



# Taking Fido to Hawaii

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# Objectives

After this session, you should be able to:

- Describe the features and coverages of pet insurance
- Describe the features and coverages of travel insurance

# An Overview of Pet Insurance in the U.S.

June 2018



**2018 NAIC  
Insurance Summit**

Nationwide Pet

# Understanding the Pet Insurance Market Place

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- 1 What is Pet Insurance?
- 2 What is driving the growth?
- 3 How does it work?
- 4 Who are the players in this market?
- 5 What complexities face the industry?



# 1 What is Pet Insurance?

## Accident and Illness

- Pet medical care related to injury or sickness

## Preventive Care

- Pet medical care related to predictable and planned care

Covers veterinary services, pharmaceuticals, supplies, testing

Coverage available to dogs, cats, birds, reptiles, and exotics

Available in all states and DC

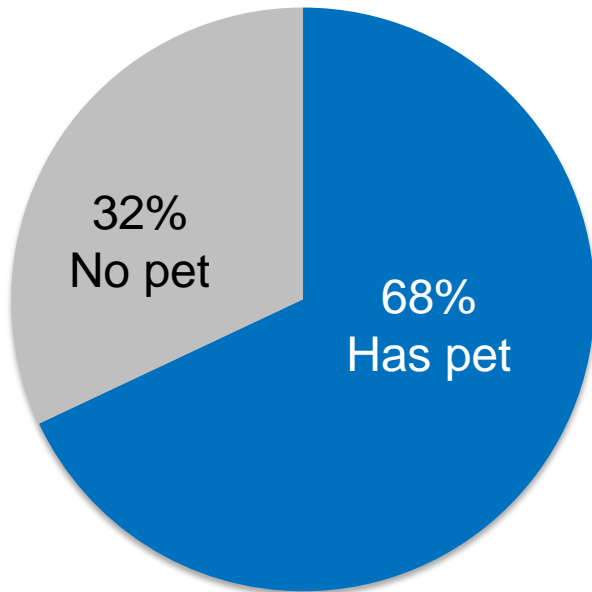
P&C product that acts like Human Health



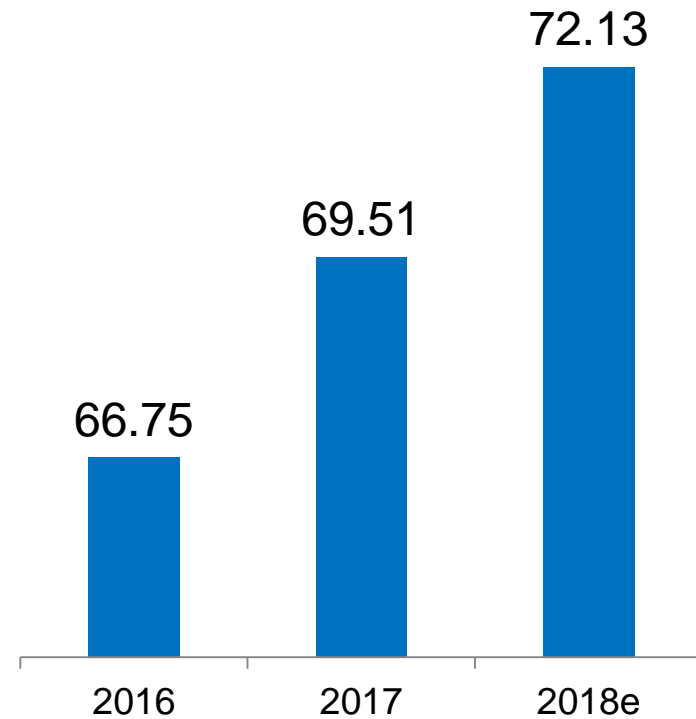
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## What is driving the industry's growth?

