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Pet Insurance (C) Working Group

Virtual Meeting

July 8, 2021

The Pet Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met July 8, 2021. The following Working Group members participated: Don Beatty, Chair (VA); Kendra Zoller, Vice Chair (CA); Katie Hegland (AK); Crystal Phelps (AR); Kristin Fabian (CT); Angela King (DC); Warren Byrd and Tom Travis (LA); Sheri Cullen (MA); Rasheda Chairs and Shirley Corbin (MD); LeAnn Cox, Jo LeDuc, and Jeana Thomas (MO); Erin Summers (NV); Michael McKenney (PA); Matt Gendron and Beth Vollucci (RI); Kathy Stajduhar (UT); Jamie Gile and Mary Block (VT); and David Forte, John Haworth, and Eric Slavich (WA). Also participating were: Vincent Gosz (AZ); Katie Deaver (ID); Linda Grant (IN); Tate Flott (KS); Brock Bubar (ME); Sandy Anderson and Christine Peters (MN); Chris Aufenthie (ND); Tracy Burns (NE); and Maggie Dell (SD).

1. Adopted its June 24 Minutes

The Working Group met June 24 to discuss comments received on Section 7 of the draft Pet Insurance Model Act. The Working Group also discussed the use of wellness products in pet insurance.

Mr. Byrd made a motion, seconded by Mr. Forte, to adopt the Working Group’s June 24 minutes (Attachment -). The motion passed unanimously.

1. Discussed the Issue of Waiting Periods in the Draft Pet Insurance Model Act

Mr. Beatty said the North American Pet Health Insurance Association (NAPHIA) submitted proposed language that would add: 1) a new section to the draft model (Section 8); 2) an additional disclosure in Section 4; and 3) a new definition for “musculoskeletal” in Section 3.

Mr. Gendron said Rhode Island had reviewed the proposed language and did not fully agree with all aspects of the language, but he said some aspects of the language did make sense to address in the model. He said it did make sense that certain conditions would require different lengths of waiting periods. He also said it made sense to add the definition of “musculoskeletal.” Cari Lee (NAPHIA) said all NAPHIA member companies are currently offering some type of waiting period for the following reasons: 1) to eliminate adverse selection; 2) to reduce the cost of the policy; and 3) to give consumers different options in the market. Ms. Lee said the NAPHIA proposal would have limits of 14-day waiting periods for accidents, 30-day waiting periods for illnesses, and 120-day waiting periods for musculoskeletal conditions. She said ideally, they would like to see 180-day waiting periods for musculoskeletal conditions. Dr. Jules Benson (Nationwide Insurance) said these musculoskeletal conditions can be costly, require chronic treatment and develop over a long period of time. He said with the timing of the presentation of musculoskeletal conditions, a 180-day waiting period would help control cost for everyone. He said a 180-day waiting period would allow more insurers to be involved in pet insurance and offer more choice for consumers looking for different pricing on policies. Ms. Lee clarified that the proposed language does include the ability for consumers to waive waiting periods, which is a practice in the industry currently. Mr. Gendron asked if industry has data on how often musculoskeletal conditions develop in dogs. Dr. Benson said the data may be skewed due to adverse selection, but pet owners tend to seek treatment for these conditions more often than other conditions. He said the waiting period is a protection against unreasonable loss for the insurer.

Mr. Gendron said as a state insurance regulator, the 180-day waiting period is concerning for a one-year policy and the fact that consumers may not fully understand the disclosures they are presented with. Dr. Benson said if the waiting period is too restrictive, some insurers may opt to not offer coverage at all for certain conditions that would be too costly. Ms. Lee said the ability to have different length waiting periods provides variation in the market and drives competition and choice for consumers. Mr. Byrd agreed that 180 days would be excessive for a waiting period from a consumer standpoint. He asked why a veterinary examination is not mandated by companies prior to the insurance being effective. Ms. Lee said some companies do require an exam, but many do not in order to keep costs down for consumers and to avoid administrative costs for the pet insurer. She said that after a waiting period has been met in the initial policy year, there is no waiting period requirement in subsequent renewals. Mr. Byrd asked if a shorter waiting period was more likely to result in a required veterinary examination before the policy was issued. Ms. Lee said a shorter waiting period was more likely to result in an insurer excluding coverage for the condition.

Mr. McKenney said there is nothing keeping a company from writing a policy of less than one year, and it is concerning for a company to have the ability to implement a waiting period that could be almost as long as the policy period. He said it is also concerning since the industry wants the ability to write policies that do not renew, and the replacement policy would make the condition that first required a waiting period a preexisting condition. He said it would be confusing to consumers to have a policy with several different waiting periods that has coverage kick in at different times after policy inception.

Dr. Gail Golab (American Veterinary Medical Association**—**AVMA) said the term “musculoskeletal” should not be used in its current definition. She said the use of this term could cause issues of interpretation of the language. She said it would be best to get a different descriptor to address the issue these type of conditions. She said the AVMA and NAPHIA are working towards language that is agreeable.

Birny Birnbaum (Center for Economic Justice**—**CEJ) said he is opposed to any waiting period. He said in other lines of insurance, the waiting period is there to ensure that a condition continues for a minimum length of time, and it is not meant to replicate a preexisting condition exclusion. He said there should not be a waiting period for accidents. He said there is no evidence that waiting periods empower consumer choice and that waiting periods are not a tool for adverse selection like preexisting condition exclusions.

1. Discussed the Issue of Free-Look Periods in Section 4 of the Draft Pet Insurance Model Act

Mr. Byrd and Mr. Forte said they would oppose a free look period. Mr. Birnbaum said: 1) free look periods are a common feature in other lines of insurance; 2) free look periods cannot be invoked if a claim has been made; 3) no evidence has been offered that a free look period has large administrative costs; and 4) industry would not be willing to offer the free look period if there was a significant cost. Brendan Bridgeland (Center for Insurance Research**—**CIR) said the free look period is not free insurance for consumers. He said after talking with representatives from NAPHIA, he understands that there is not a hidden or significant cost for free look periods. Mr. Forte said there is an administrative cost to write a policy and in property/casualty (P/C) insurance, there is already a mechanism to return a policy and get back unearned premium. Mr. McKenney agreed that P/C products have a mechanism for pro-rata premium returns. He said insurers charge a cancellation fee for consumer-driven cancellations, and if industry is saying there is no cost to writing and cancelling policies with the free look period, then no line of insurance should have cancellation fees.

Mr. Forte made a motion, seconded by Mr. Byrd, to remove any allowance of a free look period in the model. The motion did not pass, with Arkansas, Louisiana, Pennsylvania, Utah, and Washington voting in favor, and Alaska, California, Connecticut, District of Columbia, Missouri, Nevada, Rhode Island, and Vermont voting against.

Mr. McKenney said the language in the current draft of the model says free look periods must be no less than 30 days, which could allow for up to a 364-day free look period. He suggested that the language should reflect a maximum of 30 days for a free look period. Mr. Gendron agreed with changing the language to make the free look period a maximum of 30 days.
Ms. Summers said there should be a minimum length of the free look period as well. Mr. Byrd said if the free look period is not required by the language in the model, then a minimum length requirement would not be necessary. Mr. Beatty said the discussion of whether the current language mandates a free look period and any changes to the language would be continued during the Working Group’s next meeting.

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

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