

Date of Hearing: June 26, 2024

ASSEMBLY COMMITTEE ON INSURANCE

Lisa Calderon, Chair

SB 1217 (Glazer) – As Amended June 19, 2024

**SENATE VOTE:** 37-0

**SUBJECT:** Pet insurance

**SUMMARY:** Enacts several provisions related to the regulation and sale of pet insurance. Specifically, **this bill:**

- 1) Updates existing definitions and defines additional terms, including, but not limited to, “orthopedic,” “veterinary dental care,” and “wellness program.”
- 2) Requires an insurer to provide various information including definitions, policy terms, disclosures, and claim information available as a hard copy if requested by the insured.
- 3) Establishes additional requirements around the disclosures an insurer must provide to a consumer:
  - a) Requires the insurer to disclose to the insured any reduction of coverage or increase of premium based on the age of the covered pet or a change in the geographic location of the insured.
  - b) If a medical examination by a licensed veterinarian is required to effectuate coverage, requires the insurer to clearly and conspicuously disclose the required aspects of the examination and that examination documentation may result in a preexisting condition exclusion before the sale of a policy.
  - c) Requires insurers to clearly and prominently disclose information to consumers on waiting periods and the requirements applicable to waiting periods.
  - d) Specifies certain disclosures must be provided to a consumer before the sale of a policy.
- 4) Authorizes an insurer to issue policies that exclude coverage on the basis of one or more preexisting conditions. Specifies the insurer has the burden of proving the preexisting condition exclusion applies to the condition for which a claim is being made.
- 5) Authorizes an insurer to issue policies that impose waiting periods upon commencement of coverage that do not exceed 30 days for illnesses or orthopedic conditions not resulting from an accident. Prohibits an insurer from imposing a waiting period for accidents.
- 6) Prohibits an insurer from applying a waiting period to a renewal of existing coverage and from requiring a veterinary exam of the covered pet as a condition of policy renewal.
- 7) Requires coverage to be effective no later than 12:01 a.m. on the second consecutive day after receipt of a complete application and payment information, except as specified.
- 8) Prohibits an insurer from marketing a wellness program as pet insurance.
- 9) Establishes requirements and prohibitions around wellness programs sold by a pet insurer or producer:

- a) Requires a seller to clearly and conspicuously disclose during the sales process that the wellness program is not a regulated insurance product and that a pet owner may purchase pet insurance without having to purchase a wellness program.
  - b) Prohibits the purchase or renewal of the wellness program from being a requirement for the purchase or renewal of pet insurance.
  - c) Requires the costs of the wellness program be separate and identifiable from a pet insurance policy sold by the pet insurer or producer.
  - d) Requires a payment transaction for pet insurance be separate from a payment transaction for a wellness program.
  - e) Requires the terms and conditions for a wellness program be separate from the terms and conditions of a pet insurance policy sold by the pet insurer or producer.
  - f) Prohibits the products or coverages available through the wellness program from being duplicate products or coverages available through the pet insurance policy.
  - g) Prohibits the advertising of the wellness program from being misleading or false.
- 10) Makes other technical and conforming changes.

**EXISTING LAW:**

- 1) Generally regulates classes of insurance, including pet insurance. (Insurance Code Section (INS) 12880 et seq.)
- 2) Provides that a pet insurance policy marketed, issued, amended, renewed, or delivered to a California resident on or after July 1, 2015 is subject to state regulation of pet insurance. (INS 12880.1)
- 3) Defines various terms relating to the regulation of pet insurance and requires them to be posted on the insurer's website, as provided. (INS 12880 and 12880.2)
- 4) Requires an insurer transacting pet insurance to make disclosures to consumers and post them to the insurer's website, as specified. (INS 12880.2)
- 5) Requires a pet insurer to make certain additional information related to policy terms, claims, and benefits, as provided, available on the insurer's website. (INS 12880.2)

**FISCAL EFFECT:** Unknown.

**COMMENTS:**

- 1) *Purpose.* According to the author:

Veterinary care is expensive. While pet owners may turn to insurance to help fight costs, insurance policies sometimes contain hidden exclusions that disqualify their pet from coverage. Growing expenses and unclear policy exclusions has led the pet insurance industry to become a stressful and confusing environment for pet owners. SB 1217 updates existing law and protects consumers and pets by prohibiting insurers from identifying conditions as preexisting if they were previously insured. It also addresses the growing market for pet wellness programs by defining them in statute, adding marketing restrictions, prohibiting their conflation with insurance, and eliminating potential deceit or confusion. Seven states have already adopted legislation based on this model. It is

imperative that we strengthen consumer protections by putting needed safeguards and restrictions on the pet health industry.

- 2) *Background.* In 2014, California became the first state to enact legislation pertaining to pet insurance. Current law allows insurers to classify a previously insured condition as an excluded preexisting condition upon policy renewal. Current law also allows insurers to list exclusions related to age and change in location in the “other exclusions” section of the policy, and they are only required to provide exclusions at the time of sale of a policy.

In 2020, the pet health insurance market experienced double-digit growth for the sixth year in a row. According to a recent report from the North American Pet Health Insurance Association, total premiums sold in the market reached \$2.174 billion, up 26% from \$1.717 billion in 2019, and 3.45 million pets were insured nationwide, up 22.5% from 2.81 million pets insured in 2019.

- 3) *National Association of Insurance Commissioners (NAIC) Model Law.* In 2022, the NAIC adopted the Pet Insurance Model Act to establish appropriate regulatory standards for the pet insurance industry. The Model Act establishes regulations for pet insurance sales and provides consumer protections. This includes consumer protections related to policy renewals, policy limits and disclosures on insurance. The model limits how insurers can deny pet insurance claims related to preexisting conditions. Currently, seven states have adopted some version of the NAIC Pet Insurance Model Act and at least a dozen others are considering or have passed related legislation. This bill adopts these provisions of the NAIC’s model act and make California the continued leader in this insurance space.
- 4) *Pet wellness programs.* In addition to pet insurance many consumers may purchase a pet wellness program. There are currently no guidelines for the marketing and sale of pet wellness programs. Insurers may try to conflate the two, or require dual enrollment to increase revenue at cost to the consumer. This may lead consumers to believing their pet is covered for something that they are not, only discover this discrepancy after an accident befalls their pet. This bill also creates guidelines for wellness programs and prohibits insurers from conflating wellness programs with pet insurance.
- 5) *Prior legislation.*
  - a) AB 553 (Kamlager) of 2021, required a pet insurance policy to provide full coverage for spaying and neutering and any associated veterinary expenses and provided for certain requirements related to notice of cancellation. This bill was held in the Assembly Insurance Committee.
  - b) AB 1535 (Carrillo) Chapter 166, Statutes of 2019, required pet insurers to disclose the contact information for the underwriting insurer, the agent or broker, and the Department of Insurance to consumers that hold pet insurance policies.
  - c) AB 2056 (Dababneh) Chapter 896, Statutes of 2014, required pet insurers to disclose baseline information regarding reimbursement benefits, pre-existing condition limitations, and a clear explanation of limitations of coverage including coinsurance, waiting periods, deductibles, and annual or lifetime policy limits. This bill also provided consumers with a 30 day “free look” period in which a pet insurance policy can be returned for a full refund.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

Insurance Commissioner Ricardo Lara / California Department of Insurance  
Naphia - the North American Pet Health Insurance Association

**Opposition**

None on file

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