**U.S. Pet Ownership**  
% HH, 2018

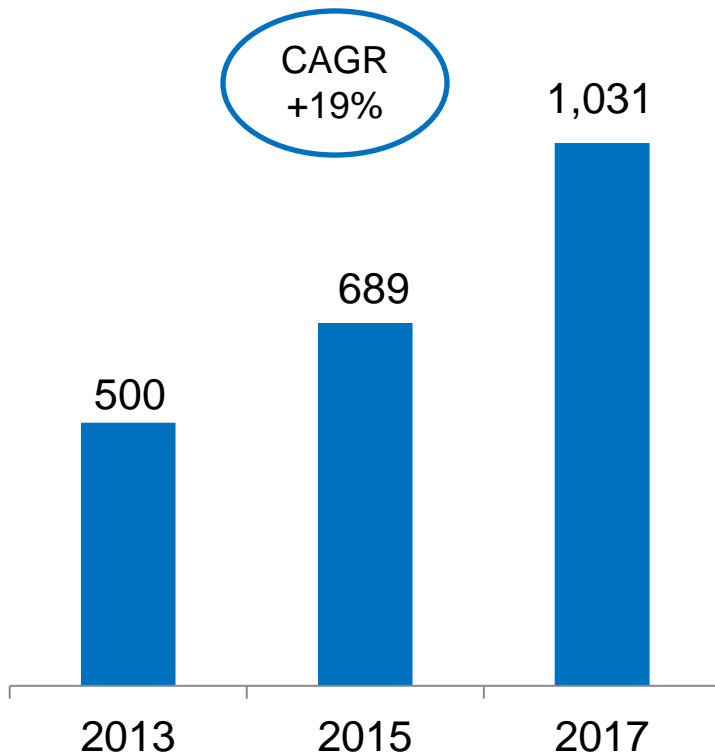


**U.S. Pet Industry Expenditures**  
\$ B

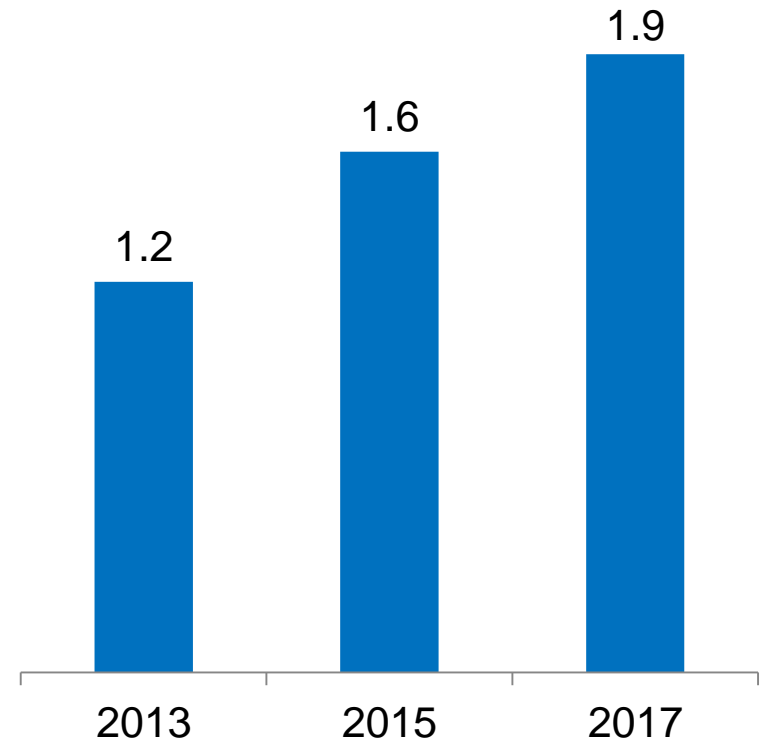


# Pet insurance market growing; penetration remains low

**U.S. pet insurance market**  
\$ Millions, GWP



**U.S. ownership of pet insurance**  
%, US pet HH visiting veterinarian



# 2017 U.S. PHI Market - Top 20 States

State	Pets	GWP
California	20.0%	21.4%
New York	9.9%	10.4%
Florida	6.3%	6.3%
New Jersey	5.7%	6.0%
Pennsylvania	4.9%	4.5%
Texas	4.8%	4.5%
Massachusetts	4.7%	4.8%
Washington	3.7%	3.6%
Illinois	3.4%	3.4%
Virginia	3.2%	3.3%

