

**STATE OF WASHINGTON
OFFICE OF THE INSURANCE COMMISSIONER**

In the Matter of

**HEALTHY PAWS PET
INSURANCE, LLC,**

Licensee.

Order No. 19-0301

WAOIC No. 756729

FEIN 27-0713117

**CONSENT ORDER
LEVYING A FINE**

This Consent Order Levying a Fine (“Order”) is entered into by the Insurance Commissioner of the state of Washington (“Insurance Commissioner”), acting pursuant to the authority set forth in RCW 48.02.060, RCW 48.17.530, and RCW 48.17.560 and Healthy Paws Pet Insurance, LLC. This Order is a public record and will be disseminated pursuant to Title 48 RCW and the Insurance Commissioner’s policies and procedures.

BASIS:

1. Healthy Paws Pet Insurance, LLC (“the Licensee”) is a resident insurance producer licensed to do business in the state of Washington and has been licensed in Washington State since January 14, 2010.
2. Licensee became a Washington resident licensed independent adjuster on January 14, 2010, and became a licensed resident surplus line broker on August 8, 2017.
3. The violations were identified during a Market Continuum Action in 2017 of ACE American Insurance Company (WAOIC 265) (“Ace”) and Indemnity Insurance Company of North America (WAOIC 58673) (“Indemnity”) conducted by the Insurance Commissioner’s Market Conduct Division (“Market Conduct”).
4. The Licensee produced policies underwritten exclusively by Ace from January 17, 2013 until June 17, 2016. From June 17, 2016 to present, the Licensee has been producing policies underwritten exclusively by Indemnity.

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Non-appointed producers

5. Neither the Licensee nor any individual producers employed at the Licensee were appointed to Indemnity from June 18, 2016 through October 3, 2016. The Licensee generated the following business: 3,465 payments, constituting \$125,908 in total premium, generating \$27,508 in total commissions, and 1,283 policies bound.

Improper Name Use

6. The Licensee sent numerous emails identifying itself as the insurer rather than Ace or Indemnity. From the Licensee's website, accessed in March 2017:

With Healthy Paws Pet Insurance & Foundation, you can give your pet the best medical care possible. Our top-rated pet insurance plan covers everything that matters including accidents, illnesses, cancer, emergency care, genetic conditions, and alternative care.

7. The website's legal disclaimer did not identify Ace by name or domicile.

8. In March 2017, Market Conduct used the Licensee's website to obtain a quote for pet insurance, and the webpage repeatedly referred to "our pet insurance policies."

9. From a June 2017 marketing email:

With over 2,000 reviews, our customers have rated us Best Pet Insurance 3 years in a row at Pet Insurance Review, Consumers Advocate, Pet Insurance Quotes and Canine Journal.

10. The same email identified the Licensee as providing the benefits:

Healthy Paws is the only company to give you unlimited lifetime benefits and an annual deductible. The best coverage and care at an affordable cost.

11. This email closed with a misleading apparent quote from a veterinarian comparing the Licensee to other pet insurance companies:

"From a veterinarian to you – get Healthy Paws! I've researched many pet insurance companies, and Healthy Paws is the best for value, customer service, and satisfaction. It's a must have for any pet parent!" – Dr. Truitt, on Pet Insurance Review

12. The email's legal disclaimer did not identify the insurer's name or domicile.

13. A 2017 brochure designed for veterinarian offices repeatedly identifies the Licensee as an insurance company:

That's where pet insurance comes in. Healthy Paws Pet Insurance combines comprehensive coverage with affordable pricing into one simple policy with no payout limits. We reimburse up to 90% of your pet's medical costs with unlimited annual and lifetime payouts.

Save up to 90% on vet bills with our #1 Customer-Rated Pet Insurance.

Healthy Paws is the #1 customer-rated pet insurance company in America, offering exceptional customer service, fast, simple claims processing, and one easy-to-understand policy. Get reimbursed for up to 90% of your vet bills with no per-incident, annual, or lifetime payout limits.

