

Pet Insurance Regulation

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Issue

Explain how states regulate pet insurance.

Summary

Generally, pet insurance covers certain qualified veterinary expenses when household pets receive treatment due to an illness or accident. According to the National Association of Insurance Commissioners (NAIC) 2019 white paper, “[A Regulator’s Guide to Pet Insurance](#),” most states allow licensed property and casualty insurers to sell pet insurance but only California regulates it statutorily. Additionally, the NAIC [Pet Insurance Working Group](#) is currently considering a pet insurance [model law](#) to “promote the public welfare by creating a comprehensive legal framework” for selling pet insurance.

In Connecticut, pet insurers file policy forms with the Insurance Department, which categorizes pet insurance as a type of “inland marine” insurance. (Inland marine insurance falls under the property and casualty line of insurances and covers a wide range of specialty products and situations, including tuition protection, identity fraud, and personal property.)

Connecticut law requires pet insurers, as with most other inland marine insurers, to provide insureds with a (1) premium billing notice at least 30 days before renewal and (2) notice of intent not to renew at least 60 days in advance ([CGS § 38a-323](#)). According to the Insurance Department, pet insurers must also provide insureds with certain information if a policy is being cancelled, including a cancellation date, reason for cancellation, and notice that excess premiums will be returned.

Additionally, the law exempts inland marine insurers, including pet insurers, from the requirement to file premium rates with the department ([CGS §§ 38a-676](#) & [38a-688](#)). In practice, rates are

based on an insured's risk and market competition. According to this [New York Times article](#), pet insurers often raise rates for a number of reasons, including a pet's age or a preexisting condition.

Regulatory Approaches

California

According to NAIC, California is currently the only state with a law specifically governing pet insurance. Among other things, the law establishes uniform definitions for pet insurance policies and requires a "free-look" period of at least 30 days. (During a free-look period, an insured who has not filed a claim may request a refund of the policy premium.)

The law requires pet insurers to disclose if the policy does the following:

1. excludes coverage for preexisting conditions, hereditary disorders, congenital anomalies or disorders, chronic conditions, or other exclusionary reasons or
2. includes a waiting period, deductible or coinsurance, or lifetime benefit limit.

Additionally, insurers must disclose the policy's benefit schedule and whether they will reduce coverage or increase premiums based on claim history. The insurance commissioner may impose a civil penalty, after providing an opportunity for a hearing, of up to \$5,000 for a violation or \$10,000 for a willful violation on insurers that do not comply with the law's disclosure or other requirements ([Cal. Ins. Code § 12880 to 12880.6](#)).

NAIC Model Law

In the NAIC Pet Insurance Working Group's revisions to the [most recent model law draft](#), it recommends requiring that pet insurance policies use standard definitions. Additionally, the draft model law requires pet insurers to make consumer disclosures substantially similar to those under the California law.

The draft model law limits the period during which insurers may exclude pre-existing conditions to six months from when coverage starts. According to its minutes, the working group is debating whether to include a free-look period, and if so, its length.

Additionally, the draft model law establishes a licensing and regulatory framework for pet insurers and pet retailers (e.g., pet stores offering pet insurance to customers under a licensed agent's direction).

NAIC's July 16, 2020, conference call minutes indicate that the group is still considering various aspects of the draft model law. There is not currently an anticipated completion date.

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