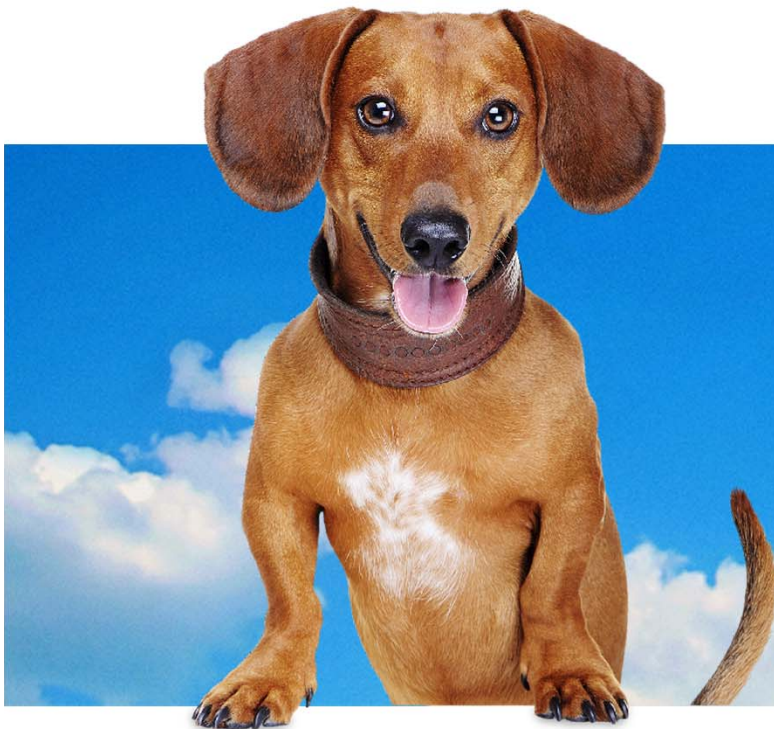


Maturation of Pet Insurance Industry in the U.S.

Recommendation that Pet Insurance be Removed as a Non-Core Limited Line



Presented to Producer Licensing Working Group by
Phil Grevin and Melissa Crawford of Nationwide and
Randall Doctor of Doctor Law Group LLP



December 10, 2016

Miami, Florida

Pet Insurance – A Unique Line of Insurance

Life and Health Ins.

- Life
- Annuities
- Disability
- Health

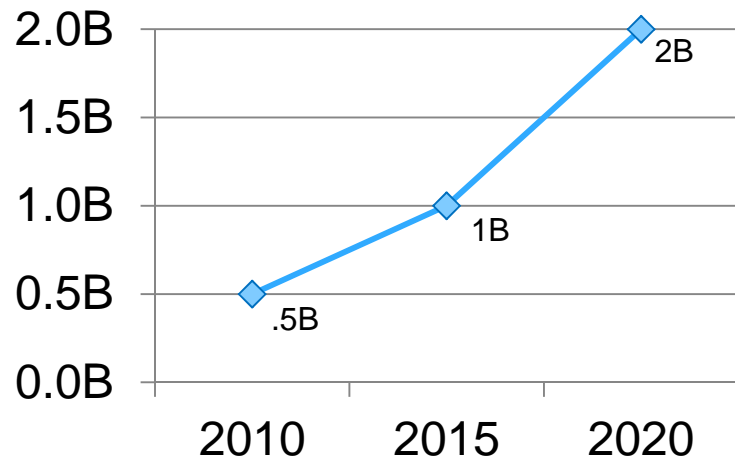


Property and Casualty Ins.

