

Clients often ask me about Pet Insurance. Which insurer do I recommend? My response is always the same-talk to people, come up with a list of questions to ask the insurer and do your best to find out what they will actually cover. Decide if you just want help with a catastrophic emergency or if you are looking more for an HMO type of coverage. I have enough trouble keeping current with veterinary medicine, let alone keeping up with insurance companies, so I have never made any such referrals. Now I am glad that I do not, as per the following article. (See the following article).

Here are things I would like everyone to think about. Something for nothing does not happen in a capitalist society. In New York State, it is against the professional ethics code for me to give anyone who refers a friend to me, anything other than a thank you. Yet I see this happen all of the time-send me your friends and I will give you free product or a discount. Trupanion got caught doing this. And shame on the veterinary hospitals that pushed their insurance in return for money, without even checking to see if their clients were getting a good deal.

I have recently started getting gift cards from my insurer for going for my yearly physical, doing my lab work. I would rather they decrease the cost of my insurance premiums and trust me to do what I should for my own health. Twenty dollars to see my doctor? Decrease what you charge everyone instead. If health insurance companies can afford to do this, they are charging too much. Here is one place we can definitely reduce the cost of health care. We all need to take responsibility for our own health and that of our pets. I do not recommend anything to you that I don't believe in and do for my own pets. People accuse me of being in veterinary medicine for the money. Of course I am. It is how I earn my living. But I don't try to trick you into doing something that is not necessary or suck you in with freebies that are really not free. Regards, Dr. Teresa

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Trupanion fined \$100,000 in Washington over sales tactics

Pet insurer rewarded veterinary clinics for referrals

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By [Edie Lau](#) 𠄎

An investigation by Washington state regulators into sales practices of the pet insurance company Trupanion has ended with a \$100,000 fine paid by the company for violating state laws and rules.

The state Office of the Insurance Commissioner announced Tuesday that the penalty against Trupanion Managers USA Inc. was levied for failing to insure that its producers are properly licensed and affiliated; for giving pet care providers gifts for referrals; and for knowingly accepting insurance business from unlicensed producers.

The pet care providers were veterinary clinics that participated in a program in which Trupanion awarded rewards points for activities including pet-owner referrals.

Trupanion CEO Darryl Rawlings acknowledged that the company had erred. "I don't like paying a fine," he said by phone today. "I don't like that we made a couple of sloppy mistakes. We need to do better in the future."

But the infractions and fine are relatively minor in the context of the company's overall operation and budget, he said. "To buy a license to sell insurance in 50 states costs about \$25 million. It's expensive. And maintaining those licenses have costs. This fine is an extra part of that cost," Rawlings said.

The fine was the second incurred by Trupanion in Washington within the past three years. State Insurance Commissioner Mike Kreidler in July 2016 fined Trupanion Managers \$150,000 for selling nearly 3,300 pet insurance policies through unlicensed call center



VIN News Service photo

Trupanion, founded in 2000 in Vancouver, B.C., sells pet insurance in Canada and the United States. Its headquarters are in Seattle.

employees and contracted "territory partners," totaling \$3.3 million in premiums, according to an agency [news release \(https://www.insurance.wa.gov/news/kreidler-fines-trupanion-100000-using-unlicensed-sales-partners\)](https://www.insurance.wa.gov/news/kreidler-fines-trupanion-100000-using-unlicensed-sales-partners).

At the same time, Kreidler fined Trupanion's underwriter and affiliate, American Pet Insurance Co., \$250,000 for multiple violations, including charging incorrect rates and mishandling customer complaints and policy cancellations. He suspended \$100,000 of that fine on condition that the company follow a plan to comply. But in November 2016, he imposed \$10,000 of the suspended amount because the company continued to charge incorrect rates to policyholders, the news release states.

All told, Trupanion Managers and American Pet Insurance Co., have paid \$410,000 in fines to Washington state since 2016, the company confirmed. The two entities operate under Trupanion Inc.

"I'm always concerned when those in the insurance industry commit multiple and repeat violations," Kreidler said in the news release. "I've worked closely and at length with Trupanion and American Pet and I expect their business practices to improve going forward. These violations are not difficult to fix and these laws are fairly straightforward to comply with."

The latest fine was part of a [consent order \(/apputil/image/handler.ashx?docid=9163555\)](/apputil/image/handler.ashx?docid=9163555) between Trupanion and the state that followed an investigation, begun in April 2018, into Trupanion sales strategies, including offering rewards to veterinary practices.

A list that Trupanion submitted to investigators last summer showed 53 veterinary practices in Washington participated in the rewards program, through which practices could earn points redeemable for rewards ranging from \$50 gift cards to vacations in Napa, New York City and the like.

Rawlings told the VIN News Service that the rewards were an incentive directed primarily at encouraging veterinary clinics to install and use software that enables clinics to directly bill and be paid by Trupanion for qualified expenses incurred by pet owners with Trupanion coverage. He said reward points also were given for referring new customers, but that was a minor part of the program.

Washington state rules limit insurers to giving no more than \$100 in gifts for referrals per 12-month period.

According to the consent order, between 2016 and 2018, Trupanion rewarded 11 pet care providers in the state with gifts given within one year and valued in excess of \$100. Of those 11, one provider received \$133 in gifts earned solely through points associated with referrals.

Trupanion ended the rewards program nationwide in late 2018. Rawlings [told \(/doc/?id=8781533\)](/doc/?id=8781533) VIN News at the time that the decision wasn't driven by the regulatory investigation but that the program wasn't effective.

