
E-Vote
October 30, 2020

The Producer Licensing (D) Task Force conducted an e-vote that concluded Oct. 30, 2020. The following Task Force members participated: Larry D. Deiter, Co-Chair (SD); Elizabeth Kelleher Dwyer, Co-Chair (RI); Lori K. Wing-Heier represented by Chris Murray (AK); Alan McClain (AR); Ricardo Lara represented by Charlene Ferguson (CA); Trinidad Navarro represented by Robin David (DE); Vicki Schmidt represented by Nancy Strasburg (KS); Sharon P. Clark (KY); Chlora Lindley-Myers (MO); Mike Causey represented by Angela Hatchell (NC); Jon Godfread represented by John Arnold (ND); Bruce R. Ramge (NE); Tynesia Dorsey (OH); Glen Mulready represented by Courtney Khodabakhsh (OK); Raymond G. Farmer (SC); Kent Sullivan represented by Chris Herrick (TX); Scott A. White represented by Mike Beavers and Richard Tozer (VA); and Mike Kreidler (WA).

1. Adopted its 2021 Proposed Charges

The Task Force considered adoption of its 2021 proposed charges. The Task Force's 2021 proposed charges remain consistent with 2020. A majority of the Task Force members voted in favor of adopting the Task Force's 2021 proposed charges. The motion passed.

Having no further business, the Producer Licensing (D) Task Force adjourned.

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delivered via email to: Tim Mullen, NAIC Director of Market Regulation

September 3, 2020

Larry Deiter, Director of Insurance & Co Chair NAIC Producer Licensing Task Force
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Elizabeth Dwyer, Superintendent of Insurance & Co Chair NAIC Producer Licensing Task Force
Insurance Regulation Division
Rhode Island Department of Business Regulation
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Dear Director Deiter & Superintendent Dwyer:

This letter is a follow-up to the thoughtful discussion of the COVID-19 Crisis and Online Examinations that took place during the Task Force's Summer National Meeting. We appreciated the opportunity to represent ACLI members during the discussion and enjoyed hearing the viewpoints raised by regulators, examination vendors and other stakeholders.

During the conversation, We were pleased to hear near universal praise for online remote testing. States where it has been deployed report that the technology is proving safe, reliable and secure. We are also pleased to report that in the weeks since the discussion at least two more states have rolled out the technology and many more states are in negotiations with vendors to bring the product to their jurisdictions.

In light of this action by the states, We are writing today to urge the Task Force to move swiftly to update the language in Chapter 8 of the State Licensing Handbook and accompanying Best Practices to make it clear to

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The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 280 member companies represent 94 percent of industry assets in the United States.

states that online remote testing is both permissible under NAIC standards and encouraged as a means of test administration. As currently written, the best practices, which also constitute the NAIC's Standards for Exams, do not allow for remote testing. Instead, NAIC language advises that states should "*deliver exams in a secure test center network that employs qualified test proctors*" (emphasis added).

Technology has improved greatly since the language was adopted in 2012, and events of the last six months have made clear the weakness of a system that relies on physical testing centers alone. As a result, ACLI believes it is critical that the Task Force move quickly to update this language before the end of the year and send a message to states that online remote testing not only complies with the best practices/standards but also delivers benefits to states and testers.

An update to the language will serve two important functions. First, it will assure those states offering, or planning to offer, online remote testing that they have not fallen, or will not fall, out of compliance with the NAIC. Second, an update will pave the way for more wide-spread adoption of the product by giving the technology the NAIC'S seal of approval.

As we heard earlier this month, all three major testing vendors now offer online remote testing. All three vendors have built-in provisions to maintain test integrity and include numerous security features, including the presence of a proctor, to ensure secure exam administration. Thanks to technology, the security procedures followed in physical testing centers are all replicated in the online environment.

Online remote testing is proving to be an important tool during the pandemic. For health reasons, many testers are currently uncomfortable sitting in an indoor environment for 90 minutes or more. In addition, testing capacity at physical testing sites is severely diminished due to social distancing requirements. In some states, it can take a month or more to get a testing slot at a physical site. Online testing offers answers on both fronts. It allows testers to test from their own homes and creates more capacity by bringing exams to the virtual environment.

ACLI believes online testing will remain an urgent need as long as social distancing is critical to public health. That said, once the COVID-19 crisis lifts, online exams will continue to pay dividends by reducing licensing burden (travel), making exams more accessible outside 9-5 hours and ensuring licensing can continue to operate should exam centers ever be forced to close again.

In closing, we recognize that updating the Handbook and Best Practices is not on the Task Force's agenda for the rest of 2020. However given the ongoing public health emergency, the number of states already using online testing and the need for more states to follow, it is our hope that the process of updating this language can happen quickly. It is important that the NAIC send a message to regulators that online testing is permissible. In an effort to jumpstart the process, ACLI offers the following language for consideration:

- *The states should deliver exams in a secure environment employing qualified test proctors. States should make available online remote testing in order to reduce licensing burden and avoid disruptions should physical testing become unavailable.*

Should you or the committee have any questions, please feel free to reach out.

Sincerely



David M. Leifer



Gary A. Sanders

Draft: 11/4/20

DRAFT FOR DISCUSSION
PROCEDURES FOR AMENDING THE UNIFORM LICENSING APPLICATIONS

The mission of the Producer Licensing (D) Task Force includes the development and implementation of uniform standards with a primary emphasis on encouraging the use of electronic technology. As part of this mission, the Task Force has appointed a Producer Licensing Uniformity (D) Working Group to “review and update, as needed, the NAIC’s uniform producer licensing applications and uniform appointment form.” In support of this mission and charge, the Producer Licensing (D) Task Force recognizes the importance of having stable, streamlined, and consistent NAIC’s Uniform Producer Licensing Applications, which comply with the statutes and regulations of the NAIC Membership and encourage the use of electronic technology in the most efficient manner.

In support of this mission and the importance of maintaining stable and consistent NAIC Uniform Licensing Applications, the Producer Licensing (D) Task Force will adhere to the following process for substantive changes to the NAIC’s Uniform Licensing Applications.

1. On a biennial basis, the Producer Licensing (D) Task Force will receive proposed changes to the NAIC Uniform Licensing Applications through the submission of the NAIC Uniform Licensing Application Change Request. The form should be completed in its entirety, attached to an e-mail as a Word Document, and submitted to NAIC staff providing primary support for the Producer Licensing (D) Task Force. All requests must be submitted by February 1.
2. NAIC staff will coordinate with NAIC and NIPR technology staff on a preliminary analysis of the time and cost estimate to implement each proposed change. By March 15, NAIC staff support for the Producer Licensing (D) Task Force will provide the change requests and preliminary analysis to the Chair of the Producer Licensing (D) Task Force for further review and discussion by the Task Force, at the discretion of the Chair.
3. If the Producer Licensing (D) Task Force recommends further analysis of the request, the Task Force will assign the request to the Producer Licensing Uniformity (D) Working Group for review. The Working Group will review the request pursuant to the following guiding questions:
 - a. Does the proposed change maintain the NAIC Membership’s mission of uniform licensing standards with a primary emphasis on encouraging the use of electronic technology?
 - b. Does the proposed change serve a regulatory purpose of stronger consumer protection while maintaining an efficient licensing process for producer applicants? This should include documentation on why the existing Uniform Applications do not meet these objections.
 - c. Does the proposed change comply with the statutes and regulations of the NAIC Membership and encourage the use of the NAIC’s Uniform Applications in all jurisdictions?
4. The initial comment period on exposure drafts for the Producer Licensing Uniformity (D) Working Group is 30 calendar days. The Working Group may consider additional exposure periods of less than 30 days for revisions to the same draft.
5. Revisions to the NAIC’s Uniform Applications must be adopted by the Producer Licensing Uniformity (D) Working Group by August 1, the Producer Licensing (D) Task Force by Sept. 1, the Market Regulation and Consumer Affairs (D) Committee by Oct. 1, and the Executive (EX) Committee and Plenary by Dec. 31.
6. The implementation timeline for the revised Uniform Licensing Applications will be coordinated with NAIC and NIPR staff and communicated to the Producer Licensing (D) Task Force.

