



OFFICE OF  
INSURANCE COMMISSIONER

SEPTEMBER 3, 2020

Mr. Don Beatty  
Chair, NAIC Pet Insurance (C) Working Group  
National Association of Insurance Commissioners  
1100 Walnut Street Suite 1500  
Kansas City, MO 64106

Dear Mr. Beatty,

Washington was pleased to see that the idea of adding a pet complaint code was discussed and passed at the (D) Committee. Thank you, and the NAIC staff of this working group, for guiding it through the internal process. We have always cautioned that we may not have enough state by state information to identify issues within the pet insurance line of business that requires the remedy of a model law. This is a great start of unifying the collection of consumer comments and complaints. We look forward to hearing updates on the work group's recommendation to include pet insurance as a standalone line on the annual financial statement.

Additionally, thank you for the opportunity to comment on sections five and six of the Pet Insurance Model Act Discussion Draft. Please find Washington's comments below.

### **Section 5 Violations**

Section 5 codifies the fines and penalties for violations relating to the draft model act. We appreciate the draft model act was derived from the California insurance code and has provided an invaluable starting point for discussions, however Washington offers this section may not be required. Each state has their comprehensive enforcement actions already available to them within their own statutes and regulations. Including a detailed section that is only specific to pet insurance, and overrides already established law, will likely cause many states to not consider adoption. Washington recommends removing section 5 in its entirety.

### **Section 6 Licensing**

When we started this process, Washington raised the question of whether this working group is the appropriate location to determine licensure for the pet insurance line. Our understanding is the Producer Licensing (D) Task Force requested the Property and Casualty (C) Committee to review pet insurance before *they* were to decide on the licensure required. We believe the completion of the

Mr. Don Beatty  
Chair, NAIC Pet Insurance (C) Working Group  
National Association of Insurance Commissioners  
SEPTEMBER 3, 2020  
Page 2

white paper fulfilled that request and the question of licensure should be returned to the Producer Licensing (D) Task Force, whose charge by the NAIC is in alignment with that question:

*The mission of the Producer Licensing (D) Task Force is to: 1) develop and implement uniform standards, interpretations and treatment of producer and adjuster licensees and licensing terminology; 2) monitor and respond to developments related to licensing reciprocity; 3) coordinate with industry and consumer groups regarding priorities for licensing reforms; and 4) provide direction based on NAIC membership initiatives to the National Insurance Producer Registry (NIPR) Board of Directors regarding the development and implementation of uniform producer licensing initiatives, with a primary emphasis on encouraging the use of electronic technology.*

If the group rejects the idea that the question of licensure should reside within Producer Licensing (D) Task Force, Washington finds any producer transacting the pet insurance line of business should have a full P&C line of authority.

These policies are sophisticated and require detailed knowledge of insurance principles by the producer if the consumer is to rely on the advice given. Additionally, pet insurance policies may also be in effect for many years, whereas limited lines products tend to have shorter durations. Pet insurance also has a higher claim frequency than limited lines products.

Pet insurance policies may include:

- Multiple types of plans offered
- Coverage for named perils with exclusions
- Policy construction consisting of declaration page, insurance agreement, coverages, exclusions and endorsements
- Complex definitions
- Policy clauses that include:
  - Deductibles
  - Copays
  - Cost Shares
  - Confusing waiting periods
  - Reimbursement vs direct pay authorization clauses
  - Dispute resolution clauses
- Non-uniform policy forms between companies

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National Association of Insurance Commissioners  
SEPTEMBER 3, 2020  
Page 3

The purpose of one obtaining a full P&C authority line is to demonstrate they have the basic insurance knowledge of the above types of insurance concepts so the consumer may rely on their advice and guidance. Included in the requirements to obtain the full P&C line of authority is additional training and testing on the state's consumer protection laws and regulations which certifies the person being relied upon by the consumer is aware of them.

Washington recognizes there are four states that allow a limited line of authority for the pet insurance line and the complexity of reciprocity this causes. To safeguard uniformity, Washington recommends the full P&C authority as the requirement for any producer to transact the pet insurance line.

Thank you for accepting these comments and we look forward to our next working group meeting. If there are questions regarding this matter, please do not hesitate to contact me at (360) 725-7042 or [davidf@oic.wa.gov](mailto:davidf@oic.wa.gov)

Sincerely,



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Policy and Legislative Affairs Division