With Healthy Paws, you can visit any licensed veterinarian including specialists, emergency hospitals[,] and alternative care facilities. Once enrolled, Healthy Paws Pet Insurance coverage is continuous until cancelled, meaning there will be no gaps in service and surprise coverage changes.

14. The disclaimer on the brochure failed to identify Ace's name or domicile.

Discriminatory Promotional Offers

15. On September 8, 2017, the Licensee sent an email with the subject line "We Fetched More Savings for your pet" and contained the following language:

Get \$25 Off (No Policy Fee) and Lifetime Discounts!
Your savings will be automatically applied.
Offer expires September 15, 2017, so join today!
#1 Rated Pet Insurance from 2013 – 2017!

16. Licensee reported to Market Conduct that from January 1, 2016 through August 31, 2017, the promotional offer went to 31,600 Washington consumers. During the same period, 470 Washington consumers used the waived policy fee to purchase coverage.

17. During the same period, another 6,031 Washington consumers received a follow-up "call to purchase" email without the waived policy fee.

Healthy Paws' Affiliate Referral Program

18. Licensee maintains a Healthy Paws Affiliate referral program, whereby individuals with websites can become an “Affiliate” and promote the Licensee through online marketing on the Affiliate’s website, which in turn is tracked by number of clicks.

19. The Licensee’s “Frequently Asked Questions” page of its website contains the following information for Affiliates:

How easy is it to promote Healthy Paws Pet Insurance?

Once you join the Healthy Paws Partner Program, you’ll have access to online and self-printed marketing collateral to help you educate your audience about Healthy Paws.

Common approach to promoting Healthy Paws Pet Insurance:

Update your website with Healthy Paws links and banners.
Announce the availability of Healthy Paws Pet Insurance to constituents through email, social media, e-newsletters, direct mailings or blog articles. Healthy Paws provides many digital assets to help you engage your audience. Frequency of messaging and education is essential as pet health insurance is new to many pet parents.

How are referrals tracked and paid?

When you promote Healthy Paws through online marketing (emails, blogs, social media, banner ads, etc.), all of the tracking begins with the click of your unique Healthy Paws link or direct entry of your tracking URL

To earn the referral fee of \$35 for a completed submitted application (all information needed to underwrite the pet application including a valid credit card), the referred pet parents must be a new and unique visitor to Healthy Paws or a new and unique caller who has not been previously referred by another [Affiliate].

Healthy Paws will send out quarterly payments for all referral fees earned. For additional information, please read the terms and conditions of the Healthy Paws Partner Program when you join.

Why is Healthy Paws top-rated with pet parents?

It’s not complicated. We created a very affordable, comprehensive pet insurance plan and then backed it up with an unparalleled commitment to customer service. From a pet parent’s perspective, they clearly understand what is covered and what is not covered. They also love the fast claim reimbursements (often in 3 days or less) and compassionate interactions with the Healthy Paws team.

Below are some key differences between Healthy Paws and other pet health insurance providers:

Benefit	Healthy Paws	Other Pet Insurance Companies
Coverage for expensive hereditary and congenital conditions?	Healthy Paws does not restrict coverage for hereditary and congenital conditions	Many pet insurance companies exclude or limit expensive hereditary and congenital conditions
Reimburse policyholder on the actual veterinary bill?	Yes. Healthy Paws pays on the actual veterinary bill	Other companies will use a benefit schedule or use the term "usual and customary" which may substantially lower reimbursements to the pet parent
Any plan limits?	Healthy Paws is the only company to offer unlimited annual & lifetime payouts with an annual deductible. No caps on claims. Ever!	Most companies place per incident, per condition, annual or lifetime caps on claims. This lowers the reimbursement to the pet parent.
What do their customers say about their service?	We work hard to earn the #1 rating from pet parents on leading review sites. We're committed to delivering the best pet insurance plan on the planet!	Other companies simply have complicated plans that make it difficult for their service reps to achieve our standard of customer service.

20. By creating comparisons between the Licensee's policies and other insurers, and distributing those comparisons and other similar materials to Affiliates, who in turn are using these materials to discuss the policy terms of the Licensee's products, are making representations to the prospective insureds about the terms of these specific policies, thereby violating WAC 284-17-825(1)(c), and thus, rendering the receipt of referral compensation or fees by the Affiliates as prohibited solicitation, sale or negotiation of insurance under WAC 284-17-825(1).

