

LICENSING & REPORTING IN THE U.S. PET INSURANCE MARKET

JILL M. BISCO, PH.D. | STEPHEN G. FIER, PH.D.

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IMPORTANCE Concerns surrounding producer licensing and reporting have arisen as the pet insurance market in the U.S. continues to grow.

OBJECTIVES In this study, we discuss the pet insurance market and offer recommendations regarding licensing and reporting that we believe will better serve consumers and improve market transparency.

EVIDENCE Premiums written for pet insurance have more than doubled for the period from 2013–2018. Most states in the U.S. and Washington, DC currently require that producers hold a property and/or casualty insurance license for the purpose of selling pet insurance. Pet health insurance consists of unique features and coverages that are not addressed through the property and/or casualty licensing process.

FINDINGS Pet ownership has become increasingly widespread in the U.S., with a recent survey finding that 67% of all U.S. households have at least one pet. While pet ownership continues to rise in the U.S., pet owners are faced with potentially significant medical costs to care for their pets. To reduce the financial strain associated with these medical expenses, owners have the option to purchase pet insurance, which covers medical costs associated with illness and accidents (with some covering wellness and preventative care as well). Although the market for pet insurance has experienced dramatic growth, only 2% of households with pets had pet insurance in 2017, which suggests that significant opportunity exists in this ever-evolving market.

The current nature of licensing for those selling pet insurance results in a situation in which agents may be unable to properly advise and educate consumers, which can adversely affect both insurance purchasers and the insurers offering this coverage.

Although pet insurance is currently included as one component of inland marine, there is reason to believe that it should be reported separately. An examination of U.S. property and casualty premiums written in 2018 (excluding accident and health) suggests that seven reported lines of business—burglary and theft, commercial auto no-fault, excess workers' compensation, fidelity, financial guaranty, private crop, and private flood—had premiums written that were lower than the \$1.3 billion in premiums written for pet insurance coverage.

CONCLUSION & RELEVANCE We recommend that limited lines licensing replace the current property or casualty license requirement as this would serve to better educate producers, protect consumers, and may expand the availability of pet insurance. States could require a licensing exam testing coverage specific to pet insurance and the insurance laws of the specific state. This would ensure that those offering pet insurance have training that is more directly related to the product that is being offered.

We also propose modifications in the reporting requirements for pet insurance. In particular, we recommend more robust reporting of pet insurance premiums through either the addition of a separate line item for pet insurance on insurers' financial statements or the creation of a new coverage supplement to the annual statements.

¹ American Pet Products Association, 2019. "Pet Industry Market Size & Ownership Statistics," accessed online at https://www.americanpetproducts.org/press_industrytrends.asp.

² Jenks, S., 2017. "Pet Insurance is the Latest Work Perk," The New York Times, accessed online at <https://www.nytimes.com/2017/06/07/well/family/pet-insurance-is-the-latest-work-perk.html>.