

Chapter 7: Pet insurance: Safeguarding the health and well-being of your companion animals

7.1. Introduction to Pet Insurance

Pet insurance is a special form of medical insurance that covers the expenses associated with your pet's medical treatment for illnesses and accidents. The pet medical insurance market is rapidly growing, as reflected in the increasing numbers of pet owners who are exploring the demand for commercial pet insurance. Currently, pet medical insurance is routinely utilized by less than 2% of pet owners. This is especially due to the large costs associated with pet insurance. With recent developments in veterinary medical care, the scope of medical services provided and costs associated with such services have also grown tremendously. In this context, the commercial pet insurance market offers attractive incentives for pet owners, helping to finance and share the increasing costs of companion animal healthcare. Major associated pros include; the peace of mind knowing that medical expenses will be covered in case your pet undergoes some unfortunate ailment, the rehabilitation of your pet without worrying about the costs when ideal treatments are offered, a tendency of pet owners to take their pet to the veterinarian more often, which ultimately leads to early detection of potential issues, policies that cover behavioral treatments and some special veterinary alternative treatments, and pet insurance companies that offer assist programs for people with no experience with pets or financial trouble to help cover costs in exchange for allowed support of adoption and spay/neuter programs. Major cons are; some insurance companies do not reimburse for holistic or alternative therapies, some companies may not cover pre-existing conditions, making it difficult to switch from one policy to another and some companies require that clients pay the bills upfront before reimbursement occurs (Becker et al., 2022; Blackwell & O'Reilly, 2023; Forrest et al., 2023).

Behavioral treatments can be either short or long-term depending on the specific behavioral disease being addressed, the owner's commitment to working with the animal and the response to the particular treatment being implemented. In general, one of the motivations for pet owners seeking out behavioral treatments could be to improve the

pet’s quality of life. Many inappropriate behaviors by animals from digging to shedding to vocalizing to urination and other forms of elimination threaten human-animal bond and can also result in reduced quality of life for both the human and animal. Some pet insurance companies also offer coverage for pet liability and third-party pet liability in addition to pet health insurance, as the owner may be liable if the pet accidentally causes bodily injury or property damage to a third party, as well as pet loss or theft. These types of policies usually fall under the heading of pet liability insurance. Pet health insurance, which is somewhat comparable to human health insurance, may cover surgeries and accidents, but not routine check-ups and vaccinations, or other preventative care (Jegatheesan et al., 2023; McDowall et al., 2023; Wu et al., 2023)



Fig 7.1: Pet Insurance

7.1.1. Behavioral Treatments

Behavioral treatments may involve short- or long-term use of anti-anxiety or antidepressant medications but they generally require the owner to undergo some type of training or participate in some behavioral modification with the pet. Behaviors requiring these treatments often have underlying causes, usually an anxiety-based or fearful stimulus. These could include certain phobias, such as thunderstorms or car rides; separation anxiety from the owner or fear of being left alone; compulsive behaviors such as excessive licking or scratching; and inappropriate elimination, usually urination, either fear-based or related to a medical condition. Animals can exhibit certain types of aggression due to behavioral issues, usually fear-based but sometimes as a result of a medical problem, and may require behavioral modification to attempt to resolve that aggression or at least minimize its effects on others.

7.2. History of Pet Insurance

Traditionally, pet insurance is a kind of insurance that focuses on paying for the veterinary bills of various pets. It can be traced back to the 1st century and the Roman Empire's Helvetii when people making a profit from their animals would sacrifice a small goat for its good fortune in protecting their cattle. The first pet insurance came from the 19th century and thereafter in Sweden, and it was a kind of insurance policy that protected the owner against the death of the animal. The first pet insurance in modern times started in 1892. It is a more formal insurance that covers the dog diseases and other liabilities involved in having a dog. The company was known as the Fidelity and Casualty Company of New York. In England, pet insurance was established with the help of a Scottish and an English company. The two companies were known as British America and the Guardian Insurance company. Today, pet insurance is extremely common in Europe, because of the fact that the costs of veterinary bills are expensive, and most veterinary clinics offer a range of services and advanced surgeries by specialists.

Pet insurance companies will reimburse the client for some or all of the veterinary expenses incurred during the treatment of the insured patient's ill health, although not all companies provide the same cover.