NAIC Uniform Application Change Request

Date Submitted: _____

Name: _____

State: _____

E-Mail: _____

Phone: _____

Change Request to Following NAIC Uniform Application (Check all that apply)

- Uniform Application for Individual License/Registration
- Uniform Application for Individual License Renewal/Continuation
- Uniform Application for Business Entity Licensing Registration
- Uniform Application for Business Entity License Renewal/Continuation

Provide Concise Description of Proposed Change

Provide Reason for the Proposed Change

Provide Supporting Information Related to the Proposed Change

To Be Completed by NAIC/NIPR Staff

Change Request ID #	Date Received	Estimated Hours	Recommendation

Kate L. Jensen
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October 16, 2020

Mr. Don Beatty
Chair, NAIC Pet Insurance (C) Working Group
Virginia Department of Insurance
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Mr. Larry D. Deiter
Co-Chair, NAIC Producer Licensing (D) Task Force
South Dakota Department of Labor and Regulation
Division of Insurance
124 South Euclid Avenue, 2nd Floor
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Ms. Elizabeth Kelleher Dwyer
Co-Chair, NAIC Producer Licensing (D) Task Force
Rhode Island Department of Business Regulation
Insurance Regulation Division
1511 Pontiac Avenue
Cranston, RI 02920

Dear Chair Beatty and Co-Chairs Deiter and Dwyer:

The North American Pet Health Insurance Association (“NAPHIA”) appreciates this opportunity to comment on the recent vote by the Pet Insurance (C) Working Group (“Working Group”) to enlist the participation and expertise of the Producer Licensing (D) Task Force (“Task Force”) in drafting the licensure section of the Working Group’s draft pet insurance model law (“Model Law”).¹ We support the Working Group’s decision to refer the narrow issue of pet insurance producer licensing to the Task Force and urge the Working Group and Task Force to work collaboratively and expeditiously to finalize the licensure section of the Model Law.

In advance of your discussions on this topic, NAPHIA offers the following recommendations.

¹ See Pet Insurance Model Act Discussion Draft for Pet Insurance (C) Working Group, NAIC (July 16, 2020), available at https://content.naic.org/sites/default/files/call_materials/NAIC%20Pet%20Insurance%20Model%20Law%20DiscussionDraft20200928.pdf.

I. The Model Law Should Include a Clear, Uniform Licensure Framework for Pet Insurance Producers.

NAPHIA strongly supports inclusion of a licensing section for pet insurance producers in the Model Law. The Working Group is charged with developing “appropriate regulatory standards for the pet insurance industry,” which are captured in the Model Law’s comprehensive provisions on definitions, disclosures, licensure, marketing channels and materials, etc.² Including a licensing framework for pet insurance producers is essential to achieve consistency in how these products are – and are not – sold across the United States.

As a fundamental starting point, the pet insurance market is growing quickly. Over a recent six-year period, premiums written in the United States equal to roughly \$1.3 billion in 2018 have more than doubled for the period from 2013–2018.³ And in 2019 (the latest results on record), the U.S. pet insurance market reached \$1.56 billion in total premium volume, a 24.5% annual increase over 2018, insuring over 2.5 million pets.⁴ Now is the time to establish regulatory guardrails for this industry.

Indeed, the impetus behind this pet insurance Model Law was to establish a regulatory structure early in the life cycle of this rapidly growing market that is unique vis-à-vis other insurance lines.⁵ States are beginning to diverge in how they regulate these relatively new products (e.g., a handful of states already classify pet insurance as a limited lines product,⁶ and Texas currently is considering amending its regulations to classify pet insurance as a non-regulated limited line).⁷ The benefits of NAIC model laws generally, of course, are the clarity and uniformity they promote in the regulation of insurance across 50+ jurisdictions, which in turn helps consumers, regulators, and industry. We urge the Working Group and Task Force not to forego this opportunity to establish clarity and uniformity regarding this fundamental aspect of the pet insurance market.

² *Pet Insurance*, NAIC (Sep. 22, 2020), https://content.naic.org/cipr_topics/topic_pet_insurance.htm.

³ See Jill M. Bisco, Ph.D. and Stephen G. Fier, Ph.D., *Licensing and Reporting in the U.S. Pet Insurance Market*, 39 J. INS. REGULATION 2, 2 (2020), available at <https://content.naic.org/sites/default/files/inline-files/JIR-ZA-39-02-EL.pdf>.

⁴ See Press Release, North American Pet Health Insurance Market Surpassed \$1.71B (USD) in 2019, NAPHIA (May 26, 2020), available at <https://naphia.org/news/naphia-news/north-american-pet-health-insurance-market-surpassed-1-71b-usd-in-2019/>.

⁵ See Bisco and Fier, *supra* note 3, at 3 (“[T]here is significant room for growth in this ever-evolving market. . . . Pet health insurance consists of unique features and coverages that are not addressed through the property and/or casualty licensing process. The current nature of licensing for those selling pet insurance results in a situation in which agents may be unable to properly advise and educate consumers, which can adversely affect both insurance purchasers and the insurers offering this coverage.”); *id.* at 5 (“The market for pet insurance has been steadily increasing since its arrival in the U.S., which is driven in-part by the increased prevalence of pets in U.S. homes, as well as the increasing costs associated with veterinary services.”); *id.* at 8 (“One of the more unique ways in which the product is sold is through offering pet insurance as a form of employee benefit.”).

⁶ Idaho, New Jersey, Rhode Island, and Virginia allow for use of a limited lines license. See *A Regulator’s Guide to Pet Insurance*, NAIC at 7 (2019), available at https://naic.org/prod_serv/PIN-OP-19.pdf.

⁷ See Informal Working Draft and Request for Informal Comments on Pet Insurance Rule, TEX. DEP’T OF INS., available at <https://www.tdi.texas.gov/rules/documents/55002cvmemo.pdf>.

As noted above and below, pet insurance is unique compared to other insurance lines. Notably, unlike with other property & casualty (“P/C”) lines producers, individuals who sell pet insurance usually *only* sell pet insurance. This burgeoning market needs an educated sales force, and establishing a uniform limited lines licensing regime, as detailed in section II, will reduce barriers to new producer entrants and help this market progress on a consistent and responsible footing.

II. Individuals Holding a Full Major Lines Producer License Should be Permitted to Sell Pet Insurance, but There Also Should be a Substantive Limited Lines License Option for Individuals Who Only Sell Pet Insurance.

NAPHIA has submitted to the Working Group a proposed pet insurance producer licensing structure that would allow full major lines licensees to sell pet insurance, but also would provide a tailored limited lines license option for those who only sell pet insurance. Key to our proposal are substantive, robust training and testing requirements for limited lines licensees. NAPHIA members unanimously support the limited lines licensing construct we have proposed to the Working Group.

Our rationale for this approach is explained in detail in materials previously filed with the Working Group (attached as Exhibit A for Task Force members’ reference). We will not reiterate our full positions here, but in short:

- Pet insurance is not currently a focus of major lines producer training or examination, so developing a pet insurance-specific framework would *increase* the level of understanding and education among pet insurance sellers;
- NAPHIA proposes that the limited lines pet insurance training would be tailored to cover pet insurance products, but *also* would include training on general insurance principles, ethical sales practices, consumer protections, and product-related disclosures (similar to the general training one would receive through the full lines licensing process, but without education on lines of insurance that are irrelevant to a pet insurance-only producer); and
- To avoid a “check the box” limited lines license scenario and ensure that limited lines pet insurance producers are in fact properly trained, NAPHIA proposes a substantive testing mechanism to accompany the pre-licensing training.

A recent publication in the NAIC’s *Journal of Insurance Regulation* concurs with NAPHIA’s general licensing approach and concludes that individuals transacting pet insurance should be licensed with *either* a full P/C license or a limited lines pet insurance producer license.⁸ As the article explains, it does not make sense to require those who sell only pet insurance to obtain a P/C license because the knowledge needed to sell pet insurance is so specialized:

⁸ See Bisco and Fier, *supra* note 3, at 11 (“[W]e support the idea that states should consider the use of a limited lines license that would be specific only to those individuals that sell pet insurance.”).

[A] true understanding of pet insurance requires a sales professional to understand potentially complex topics, such as coinsurance (as it relates to health and not property), waiting periods, pre-existing conditions, exclusions, deductibles, and benefits. While these concepts should be familiar to any insurance professional, the way they apply to a pet health insurance policy may be vastly different than what a property or casualty producer is familiar with. This is of particular importance given that consumers often do not understand common conditions, such as coinsurance, in their health insurance policies.⁹

The article hits on another key distinguishing feature of pet insurance vis-à-vis other limited lines. While technically classified as P/C products, pet insurance policies share some common concepts and terminology with human health products.¹⁰ NAPHIA believes that the nature and relative complexity of pet insurance compared to other limited lines is further justification for inclusion of a pet insurance-specific limited lines license framework in the Model Law.

