Individual State Agency Fiscal Note

Bill Number: 1078 HB	Title: Pet insurance	Agency: 160-Office of Insurance Commissioner

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	0.2	0.1	0.1	0.1	0.1
Account					
Insurance Commissioners Regulatory Account-State 138-1	32,631	10,156	42,787	20,312	20,312
Total $	32,631	10,156	42,787	20,312	20,312

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☐ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☒ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

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Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Section 1(6) prohibits a pet insurer from cancelling or refusing to renew a pet insurance policy based on any one or more of the following:

- The covered pet's age;
- The detection or development of a health condition during a covered policy period including, but not limited to, a chronic condition, an orthopedic condition, a congenital anomaly, a hereditary disorder; or
- Any other health condition that might overwise constitute a preexisting condition as defined in RCW 48.205.020.

Section 1(7) requires that if an insurer ceases writing pet insurance through one affiliated company and moves that business to another affiliated company, current policy holders must receive an offer of insurance from the affiliated company. Additionally, the provision prohibits the affiliated company from doing any of the following:

- Impose a waiting period on the new policy;
- Require a veterinary examination of the covered pet in order to issue or subsequently renew the policy; or
- Cancel, refuse to issue, or refuse to renew the new pet insurance policy for any reason under subsection (6).

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Section 1(6) prohibits a pet insurer from cancelling or refusing to renew a pet insurance policy based on any one or more of the following:

- The covered pet's age;
- The detection or development of a health condition during a covered policy period including, but not limited to, a chronic condition, an orthopedic condition, a congenital anomaly, a hereditary disorder; or
- Any other health condition that might overwise constitute a preexisting condition as defined in RCW 48.205.020.

Section 1(6) will require pet insurance product form filings to be updated to address the prohibitions on cancelling or renewing pet insurance policies; and will also require the revision of approximately 40% (approximately 60% of rate plans are currently updated each year) of the active pet insurance rate plans. The Office of Insurance Commissioner (OIC) will require one-time costs, in FY2026, of 8 hours of a Functional Program Analyst 4 to update filing review standards, update checklist documents and filings instructions, and train staff. There are currently 188 approved pet insurance product form filings and an estimated 11 (28 active rating plans x 40%) active pet insurance rate plans that will need to be revised. The OIC estimates it will take one hour to review each updated pet insurance policy form filing and four hours to review each revised rate plan filing requiring one-time costs of 188 hours (188 form filings x 1 hour) of a Functional Program Analyst 4 and 44 hours (11 rate plans x 4 hours) of an Actuarial Analyst 3 in FY2026.

Section 1(7) requires that if an insurer ceases writing pet insurance through one affiliated company and moves that business to another affiliated company, current policy holders must receive an offer of insurance from the affiliated company. Additionally, the provision prohibits the affiliated company from doing any of the following:

- Impose a waiting period on the new policy;
- Require a veterinary examination of the covered pet in order to issue or subsequently renew the policy; or
- Cancel, refuse to issue, or refuse to renew the new pet insurance policy for any reason under subsection (6).

The OIC anticipates the new requirements in the subsection (6) and (7) will attract additional consumer interest/market for pet insurance due to the growing nature of the market. The OIC estimates it will receive three additional insurance product filings per year and that each product filing will take 2.5 hours of review requiring 7.5 hours (3 filings x 2.5 hours) of a Functional Program Analyst 4 beginning in FY2026.

The provisions in Section 1 will lead to an increase in enforcement actions in situations where an insurer does not comply with the requirements within the bill. The OIC anticipates an average of an additional 2 enforcement cases per year to address compliance issues. For purposes of this fiscal note, it is assumed that enforcement actions will require the equivalent of approximately 40 hours per case, requiring 80 hours (2 cases x 40 hours) per year of an Insurance Attorney beginning in FY2026.

Ongoing Costs:
Salary, benefits and associated costs for .01 FTE Functional Program Analyst 4 and .05 FTE Insurance Attorney.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2026	FY 2027	2025-27	2027-29	2029-31
138-1	Insurance Commissioners Regulatory Account	State	32,631	10,156	42,787	20,312	20,312
		Total $	32,631	10,156	42,787	20,312	20,312

III. B - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	0.2	0.1	0.1	0.1	0.1
A-Salaries and Wages	19,693	6,197	25,890	12,394	12,394
B-Employee Benefits	6,412	1,928	8,340	3,856	3,856
C-Professional Service Contracts					
E-Goods and Other Services	6,526	2,031	8,557	4,062	4,062
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	32,631	10,156	42,787	20,312	20,312

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2026	FY 2027	2025-27	2027-29	2029-31
Actuarial Analyst 3	103,008	0.0		0.0		
Functional Program Analyst 4	86,712	0.1	0.0	0.1	0.0	0.0
Insurance Attorney	106,608	0.1	0.1	0.1	0.1	0.1
Total FTEs		0.2	0.1	0.1	0.1	0.1

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.