

Memorandum in Support

COMMITTEE ON ANIMALS AND THE LAW

Animals # 31

May 2, 2024

S. 7845

By: Senator Breslin

A. 8276

By: M. of A.Hunter

Senate Committee: Insurance

Assembly Committee: Insurance

Effective Date: 180 days after becoming law

AN ACT to amend the insurance law, in relation to providing for the issuance of pet insurance.

LAW & SECTIONS REFERRED TO: Paragraph 34 of subsection (a) of section 1113 of the Insurance Law is renumbered paragraph 35, and a new paragraph 34 is added; the Insurance Law is amended by adding a new section 3462.

NYSBA'S COMMITTEE ON ANIMALS AND THE LAW SUPPORTS THIS LEGISLATION

This proposed legislation adds a new section 3462 to the Insurance Law to define “pet insurance,” and regulates the same by establishing a comprehensive regulatory framework for the pet insurance industry in New York State.

In 2024, American pet owners will spend an estimated One Hundred & Fifty-One Billion Dollars (\$151,000,000,000) on pet industry goods and services, at least \$40 billion of which will be paid towards veterinary care and health-related products, including pet insurance policies.¹

In 1982, the owners of “Lassie,” canine star of television and motion picture fame, purchased the first pet insurance policy issued in the United States. Today, the pet insurance

¹ American Pet Products Association, *Industry Trends and Stats, 2023-24*, <https://www.americanpetproducts.org/research-insights/industry-trends-and-stats> (last viewed 4/22/24).

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marketplace is comprised of about 25 companies, a number of which also market or underwrite multiple white label or co-branded product brands.²

Based on the North American Pet Health Industry Association’s annual State of the Industry Report, this year U.S. pet owners will pay \$3.4 billion in gross written pet insurance premiums (“GWP”).³ The pet insurance industry’s New York market share – which is second only to the State of California – will amount to approximately \$286 million. By any standard of measurement, the pet insurance industry is “big business.”

Yet, considering the typically strong emotional factor of pet ownership,⁴ legislative protection for this especially vulnerable class of insurance consumers has been virtually non-existent.

In 2014, the State of California enacted the first and, until very recently, the only consumer protection statute governing the pet insurance business.⁵ A New York pet insurance bill was introduced in 2015, and during every legislative session since that year.⁶ The obvious justification for consumer oriented legislation remains as stated in the sponsor’s memo to the Assembly bill introduced nine years ago, viz., “[c]urrently, the pet insurance industry is completely devoid of any regulation.”

The Committee on Animals and the Law **supports** the current regulatory bill S.7845 / A.8276, which would amend New York’s Insurance Law by borrowing and incorporating the important features of NAIC’s Model Pet Insurance Act.⁷ The legislation includes the Model Act’s definitions of “pet insurance” and “significant health disorders, conditions and diseases,” and mandates that a pet insurer make important disclosures to a prospective purchaser, including *inter*

² See North American Pet Health Insurance Association (NAPHIA), *State of the Industry (SOI) Report, 2023*, © May 3, 2023, https://naphia.org/wp-content/uploads/2023/05/NAPHIA-SOI2023-Report-Highlights_Public-May9.pdf (last viewed 4/22/24).

³ Based on a conservative 20% estimated rate of annual increase over the reported 3-year annual growth rate of 21.7%. See NAPHIA, *SOI Report 2023, Section 2, GWP*.

⁴ For example, eighty-five (85%) percent of American dog owners consider their pets as family members. See American Veterinary Medical Association’s (“AVMA”), *Pet Ownership and Demographics Sourcebook*, Copyright © 2018, <https://www.avma.org/sites/default/files/resources/AVMA-Pet-Demographics-Executive-Summary.pdf> (last viewed 4/22/24).

⁵ California Insurance Code, Division 2, Part 9, 12880 – 12880.6 (*Stats. 2014, Ch. 896, Sec. 1, as amended.*)

⁶ New York Assembly Bill No. A.3594, 2015-2016 Legislative Sessions.

⁷ Following publication of its 2019 white paper, *A Regulator’s Guide to Pet Insurance* (<https://content.naic.org/sites/default/files/publication-pin-op-pet-insurance.pdf>), a pet insurance working group within National Association of Insurance Commissioners’ (“NAIC”) Property and Casualty Insurance Committee was charged with the goal of developing “a model law to establish appropriate regulatory standards for the pet insurance industry.” The working group’s final draft was completed in October 2021 and, following adoption by NAIC’s Property and Casualty Insurance Committee, received the Association’s approval as The Pet Insurance Model Act.

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alia, policy exclusions for pre-existing and/or other chronic conditions and disorders; whether the insurer reduces coverage or increases premiums based on the insured's claim history, the age of the covered pet or a change of the insured's geographic location. The new section added to the Insurance Law also grants pet insurance policy purchasers the right to examine and return the policy to the insurance company or agent within 30 days of receiving the policy and to have the premium refunded.

The Act also protects against an insurer's required or non-disclosed inclusion within the pet insurance policy of "wellness" or other non-insurance benefits, and provides that the purchase of an insurer's wellness program cannot be a requirement of buying a pet insurance policy.

Adhering to the Model Act, New York's proposed pet insurance law requires insurers to confirm that their producers have been appropriately trained on the coverages and conditions of their pet insurance products.

In light of the increasing popularity of the purchase of pet insurance coverage by the pet owning public and the long-overdue regulation of the sale of pet insurance to New Yorkers, the New York State Bar Association's Committee on Animals and the Law **SUPPORTS** amending the Insurance Law to include New York's version of the Pet Insurance Model Act by the Legislature's adoption of S.7845/A. 8276.

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