There also is a cost element to consider. Forcing individuals who only sell pet insurance to obtain a full major line license is unnecessarily costly. Generally, higher costs to the system result in higher costs for consumers. And, as discussed above, the full lines license does not ultimately advance the know-how of pet insurance sellers to the discernable benefit of consumers when compared to NAPHIA’s proposed limited lines license approach.

Finally, we understand that regulators have questions regarding the substance and logistics of NAPHIA’s proposed limited lines pet insurance license training and testing requirements. NAPHIA members are fully committed to working with the Working Group and the Task Force to address any concerns and develop constructive solutions that are workable for regulators and industry.

* * *

In sum, we appreciate the ongoing efforts of the Working Group to complete a meaningful comprehensive regulatory framework for these unique pet insurance products through the Model Law, and we welcome the Task Force’s expertise and input on the licensure portion of the Model Law. Consumers, industry, and regulators will greatly benefit from uniform, clear standards – including producer licensing standards – established in the relative infancy of this flourishing market. We encourage the Working Group and Task Force to expeditiously develop a licensure structure within the Model Law for pet insurance producers that includes a substantive limited lines license path.

⁹ *Id.* at 10.

¹⁰ *See id.* at 8 (“One could argue that the appropriate way to market and sell pet insurance is to mirror that used in the individual health insurance market. . . . We do not argue a change in the methods used as part of the distribution channel for pet insurance; however, we believe that a change in the licensing for those that sell pet insurance and the financial reporting for this market would allow for an expansion in the sale of pet insurance.”).

Thank you for your consideration of NAPHIA's views and recommendations. We look forward to continued discussions with the Working Group, Task Force, and other stakeholders. In the meantime, I would be happy to provide additional information or answer any questions you might have.

Sincerely,

A handwritten signature in black ink, appearing to read "Kate L. Jensen". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Kate L. Jensen
Counsel, North American Pet Health Insurance Association

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September 25, 2020

Mr. Don Beatty
Chair, NAIC Pet Insurance (C) Working Group
Virginia Department of Insurance
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Dear Chair Beatty:

The North American Pet Health Insurance Association (“NAPHIA”) appreciates this opportunity to comment on Section 5 (Violations) and Section 6 (Licensing) of the Pet Insurance (C) Working Group’s (“Working Group”) draft model law (“Model Law”).¹ Along with Section 4 (Disclosures),² Sections 5 and 6 constitute the crux of the Model Law and will shape how Pet Insurance is sold throughout the United States. Our recommendations below therefore reflect NAPHIA’s top policy priorities:

- Protection of, and value for, Pet Insurance consumers;
- Clarity and uniformity in the legal landscape across states;
- Workable standards that make sense in the Pet Insurance context and do not stifle innovation in this new and growing industry; and
- Enhanced visibility for regulators, in addition to workable oversight and enforcement mechanisms to ensure ongoing compliance throughout the industry.

¹ See Pet Insurance Model Act Discussion Draft for Pet Insurance (C) Working Group, NAIC (July 2, 2020), available at https://content.naic.org/sites/default/files/call_materials/NAIC%20Pet%20Insurance%20Model%20Law%20DiscussionDraft20200702.pdf [hereinafter “Model Law”].

² NAPHIA recently submitted its comments on Section 4 under separate cover. See Letter from Kate Jensen, NAPHIA to Don Beatty, NAIC (Aug. 25, 2020), available at https://content.naic.org/sites/default/files/call_materials/NAPHIA%20-%20Letter%20to%20Pet%20Insurance%20%28C%29%20Working%20Group%20on%20Sections%203%20and%204%20%288.25.20%29-c2.pdf.

EXECUTIVE SUMMARY

Due to the length and density of our comments, we provide this executive summary of NAPHIA’s key recommendations on Sections 5 and 6 of the Model Law, along with corresponding page references for additional background and explanation on each topic.

First, the Model Law’s violations provisions, if any are included, should allow states to utilize existing authority, procedures, and penalties already in their insurance codes (pp. 3-4).

Regarding Section 6, we encourage the Working Group to adopt NAPHIA’s proposed framework and language, including key definitions (filed separately with the Working Group as Appendix A to this letter), as its base licensing structure. There is a lot of overlap between the Model Law draft and NAPHIA’s approach (e.g., availability of a limited lines license for Pet Insurance, registration of retailers with licensed entities, parameters for marketing materials, etc.), but ultimately, we believe our recommendations provide greater consumer protection and clarity for regulators and the industry.

Our key licensing principles and recommendations include:

- Adoptions of definitions that distinguish between retailers and licensed entities and clearly delineate the different entities’ roles and permissible activities (pp. 7-9);
- Only licensed Pet Insurance Producers should be permitted to sell, solicit, or negotiate Pet Insurance, but Pet Retailers should be permitted to engage in conversations with their customers to provide general information about specific Pet Insurance products, Pet Insurance Producers, and pet insurers (pp. 5-6, 13-14);
- Pet Insurance Producers should have two licensure options: a full major line license or a Limited Lines Pet Insurance Producer license for producers who only sell Pet Insurance (pp. 7-11);
- The Limited Lines Pet Insurance Producer license must require substantive, robust, and properly tailored education and examination requirements to protect consumers and promote a knowledgeable sales force for these relatively new products (pp. 10-11); and
- Pet Retailers should be registered with, receive appropriate training from, and be subject to oversight by, the Pet Insurance Producer(s) with whom they work, and should not receive any compensation or valuable consideration based on insurance product sales (pp. 12-13).

Finally, we urge the Working Group to clearly distinguish between the types of materials and disclosures that will be delivered by Pet Retailers versus Pet Insurance Producers. Pet Retailers, along with having discussions about general Pet Insurance information, deliver traditional high-level marketing materials (e.g., tri-fold brochures) to their customers. Those materials should include limited disclosures and required information about the role of Pet Retailers, contact information for licensed entities, where to find additional information on specific policies, etc. Pet Insurance Producers, on the other hand, should deliver the policy-specific disclosures covered in Section 4 of the Model Law because only they are permitted to

answer questions about specific terms in insurance contracts and because it will ensure proper and consistent delivery of these important disclosures. Neither the Pet Retailer nor the Pet Insurance Producer context necessitates written consumer acknowledgements or physical posting of these respective types of disclosures (pp. 15-17).

SECTION 5 – VIOLATIONS

I. THE MODEL LAW’S VIOLATIONS SECTION (IF ONE IS NECESSARY) SHOULD REFER TO STATES’ EXISTING ENFORCEMENT AUTHORITIES

Insurance departments across the country already have the authority to enforce their insurance laws. A separate violations section therefore is not necessary for a model law regulating a specific line of property & casualty (“P/C”) insurance, as states can simply refer to their violations and enforcement statutes used for other P/C lines. Nevertheless, if the Working Group deems a violations section necessary for this Model Law, it should be general and allow states the flexibility to utilize their existing processes and enforcement mechanisms.

Omitting specific violations provisions completely or referring generally to states’ existing laws is consistent with other NAIC model laws and state practice today. NAIC P/C model laws do not always contain detailed violations and enforcement provisions,³ suggesting that those provisions are unnecessary. Further, under current statutes, states – including Working Group member states – often refer to more general insurance violation and enforcement provisions, rather than detailing unique processes and penalties for any one particular P/C line of insurance.⁴

Section 5 of the Model Law, as currently drafted, appears to impose California-specific processes, procedures, and penalties on other states.⁵ While this regime works for California, it denies other states flexibility to rely on their own approaches. It also risks imposing different – and potentially more onerous – procedures and penalties on Pet Insurance vis-à-vis treatment of other P/C lines in the different states.

We therefore recommend that the Working Group, to the extent it retains a separate Violations section, revise Section 5 to read:

³ See, e.g., NAIC Travel Insurance Model Act § 10 (MDL-632) (no enforcement provision, but a general statement that the Commissioner may promulgate regulations to implement provisions of the Act).

⁴ See, e.g., VA CODE ANN. § 38.2-1889 (Virginia travel insurance; refers to the state’s general insurance Penalties and Restitution Payments statute); VA Code Ann. § 38.2-1879 (Virginia portable electronic insurance; same); 40 P.S. § 4607 (Pennsylvania travel insurance; refers to the state’s Unfair Practices Act to impose monetary penalties); RCW 48.120.025 (Washington portable electronic insurance; refers to the state’s general License Suspension and Fines statutes); RCW 48.29.190 (Washington title insurance; refers to the state’s Unfair Business Practices code); V.A.M.S. 379.1535, 379.1540 (Missouri portable electronics insurance; refers to the state’s Classification of Violations and Relief Issued by Director for Violations of State Laws statutes); V.A.M.S. 381.015, 381.045 (Missouri title insurance; refers to the state’s Classification of Violations and general Suspension, Revocation, Refusal of License statutes); V.A.M.S. 379.123 (Missouri automobile insurance; refers back to the state’s Unfair Trade Practices statutes).

