
Addendum: for use with California Property & Casualty and Personal Lines online ExamFX courses and study guides version 26113en (P&C) and 22042en (Personal Lines) per exam content outline updates effective 12/6/2021.

*The following are **content additions** to supplement your existing text unless otherwise indicated:*

Homeowners Policy

D. Exclusions – additions to the existing text

While losses resulting from flooding and earth movement are excluded under homeowners policy forms, losses may be covered if a **wildfire** is the **efficient proximate cause**, meaning flooding or earth movement was a direct result of a wildfire or wildfire mitigation efforts.

Other Personal Lines Policies

E. Pet Insurance – new topic on the outline

1. Definitions

Key definitions found in pet insurance policies include, but are not limited to, the following:

- **Chronic condition** — Any physical condition that is treatable but not curable;
- **Congenital anomaly or disorder** — A physical condition present at birth, either due to inherited or environmental factors, that contributes to illness or disease;
- **Hereditary disorder** — An illness or disease resulting from a genetically transmitted abnormality from a parent to their offspring;
- **Pet insurance** — Individual or group insurance that provides coverage for veterinary expenses;
- **Pre-existing condition** — Any condition for which a veterinarian provided medical advice, a pet received medical treatment, or a pet displayed signs or symptoms of a medical condition, prior to the effective day of the policy or during the waiting period;
- **Veterinarian** — An individual licensed by the Veterinary Medical Board to practice veterinary medicine;
- **Veterinary expenses** — All costs resulting from advice, care, diagnosis, or drug treatment from a veterinarian; and
- **Waiting or affiliation period** — A period of time specified in a pet insurance policy that must pass before coverage can begin.

2. Pet Insurance Basics

Pet insurance is designed to cover veterinary expenses, which include costs associated with medical advice, diagnosis, care, and treatment provided by a veterinarian, including prescription drug costs. Pet insurance is closely related to health insurance for humans, which require a deductible be met before coverage begins.

3. Disclosure Requirements

When transacting pet insurance in the state of California, insurers must **disclose** all of the following to consumers:

- Policy exclusions (including those for pre-existing conditions, hereditary disorders, congenital anomalies or disorders, and chronic conditions);
- A statement for additional exclusions reading: "*Other exclusions may apply. Please refer to the exclusions section of the policy for more information.*"
- Provisions which limit coverage through waiting or affiliation periods, deductibles, coinsurances, or annual or lifetime policy limits;
- Reductions in coverage or premium increases based on an insured's claim history;
- A summary description of the basis or formula used for determining claim payments, customary fee limitations, and benefit schedules, either within the policy or through a link on the main page of an insurer's website;
- A benefit schedule for insurers that use a benefit schedule to determine claim payment;
- A usual and customary fee limitation provision for insurers that determine claim payments through usual and customary fees or any other reimbursement limitation;
- A free-look provision allowing an insured to return a policy within **30 days** of delivery for a full refund of premiums, unless a claim has or will be paid prior to cancellation; and
- A summary of policy provisions in a separate document, titled "*Insurer Disclosure of Important Policy Provisions:*"
 - The "*Insurer Disclosure of Important Policy Provisions*" must be provided to a policyowner of a new pet insurance upon the delivery of the policy and must be posted on the main page of the insurer's internet website.

A pet insurer that uses a benefit schedule to determine claim payment under the policy must do the following:

- Clearly disclose the applicable benefit schedule in the policy; and
- Disclose all benefit schedules used by the insurer under its pet insurance policies through a link on the main page of the insurer's internet website.

A pet insurer that determines claim payments under a pet insurance policy based on **usual and customary fees**, or any other **reimbursement limitation** based on prevailing veterinary service provider charges, must do the following:

- Include a usual and customary fee limitation provision in the policy that clearly describes the insurer's basis for determining the fees and how that basis is applied in calculating claim payments; and
- Disclose the insurer's basis for determining usual and customary fees through a link on the main page of the insurer's internet website.

Upon issuance or delivery of a pet insurance policy, an insurer must provide a policyowner with a **written disclosure** in 12-point boldface type which includes:

- The Department's mailing address, toll-free telephone number, and website address;
- The address and customer service telephone number of the insurer or the agent;
- A statement explaining that an insured should contact the Department only after consulting an insurer and not being able to reach a satisfactory resolution of the problem; and
- A statement advising an insured to contact the agent delivering the policy for further assistance.

4. Administrative Proceedings

Should the Commissioner suspect a person is in violation of the Insurance Code in relation to the sale or solicitation of pet insurance, the Commissioner may issue and serve upon that person an order containing a statement of the charges, a statement of that person's potential liability, and a notice of a hearing, which may not be less than 30 days after the notice is served. If any of the charges are found to be justified, the Commissioner will issue a **cease and desist order**. A person who violates the Code may be liable for a civil penalty of up to **\$5,000** for each violation and **\$10,000** for each willful violation.