



2211 Congress Street
Portland, ME 04122
207 575 2211
unum.com

March 26, 2020

Donald C. Beatty
Chair, NAIC Pet Insurance (C) Working Group
Virginia Department of Insurance
1300 E Main Street
Richmond, VA 23219

Dear Mr. Beatty:

On behalf of Unum Group and its insuring subsidiaries (“Unum”), I write to provide comments to the Pet Insurance (C) Working Group on its draft model Pet Insurance Act. Unum appreciates this opportunity to comment.

Unum wishes to provide its perspective as an interested life and health (“L&H”) carrier. Unum is a leading provider of excepted benefit life and health products that are offered to employees through the worksite. Unum views pet insurance as a natural fit alongside its currently available products, since it aligns with our value proposition of providing consumers with financial protection when unforeseen events occur that affect themselves and their loved ones. Unum is seeing increased consumer demand for pet insurance, but is presently unable to meet this demand because pet insurance is classified in most states as property and casualty (“P&C”) insurance. Unum’s insuring subsidiaries are not P&C carriers and as such, most of our agents and sales representatives are not licensed to sell P&C insurance. This has made it difficult for companies like Unum even to pilot a pet insurance offering.

Estimates of the American pet insurance market suggest that despite strong growth of approximately 15-20% in recent years, still less than 2% of dogs and cats in America are covered by a pet insurance policy.¹ Considered against other markets – for example, the United Kingdom, where 25-30% of dogs and/or cat owners maintain pet insurance – there is clearly scope for significant expansion of coverage and protection.²

¹ National Association of Insurance Commissioners, *A Regulator’s Guide to Pet Insurance* (“NAIC White Paper”), at 2-3 (2019); North American Pet Health Insurance Association, *State of the Industry 2019*, at 1 (2019).

² See NAIC White Paper at 4.

The worksite is a predominant location for working Americans to purchase insurance benefits and a convenient setting to meet large scale consumer demand. Employers can play a pivotal role in providing benefits education to help employees make informed insurance choices. As you know, it is L&H carriers, not P&C carriers, that routinely distribute insurance at the worksite.

Given this background, we provide the following comments. Our aim is to help the industry meet the needs of consumers.

1. The industry will be limited in its ability to meet consumer demand if pet insurance is classified exclusively as P&C insurance.

Unum acknowledges why pet insurance has been considered P&C insurance: pets are considered property under the law, and pet owners, not pets, are the insureds and policyholders.³

At the same time, pet insurance functions in most respects like a L&H product. “The coverage options and policy details associated with pet insurance are like those found in human health insurance. . . Provisions for in-network providers, co-insurance or co-payment, exclusions for preexisting conditions, age limits and waiting periods are more like health insurance than P/C coverage.”⁴

Similarities between pet insurance and L&H insurance products include:

- **Plan Design:** Comprehensive pet insurance policies are similar to health plans in that they typically cover reasonable and necessary expenses that occur during the policy period for medical management, diagnosis, or treatment of a pet’s condition.
- **Policy Benefits:** Veterinary expenses or services include medical advice, diagnosis, care, or treatment provided by a veterinarian. Other services and medical expenses that may be covered include the costs of the visit, prescription drugs, food and supplements, medical equipment, surgical procedures, physical therapy, and dental procedures.
- **Premium Rating:** Pet insurance premium development is similar to health plans in that both typically use rate variables such as geographic area, deductibles, copays, limits, age, gender, and health history.
- **Additional Similarities:** Pet plans may include optional wellness and preventive coverage, copayments, deductibles, limitations, waiting periods, and policy exclusions.⁵

³ See, e.g., NAIC White Paper at 10; Comments to the Working Group from Washington Office of Insurance Commissioner, Oct. 30, 2019.

⁴ NAIC White Paper at 10.

⁵ NAIC White Paper at 8-9, 17; North American Pet Health Insurance Association, *State of the Industry 2019*, at 5.

L&H carriers have extensive experience in these areas that is transferable to pet coverage, but are nonetheless foreclosed from doing so because pet insurance has traditionally been classified as P&C insurance.