⁵ See CA INS. CODE §§ 12880.3 - 12880.4; see also 2014 CA AB 2056.

- (A) *The Commissioner may conduct investigations or examinations of pet insurers, Pet Insurance Producers, and Pet Retailers to enforce the provisions of this Act.*
- (B) *The Commissioner may take action, following notice and a hearing, necessary or appropriate to enforce the provisions of this Act, Commissioner’s orders, and state statutes to protect consumers of Pet Insurance in this state, pursuant to [cite to applicable statutory provisions regarding notice/hearings/violations/penalties].*

This more general language, in addition to the benefits described above, clarifies that regulators have clear and explicit authority to oversee all entities in the Pet Insurance marketplace, including licensed Pet Insurance Producers and unlicensed Pet Retailers that are registered with licensed producers (discussed in more detail below).

Finally, if the Working Group decides to keep Section 5 as currently formulated, NAPHIA supports the recommendation made by the American Property Casualty Insurance Association (“APCIA”) that any enumerated monetary penalties be better aligned with current P/C laws across all states.⁶

SECTION 6 – LICENSING

II. OVERVIEW OF NAPHIA’S PET INSURANCE LICENSURE PRINCIPLES

The NAIC’s White Paper on Pet Insurance states that “[i]nsurance regulation is in place to ensure consumer protection.”⁷ NAPHIA agrees. Fundamental to this consumer protection objective are clear rules of the road regarding who may sell, solicit, and negotiate insurance products and recognition of how consumers interact with and access specific insurance products. While there is a good amount of overlap between the Working Group’s draft Model Act and NAPHIA’s recommended framework (e.g., registration of Pet Retailers with licensed entities, availability of limited lines licensure for Pet Insurance Producers, parameters for marketing materials, etc.), NAPHIA believes its approach ultimately is more protective of Pet Insurance consumers and more clearly delineates permitted and prohibited activities for various entities in a manner that reflects how this market operates.

For reasons set forth in the following pages, we urge the Working Group to reframe the licensure section of the Model Law and adopt NAPHIA’s recommended approach as its base licensing framework. We have submitted as Appendix A a full draft of our recommended structure for Section 6.

⁶ Letter from Lisa Brown, APCIA to Aaron Brandenburg, NAIC (Aug. 18, 2020), available at https://content.naic.org/sites/default/files/call_materials/APCIA%20Comments%20on%20NAIC%20Draft%20Pet%20Insurance%20Model%20Law%20Sec%205%20and%206%20-%202008182020.pdf.

⁷ *A Regulator’s Guide to Pet Insurance*, NAIC at 29 (2019), available at https://naic.org/prod_serv/PIN-OP-19.pdf.

- A. Pet Insurance should be sold only by Pet Insurance Producers holding a Pet Insurance limited line of authority or a major line of authority, but Pet Retailers should be permitted to share certain information with their customers about Pet Insurance.

Today, 70% of Pet Insurance sales are initiated online, and 30% are initiated through call centers.⁸ While a consumer may learn about the option of Pet Insurance from a different source (e.g., veterinary office, pet store, groomer, or shelter), the actual sale and purchase of the Pet Insurance policy takes place through a licensed producer— and usually online.

Given this market reality, and consistent with producer licensing laws across the country, NAPHIA believes that the Model Law should require a Limited Lines Pet Insurance Producer license or a full major lines producer license for anyone selling Pet Insurance. Because of the limited channels through which Pet Insurance is sold, we perceive no good administrative or policy reason to *not* send consumers to licensed producers for policy purchases (i.e., to licensees’ websites or licensed agents in a call center).

We also recognize, however, that Pet Retailers – veterinarians, pet store employees, pet groomers, and other people (as defined in the next section) – have an important role to play in educating consumers about Pet Insurance. For example, Pet Retailers should be able, without running afoul of state insurance laws, to openly communicate with consumers about Pet Insurance in general and the Pet Insurance companies with whom they have had a good experience, just like they would be able to speak to a pet owner about a particular brand of food, behavioral, or physical training options, etc. Under NAPHIA’s approach, Pet Retailers’ level of engagement with consumers is somewhere between a purely passive advertising click on any website (which, we believe, is outside the scope of this Model Law) and licensable sales-related activities. Pet Retailers are entities – like veterinarians – that have two-way interactions with customers about Pet Insurance and may express opinions about Pet Insurance products and professionals with which/whom they have experience.

Today, Pet Retailers do not have clarity around what they may and may not discuss with their customers, which is stifling the flow of helpful information to pet owners. To clarify, “general” Pet Insurance information Pet Retailers should be permitted to share and discuss with their customers would pertain to: the availability of Pet Insurance as an option; the overall benefits of Pet Insurance (e.g., help paying for pet care); and experiences with specific Pet Insurance Producers or pet insurers. Examples include:

- *You may want to consider Pet Insurance to get help paying for your pet’s care;*
- *Here is a brochure for ABC Pet Insurance – other customers have had good experiences with this company;*
- *I like ABC Pet Insurance company because I’ve had a good experience with them in the past;*
- *Pet Insurance can cover a lot of different medical problems for your pet; and*

⁸ *Id.* at 7.

- *[In response to a customer asking, “What do you think about Pet Insurance?”]: Pet Insurance may be a good idea for you; or, Here is a brochure with some information.*

This “general” information is distinguishable from “specific” policy- or contract-level discussions that should be conducted only by licensed insurance professionals (i.e., conversations that constitute the sale, solicitation, or negotiation of insurance). So, Pet Retailers would not, for instance, be permitted to:

- Discuss any specific terms in a contract for insurance, including exclusions;
- Interpret the terms of a policy or opine on the sufficiency of coverage or a customer’s risk exposure; or
- Answer questions from a customer about specific items in an insurance policy.

Pet Retailers also would be prohibited from receiving compensation or other valuable consideration based on insurance product sales.

Throughout the discussion that follows, all references to “general” or “specific” Pet Insurance information contemplate these distinctions and examples.

NAPHIA contends that Pet Retailers should not be permitted to sell Pet Insurance because:

- they lack the training and regulatory oversight applicable to licensed insurance producers;
- it is not necessary, given the manner in which Pet Insurance is and is not sold in the United States; and
- opening up sales activity to a broad non-producer sales force does not make sense from a consumer protection perspective.

For the benefit of consumers and for regulated persons and entities, NAPHIA believes it is critical to clearly demarcate the line between Pet Insurance sales and non-sales activity and the different entities that fall on either side of that line. We therefore strongly encourage the Working Group to adopt our proposed definitions (below) of Pet Insurance Producer, Limited Lines Pet Insurance Producer, and Pet Retailer, and our recommendations for permitted and prohibited activities for each of them.

- B. The Pet Insurance licensure regime should accommodate producers selling various products under major lines of authority and those selling only Pet Insurance.

In this new and growing industry still with low take-up rates, growing the base of persons knowledgeable about Pet Insurance products is a positive development for consumers and the industry. Today, the vast majority of Pet Insurance policies are sold by licensed producers who sell only Pet Insurance (i.e., relatively few sell other lines of authority). Accordingly, we strongly support the construct from the current draft Model Law providing two licensure options

for Pet Insurance Producers – a full major lines producer license *or*, for those who only sell Pet Insurance and only need expertise related to pet products, a Limited Lines Pet Insurance Producer license. Providing a limited license option for Pet Insurance will prompt more individuals to receive proper training and licensure tailored to the role they play in this marketplace.

- C. Training, oversight, and technical requirements should be properly tailored to the role a given entity plays in the marketplace, and should distinguish between licensed and non-licensed entities.

Proper training and oversight are essential for both licensed Pet Insurance Producers and Pet Retailers, and should be calibrated to reflect different entities’ policy-level engagement with consumers. For instance, producers do and should receive robust training on ethical insurance sales practices, whereas Pet Retailers – who do not engage in sales activity – also should receive training, but with more general education on the issues that apply to their role in the marketplace. NAPHIA’s proposal focuses on meaningful education for all entities and, like the draft Model Law, calls for supervision of Pet Retailers by the licensed producers with whom they work via a registration process.

