

ASSEMBLY BILL

No. 2056

Introduced by Assembly Member Dababneh

February 20, 2014

An act to amend Section 120 of, and to add Part 9 (commencing with Section 12880) to Division 2 of, the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 2056, as introduced, Dababneh. Insurance: pet insurance.

Existing law governs the business of insurance and authorizes the Insurance Commissioner to provide oversight over the insurance industry including, life and disability insurance, health insurance, workers' compensation, and liability insurance. The commissioner is authorized to, among other things, conduct investigations and bring enforcement actions against insurers for violations of the laws governing the business of insurance. Insurance in the state is divided into classes including, among other things, miscellaneous insurance, which includes insurance against loss from damage done by lightning and any insurance not included in the foregoing classes but which is a proper subject of insurance.

This bill would add pet insurance as a type of miscellaneous insurance, define certain terms, and specify certain disclosures an insurer of pet insurance is required to make to consumers. This bill would apply to a policy of pet insurance that is marketed, issued, amended, renewed, or delivered to a resident of this state, on or after January 1, 2015, regardless of the situs of the contract or master group policyholder, or the jurisdiction in which the contract was issued or delivered. This bill would require an insurer of pet insurance to disclose, among other

things, whether the policy excludes coverage because of a preexisting condition, a hereditary disorder, or a congenital anomaly or disorder. This bill would authorize the commissioner to hold a hearing to determine if an insurer is in violation of the provisions governing pet insurance and to assess a civil penalty, which is to be determined by the commissioner but not to exceed \$5,000 for each violation, or \$10,000 for a willful violation. The hearing would be required to be conducted pursuant to the Administrative Procedure Act, except as specified, and a person found to be in violation may have the proceedings reviewed by means of any remedy pursuant to a specified statute or the Administrative Procedure Act.

Vote: majority. Appropriation: no. Fiscal committee: yes.
 State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 120 of the Insurance Code is amended
 2 to read:

3 120. Miscellaneous insurance includes insurance against loss
 4 from damage done, directly or indirectly by lightning, windstorm,
 5 tornado, earthquake or insurance under an open policy
 6 indemnifying the producer of any motion picture, television,
 7 theatrical, sport, or similar production, event, or exhibition against
 8 loss by reason of the interruption, postponement, or cancellation
 9 of such production, event, or exhibition due to death, accidental
 10 injury, or sickness preventing performers, directors, or other
 11 principals from commencing or continuing their respective
 12 performance or ~~duties~~; *duties, pet insurance, as defined in Section*
 13 *12880, and any insurance not included in any of the foregoing*
 14 ~~classes, and types of insurance specified in this section but which~~
 15 is a proper subject of insurance.

16 SEC. 2. Part 9 (commencing with Section 12880) is added to
 17 Division 2 of the Insurance Code, to read:

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 19
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PART 9. PET INSURANCE

21 12880. For purposes of this part, the following definitions shall
 22 apply:

23 (a) “Pet insurance” means an individual or group insurance
 24 policy that provides coverage for veterinary expenses.

1 (b) “Veterinarian” means an individual who holds a valid license
2 to practice veterinary medicine from the Veterinary Medical Board
3 pursuant to Chapter 11 (commencing with Section 4800) of
4 Division 2 of the Business and Professions Code or other
5 appropriate licensing entity in the jurisdiction that he or she
6 practices in.

7 (c) “Veterinary expenses” means the costs associated with
8 medical advice, diagnosis, care, or treatment provided by a
9 veterinarian, including, but not limited to, the cost of drugs
10 prescribed by a veterinarian.

11 (d) “Preexisting condition” means any condition for which the
12 pet owner has received medical advice or the pet has received
13 treatment for prior to enrollment in a new pet insurance policy.

14 (e) “Waiting or affiliation period” means the period of time
15 specified in a pet insurance policy that must transpire before some
16 or all of the coverage in the policy can begin.

17 (f) “Hereditary disorder” means an abnormality that is
18 genetically transmitted from parent to offspring and may cause
19 illness or disease.