The Working Group should instead embrace the truly hybrid nature of pet insurance. Classifying a coverage as one type of insurance should not exclude it from classification as another type where the coverage reasonably fits the definition of both.⁶ At least one state allows any insurance carrier to provide pet insurance, unrestricted by line of business.⁷ Such hybrid approaches are appropriate and avoid elevating form over substance while unlocking the industry's ability to meet consumer demand.

2. L&H agents should be permitted to sell pet insurance without the need to obtain a full P&C license.

L&H agents should not be required to obtain a full P&C license in order to sell pet insurance. Because pet insurance functions in many respects like an L&H product, it is within the penumbra of an L&H agent's existing expertise. While additional training may be appropriate, a full P&C license is an unnecessary burden. State practices vary, but obtaining a full P&C license typically entails many hours of study, taking an exam that contains virtually no questions relevant to pet insurance, incurring associated costs and fees, and maintaining the licensure year to year. This process unduly hinders already-knowledgeable agents from meeting consumer demand at the worksite.

Section 6 of the draft Pet Insurance Act governs licensing. As written, it provides:

- Two bases on which **a person may sell or solicit pet insurance**: 1) the person is “licensed as an insurance agent or broker”; or 2) the person “complies with the requirements of this article and has been issued a license by the commissioner as provided in this article.” This second basis applies only to vets and pet retailers.⁸
- The requirements under which **a vet or pet retailer may “transact” pet insurance** “under the license of an organization holding a limited lines pet insurance agent license,” as those terms are defined in Section 6(B). The Act does not empower limited lines pet insurance agents to sell or solicit pet insurance directly, merely to act as overseers of vets and pet retailers who sell the product.⁹

⁶ *See, e.g.*, Fla. Stat. Ann. § 624.601 (“It is intended that certain insurance coverages may come within the definitions of two or more kinds of insurance as defined in this part of this chapter. The inclusion of such coverage within one definition shall not exclude it from being considered as any other kind of insurance, the definition of which reasonably includes such coverage.”)

⁷ *See* Tenn. Ins. Code § 56-7-2102 (“Any insurer writing any coverage to which the provisions of this title apply may offer group or individual policies or contracts which provide benefits for hospital and medical services for pets.”).

⁸ Model Pet Insurance Act, Discussion Draft, Feb. 19, 2020, Section 6(A).

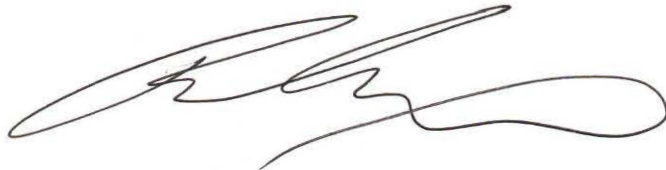
⁹ *Id.* Section 6(C).

- The **process for applying to become a limited lines pet insurance agent**, which involves a written application, a certification of competence from a sponsoring insurer, and an application fee.¹⁰
- The **rules regarding appointment and termination** of an insurance agent apply to any licenses issued under the Pet Insurance Act.¹¹

Under this rubric, any licensed insurance agent or broker should be able to sell pet insurance, without distinction as to P&C or L&H.¹² Unum believes this to be the correct approach, but recommends the Working Group explicitly clarify that this is the intent to avoid variation in state application. While this is the preferred approach, an alternative would be to amend Section 6 in two respects: 1) empower limited lines pet insurance agents to sell or solicit pet insurance directly, not merely function as overseers of vets and pet retailers; and 2) make explicit that the sponsoring insurer of a limited lines pet insurance agent may be any insurer, P&C or L&H.

Thank you for your consideration of this letter. We are available for further discussion, and look forward to hearing the Working Group's deliberations.

Sincerely,



Paul Glyn Williams
Assistant Vice President & Legal Counsel
Email: pwilliams@unum.com
Phone: (207) 575-9625

¹⁰ *Id.* Section 6(D).

¹¹ *Id.* Section 6(E).

¹² *Id.* Section 6(A).