**PET INSURANCE MODEL ACT –**

**DISCUSSION DRAFT for PET INSURANCE (C) WORKING GROUP**

**Revisions made following July 29, 2021 virtual meeting**

**Table of Contents**

Section 1 Short Title

Section 2 Scope and Purpose

Section 3 Definitions

Section 4 Disclosures

Section 5 Violations

Section 6 Policy Conditions

Section 7 Sales Practice for Wellness Programs

Section 8 Regulations

**~~Drafting Note:~~** ~~The Pet Insurance (C) Working Group agreed to refrain from including a section in this model regarding licensure to sell pet insurance. When each state considers adopting this model, they should review the NAIC State Licensing Handbook and other guidance adopted by the Producer Licensing (D) Task Force with respect to licensing issues.~~

**Section 1 Short Title**

This Act shall be known as the “Pet Insurance Act”

**Section 2 Scope and Purpose**

A. The purpose of this Act is to promote the public welfare by creating a comprehensive legal framework within which Pet Insurance may be sold in this state.

B. The requirements of this Act shall apply to Pet Insurance policies that are issued to any resident of this state, and are sold, solicited, negotiated, or offered in this state, and policies or certificates that are delivered or issued for delivery in this state.

C. All other applicable provisions of this state’s insurance laws shall continue to apply to Pet Insurance except that the specific provisions of this Act shall supersede any general provisions of law that would otherwise be applicable to Pet Insurance.

**Section 3 Definitions**

If an insurer uses any of the terms in this Act in a policy of pet insurance, the insurer shall use the definition of each of those terms as set forth herein and include the definition of the term(s) in the policy. The insurer shall also make the definition available through a clear and conspicuous link on the main page of the insurer or insurer’s program administrator’s Internet Web site.

Nothing in this Act shall in any way prohibit or limit the types of exclusions insurers may use in their policies or require insurers to have any of the limitations or exclusions defined below.

As used in this Act:

A. “Chronic condition” means a condition that can be treated or managed, but not cured.

B. “Congenital anomaly or disorder” means a condition that is present from birth, whether inherited or caused by the environment, which may cause or contribute to illness or disease.

C. “Hereditary disorder” means an abnormality that is genetically transmitted from parent to offspring and may cause illness or disease.

D. “Pet insurance” means a property insurance policy that provides coverage for accidents and illnesses of pets.” The motion passed unanimously.

E. “Preexisting condition” means any condition for which any of the following are true prior to the effective date of a pet insurance policy or during any waiting period:

i. A veterinarian provided medical advice;

ii. The pet received previous treatment; or

iii. Based on information from verifiable sources, the pet had signs or symptoms directly related to the condition for which a claim is being made.

A condition for which coverage is afforded on a policy cannot be considered a pre-existing condition on any renewal of the policy.

F. “Veterinarian” means an individual who holds a valid license to practice veterinary medicine from the appropriate licensing entity in the jurisdiction in which he or she practices.

G. “Veterinary expenses” means the costs associated with medical advice, diagnosis, care, or treatment provided by a veterinarian, including, but not limited to, the cost of drugs prescribed by a veterinarian.

H. “Waiting period” means the period of time specified in a pet insurance policy that is required to transpire before some or all of the coverage in the policy can begin. Waiting periods may not be applied to renewals of existing coverage.

I. “Renewal” means to issue and deliver at the end of an insurance policy period a policy which supersedes a policy previously issued and delivered by the same insurer or affiliated insurer and which provides types and limits of coverage substantially similar to those contained in the policy being superseded.

J. “Orthopedic” refers to conditions affecting the bones, skeletal muscle, cartilage, tendons, ligaments, and joints. It includes, but is not limited to, elbow dysplasia, hip dysplasia, intervertebral disc degeneration, patellar luxation, and ruptured cranial cruciate ligaments. It does not include cancers or metabolic, hemopoietic, or autoimmune diseases.

**Section 4 Disclosures**

(A) An insurer transacting pet insurance shall disclose all of the following to consumers:

(1) If the policy excludes coverage due to any of the following:

(a) A preexisting condition.

(b) A hereditary disorder.

(c) A congenital anomaly or disorder.

(d) A chronic condition.

(2) If the policy includes any other exclusion, the following statement: “Other exclusions may apply. Please refer to the exclusions section of the policy for more information.”

(3) Any policy provision that limits coverage through a waiting or affiliation period, a deductible, coinsurance, or an annual or lifetime policy limit.

(4) Whether the insurer reduces coverage or increases premiums based on the insured’s claim history, the age of the covered pet or a change in the geographic location of the insured.

(5) If the underwriting company differs from the brand name used to market and sell the product.

(B) An insurer shall clearly disclose a summary description of the basis or formula on which the insurer determines claim payments under a pet insurance policy within the policy, prior to policy issuance and through a clear and conspicuous link on the main page of the insurer or insurer’s program administrator’s Internet Web site.

(C) An insurer that uses a benefit schedule to determine claim payment under a pet insurance policy shall do both of the following:

(1) Clearly disclose the applicable benefit schedule in the policy.

(2) Disclose all benefit schedules used by the insurer under its pet insurance policies through a clear and conspicuous link on the main page of the insurer or insurer’s program administrator’s Internet Web site.

(D) An insurer that determines claim payments under a pet insurance policy based on usual and customary fees, or any other reimbursement limitation based on prevailing veterinary service provider charges, shall do both of the following:

(1) Include a usual and customary fee limitation provision in the policy that clearly describes the insurer’s basis for determining usual and customary fees and how that basis is applied in calculating claim payments.

