

Chapter 21B—Conducting the Pet Insurance Examination

IMPORTANT NOTE:

The standards set forth in this chapter are based on established procedures and/or NAIC models, not on the laws and regulations of any specific jurisdiction. This handbook is a guide to assist examiners in the examination process. Since it is based on NAIC models, use of the handbook should be adapted to reflect each state's own laws and regulations with appropriate consideration for any bulletins, audit procedures, examination scope and the priorities of examination. Further important information on this and how to use this handbook is included in the Foreword section of the handbook.

This chapter provides a format for conducting pet insurance company examinations. Procedures for conducting property/casualty (P/C) insurance company examinations and other types of specialized examinations, such as third-party administrators (TPAs) and surplus lines brokers—may be found in separate chapters.

The examination of pet insurance operations may involve any review of one or a combination of the following business areas:

- A. Operations/Management
- B. Complaint Handling
- C. Marketing and Sales
- D. Producer Licensing
- E. Policyholder Service
- F. Underwriting and Rating
- G. Claims

When conducting an examination that reviews these areas, there are essential tests that should be completed. The tests are applied to determine if the regulated entity is meeting standards. Some standards may not be applicable to all jurisdictions. The standards may suggest other areas of review that may be appropriate on an individual state basis.

A. Operations/Management

Use the standards for this business area that are listed in Chapter 20—General Examination Standards.

B. Complaint Handling

Use the standards for this business area that are listed in Chapter 20—General Examination Standards.

C. Marketing and Sales

1. Purpose

The marketing and sales portion of the examination is designed to evaluate the representations made by the pet insurer about its product(s). It is not typically based on sampling techniques, but it can be. The areas to be considered in this kind of review include all written and verbal advertising and sales materials.

2. Techniques

This area of review should include all advertising and sales material and all producer sales training materials to determine compliance with statutes, rules and regulations. Information from other jurisdictions may be reviewed, if appropriate. The examiner may contact policyholders, producers and others to verify the accuracy of information provided or to obtain additional information.

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As with all of its advertising, regardless of the medium, every pet insurer is required to have procedures in place to establish and at all times maintain a system of control over the content, form and method of dissemination of all of its advertisements. All of these advertisements maintained by or for and authorized by the pet insurer are the responsibility of the pet insurer.

The exact same regulations and statutes (such as the *Unfair Trade Practices Act* (#880)) that apply to conventional advertising also apply to Internet advertising. Bearing in mind, when the examiner is reviewing a pet insurer's Internet advertisements, it is important to also review the safeguards implemented by the pet insurer.

All advertisements are required to be truthful and not misleading in fact or by implication. The form and content of an advertisement of a policy shall be sufficiently clear so as to avoid deception. The advertisement shall not have the capacity or tendency to mislead or deceive. Whether an advertisement has the capacity or tendency to mislead or deceive shall be determined upon reviewing the overall impression that the advertisement reasonably may be expected to create upon a person of average education or intelligence within the segment of the public to which the advertisement is directed.

The *Pet Insurance Model Act* (#633) was adopted by the Property and Casualty Insurance (C) Committee on August 1, 2022. Model #633 addresses required disclosures, definitions, policy conditions, sales practices for wellness programs and producer training requirements.

3. Tests and Standards

Use the standards for this business area that are listed in Chapter 20—General Examination Standards and the standards set forth below.

**STANDARDS
MARKETING AND SALES**

Standard 1
The pet insurer’s disclosures are in compliance with applicable statutes, rules and regulations.

Apply to: All pet insurance products

Priority: Essential

Documents to be Reviewed

- _____ Applicable statutes, rules and regulations
- _____ Pet insurer policy forms and endorsements, policy certificates, policy riders, fulfillment materials, advertising/marketing and sales materials and disclosures
- _____ Pet insurer’s website and pet insurance program administrator’s website
- _____ Policy/Underwriting file
- _____ Pet insurer correspondence file/Agency bulletins
- _____ Pet insurer procedural manual
- _____ Pet insurer sales/lapse records
- _____ Pet insurer systems manual
- _____ Pet insurer producer training materials
- _____ Pet insurer contracts with third-party vendors with compliance responsibilities
- _____ Pet insurer complaint register/logs/files

Others Reviewed

NAIC Model References

- Pet Insurance Model Act (#633)*
- Unfair Trade Practices Model Act (#880)*

Review Procedures and Criteria

Review pet insurance policies to verify that the following information has been disclosed:

