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Pet Insurance (C) Working Group

Virtual Meeting

October 7, 2021

The Pet Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met Oct. 7, 2021. The following Working Group members participated: Don Beatty, Chair, and Jessica Baggarley (VA); Kendra Zoller, Vice Chair (CA); Katie Hegland and Colin Corsetti (AK); Jimmy Harris (AR); Kristin Fabian (CT); Angela King (DC); Warren Byrd (LA); Sheri Cullen (MA); Shirley Corbin (MD); Cynthia Amann and Jo LeDuc (MO); Michael McKenney and Dennis Sloand (PA); Elizabeth Kelleher Dwyer, Matt Gendron, and Beth Vollucci (RI); Kathy Stajduhar (UT); Chris Antoine, Jamie Gile, and Anna Van Fleet (VT); and David Forte and John Haworth (WA). Also participating were: Michele Mackenzie (ID); Linda Grant (IN); Heather Droge (KS); Brock Bubar and Sandra Darby (ME); Sandra Anderson and Christine Peters (MN); Chris Aufenthie and Janelle Middlestead (ND); Maggie Dell (SD); Jody Ullman (WI); and JoAnne DeBella (WY).

1. Adopted its Sept. 8 Minutes

The Working Group met Sept. 8 to discuss language related to wellness plans in the draft Pet Insurance Model Act.

Mr. Forte made a motion, seconded by Mr. Byrd, to adopt the Working Group’s Sept. 8 minutes (Attachment -). The motion passed unanimously.

1. Discussed Comments on the Revised Draft Pet Insurance Model Act

Mr. Beatty said the Working Group received new comments from both state insurance regulators and industry since the last meeting.

Ms. Zoller said she submitted comments that address some changes to the language in Section 3–Definition and Section 7–Sales Practices for Wellness Programs. She said the changes include using the terms “shall and shall not” instead of “may,” removing blood tests from the activities covered under wellness programs in the definition, and using clear language that wellness programs should not be marketed with insurance products. Mr. Byrd said he agrees that there should be separation between the wellness products and insurance products, including separate billing and contract forms. Mr. McKenney said the term “products” in Section 7(4) should be changed to “coverages.” Mr. Forte agreed with this change. Birny Birnbaum (Center for Economic Justice—CEJ) said the term “products” should be used when talking about wellness programs, and the term “coverage” should be used when talking about insurance. Ms. Zoller agreed with this change.

Cari Lee (North American Pet Health Insurance Association—NAPHIA) asked whether products would be exempt from premium tax if wellness products are separated from the insurance policy. Mr. Forte said if wellness benefits are made a part of the insurance policy, then they are considered insurance. Ms. Lee asked for clarification of what separate marketing would be if the products are combined. Ms. Zoller agreed with Mr. Forte that if it is part of the policy, it is considered insurance, but currently some wellness plans that are sold as add-ons to an insurance policy do not make it clear to the consumer that the wellness program is not insurance. Ms. Mackenzie said there are insurance policies that pay for veterinary wellness visits, and she asked for clarification on the types of policies being addressed by this language. Mr. Gendron said he knows of four companies that sell a wellness product that they do not consider to be insurance, but the way these products are sold looks like how other companies sell endorsements to their pet insurance policies for wellness, which would be considered insurance. Mr. Birnbaum asked how something could be considered insurance because it is included in the policy, but the same services are not considered insurance if they are sold separately. Mr. Beatty said if a wellness program is included in the insurance policy and has been appropriately filed and approved in a state, then state insurance regulators have jurisdiction over that product. He said the Working Group is trying to separate out those products from the ones not sold as insurance, making it clear to the consumer that those products are not insurance and would not provide coverage that they may expect.