7.3. Types of Pet Insurance Plans

Pet insurance plans can generally be divided into two categories: accident-only plans or comprehensive plans. Accident-only plans are the simplest type of pet insurance. These plans are designed to minimize costs while still providing broad coverage. Examples

include pet insurance for specific accidents like fractures, snake bites, and automobile accidents. Because accidents occur so frequently, many pet insurance companies also offer liability coverage to protect you against claims from others. This form of pet insurance protects you from liability claims for damage resulting from injuries caused by your pet. Comprehensive insurance plans are similar to standard accident plans for “traditional” insurance. Generally, they cover a wide variety of common elective and other procedures, and are customized, at the patient’s request, to cover specific needs and risk exposures. We are all familiar with “traditional” comprehensive plans that cover most elective procedures like dental cleanings, and other procedures like X-rays, wellness exams, and certain emergencies. Most comprehensive plans also have a deductible and/or co-pay feature. Generally, specialty insurance plans cover rare diseases or conditions, but this is not always true. Specialty plans for pets are sometimes available as part of a traditional comprehensive plan. However, these options are usually provided as separate riders. Choosing a rider for specific risks can be a good option for the pet owner, provided the rider option covers the potential medical risks for your particular pet. Before selecting a comprehensive plan, we recommend you check to see whether other special need coverage options are available. As well, you should also carefully read the policy to understand how claims are handled, so that you can be prepared if something happens. If you understand the policy, your pet will be in good hands, no matter which accident you encounter.

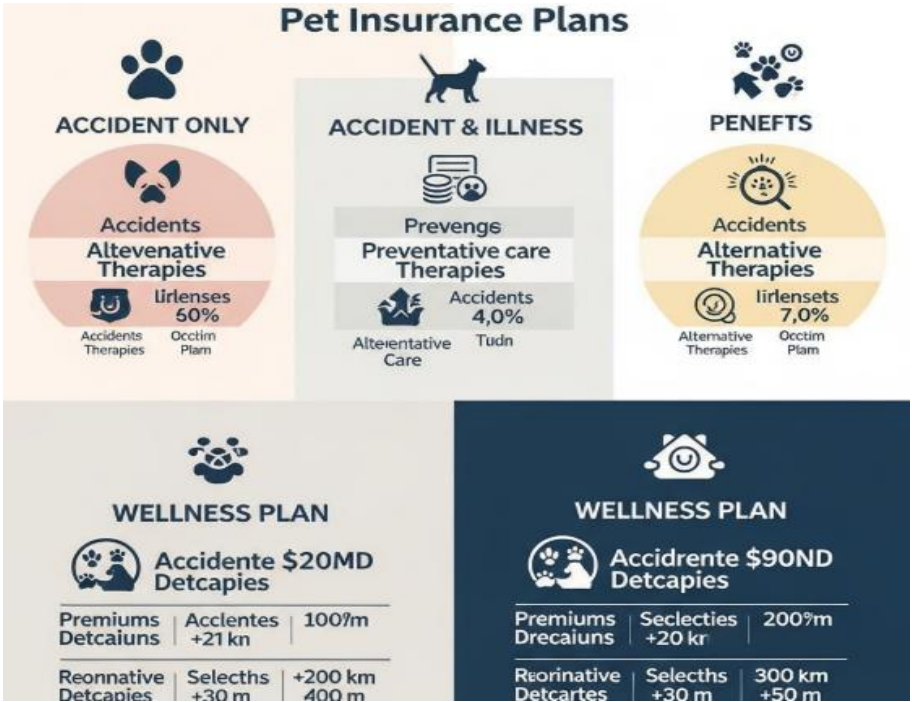


Fig 7.2: Types of Pet Insurance Plans

7.3.1. Accident-Only Plans

You should now have a good understanding of what a pet insurance product entails and how it operates. Now, we provide specifics about the two key types of pet insurance plans currently sold in the marketplace. Which one you ultimately select will depend on your goals and the specific product features of either type that attract you. There are two main types of pet insurance plans – accident-only and comprehensive. Most people will select a comprehensive plan. However, some people opt for just accident-only coverage because they wish to begin insuring their pet, but only for accidents at first, because they do not want to pay high premiums during the early years of their pet's life, when it is healthy and unlikely to sustain any serious injuries.