State	Pets	GWP
Colorado	2.9%	3.0%
Maryland	2.5%	2.5%
North Carolina	2.2%	2.1%
Connecticut	2.1%	2.2%
Ohio	1.9%	1.8%
Arizona	1.9%	1.9%
Georgia	1.7%	1.6%
Michigan	1.5%	1.4%
Oregon	1.5%	1.5%
Nevada	1.5%	1.4%



# Pet insurance distribution channels

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Web



Veterinary  
Clinic



Word of  
Mouth



Employee  
Benefits



Licensed  
Insurance Agents

## How does it work?

*Reimbursement model – not human health care*



Direct payment  
models emerging

# Two types of plans

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## Percent of Invoice

- Pays specific % of the veterinary invoice after deductible and exclusions

## Benefits Schedule

- Pays up to maximum benefit level for treatment of diagnosis after deductible and exclusions

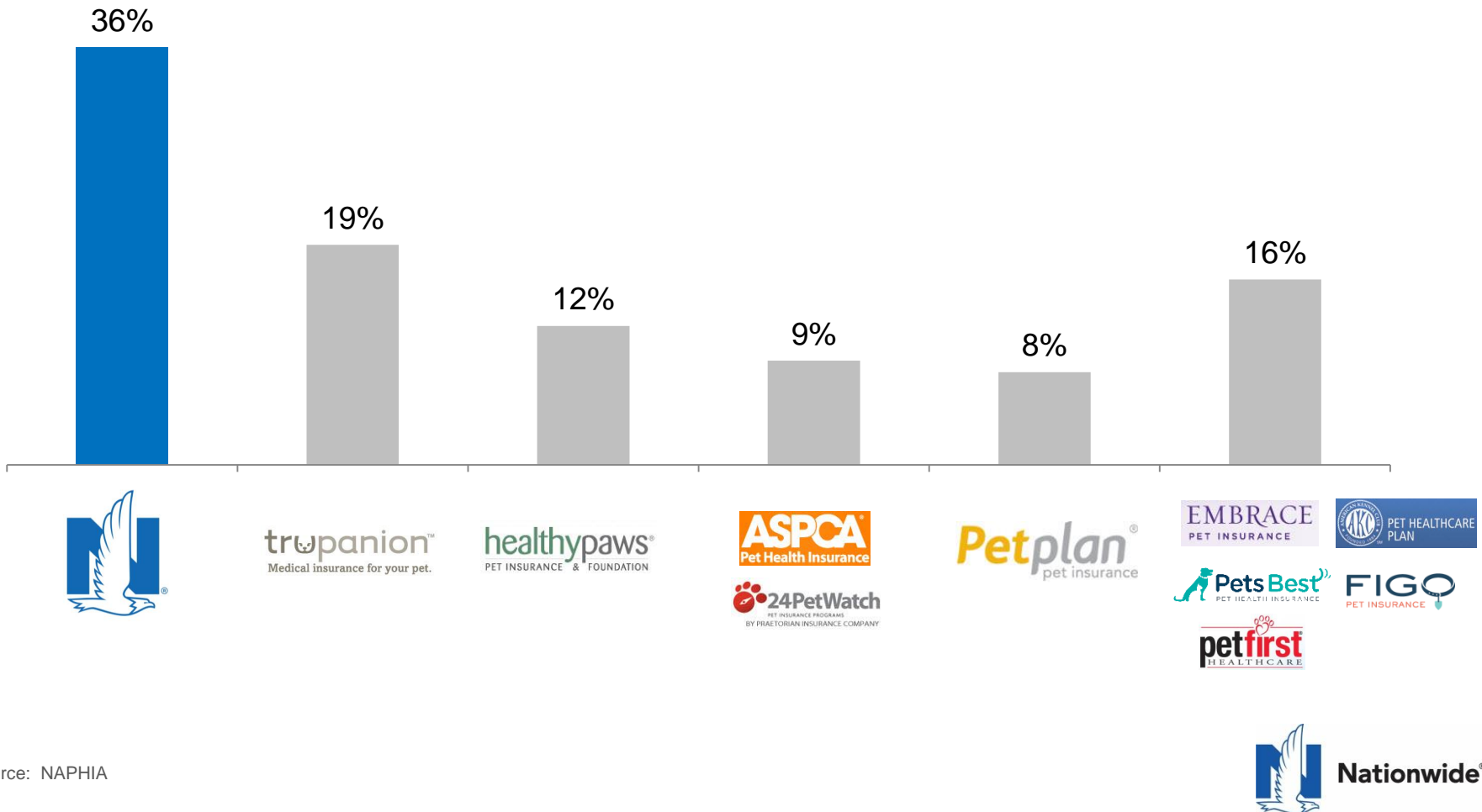


## Who are the key players in this market?



# Nationwide is the #1 pet insurer in the U.S.

**U.S. pet insurance market**  
\$ Millions, 2017 GWP



Source: NAPHIA

## 5 What complexities face the industry?

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- 1 Managing high frequency / low severity product
- 2 Meeting customer expectation, e.g. Pre-existing conditions
- 3 Pricing for risk
- 4 Innovating products to meet customer demand



# Legislation underscores complexity and importance

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## **California Assembly Bill 2056 (enacted 2015)**

### **Created a Comprehensive Scheme of Requirements for Pet Insurance**

#### Key Requirements:

- A. Uniform Definitions, e.g. Chronic, Hereditary, 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



# Questions?





INSURANCE  
ADMINISTRATION, **Fido to Hawaii: Are you Insured?**  
***Part Two: Travel Insurance***

NAIC Insurance Summit  
Kansas City, MO  
June 21, 2018

Catherine Grason, Chief of Staff, Maryland Insurance Administration

# Presentation Overview

## I. What is Travel Insurance?

- (1) Substantive Benefits
- (2) Marketing Methodologies
- (3) Distribution Methods

## II. Emerging Regulatory Models

- (1) NCOIL Travel Insurance Model Act (adopted March 5, 2017)
- (2) NAIC Travel Insurance Model Act (pending adoption by Travel Insurance (C) Working Group)

## III. How is Travel Insurance Regulated?

- (1) Form and Rate Filings
- (2) Producer Licensing-Limited Lines
- (3) “Travel Protection Plans”-Disclosures
- (4) Sales Practices-Limitations
- (5) Premium Tax

# **I. What is Travel Insurance?**

# (1) Substantive Benefits

“Travel Insurance” means insurance coverage for personal risks incident to planned travel, including:

