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Pet Insurance (C) Working Group

Virtual Meeting

July 22, 2021

The Pet Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met July 22, 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); Crystal Phelps (AR); Kristin Fabian (CT); Angela King (DC); Warren Byrd (LA); Sheri Cullen (MA); Shirley Corbin (MD); LeAnn Cox and Jeana Thomas (MO); Michael McKenney (PA); Matt Gendron and Beth Vollucci (RI); Jamie Gile and Mary Block (VT); and David Forte, John Haworth, and Eric Slavich (WA). Also participating were: Jimmy Gunn (AL); Linda Grant (IN); Vicki Schmidt (KS); Heather Droge, Tate Flott, and Brenda Johnson (KS); Daniel Lawson (ME); Sandy Anderson (MN); Chris Aufenthie, Chrystal Bartuska, and Janelle Middlestead (ND); Maggie Dell (SD); and Jody Ullman (WI).

1. Adopted its July 8 Minutes

The Working Group met July 8 to discuss language on waiting periods and free look periods in the draft Pet Insurance Model Act.

Mr. Forte made a motion, seconded by Mr. Gendron, to adopt the Working Group’s July 8 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 new proposed language that would: 1) change the language in Section 7B; 2) add three additional disclosures in Section 4; and 3) add a new definition for “orthopedic” in Section 3. Cari Lee (NAPHIA) said the submitted language was revised after discussion with the American Veterinary Medical Association (AVMA) and the revised language addressed concerns with the definition of “orthopedic” and concerns that waiting period requirements are clearly and prominently disclosed to consumers. Isham Jones (AVMA) said while there is still concern about the 120-day waiting period for orthopedic conditions, overall, the AVMA would be supportive of the proposed language.

Birny Birnbaum (Center for Economic Justice—CEJ) said he opposes any waiting period. He said the proposal of using three different waiting periods in one policy would be confusing to consumers. He said the waiting periods do not serve as a tool for adverse selection. He said the industry claims that waiting periods lead to reduced claims and lower premiums for all consumers but that the reduced claims are due to reduced coverage. He also said the use of different waiting period and preexisting condition options is too complex and that disclosures would not help alleviate confusion for consumers. Brendan Bridgeland (Center for Insurance Research—CIR) agreed with Mr. Birnbaum and said the language around waiting periods for accidents and specific conditions like “orthopedic” is too complex for the average consumer.

Mr. McKenney asked NAPHIA to explain the need for a 14-day waiting period for accidents. Ms. Lee said one reason for a specific waiting period for accidents is that some consumers will buy pet insurance after their pet has been in an accident and try to get coverage for the treatment needed due to that accident.

Mr. Forte asked what conditions insurers are seeing claims for that would necessitate a 120-day waiting period. Ms. Lee said hip dysplasia and other orthopedic conditions take time to manifest and diagnose, and she said these conditions are some of the costliest claims they cover. Dr. Jules Benson (NAPHIA) said the waiting period helps protect the insurers from conscious or unconscious adverse selection, but the insurers do see the need to cover these conditions when the develop in later policy years. Mr. Byrd asked why the policies are not priced based on the loss cost of these conditions. Ms. Lee said the waiting period is a tool to keep the price down for all consumers. She said underwriting this risk is costly and takes enough time that it would likely put off the customer from purchasing the product at all. Dr. Benson said the underwriting would still need to rely on the provided medical records.

Mr. Gendron said the waiting period is similar to a personal property floater that requires an appraisal, inspection, receipt, or some other method of verifying the items value before it is insured. He said the waiting period and veterinary exam are ways of getting the policies out to consumers without adding an additional cumbersome step.

Mr. Gendron made a motion, seconded by Mr. Byrd, to: 1) change the name of Section 7 – Pre-existing Conditions to Section 7 – Pre-Existing Conditions and Waiting Periods; 2) delete the current language in Section 7B and replace it with the proposed new language from NAPHIA’s submitted comments; 3) insert in Section 4 the three additional disclosures from NAPHIA’s submitted comments; and 4) insert in Section 3 the definition of “orthopedic” from NAPHIA’s submitted comments. Mr. Forte made a substitute motion, seconded by Mr. McKenney, to adopt the previous motion with the following change to the proposed language in 7B: remove the 14-day waiting period for accidents and have only a 30-day waiting period for illnesses and orthopedic conditions. The motion passed, with Rhode Island opposing.

