The Pet Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met via conference call Feb. 19, 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); Angela King (DC); Warren Byrd (LA); Sheri Cullen (MA); Linas Glemza and Rasheda Chairs (MD); LeAnn Cox (MO); Michael McKenney (PA); Matt Gendron (RI); Kathy Stajduhar (UT); Anna Van Fleet (VT); and David Forte, Eric Slavich and John Haworth (WA). Also participating were: Ken Williamson (AL); Tom Zuppan (AZ); Brenda Johnson and Tate Flott (KS); Troy Smith (MT); Chris Aufenthie (ND); Rodney Beetch (OH); Cuc Nguyen (OK); and Jody Ullman (WI).

1. **Adopted its Feb. 19 Minutes**

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

2. **Discussed Draft Referrals for Data Collection**

   Mr. Beatty said the Working Group has previously discussed referrals to other working groups to collect data related to pet insurance. He said NAIC staff has drafted a referral to the Market Conduct Annual Statement (D) Working Group to create a line of business for pet insurance in the Market Conduct Annual Statement (MCAS) and a referral to the Market Information Systems Research and Development (D) Working Group to collect complaints data related to pet insurance. Mr. Forte noted that the MCAS referral should go through the Market Analysis Procedures (D) Working Group. Mr. Byrd said the recommendation of the need for data collection was pointed out in the *A Regulator’s Guide to Pet Insurance* white paper. Mr. Gendron made a motion, seconded by Mr. Byrd, to adopt the referral memorandum and move them on to the appropriate working groups. The motion passed unanimously. Birny Birnbaum (Center for Economic Justice—CEJ) said there is a process for adding a line of business to the MCAS, and there would need to be a full proposal developed to present to the Market Analysis Procedures (D) Working Group.

3. **Discussed a Draft Supplement to the NAIC Financial Annual Statement**

   Mr. Beatty said the Working Group has discussed collecting data related to pet insurance through the NAIC Financial Annual Statement. He said NAIC staff has drafted a preliminary supplement to the Annual Statement to collect that data. Mr. Beatty asked for comments to be submitted regarding the supplement, and those comments will be discussed during the next Working Group conference call.

4. **Discussed Sections 2 and 3 of the Draft Pet Insurance Model Law**

   Mr. Beatty said in Section 2, Scope and Purpose, of the draft model there was a suggestion to clarify the term “resident.” He said the Travel Insurance Model Act states, “covers any resident of this state.” Mr. Byrd said the language in the Travel Insurance Model Act makes sense for this model as well. Mr. Gendron said some of the words would need to be changed since it deals with property owned rather than a person. Mr. Forte suggested using the language, “policy issued to any resident of this state.”

   Mr. Beatty said in Section 3, Definitions, there was a question about whether definitions in the model should be prescribed or if the language could be broadened to use definitions that are substantially similar but not less favorable. Ms. Zoller asked if that language is common in other model laws. Mr. Beatty said similar language exists with regard to the Interstate Insurance Product Regulation Commission (Compact), that any standards adopted by the Compact be at least as good as NAIC models, and they could not be any less favorable. Mr. Byrd clarified that the definitions would be no less favorable to the insured. John Fielding (North American Pet Health Insurance Association—NAPHIA) said that NAPHIA members do like the idea of flexibility with the definitions.

   Mr. Forte said the requirement for the information on pet insurance to be on the “main page” of an insurer’s website may be too stringent, and he suggested instead to say, “product site.” Lisa Brown (American Property Casualty Insurance
Association—ACPIA) said in a different section of the model, the language had been changed to include both the insurer and insurer’s program administrator’s site. Mr. Fielding asked for time to speak with NAPHIA members about where that information would be best found on their web pages so that consumers can easily find the information.

Mr. Beatty said there was a request for a clearer definition for “Chronic condition.” He asked if the American Veterinary Medical Association (AVMA) had thoughts or suggested language for the definition. Isham Jones (AVMA) asked for time to submit written comments on the “Chronic condition” definition. Mr. Haworth said the definition should be clear enough to distinguish from acute conditions that also cannot be cured. Mr. Fielding said this definition is currently in place in California law, and it does not currently cause any problems.

Mr. Beatty said after receiving comments, it has been determined that pet insurance policies are not written as true group policies, but they are written similar to affinity policies. Mr. Fielding said the policies may evolve into group policies, so they do not want to remove language from the model that refers to group policies. Mr. Byrd asked if it would be better to remove the references to both individual and group, so as not to limit the language. Mr. Fielding and Mr. Forte agreed with that suggestion.

Mr. Beatty said there is a suggestion to replace “veterinary expenses” with “eligible expenses” in the definition of pet insurance. Mr. Fielding said the definition of veterinary expenses is both too broad and too narrow. He said veterinary expenses are not necessarily the only expenses covered under a pet insurance policy. He said there could also be veterinary expenses that are not covered under the policy. He said the term “eligible expenses” better describes what is covered by the policy. Mr. Fielding suggested that the definition of pet insurance read as, “an individual or group insurance policy that primarily provides coverage for eligible medical expenses arising from (1) the covered pet’s sickness or (2) an accident involving the covered pet.” Ms. Zoller asked for an example of an ineligible expense. Gavin Friedman (Trupanion) said a veterinarian may sell food or toys at the front desk that would not be eligible under the policy. Mr. Gendron said things like dental cleanings and organ transplants could be excluded as eligible expenses. Mr. Fielding said there may be exclusions under medical expenses, but there are other expenses that are not medical expenses that are not covered by the policy but not specifically excluded. Mr. Forte and Mr. McKenney agreed with using the term “eligible expenses.” Mr. McKenney said the term “veterinary expenses” is too broad. Ms. Zoller said the language in the current definition does not preclude an insurer from excluding certain expenses. Ms. Oates asked if some of the policies include wellness programs. Mr. Gendron said in Rhode Island, they refer to these policies as indemnity policies. Mr. Beatty asked for those that do not agree with the proposed definition to submit alternative language.

Mr. Beatty said the AVMA had suggested using the term “clinical signs” instead of “signs or symptoms.” He said the Working Group should work to make the policy language clear so that the insured is not surprised that a pre-existing clinical sign is not covered by the policy. Mr. Fielding said the phrase clinical signs needs to be clearly understood and defined. Mr. Byrd asked if clinical signs is more veterinarian based and signs or symptoms is more owner based. Mr. Fielding said it is important to make clear that the clinical sign of an injury or illness, even if not seen by a veterinarian, would not be covered under a policy that is purchased after that clinical sign has been observed. Mr. Fielding said claim denials based on pre-existing conditions are a very low percentage of claim denials.

Mr. Forte asked if industry would be open to the suggestion by the AVMA to change language in the definition of pre-existing condition from “consistent with” to “related to.” He said that an upset stomach in a dog due to eating something unagreeable could be seen as consistent with signs of a later diagnosis of stomach cancer, even though the two instances are not related. Mr. Byrd suggested the language, “related to and contemporaneous with the stated condition.” Mr. Forte agreed with that suggestion. Mr. Fielding said he will ask NAPHIA members whether they would agree with that language and if the current language has led to issues with claim denials.

Mr. Byrd said the term “affiliation period” does not need to be included, as the term “waiting period” covers the meaning of the time period. Ms. Salat-Kolm said she agreed that it did not need to be included.

The Working Group will continue discussion on the first four sections of the model draft during future conference calls.

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

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