Each of these topics and recommendations is discussed in further detail below.

III. DEFINING AND DELINEATING KEY ENTITIES AND ROLES IN THE PET INSURANCE MARKETPLACE

A fundamental difference between the Working Group’s draft Model Law and NAPHIA’s approach is the manner in which different entities are defined and roles are conceptualized. We strongly urge the Working Group to adopt the following foundational definitions as building blocks for a clear and effective licensure regime:

- **Pet Insurance Producer:** a person holding an accident and health or sickness, property, personal lines, or Limited Lines Pet Insurance Producer license.
- **Limited Lines Pet Insurance Producer:** a person licensed to sell, solicit, and negotiate only Pet Insurance.
- **Pet Retailer:** an entity not licensed as a Pet Insurance Producer that –
 - (1) Is registered with at least one Pet Insurance Producer;
 - (2) May make available to customers materials about specific Pet Insurance products, Pet Insurance Producers, or pet insurers; and
 - (3) May offer opinions or information to customers about preferences or support for specific Pet Insurance products, Pet Insurance Producers, or pet insurers without (i) evaluating, interpreting, or providing advice about the technical terms or conditions of an insurance policy or a prospective purchaser’s existing insurance coverage, or (ii) receiving compensation or other valuable consideration that is based on the purchase of an insurance product or the volume of insurance transacted.

Pet Retailers may not sell, solicit, or negotiate Pet Insurance, or engage in other activities requiring an insurance license under the laws of this State, unless the entity is licensed to engage in those activities.

Each recommended definition is addressed in turn below.

A. Licensed entities: “Pet Insurance Producers” and “Limited Lines Pet Insurance Producers.”

NAPHIA urges the Working Group to utilize “producer” terminology throughout its licensure definitions, rather than “agent” or “broker.” Today, “producer” is the more commonly used term by the states and it comports with the NAIC’s Producer Licensing Model Act.

As referenced above, NAPHIA’s suggested definition of “Pet Insurance Producer” captures both producers holding a major lines license *and* Limited Lines Pet Insurance Producers who are licensed to sell only Pet Insurance. This is consistent with the approach in the current Model Law draft. States that refer to the “accident and health or sickness” and “property” license types by other terms, or that do not offer a “personal lines” license type could revise this definition accordingly, so long as both licensure options (i.e., major line and limited line) are available to Pet Insurance Producers.

Allowing Pet Insurance Producers to hold a Limited Lines Pet Insurance Producer license – with its attendant Pet Insurance-specific training requirements – will expand the pool of professionals knowledgeable about Pet Insurance products and able to effectively help consumers who are interested in purchasing this voluntary product. This expansion of educated and licensed professionals is important in a growing industry like ours. And of course, as licensed entities, Pet Insurance Producers holding the limited lines license will fall squarely under the purview of insurance regulators’ oversight and enforcement authority.

We encourage the Working Group to adopt NAPHIA’s proposed definition of “Limited Lines Pet Insurance Producer,” instead of the definition of “Limited Lines Pet Insurance Agent” in the current Model Law draft. The Model’s draft definition, which references “managing general agents” and “limited lines agents of Pet Insurance,” could be confusing and interpreted in an unnecessarily limited manner. The reference to “managing general agent” (a separate category of licensure entirely) could be read to restrict the types of licensees who are eligible to sell Pet Insurance. The definition, we think, should be more general to encompass any entity that fulfills the substantive and administrative requirements to be a Limited Lines Pet Insurance Producer. The Model Law definition also is confusing because it is somewhat circular – i.e., it uses “limited lines agent of Pet Insurance” to define “limited lines Pet Insurance agent.”

Overall, the draft Model Law definition is not a clear standard with which those wishing to become Limited Lines Pet Insurance Producer license holders can comply. NAPHIA therefore recommends that the Model Law instead use our definition of Limited Lines Pet Insurance Producer.

B. Unlicensed entities: “Pet Retailers.”

NAPHIA recommends that “Pet Retailers” be defined broadly to include all registered entities that discuss general Pet Insurance information with consumers, rather than separating out individual types of businesses. NAPHIA’s more general definition would help simplify and clarify the overall licensure regime and allow different types of entities that want to discuss Pet Insurance information with their customers to participate in this market in the future. Today, common examples of Pet Retailers include veterinarian offices and pet retail stores, but because this industry is still evolving, we urge the Working Group to craft the Model Law’s core definitions in a manner that will accommodate potential new players and innovations in the future. Notably, all Pet Retailers – from vets to animal shelters to some future categories of businesses – will have to satisfy all of the requirements discussed at length below.

Moreover, NAPHIA’s proposed definition would distinguish between a registered Pet Retailer who actively engages in discussions with consumers about Pet Insurance products and professionals, and purely passive advertising arrangements (e.g., a website scenario where advertising space is purchased by an insurer, a consumer makes a single click and is taken directly to a licensed entity’s website to learn about and/or purchase an insurance product, and that is the extent of the website owner’s interaction with the consumer). These types of passive advertising arrangements with unlicensed entities are pervasive across all lines in the insurance industry. Pet Retailers, on the other hand, who actively engage with consumers about the availability and/or general benefits of particular Pet Insurance products or professionals should be registered with Pet Insurance Producers and subject to proper training and oversight.

Additionally, NAPHIA’s definition of “Pet Retailer” clarifies that these unlicensed entities should not receive compensation or any other valuable consideration based on the sale of an insurance product or the volume of insurance transacted. This, we believe, helps draw a clear line between Pet Retailers’ role in the market and the role of licensed entities that conduct sales activity.

Throughout the following discussion, references to “Pet Insurance Producers,” “Limited Lines Pet Insurance Producers,” and “Pet Retailers” incorporate NAPHIA’s definitions of those terms (above).

IV. PROVISIONS AND REQUIREMENTS FOR LICENSED PET INSURANCE PRODUCERS

Again, NAPHIA’s position is that only licensed Pet Insurance Producers – licensed under either a major line of authority or a limited lines Pet Insurance license – should be permitted to sell Pet Insurance. This approach, we believe, is best for consumers and is workable in an industry in which virtually all sales are conducted online or through call centers. Our detailed recommendations on obligations and qualifications for licensed Pet Insurance Producers follow and our specific suggested language for each provision is included in Appendix A.

A. There should be a limited lines licensure option for Pet Insurance Producers.

NAPHIA encourages the Working Group to retain a limited lines license option for Pet Insurance Producers in the Model Law, but to adopt our proposed requirements for those limited lines licensees. This approach will benefit consumers via focused training for producers who sell only Pet Insurance products.

As a general matter, producers licensed under a major line of authority undergo substantial education (at least 20 hours under the NAIC’s Uniform Licensing Standards)⁹ and fulfill several requirements before becoming eligible for a license, and then they are subject to continuing education requirements. The NAIC’s Producer Licensing Model Act – adopted in some form in every state – requires a thorough examination testing applicants’ knowledge of the line(s) of authority for which s/he is applying, and the duties and laws/regulations pertaining to insurance producers. State insurance regulators develop these examinations and approve pre-licensing courses of study, where applicable.

There is no dispute that these major-line producers are qualified to sell Pet Insurance, along with other lines of insurance covered by their particular license. Consequently, NAPHIA’s suggested Section 6 does not contain any additional licensure qualifications for these individuals.

For individuals who intend to sell only Pet Insurance, however, a less onerous and more targeted licensure path than the major lines option should be available. As discussed further in section (B), this licensure option would be tailored to Pet Insurance and would include robust education and examination requirements. Under NAPHIA’s framework, the difference between holding a major lines license and a Limited Lines Pet Insurance Producer license is the focus on Pet Insurance products, rather than *all* P/C or accident and sickness products.

Retaining a limited lines licensure option in the Model Law with robust education and examination requirements will promote greater knowledge about these relatively new products among the producers who actually sell the lions’ share of the product. Because multiple states already offer a limited lines licensing path for Pet Insurance, keeping the limited lines option in the Model Law also will generate clarity and uniformity in the market, and avoid complicated licensing reciprocity issues going forward.¹⁰

B. Limited Lines Pet Insurance Producers, like all producers, should receive robust training on the insurance products they sell, consumer protections, and ethical insurance sales practices.

To adequately protect consumers, the limited lines licensure path must include appropriate and meaningful education and examination components. NAPHIA therefore recommends the following requirements for Limited Lines Pet Insurance Producers:

⁹ *Revisions and Clarifications to the Uniform Licensing Standards*, NAIC (2011).

