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Pet Insurance (C) Working Group

Virtual Meeting

April 29, 2021

The Pet Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met April 29, 2021. The following Working Group members participated: Don Beatty, Chair, (VA); Kendra Zoller, Vice Chair, and Risa Salat-Kolm (CA); Katie Hegland (AK); Kristin Fabian and George Bradner (CT); Angela King (DC); Warren Byrd (LA); Rasheda Chairs and Shirley Corbin (MD); LeAnn Cox and Kendra Hetland (MO); Erin Summers (NV); Michael McKenney (PA); Matt Gendron (RI); Kathy Stajduhar (UT); Jamie Gile and Anna Van Fleet (VT); and David Forte, John Haworth and Eric Slavich (WA). Also participating were: Ken Williamson (AL); Brenda Johnson (KS); Sandra Darby, Lindsay Laxon and Frank Niles (ME); Chris Aufenthie (ND); Tracy Burns (NE); Maggie Dell (SD); and Jody Ullman (WI).

1. Discussed Section 3, Section 4 and Section 7 of the Draft Pet Insurance Model Act

Mr. Beatty said after the Working Group’s previous meeting on March 26, the North American Pet Health Insurance Association (NAPHIA) submitted comments that addressed language regarding renewals that had been adopted by the Working Group. Kate Jensen (NAPHIA) said NAPHIA members are concerned that the adopted language would limit the ability of consumers to choose a term-limited accident and illness policy for their pet. She said NAPHIA is concerned it will limit innovation and options for consumers to have products at a lower price point. She said NAPHIA prefers robust disclosures to consumers about policy renewals and how the policy works. Mr. McKenney said the language adopted into the model says if a succeeded policy excludes conditions that were covered in the previous policy, then it cannot be called a renewal. He said the NAPHIA letter indicated that there have not been complaints about limited term policies not covering preexisting conditions in subsequent policies, but the industry has stated those policies are not yet available in the U.S.; therefore, there would be no complaint data. Mr. Byrd asked Ms. Jensen if the price point of the products that the industry offers will be determined by the experience of claims on these products. Ms. Jensen said there is a large gap in the price points of a policy that offers a lot of coverage and an accident-only policy. She said the industry does not want to lose the opportunity to innovate products that would be middle ground in terms of coverage and premium price.

Mr. Forte said he is concerned that a disclosure would not be sufficient to inform a consumer that conditions covered in the current policy period are likely to not be covered on the next policy with limited term policies. Mr. Bradner said the companies would have to issue non-renewals to the consumer and re-issue a policy with different terms and conditions. Mr. Forte said the consumer should know before purchasing a limited term policy that any subsequent policies will have different terms and conditions. Ms. Jensen said that any disclosure for this type of product would state very clearly that the policy is only for a limited term and that subsequent policies will have new preexisting condition clauses and new waiting periods.

Brendan Bridgeland (Center for Insurance Research—CIR) said offering waiting periods for one-year limited-term policies could lead to confusion for consumers and companies. He said the Working Group should consider using a term other than “preexisting condition” to avoid confusion for consumers that would be familiar with the concept in human health insurance.

The language in Section 3—Definitions related to renewals remained unchanged.

Mr. Beatty said Mr. Bridgeland had submitted a drafting note related to Section 3E—Preexisting Condition. Mr. Bridgeland said the drafting note is to be used to provide guidance on what a verifiable source is. He said the drafting note would make clear that verifiable sources include business records from veterinarians, shelters, police and animal control, prior insurance claims, and any other written or electronic records. He said social media posts, especially those that include undated images, do are not necessarily indicate verifiable sources but could be used by companies investigating potential fraud. Ms. Jensen said NAPHIA does not believe a drafting note is necessary since the term “verifiable sources” means able to be checked for accuracy. She said if the Working Group feels a drafting note is necessary, the proposed language from NAPHIA clarifies that an insurer’s record would be a verifiable source.