The most straightforward type of pet insurance plan is the accident-only plan. These plans cover only expenses arising from accidents. Thus, they are good only for sudden and severe injuries, such as broken bones, gunshot wounds, or bite wounds. Car accidents, animal attacks, falls, or other unforeseen events usually cause these kinds of injuries. The only type of animals that should be covered in this way are those that have not matured yet, have no family history of heritable diseases, and have completed their vaccinations and reached adulthood without having sustained any illness. Pet owners insuring young pets often safely opt for accident-only insurance because the likelihood that the pet will develop some congenital or juvenile disease before this insurance plan expires is low.

The premiums for accident-only plans are cheap – thus the attraction – but these plans contain some potential drawbacks, too. First, despite their low premiums, accident-only plans can still be somewhat pricey for some pet owners, especially for low-income families or individuals. Second, the coverage provided under these plans is meager. It offers no help with common, mild ailments that virtually every single pet develops during its lifetime. If an owner of a young pet is especially risk-averse or wants to have the greatest peace of mind possible, it is a good idea for him or her to consider purchasing comprehensive pet insurance.

7.3.2. Comprehensive Plans

Comprehensive plans cover a range of costs associated with injuries, illnesses, and routine care. These are the plans that more owners are enrolling in. These plans are usually preferred among pet owners; however, pet owners most often find their service to be deficient. Comprehensive plans usually pick up the tab for more than just accidents; they more frequently cover illnesses and do not charge more for regular treatments that keep your pet healthy. However, you must spend time comparing the accidents that each company covers. Some companies, or types of plans, distinguish themselves from the

rest of the pack by covering certain parts of the body for an accident that happens over a specific time, while others cover only specific bodily accident or illness concerns. If you have a unique pet and face a high risk of accident or illness, the pet insurance company that covers these needs most thoroughly, and provides the best prices, may be the right choice, regardless of how "comprehensive" its plan name or label has made it sound.

A comprehensive plan is frequently missing details that reflect a company's focus on treating specific types of difficulties within pet care. Comprehensive plans that also include wellness plans, with regular funding included for general preventive visits, offer the most complete and thorough coverage, since they address both long-term preventive costs in general and the specific costs involved with more immediate accidents or illnesses. Pet owners should keep in mind that plans with wellness coverage often cost more than plans without it.

7.4. Benefits of Pet Insurance

While paying for pet insurance adds to the monthly budget item, it can actually be a money saver in certain cases. For every initial cost incurred through premiums, pet owners avoid out-of-pocket expenses and receive reimbursement after a claim. Insurers are stepping up to offer more coverage options that pet owners want, and are developing minor innovations that make their services stand out. These innovative features reflect the rapid industry digitization, as insurers are offering embedded pet insurance in addition to the traditional major medical option. Pet insurance generally covers accidents, emergencies, and treatments, so policies available almost universally offer some or all of these. A few examples of what these benefits can include are listed here. Vet visits and consultations; Some policies cover your visit to your vet. If your pet requires a general exam or is feeling sick, you will likely get reimbursed for the visit. However, keep in mind that not all policies cover these visits, so be sure to double-check with your insurance company before filing a claim; Vaccinations and routine check-ups; Some pet insurers offer wellness plans that cover vaccinations for rabies, Lyme disease, or distemper and parvovirus. These wellness plans also might cover routine check-ups for your pet. For instance, you could get as much as per visit with an optional wellness plan; Treatments for dental problems; You could be reimbursed for dental treatments if your dog needs to get extractions during surgery or must have a root canal due to infection. However, some pet insurers typically won't cover dental care unless it's associated with a more serious medical issue, like an accident. So, make sure to check with your insurer before filing any claims regarding dental issues.

7.4.1. Financial Protection

As is the case for many types of insurance, pet insurance has become available because individuals have determined that they do not want to assume the financial risks associated with certain unfortunate but possible events. In health care for people, some of the financial risks are the costs of annual and preventive care but, more importantly, the costs of treatment in the event of a catastrophic health outcome, whether that is a serious accident that involves long hospitalization or, more likely in the current health environment, an expensive and prolonged illness, particularly illness involving hospitalization. In the case of pet insurance, most owners are willing to have some responsibility for the annual and preventive care costs of keeping a pet healthy and are primarily seeking protection against exorbitant costs of treating a pet that has been seriously injured or becomes seriously ill. Unlike human health care, with its focus on the highest-cost, catastrophic events, veterinary care has relatively few of these catastrophic costs. However, treatment of some types of emergencies or catastrophic illnesses, particularly cancers, can cost thousands of dollars. Like their human-owner counterparts, companion animals are being treated more than in times past for serious accidents and illnesses that are costly.