Ms. Lee said proposed Section 7(C)(1) reads “pet insurance and wellness programs should not be advertised together to avoid consumer confusion.” She asked if the intention is to not allow those products to be sold on the same website. Ms. Zoller said the language is not preventing the products from being on the same website, but the products need to be clearly distinct. She said right now added on wellness products only have fine print indicating that it is not insurance. She said the websites should not allow customers to purchase an insurance policy with the wellness product already added on if that wellness product is not considered insurance and not a part of the policy. Ms. Lee said NAPHIA proposed that this should be addressed with clear disclosures to the consumer. Mr. Birnbaum said he thinks the purpose of the language is that the purchase of a wellness program cannot be tied to the purchase of an insurance policy, and vice versa.

Mr. Forte said the purpose of the proposal is to change the language from permissive to restrictive and further clarify that pet insurance and wellness programs need to be clearly delineated as unique products, and they should not be contingent.

Mr. Forte said the adopted definition of wellness program says it is a subscription or reimbursement-based program that is separate from an insurance policy and provides services to promote general health, safety, and well-being. He said pet insurance policies are property policies, and anything that is for general health, safety, and well-being is not considered insurance and an insurable item.

Mr. Byrd asked where the differences are in how wellness programs are handled in health insurance as opposed to how they are handled in pet insurance. Mr. Birnbaum said consumers have come to understand that wellness programs are a part of health insurance policies. He said he does not see how consumers are supposed to know that wellness programs for pets would not be a part of the pet insurance policy. He said there has been a push in property/casualty (P/C) policies to include loss mitigation and resilience activities into the policies, and those activities are analogous to wellness programs in health insurance.

Mr. Beatty suggested that the proposal should be re-drafted after considering the comments made during the meeting and re-submitting them for viewing before the Working Group votes on adopting the new language.

Mr. Gendron said the Working Group previously discussed the issue of producer licensing and determined that the decision on what type of license was needed to sell pet insurance should not be made in this group. He said based on discussions in the Producer Licensing (D) Task Force, this Working Group would be the appropriate place to address what is required to obtain the license to sell pet insurance and what kind of training should be required to maintain that license. He said both the *Long-Term Care Insurance Model Act* (#640) and the *Suitability in Annuity Transactions Model Regulation* (#275) require initial training, and Model #640 requires ongoing training. He said because of the innovations in the industry that have been discussed in the Working Group’s meetings, it is a good idea to have ongoing training requirements in addition to the initial training requirements. He proposed requiring four credits of pet insurance specific training for those that hold a major lines license before they can market and sell pet insurance, plus four credits of training at license renewal. He proposed 10 credits of pet insurance specific training for those that hold a limited lines license, plus 10 credits of training at license renewal.

Mr. McKenney asked how the proposed training requirements compare to other lines of insurance. Mr. Gendron said he is not aware of specific training in other lines of business, but pet insurance is a unique coverage type because it is more like health insurance than other property lines of business. Mr. McKenney said he does not want to create requirements for producers that would cause pet insurance to only be sold direct.

Jack Chaskey (Westmont Associates) asked if the education requirements are additive or if they are intended to be part of the qualifying education requirements. Mr. Gendron said the intent of the proposal is that these requirements would not be additive. Mr. Byrd asked if these training requirements should be addressed in state code provisions or in the draft Pet Insurance Model Act. Mr. Gendron said the *Producer Licensing Model Act* (#218) sets standard training, but this provision would require four of those credits to be specifically focused on pet insurance education for anyone that is selling pet insurance. He said because this is a unique line of business and there is a lot of innovation in the pet insurance industry, it is important to require specific training. Superintendent Dwyer said continuing education (CE) is not currently tracked by subject matter. She said this is a good way to confirm that P/C producers that are selling pet insurance are staying informed on that subject. Mr. Birnbaum said he would support the proposal to address producers training in the draft Pet Insurance Model Act.

Mr. Beatty asked if NAPHIA would still recommend their proposed drafting note that addresses producer licensing requirements and compliance with the Uniform Licensing Standards.

Having no further business, the Pet Insurance (C) Working Group adjourned.

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