Lawyer to veterinarians: Be careful making referrals

Participants in Trupanion's veterinary clinic rewards program were not disciplined or referred for possible disciplinary action by Washington state insurance regulators; only Trupanion was penalized. But veterinary clinics nevertheless should tread carefully when making recommendations, says Raphael Moore, general counsel of the Veterinary Information Network.

Moore has this advice for veterinarians:

- The experience your client will have with a vendor you recommend will

The insurance commissioner's office considers the rewards violation to have been Trupanion's, not the pet care providers, and as such, did not notify the state veterinary licensing board about the providers who were involved, according to Kara Klotz, an agency spokesperson.

"We disciplined Trupanion because it was their responsibility to only accept business from licensed producers," Klotz said by phone. "... Trupanion knows full well what the expectations are. This is not their first rodeo. The responsibility is on them."

In addition to exceeding the allowance for compensation for referrals, Trupanion was cited for paying reviews.com to market pet insurance and generate leads on its behalf. The entity operating the website is not licensed to sell insurance. Trupanion received 28 completed applications through reviews.com leads from April 2017 to May 2018, according to the news release from the insurance commissioner's office.

Trupanion was cited further for contracting with unlicensed and unaffiliated personnel it calls territory partners to promote its products to veterinary clinics, animal shelters and pet stores. Trupanion paid nearly \$245,000 in commissions to five unlicensed territory partners on thousands of pet insurance transactions, the news release states.

Rawlings said Washington state's stance on whether all of its territory partners must be licensed has evolved over time. Previously, he said, the state had advised the company that only those territory partners who had direct sales contact with pet owners had to be licensed; now it wants all territory partners, even those who work only with veterinary clinics, to be licensed, too.

The role of territory partners who work with veterinary clinics is to "educate staff on how to process claims, issue 30-day [free] trials [to pet owners] and educate staff on how Trupanion insurance works," Rawlings said.

He said licensing the territory partners is not difficult or expensive, amounting to \$200 per person in Washington.

Nationally, the company has 130 territory partners, Rawlings said. Trupanion does not plan to license those located in states that don't require it, he said, but if and where required, it will do so.

Asked whether Trupanion is aware of any other state investigating its practices, Rawlings replied, "If by 'investigating,' you mean that they call us and ask us a question, at any given time, any insurance company is probably under investigation by 10% of the states. There's always dialog going on."

directly reflect on you and your practice. Do you know enough about the vendor to recommend their services? Have you done your due diligence with the vendor's services sufficiently to understand what they provide, what they don't provide, their pricing, quality and nuances of their services?

- If you get compensation or reward of any type for doing the referral, is that allowed under your state's veterinary practice act? Did you fully disclose it to your client? Would you be embarrassed or feel awkward if you did?
- Did you choose the particular vendor over another because of compensation or rewards, or because of quality you know about firsthand? Was anything other than patient care a motivating factor for your referral?

If any of the questions above give you even a moment of pause, reconsider the nature of your referral. And if you decide to go forward, consider providing multiple vendor names (e.g., "Here are three dog walkers I know"), and be sure to disclose if you get anything in return for your referral.

He said one state is inquiring further about Trupanion territory partners and considering requiring that they be licensed. He declined to identify the state.

A publicly traded company, Trupanion's share price declined slightly this week, from \$33.80 Monday, before Washington state announced the regulatory fine, to \$32.81 at the close of trading today.

While the news of the fine reinforced views of company critics in the investment community, others shrugged it off.

Raphael Moore, general counsel of the Veterinary Information Network, an online community for the profession and parent of VIN News, said the size of the fine isn't much of a deterrent to bad behavior. "If the fine is intended to prevent future wrongdoings, it is a drop in the bucket and won't achieve much," he predicted.

"The 'territory partners' earned close to a quarter of a million dollars for their promotion of the pet insurance 'representing thousands of pet insurance transactions,'" he noted, quoting from the consent order.

Klotz, the state Office of the Insurance Commissioner spokesperson, said fine amounts are based upon what the law allows and the size of fines imposed for comparable violations.

Asked how Trupanion's new fine stacks up, she said, "For a producer fine, it's on the higher end. A lot of producers we fine are individual people, not agencies like this. This is a large corporate entity."

Trupanion operates in the U.S. and Canada. According to Rawlings, it insures more than 600,000 pets.

Related resources

- [Trupanion relationships with veterinarians under scrutiny \(/doc/?id=8781533\)](#) - November 1, 2018 [□ \(/doc/?id=8781533\)](#)
- [Pet insurer renounces controversial rate factor \(/doc/?id=7267126\)](#) - March 24, 2016 [□ \(/doc/?id=7267126\)](#)
- [California to require clarity in pet health insurance policies \(/doc/?id=6402802\)](#) - August 14, 2014 [□ \(/doc/?id=6402802\)](#)
- [GHLIT ends endorsement of Pets Best while severing ties with Aetna \(/doc/?id=4747967\)](#) - January 14, 2011 [□ \(/doc/?id=4747967\)](#)
- [Pets Best flap revives debate about merits of pet insurance \(/doc/?id=4348744\)](#) - December 15, 2009 [□ \(/doc/?id=4348744\)](#)
- [AVMA, GHLIT respond to VIN survey \(/doc/?id=4003863\)](#) - May 7, 2009 [□ \(/doc/?id=4003863\)](#)
- [Survey shows veterinarians wary of AVMA GHLIT-Pets Best deal \(/doc/?id=3959780\)](#) - March 23, 2009 [□ \(/doc/?id=3959780\)](#)