- a. Interruption or cancellation of trip or event;
- b. Loss of baggage or personal effects: Covers loss, damage or theft of baggage and personal effects;
- c. Damages to accommodations or rental vehicles;
- d. Sickness, accident, disability or death occurring during travel;
- e. Emergency evacuation;
- f. Repatriation of remains; or
- g. Any other contractual obligations to indemnify or pay a specified amount to the traveler upon determinable contingencies related to travel as approved by the Commissioner.

Travel Insurance does not include major medical plans that provide comprehensive medical protection for travelers with trips lasting longer than six (6) months, including for example, those working or residing overseas as an expatriate, or any other product that requires a specific insurance producer license.

\*Note that policies with travel components that provide major medical coverage for trips with durations of six months or longer are not prohibited by this definition, but are outside the scope of this Model and may be regulated under other applicable provisions.

See Section 3, NAIC DRAFT “Travel Insurance Model Act” dated 5/31/18.

**Travel Insurance is a mixed bag of P&C and incidental A&H Benefits for use in planned travel.**

P&C Benefits	Incidental A&H Benefits
<p><b>Trip Cancellation:</b> Reimbursement for pre-paid, non-reimbursable expenses if trip is cancelled.</p> <p><b>Trip Interruption:</b> Reimbursement for unused, non-refundable portion of trip and increased transportation costs if you return home for covered reason.</p> <p><b>Travel Delay:</b> Reimbursement for additional accommodation/travel expenses for a covered departure delay over six hours.</p> <p><b>Missed Connection:</b> Reimburses expenses resulting from a covered delay that causes you to miss your scheduled flight/cruise/train.</p> <p><b>Baggage:</b> Reimburses expenses for eligible lost, damaged, or stolen baggage.</p> <p><b>Non-Medical Evacuation Coverage:</b> Reimburses expenses for transportation other than medical (i.e.,</p>	<p><b>Medical &amp; Dental Coverage:</b> Provides benefits for losses due to a range of covered inpatient &amp; outpatient medical and dental treatment required during a trip.</p> <p><b>Emergency Medical Evacuation:</b> Provides medically necessary transportation to the nearest hospital or appropriate facility.</p> <p><b>Accidental Death &amp; Dismemberment Coverage:</b> Provides coverage for accidents that occur during a trip.</p>

