
SENATE COMMITTEE ON INSURANCE
Senator Susan Rubio, Chair
2023 - 2024 Regular

Bill No:	SB 1217	Hearing Date:	April 24, 2024
Author:	Glazer		
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Urgency:	No	Fiscal:	Yes
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SUBJECT: Pet insurance

DIGEST: This bill will require an insurer to disclose if it reduces coverage or increases premiums based on the age of the covered pet or a change in the geographic location of the insured, as well as if it requires a medical examination to effectuate coverage or imposes a waiting period. The bill will authorize the issuance of a pet insurance policy that excludes preexisting conditions or imposes a waiting period, if specified criteria are met. The bill will set forth requirements for a pet wellness program, as defined, will prohibit the marketing of a wellness program as pet insurance, and will specify when a wellness program is considered a pet insurance policy. The bill will also update existing definitions and define additional terms, including “orthopedic,” “producer,” and “renewal.”

ANALYSIS:

Existing law:

- 1) Defines terms for use in this Part including pet insurance, veterinary expenses, chronic conditions, etc.
- 2) Requires an insurer transacting pet insurance in California to make specified disclosures to consumers.
- 3) Requires an insurer, if using any of the terms in Section 12880 to also include the definition and make that definition available through a link on the main page of the insurer’s Internet Web site.
- 4) Requires a pet insurer to clearly disclose a summary description of the basis or formula on which the insurer determines claim payments through a link on the main page of the insurer’s Internet Web site.

- 5) Requires, if a pet insurer that uses a benefit schedule to determine claim payment under a pet insurance policy, to clearly disclose the applicable benefit schedule in the policy and disclose all benefit schedules used by the insurer under its pet insurance policies through a link on the main page of the insurer's Internet Web site.
- 6) Requires, if a pet insurer 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, include a usual and customary fee limitation provision in the policy that clearly describes the insurer's basis for determining usual and customary fees and how that basis is applied in calculating claim payments. This bill also requires such an insurer to disclose the insurer's basis for determining usual and customary fees through a link on the main page of the insurer's Internet Web site.
- 7) Requires the insurer to create a summary of all policy provisions required in subdivisions (a) through (e), inclusive, into a separate document titled "Insurer Disclosure of Important Policy Provisions" and then post this document required in subdivision (f) through a link on the main page of the insurer's Internet Web site.

This bill:

- 1) Revises/adds definitions to Section 1 of this bill including the definitions of "orthopedic", "producer", "renewal", "veterinary", "dental care", and "wellness program".
- 2) Requires the insurer to disclose to the consumer if they are reducing the coverage or increasing the premium based on the age of the covered pet or a change in the geographic location of the insured.
- 3) Specifies that the definitions used in Section 1 of this bill, shall be made available to the insured prior to the sale of the policy and, if the insured requests, in a hard copy.
- 4) Specifies that an insurer shall provide a summary of the basis of a formula on which the insurer determines claim payments under the policy before the sale of the policy and that this disclosure shall be available in hard copy if such documents are requested by the insured.

- 5) Specifies that when the insured uses a benefit schedule to determine claim payment under a pet insurance policy, the insured shall disclose the benefit schedule before the sale of the policy and that this disclosure shall be available in hard copy if such documents are requested by the insured.
- 6) Specifies that if a pet insurer 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, the insurer shall disclose the basis for determining the usual and customary fees and how that basis is applied in calculating claim payments and this disclosure shall be available in hard copy if such documents are requested by the insured.
- 7) Specifies that if a medical examination is required by a licensed veterinarian to effectuate coverage, the pet insurer must clearly and conspicuously disclose the required aspects of the examination before a policy purchase and disclose that the examination may result in a preexisting condition exclusion before the sale of a policy.
- 8) Updates the sections that must be included in the “Insurer Disclosure of Important Policy Provisions” and specifies that this document shall be available in hard copy if such documents are requested by the insured.
- 9) Specifies that an insurer may exclude coverage for a preexisting condition, after disclosure to the consumer, so long as this is not a renewal.
- 10) Specifies that an insurer may impose a waiting period of no more than 30 days upon commencement of coverage for illness or orthopedic conditions not resulting from an accident. The waiting period must be waived upon a medical examination, as specified.
- 11) Waiting periods and medical examinations shall not be required as conditions of renewal.
- 12) Prohibits a pet insurer from imposing a waiting period for accidents.
- 13) Prohibits a pet insurer from marketing a wellness program as pet insurance.

- 14) Prohibits a pet insurer from purchasing a wellness program as a requirement to the purchase or renewal of pet insurance.
- 15) Requires the costs of the wellness program to be separate and identifiable from the pet insurance policy sold by the insurer or producer, as defined.
- 16) Requires the payment transactions for the wellness program and pet insurance be separate.
- 17) Requires the products or coverages available through the wellness program not duplicate products or coverages available through the pet insurance policy.
- 18) Requires the advertising of the wellness program to not be misleading or false.
- 19) Defines coverages included in the pet insurance policy contract described as “wellness” benefits are insurance.
- 20) Specifies that if a wellness program is attempting to indemnify a person against loss, damage, or liability arising from a contingent or an unknown event, it is transacting insurance and it is subject to this code.

Background (Author’s Statement)

Veterinary care is expensive. While pet owners may turn to insurance to help fight costs, insurance policies sometimes contain hidden exclusions that disqualify their pet from coverage. Growing expenses and unclear policy exclusions has led the pet insurance industry to become a stressful and confusing environment for pet owners. SB 1217 updates existing law and protects consumers and pets by prohibiting insurers from identifying conditions as preexisting if they were previously insured. It also addresses the growing market for pet wellness programs by defining them in statute, adding marketing restrictions, prohibiting their conflation with insurance, and eliminating potential deceit or confusion. Seven states have already adopted legislation based on this model. It is imperative that we strengthen consumer protections by putting needed safeguards and restrictions on the pet health industry.

