

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/HB 1465 Pet Insurance and Wellness Programs

SPONSOR(S): Insurance & Banking Subcommittee, Tuck

TIED BILLS: **IDEN./SIM. BILLS:** SB 1338

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Insurance & Banking Subcommittee	17 Y, 0 N, As CS	Herrera	Lloyd
2) State Administration & Technology Appropriations Subcommittee			
3) Commerce Committee			

SUMMARY ANALYSIS

Pet insurance offers coverage for accidents and illnesses primarily for household pets, notably dogs and cats. While classified and regulated as Property and Casualty (P/C) insurance, it parallels human health insurance in providing annual coverage subject to predetermined rates and conditions.

In response to the growing significance of pet insurance and the need for standardized regulations, the National Association of Insurance Commissioners (NAIC) introduced the Pet Insurance Model Act during its Summer 2022 National Meeting. This model act addresses key aspects of the rapidly expanding pet insurance industry, which, as of 2017, saw only approximately 1.5 million dogs and 300,000 cats insured in the U.S., representing less than 2 percent of dogs and less than 0.5 percent of cats owned nationwide. Despite these relatively low rates of coverage, the total premium volume for pet insurance policies in the U.S. reached approximately \$3.2 billion by the end of 2022. The model act encompasses provisions related to pet wellness programs, preexisting conditions, consumer protections, and training requirements for insurance producers.

Pet insurance policies typically cover various veterinary expenses, including:

- Accidents: coverage for injuries resulting from accidents, such as broken bones or ingesting foreign objects.
- Illnesses: coverage for treatments related to illnesses such as cancer, diabetes, or infections.
- Routine Care: some policies offer optional coverage for routine care, including vaccinations, wellness exams, and dental cleanings.
- Hereditary and Congenital Conditions: certain policies may cover hereditary and congenital conditions, although these often have specific limitations and waiting periods.

Currently, several companies offer pet insurance in Florida; however, Florida law does not separately regulate pet insurance.

The bill creates necessary regulatory statutes to facilitate the production of pet insurance policies for sale within the state, encompassing various aspects such as defining pet insurance, establishing disclosure requirements, and regulating the marketing and sales practices of wellness programs. It expands the definition of property insurance to include coverage for pets, covering accidents and illnesses explicitly. Additionally, the bill imposes training requirements for agents and brokers involved in selling pet insurance policies and outlines enforcement measures, including penalties for violations under the Florida Insurance Code.

The bill may have an indeterminate fiscal impact on the private sector and state government expenditures. The bill has no fiscal impact on local government or state government revenues.

The bill provides an effective date of January 1, 2025.

FULL ANALYSIS

This document does not reflect the intent or official position of the bill sponsor or House of Representatives .

STORAGE NAME: h1465a.IBS

DATE: 2/5/2024

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Background

National Association of Insurance Commissioners

The National Association of Insurance Commissioners (NAIC) serves as the insurance standard-setting and regulatory support body in the United States.¹ Comprised of insurance regulators from all 50 states, the District of Columbia, and five U.S. territories, the NAIC aids state regulators in fulfilling their public service mandate.² It achieves this by setting standards and regulatory best practices, facilitating the exchange of information, offering regulatory support services, and educating consumers, industry professionals, and government stakeholders on the state-based insurance regulatory framework of the United States.³

Office of Insurance Regulation

The Office of Insurance Regulation (OIR) regulates specified insurance products, insurers, and other risk bearing entities in Florida.⁴ The Financial Services Commission (FSC), composed of the Governor, the Attorney General, the Chief Financial Officer, and the Commissioner of Agriculture, serves as agency head of the OIR for purposes of rulemaking. Further, the FSC appoints the OIR commissioner.

