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Pet Insurance (C) Working Group

Virtual Meeting

June 10, 2021

The Pet Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met June 10, 2021. The following Working Group members participated: Don Beatty, Chair (VA); Kendra Zoller, Vice Chair, Andrew Gulcher and Risa Salat-Kolm (CA); Katie Hegland (AK); Jimmy Harris (AR); Kristin Fabian and George Bradner (CT); Angela King (DC); Tom Travis and Warren Byrd (LA); Rasheda Chairs and Shirley Corbin (MD); LeAnn Cox, Jeana Thomas and Jo LeDuc (MO); Erin Summers (NV); Michael McKenney (PA); Matt Gendron (RI); Kathy Stajduhar (UT); Anna Van Fleet (VT); and David Forte and Eric Slavich (WA). Also participating were: Brenda Johnson and Sharil Sivertson (KS); Brock Bubar (ME); Chris Aufenthie (ND); Tracy Burns (NE); Maggie Dell (SD); and Jody Ullman (WI).

1. Adopted its May 19 Minutes

The Working Group met May 19 and took the following action: 1) discussed Section 3, Section 4 and Section 7 of the draft Pet Insurance Model Act; and 2) discussed issues with standalone and endorsement wellness products.

Mr. Forte made a motion, seconded by Mr. Bradner, to adopt the Working Group’s May 19 minutes (Attachment -). The motion passed unanimously.

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

Mr. Beatty said the Working Group would discuss comments received on the remaining open issues in the draft model. Ms. Zoller said California submitted a new proposed definition for “pet insurance” because the Working Group had not come to an agreement on the language about veterinary expenses within the definition. She said the definition reflects how pet insurers are currently defining the product and what the product is currently offering. The language reads, “‘Pet Insurance’ means an individual or group property insurance policy that provides coverage for accidents and illnesses of pets.” Ms. Van Fleet said Vermont approves of the proposed definition. Mr. Forte said the Working Group had previously discussed removing the reference to group policies, as the industry had reported that the policies are not true group policies. He said group policies are not offered on property/casualty (P/C) insurance products. He recommended that the definition not refer to individual or group polices. Ms. Zoller agreed to this change in the proposed definition. Birny Birnbaum (Center for Economic Justice—CEJ) said preventative care should be part of the definition. Brendan Bridgeland (Center for Insurance Research—CIR) said including the word “property” in the definition would be a complication if pet insurance is in the future designated as a different type of insurance. Ms. Zoller said the addition of “property” would help consumers understand what type of insurance they are buying. Cari Lee (North American Pet Health Insurance Association—NAPHIA) said the term “veterinary expenses” is still misleading to consumers. Mr. Forte said the use of the term “eligible expenses” would be confusing, as that term is used in health insurance, but property insurance would use the term “covered expenses.”

Mr. Forte made a motion, seconded by Ms. Van Fleet, to adopt a definition that states, “‘Pet Insurance’ means a property insurance policy that provides coverage for accidents and illnesses of pets.” The motion passed unanimously.

Justin Liby (Companion Protect) said the use of the term “coverage is afforded” is concerning because if a claim is paid but the condition should have been excluded, the current language would require the insurer to continue covering that condition, and they would not be able to apply a preexisting condition clause to that condition. He said the language should be replaced with “a claim was properly paid” in the definitions for “preexisting condition” and “waiting period.” Mr. Birnbaum and Mr. Bridgeland opposed this change. Mr. McKenney said it should not be based on whether a claim was paid because a company can open an investigation into the claim during the policy period and pay it after the policy period ends. He said it should be based on whether coverage applies to the condition. No motion was made to adopt this change.

Mr. Liby said Section 3I—Renewals should be removed from the draft model because the existing insurance codes and regulations already define what a renewal is, and the draft model definition could conflict with those existing definitions. Mr. McKenney said the purpose of this definition is to not allow a company to call a policy a renewal if it is going to exclude coverages that were included in the initial policy period. He said if the industry is going to exclude conditions in subsequent policy years, then it would have to issue a non-renewal and offer the customer a new policy with altered terms. Mr. Gendron said the conflicts of law doctrine would apply, as this definition would be more specific and more recent than the existing definitions. Mr. Bridgeland agreed that Section 3I should remain in the draft model. No motion was made to adopt this change.