Licensee Website as of April 2019

21. As of April 17, 2019, the Licensee's website has a thick gray banner at the top that

reads:

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Policies are underwritten by ACE American Insurance Company, Indemnity Insurance Company of North America, ACE Property & Casualty Insurance Company, Atlantic Employers Insurance Company, Westchester Fire Insurance Company, members of the Chubb Group.

22. The website still has statements identifying the Licensee as “Rated Best Pet Insurance.” The first tab of the webpage remains named “Our Pet Insurance.”

23. RCW 48.17.160(1) states that [a]n insurance producer or title insurance agent shall not act as an agent of an insurer unless the insurance producer or title insurance agent becomes an appointed agent of that insurer.

24. RCW 48.18.480 states that [n]o insurer shall make or permit any unfair discrimination between insureds or subjects of insurance having substantially like insuring, risk, and exposure factors, and expense elements, in the terms or conditions of any insurance contract, or in the rate or amount of premium charged therefor, or in the benefits payable or in any other rights or privileges accruing thereunder.

25. RCW 48.30.040 states that [n]o person shall knowingly make, publish, or disseminate any false, deceptive or misleading representation or advertising in the conduct of the business of insurance, or relative to the business of insurance or relative to any person engaged therein.

26. RCW 48.30.050 states that [e]very advertisement of, by, or on behalf of an insurer shall set forth the name in full of the insurer and the location of its home office or principal office, if any, in the United States (if an alien insurer).

27. RCW 48.30.060 provides that [n]o person who is not an insurer shall assume or use any name which deceptively infers or suggests that it is an insurer.

28. RCW 48.30.133(1) provides that [a]n insurance producer may give to an individual, prizes, goods, wares, gift cards, gift certificates, or merchandise not exceeding one hundred dollars in value per person in any consecutive twelve-month period for the referral of insurance business to the insurance producer, if the giving of the prizes, goods, wares, gift cards, gift certificates or merchandise is not conditioned upon the person who is referred applying for or obtaining insurance through the insurance producer.

29. RCW 48.17.010(11) defines “negotiate” to mean the act of conferring directly with, or offering advice directly to, a purchaser or prospective purchaser of a particular contract of

insurance concerning any of the substantive benefits, terms, or conditions of the contract, provided that the person engaged in that act either sells insurance or obtains insurance from insurers for purchasers.

30. RCW 48.17.010(14) defines "solicit" to mean attempting to sell insurance or asking or urging a person to apply for a particular kind of insurance from a particular insurer.

31. WAC 284-17-825(1) states that [a]n unlicensed individual who receives referral compensation under RCW 48.30.133(1) or a referral fee under RCW 48.30.133(4) is not selling, soliciting, or negotiating insurance if all of the following conditions are met:

(a) The referral compensation or fee does not depend upon whether the referral results in a purchase or sale;

(b) If insurance is purchased, the purchase is not a factor in determining the value of the referral compensation or the amount of the referral fee; and

(c) The recipient of the referral compensation or fee does not make representations to the prospective insured about the terms of or specific need for a policy.

32. WAC 284-30-670(4) states that [e]ach insurer must have standards and procedures to ensure that each consumer with whom they conduct an insurance transaction is informed of and can consistently identify the legal name of the insurer. Each insurer must provide the Insurance Commissioner with its standards and procedures and proof of its compliance upon request. The insurer must be able to show the legal name was provided when issuing policy documents, billing statements, and other written communications regarding policy services, underwriting, and claims and at the point during policy sales transactions when the company is determined.

33. RCW 48.17.530(1)(b) allows the Insurance Commissioner to place on probation, suspend, revoke, or refuse to issue or renew an adjuster's license, an insurance producer's license, a title insurance agent's license, or any surplus line broker's license, or to levy a civil penalty in accordance with RCW 48.17.560 for violating any insurance laws, or violating any rule, subpoena, or order of the Insurance Commissioner or of another state's insurance commissioner.