20 (g) “Congenital anomaly or disorder” means a condition that is
21 present from birth, whether inherited or caused by the environment,
22 which may cause or otherwise contribute to illness or disease.

23 12880.1. A policy of pet insurance that is marketed, issued,
24 amended, renewed, or delivered to a resident of this state, on or
25 after January 1, 2015, regardless of the situs of the contract or
26 master group policyholder, or the jurisdiction in which the contract
27 was issued or delivered, is subject to this part.

28 12880.2. (a) In connection with the sale of a new, amended,
29 or renewed policy of pet insurance, a pet insurer shall disclose all
30 of the following to the consumer:

31 (1) If the policy excludes coverage due to any of the following
32 exclusions:

33 (A) A preexisting condition.

34 (B) A hereditary disorder.

35 (C) A congenital anomaly or disorder.

36 (2) Any policy provision that limits coverage through a waiting
37 or affiliation period, a deductible, coinsurance, or an annual or
38 lifetime policy limit.

39 (3) Whether the insurer reduces coverage or increases premiums
40 based on the insured’s claim history.

1 (b) If a pet insurer uses any of the terms in paragraph (1) of
2 subdivision (a) in a policy of pet insurance, the insurer shall include
3 a definition of the term in the policy and shall make that definition
4 available through a link on the main page of the insurer's Internet
5 Web site.

6 (c) A pet insurer shall clearly disclose the basis or formula on
7 which the insurer determines claim payments under a pet insurance
8 policy within the policy and through a link on the main page of
9 the insurer's Internet Web site.

10 (d) A pet insurer that uses a benefit schedule to determine claim
11 payment under a pet insurance policy shall do both of the
12 following:

13 (1) Clearly disclose the applicable benefit schedule in the policy.

14 (2) Disclose all benefit schedules used by the insurer under its
15 pet insurance policies through a link on the main page of the
16 insurer's Internet Web site.

17 (e) A pet insurer that determines claim payments under a pet
18 insurance policy based on usual and customary fees, or any other
19 reimbursement limitation based on prevailing veterinary service
20 provider charges, shall do both of the following:

21 (1) Include a usual and customary fee limitation provision in
22 the policy that clearly describes the insurer's basis for determining
23 usual and customary fees and how that basis is applied in
24 calculation claim payments.

25 (2) Disclose the insurer's basis for determining usual and
26 customary fees through a link on the main page of the insurer's
27 Internet Web site.

28 (f) The insurer shall create a summary of all policy provisions
29 required in subdivisions (a) through (e), inclusive, into a separate
30 document titled "Insurer Disclosure of Important Policy
31 Provisions."

32 (g) The insurer shall post the "Insurer Disclosure of Important
33 Policy Provisions" document required in subdivision (f) through
34 a link on the main page of the insurer's Internet Web site.

35 (h) Prior to the sale of a pet insurance policy, the insurer shall
36 provide the consumer with a printed copy, in at least 12-point type,
37 of the "Insurer Disclosure of Important Policy Provisions"
38 document. The insurer shall obtain the consumer's signature
39 indicating that the consumer has read and understands the
40 disclosure document.

1 (i) The disclosures required in this section shall be in addition
2 to any other disclosure requirements required by law or regulation.

3 12880.3. (a) A person who violates a provision of this part is
4 liable to the state for a civil penalty to be determined by the
5 commissioner, not to exceed five thousand dollars (\$5,000) for
6 each violation, or, if the violation was willful, a civil penalty not
7 to exceed ten thousand dollars (\$10,000) for each violation. The
8 commissioner may establish the acts that constitute a distinct
9 violation for purposes of this section. However, when the issuance,
10 amendment, or servicing of a policy or endorsement is inadvertent,
11 all of those acts constitute a single violation for purposes of this
12 section.