Both routine preventive care and treatment of accidents and catastrophic illnesses may become increasingly costly in coming years. The veterinary profession itself is growing concern that a shortage of veterinarians, partly caused by the enormous educational debt of new veterinarians, will increase the cost of care. Economic forces on the medical side, as well as ongoing discussions and potential decisions regarding restrictions on medications and other supplies for animals manufactured by or allocated by the companies that produce these products for people, will also affect pet care costs. It is therefore not surprising that the number of pets being insured is increasing.

7.4.2. Access to Quality Care

Pet insurance has a long history in the United Kingdom, dating back to 1890 when an insurance policy was offered by a British insurance company. However, it was not until the late 1990s and the early 2000s that pet insurance became an option for pet owners in North America. Since then, it has become a widespread option, with approximately 2 million pets insured in Canada and close to 1 million in the US. Today, more pet insurance companies exist than in earlier years, expanding the coverage options and prices of different pet insurance plans.

Pet insurance enables pet owners to provide the best care available for their animals, whether from routine wellness or emergency medical procedures. By alleviating the financial burden that can accompany veterinary bills, pet insurance gives pet owners

more options when it comes to treating their sick or injured animals. Ideally, pets will receive wellness checks for preventative care; however, if they do develop a serious illness, pet insurance helps alleviate financial concerns, allowing owners to take their pets to a specialist for treatment. These specialists and their medical bills, especially in the case of cancer, can entail up to hundreds of thousands of dollars, making pet insurance a necessity for many pet owners. In fact, many consider pet insurance a requirement if they want to take their pet to a specialist surgeon.

The insurance company underwriters, or insurers, specialize in certain animal species, such as dogs or cats. The underwriter assesses the specific considerations, risks, characteristic health problems, and insurance exposures when determining the conditions under which the insurance would be issued. Each individual risk is rated depending on its own merits, with insurance rates determined largely by the relative cost of veterinary treatment. After consultation with veterinarians, and taking the historical claims provided, insurance rates are determined for group rating.

7.4.3. Peace of Mind for Pet Owners

Pet insurance provides peace of mind for families who feel anxious about unexpected accidents and illnesses. Coverage provides owners with the knowledge that when there is a sudden turn of ill health or injury to their pet, they can provide their pet with the care it needs without worrying about the expense. The anxiety of sudden costs is greatly relieved, allowing owners to concentrate on the issue at hand and not the financial implications of the necessary treatment. Knowing that a pet will not suffer the consequences of delays in treatment while a veterinarian explores various less costly options may make a critical difference in a pet's outcome in life-threatening situations. And knowing that treatment costs will not become a financial burden for the owners can also relieve pressure on the veterinary practice, allowing them the freedom to treat a patient as they see fit. Pet owners who carry insurance on their pets do so for a variety of reasons. Animal lovers do so to help minimize the costs involved in caring for their companions.

They want the best in veterinary care for their pets, with no thought to expense. They want peace of mind when deciding to purchase that new puppy or kitten to join the family. But while they are very willing to spend money on their new acquisition, they realize that pet ownership involves not only the initial expense, but an ongoing expense during the pet's lifetime. Getting started with a pet insurance policy requires a certain amount of research. With so many companies now offering pet health insurance, pet owners should shop around, comparing what each policy offers as benefits against what it costs. It can be a bit overwhelming as policies may differ. Some policies may cover accidents and illnesses, while others may cover expenses only for illness. Some may

cover a significant portion of the bill, while others may only offer a minimal reimbursement. Some may have set dollar caps on what they will pay for a yearly claim, while others might be more liberal.

7.5. Common Exclusions in Pet Insurance Policies

In order to reduce their risks, pet insurers commonly exclude certain conditions from the coverage, especially those conditions that are beyond their control or that tend to be costly. Familiarity with common exclusions can help pet guardians better compare policies when shopping for insurance.

Pre-existing Conditions

Pet insurers typically do not cover any bodily injury or illness that occurs before the coverage start date, especially if the condition is not disclosed when applying for coverage. However, pet guardians would do well to check with their state department of insurance regarding their state’s laws on this issue. Some states have laws that restrict the use of pre-existing condition exclusions and their duration, thereby enabling pet guardians to seek treatment for their pets without worrying about facing problems with reimbursements or denied claims.

