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Pet Insurance (C) Working Group

Virtual Meeting

June 24, 2021

The Pet Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met June 24, 2021. The following Working Group members participated: Don Beatty, Chair (VA); Kendra Zoller, Vice Chair, Andrew Gulcher and Risa Salat-Kolm (CA); Jimmy Harris (AR); Kristin Fabian (CT); Angela King (DC); Warren Byrd (LA); Sheri Cullen (MA); Rasheda Chairs (MD); Carrie Couch, LeAnn Cox and Jo LeDuc (MO); Erin Summers (NV); Michael McKenney (PA); Matt Gendron and Beth Vollucci (RI); Kathy Stajduhar (UT); Rosemary Raszka (VT); and David Forte, John Haworth and Eric Slavich (WA). Also participating were: Ken Williamson (AL); Heather Droge (KS); Brock Bubar (ME); Tracy Burns (NE); Maggie Dell (SD); and Jody Ullman (WI).

1. Adopted its June 10 Minutes

The Working Group met May 19 to discuss comments received on Section 3 and Section 4 of the draft Pet Insurance Model Act.

Mr. Byrd made a motion, seconded by Mr. Forte, to adopt the Working Group’s June 10 minutes (Attachment -). The motion passed unanimously.

1. Discussed Section 7 of the Draft Pet Insurance Model Act

Mr. Beatty said the Working Group would continue to discuss comments received on open issues in the draft model.

Justin Liby (Companion Protect) said with respect to Section 7B, Companion Protect would support the industry being allowed to use both preexisting condition exclusions and waiting periods in tandem. He said both features address the issue of adverse selection; they work in different ways. He said the waiting period prevents a claim from being covered under the insuring agreement portion of an insurance policy and is designed to identify those conditions that are likely to become a preexisting condition. He said a preexisting condition exclusion only applies after a claim is determined to be covered under the insuring agreement and may not be limited to a specific time period. He said Companion Protect would be opposed to a cap on the duration of a waiting period. He said that if there is appropriate disclosure of the duration of the waiting period and what it applies to, then consumers can choose the best product for themselves at the right price. Mr. Byrd asked for an explanation on why a company would oppose a cap on the length of the waiting period. Mr. Liby said Companion Protect would like the ability to be more creative and deliver a product to the marketplace that a consumer might want.

Jack Chaskey (Companion Protect) said the products would be filed for approval with state insurance regulators, and the related pricing would be commensurate with the relative waiting period. Mr. McKenney said many states do not have prior approval authority. Ms. Cox asked if any states had specific statutes or regulation that speak directly to the time frames for waiting periods. Mr. Byrd said the National Flood Insurance Program (NFIP) has a mandatory 30-day waiting period for flood insurance. Mr. Gendron said he would have a problem with a waiting period longer than 30 days. He said it would make more sense for the company to exclude the condition entirely rather than have a long waiting period. He said he is in favor of allowing both preexisting condition exclusions and waiting periods in a policy with reasonable restrictions. Mr. Byrd said a 30-day waiting period would be reasonable for both the insurer and the insured. Dr. Gail Golab (American Veterinary Medical Association—AVMA) said it is a complex issue because of the many different animals that could be covered under a policy, and certain conditions would manifest at different times for those different animals. She said a 30-day waiting period would be reasonable.

Mr. Gendron asked if there would be any concern with including a provision that with an inspection from a veterinarian, a waiting period could be waived. Dr. Golab said she would like to see specific language on that provision but agrees with the concept. Brendan Bridgeland (Center for Insurance Research—CIR) said he would not be in favor of the proposal to have no cap on waiting period durations. Birny Birnbaum (Center for Economic Justice—CEJ) said it is unclear why a waiting period is needed at all if there are preexisting condition exclusions in the policy. He said a waiting period would be problematic for consumers who would have an expectation when they purchased a policy that anything that is not a preexisting condition would be covered. Mr. Birnbaum said it is unrealistic to expect consumers to understand all the features and limitations of a product as complex as pet insurance. Cari Lee (North American Pet Health Insurance Association—NAPHIA) said the Working Group will be presented with language that would be a middle ground in the discussion on waiting periods. She said waiting periods assist with the issue of adverse selection and allow all policyholders to be held to the same standards. Mr. Forte said he agrees with Mr. Gendron that waiting periods and pre-existing condition exclusions can be applied together with certain parameters. He said is comfortable with a 30-day waiting and that he would not be comfortable with the unlimited time frame.

Mr. Beatty said in Section 3G, there was a suggestion to change “treatment provided by a veterinarian” to “treatment provided, prescribed or suggested by a veterinarian.” There was no motion to adopt this change.