13 (b) The penalty imposed by this section shall be imposed by
14 and determined by the commissioner pursuant to Section 12880.4.
15 The penalty imposed by this section is appealable by means of any
16 remedy provided by Section 12940 or by Chapter 5 (commencing
17 with Section 11500) of Part 1 of Division 3 of Title 2 of the
18 Government Code.

19 12880.4. Whenever the commissioner shall have reason to
20 believe that a person has engaged or is engaging in this state in a
21 violation of this article, and that a proceeding by the commissioner
22 in respect thereto would be to the interest of the public, he or she
23 shall issue and serve upon that person an order to show cause
24 containing a statement of the charges in that respect, a statement
25 of that person's potential liability under this part, and a notice of
26 a hearing thereon to be held at a time and place fixed therein, which
27 shall not be less than 30 days after the service thereof, for the
28 purpose of determining whether the commissioner should issue
29 an order to that person to, pay the penalty imposed by Section
30 12880.3, and to cease and desist those methods, acts, or practices,
31 or any of them that violate this article.

32 If the charges or any of them are found to be justified, the
33 commissioner shall issue and cause to be served upon that person
34 an order requiring that person to pay the penalty imposed by
35 Section 12880.3 and to cease and desist from engaging in those
36 methods, acts, or practices found to be in violation of this part.

37 The hearing shall be conducted in accordance with the
38 Administrative Procedure Act (Chapter 5 (commencing at Section
39 11500) of Part 1 of Division 3 of Title 2 of the Government Code),
40 except that the hearings may be conducted by an administrative

1 law judge in the administrative law bureau when the proceedings
2 involve a common question of law or fact with another proceeding
3 arising under other Insurance Code sections that may be conducted
4 by administrative law bureau administrative law judges. The
5 commissioner and the appointed administrative law judge shall
6 have all the powers granted under the Administrative Procedure
7 Act.

8 The person shall be entitled to have the proceedings and the
9 order reviewed by means of any remedy provided by Section 12940
10 or by the Administrative Procedure Act.

11 12880.5. The commissioner may, as conditions warrant, after
12 notice and hearing, adopt reasonable rules and regulations, and
13 amendments and additions to those regulations, as are necessary
14 to administer this part.

<Organization/Assoc. Letter Head>

<Date>

The Honorable Henry Perea
Chair, Assembly Committee on Insurance
State Capitol, Room 3120
Sacramento, CA 95814

RE: Assembly Bill 2056 (DABABNEH) – SUPPORT

Dear Assembly Member Perea:

On behalf of **<Organization/Assoc.>** I respectfully request your SUPPORT of Assembly Bill 2056 authored by Assembly Member Dababneh. This bill would provide basic consumer protections for pet insurance and require pet insurers to disclose important information regarding their policies.

According to studies done by the American Pet Products Association, more pet owners are considering purchasing pet insurance to ensure that they can afford the proper veterinary care for their pet. In 2008, total pet insurance expenditures accounted for \$300 million and demand for pet insurance is expected to more than double to an estimated \$750 million by 2015.

Pet insurance policies are often difficult for consumers to navigate and understand. Typically there are several types of policies that itemize covered treatments, deductibles, and lifetime/per illness maximums. Additionally, the costs of different policies can vary based on the amount of coverage, the type of coverage, as well as the species, age, and breed of the pet. AB 2056 would require pet insurers to disclose this information regarding their policies so that consumers can more easily determine the most appropriate policy to fit their needs.

This bill would also require 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. By allowing consumers to better ascertain the constrictions and limitations of pet insurance policies, they will limit their financial risk, be more likely to purchase a product that fits their needs, and be less likely to complain when utilizing their pet insurance coverage.

For all these reasons, **<Org/Assoc.>**, respectfully urges your “AYE” vote on AB 2056 when it comes before your committee.

Sincerely,

<Signature>

cc: The Honorable Matt Dababneh
Assembly Member Hagman, Vice Chair, Assembly Committee on Insurance
Members, Assembly Committee on Insurance
Mark Rakich, Chief Consultant, Assembly Committee on Insurance
Kevin Hanley, Consultant, Senate Republican Caucus