As part of their regulatory oversight, the OIR may suspend or revoke an insurer's certificate of authority under certain conditions.⁵ The OIR is responsible for examining the affairs, transactions, accounts, records, and assets of each insurer that holds a certificate of authority to transact insurance business in Florida.⁶ As part of the examination process, all persons being examined must make available to the OIR the accounts, records, documents, files, information, assets, and matters in their possession or control that relate to the subject of the examination.⁷ The OIR is also authorized to conduct market conduct examinations to determine compliance with applicable provisions of the Insurance Code.⁸

Current Situation - Pet Insurance

Pet insurance offers coverage for accidents and illnesses primarily for household pets, notably dogs and cats.⁹ While classified and regulated as Property and Casualty (P/C) insurance¹⁰, it parallels human health insurance in providing annual coverage subject to predetermined rates and conditions.¹¹ Originating in the U.S. in 1980, pet insurance has experienced significant expansion since its inception.¹²

The North American Pet Health Insurance Association (NAPHIA) serves as the leading advocacy group, representing over 99 percent of the U.S. and Canada pet health insurance industry.¹³ Notably, in 2017, NAPHIA members witnessed growth, with total premium volume reaching approximately \$1.03

¹ NAIC, *Our Story*, <https://content.naic.org/about> (last visited Jan. 27, 2024).

² *Id.*

³ *Id.*

⁴ S. 20.121(3)(a), F.S.

⁵ S. 624.418, F.S.

⁶ S. 624, 316(1)(a), F.S.

⁷ S. 624.318(2), F.S.

⁸ The Code is comprised of chs. 624-632, 634-636, 641, 642, 648, and 651, F.S. See S. 624.3161, F.S.

⁹ National Association of Insurance Commissioners, *A Regulator's Guide to Pet Insurance*, p. 1

<https://content.naic.org/sites/default/files/publication-pin-op-pet-insurance.pdf> (last visited Jan. 27, 2024).

¹⁰ Casualty insurance is a broad category of insurance coverage for individuals, employers, and businesses against loss of property, damage, or other liabilities. Casualty insurance includes vehicle insurance, liability insurance, and theft insurance. Liability losses are losses that occur as a result of the insured's interactions with others or their property. See Investopedia, *Casualty Insurance: Definition, Types, and Examples*, <https://www.investopedia.com/terms/c/casualtyinsurance.asp> (last visited Jan. 27, 2024).

¹¹ *Id.*

¹² *Id.*

¹³ *Id.*

billion in the U.S., marking a substantial 23.2 percent increase from the previous year.¹⁴ In the U.S. and its territories, direct written premiums amounted to roughly \$640 billion.¹⁵ Despite the rapid growth, pet insurance still represents a small percentage of the total P/C market.¹⁶

Pet insurance policies typically cover various veterinary expenses, including¹⁷:

- Accidents: coverage for injuries resulting from accidents, such as broken bones or ingesting foreign objects.
- Illnesses: coverage for treatments related to illnesses such as cancer, diabetes, or infections.
- Routine Care: some policies offer optional coverage for routine care, including vaccinations, wellness exams, and dental cleanings.
- Hereditary and Congenital Conditions: certain policies may cover hereditary and congenital conditions, although these often have specific limitations and waiting periods.

In 2017, a survey by the American Pet Products Association revealed that approximately 68 percent of U.S. households, totaling around 84.65 million families, had at least one pet, including dogs, cats, or other animals.¹⁸ Of these households, about 60 million owned at least one dog, and 47 million had at least one cat.¹⁹ Despite this large number of pet owners, there's considerable room for growth in the pet insurance sector.²⁰ However, only about 1.5 million dogs and 300,000 cats were insured in 2017, representing less than 2 percent of dogs and less than 0.5 percent of cats owned in the country.²¹ In the U.S., there are roughly 90 million household dogs and 95 million household cats, indicating a substantial potential market for pet insurance coverage.²²

Pet insurance coverage in the U.S. has seen consistent annual growth rates of 15 percent to 20 percent over the past five years.²³ The distribution of pet insurance is notably concentrated in larger urban areas, with California and New York emerging as the primary markets.²⁴ For a visual representation of the distribution of pets and Gross Written Premiums (GWP) by state, please refer to the chart below.²⁵ According to data from NAPHIA members, the total premium volume in the U.S. reached approximately \$3.2 billion by the end of 2022, with a slight slowdown in growth observed in 2022, marking the lowest growth rate in recent periods.²⁶

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ Forbes, *What Does Pet Insurance Cover?*, <https://www.forbes.com/advisor/pet-insurance/what-does-pet-insurance-cover/> (last visited Jan. 27, 2024).