- If the policy excludes coverage due to any of the following:
 - A preexisting condition;
 - A hereditary disorder;
 - A congenital anomaly or disorder; or
 - A chronic condition

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- If the policy includes any other exclusions, the following statement “Other exclusions may apply. Please refer to the exclusions section of the policy for more information.”;
- Any policy provision that limits coverage through a waiting or affiliation period, a deductible, coinsurance, or an annual or lifetime policy limit;
- Whether the pet insurer reduces coverage or increases premiums based on the insured’s claim history, the age of the covered pet or a change in the geographic location of the insured; and
- If the underwriting company differs from the brand name used to market and sell the product.

Verify that unless the insured has filed a claim under the pet insurance policy, pet insurance applicants have the right to:

- Examine and return the policy, certificate or rider to the pet insurer or an agent/insurance producer of the pet insurer within 15 days of policy receipt; and
- Have the premium refunded if, after examination of the policy, certificate or rider, the applicant is not satisfied for any reason.

Review pet insurance policies, certificates and riders to verify they have a notice prominently printed on the first page or attached thereto including specific instructions to accomplish a return. Verify the following free look statement or language substantially similar is included:

“You have 15 days from the day you receive this policy, certificate or rider to review it and return it to the company if you decide not to keep it. You do not have to tell the company why you are returning it. If you decide not to keep it, simply return it to the company at its administrative office or you may return it to the agent/insurance producer that you bought it from as long as you have not filed a claim. You must return it within 15 days of the day you first received it. The company will refund the full amount of any premium paid within 30 days after it receives the returned policy, certificate, or rider. The premium refund will be sent directly to the person who paid it. The policy, certificate or rider will be void as if it had never been issued.”

Review the pet insurer’s policy and the program administrator’s website to verify the pet insurer clearly discloses a summary description of the basis or formula on which the pet insurer determines claim payments under a pet insurance policy within the policy, prior to policy issuance and through a clear and conspicuous link on the main page of the pet insurer or the pet insurer’s program administrator’s website.

For pet insurers that use a benefit schedule to determine claim payment under a pet insurance policy, review the pet insurer’s policy and the program administrator’s website to verify that the benefit schedule:

- Clearly discloses the applicable benefit schedule in the policy; and
- Discloses all benefit schedules used by the pet insurer under its pet insurance policies through a clear and conspicuous link on the main page of the pet insurer or the pet insurer’s program administrator’s website.

Review the pet insurer’s policy and the program administrator’s website to verify that a pet insurer that determines claim payments under a pet insurance policy based on usual and customary fees, or any other reimbursement limitation based on prevailing veterinary service provider charges, performs both of the following:

- Includes a usual and customary fee limitation provision in the policy that clearly describes the pet insurer’s basis for determining usual and customary fees and how that basis is applied in calculating claim payments; and
- Discloses the pet insurer’s basis for determining usual and customary fees through a clear and conspicuous link on the main page of the pet insurer or the pet insurer’s program administrator’s website.

If any medical examination by a licensed veterinarian is required to effectuate coverage, review advertising/marketing and sales materials and the disclosures to verify:

- The pet insurer clearly and conspicuously discloses the required aspects of the examination prior to policy purchase; and
- The pet insurer discloses that examination documentation may result in a preexisting condition exclusion.

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Review advertising/marketing and sales materials and the disclosures to verify the pet insurer clearly and prominently discloses to consumers, waiting periods and the requirements applicable to them, prior to policy purchase.

Review the pet insurer's "Insurer Disclosure of Important Policy Provisions" document and the program administrator's website to ensure the pet insurer includes a summary of all policy provisions required in applicable state statutes, rules and regulations relating to Subsections (A) through (G) of Model #633, inclusive, in a separate document titled "Insurer Disclosure of Important Policy Provisions."

Verify the pet insurer posts the "Insurer Disclosure of Important Policy Provisions" document required by applicable state statutes, rules and regulations relating to Subsection H of Model #633, through a clear and conspicuous link on the main page of the pet insurer or the pet insurer's program administrator's website.

Verify the pet insurer, in connection with the issuance of a new pet insurance policy, provides the consumer with a copy of the "Insurer Disclosure of Important Policy Provisions" document required pursuant to applicable state statutes, rules and regulations relating to Subsection H of Model #633 in at least 12-point type when the policy is delivered.