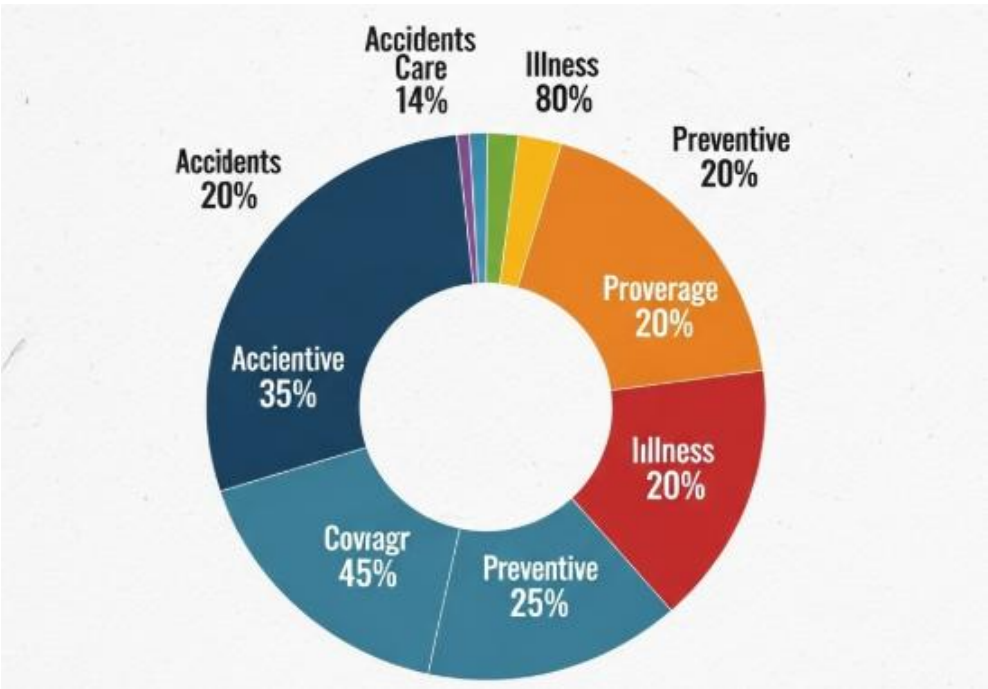


Fig : Safeguarding the Health and Well-Being of Your Companion Animals

The purpose of pet insurance is to protect pet owners from large and unexpected veterinary bills that arise from using veterinary services to maintain or improve a pet's health. Cosmetic procedures are typically not of that nature. Pet insurers generally do not cover any procedure that is not considered medically necessary to improve the health of a pet or to prevent a serious debilitation of bodily function. Common cosmetic procedures not covered by pet insurance include teeth cleaning and tooth polishing, desexing, ear cropping, tail docking, and dewclaw removal. If a pet guardian wants such procedures for their pet, they will have to make arrangements for those procedures to be performed at their own expense.

7.5.1. Pre-existing Conditions

Pet insurance policies typically limit who is eligible for coverage, including age and breed. Insurers place caps on the amount of coverage for certain age-related risks, such as spaying or neutering, dental care, and hip dysplasia. Some pet owners may find it easier to purchase coverage for wellness care only and pay for more costly emergency treatment. Additionally, pet policies may contain monetary caps on the amount the company will pay for repeated treatment of chronic or recurring conditions. For example, if your pet suffers from chronic ear infections, the company may only pay for two treatments each year and only up to a certain amount annually. Not all policies have waiting periods, but commonly the most exclusions occur during the first 30 days of coverage.

Shared health issues among specific dog breeds exist, such as hip dysplasia (larger, heavier breeds) and eye issues (Bulldogs and Tiny Toy Poodles). Breed-based rear leg issues often come under scrutiny from insurers as the pet ages. Other common exclusions are adverse reactions from vaccinations; certain congenital conditions; external parasites; certain diseases; orthopedics; pregnancy or whelping; littering; and other exams or procedures that are not related to illness, injury, or accident. Finally, commercial breeders/inbreeders may consider only severely ill animals worth treatment and nursing care, so these particular limitations should be closely examined.