¹⁰ See NAIC Producer Licensing Model Act §§ 8 and 16 (addressing reciprocity in scope of authority for nonresident producers who receive limited lines producer licenses in their home states).

- Completion of a pre-licensing training course that devotes multiple hours of instruction – within an overall 10-hour training – to each of the following topics:
 - consumer protection;
 - Pet Insurance products, including required consumer disclosures (Section 4);
 - ethical sales practices; and
 - duties applicable to insurance producers; and
- Passage of a substantive, regulator-approved, examination that specifically tests applicants’ knowledge of each of the topics covered in the training course.

Our suggested language clarifies that these requirements are in lieu of the qualifications and requirements required for major lines producers – the goal being to hone this licensure option specifically for Pet Insurance. Today, Pet Insurance is not a focus of the major lines’ license training or examination, so our proposed requirements for Limited Lines Pet Insurance Producers actually would *increase* the level of knowledge among producers about these products. Also, consistent with the Producer Licensing Model Act, and to ensure that the training course and examination are substantive and meaningful, both would be developed under rules prescribed by the insurance departments.

The draft Model Law, on the other hand, does not contain explicit education or examination requirements for limited lines licensees. Instead, the Model Law requires and relies on insurer certifications as to the trustworthiness and competence of their limited lines appointees. We urge the Working Group to adopt NAPHIA’s approach, which contains clearer standards and will better ensure that individuals selling Pet Insurance are in fact knowledgeable about those products and insurance laws.

The Model Law’s insurer certification requirement is unnecessary and less clear to implement than a blanket education and examination requirement for Limited Lines Pet Insurance Producers. First, insurance licensees already are subject to 18 U.S.C. § 1033, which generally bars from participation in the business of insurance individuals convicted of crimes of moral turpitude. In practice, insurers and/or brokerage firms conduct background checks on individual licensees to make sure they are not running afoul of this law. A separate certification as to “trustworthiness” – a term susceptible to varying subjective interpretations – is therefore unnecessary and arguably less effective than the mechanism already in place.

Moreover, insurers’ certification as to individuals’ “competence” to serve as Limited Lines Pet Insurance Producers is less reliable and far less consistent in application than a standardized education and examination requirement. NAPHIA believes its approach will better protect consumers by ensuring that a standardized training and testing process is in place.

We therefore urge the Working Group to omit the insurer certification requirement and incorporate NAPHIA’s suggested qualifications into the limited lines licensure framework.

C. Pet Insurance Producers should provide sufficient training and compliance oversight for Pet Retailers with whom they work.

Another key component of insurance licensure regimes is proper oversight. It is essential for consumer protection. NAPHIA’s suggested language, like the draft Model Law, contains a registration mechanism by which licensed Pet Insurance Producers assume responsibility for compliance with the provisions of the Model Law by the Pet Retailers with whom they work. Coupled with NAPHIA’s suggested language for Section 5 (Violations), which clarifies insurance regulators’ direct authority over Pet Retailers, this registration mechanism also would put affirmative oversight obligations on Pet Insurance Producers (also directly regulated) that could be monitored and enforced by insurance regulators.

Both the NAPHIA construct and the Model Law draft require Pet Insurance Producers with whom Pet Retailers are registered to:

- Ensure that Pet Retailers comply with 18 U.S.C. § 1033;
- Designate a licensed employee responsible for ensuring compliance by Pet Retailers with insurance laws, and for completing fingerprinting and background check requirements;
- Provide training for registered Pet Retailers’ employees on general types of Pet Insurance products offered and relevant disclosures that Pet Retailers will be obligated to make (discussed below); and
- Use reasonable means at their disposal to ensure compliance by Pet Retailers with provisions in the Model Law.

We strongly support retention of all of these provisions with a few modifications discussed below.

On a technical note, the draft Model Law requires registration of Pet Retailers with the limited lines licensee. Based on the entity definitions and classifications laid out above, we urge the Working Group to require registration of Pet Retailers with a Pet Insurance Producer, which would incorporate producers licensed under either the major lines or limited lines option.

The draft Model Law and NAPHIA approaches both require Pet Retailer training by the producers with whom they are registered. The Model Law draft, however, contains more onerous requirements for Pet Retailer training materials than for *producer* training materials (e.g., mandatory filing upon a producer license application and whenever material changes occur). To better align with current practice and calibrate these requirements for Pet Retailers’ non-sales role in the marketplace, we recommend that Pet Retailer training materials – like Pet Insurance Producer training materials – be subject to any regulations promulgated in the state with respect to such materials, and be provided to regulators upon request.

Finally, the draft Model Law would require the designated supervisory employee/ Designated Responsible Producer to hold a full P/C license. If the Working Group adopts NAPHIA’s approach with respect to Limited Lines Pet Insurance Producer licensure qualifications (e.g., thorough Pet Insurance-specific education and examination), we believe the

designated employee should be any Pet Insurance Producer, regardless of whether s/he holds a major lines or limited lines license. For reasons covered at length above, all Pet Insurance Producers will be properly equipped and sufficiently knowledgeable to help ensure compliance with the Model Law by registered Pet Retailers.

V. PROVISIONS AND REQUIREMENTS FOR UNLICENSED PET RETAILERS

Under the NAPHIA construct, like the Model Law draft, Pet Retailers must:

- Be registered with a licensed producer;
- Comply with 18 U.S.C. § 1033;
- Ensure that their employees complete proper training requirements regarding Pet Insurance products (with materials and trainings provided by the Pet Insurance Producer with whom they are registered); and
- Generally, comply with all of the terms and restrictions in the Model Law.

Because these items are addressed above with respect to Pet Insurance Producers’ oversight obligations, we omit further discussion here regarding our support for these requirements and our suggested modifications to the Model Law language.

A. Permitted and prohibited activities for unlicensed Pet Retailers should be clearly enumerated and ensure that Pet Retailers are not engaging in licensable activities.

1. *Prohibited Pet Retailer Activities*

Again, NAPHIA does not believe that Pet Retailers should sell, solicit, or negotiate Pet Insurance – activities reserved under the NAIC’s Producer Licensing Model Act for licensed producers. NAPHIA further contends that unlicensed individuals working for Pet Retailers should not engage in activities that would suggest to consumers that they are licensed or that they have a level of insurance expertise that they do not.

To maintain a very clear line between licensed producers’ role and unlicensed Pet Retailers’ role related to engagement with Pet Insurance consumers, NAPHIA recommends generally precluding Pet Retailers from participating in any activities directly related to a specific insurance policy, including enrollment, delivery of fulfillment materials, claims administration, premium collection, etc. This also would entail a prohibition on Pet Retailers receiving compensation or other valuable consideration based on the ultimate purchase of an insurance product. NAPHIA contends that elimination of this variable remuneration will diminish any incentive for Pet Retailers to stray into activities and conversations that should be conducted by licensed entities (e.g., sales-type conversations).

As discussed in detail above, we also suggest that Pet Retailers be prohibited from discussing or advising on specific insurance topics for which they are not properly trained. To help clarify this line between “general” and “specific” information, prohibited Pet Retailer activities under NAPHIA’s framework would include:

- Evaluating or interpreting the technical terms, benefits, and conditions of the Pet Insurance coverage, including analyzing or opining on coverage for any specific pet condition;
- Evaluating or providing advice concerning a prospective purchaser's existing insurance coverage; and
- Holding himself or itself out as a licensed insurer, licensed producer, or insurance expert.

2. *Permitted Pet Retailer Activities*

NAPHIA believes that Pet Retailers' role should be limited to discussing general information – as outlined above – about Pet Insurance. This would include, though, providing general information and opinions about specific Pet Insurance products and experiences with specific pet insurers and Pet Insurance Producers. Our objective here is to strike an appropriate balance so that Pet Retailers do not have to provide information about *every* Pet Insurance product, Pet Insurance Producer, or pet insurer in the marketplace, but could, for instance, discuss and offer materials on one or more products with which they have had a good experience.

Pet Retailers do have a valid interest in educating their customers about the availability of Pet Insurance and about Pet Insurance Producers with whom they have worked. As previously noted, these conversations should be allowed – for example – in a vet's office in the same manner in which a particular brand of diet pet food or an exercise or behavioral training program would be discussed. Because of the general nature of these communications, however, a producer license should not be required for Pet Retailers. Instead, the proper division of roles is for Pet Retailers who engage directly with prospective Pet Insurance policyholders to generally educate (as described in detail throughout this letter) and for licensed entities to address technical insurance questions and complete the sale of insurance policies online or via a call center.