Pet insurance policyholders’ top complaints are claim denials due to preexisting conditions. Current law allows insurers to classify a previously insured condition as an excluded preexisting condition upon a policy renewal. Current law also allows insurers to list exclusions

related to age and change in location in the “other exclusions” section of the policy, and they are required to provide exclusions only at the time of sale of a policy.

Currently, there are no guidelines for the marketing and sale of pet wellness programs. Insurers may try to conflate the two, or require dual enrollment to increase revenue at cost to the consumer. This conflation may also lead consumers to believe they are covered for something that they are not, and only discover this discrepancy after an accident befalls their pet. This is harmful to the consumer and their pet, who may not be able to receive the treatment they need because their owner cannot afford to pay for it out of pocket.

Comments

California's current pet insurance regulations served as a major source of inspiration for the National Association of Insurance Commissioner's (NAIC's) Pet Insurance Model Act – the basis for this bill. In 2014, California became the first state to enact legislation pertaining to pet insurance. And in this industry, much like human health insurance, pet insurance typically has comparable coverage amounts, deductibles, payment caps, and exclusions. Pre-existing medical issues, as well as hereditary or congenital disorders, are often not covered by pet insurance policies. Furthermore, certain policies might not accept pets who are older than a specific age or might have waiting periods before benefits start.

In 2020, the pet health insurance market experienced double-digit growth for the sixth year in a row. According to a recent report from the North American Pet Health Insurance Association, total premiums sold in the market reached \$2.174 billion, up 26% from \$1.717 billion in 2019, and 3.45 million pets were insured nationwide, up 22.5 percent from 2.81 million pets insured in 2019.

The Pet Insurance Model Act was passed by members of the NAIC in order to establish reasonable regulatory standards for the pet insurance industry. "This model law lays out specific guidelines for the selling of pet insurance and provides pet owners who are thinking about purchasing this product with important information," stated Beth Dwyer, the superintendent of insurance for the Rhode Island Department of Business Regulation. "Now, it is up to the states to see if they would like to adopt or modify the

model law for this regulatory framework to be in effect." Key components of the model include:

Customer Protections: Numerous consumer protections pertaining to policy renewals, mandatory waiting period disclosures, policy limits, conditions, benefit schedules, and other matters are codified in the model. In a world with dozens of options, clients may confidently select the policy that best suits them because of comprehensive disclosures.

Previous medical conditions: The model restricts the reasons that pet insurance companies can refuse to pay claims about a covered animal's prior medical issues. The insurer also has to demonstrate that the preexisting condition limitations are still applicable.

Wellness Programs: In order to help consumers distinguish between wellness programs that are not covered by insurance and insurance policies, the model expressly requires insurers and their producers to clearly identify pet wellness programs from insurance policies.

This bill adopts these provisions of the NAIC's model act and make California the continued leader in this insurance space.

Related/Prior Legislation

AB 1535 (Carrillo, Chapter 166, Stat. of 2019) -This bill requires an insurer to include a written disclosure at the time a pet insurance policy is issued or delivered to a policyholder. The bill also requires the disclosure to be printed in 12-point boldface type and to include, among other things, specified contact information for the Department of Insurance and for the insurer or the agent or broker of record.

AB 2056 (Dababneh, Chapter 896, Stat. of 2014) - This bill regulates pet insurance policies that are marketed, issued, amended, renewed, or delivered, whether or not in California, to a California resident, on or after July 1, 2015. The bill defines certain terms and specify certain disclosures a pet insurer is required to make to consumers. The bill requires an insurer transacting pet insurance in this state to disclose, among other things, whether the policy

excludes coverage because of a preexisting condition, a hereditary disorder, a congenital anomaly, or a chronic condition, and requires that pet insurance policies have a free look cancellation period of not less than 30 days, as provided.

AB 553 (Kamlager, 2021) – This bill would have required insurers to cover spaying and neutering as standard coverage. Held in Assembly Insurance.

ARGUMENTS IN SUPPORT:

The California Animal Welfare Association suggests that due to the high cost of veterinary care and the difficulties people experience when faced with a pet's unexpected illness or injury, they can find themselves in a desperate situation. Animal shelters are contacted daily by people wanting to surrender their pets because they can't afford care. These situations are heartbreaking for both the animals and their people and contribute to shelter overcrowding and high costs to taxpayers as our government shelters end up becoming responsible for providing or covering the cost of that veterinary care for those surrendered animals.

Insurance Commissioner Ricardo Lara writes in strong support of this bill as it aims to modernize and enhance consumer protection in California's pet insurance regulations. Commissioner Lara says that this legislation is crucial in adapting to the dynamic nature of the pet insurance industry and ensuring consumer welfare.

North American Pet Health Insurance Association (NAPHIA) offers its support of SB 1217 as this bill represents the culmination of a multi-year effort at the national level as well as a collaborative effort amongst stakeholders in California. NAPHIA is grateful for the leadership of Commissioner Lara and for the work of his team at CDI to craft legislation that incorporates the necessary updates contained in the Model Law in a manner that recognizes existing state law and California's complex regulatory process. The bill strengthens California law, providing additional protection for consumers and giving them confidence in the policies they purchase without stifling our ability to provide a variety of innovative and diverse product offerings. Senate Bill 1217 strikes the right balance in achieving these mutually beneficial goals.

SUPPORT:

California Animal Welfare Association

Insurance Commissioner Ricardo Lara / California Department of Insurance

Naphia - the North American Pet Health Insurance Association

San Diego Humane Society and Spca

OPPOSITION:

None Received

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