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Delivered via Electronic Mail

The Honorable Senator Heather B. Sanborn
The Honorable Representative Denise A. Tepler
Joint Standing Committee on Health Coverage, Insurance and Financial Services
Maine Legislature
3 State House Station
Augusta, ME 04333-0003

RE: NAPHIA Comments on the Draft Pet Insurance Legislation – Maine LD 482

The North American Pet Health Insurance Association (NAPHIA) offers the following comments in advance of the Joint Standing Committee on Health Coverage, Insurance and Financial Services hearing scheduled for February 24, 2022. First, NAPHIA appreciates the Committee's efforts to craft consumer-friendly, workable legislation for pet insurance. We support the proposed legislation and think we can make it even better with one enhancement and one clarification. Our members want consumers to have options for meaningful coverage (i.e., real financial assistance in the event their pets are injured or ill) at a premium they can afford, and we want them to be happy with their purchase.

By way of background, NAPHIA is comprised of pet health insurance organizations from across the United States and Canada. NAPHIA members provide more than 99 percent of pet insurance policies in force in the United States. As a coalition, NAPHIA works to advance and grow the pet insurance industry and marketplace through research, data sharing, benchmarking initiatives, advocacy efforts, strategic partnerships, resource sharing, and the dissemination of information to collaboratively address challenges and opportunities.

As you may know, NAPHIA has been working actively with the National Association of Insurance Commissioners (NAIC) by providing information about the industry, the marketplace and comments on the proposed model act language. As a result, we reached many compromises in the NAIC model and are in alignment on most of the issues addressed; however, we could not reach a consensus on the use of waiting periods which are critically important for the industry to mitigate costly risks, keep policyholder premiums low, and allow for more comprehensive coverages and the marketing non-insurance wellness products.

We believe legislation with robust consumer disclosures and reasonable measures to allow insurers to offer affordable premiums and address costly adverse selection in this voluntary

market will result in legislation that protects policyholders while providing flexibility and certainty to the industry. With that in mind, NAPHIA asks the Senate Health Coverage, Insurance and Financial Services Committee members to consider our comments and suggestions below and incorporate these changes into LD 482.

NAPHIA urges the Committee to consider the following modifications to LD 482:

I. NAPHIA recommends modifying section §3156. Policy Conditions 2(A). Limit on waiting periods of LD 482 and allow for varying use of waiting periods.¹

Remove language in **§3156. Policy Conditions 2. Limit on waiting periods**, which restricts waiting periods to 30 days for illnesses and orthopedic conditions and allows no waiting period for accidents. We strongly believe these restrictions would encourage adverse selection, increase policyholder premiums, and result in the reduction or elimination of specific coverage options in the market.

Since the earliest products entered this market (almost 40 years ago), pet insurers have used waiting periods. In fact, waiting periods have always been included in rate filings with insurance departments and are subject to regulatory review. In addition, since pet insurance is primarily sold online with little to no underwriting, our members do an exceptional job offering consumer-friendly websites with robust disclosures, checklists, frequently asked questions, and details that make it clear to consumers exactly what they are buying and what is and is not covered.

Today, waiting periods vary by type of condition and between carriers and products and are generally designed to correlate with the length of time it can take for a given condition to manifest. For instance, orthopedic condition coverage commonly has a longer waiting period because it takes longer for symptoms to appear. On the other hand, more common illnesses and accidents typically have shorter waiting periods because symptoms are likely to show sooner.

Under the current draft, if a pet hurts its leg, the owner can purchase a pet policy online right after an accident and file a claim immediately. It is up to the insurer to prove the accident occurred prior to the policy purchase. Similarly, different waiting periods tied to longer-developing conditions are also appropriate to ensure that claims are not paid for conditions that were present prior to purchase.

¹ See **§3156. Policy Conditions 2. Limit on waiting periods**. An insurer may issue a pet insurance policy that imposes a waiting period upon effectuation of the policy as long ~~as that waiting period does not exceed 30 days for illnesses or orthopedic conditions not resulting from an accident. Any waiting period for illnesses or orthopedic conditions resulting from an accident is prohibited.~~

A. An insurer utilizing a waiting period as permitted by this subsection shall include a provision in its contract that allows the waiting period to be waived upon completion of a medical examination. An insurer may require the examination to be conducted by a licensed veterinarian after the purchase of the policy.

- (1) A medical examination conducted pursuant to this paragraph must be paid for by the policyholder, unless the policy specifies that the insurer will pay for the examination.
- (2) An insurer may specify elements to be included as part of the examination and require documentation thereof, provided the specifications do not unreasonably restrict a consumer's ability to waive the waiting period.

B. An insurer shall clearly and prominently disclose any waiting periods and applicable requirements to a consumer prior to the purchase of a pet insurance policy.

Although waiting periods are already clearly disclosed to consumers, NAPHIA supports mandating this practice in the legislation in both sections **§3155. Required disclosures 7. Waiting Periods** and **§3156. Policy Conditions 2(B)** to ensure all current and new entrants into this emerging market properly and clearly disclose waiting periods prior to purchase. In addition to clear and robust disclosure of waiting periods, we support allowing a waiver to remove the waiting period. This language is in the current draft at Section **§3156. Policy Conditions 2(A)**. The combination of disclosures and the option to waive a waiting period through an exam is a commonsense approach, allowing insurers to mitigate their risks while ensuring current policyholders are not indirectly paying for the loss experience of pets that may be unhealthy at inception.

Finally, NAPHIA members have experienced a very low incidence of consumer complaints related to waiting periods. In addition, we have not seen any contrary data from regulators. Therefore, existing processes and disclosures (including those required in California for six years, by far the largest pet insurance market) are working well, and there is no need to take a more prescriptive approach in Maine state law.

II. NAPHIA recommends modifying §3157. Sales practices for wellness programs by removing 1(B).²

The current language is confusing and appears to limit the marketing of non-insurance wellness products during and alongside the sale of pet insurance. Consumers want options to purchase wellness benefits that complement their insurance policy. We strongly support that wellness products should not be marketed as insurance; therefore, we support the bill's language that requires insurers to clearly state pet insurers shall not market wellness programs as insurance.

In addition, the language in **Section 2. Sale of Wellness Programs** protects consumers by prohibiting insurers from requiring a wellness product to purchase insurance and ensures these products do not duplicate the coverages offered under the insurance policy.³ Furthermore, LD 482 requires insurers to disclose that wellness programs are not insurance.

² See LD 482 **§3157. Sales practices for wellness programs 1. Marketing**. An insurer or insurance producer may not:

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

³ See LD 482 **§3157. Sales practices for wellness programs 2. Sale of wellness program**. If a wellness program is sold by an insurer or insurance producer, the following requirements apply.

- A. The purchase of a wellness program may not be a requirement of the purchase of pet insurance.
- B. The costs of a wellness program must be separate and identifiable from any pet insurance policy sold by an insurer or insurance producer.
- C. The terms and conditions for a wellness program must be separate from any pet insurance policy sold by an insurer or insurance producer.
- D. The products or coverages available through a wellness program **may not duplicate products or coverages available through the pet insurance policy**.
- E. The advertising of a wellness program may not be misleading and must be in accordance with Section 3158, subsection 2.

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We appreciate your consideration of NAPHIA's views, and we look forward to continued discussions with the Committee and other stakeholders. In the meantime, I would be happy to provide additional information or answer any questions.

Sincerely,

Cari Lee

Cari L. Lee

On behalf of the North American Pet Health Insurance Association

Cc: Joint Standing Committee on Health Coverage, Insurance and Financial Conditions
Committee Members