Restricting Pet Retailers' role to providing general information also cuts down on compliance risk and resources required for effective regulatory oversight. There are legions of current and potential Pet Retailers in the United States. From regulators' perspective, allowing these entities to engage in insurance sales activity could present a massive oversight and consumer protection challenge. By limiting licensable activities to Pet Insurance Producers, direct oversight could be focused on that pool of licensees (and, as discussed in detail above, they in turn will ensure that the Pet Retailers with whom they work are operating within the Model Law's parameters). As referenced above regarding Section 5, however, NAPHIA believes regulators should have sufficient scope of authority to "reach" Pet Retailers who are not complying with the law if they so choose.

VI. THE MODEL LAW SHOULD CLEARLY DISTINGUISH BETWEEN GENERAL INFORMATIONAL MATERIALS DISTRIBUTED BY PET RETAILERS AND POLICY-SPECIFIC DISCLOSURES PROVIDED BY LICENSED PET INSURANCE PRODUCERS.

A. Section 4 Disclosures and other Policy- or Contract-Specific Information Should be Distributed by Pet Insurance Producers, not Pet Retailers.

Another major difference between the Working Group’s current Model Law and NAPHIA’s approach is the type of information and disclosures that should be delivered to consumers by Pet Retailers versus licensed insurance entities. We encourage the Working Group to clearly distinguish between traditional, short, easy-to-read marketing materials with limited disclosures (delivered by Pet Retailers) and lengthier, detailed policy-specific disclosures required under Section 4 of the Model Law (delivered by Pet Insurance Producers).

The Model Law, in current form, requires Pet Retailer materials to include:

- Identity, contact information, and license number of the licensed selling entity;
- Department of Insurance consumer hotline number;
- A statement that the purchase of Pet Insurance is not required; and
- Explanation that the Pet Retailer may not answer technical questions about insurance products or evaluate a consumer’s existing coverage.

NAPHIA’s framework contains similar disclosure and information requirements for Pet Retailer materials (with slight wording modifications to reflect our recommended terminology). We agree that this information is helpful for consumers and that these disclosures can reasonably be included in general marketing materials for Pet Insurance products (e.g., traditional tri-fold brochures with basic information about a product). We generally caution, however, against mandating state-specific information in brochures that are designed for nationwide or multi-state distribution.

Moreover, the explanation regarding what Pet Retailers may and may *not* discuss with respect to insurance products is consistent with NAPHIA’s recommendation that Pet Retailers should only provide general information and should not have any role in the negotiation, sale, solicitation, or administration of Pet Insurance policies. We therefore encourage the Working Group to retain these provisions related to Pet Retailer materials.

We also support providing in Pet Retailers’ marketing materials a generic statement about where to find more specific disclosures and information about Pet Insurance policies. For instance, a brochure could state: “For additional disclosures and information related to a specific Pet Insurance product, please visit [Pet Insurance Producer’s] website at [insert website] or call [insert Pet Insurance Producer phone number].”

The Model Law goes much further, however, and requires delivery of Section 4 disclosures by *either* the Pet Retailer or a licensed entity selling the insurance product, and also would permit delivery of fulfillment materials by Pet Retailers. NAPHIA urges the Working

Group to require delivery of these policy-level, sales-related materials by licensed Pet Insurance Producers, not Pet Retailers.

First, Pet Retailers' dissemination of policy documents and detailed disclosures about Pet Insurance products is inconsistent with the required disclosure above that Pet Retailers are *not* permitted to discuss technical questions about insurance policies. Section 4 disclosures are those specific to a particular Pet Insurance product being bought by a consumer. It seems incongruous to allow Pet Retailers to provide these materials, while also prohibiting them from discussing them in any detail or answering questions about them.

Second, while Pet Retailers will receive some training by Pet Insurance Producers in order to disseminate general information about these products, they will not be trained to the same degree as Pet Insurance Producers. The robust and relatively detailed Section 4 disclosures suggest a level of knowledge and insurance expertise that Pet Retailers likely will not possess, and delivery of these disclosures by Pet Retailers may actually mislead consumers to believe that they are fully trained and licensed entities.

Finally, because of the importance of the Section 4 disclosures for consumers, it is equally important to ensure that they are consistently provided. The best way to safeguard that these disclosures are reliably delivered, we think, is to put the delivery obligation on the licensed Pet Insurance Producer (i.e., the selling entity). That way, there is no confusion about the "who-what-when" of these disclosures and regulators will be assured that Pet Insurance purchasers receive them with *every* policy sold.

B. Written consumer acknowledgements and/or posting of disclosure signs in physical locations are not appropriate or necessary in the Pet Retailer or Pet Insurance Producer contexts.

NAPHIA strongly urges the Working Group to refrain from imposing onerous acknowledgment and/or posting requirements for disclosures in the Pet Retailer or Pet Insurance Producer context. As explained above, conceptually, Pet Retailers will provide short, simple materials that do not contain policy-specific information (with the limited marketing-type disclosures discussed above) to their customers; licensed Pet Insurance Producers will provide the lengthier, policy-specific disclosures required by the Model Law to Pet Insurance purchasers. For reasons explained below, neither of these scenarios warrant written acknowledgements by consumers or posting signs in physical locations.

First, due to the nature of the materials provided by Pet Retailers (e.g., tri-fold marketing brochures), written acknowledgments and/or posting signs at every location where insurance contracts are executed does not make practical sense. Under NAPHIA's construct, for instance, insurance sales would not occur in any Pet Retailer location. This approach is not workable and it does not provide any meaningful benefit to consumers. Instead, in the Pet Retailer context, the limited disclosures contained *in* the marketing materials (listed above) provide an appropriate level of information for consumers who are, at that point, potentially considering purchasing Pet Insurance.

The Model Law’s acknowledgement/posting requirements also are unwarranted and unsuitable in the Pet Insurance Producer context with respect to Section 4 disclosures. Foremost, these requirements are not imposed in other P/C insurance lines (e.g., home or auto) that have much larger markets, are legally mandated coverages, and have starkly different liability and property exposures than Pet Insurance. We perceive no policy justification for singling out a voluntary product like Pet Insurance for such burdensome obligations.

Administratively, these types of requirements would be difficult and costly for Pet Insurance Producers to implement. Posting signs in physical locations where contracts are executed is simply inconsistent with how Pet Insurance is sold (online and through call centers). Written consumer acknowledgements online and over the phone also present logistical difficulties. We know from consumers’ general purchasing behavior, for instance, that additional requirements and “clicks” on online platforms prompt consumers to abandon purchases. In a new, low-penetration market like ours, unnecessary barriers to purchases will only stifle growth and result in fewer pets being protected.

Further, it is not clear that on-the-spot acknowledgements or postings are meaningful or particularly helpful for consumers, particularly when compared to a mechanism like a free look period that gives consumers a period of time to study and understand the product they have purchased. Even with clear and effective disclosures provided in advance of enrollment, typical consumer behavior and purchase practices indicate that consumers may not take the time to thoughtfully process the information in a point-of-sale context. We therefore believe that if the policy objective of a written acknowledgement/posting requirement is to ensure that consumers stop and consider the disclosures and product they are being presented, a free look period would be a more effective means to that end.

Finally, NAPHIA’s proffered “Things to Consider Guide” would help consumers identify important issues to consider as they review the disclosures and the policy. This guidance would be provided on the insurer’s website as a pre-sale evaluation tool and also when consumers receive their policy fulfillment materials so they can further assess the policy during the free look period. Again, we think this is a more effective approach to raising consumer awareness about important policy information.

For the foregoing reasons, we strongly urge the Working Group to refrain from imposing any written acknowledgement or physical posting/signage requirements related to Pet Retailer or Pet Insurance Producer disclosures, and instead, to consider offering consumers a free look period and a “Things to Consider Guide” to help them conduct a meaningful review of the Model Law’s disclosures and their policies.

* * *

On a related topic, but slightly outside the scope of this comment letter, NAPHIA recommends that the Working Group take this opportunity to provide industry-wide clarity and uniformity regarding licensed Pet Insurance adjusters in the Model Law. We plan to submit separate comments on a proposed framework for licensed adjusters, including recommended language for a new section in the Model Law.

Thank you for your consideration of NAPHIA's views and recommendations. We look forward to continued discussions with the Working Group and other stakeholders. In the meantime, I would be happy to provide additional information or answer any questions you might have.

Sincerely,

A handwritten signature in black ink, appearing to read 'K. Jensen', with a long horizontal flourish extending to the right.