¹⁸ National Association of Insurance Commissioners, *A Regulator's Guide to Pet Insurance*, p. 2 <https://content.naic.org/sites/default/files/publication-pin-op-pet-insurance.pdf> (last visited Jan. 27, 2024).

¹⁹ *Id.*

²⁰ *Id.*

²¹ *Id.*

²² *Id.*

²³ *Id.* at 5.

²⁴ *Id.*

²⁵ NAPHIA, *State of the Industry Report 2023 Highlights*, p. 24, https://naphia.org/wp-content/uploads/2023/05/NAPHIA-SOI2023-Report-Highlights_Public-May9.pdf (last visited Jan. 27, 2024).

²⁶ *Id.* at 10.



U.S. Market (Full) Pets and GWP Distribution by State (2022)

STATE	PETS	GWP	STATE	PETS	GWP	STATE	PETS	GWP
California	18.6%	21.0%	Arizona	1.6%	1.6%	Rhode Island	0.6%	0.5%
New York	7.0%	8.4%	Indiana	1.3%	1.0%	Alabama	0.5%	0.4%
Florida	6.2%	6.3%	Minnesota	1.2%	1.0%	Kentucky	0.5%	0.4%
Texas	5.7%	4.9%	Nevada	1.2%	1.2%	Arkansas	0.5%	0.4%
New Jersey	4.6%	4.9%	South Carolina	1.1%	0.9%	West Virginia	0.4%	0.3%
Pennsylvania	4.5%	4.3%	North Dakota	1.1%	1.0%	District of Columbia	0.4%	0.4%
Massachusetts	4.1%	4.5%	Tennessee	1.1%	0.9%	Kansas	0.4%	0.3%
Washington	4.0%	4.1%	Maine	1.1%	1.0%	Oklahoma	0.4%	0.3%
Colorado	3.0%	3.0%	New Mexico	1.0%	0.9%	Idaho	0.4%	0.3%
Illinois	2.9%	3.1%	Wisconsin	0.9%	0.8%	Delaware	0.4%	0.3%
Virginia	2.7%	2.9%	Missouri	0.8%	0.6%	Alaska	0.3%	0.3%
North Carolina	2.4%	2.1%	New Hampshire	0.8%	0.8%	Mississippi	0.3%	0.2%
Maryland	2.2%	2.3%	Utah	0.7%	0.5%	Montana	0.2%	0.2%
Ohio	2.1%	1.9%	Nebraska	0.6%	0.5%	Wyoming	0.1%	0.1%
Georgia	2.1%	1.7%	Vermont	0.6%	0.6%	Other: Puerto Rico	0.1%	0.1%
Connecticut	2.0%	2.2%	Louisiana	0.6%	0.5%	South Dakota	0.1%	0.1%
Michigan	1.8%	1.5%	Hawaii	0.6%	0.6%			
Oregon	1.7%	1.6%	Iowa	0.6%	0.4%			

As the lifespans of companion animals increase, veterinary care costs are expected to rise for consumers, leading them to seek out pet insurance to help manage the expenses associated with preventive care, acute and chronic illnesses, and emergency medical treatments for their pets.²⁷ Data from NAPHIA indicates that consumers generally prefer "comprehensive" insurance plans for their pets.²⁸ In the U.S., the majority (92.8 percent) of pets are covered by Accident & Illness plans or Embedded Wellness plans, while 7 percent have Endorsements (riders such as wellness or cancer treatments), and the remaining 0.2 percent have Accident Only plans.²⁹

Development of Regulatory Standards for the Pet Insurance Industry

In April 2019, the Pet Insurance Working Group was tasked with reviewing NAIC's "A Regulator's Guide to Pet Insurance" to determine if a model law or guideline was necessary to establish appropriate regulatory standards for the pet insurance industry.³⁰ Subsequently, a request for Model Law development related to pet insurance was adopted during the NAIC 2019 Spring National Meeting, addressing various aspects such as definitions, disclosures, violations, producer licensing, preexisting conditions, reimbursement benefits, and regulations.³¹ During the NAIC's Summer 2022 National Meeting in members voted to adopt the Pet Insurance Model Act, which includes key provisions concerning pet wellness programs, preexisting conditions, consumer protections, and training for insurance producers.³² Currently, only Maine has adopted a substantially similar version of the NAIC model.³³

Current Situation – Florida

²⁷ NAIC, *Pet Insurance*, <https://content.naic.org/cipr-topics/pet-insurance> (last visited Jan. 27, 2024).

