

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 647

(Delegate Guyton)

Economic Matters and Environment and
Transportation

Finance

Property and Casualty Insurance – Pet Insurance – Regulation

This bill establishes a regulatory framework for pet insurance by generally adopting the National Association of Insurance Commissioner pet insurance model act. By June 1, 2025, the Maryland Insurance Administration (MIA) must develop informational material about pet insurance policies that may be disseminated to and posted by veterinary practitioners in the State. The Insurance Commissioner may adopt regulations to implement the bill. **The bill takes effect January 1, 2025, and applies to all policies and contracts of pet insurance issued, delivered, or renewed in the State on or after that date.**

Fiscal Summary

State Effect: Minimal increase in special fund revenues for MIA in FY 2025 only due from rate and form filing fees. Enforcement can be handled using existing budgeted resources.

Local Effect: The bill does not directly affect local government operations or finances.

Small Business Effect: Minimal.

Analysis

Bill Summary: In establishing the regulatory framework, the bill:

- establishes relevant definitions, including for various medical conditions and for veterinary expenses that may be covered by pet insurance;

- specifies that the bill applies to pet insurance policies or certificates that are issued to a resident of the State or sold, solicited, negotiated, or offered in the State;
- specifies that applicable provisions of the Insurance Article apply to pet insurance, unless superseded by the bill's specifications;
- requires pet insurance policies to include specified disclosures and other information for an applicant or insured;
- explicitly authorizes or prohibits certain aspects of pet insurance coverage; and specifies the circumstances under which a pet insurer may sell a pet wellness program and specifies when a pet wellness program must be considered insurance.

A more detailed discussion of the bill's requirements for pet insurance can be found below.

Required Disclosures and Information on the Policy

At the time a pet insurance policy is issued or delivered to a policyholder, the pet insurer must include specified contact information.

A pet insurer must disclose to consumers (1) all policy exclusions, including exclusions of coverage due to specified conditions or disorders; (2) any policy provision that limits coverage through a waiting period, a deductible, coinsurance, or an annual or lifetime policy limit; (3) whether the pet insurer reduces coverage or increases premium based on the insured's claim history, the age of the covered pet, or a change in the geographic location of the insured; and (4) the identity of the underwriting company if the company differs from the brand name used to market and sell the pet insurance policy.

A notice must be prominently printed on or attached to the face of a pet insurance policy that states that the policy may be canceled within 10 days after it is first delivered and, if canceled in that timeframe, a *pro rata* premium for the unexpired term of the policy must be returned to the insured. However, this does not apply if the insured has made a claim under the pet insurance policy.

A pet insurer must clearly disclose a summary description of the basis or formula it uses to determine claim payments within the policy, before issuing the policy, and on its website.

If a pet insurer uses a benefit schedule to determine claim payment under a policy, the pet insurer must clearly disclose the applicable benefit schedule in the policy and disclose all benefit schedules it uses on its website.

If a pet insurer determines claim payments based on usual and customary fees, or any other reimbursement limitation based on prevailing veterinary practitioner charges, the pet insurer must (1) include a usual and customary fee limitation provision in the policy that

clearly describes the basis for determining the fees and how the basis is applied in calculating claim payments and (2) disclose the basis on its website.

If a medical examination by a veterinary practitioner is required to begin coverage, the pet insurer must disclose the required aspects of the examination before purchase of the pet insurance policy, as specified, and disclose that examination documentation may result in a preexisting condition exclusion.

A pet insurer must clearly and prominently disclose any waiting periods and the requirements applicable to the waiting periods before purchase of the pet insurance policy.

Authorizations and Prohibitions

A pet insurer may issue policies that exclude coverage on the basis of one or more preexisting conditions with appropriate disclosure to the consumer. The pet insurer has the burden of proving that the preexisting condition exclusion applies to the condition for which a claim is made.

A pet insurer may issue a policy that imposes a waiting period before coverage under the policy begins, but only under specified circumstances and conditions, and with specified disclosure. A pet insurer that imposes a waiting period must include a provision in the policy that allows for the waiving of waiting periods on completion of a medical examination. A pet insurer may require a medical examination to be conducted after a purchase of the policy, as specified.

A pet insurer must require that an insured submit a claim under the policy after submitting payment to the veterinary practitioner for veterinary expenses. A pet insurer may not require a medical examination of the covered pet as a condition for the renewal of a policy.

A prescriptive, wellness, or noninsurance benefit included in the policy form for a pet insurance policy is part of the policy and subject to Insurance Law and regulations. A pet insurer may not condition an insured's eligibility to purchase a policy on participation, or lack of participation, in a separate wellness program.

Wellness Programs

A pet insurer or pet insurance producer may not market a wellness program as a pet insurance policy unless the marketing is done in the manner specified by the bill. Coverage included in a pet insurance policy contract defined as a "wellness" benefit is insurance.

If a wellness program contracts to indemnify or pay or provide a specified determinable amount or benefit on the occurrence of a determinable contingency, the program must be considered insurance.

Current Law: MIA and the Commissioner’s statutory and regulatory duties include, among other things, certifying insurers to operate in the State, reviewing and approving the rates and forms used by insurers, and licensing and certifying insurance professionals. MIA and the Commissioner have broad authority to enforce the requirements and prohibitions that apply to insurers and insurance professionals. For example, depending on the type of violation and following the administrative processes required by Insurance Law and regulations, the Commissioner is authorized to issue orders directing insurers or insurance professionals to take certain actions, impose administrative penalties, and suspend or revoke certifications and/or licenses.

Although State law does not include specific provisions that apply exclusively to pet insurance, MIA currently regulates pet insurance as a type of property and casualty insurance subject to existing requirements, prohibitions, authorizations, and enforcement actions by the Commissioner.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Maryland Insurance Administration; Maryland Department of Agriculture; National Association of Insurance Commissioners; Department of Legislative Services

Fiscal Note History: First Reader - February 6, 2024
km/jc Third Reader - March 19, 2024
Revised - Amendment(s) - March 19, 2024

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