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Pet Insurance (C) Working Group

Conference Call

September 30, 2020

The Pet Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met via conference call   
Sept. 30, 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); Sheri Cullen (MA); Linas Glemza and Rasheda Chairs (MD); LeAnn Cox (MO); Michael McKenney (PA); Matt Gendron (RI); Kathy Stajduhar (UT); Anna Van Fleet and Jamie Gile (VT); and David Forte and Eric Slavich (WA). Also participating were: Colleen Pawluczyk (DE); Brenda Johnson and Heather Droge (KS); Troy Smith (MT); Chris Aufenthie (ND); Tracy Burns (NE); Fred Brinkman (NJ); Rick Campbell and Rodney Beetch (OH); Ron Kreiter (OK); and J'ne Byckovski and Laura Machado (TX).

1. Discussed Sections 5 and 6 of the Draft Pet Insurance Model Law

Mr. Beatty asked that submitted comments for Section 5 of the draft Pet Insurance Model Law be addressed. Mr. Forte said the inclusion of Section 5 in the model might be prohibitive to the majority of states adopting the model law. He recommended the removal of Section 5 or the use of more neutral language that points back to the laws and regulations that are already in place. Mr. McKenney, Mr. Gendron and Mr. Byrd agreed. Kate Jensen (North American Pet Health Insurance Association—NAPHIA) agreed that the language in Section 5 should refer to the language that appears in each state’s laws.

Ms. Zoller made a motion, seconded by Mr. Byrd, to change the language of Section 5 to “[v]iolations of this Act shall be subject to the penalties pursuant to [insert state administrative code].” The motion passed unanimously.

Mr. Forte said the Working Group should consider whether this group is appropriate for declaring licensure for pet insurance. He said the Producer Licensing (D) Task Force made a referral to the Property and Casualty Insurance (C) Committee to look at pet insurance before the Task Force takes up the issue again and makes a decision about licensure. He said the white paper, *A Regulator’s Guide to Pet Insurance*, fulfilled the referral request, and the Producer Licensing (D) Task Force is the appropriate group for determining pet insurance licensure. He said if the Working Group does determine that it should include the licensure issue in its model law, Washington’s position as a pet insurance producer should have complete authority. He said pet insurance policy terms are longer than other limited lines, the claim activity is significantly different than other limited lines, and pet insurance policies are filled with property and casualty insurance principles. He said basic insurance knowledge is shown through the licensure, and each company should provide the product training. Mr. Byrd asked what role, if any, a customer service representative or salesclerk would play in the sale of pet insurance. Mr. Forte said the line would be compensation. Mr. Byrd said referral fees can be paid. Mr. Forte said there has been a lot of concerns and market actions concerning unlicensed pet insurance sales in Washington. Mr. McKenney said current insurance producer laws dictate what pet retailers and unlicensed people can do regarding sales and referrals. Mr. Gendron said the discussion within the group speaks to the complexity of the licensing issue. He agreed that the Working Group would not be the correct group to handle the licensing issue. Ms. Zoller said the Producer Licensing (D) Task Force was previously working on the pet insurance licensing issue, but this issue was never resolved; therefore, the licensing language that appears in the model was developed. Mr. Gendron said the *Producer Licensing Handbook* addresses pet insurance as a non-core limited line. Mr. McKenney said he agrees that the Working Group is not the correct group to determine licensing. He said if the Working Group does take up the issue, he believes it should address the language that would allow a veterinarian to be licensed to sell a product for which the payments go back to the veterinarian.

Ms. Jensen said NAPHIA urges the Working Group to keep some licensing structure in this Pet Insurance Model Law. She said other model laws within the Property and Casualty Insurance (C) Committee include licensing provisions in their model laws. She said it would be appropriate for this model law to include a basic licensing structure that includes high level requirements. She said NAPHIA favors a limited lines license for pet insurance producers. She said NAPHIA proposes a robust training program that covers pet insurance products, as well as general insurance principles, including ethical sales practices, consumer protections, and disclosures. She said the limited lines license would encourage more people to join the pet insurance industry and expand the availability of the products. She said NAPHIA agrees that pet retailers should not be involved in or compensated for the sale of pet insurance products. She clarified that pet retailers are not currently selling pet insurance.

Mr. Byrd asked if a pet retailer has information available on pet insurance. He asked whether a customer asking for a recommendation on which company to purchase a policy through would step over the line into inducement and sale of a pet insurance policy. Ms. Jensen said NAPHIA has submitted a definition of “pet retailer” that would define the line between referral and sale of pet insurance. Dr. Gail Golab (American Veterinary Medical Association—AVMA) said veterinarians do not sell insurance, but they want to be able to advise clients that pet insurance products are available. She said they would not be discussing policy details that would require an insurance license to discuss. She said there is concern about requiring training for veterinarians for pet insurance products since the sale of policies without such training is not currently allowed in the language of the model law.

Brendan Bridgeland (Center for Insurance Research—CIR) said a limited producer license may not be sufficient for someone selling the policy to fully describe policy details, such as how a preexisting condition is covered. He said this would tie into the need for a free look period for the consumer to fully understand the product before buying. He said he believes there should be no financial incentives and no pet insurance policies being sold in veterinary offices. Mr. McKenney asked if the free look period would be beneficial to help consumers understand if the producer with the license to sell the product does not fully understand. Mr. Bridgeland said this is a newer product that most people would not be familiar with. Mr. McKenney and Mr. Byrd said they do not believe a free look period should be provided.

Jack Chaskey (Companion Protect) said there should be a licensing section within the model law, and the wording of the section should be similar to the wording found in the *Producer Licensing Model Act* (#218). He said the limited lines content is relevant and more effective for consumers. He said continuing education (CE) requirements for a full property and casualty license do not often address pet insurance; although, CE specific to pet insurance could be developed. Mr. Bridgeland said this is a newer product that most people would not be familiar with.

Mr. Beatty said the issue of licensing would best be handled by the Producer Licensing (D) Task Force. Mr. Forte asked if licensing could be referred to the Task Force and then inserted into the Pet Insurance Model Act once a decision has been made. Ms. Salat-Kolm said it is important that the model addresses the transaction of insurance and the need for a license during certain sales activities, whether it be a full property and casualty license or a limited lines license.

Mr. Forte made a motion, seconded by Mr. McKenney, to make a referral to the Producer Licensing (D) Task Force to take up the issue of the need for a limited lines license versus full property and casualty license for pet insurance. The motion passed with Rhode Island abstaining.

The Working Group will continue discussion of submitted comments for Section 6 on the next conference call.

Mr. Beatty opened the comment period for Section 7 through Section 9 of the draft model law.

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

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