

Report On

The Pet Insurance Project

as delivered to

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Superintendent of Insurance

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State of Rhode Island
Department of Business Regulation
Insurance Division

Background & Executive Summary

During the past several years, the Rhode Island Insurance Division (“Division”) has noticed an uptick in marketing related to pet insurance products. We have also observed that our legislature is taking more interest in laws related to pets as noted in a 2021 bill specifically related to pet insurance and pet wellness products. More insurers appear to be filing pet insurance products for approval, and consumer calls and inquiries related to pet insurance have increased as well. In late 2016, the National Association of Insurance Commissioners (“NAIC”) started discussing pet insurance issues. The discussions began at the Producer Licensing Task Force (“PLTF”) in December 2016, and then received more substantial discussion under Superintendent Elizabeth Dwyer’s supervision in 2017, when she served as the Chair of the PLTF. In 2018, the NAIC established the Pet Insurance Working Group, and Rhode Island has been a part of those efforts since its inception. First, the Insurance Division contributed to the [NAIC’s 2019 White Paper: A Regulators Guide to Pet Insurance](#), which laid out the history and development of the pet insurance product. But that paper also includes a discussion of marketing issues, licensing, what goes into pet insurance premiums, and other topics. The Division then contributed time and effort in assisting the development of the [NAIC’s Pet Insurance Model Act \(model 633\)](#) that was adopted by the NAIC in August 2022. That model law allows states to adopt a comprehensive law that establishes a framework for insurers and regulators around the marketing, sales and claims practices of pet insurance. It lays out numerous consumer protections in reaction to what regulators have seen in the marketplace, and sets forth a level playing field for insurers to compete with appropriate safeguards.

Because of these additional concerns about pet insurance, the Market Conduct Unit (“Unit”) of the Insurance Division undertook a project beginning in 2021 to further investigate pet insurance marketing and sales in Rhode Island. This project included reviewing form filings previously approved by the Division, obtaining quotes from every insurer and agency the Unit could identify, conducting additional market analysis of pet insurers using the available data from NAIC resources, as well as asking a small subset of insurers a series of interrogatories about their activities in the market. As a result of these efforts, the Division has become much better acquainted with pet insurer marketing practices in Rhode Island. The Unit has compiled a list of insurers and agencies that appear to be actively marketing pet insurance in Rhode Island, and ultimately entered into five consent agreements concerning inappropriate activity in Rhode Island that were identified during this review.

Pet Insurance Marketing in Rhode Island

The Market Conduct Unit was able to compile a list of a total of thirty (30) entities marketing pet insurance in Rhode Island. Those entities include insurers offering their own insurance product directly to consumers, managing general agents offering an insurer’s product, and insurance agencies and producers offering an insurer’s product. This was done by reviewing every approved form or rate filing for pet insurance since 2017, using third-party aggregators, and conducting online searches. Then, one of the Unit’s examiners obtained quotes from each identified company, agency, producer or website marketing pet insurance in Rhode Island.

- While reviewing the websites, the examiner first looked for any disclaimers shown on their homepage. For most of the companies, the examiner was able to locate their disclaimers at the bottom of the webpage which also provided information on who the specific insurer issuing the product was for each agency or producer. There were only two instances where no insurance company was identified on the home page.
 - One of those companies was offering a discount veterinary plan, which the Unit discussed with the Division's attorneys and identified the product as distinct from pet insurance and outside the Division's statutory authority.
 - The other was less clear and led to a referral to the Division's legal team for further review.
- After the examiner identified and cataloged the insurance company underwriting each product, the examiner began searching their website for sample policies. Most Companies provided a sample policy which was state specific, however, some did not.
- The next step in the process was to verify if a Wellness option was being offered either as an endorsement to the insurance policy (and thus treated as an insurance coverage) or as a separate non-insurance program (and thus treated as a non-insurance coverage). Some insurers and agencies did not offer Wellness at all. Of the thirty (30) quotes from the various marketing entities, the examiner was able to gather a quote for some type of Wellness plan add-on or rider from twenty-two (22) of these companies.
- The examiner then started the quote process and found this to be a very simple process for all the marketing entities. Typically, the examiner was asked for Pet name, Age, Male/Female, Zip Code, if the Pet had a veterinarian, and then was brought into the next stage of the process to select a plan with features. Most of the entities offered three (3) different types of insurance plans from Basic to Premier. In general, the higher the premium, the higher the number of conditions covered and the lower the deductible and co-insurance. A Wellness Plan was offered as an add-on for most of these companies (2 were included as part of the policy), but some companies chose not to offer this option at all (2 did not offer this as an option). The examiner was never able to complete the quote section of the website because a credit card appeared to be needed to be entered for payment.