The phrase "pre-existing condition" refers to a medical condition that existed before an insurance company provided coverage. It explains the disparity between pet insurance and health insurance for people. Pet health insurers have little expectation of long-term coverage; after all, no one can afford to get sick, regardless of the insurance you have. If a dog suffers a catastrophic accident or illness, but is otherwise healthy, the owner will activate the insurance policy. The pet lives for many more years and the insurance company pays for some coverable care that is enormously expensive. The insurance companies rely on the laws of probability and mathematics to make a profit.

7.5.2. Cosmetic Procedures

Though it's impossible to deny that certain cosmetic procedures are done in animals, it is unclear why pet owners believe their dogs want to be more aesthetically "pleasing." Whether they believe matching their dog with different haircuts makes them cooler or some of these owners just want to have dogs who are superficial and look fake, it is still not the actual motivation of the animal. Pet insurance would be skeptical in covering such procedures, or insurance may just ask questions regarding the motivation behind that condition.

Ear cropping is a procedure done to make the ears of a specific breed more erect. Generally done on puppies, cropping consists of removing part of the ear flap and/or reshaping the cartilage to give the desired look. Some experts believe that this procedure has a history of protecting these animals when they were in the ring and they presented more threatening looks. Others just believe that by not having longer ears that are vulnerable to injury, the dog would be able to function better amongst the snakes while hunting and thus be more beneficial to the owner. In these cases, pet insurance is usually available if the motivation for the procedure is because of function and not just aesthetics.

Other procedures done in dogs are called "dental surgery." But pet insurances are usually available for cases where the animal is suffering internal pain.

7.6. Conclusion

The bond between humans and companion animals is one of the most unique biocultural relationships on earth. Animals have evolved with us and are a source of support, comfort, and help with physical and emotional well-being. Companion animals are family and by supporting their health and welfare through the loss prevention strategies of vaccination, nutrition, exercise, socialization, and preventive veterinary care, we lengthen the lives of our loved ones. We go to great lengths to keep our animals healthy and happy, and sometimes disaster strikes and our companions become ill or injured. We make decisions at these emotional moments that often put us at personal financial risk because of the costs of care. Pet insurance is one strategy that families can adopt to offload some or all of the risk of expenditures for needed veterinary care. Pet insurance policies differ from one another, and it is crucial to fully understand the details of a policy before selecting one.

As more animals enter homes as family members, the veterinary care for small animal pets is increasing if only in response to expected higher lifetime care costs associated with their relatively greater longevity and a higher demand for services due to larger population numbers. Managing the financial risks associated with caring for our animals

will require better access to insurance relative to demand, including the wide adoption of policies underwritten at all levels of care such that it is affordable for family budgets. Similarly, if we in the veterinary profession are to be of help in managing risk, we must promulgate better educational messaging about how to incorporate pet care insurance into family budgets. There are also other emerging trends in animal health and wellness, including outright exotic or luxury costs for novel therapies, such as stem cell therapy and perfusion or even cloning, that municipalities, animal non-profit organizations, and the veterinary profession will have to consider in providing health and wellness care and education to the community.

7.6.1. Emerging Trends

Pet owners are fortunately increasingly considering that safeguarding their companion animals from unexpected, large, or catastrophic expenses associated with serious health problems through purchase of insurance policies is important. They are also becoming aware of the possibility of comparing and selecting pet insurance products among multiple insurers, or engaging in retrospective evaluations of their purchasing choices. This will lead them to demand more sophisticated pet insurance services from insurers both in coverage and in price, which will affect the future pet insurance market, pushing it toward low premium-high coverage types. It thus becomes important for both pet owners and potential insurers to explore emerging trends in pet insurance. In addition to demand-side influences, the supply side contributes to shaping the future pet insurance market. As is often the case with the development of insurance business, if the emerging demand is met by competitive supply from multiple carriers, appropriate adjustment of demand and supply may occur, making the market develop smoothly. The suppliers are generally well-informed and their supply efforts include not only policy design and computation of premiums, but also active undertakings providing pet owners with insurance education and increasing their awareness of the existence of such products. In addition, premium computation involves estimation of the loss function and hence prediction of demand. Increased operational experience on the expenditure incurred will improve prediction accuracy and result in gradual but erratic improvements in the design of various types of pet insurance products. Therefore, the trends observed on the development of demand and supply a few steps ahead in the operation of pet insurance are relevant to both pet owners and potential insurers.

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