34. RCW 48.17.530(1)(g) allows the Insurance Commissioner to place on probation, suspend, revoke, or refuse to issue or renew an adjuster's license, an insurance producer's license, a title insurance agent's license, or any surplus line broker's license, or to levy a civil penalty in accordance with RCW 48.17.560 for having admitted or been found to have committed any insurance unfair trade practice or fraud.

35. RCW 48.17.530(1)(h) allows the Insurance Commissioner to place on probation, suspend, revoke, or refuse to issue or renew an adjuster's license, an insurance producer's license, a title insurance agent's license, or any surplus line broker's license, or to levy a civil penalty in accordance with RCW 48.17.560 for using fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness, or financial irresponsibility in this state or elsewhere.

36. RCW 48.17.560 provides after hearing or upon stipulation by the licensee or insurance education provider, and in addition to or in lieu of the suspension, revocation, or refusal to renew any such license or insurance education provider approval, the Insurance Commissioner may levy a fine upon the licensee or insurance education provider, for each offense, in an amount not more than one thousand dollars.

37. By accepting insurance business from non-appointed producers, failing to identify the legal name of the insurer, using a name that deceptively suggests that it is an insurer, issuing an email that discriminately offered a waived policy fee to purchase coverage that was not offered to consumers receiving a follow-up call during the same time period, and allowing unlicensed individuals to solicit for the Licensee, the Licensee violated RCW 48.17.160(1), RCW 48.18.480, RCW 48.30.040, RCW 48.30.050, RCW 48.30.060, WAC 284-17-825(1), WAC 284-30-670(4), RCW 48.17.530(1)(b), RCW 48.17.530(1)(g), and RCW 48.17.530(1)(h), justifying the imposition of a fine under RCW 48.17.560.

CONSENT TO ORDER:

The Insurance Commissioner of the state of Washington and the Licensee agree the best interest of the public will be served by entering into this Order. NOW, THEREFORE, the Licensee consents to the following in consideration of its desire to resolve this matter without further administrative or judicial proceedings. The Insurance Commissioner consents to settle this matter in consideration of the Licensee's payment of a fine, and upon such terms and conditions as are set forth below:

1. The Licensee acknowledges its duty to comply fully with the applicable laws of the state of Washington.
2. The Licensee consents to the entry of this Order, waives any and all hearing or other procedural rights, and further administrative or judicial challenges to this Order.

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3. By agreement of the parties, the Insurance Commissioner will impose a fine of Twenty Thousand Dollars (\$20,000.00) to be paid by **July 8, 2019**.

4. The Licensee understands and agrees that any further failure to comply with the statutes and/or regulations that are the subject of this Order constitutes grounds for further penalties, which may be imposed in direct response to further violations.

5. This Order and the violations set forth herein constitute admissible evidence that may be considered in any future action by the Insurance Commissioner involving the Licensee. However, the facts of this Order, and any provision, finding, or conclusion contained herein does not, and is not intended to, determine any factual or legal issue or have any preclusive or collateral estoppel effects in any lawsuit by any party other than the Insurance Commissioner.

EXECUTED this 25TH day of JUNE, 2019.

HEALTHY PAWS PET INSURANCE, LLC

Signature:



Printed Name:

ROBERT D. JACKSON

AGREED ORDER:

Pursuant to the foregoing factual Basis and Consent to Order, the Insurance Commissioner of the state of Washington hereby Orders as follows:

1. The Licensee shall pay a fine in the amount of Twenty Thousand Dollars (\$20,000.00), receipt of which is hereby acknowledged by the Insurance Commissioner.

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2. This Order and the violations set forth herein constitute admissible evidence that may be considered in any future action by the Insurance Commissioner involving the Licensee. However, the facts of this Order, and any provision, finding, or conclusion contained herein does not, and is not intended to, determine any factual or legal issue or have any preclusive or collateral estoppel effects in any lawsuit by any party other than the Insurance Commissioner.

ENTERED this 9th day of July, 2019.



MIKE KREIDLER
Insurance Commissioner

By and through his designee



Daniel Jacobs
Insurance Enforcement Specialist
Legal Affairs Division