## (2) Marketing Methodologies

### “TRAVEL PROTECTION PLANS”

-Travel insurance products are often “bundled” with non-insurance benefits or services prior to point of sale. This “bundle” is collectively referred to as a “travel protection plan.” Non-insurance services that are bundled with travel insurance may include “travel assistance services” and “cancellation fee waivers.”

- **“Travel Assistance Services”**: Provide non-insurance services to consumers. No transfer of risk and no adjudication of claims.
- **“Cancellation Fee Waivers”**: Allow consumers the option to purchase a waiver of specific contractual provisions with the travel supplier.

-Non-Insurance Components of Travel Protection Plans are not subject to oversight by Insurance Regulators.

See Sections 3 and 6, NAIC DRAFT “Travel Insurance Model Act” dated 5/31/18.

# “Assistance Services”

## ○Multilingual Assistance

## ○Medical Assistance

- Medical evacuation transport assistance
- Medical repatriation transport assistance
- Transportation arrangements
- Medical payment arrangement
- Emergency prescription replacement
- Physician referrals

## ○Emergency Assistance

- Flight/Hotel/Rental car rebooking
- Emergency return travel arrangements

## ○Concierge Services

- Restaurant referrals
- Event ticketing
- Excursion & Recreation reservations

## ○Worldwide Travel Assistance

- Lost baggage, passport, travel document search
- Urgent message relay to family
- Travel information requirements

# **“Cancellation Fee Waivers”**

- A consumer may purchase a contractual waiver relating to the “non-refundable” nature of the trip package. This is a contractual arrangement between the consumer and the travel supplier. A Cancellation Fee Waiver can be issued to cover cancellations for any reason or cancellations due to specified reasons for terms/inventory controlled by the travel supplier (i.e., a hotel room reservation).
- If a travel supplier includes this as part of a travel protection plan, then the Trip Cancellation benefit would not be included in the travel insurance portion of the Travel Protection Plan.



# (3) Distribution Methods

## Retail vs. Wholesale

**RETAIL:** The local travel agency generally found in shopping centers.

**WHOLESALE (Travel Supplier):** Package Vacations, Cruises, Tour Operators

## Sales can be made:

- Direct from insurance producer
- Through Aggregator Website (a website that provides access to information regarding insurance products from more than one insurer, including product and insurer information, for use in comparison shopping)
- Blanket Distribution to groups who make it available to all channels
- Wholesale/Travel Supplier-i.e., Tour Operator or Cruise Line
- Travel Agents
- Administrator/Brokerage that may aggregate Travel Insurance with Non-insurance “Assistance” Services
- Direct Response Marketing (direct mail, web, telephone)

## **II. Emerging Regulatory Models**

# **(1) NCOIL Travel Insurance Model Act**

- Adopted by NCOIL March 5, 2017
  - LA adopted in 2017
- Builds upon NCOIL Limited Lines Travel Insurance Model Act, adopted November 18, 2012

## (2) NAIC Travel Insurance Model Act

- Formation of Travel Insurance (C) Working Group added to 2016 C Committee charges in Fall 2015. The Workgroup conceptually discussed need for a travel insurance model through 2016. A Model Law charge was formally adopted in Summer 2017 at Commissioner Redmer's request.
- The Working Group thoroughly vetted and tweaked the NCOIL Model from 2017 to present. The Working Group expects to send the model to the C Committee in time for consideration at Summer Meeting in Boston.
- **STATE ADOPTION:**
  - MD and OK adopted the Draft Model Act in 2018.
  - RI is presently considering it.