Mr. Liby said in Section 4, the information in Subsection B is dealt with in Subsection C and Subsection D; therefore, Subsection B should be deleted. He said in Subsection D, the term “usual and customary” should be replaced with “prevailing veterinary service provider charges” because it captures the intent of the overall disclosure. Mr. Birnbaum opposed removing “usually and customary” because the proposed alternative inserts the words “veterinary service,” which could be a contradiction to the issues with the term “veterinary expenses” in Section 3—Definitions. Mr. Bridgeland opposed the removal of Subsection B because consumers should know how the insurers determine that payments are going to be made. No motion was made to adopt these changes.

Ms. Zoller said in several areas of Section 3 and Section 4, she suggested that requirements in the draft model to link to definitions and disclosures should also be required to be prominently displayed and in at least 12-point font size. Mr. Beatty said it makes sense for the information to be prominently displayed, but it is not clear what font size would be appropriate for a website. Mr. Birnbaum said the font size would vary depending on the tool being used to view the website. Mr. Gendron said the Federal Trade Commission (FTC) uses the term “clear and conspicuous.” Mr. Bridgeland suggested requiring that the links cannot be in a smaller font size than the rest of the website. Ms. Lee said NAPHIA agrees to the “clear and conspicuous” language. Mr. Gendron made a motion, seconded by Mr. McKenney, to use the term “clear and conspicuous link” in Section 3 and Section 4 of the draft model when talking about required links on insurers’ and insurers’ program administrators’ web pages. The motion passed unanimously.

Ms. Zoller proposed a change to Section 4(A)2 that requires a disclosure if the policy excludes certain preventative care and wellness services. Mr. Beatty suggested revisiting this suggestion after the Working Group has concluded its discussion on wellness products.

Ms. Zoller said there had been previous discussion on the marketing of pet insurance products, and she proposed a new disclosure stating, “[a]n insurer shall not market or advertise pet insurance as health insurance for pets.” Mr. Forte said he understands the purpose of the proposal because many of the claims in Washington stem from confusion on the type of insurance the consumer is purchasing. He said if a new disclosure is adopted, he would like it to include clarifying language that pet insurance is property insurance. Mr. McKenney suggested that this language should be placed elsewhere in the law and should not be a required disclosure. Mr. Bridgeland agreed that the language should be a part of the law, but it does not need to be a separate disclosure. Ms. Lee said NAPHIA would support keeping the health language, as that is the way consumers tend to view pet insurance. Ms. Dell said using the health language could cause problems on the regulation side for enforcement of misrepresentation. Lisa Brown (America Property Casualty Insurance Association—APCIA) suggested that a potential disclosure should state that while the product covers some health concerns, it is a property insurance policy. Mr. Birnbaum said the purpose of the draft model is to get clear definitions and ensure that consumers know what they are purchasing, and it should not be used to memorialize what insurers are currently doing in the marketplace. He said he would support including the language proposed by California. Mr. McKenney asked if the states are getting complaints about the way the products are advertised. Ms. Zoller said the California complaints are not coded with that level of detail, but the complaints usually center around consumers not knowing exactly what they are purchasing.

Mr. Liby said Companion Protect would oppose the free look period that is mandated in Section 4 because the free look period tends to drive bad customer behavior. He said the free look period encourages consumers to buy a pet insurance product that they would not normally buy because they consider it a no regret decision, and they can cancel in 30 days if they do not have a claim. He said requiring a free look period leads to higher acquisition costs that insurers will never recover, and it leads to a higher volume of early terminations. He said Companion Protect proposes a required pro-rated premium refund if the policy is cancelled in the first 30 days. Mr. Gendron said free look periods are used in other lines with complex products, such as life insurance, annuities and travel insurance. He said he would like Companion Protect to submit data that supports its position. Mr. McKenney agreed with Companion Protect’s position that the free look period is not actuarily sound and passes on costs to all customers. Ms. Lee said NAPHIA would disagree with Companion Protect on this issue because the free look period is consumer friendly and allows the consumer to look at their policy in more detail and cancel that policy if it is not what the consumer thought it was. She said NAPHIA has not found that the free look period increases the cost of pet insurance in a significant way. Mr. Bridgeland said if the industry can include waiting periods in the policy, then the consumer should be allowed to have a free look period. Mr. Forte asked if NAPHIA could share its data on the minimal cost of free look periods. Ms. Lee said NAPHIA would share that data with the Working Group.

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

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