Over the next several months the Unit monitored emails from these same entities that were marketing pet insurance and wellness products. Sometimes the same entities sent multiple emails in the same day, including promotional offers for several different items. During this review, the Unit identified three types of emails that appeared to include inappropriate marketing efforts.

- The Unit identified one agency that offered a \$25 Visa Gift Card if the consumer purchased the coverage for their pet and kept the insurance for at least 30-days.
 - Multiple examiners then signed up for a quote and began receiving sometimes daily emails containing this offer, and typically it included encouragements that appeared incorrect such as 'Today is the last day for the offer,' on consecutive days.

- The Unit also identified a different entity that offered a \$25 Amazon Visa Gift Card if the consumer purchased the coverage for their pet and kept the insurance for at least 30-days.
- Later, the Unit also identified a third producer with a promotional offer of 50% off the first month charge for a Wellness Plan, or \$20 off the first month charge for the Wellness Plan instead of a 50% discount.

In reviewing the marketing efforts of various entities in this space, the Unit also identified areas of marketing that while aggressive, were *not* found to be problematic.

- One example was an agency that ran a “Refer a Friend” promotion, in which eligible existing “pet health policyholders” could refer a friend by providing a name and email address. If this friend obtained a quote from the agency, then the referring policyholder would get a gift card of \$25, but the offer was available no more than once per year. Included in that program, the agency would also donate \$25 to a pet-related charity.
 - The gift was not related to the binding of insurance coverage, so the Division considers this an allowable marketing technique, as identified in [Insurance Bulletin 2009-9](#).
- A second example was an insurer which promoted numerous lottery sweepstakes entries to win various prize offerings using language such as “*You must provide your email address and complete the quote process to be eligible to enter. By confirming your address, you are agreeing to the contest rules. No purchase necessary. Limit one (1) entry per person per day.*” One example of these sweepstake prizes was: “There will be 1 grand prize awarded at the end of the Promotional Period. The grand prize consists of one (1) iPhone 11 Pro Max, 256GB2, and a choice for a fully paid one (1) year subscription to Barkbox or KitNitBox (the “Grand Prize”).”
 - Again, pursuant to Insurance Bulletin 2009-9, the Division found the de minimus nature of a sweepstakes entry to be allowable as well.

At the end of the project and after reviewing many hundreds of marketing emails, the Unit did identify several instances where it believed violations of RI Laws and/or regulations may have occurred. From those, the Unit referred seven (7) entities to the Division’s enforcement area for additional review and consideration. Those referrals referenced managing general agents, producers, and insurance companies.

Additional Analysis of Pet Insurers

As part of the project, the Unit also reviewed data from NAIC sources for five (5) insurance companies that were found to offer pet insurance in Rhode Island. The Unit looked at data including gross written premiums, targeted loss ratios, complaints received, and new policies issued for 2018 through 2020, which was the latest data available during the review. From the Unit’s review of this data, it drafted interrogatories for these five insurers, and engaged in a productive exchange of information with the companies. These reviews led to one additional referral to the Division’s enforcement area because a company had substantially similar

complaints related to delays in their claims handling and overall time to claim payment as another company that was previously referred for enforcement.

Promotional Language in Approved Form Filings

One issue identified during the project was the use of promotions to offer inducements to contract by agents or insurers. Based on some of the marketing materials it reviewed, the Unit reviewed additional form filings from several pet insurers. During that review, it identified five (5) insurance companies that had approved form and rate pet insurance filings that included a “promotional offer” section of their contract. While the Division agrees that general promotions are allowed, promotions that serve as direct inducements to contract are not. Based on the policy language identified, the Unit reached out to each of the five insurers to identify how they were offering promotions.

In the end, two insurance companies were identified as having utilized that language to offer consumers a gift if the consumer (1) purchased pet insurance and (2) held the pet insurance for at least thirty (30) days. These were the same insurers from which the Unit had received inappropriate marketing offers (see above). The Unit believes this represents a direct violation of R.I. Gen. Laws §§ 27-29-4(8) and 27-6-46. The Unit did reach out to other insurers with similar filed language and did not find evidence of violations of Rhode Island law from those insurance companies. As noted, the two insurers where the inducements were identified were previously identified from the marketing review for possible enforcement actions, and thus this did not lead to additional referrals for potential enforcement. At the end of its review, the Unit sent letters to the other three insurers with approved promotional language to reiterate its position that promotions are fine but that inducements are prohibited by Rhode Island law.

Conclusion

The Unit believes that at this time, insurers and producers marketing pet insurance in Rhode Island are following Rhode Island law. During the course of this project, the Unit made eight referrals to the enforcement area of the Division for consideration of actions. To date, the Division has entered into five consent agreements with insurers and producers that are publicly available on the Division’s website.

Divisional Enforcement Actions are available here:

<https://dbr.ri.gov/insurance-banking-securities-and-charitable-organizations/insurance/consumers/insurance-enforcement>