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Pet Insurance (C) Working Group

Virtual Meeting

November 6, 2020

The Pet Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met Nov. 6, 2020. The following Working Group members participated: Don Beatty, Chair, Jessica Baggarley and Phyllis Oates (VA); Kendra Zoller, Vice Chair, and Risa Salat-Kolm (CA); Katie Hegland (AK); Kristin Fabian (CT); Warren Byrd (LA); Rasheda Chairs and Shirley Corbin (MD); LeAnn Cox and Carrie Couch (MO); Michael McKenney (PA); Matt Gendron (RI); and John Haworth and Eric Slavich (WA). Also participating were: Vanessa Darrah (AZ); Michele MacKenzie (ID); Brenda Johnson, Heather Droge, and Tate Flott (KS); Tracy Burns (NE); and Larry D. Dieter and Maggie Dell (SD).

1. Adopted its Oct. 21 Minutes

The Working Group met Oct. 21 to discuss Section 6 of the proposed Pet Insurance Model Act.

Mr. Byrd made a motion, seconded by Mr. Gendron, to adopt the Working Group’s Oct. 21 minutes (Attachment --). The motion passed unanimously.

1. Discussed Section 7 and Section 8 of the Draft Pet Insurance Model Law

Mr. Beatty said the group would discuss comments received from the North American Pet Health Insurance Association (NAPHIA) on Section 7—Preexisting Conditions and Section 8—Reimbursement Benefits. Mr. Gendron said the use of the term “clinical signs” in the proposed definition of preexisting condition would not be clear and obvious for consumers. Jules Benson (Nationwide) said the use of “clinical signs” is about how a clinician views the signs of illness presented by the pet. Mr. Gendron said he would be concerned with the use of this term for consumers who would not have the same training as a clinician to understand the meaning of “clinical signs.” Mr. Haworth said the proposed definition of clinical signs is too broad in scope regarding the inclusion of observed signs from any individual, not just clinicians. Mr. Byrd agreed that the phrase “observed by any individual” is too broad. Mr. Benson said the way that veterinarians put together the picture of clinical health is not just what is seen in the exam room, but also the health history that comes from owners or other individuals such as a pet groomer who found signs of illness. Mr. Byrd asked if those observations would be included in the pet’s medical records, which would be covered in the definition by the phrase “recorded in the pet’s medical record.” Mr. Haworth said he is concerned that the current language of the “clinical sign” definition may allow certain signs of illness to be misclassified as a preexisting condition and, therefore, not be covered. Mr. Benson said the burden of proof for relating a clinical sign to a preexisting condition is already on the insurer.

Mr. McKenney said there needs to be clarification on inception date and effective date in the definition of preexisting conditions. Mr. Benson said that there are some policies that are treated as single-year policies and that the coverage for a condition does not roll over if a new policy is purchased. Mr. McKenney said the model law should be establishing uniformity with the definition of “preexisting condition” and how policies treat coverage for those conditions. Kate Jensen (NAPHIA) said that even with the different types of policies, the term “effective date” should still be used within this definition. Ms. Corbin said there would not be the same guidelines for preexisting conditions on new business and renewal business.   
Mr. Beatty said if the subsequent policies would not cover a condition found during the first policy term, then the insurer would need to send out a non-renewal notice because the policy is not being renewed on the same terms and conditions. Lisa Brown (American Property Casualty Insurance Association—APCIA) said it may be that those policies are written as non-renewable, such as a limited duration pet policy. Ms. MacKenzie said if policies are going to be written on a non-renewable basis, then it needs to be printed on the first page of the policy. Ms. Jensen said she would like time to consult with NAPHIA members about the types of policies currently being written to bring more clarity to this discussion.

Mr. Gendron asked if a consumer has creditable coverage and chooses to switch to a new insurance company, how would preexisting conditions be treated. Ms. Jensen said many of these issues would appear in the disclosures and the rating information. She said limiting what could be covered under pet insurance policies, inserting time frames for coverage or requiring certain coverages would constrain innovation and drive up the cost of coverage. Mr. Beatty said state insurance regulators do not want a scenario where people can game the system. However, he said most complaints received from consumers are because coverage was denied even though the consumer had no way of knowing the pet had a preexisting condition. He asked if there were some agreeable time frame that would eliminate this issue. Ms. Jensen said this issue is why NAPHIA believes waiting periods are important in pet insurance and that the model should not be restrictive with its time frames relating to preexisting conditions. She said it is important to have a solid definition of “preexisting condition” within the model. Ms. MacKenzie said some policies have eligibility requirements that require exams prior to a pet being eligible for coverage. She said she has also seen language that states a preexisting condition in a prior policy would be considered preexisting in a policy with a new insurer. Ms. Jensen said that while eligibility exams are one way to determine coverage, they can be a cost barrier for consumers. She said NAPHIA wants to preserve flexibility in the market and that mandating time frames and eligibility requirements would prevent insurers from offering a range of pet insurance products.

Ms. Jensen said NAPHIA’s overall position is that Section 7 and Section 8 are not needed in this model law. She said there is confusion about what is required in Section 8 of the model and what is already required in Section 4—Disclosures. She said the model should refrain from including overly prescriptive policy provisions that have impact premiums and availability of coverage. She said the policy should inform consumers upfront about exactly what they are buying but still allow the industry to offer a range of products and features with their policies.

Ms. MacKenzie said Idaho has received a pet insurance filing that has reference to in-network and out-of-network providers. She said she asked for a schedule of benefits and a provider directory. Mr. Byrd said he has not seen those types of policies yet. Mr. Beatty said the Working Group should get more information on if the industry is moving to network providers and balance billing. Mr. Byrd agreed that more information is needed to see if the industry is shifting to those types of policies and if so, he said it should be addressed in the model. Ms. Jensen said if these types of policies exist currently, it would be very rare. Jack Chaskey (Westmont Associates) said he has seen those types of policies and that those would be innovative policies in this line of business.

Mr. Beatty said the phrasing in Section 8(A) that states “Provide reimbursement for the covered veterinary expenses incurred by the insured without limitation” does not seem to exist with other types of insurance policies. He said the insurance policy itself would explain what would be paid and the “without limitation” term is too extreme. Ms. Brown said if Section 8 remains in the model, it should address that “without limitations” would be limited by co-insurance. Mr. Byrd agreed that “without limitations” is a broad term.

The Working Group will continue discussion of submitted comments during future meetings.

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

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