
THIRD READING

Bill No: SB 1217
Author: Glazer (D)
Amended: 4/10/24
Vote: 21

SENATE INSURANCE COMMITTEE: 6-0, 4/24/24
AYES: Rubio, Niello, Alvarado-Gil, Caballero, Cortese, Dodd
NO VOTE RECORDED: Ochoa Bogh

SENATE APPROPRIATIONS COMMITTEE: 7-0, 5/16/24
AYES: Caballero, Jones, Ashby, Becker, Bradford, Seyarto, Wahab

SUBJECT: Pet insurance

SOURCE: Author

DIGEST: This bill requires 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. This bill authorizes the issuance of a pet insurance policy that excludes preexisting conditions or imposes a waiting period, if specified criteria are met. This bill sets forth requirements for a pet wellness program, as defined, prohibits the marketing of a wellness program as pet insurance, and specifies when a wellness program is considered a pet insurance policy. This bill also updates existing definitions and define additional terms, including “orthopedic,” “producer,” and “renewal.”

ANALYSIS:

Existing law:

- 1) In 2014, California became the first state to enact legislation pertaining to pet insurance and this legislation 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.

- 2) 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:
- a) 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.
 - b) 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.
 - c) 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.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

According to the Senate Appropriations Committee:

- The California Department of Insurance (CDI) reports the need for 0.88 personnel years (PYs) and \$73,000 in Fiscal Year (FY) 2024-25, 0.88 PYs and \$143,000 in FY 2025-26, and 0.88 PYs and \$130,000 ongoing (Insurance Fund).

SUPPORT: (Verified 5/16/24)

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: (Verified 5/16/24)

None received

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, all while having no impact on the General Fund.

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.

Prepared by: Jill Rice / INS. / (916) 651-4110
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