²⁸ *Id.*

²⁹ *Id.*

³⁰ *Id.*

³¹ *Id.*

³² *Id.*

³³ NAIC, *Pet Insurance Model Act*, <https://content.naic.org/sites/default/files/model-law-state-page-633.pdf> (last visited Jan. 27, 2024).

Currently, several companies offer pet insurance in Florida; however, Florida law does not separately regulate pet insurance. Below are companies that provide pet insurance:³⁴

Companies	Average Monthly Cost	Waiting Periods	Maximum Annual Coverage
Pets Best	<ul style="list-style-type: none">• \$30 for dogs• \$20 for cats	14 days for illnesses, two days for injuries, six months for orthopedic conditions	\$5,000 - \$100,000
Spot Pet Insurance	<ul style="list-style-type: none">• \$78 for dogs• \$34 for cats	14 days for illnesses, two days for injuries	\$2,500 - Unlimited
Embrace	<ul style="list-style-type: none">• \$63 for dogs• \$37 for cats	48 hours for accidents, 14 days for illnesses, six months for orthopedic conditions	\$5,000 - \$100,000
ASPCA Pet Health Insurance	<ul style="list-style-type: none">• \$47 for dogs• \$19 for cats	14 days for illnesses	\$3,000 - \$10,000

Effect of the bill

Expansion of Property Insurance Definition to Include Pet Coverage

This bill amends the definition of "property insurance" to explicitly include pet insurance coverage for accidents and for illnesses or diseases of pets. It clarifies that property insurance may contain a provision for accidental death or injury as part of a multiple peril homeowner's policy, which is considered incidental to the property insurance and is not subject to the provisions of the code applicable to life or health insurance.

Regulation of Sales Practices for Pet Wellness Programs

The bill defines unfair methods of competition and unfair or deceptive acts or practices related to the sales practices for pet wellness programs. It prohibits pet insurance agents from marketing a wellness program as pet insurance. If a wellness program is sold by a pet insurance agent, several conditions must be met, including:

- The purchase of the wellness program cannot be a prerequisite to the purchase of pet insurance.
- The costs of the wellness program must be separate and identifiable from any pet insurance policy sold by the agent.
- The terms and conditions of the wellness program must be distinct from any pet insurance policy sold by the agent.
- The products or coverages available through the wellness program cannot duplicate those available through the pet insurance policy.
- The advertising of the wellness program must not be misleading.

Pet Insurance Definitions and Usage

³⁴ Market Watch, *The Best Pet Insurance Companies in Florida (2024)*, <https://www.marketwatch.com/guides/pet-insurance/pet-insurance-florida/> (last visited Jan. 27, 2024).

The bill creates necessary regulatory statutes to facilitate the production of pet insurance policies for sale within the state. The bill applies to policies issued to residents of the state, those sold or offered within the state's boundaries, as well as policies delivered or issued for delivery in the state.

The bill defines pet insurance as coverage designed for accidents and illnesses or diseases of pets, facilitating reimbursement for expenses linked to veterinary medical advice, diagnosis, care, or treatment, encompassing prescribed medications. Additionally, it introduces definitions for various terms, including chronic condition, congenital anomaly or disorder, hereditary disorder, orthopedic condition, pet insurance policy, preexisting condition, renewal, veterinarian, waiting period, and wellness program.

The bill mandates that if pet insurers incorporate the defined terms within a pet insurance policy, they must adhere to the provided definition verbatim. Additionally, the pet insurer is required to ensure accessibility of these definitions to policyholders.

Disclosure Requirements for Pet Insurance Policies

The bill requires pet insurers to disclose coverage exclusions for chronic conditions, congenital anomalies, hereditary disorders, and preexisting conditions, along with any other applicable exclusions. Additionally, they must disclose policy provisions limiting coverage, changes in coverage or premiums, and differentiate between the underwriting company and the marketed brand.

Pet insurers must allow a 30-day review period for policyholders to return policies for a refund if unsatisfied, provided no claims have been filed. They must also disclose the basis for determining claim payments, including benefit schedules and fee limitations, and any required medical examinations before policy purchase.