Mr. Gendron said with the new adoptions to Section 7 on waiting periods, the definition of “waiting period” in Section 3 should be changed. He said the definition should make it clear that the waiting period does not apply to policy renewals. He suggested removing the last sentence of the definition and replacing it with: “Waiting periods may not be applied to renewals of a policy.” Ms. Lee asked how this language would apply if a consumer increased his or her coverage in subsequent policy years. Mr. McKenney agreed that a consumer could buy an accident-only policy and then at renewal add illness, which would change the coverage of the policy. Ms. Fabian asked how it would be treated if another pet was added to the policy at renewal. Lisa Brown (American Property Casualty Insurance Association—APCIA) suggested using the term “coverage” instead of “policy” in the proposed language.

Mr. Gendron made a motion, seconded by Mr. Forte, to change the definition of “waiting period” in Section 3 to read “means the period of time specified in a pet insurance policy that is required to transpire before some or all of the coverage in the policy can begin. Waiting periods may not be applied to renewals of existing coverage.” The motion passed unanimously.

Ms. Lee said NAPHIA cannot support the model with the current language for waiting periods. Mr. McKenney asked if NAPHIA disagreed with the waiting period length for orthopedic conditions, accidents, or both. Ms. Lee said both waiting periods are important to the way NAPHIA companies are writing their policies. She said if the Working Group could offer more flexibility on the waiting periods, NAPHIA would be more likely to support the model. Mr. Forte said without data to support the need for longer waiting periods, it is difficult to see why those specific long waiting periods are needed.

Mr. Gendron asked, in NAPHIA’s proposed language, what is being covered if there is a 14-day waiting period for accidents and a longer waiting period for illnesses and orthopedic conditions. Ms. Lee said the premium reflects the waiting periods, so the consumer is not paying for coverage he or she is not receiving. Mr. McKenney asked if the renewal policies are more expensive because they do not have the waiting period. He also asked if a consumer initiates a veterinary exam to waive the waiting period, would the premium increase since there is no waiting period and there would be more days of coverage. Ms. Lee said she would have to get back to the Working Group on those questions.

Mr. Gendron said if the Working Group is going to revisit the waiting period issue, he would like to include a look-back period, of no more than 72 hours, for a veterinary examination that waives the waiting period.

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

Mr. Gendron said during the Working Group’s July 8 meeting, there was discussion on whether the free-look period should be included in the model and concern about the length of time of the free-look period. He said to address concern about the length of time of the free-look period, the language should be changed from “not less than 30 days” to “15 days.” He said there should also be language stating that the policy can be returned during the free-look period “unless the insured has submitted a claim to the insurer that has been paid.”

Mr. Gendron made a motion, seconded by Mr. McKenney, to change the language in 4G(2)(a) and 4G(2)(c) to reflect a 15-day free-look period. Mr. Byrd said actuaries in Louisiana have expressed that any length of free-look period is not actuarily sound. The motion passed, with Louisiana opposing.

1. Discussed the Issue of Wellness Plans in Pet Insurance

Mr. Beatty said the Working Group should recommend to the Property and Casualty Insurance (C) Committee that the Working Group should draft a white paper on the use of wellness plans in pet insurance, including how wellness plans are marketed and what defines the difference between wellness plans and insurance.

Ms. Zoller said she had submitted language for additional disclosures on the marketing of wellness plans and the exclusion of wellness care within the pet insurance policy.

Mr. Forte said pet insurance needs to be well defined. He said wellness plans that are a subscription service between a veterinarian and consumer and do not include insurable items would not be regulated by state insurance departments. He said an insurance policy should not be affected by a wellness plan and that the wellness plan should be a stand-alone product.

Mr. Byrd said the greater the linkage between the wellness plan and how it is marketed, sold, and billed by an insurance company, the more it crosses over into a product that would be regulated by state insurance regulators. He said wellness plans sold and billed by veterinarians are fine, but when the wellness plan is billed on the same invoice as an insurance policy, that would create linkage. Mark Cushing (Mars Veterinary Health—MVH) agreed that veterinarian-based wellness plans are not a regulated insurance activity.

Mr. Bridgeland said it is important to define pet insurance within the model to make a clear line between insurance and wellness plans. He said the language in the model would be more effective than a white paper. Mr. Beatty said a white paper may lead to an amendment of the model, but it would bring jurisdictions together to analyze an issue and make suggestions on how to deal with the issue.

Ms. Lee said NAPHIA previously submitted comments on wellness plans that address, among other things, the marketing concerns that some Working Group members have expressed.

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

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