Mr. Beatty said NAPHIA submitted additional comments on Section 7B and time limits on waiting periods. Ms. Jensen said NAPHIA strongly opposes any time limit on waiting periods and any language that would preclude the use of waiting periods and preexisting condition clauses together. She said they oppose anything that would require companies to parse out premium for each waiting period. Ms. Jensen said NAPHIA included language that adds more detail to the waiting period disclosure. Mr. Byrd asked what time frame NAPHIA would suggest for the length of a waiting period. Ms. Jensen said the length of waiting period varies by policy and carrier, and it also affects the premium price point. She said waiting periods are typically structured for different conditions based on how long those conditions would take to develop. She said NAPHIA does not have consumer complaint records relating to waiting periods because there is robust disclosure of these waiting periods to the consumers.

Mr. McKenney said the Working Group should look at reworking the language in Section 7B that states no premium will be charged during the waiting period. He said that at least some premium should be charged if only certain conditions are excluded during the waiting period.

Mr. Beatty said the Working Group had previously discussed removing “individual or group” from Section 3D—Pet Insurance. He asked if any Working Group member is opposed to this removal. No Working Group member was opposed.

Mr. Beatty said the Working Group had previously discussed changing Section 3G—Veterinary Expenses to Eligible Expenses. Mr. Gendron said he understands the idea behind changing the term to “eligible expenses,” but he said he is concerned about the unintended consequences of broadening the definition. Mr. Byrd suggested that the language could be changed to indicate that veterinary expenses means eligible expenses. Ms. Jensen said most consumers do think of pet insurance as covering anything that happens at the veterinarian, but that is not always the case.

Mr. Forte said Washington has requested adding a disclosure that premium may increase due to the age of the pet and where the consumer resides. He said those premium increases are the biggest complaint they get in Washington. He said he is hopeful an additional disclosure would clear up confusion for the consumers. Mr. Byrd agreed that this is an important issue. Mr. McKenney said he has seen very large rate increases from products where the premium does not increase as the pet ages. He said the insurers had failed to account for the increased risk as the pet ages and, therefore, had to drastically increase premium rates. Gavin Friedman (Trupanion) said consumers should know factors that may cause their premium to increase, as well as factors that will cause their premium to increase. Mr. Bradner said he is not concerned about this issue because policies such as homeowners insurance increase in premium price as the home ages. Mr. Forte said the complaint is due to the amount of increase in premium. Mr. Beatty said if there is no opposition, the additional disclosure will be left in the draft model.

Mr. Beatty said the Working Group had previously voted to remove the Licensing section of the draft model and replace it with a drafting note. Mr. Gendron said the Producer Licensing Uniformity (D) Working Group is currently looking at how to handle producer licensing of pet insurance. He said once that Working Group makes a decision on how the licensing is handled, a drafting note in this model would no longer make sense. Mr. Beatty agreed and said the drafting note would be removed from the model.

1. Discussed Issues Related to Pet Insurance as a P/C Product

Mr. Gendron said the Rhode Island Department of Business Regulation – Insurance Division has been looking into whether it makes sense to report pet insurance as an inland marine line of business. He said pet insurance does not look like other risks reported in the inland marine line or in property/casualty (P/C) insurance. He said pet insurance evolved from horse insurance, and while it makes sense to classify horses as property when they have a monetary value, it does not necessarily make sense for a household pet. He said the terms used in pet insurance are similar to human health insurance, it is marked like health insurance, and actuarily it operates like health insurance. Mr. Beatty said reclassifying pet insurance as health insurance would be difficult in the real world due to prior approval rates and other issues affecting both the insurance industry and state legislators. Mr. Byrd said he understands Mr. Gendron’s position, but he believes health insurance is for humans and pet insurance should continue to be classified as a P/C line of business. Ms. Zoller said another option is to have insurers stop marketing pet insurance as health insurance. Mr. Williamson agreed with Mr. Gendron and said he does not understand writing a health coverage on a property risk. Mr. McKenney said he agrees with both points, but it may be too late to try to reclassify pet insurance since there are adjudications dealing with pet insurance in the P/C market. He said if pet insurance is reclassified as health insurance, the industry would have to support that change.

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

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