Verify the pet insurer, at the time a pet insurance policy is issued or delivered to a policyholder, includes a written disclosure with the following information, printed in 12-point boldface type:

- The [insert applicable state insurance department]'s mailing address, toll-free telephone number and website address;
- The address and customer service telephone number of the pet insurer or the agent or broker of record; and
- If the policy was issued or delivered by an agent or broker, a statement advising the policyholder to contact the broker or agent for assistance.

Verify the pet insurer complies with any other disclosure requirements required by applicable state statutes, rules and regulations.

Review pet insurer complaint register/logs/files for any complaints relating to disclosures.

**STANDARDS
MARKETING AND SALES**

Standard 2

The pet insurer's marketing of pet insurance is in compliance with applicable statutes, rules and regulations.

Apply to: All pet insurance products

Priority: Essential

Documents to be Reviewed

_____ Applicable statutes, rules and regulations

_____ Pet insurer advertising/marketing and sales materials including radio and audiovisual items, such as television commercials, telemarketing scripts and pictorial materials

_____ Pet insurer policy forms and endorsements, policy certificates, policy riders, as they coincide with advertising/marketing and sales materials

_____ Pet insurer producers' own advertising/marketing and sales materials

_____ Pet insurer complaint register/logs/files

_____ Pet insurer underwriting guidelines

Others Reviewed

NAIC Model References

Pet Insurance Model Act (#633)

Unfair Trade Practices Model Act (#880)

Review Procedures and Criteria

Evaluate the pet insurer's system for controlling advertisements. Every pet insurer should have and maintain a system of control over the content, form and method of dissemination of all advertisements of its policies. All advertisements—regardless of by whom written, created, designed or presented—are the responsibility of the pet insurer.

Ensure the pet insurer maintains, at its home or principal office, a complete file containing a specimen copy of every printed, published or prepared advertisement of its individual policies and specimen copies of typical printed, published or prepared advertisements of its policies. There should be a notation indicating the manner and extent of distribution and the form number of every policy advertised. All advertisements should be maintained in the file for a period of time as set forth by applicable state statutes, rules and regulations.

Review pet insurer advertising materials in conjunction with the appropriate policy forms and endorsements.

Review pet insurer marketing procedures for noncompliance with applicable state-specific rates, rules, regulations and procedures regarding rebating. Determine if the pet insurer approves producer sales materials and advertising.

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Review pet insurer complaint register/logs/files for any complaints relating to marketing of pet insurance.

Review underwriting guidelines, new business policy files, advertising materials, disclosure materials and complaints to verify that disclosures are provided, as required.

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Marketing and Sales Standard 3 was moved from this location to the Underwriting and Rating Section of the chapter, see pages 17-18

STANDARDS MARKETING AND SALES

Standard 3

The pet insurer's insurance policy conditions are in compliance with applicable statutes, rules and regulations:

Apply to: All pet insurance products

Priority: Essential

Documents to be Reviewed

Applicable statutes, rules and regulations

Pet insurer policy forms and endorsements

Pet insurer complaint register/logs/files concerning waiting periods (supporting documentation, including, but not limited to: written and phone records of inquiries, complaints, complainant correspondence and pet insurer response)

Others Reviewed

NAIC Model References

Pet Insurance Model Act (#633)

Unfair Trade Practices Model Act (#880)

Review Procedures and Criteria

Note: A pet insurer may issue policies that exclude coverage on the basis of one or more preexisting conditions with appropriate disclosure to the consumer. The pet insurer has the burden of proving that any preexisting condition exclusion applies to the condition for which a claim is being made.

Review pet insurance policies to verify that the pet insurer issues policies that impose waiting periods upon effectuation of the policy that do not exceed 30 days for illnesses or orthopedic conditions not resulting from an accident. Review pet insurance policies to verify that the pet insurer does not impose waiting periods for accidents.

