

Pet Insurance

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Pet Insurance

“The first pet insurance policy in the United States was offered to the television star Lassie in 1982” (Pet Care Rx). For many years only star pets were covered under pet insurance. Between the 1990’s and 2000’s many companies started offering policies for household pets in the United States. As of 2014, around 1.4 million pets in the United States and Canada were covered under pet insurance (Consumer Reports). Over the years, family pets have started to be seen as members of the family. As this trend continues to rise so will the need for pet insurance.

What is Pet Insurance?

“Pet insurance or pet health insurance helps pay the cost of medical expenses if your pet becomes ill or has an accident” (Pet Insurance University). Pet insurance can be compared to health insurance for people. It can help to pay for medical expense for pets, such as; illnesses, accidents, and even checkups and vaccinations. Pet insurance serves the same purpose as all insurance policies. The insured will agree to pay a small certain loss (premiums) in exchange for peace of mind that they will be covered for a large uncertain loss. For pet insurance, insureds will buy policies that will cover the cost of vet and hospital bills, so their pet will be covered if there is an emergency. With the rising cost of veterinary services, pet insurance has become a way for people to afford the care that pets require.

How does Pet Insurance work?

According to a Huffington Post Article written by Jason Alderman “Pet insurance shares many features with human health insurance: Policies typically have monthly premiums, annual deductibles, copayments and exclusions.” Even though pet insurance can seem very similar to human health insurance there is one key difference between the two; pet insurance runs on a

reimbursement based system (Pet First Pet Insurance) whereas, health insurance for humans is paid by the provider directly.

According to Healthypaws.com there are a few basic steps that all pet insurance plans have in common. Policy owners must:

1. Choose a deductible: usually per incident or per year
2. Select a reimbursement level or co-pay percentage
3. Pay for coverage on a monthly basis
4. Seek treatment at any licensed vet
5. Pay the vet directly, then get reimbursed for covered treatment by the pet insurance company after submitting a claim

With human health insurance, the insured will buy a plan and the insurance company agrees to pay all or part of their medical expenses (Benefit Brokers). The insured will pay a premium and in exchange the insurance company will pay a portion of the cost while the insured pays for a portion of the expense through co-pays and deductibles.

Pet insurance is set up differently from human health insurance. The insured buys a policy and the insurance company agrees to reimburse the insured for covered medical expenses for their pets. If the pet needs care, the insured will go to a vet or animal hospital and will pay any costs out of pocket. They will then file a claim and the insurance company will reimburse them for any covered loss. The insured may still have a deductible that they need to pay before the insurance company will cover a loss. Pet insurance policies do not always have a 100% reimbursement level so the insured may only be reimbursed for a portion of their loss.

What is covered?

There are many levels of pet insurance coverage offered by multiple companies. One insurance company has three levels of coverage. They have a basic coverage that covers wellness exams and tests, flea/heartworm prevention, and vaccinations. The next level covers exams, lab tests, x-rays, prescriptions, surgeries and hospitalization, chronic conditions, and some hereditary conditions. The most expensive level covers exams, lab tests, X-rays, prescriptions, surgeries and hospitalizations, chronic conditions, hereditary conditions, wellness, and more. (Pet insurance buyers guide)

A second company has a variety of coverages as well. The first coverage they have is an Accidents and Illnesses Coverage that will cover all kinds of injuries and any emergency related accidents. Their next coverage is preventive care which provides services to help prevent pets from getting sick. This coverage includes annual exams, vaccines, flea and heartworm prevention, yearly dental cleanings, and more. There are also coverages for chronic and ongoing conditions, hereditary and congenital conditions, alternative therapies, and behavioral issues.

No matter which company is chosen, there are two basic types of coverages that are offered by most. The first is for preventive care that provides coverages for costs like annual checkups and vaccinations. The second covers accidents such as emergency visits.

There are some coverages that no companies will provide. No pet insurance plan provides coverages for pre-existing conditions and many companies will not cover breed specific conditions such as hip dysplasia in retrievers (Pup Life).

What are the costs?

The cost of an annual vet visit can be hundreds of dollars. Just to see the vet can be \$45-\$55. Vaccine boosters can run from \$18-\$25 per shot, heart worm tests are \$45-\$50, and fecal exams are around \$25-\$45. Other veterinary services can cost even more. A dental cleaning can

run from \$70-\$400 and if a pet were to need surgery the cost could reach thousands of dollars.¹
(Pet Care Rx)

Some pet insurance policies cover accidents only. According to an article written by Mandy Walker for Consumer Reports, the annual cost of accident policies is around \$158 for a dog and \$132 for a cat. The annual cost for a policy with both accident and annual care can be \$473 for dogs and \$285 for cats. The cost can also vary greatly based on the age of the animal.

Pros and Cons?

According to Pet Care Rx there are both pros and cons to having pet insurance. The cost of veterinary care has increased due new technologies and better treatment options. The pros of having pet insurance include, being able to afford expensive treatment, customized coverages and, only paying according to the risk a pet presents to a company. Pet insurance allows these costs to be more affordable for more people. Many insurers allow people to pick and choose coverages so they can have plans that work best for their pets. The risk a pet presents to an insurer determines what a person will be charged. A younger pet with few health issues will require a lower premium than an older pet with multiple health issues.

The cons include possibly paying more for the insurance than you will get back, difficulty of obtaining insurance for many pets, and agreeing to treatments that aren't in the pet's best interest. With many conditions such as breed-specific and pre-existing conditions not being covered many people will have difficulty finding coverage for their pets. Most coverages provide payment if something goes wrong, if the pet has an emergency or develops a life threatening condition and needs surgery. If a pet never needs this type of care than it can seem as if the policy owner will have paid more for the policy than they received back. However, the

¹ *The listed numbers are basic national averages. Veterinary costs can vary greatly depending on location and choice of clinic.

policy owner has purchased peace of mind knowing that if something were to happen to their pet they would be covered.

Alternative

An alternative to pet insurance is to have a savings account set up to pay medical expenses. Some people may decide that the cost of pet insurance is greater than the benefit it provides. Instead of spending money on premiums each month some people will choose to take that money and place it into a savings account. This money can then be used to cover any unexpected expenses. There are risks associated with this option. If a loss comes at the beginning of pet ownership there may not be enough money in the account to cover a loss. There is also the possibility that more than one loss will happen in a short amount of time and there is only enough saved to cover one loss. Finally it might happen that the money will be spent on other costs.

Conclusion

With rising cost of veterinarian services and the continued importance placed human on pet care, pet insurance has gained an important role in the insurance industry. In less than 40 years pet insurance has gone from insuring only famous pets, such as Lassie, to many companies offering plans for household pets. The pet insurance industry will likely continue to grow as people continue to place more importance on the wellbeing of their pets.

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