# **III. How is Travel Insurance Regulated?**

*Based on DRAFT NAIC Travel Insurance Model Act, 5-31-18*

# (1) Form and Rate Filings

- Travel Insurance may be in the form of an individual, group or blanket policy (see “blanket travel insurance,” “eligible group,” and “group” insurance definitions in Section 3 of NAIC Model).
- 48 States Require travel insurance products to be filed under inland marine line of authority
- Some states (minority) require the product to be filed as A&H as well on account of medical benefits.
- Eligibility and underwriting standards for Travel Insurance may be developed and provided based on Travel Protection Plans designed for individual or identified marketing or distribution channels, provided those standards also meet the state’s underwriting standards for inland marine.

See Section 9, NAIC DRAFT “Travel Insurance Model Act” dated 5/31/18.

## (2) Producer Licensing-Limited Lines

- *Based upon NCOIL Limited Lines Travel Insurance Model Act and the NAIC Uniform Licensing Standard 34 (Limited Lines Travel Insurance Standard)-currently adopted in 48 jurisdictions.*
- *Similar licensing schemes exist in many states for self-storage unit insurance sales and portable electronic device insurance sales.*

### LIMITED LINES TRAVEL INSURANCE PRODUCER

-The Commissioner may issue a Limited Lines Travel Insurance Producer (LLTIP) License to an individual or business entity that has filed with the Commissioner an application for a LLTIP License in a form and manner prescribed by the Commissioner. Such LLTIP shall be licensed to sell, solicit or negotiate Travel Insurance through a licensed insurer.

-A Travel Retailer shall be able to **“offer and disseminate”** the Travel Insurance product provided (among other items) that the Travel Retailer: (i) has received necessary training; and (ii) appears on the LLTIP registry.

See Sections 3 and 4, NAIC DRAFT “Travel Insurance Model Act” dated 5/31/18.

# “Travel Retailer”-Registry

-A “**Travel Retailer**” who is not a licensed producer may also participate in a travel insurance transaction. A travel retailer is a business entity that makes, arranges or offers planned travel and ***may offer and disseminate*** Travel Insurance as a service to its customers ***on behalf of and under the direction of a Limited Lines Travel Insurance Producer.***

-At the time of licensure, a limited lines travel insurance producer must maintain a register of travel retailers (i.e., travel agencies or wholesalers) that may offer and disseminate travel insurance under the license of a limited lines travel insurance producer. The licensee must ensure that any registrants (i.e., travel retailers): (1) comply with 18 USC 1033; (2) undergo certain training; and (3) make appropriate disclosures.

-A travel retailer employee or authorized representative who is not licensed as a producer may not evaluate contract terms, provide advice to consumers concerning existing coverage, or hold himself out as a licensed producer, insurer, or expert.

-A limited lines travel insurance producer must assign a “designated responsible producer” (DRP) to oversee compliance of producer and its registrants. The DRP and certain officers of the limited lines producer and must comply with fingerprinting requirements in the resident state of the licensee.

See Sections 3 and 4, NAIC DRAFT “Travel Insurance Model Act” dated 5/31/18.



# Travel Retailer-Required Disclosures

See Section 4B-C, NAIC DRAFT "Travel Insurance Model Act" dated 5/31/18

Prospective Purchasers (Section 4C)	Purchasers (Section 4B)
<p>Any Travel Retailer offering or disseminating Travel Insurance <u>shall make available to prospective purchasers brochures or other written materials that have been approved by the travel insurer.</u> Such materials shall include information which, at a minimum:</p> <ul style="list-style-type: none"><li>• Provides the identity and contact information of the insurer and the Limited Lines Travel Insurance Producer;</li><li>• Explains that the purchase of Travel Insurance is not required in order to purchase any other product or service from the Travel Retailer; and</li><li>• Explains that an unlicensed Travel Retailer is permitted to provide only general information about the insurance offered by the Travel Retailer, including a description of the coverage and price, but is not qualified or authorized to answer technical questions about the terms and conditions of the insurance offered by the Travel Retailer or to evaluate the adequacy of the customer's existing</li></ul>	<p>The limited lines travel insurance producer or the travel retailer <u>MUST provide to purchasers:</u></p> <ul style="list-style-type: none"><li>• A description of the material terms or the actual material terms of the insurance coverage;</li><li>• A description of the process for filing a claim;</li><li>• A description of the review or cancellation process for the Travel Insurance policy; and</li><li>• The identity and contact information of the insurer and Limited Lines Travel Insurance Producer.</li></ul> <p>32</p>