Kate L. Jensen
Counsel, North American Pet Health Insurance Association

Appendix to NAPHIA Comments on Pet Insurance Licensing

SECTION 3 – Key Definitions Related to Licensing

- “Limited Lines Pet Insurance Producer” means a person licensed to sell, solicit, and negotiate only pet insurance.
- “Pet Insurance Producer” means a person holding an accident and health or sickness, property, personal lines, or Limited Lines Pet Insurance Producer license in this state.

Drafting Note: The intent of this definition is to ensure that “Pet Insurance Producer” includes producers holding the major lines of authority for property and health insurance, as well as producers holding the limited line of authority for pet insurance. States that refer to the “accident and health or sickness” and “property” license types by other terms, or that do not offer a “personal lines” license type should revise this definition accordingly.

- “Pet Retailer” means an entity not licensed as a Pet Insurance Producer that –
 - (1) Is registered with at least one Pet Insurance Producer;
 - (2) May make available to customers materials about specific Pet Insurance products, Pet Insurance Producers, or pet insurers; and
 - (3) May offer opinions or information to customers about preferences or support for specific Pet Insurance products, Pet Insurance Producers, or pet insurers without (i) evaluating, interpreting, or providing advice about the technical terms or conditions of an insurance policy or a prospective purchaser’s existing insurance coverage, or (ii) receiving compensation or other valuable consideration that is based on the purchase of an insurance product or the volume of insurance transacted.

Pet Retailers may not sell, solicit, or negotiate Pet Insurance, or engage in other activities requiring an insurance license under the laws of this State, unless the entity is licensed to engage in those activities.

SECTION 6 – Licensing

- (A) License Required. A person shall not sell, solicit, or negotiate Pet Insurance in this state unless the person is a Pet Insurance Producer.
- (B) Limited Lines Pet Insurance Producer – Licensing and Qualifications.
 - (1) The Commissioner may issue a Limited Lines Pet Insurance Producer license to an individual or business entity that has filed with the Commissioner an application for a Limited Lines Pet Insurance Producer license in a form and manner prescribed by the Commissioner. Such Limited Lines Pet Insurance Producer shall be licensed to sell, solicit, or negotiate Pet Insurance through a licensed insurer. No person may act as a Limited Lines Pet Insurance Producer unless properly licensed.

- (2) The Commissioner may impose an application fee, and, for each license period thereafter, a renewal fee, in an amount or amounts determined by the Commissioner as sufficient to defray the reasonable costs incurred by the Commissioner in implementing the provisions of this Act.
- (3) Pre-Licensing Education.
 - (a) A Limited Lines Pet Insurance Producer shall be exempt from the pre-licensing education and examination requirements provided in *[cite to applicable sections of the state's major lines producer licensing law]* and the continuing education requirements provided in *[cite to applicable sections of the state's major lines producer licensing law]*.
 - (b) A Limited Lines Pet Insurance Producer shall:
 - (i) complete a 10-hour pre-licensing training course providing instruction on: Pet Insurance, consumer protections, ethical sales practices, duties applicable to insurance producers, and required disclosures to prospective customers; and
 - (ii) successfully pass an examination upon completion of such training that tests applicants' knowledge of each of the topics covered in the training course.
 - (c) Training and examinations required by this section shall be developed and conducted under rules and regulations prescribed by the Commissioner.
- (4) A Limited Lines Pet Insurance Producer shall be appointed by the insurer named on the Limited Lines Pet Insurance license. The provisions of this code relating to the appointment and termination of an insurance agent by an insurer or its authorized representative are applicable to licenses issued pursuant to this Act.

(C) Pet Retailer Registration.

- (1) A Pet Retailer that complies with the requirements of Subsection (2) may make available to customers materials about specific Pet Insurance products, Pet Insurance Producers, or pet insurers, and may offer opinions or information to customers about preferences or support for specific Pet Insurance products, Pet Insurance Producers, or pet insurers.
- (2) A Pet Retailer may engage in the activities described in Subsection (1) on behalf of and under the license of a Pet Insurance Producer only if the following conditions are met:
 - (a) At the time of licensure, the Pet Insurance Producer shall establish and maintain a register, on a form prescribed by the Commissioner, of each Pet

Retailer that engages in the activities described in Subsection (1) on the Pet Insurance Producer's behalf. The register shall be maintained and updated annually by the Pet Insurance Producer and shall include the name, address, and contact information of the Pet Retailer and an officer or person who directs or controls the Pet Retailer's operations, and the Pet Retailer's Federal Tax Identification Number. The Pet Insurance Producer shall submit such register to the Commissioner upon reasonable request. The Pet Insurance Producer shall also certify that the Pet Retailer registered complies with 18 USC § 1033. The grounds for the suspension, revocation, and the penalties applicable to resident insurance producers under *[insert applicable reference to insurance code]*, shall be applicable to Pet Insurance Producers and Pet Retailers.

- (b) The Pet Insurance Producer has designated one of its employees who is a licensed individual Pet Insurance Producer as the person (a "Designated Responsible Producer") responsible for compliance with the Pet Insurance laws and regulations applicable to the Pet Insurance Producer and its registered Pet Retailers.
 - (c) The Designated Responsible Producer, president, secretary, treasurer, and any other officer or person who directs or controls the Pet Insurance Producer's insurance operations complies with background check requirements as required by the Commissioner.
 - (d) The Pet Insurance Producer has paid all applicable licensing fees as set forth in applicable state law.
 - (e) The Pet Insurance Producer requires each employee and authorized representative of the Pet Retailer to receive a program of instruction or training.
 - (i) Training materials shall, at a minimum, contain adequate instructions on the types of insurance sold by the Pet Insurance Producer and on disclosures and required information in materials disseminated by Pet Retailers.
 - (ii) Training materials shall be developed under rules and regulations prescribed by the Commissioner and shall be made available to the Commissioner upon request.
- (3) A Pet Retailer employee or authorized representative, who is not licensed as an insurance producer, may not:
- (a) Evaluate or interpret the technical terms, benefits, exclusions, and conditions of the Pet Insurance coverage, including analyzing coverage with respect to any specific pet condition;

- (b) Evaluate or provide advice concerning a prospective purchaser's existing insurance coverage;
 - (c) Hold himself or itself out as a licensed insurer, licensed producer, or insurance expert; or
 - (d) Receive compensation or other valuable consideration that is based on the purchase of an insurance product or the volume of insurance transacted.
- (4) A Pet Retailer may make available to prospective purchasers brochures or other written materials that have been approved by the pet insurer. Such materials shall include information which, at a minimum:
- (a) Provides the name, business address, email address, telephone number, and license number of the insurer and the Pet Insurance Producer;
 - (b) Explains that additional information about specific Pet Insurance policies is available on the website of the licensed entity marketing the insurance product or the insurer's website, and provides that website's URL address;
 - (c) Explains that the purchase of Pet Insurance is not required in order to purchase any other product or service from the Pet Retailer; and
 - (d) Explains that a Pet Retailer is permitted to provide only general information about Pet Insurance, and is not qualified or authorized to answer technical questions about the terms and conditions of Pet Insurance or to evaluate the adequacy of the customer's existing insurance coverage.
- (5) Responsibility of Pet Insurance Producers for registered Pet Retailers.
- (a) As the insurer's designee, the Pet Insurance Producer is responsible for the acts of the Pet Retailer and shall use reasonable means to ensure compliance by the Pet Retailer with this Act.
 - (b) If the Commissioner determines that a Pet Retailer, or a Pet Retailer's employee, has violated any provision of this Act or any other provision of this code, the Commissioner may:
 - (i) Direct the Pet Insurance Producer to implement a corrective action plan with the Pet Retailer; and
 - (ii) Direct the Pet Insurance Producer to revoke the authorization of the Pet Retailer to provide general information about Pet Insurance on its behalf and under its license and to remove the Pet Retailer's name from its register.

- (c) If the Commissioner determines that a Pet Retailer, or a Pet Retailer's employee, has violated any provision in this Act or any other provision of this code, the Commissioner, after notice and hearing, may:
 - (i) Suspend or revoke the license of the Pet Insurance Producer as authorized under this *[insert applicable reference to insurance code]*; and
 - (ii) Impose a monetary fine on the Pet Insurance Producer.
- (d) A Pet Insurance Producer who aids and abets a Pet Retailer in violating this Act or any other provision of this code, or aids and abets a Pet Retailer in any activity concerning Pet Insurance after being directed to revoke the Pet Retailer's authorization, in addition to any other action authorized under this code, shall be subject to *[cite to applicable statutory provisions regarding monetary penalties]*.