- Review pet insurance policies to verify that a pet insurer utilizing a waiting period permitted in the above bulleted item by applicable state statutes, rules and regulations includes a provision in the insurance policy that allows waiting periods to be waived upon completion of a medical examination. A pet insurer may require the examination to be conducted by a licensed veterinarian after the purchase of the policy.
- Review pet insurance policies to verify that the pet insurer includes a provision where the policyholder pays for the aforementioned medical examination conducted by a licensed veterinarian, unless the policy otherwise specifies that the pet insurer will pay for the examination.
- Review pet insurance policies to verify that while a pet insurer can specify elements to be included as part of the medical examination and require documentation thereof, these specifications set forth

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~~by the pet insurer do not unreasonably restrict a policyholder's ability to waive any applicable waiting periods set forth in the policy.~~

- ~~• Review pet insurance policies to verify that the pet insurer clearly and prominently discloses waiting periods and all requirements applicable to waiting periods prior to policy purchase.~~

~~Review pet insurance policies to verify that the pet insurer does not require a veterinary examination of the covered pet for the purpose of policy renewal.~~

~~Review pet insurance policies to verify that a pet insurer which includes any prescriptive, wellness, or non-insurance benefits in the policy form makes these benefits part of the policy. Verify that these benefits comply with all applicable state statutes, rules and regulations.~~

~~Review pet insurance policies to verify that an applicant's eligibility to purchase a pet insurance policy is not contingent upon the covered pet's participation or lack of participation in a separate wellness program.~~

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**STANDARDS
MARKETING AND SALES**

Standard 34

The pet insurer’s wellness program sales practices are in compliance with applicable statutes, rules and regulations.

Apply to: All pet insurance products

Priority: Essential

Documents to be Reviewed

_____ Applicable statutes, rules and regulations

_____ Pet insurer procedural manual

_____ Pet insurer producer training materials

_____ Pet insurer policy forms and endorsements, policy certificates, policy riders, fulfillment materials, advertising/marketing and sales materials and disclosures

_____ Pet insurer’s website and pet insurance program administrator’s website

_____ Pet insurer advertising/marketing and sales materials including radio and audiovisual items, such as television commercials, telemarketing scripts and pictorial materials

_____ Pet insurer policy forms and endorsements, policy certificates, policy riders, as they coincide with advertising/marketing and sales materials

_____ Pet insurer producers’ own advertising/marketing and sales materials

Others Reviewed

NAIC Model References

Pet Insurance Model Act (#633)

Unfair Trade Practices Model Act (#880)

Review Procedures and Criteria

Review the pet insurer’s wellness program sales practices to verify that the pet insurer and/or producer does not do the following:

- Market a wellness program as pet insurance; and
- Market a wellness program during the sale, solicitation or negotiation of pet insurance.

If a wellness program is sold by a pet insurer and/or producer, review the pet insurer's wellness program sales practices to verify that:

- The purchase of the wellness program is not a requirement for the purchase of pet insurance.
- The cost of the wellness program is separate and identifiable from any pet insurance policy sold by a pet insurer and/or producer;
- The terms and conditions for the wellness program are separate from any pet insurance policy sold by a pet insurer and/or producer;
- The products or coverages available through the wellness program do not duplicate products or coverages available through the pet insurance policy;
- The advertising of the wellness program is not misleading and is in accordance with applicable state statutes, rules and regulations relating to Subsection 6B of Model #633; and
- The pet insurer and/or producer clearly discloses the following to consumers, printed in 12-point boldface type:
 - That wellness programs are not insurance;
 - The address and customer service telephone number of the pet insurer or producer or broker of record; and
 - The [insert applicable state insurance department]'s mailing address, toll-free telephone number and website address.

Note: Coverages included in a pet insurance policy described as “wellness” benefits are insurance.

D. Producer Licensing

Use the standards for this business area that are listed in Chapter 20—General Examination Standards and the standard set forth below.

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**STANDARDS
PRODUCER LICENSING**

Standard 1

The pet insurer's producer training is in compliance with applicable statutes, rules and regulations.

Apply to: All pet insurance products

Priority: Essential

Documents to be Reviewed

_____ Applicable statutes, rules and regulations

_____ Pet insurer producer training materials

_____ Insurance department listing of producers and, if applicable, adjusters or the SPLD (State Producer Licensing Database)

_____ Pet insurer listing of currently licensed and/or appointed producers and, if applicable, adjusters

_____ Pet insurer listing of commissions

_____ New business application

_____ Pet insurer procedures for appointing a producer

_____ MGA licensure, where applicable

Others Reviewed

NAIC Model References

Pet Insurance Model Act (#633)

Unfair Trade Practices Model Act (#880)

Producer Licensing Model Act (#218)

Managing General Agents Act (#225)

Review Procedures and Criteria

Review the producer's license and appointment records to verify that insurance producers do not sell, solicit or negotiate a pet insurance product until after the producer is appropriately licensed and has completed the required training set forth in applicable state statutes, rules and regulations relating to Subsection 7C of Model #633.

