

HOUSE BILL REPORT

SB 5319

As Passed House:
March 24, 2023

Title: An act relating to pet insurance.

Brief Description: Concerning pet insurance.

Sponsors: Senators Stanford, Dozier, Mullet and Wilson, C..

Brief History:

Committee Activity:

Consumer Protection & Business: 3/14/23, 3/21/23 [DP].

Floor Activity:

Passed House: 3/24/23, 96-0.

Brief Summary of Bill

- Establishes certain requirements for selling and issuing pet insurance, including the use of defined terms and required disclosures.
- Prohibits certain marketing practices for pet wellness programs.
- Requires pet insurers and insurance producers to be licensed and receive appropriate training before selling, soliciting, or negotiating a pet insurance product.

HOUSE COMMITTEE ON CONSUMER PROTECTION & BUSINESS

Majority Report: Do pass. Signed by 12 members: Representatives Walen, Chair; Reeves, Vice Chair; Corry, Ranking Minority Member; McClintock, Assistant Ranking Minority Member; Chapman, Cheney, Connors, Donaghy, Hackney, Ryu, Sandlin and Volz.

Staff: Megan Mulvihill (786-7304).

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Background:

Pet insurance provides health care coverage for family-owned pets, primarily dogs and cats. Since pets are legally considered personal property, pet insurance is classified and regulated as property and casualty insurance. However, it bears many similarities to human health insurance with annual coverage offered at an actuarially determined rate subject to various conditions and exclusions, such as preexisting conditions and chronic conditions. Typically, pet insurance works on a reimbursement basis, meaning that policyholders will be required to submit veterinarian bills to the insurance company for reimbursement. Pet insurance policies help cover unexpected veterinarian visits and may cover accidents, illnesses, emergencies, surgeries, and prescriptions, but many do not include routine and preventive care. Instead, pet wellness plans cover routine care, such as annual examinations, vaccinations, and dental care.

The National Association of Insurance Commissioners (NAIC) adopted a model law related to pet insurance in 2022. The model law addresses pet wellness programs, preexisting conditions, consumer protections, and training for insurance producers. Washington does not have laws or rules specific to regulating pet insurance products.

Summary of Bill:

Requirements for selling and issuing pet insurance policies in Washington are established based on the model law adopted by the NAIC. Other applicable insurance laws still apply, except specific provisions for pet insurance supersede any general insurance laws.

The following terms are defined: chronic condition, congenital anomaly or congenital disorder, hereditary disorder, orthopedic, pet insurance, preexisting condition, renewal, veterinarian, veterinary expenses, waiting period, and wellness program. If a pet insurer uses these terms in a pet insurance policy, the pet insurer must use the definitions set forth in law, and include the definition in the insurance policy and on their website.

Required Disclosures.

In addition to other insurance disclosure requirements, a pet insurer transacting pet insurance must disclose to consumers:

- if the policy excludes coverage due to a preexisting condition, a hereditary disorder, a congenital anomaly or a congenital disorder, or a chronic condition;
- any policy provision that limits coverage through a waiting or affiliation period, a deductible, coinsurance, or an annual or lifetime policy limit;
- whether coverage can be reduced or premiums increased based on the insured's claim history, the age of the insured pet, or a change in the insured's geographic location;
- if the underwriting company differs from the brand name used to market and sell the product;
- if a medical examination by a licensed veterinarian is required to effectuate coverage, the required aspects of the examination, and that the exam may document preexisting

- conditions; and
- waiting periods.

If the policy excludes coverage due to any other exclusion, the following statement must be included in the disclosure: "Other exclusions may apply. Please refer to the exclusions section of the policy for more information." Unless the insured has filed a claim under the pet insurance policy, pet insurance applicants have a right to examine and return the policy, certificate, or endorsement within 15 days of its receipt and to have the premium refunded if the applicant is not satisfied for any reason. Pet insurance policies, certificates, and endorsements must have a notice prominently printed on the first page or attached thereto including specific instructions regarding returning a policy.