Mr. Beatty said in Section 4G (2), there was a suggestion to change “owner” to “insured.” Mr. Gendron asked if this change would bring a need to address insurable interest. Dr. Golab said it is not uncommon in the dog performance world to have a single animal with multiple owners, so there may be some advantage to referring to the insured instead of the owner. Mr. Byrd made a motion, seconded by Mr. Forte to adopt this change. The motion passed unanimously.

Mr. Beatty said the Working Group had previously discussed free look periods and that discussion is still an open topic.   
Mr. Birnbaum said there should be a provision that specifies that if a consumer is looking to return a policy, the insurer needs to provide clear instructions and the process should not be difficult for the consumer. Mr. Byrd said actuaries in Louisiana still take issue with providing insurance without a premium payment. Mr. Forte said actuaries in Washington also have an issue with this since there is a cost associated with administering the policy, and when consumers return the policy during the free look period, that cost is passed on to other consumers. Mr. McKenney said that since enough states take issue with the free look period, it should not be required, and it should be left to a state-by-state basis. He said the language says “not less than 30 days,” so technically the law is saying companies implement a 364-day free look. Mr. Birnbaum said the *Travel Insurance Model Act* (#632) incorporates a free look provision that should provide guidance for this model. He said the free look provision does not provide free coverage since the policy can only be returned if a claim has not been made. Mr. McKenney asked if the travel insurance free look period expires before the coverage takes effect. Caren Alvarado (Crum & Forster) said Model #632 states that if there is a free look period and if there is going to be a refund had there not been a claim paid, then the entire cost of the travel protection plan would be refunded.

1. Discussed Pet Wellness Products

Ms. Lee said NAPHIA submitted language for the Working Group’s consideration based on some of the concerns expressed over the last few meetings regarding wellness. She said NAPHIA members are licensed insurance entities, and none of the members sell stand-alone wellness products. She said currently, NAPHIA members are selling wellness products as endorsements to insurance policies, or they are sold alongside a policy as a separate product. Ms. Lee said NAPHIA’s proposed language clarifies that: 1) the purchase of wellness products is not a requirement to purchase pet insurance; 2) the cost of the wellness product should be separate and identifiable; 3) the terms and conditions should be separate from the policy and be available to the consumer prior to enrollment; 4) the wellness product should not duplicate the pet insurance policy benefits; and 5) the advertisement of wellness products should not be misleading. She said NAPHIA included language that specifies that advertisements should delineate between a wellness product and a pet insurance product, and that the wellness product should not use language that would apply to an insurance policy such as “premium” and “policy.” She said NAPHIA included language on disclosing the costs for the wellness product and which of the costs are for the pet insurance product.

Mr. Forte said after reviewing the language, he believes it aligns with the view that wellness products should be distinct and different from insurance. He said if it is part of the policy, it would be considered insurance, and if it is separate from the policy, then it should have no influence on eligibility of the policy. He said the Working Group has heard reports that if a consumer does not pay a non-insurance company’s wellness plan, their insurance policy that is in partnership with the wellness company would then also be cancelled. He said there should not be a requirement to buy both the wellness product and insurance policy. Mr. McKenney said wellness products often include insurance benefits such as a death or burial benefit, or chiropractor benefits. He said the language about wellness products in the model should be carefully crafted so that companies are not issuing wellness products that do have insurance benefits but are not considered insurance products and, therefore, not regulated and not collecting premium tax.

Mr. Beatty suggested that the Working Group should draft language that states, “The wellness product can be a wellness product, but it cannot include anything that meets the definition of insurance under the specific state insurance code.” Mr. Birnbaum said the proposed language seems to be defining an insurance benefit as insurance if it is included in the policy and not an insurance benefit if it is a stand-alone product. He said this is confusing to consumers and an arbitrary distinction that promotes a lack of consistent regulation for consumer protection. Mr. Birnbaum suggested that wellness products should be defined as any product, service, or benefit related to promoting and maintaining the health and wellness of the pet. He said these services—including wellness exams; blood tests; vaccinations; preventive medications for fleas, ticks, and heartworm; dental cleanings; spaying and neutering; and nail clippings—should all be a part of the insurance package. Mr. Bridgeland agreed with Mr. Birnbaum’s view of the wellness product offerings. He said he does not like the use of the word “complementary” in the NAPHIA language because it is too close to the word “complimentary” and could be confusing to consumers that might expect something that is being provided for free. Mr. Gendron said one issue with the language is that it seems to be attempting to give state insurance regulators authority over non-insurance products and may preempt the authority of state attorneys general with regard to unfair trade practices. Allison Osterberg (Banfield Pet Hospital—Banfield) said Banfield does sell wellness plans that are not insurance. She said it is a bundle of set services offered by their veterinarians, and the product does not need a triggering event to be used. She said it is common in the veterinary industry to sell prepackaged services for specific clinics or pet hospitals. The Working Group agreed to continue discussion of wellness products in their next meeting.

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

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