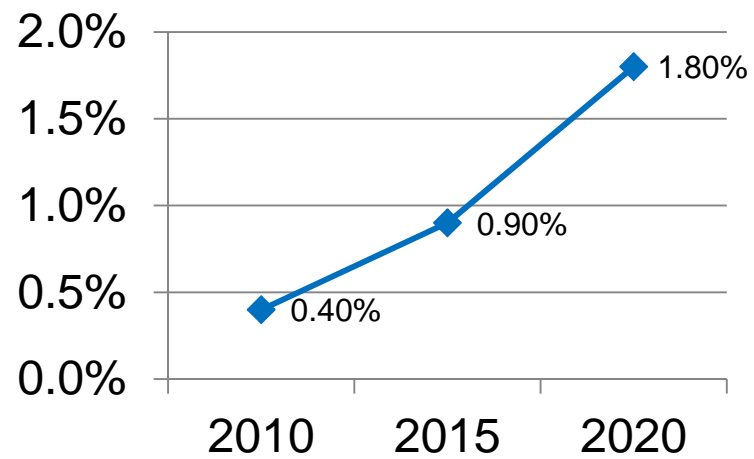
- Automobile
- Homeowners
- Property/Casualty
- Liability
- **Pet Insurance**

Remarkable Growth of Pet Insurance

Gross Written Premium



Pet Insurance Market Penetration



Norway	14%
Great Britain	25%
Sweden	40%

Source: 2015 NAPHIA Industry Report

Trends Driving Importance of Pet Insurance

- A. Pet care costs are rising significantly
- B. Expensive procedures that were previously unavailable or rare are becoming increasingly common:
 - Sonograms
 - MRIs
 - Chemotherapy
- C. Human/companion animal bond growing much stronger ↑



Overview of Pet Insurance Products

A. Wide Variety of Policies to Choose From

1. Wellness Only
2. Injury Only
3. Limited Medical
4. Major Medical
5. Cancer Rider
6. Named Perils

B. Different Reimbursement Models

1. Benefit Schedule
2. Percentage of Invoice

C. Exclusion Examples

1. Pre-Existing Conditions
2. Congenital Conditions based on breed
3. Some Insurers exclude vet exam /office visits



Potential Problems in the Solicitation of Pet Insurance

1. Underwriting is similar to traditional human health insurance – not simplified issue like other limited lines products
2. Complexity of claims coverages must be explained in detail – unlike in other limited lines products
3. Exclusions like pre-existing conditions must be explained – unlike in other limited lines products

Takeaway: Both the industry *and* consumers need protection from unprofessional sales people.



Recent Legislation Reflecting Increased Importance of Pet Insurance

California Assembly Bill 2056 (took effect last year).

Created a Comprehensive Scheme of Requirements for Pet Insurance

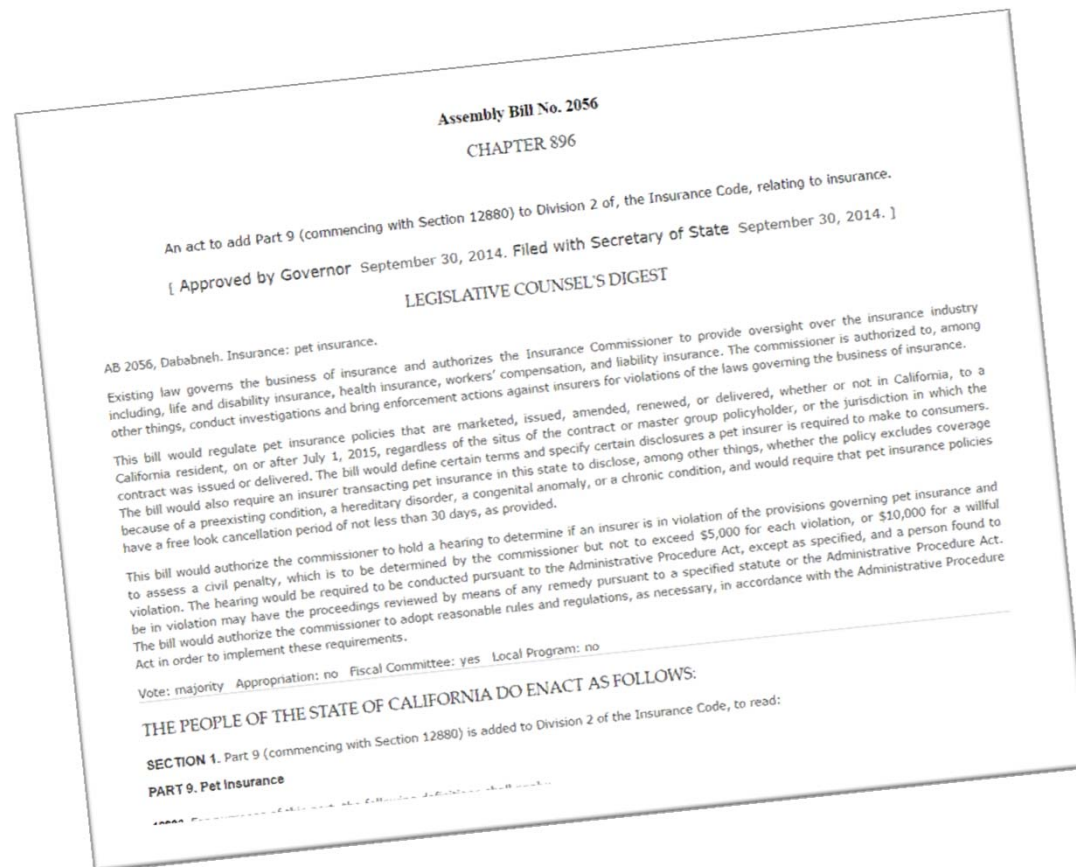
Key Requirements:

- A. Uniform Definitions: Chronic Condition, Congenital Anomaly or Disorder, Hereditary Disorder, Pre-Existing Condition
- B. “Insurer Disclosure of Important Policy Provisions” with policy
- C. Claims Payment examples
- D. 30-Day Free Look
- E. Significant financial penalties for statutory violations



Additional Legislative Efforts

New York – Proposed legislation (AB 3594) is essentially a copy of California's AB 2056



Limited Lines Licenses

Rationale – **(1)** The insurance offered is “incidental” to the sale of the product to be insured; and **(2)** Licensing the counterperson does little to provide consumer protection because most issues are with the insurer or MGA.

Uniform Standards have been created for **Core** Limited Lines:

1. Car Rental
2. Credit
3. Crop
4. Travel



Creation of Non-Core Limited Lines

- PLWG examined Limited Lines in 2010-11
- Removed Surety from Limited Lines
- PLWG created two **Non-Core** Limited Lines [U.L.S. #37]
 - Legal Expense Insurance
 - Pet Insurance
- Non-Core lines merely “recommended” by NAIC



Only Three States Have Limited License Laws for Pet Insurance

- Two States (ID and VA) permitted limited licenses for Pet Insurance *before* PLWG's 2011 adoption of Non-Core Limited Lines model
- Neither state requires Item #37 guideline standards to sell Pet Insurance
- Only one state (New Jersey) has passed the NAIC version



Pet Insurance Not Appropriate for Limited Line Licensing

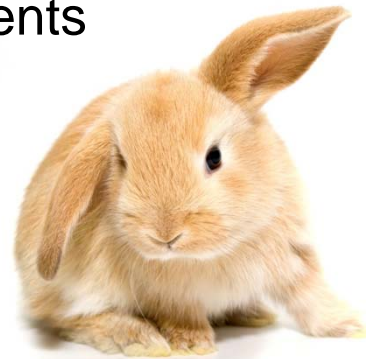
Questions	Car Rental	Pet
Is the insurance an “add-on” at the point of sale?	Yes	No
Is a fully licensed counterperson needed to help protect the consumer?	No	Yes
Is the insurance product simple or complex?	Simple	Complex
Is the insurance product inexpensive or expensive compared to the product it is being sold with?	Inexpensive	Expensive



Consumers & Pet Insurance Industry Need Protection

Examples demonstrating need for protection:

- Consumer complaints and misunderstanding of Pet Insurance products led to California's comprehensive pet insurance law
- 2015 Market Conduct Examination Report Issued to a prominent Pet Insurer by its home state department cited numerous licensing violations
- Nationwide finds it must provide significant training even when it hires experienced P&C licensed agents



Further Professionalization of Pet Insurance Industry is Warranted

We respectfully request the PLWG to remove Pet Insurance from item #37 of the Uniform Licensing Standards because it is not an appropriate product for limited line treatment.

- The current structure allowing P&C agents to sell Pet Insurance should remain intact.