Review the pet insurer's producer training materials to verify that pet insurers ensure that its producers are trained under the requirements set forth in applicable state statutes, rules and regulations relating to Subsection 7C of Model #633 and that its producers have been appropriately trained on the coverages and conditions of its pet insurance products.

Review the pet insurer's producer training materials to verify that the aforementioned training includes information on the following topics:

- Preexisting conditions and waiting periods;
- The differences between pet insurance and noninsurance wellness programs;
- Hereditary disorders, congenital anomalies or disorders and chronic conditions and how pet insurance policies interact with those conditions or disorders; and
- Rating, underwriting, renewal and other related administrative topics.

Note: The satisfaction of the training requirements of another jurisdiction that are substantially similar to the provisions of applicable state statutes, rules and regulations relating to Subsection 7C of Model #633 shall be deemed to satisfy the training requirements in [insert applicable jurisdiction].

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E. Policyholder Service

Use the standards for this business area that are listed in Chapter 20—General Examination Standards.

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F. Underwriting and Rating

~~Use the standards for this business area that are listed in Chapter 20—General Examination Standards.~~

Use the standards for this business area that are listed in Chapter 20—General Examination Standards and the standard set forth below.

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Marketing and Sales Standard 3 was moved from pages 8-9 of this chapter to the Underwriting and Rating section on pages 17-18 of the chapter to address Virginia’s June 23, 2025 written comments presented at the July 23, 2025 Working Group meeting. Also, the typo Virginia noted in the next to last paragraph of this standard was corrected from “statues” to “statutes”.

STANDARDS

MARKETING AND SALES UNDERWRITING AND RATING

Standard 3 Standard 1

The pet insurer’s insurance policy conditions are in compliance with applicable statutes, rules and regulations.

Apply to: All pet insurance products

Priority: Essential

Documents to be Reviewed

_____ Applicable statutes, rules and regulations

_____ Pet insurer policy forms and endorsements

_____ Pet insurer complaint register/logs/files concerning waiting periods (supporting documentation, including, but not limited to: written and phone records of inquiries, complaints, complaints, complainant correspondence and pet insurer response)

Others Reviewed

NAIC Model References

Pet Insurance Model Act (#633)

Unfair Trade Practices Model Act (#880)

Review Procedures and Criteria

Note: A pet insurer may issue policies that exclude coverage on the basis of one or more preexisting conditions with appropriate disclosure to the consumer. The pet insurer has the burden of proving that any preexisting condition exclusion applies to the condition for which a claim is being made.

Review pet insurance policies to verify that the pet insurer issues policies that impose waiting periods upon effectuation of the policy that do not exceed 30 days for illnesses or orthopedic conditions not resulting from an accident. Review pet insurance policies to verify that the pet insurer does not impose waiting periods for accidents.

- Review pet insurance policies to verify that a pet insurer utilizing a waiting period permitted in the above bulleted item by applicable state statutes, rules and regulations includes a provision in the insurance policy that allows waiting periods to be waived upon completion of a medical examination. A pet insurer may require the examination to be conducted by a licensed veterinarian after the purchase of the policy.
 - Review pet insurance policies to verify that the pet insurer includes a provision where the policyholder pays for the aforementioned medical examination conducted by a licensed veterinarian, unless the policy otherwise specifies that the pet insurer will pay for the examination.

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- Review pet insurance policies to verify that while a pet insurer can specify elements to be included as part of the medical examination and require documentation thereof, these specifications set forth by the pet insurer do not unreasonably restrict a policyholder's ability to waive any applicable waiting periods set forth in the policy.
- Review pet insurance policies to verify that the pet insurer clearly and prominently discloses waiting periods and all requirements applicable to waiting periods prior to policy purchase.

Review pet insurance policies to verify that the pet insurer does not require a veterinary examination of the covered pet for the purpose of policy renewal.

Review pet insurance policies to verify that a pet insurer which includes any prescriptive, wellness, or non-insurance benefits in the policy form makes these benefits part of the policy. Verify that these benefits comply with all applicable state ~~statues~~ **statutes**, rules and regulations.

Review pet insurance policies to verify that an applicant's eligibility to purchase a pet insurance policy is not contingent upon the covered pet's participation or lack of participation in a separate wellness program.

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G. Claims

Use the standards for this business area that are listed in Chapter 20—General Examination Standards.

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