(2) Disclose the insurer’s basis for determining usual and customary fees through a clear and conspicuous link on the main page of the insurer or insurer’s program administrator’s Internet Web site.

(E) The insurer shall include a summary of all policy provisions required in subdivisions (A) through (D), inclusive, in a separate document titled “Insurer Disclosure of Important Policy Provisions.”

(F) The insurer shall post the “Insurer Disclosure of Important Policy Provisions” document required in subdivision (F) through a clear and conspicuous link on the main page of the insurer or insurer’s program administrator’s Internet Web site.

(G) (1) In connection with the issuance of a new pet insurance policy, the insurer shall provide the consumer with a copy of the “Insurer Disclosure of Important Policy Provisions” document required pursuant to subdivision (E) in at least 12-point type when it delivers the policy.

 (2) In addition, the pet insurance policy shall have clearly printed thereon or attached thereto a notice stating that, after receipt of the policy by the insured the policy may be returned by notifying in writing the insurer or to the agent through whom it was purchased.

(a) The free look period shall be clearly stated on the notice and shall be fifteen (15) days. The insured may return the policy to the insurer or the agent through whom the policy was purchased at any time during the free look period specified in the notice unless the insured has submitted a claim to the insurer that has been paid.

(b) The notification of cancellation of the policy by the insured pursuant to this paragraph shall void the policy from the beginning, and the parties shall be in the same position as if a policy or contract had not been issued.

(c) All premiums paid and any policy fee paid for the policy shall be refunded to the insured within 30 days from the date that the insurer is notified of the cancellation. However, if the insurer has paid any claim, or has advised the insured in writing that a claim will be paid, the fifteen (15) day free look right pursuant to this paragraph is inapplicable and the policy provisions relating to cancellation shall apply.

(H) At the time a pet insurance policy is issued or delivered to a policyholder, the insurer shall include a written disclosure with all of the following information, printed in 12-point boldface type:

(1) The department’s mailing address, toll-free telephone number and internet website address.

(2) The address and customer service telephone number of the insurer or the agent or broker of record.

(3) If the policy was issued or delivered by an agent or broker, a statement advising the policyholder to contact the broker or agent for assistance.

(I) If any medical examination by a licensed veterinarian is required to effectuate coverage, the insurer shall clearly and conspicuously disclose the required aspects of the examination prior to purchase.

(J) Waiting periods and the requirements applicable to them, must be clearly and prominently disclosed to consumers prior to the policy purchase.

(K) an insurer shall disclose that examination documentation may result in a pre-existing condition exclusion.

(L) The disclosures required in this section shall be in addition to any other disclosure requirements required by law or regulation.

**Section** **5 Violations**

Violations of this Act shall be subject to the penalties pursuant to [insert state administrative code].

**Section 6 Policy Conditions**

(A) A pet insurer may issue policies that provide coverage and may issue policies that exclude coverage on the basis of one or more preexisting conditions with appropriate disclosure to the consumer. The insurer has the burden of proving that the pre-existing condition exclusion applies to the condition for which a claim is being made.

(B) A pet insurer may issue policies that impose waiting periods upon effectuation of the policy:

(1) that does not exceed 30 days for illnesses or “orthopedic” conditions, not resulting from an accident

(2) an insurer utilizing a waiting period permitted in (1) shall include a provision in its contract that allows the waiting periods to be waived upon completion of a medical examination. Insurers may require the examination to be conducted by a licensed veterinarian after the purchase of the policy.

i. A medical examination under (2) shall be paid for by the policyholder, unless the policy specifies that the insurer will pay for the examination.

ii. An insurer can specify elements to be included as part of the examination and require documentation thereof, provided the specifications do not unreasonably restrict a consumer’s ability to waive the waiting periods in section (1).

(3) Waiting periods and the requirements applicable to them, must be clearly and prominently disclosed to consumers prior to the policy purchase.

(4) an insurer shall disclose that examination documentation may result in a pre-existing condition exclusion.

(C) A pet insurer must not require a veterinary examination of the covered pet for the insured to have their policy renewed.

(D) If a pet insurer includes any prescriptive, wellness, or non-insurance benefits in the policy form, then it is made part of the policy contract and must follow all applicable laws and regulations in the insurance code.

(E) An insured’s eligibility to purchase a pet insurance policy must not be based on participation, or lack of participation, in a separate wellness program.

**Section 7 Sales Practices for Wellness Programs**

(A) A wellness program may be marketed and sold alongside a pet insurance policy by a licensed insurance entity as long as:

(1) The purchase of the wellness program is not a requirement to the purchase of pet insurance;

(2) The costs for each wellness program is separate and identifiable;

(3) The terms and conditions for the wellness program is separate from the policy;

(4) The wellness program does not duplicate products available through the pet insurance policy that is marketed and sold alongside such wellness program; and

(5) The advertising of the wellness program is not misleading and in accordance with subdivision B of this section.

(B) In addition to the Unfair Trade Practices Act at [insert reference to NAIC model Unfair Trade Practices Act (#880)], the following marketing practices apply to wellness programs marketed and sold alongside a pet insurance policy by a licensed insurance entity.

(1) Advertising must distinguish between the offered pet insurance and the wellness program, so that the consumer can clearly understand which product is insurance and which product is not insurance.

(2) For advertisements that include costs:

(i) The advertisement must clearly disclose whether the cost includes pet insurance; and

(ii) The cost of the insurance premium must be clearly disclosed prior to enrollment.

**Section** **8 Regulations**

The commissioner may adopt reasonable rules and regulations, as are necessary to administer this part.