# “Travel Administrator”

- Generally, “**Travel Administrator**” means a person who directly or indirectly underwrites, collects charges, collateral or premiums from, or adjusts or settles claims on residents of this state, in connection with Travel Insurance (see exclusions in Section 8 of NAIC DRAFT Model).
- To act as a Travel Administrator, an entity must have one of the following:
  - A P&C Producer License for activities permitted under that license;
  - A TPA license; or
  - An MGA license.
- *A limited lines producer license alone is not sufficient to act as a travel administrator under the model. Must have a P&C Producer, TPA, or MGA license.*

See Sections 3 and 8, NAIC DRAFT “Travel Insurance Model Act” dated 5/31/18.

### (3) Travel Protection Plans-Disclosures

-Insurance departments do not have authority over the non-insurance components of travel protection plans, however, Section 6 of the Draft NAIC Model Act requires that in order for travel insurance to be offered as a “bundled plan” for one price:

(1) The Travel Protection Plan must clearly disclose at or prior to time of purchase that the product includes travel insurance, travel assistance services, and cancellation fee waivers as applicable, and provides information and an opportunity at or prior to the purchase for the consumer to obtain additional information regarding each.

(2) Fulfillment materials for the Travel Protection Plan must describe and delineate the insurance and non-insurance features, must include certain travel insurance disclosures, and must include contact information for persons providing Travel Assistance Services and Cancellation Fee Waivers, as applicable.

See Section 6, NAIC DRAFT “Travel Insurance Model Act” dated 5/31/18.

## (4) Other Limitations on Sales Practices

- Unfair Trade Practices Act applies.
- Makes the offering or selling of “illusory travel insurance”-a policy that could never result in any paid claims-an unfair trade practice.
- Advertising and fulfillment materials must be consistent with policy.
- If policy contains pre-ex condition exclusion, must give information and opportunity to learn more prior to purchase, and in the fulfillment materials.
- Free Look Period-15 days post delivery, if sent by postal mail; 10 days if other means.
- If COB: Policy and fulfillment materials must disclose whether policy is primary or secondary.
- No opt-out provisions (opt-in ok).
- Marketing blanket coverage as “free” is an unfair trade practice.
- If destination jurisdiction REQUIRES travel insurance coverage, it is not an unfair trade practice to require a consumer to choose between purchasing the coverage through the travel retailer or Limited Lines Travel Insurance Producer supplying the trip or travel package OR agreeing to obtain and provide proof of coverage meeting the destination requirements obtained elsewhere prior to departure.

See Section 7, NAIC DRAFT “Travel Insurance Model Act” dated 5/31/18.

## (5) Premium Tax

- Paid only on travel insurance portion of a travel protection plan (d/n include premium for assistance services or cancellation fee waivers).
- A travel insurer must document the state of residence or principal place of business of the primary policyholder or certificate-holder.
- A travel insurer shall pay premium tax on Travel Insurance Premiums paid by any of the following:
  1. An individual primary policyholder who is a resident of this state;
  2. A primary certificate-holder who is a resident of this state who elects coverage under a Group Travel Insurance policy; or
  3. A Blanket Travel Insurance policyholder that is a resident in, or has its principal place of business or the principal place of business of an affiliate or subsidiary that has purchased Blanket Travel Insurance in this state for eligible blanket group members, subject to any apportionment rules which apply to the insurer across multiple taxing jurisdictions or that permits the insurer to allocate premium on an apportioned basis in a reasonable and equitable manner in those jurisdictions.

See Section 5, NAIC DRAFT “Travel Insurance Model Act” dated 5/31/18.

**Questions about Travel Insurance?**