Further, the bill requires pet insurers to clearly disclose waiting periods and their requirements to applicants. Pet insurers must provide a summary of policy provisions and written disclosures including contact details for regulatory offices and the insurer or agent. These disclosures are in addition to any other disclosures required by law or regulation.

Preexisting Conditions, Waiting Periods, and Policy Renewals

The bill allows pet insurers to issue policies excluding coverage for preexisting conditions, provided that appropriate disclosure is made to the applicant or policyholder, with the burden of proving the applicability of the exclusion resting on the insurer. Additionally, pet insurers are permitted to impose waiting periods before the effective date of a new policy, not exceeding 30 days for certain conditions,³⁵ with provisions for waiving the waiting period upon completion of a medical examination, the costs of which are typically paid by the policyholder. These waiting periods and their requirements must be clearly disclosed to applicants before policy purchase.

The bill prohibits pet insurers from requiring medical examinations for policy renewals and mandates compliance with the Florida Insurance Code for additional benefits included in policies. Furthermore, it ensures that an applicant's eligibility for pet insurance is not tied to participation in a wellness program.

Marketing and Sales of Wellness Programs

The bill prohibits pet insurers and their agents from misrepresenting wellness programs as pet insurance. It mandates that if wellness programs are offered alongside pet insurance, they must be separate and not required for pet insurance purchase. Additionally, the costs, terms, and products of wellness programs must be distinct from pet insurance. Clear disclosures must be provided to

³⁵ "Certain conditions" referenced in this sentence include illnesses, diseases, or orthopedic conditions not resulting from an accident, as specified within the context of the bill

applicants and policyholders regarding the nature of wellness programs, and wellness benefits within pet insurance policies are recognized as insurance.

Agent and Broker Training Requirements

The bill requires specific training for agents and brokers involved in selling pet insurance policies. Agents and brokers must obtain appropriate licensing and complete specified training before engaging in the sale, solicitation, or negotiation of pet insurance policies. Pet insurers are responsible for ensuring that their agents and brokers receive training on preexisting conditions, waiting periods, and the distinctions between pet insurance and wellness programs. Additionally, training must cover chronic conditions, congenital anomalies, hereditary disorders, and administrative aspects of pet insurance policies. Satisfaction of training requirements from other states with substantially similar provisions is recognized as meeting the training standards in the state.

Enforcement, Applicability, and Rulemaking Authority

A violation of the bill's requirements will be a violation of the Florida Insurance Code. Additionally, it clarifies that while all other relevant insurance laws apply to pet insurance, the specific regulations outlined in this bill take precedence over any conflicting general provisions. The bill does not restrict the types of exclusions pet insurers can employ in their policies nor does it mandate the inclusion of any specific limitations or exclusions. Furthermore, the bill grants the commission the authority to adopt rules and regulations essential for the effective administration of this section.

The bill provides an effective date of January 1, 2025.

B. SECTION DIRECTORY:

- Section 1:** Amends s. 624.604, F.S., relating to "property insurance" defined.
- Section 2:** Amends s. 626.9541, F.S., relating to unfair methods of competition and unfair or deceptive acts or practices defined.
- Section 3:** Creates s. 627.71545, F.S., relating to pet insurance; noninsurance wellness programs.
- Section 4:** Providing an effective date of January 1, 2025.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

The bill necessitates the incorporation of pet insurance into the information technology systems of OIR, resulting in a one-time impact. However, OIR existing resources have the capacity to absorb this impact.³⁶

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

³⁶ Email from Kevin James, Deputy Legislative Affairs Director, Department of Management Services, HB 1465 Bill Analysis (Jan. 25, 2024).

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill may positively impact the private sector if the regulatory efficiency it establishes results in lower production costs for pet insurance providers.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not Applicable. This bill does not appear to affect county or municipal governments.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

Sufficient rulemaking authority for the FSC and OIR to administer the bill's provisions is provided.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

On February 1, 2024, the Insurance & Banking Subcommittee considered the bill, adopted a strike-all amendment, and reported the bill favorably as a committee substitute. The amendment revised the bill to better integrate its provisions within the framework of the Florida Insurance Code.

The analysis is drafted to the committee substitute as passed by the Insurance & Banking Subcommittee.