A pet insurer must clearly disclose a summary description of the basis or formula the pet insurer uses to determine claim payments prior to policy issuance, in the policy and on the pet insurer's website. For a pet insurer that uses a benefit schedule to determine claim payments, the insurer must disclose the applicable benefit schedule. A pet insurer who determines claim payments based on usual and customary fees, or other reimbursement limitation based on prevailing veterinary service provider charges, must include a provision that clearly describes the basis for determining fees and how that basis is applied in calculating claim payments.

All policy provisions and disclosures must be provided in a separate document titled "Insurer Disclosure of Important Policy Provisions," posted on the pet insurer's website, and provided to the consumer in at least 12-point font type. When a pet insurance policy is issued or delivered to a policyholder, a written disclosure, printed in 12-point boldface type, must include the pet insurer or the insurance producer's address and customer service telephone number and a statement advising the policyholder to contact the insurance producer for assistance.

Preexisting Conditions, Waiting Periods, and Medical Examinations.

A pet insurer may issue policies that exclude coverage based on preexisting conditions, with appropriate disclosure.

A pet insurer may impose waiting periods upon effectuation of the policy that do not exceed 30 days for illness or orthopedic conditions not resulting from an accident, but must allow waiting periods to be waived upon completion of a medical examination. The pet insurer may require specific elements to be included during the medical examination, and the examination must be paid for by the policyholder unless specified in the policy that the pet insurer will cover it. Waiting periods for accidents are prohibited, and waiting periods may not be applied to renewals of existing coverage.

A pet insurer may not require a veterinary examination to renew a policy.

If prescriptive, wellness, or noninsurance benefits are included in the policy, they are part of

the contract and must follow all applicable laws and regulations in the insurance code.

Wellness Programs.

A pet insurer and insurance producer may not:

- market a wellness program as pet insurance;
- market a wellness program during the sale, solicitation, or negotiation of pet insurance; or
- base an insured's eligibility on participation, or lack of participation, in a separate wellness program, or make a wellness program be a requirement to purchase pet insurance.

If a wellness program is sold by a pet insurer or an insurance producer:

- The cost and terms and conditions of the wellness program must be separate and identifiable from any insurance policy.
- The products or coverage available through the wellness program may not duplicate products or coverage available through the pet insurance policy.
- The advertising of the wellness program may not be misleading.
- It must be clearly disclosed to consumers in 12-point boldface type that a wellness program is not insurance, and the address and customer service telephone number of the pet insurer or insurance producer, or both, must be provided.

Coverages described as wellness benefits in the pet insurance policy are considered insurance. Any wellness program that undertakes to indemnify another or pay a specified amount upon determinable contingencies is transacting in the business of insurance and is subject to all applicable laws and regulations in the insurance code.

Licensing and Training Requirements.

An insurance producer must be appropriately licensed and complete the required training to sell, solicit, or negotiate a pet insurance product. Producers must be trained on the coverages and conditions of their pet insurance products, including:

- preexisting conditions and waiting periods;
- the differences between pet insurance and wellness programs;
- hereditary disorders, congenital anomalies, congenital disorders, chronic conditions, and how pet insurance policies interact with those conditions or disorders; and
- rating, underwriting, renewal, and other related administrative topics.

If an insurance producer has satisfied the training requirements of another state that are substantially similar to Washington, Washington's training requirements are considered satisfied.

The Insurance Commissioner may adopt rules to implement and administer the regulation of pet insurance.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on January 1, 2024.

Staff Summary of Public Testimony:

(In support) Pet insurance is becoming more and more common. Therefore, protections should be in place, and those selling pet insurance should be trained and licensed. There are a significant amount of disclosures required so consumers have clear and comprehensive understanding of what they are buying. A lot of complaints arise from consumers' surprise that pet insurance rates go up as pets age. This legislation also creates consistency by defining certain terms, like pre-existing condition. It also places the burden on the insurer to prove that there is a pre-existing condition. From the industry perspective, every pet should receive the treatment recommended, not the treatment someone can afford.

(Opposed) None.

Persons Testifying: Senator Derek Stanford, prime sponsor; David Forte, Office of the Insurance Commissioner; and Gavin Friedman, North America Pet Health Insurance Association.

Persons Signed In To Testify But Not Testifying: None.