

Pet Insurance — Simplified

including:

The Five Things Pet Insurance Companies Don't Want You To Know

By: Dr. B — Dr. Bruce Bauersfeld, D.V.M.¹

Past Chairman of The Board — Veterinary Pet Insurance Company

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He was instrumental in the development of the very first veterinary pet insurance company in the United States [VPI — The Veterinary Pet Insurance Company]. He was one of the five original founding directors, and served as the Chairman of the Board at that Company during its first 10 years of growth.

“It is from that perspective that this article was inspired, and from a deep love of my patients, a profound respect for their owners, and a never ending pride in my profession that I share my insights in this article.”— Dr. B...

Disclaimer: The opinions and experiences expressed and documented in this article are those exclusively of the author and are in no way intended to represent policies or opinions of the Veterinary Pet Insurance company, the Nationwide Insurance Company, or any other insurance company named or unnamed in this article.

The author no longer has any financial, intellectual, or proprietary relationship with any insurance company.

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Pet Insurance

The Benefits of Pet Insurance

Just like everything else, the cost of pet care continues to rise. The realization that future expenses for our pets are inevitable is a major step making sure that we can take care of them. Because I live with a mini flock of Bernese Mountain Dogs, I personally have discovered that I need to budget their expenses into my life. One way to look at pet insurance is to add it to your budget and recognize that it is a valuable tool in controlling your expenses.

By definition the purpose of insurance is to provide coverage or remuneration for potential but unexpected expenses of an unknown severity or duration. With that in mind, if we factor it into our budget, pet insurance becomes a means and an ally to help us best take care of our pets.

Many years ago, when I started veterinary practice, there were no pet insurance companies. A few progressive veterinarians offered package plans or prepaid plans for their patients, but these practices never really caught on for a myriad of reasons.

The concept and benefits of a “third-party” payment for medical services is well-founded and obviously needed for our pets and their owners who are endowed with the financial responsibility for keeping our loving pets happy healthy and running around the house.

You may thank a of a handful of Veterinarians in Southern California for their vision determination and love of their patients, that led them to launch the first successful pet insurance program in this country. The Veterinary Pet Insurance Company (VPI) is not only the first but is now the oldest and the largest pet insurance company in the US. I'm proud to say that I was a part of that initial effort and served as chairman of the board of VPI for the first 10 years of its existence. VPI's acquisition by Nationwide Insurance Company foreshadows its continued growth and competitive presence in the expanding pet insurance industry.

Since the day “Pet Insurance Was Born” at the Los Angeles Press Club, and VPI issued *Lassie* policy #1, a myriad of companies have entered the market with twice as many products giving you and your pet many choices. Choices

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are good. The problem is not the choices, but rather the marketing that seems to blur the distinctions of the real benefits of the programs. All too often, it seems we're faced with trying to compare apples with oranges and confusion and frustration arises.

I believe that pet insurance is an important tool and plays an integral role in giving your pet a long pain free life and in making you worry free. To that end, my goal is to give you a clear understanding of your choices and the benefits of pet insurance so that you can make an informed decision that will be perfect for you and your pet.

Exclusions

Hereditary and Congenital Diseases

This is a **Big Red Flag**. If the company excludes hereditary and/or congenital² diseases, be careful. If there is not a specific itemized exclusion list in your policy, you might have a problem. There was a period of time when the pet insurance companies seemed to go overboard denying claims for pets — by using this exclusion. While it is true that the list of inheritable diseases is longer and more completely defined for purebred dogs and cats, mixed breed patients can still have claims easily denied under this category.

For example, dogs, especially large dogs, are subject to conditions such as hip dysplasia, kittens heart murmurs. The common underlying causes of these conditions are recognized as hereditary or congenital in these patients.

In my opinion, this exclusion is horrible. It should not be included in any policy — Ever! I would strongly recommend you not support any company that implements this exclusion. It is totally misleading and gives their claims department Carte Blanche authority to exclude pretty much anything they want anytime they want. I know I'm being harsh — but I have seen it!

How would you like to take your son or daughter to your doctor and be told that their allergies are hereditary and your insurance won't cover them! I can't think of anything more misleading to my clients and the general public. You purchase a pet insurance policy with the idea that it's going to cover your pet's health. A year later you find that his knee injury is now a hereditary congenital disease and the surgery won't be covered. Or he develops a heart condition and because he's a specific breed (e.g. Cavalier

² Hereditary / Congenital: Hereditary diseases develop directly as a result of the genetic (DNA) makeup of your pet. Congenital diseases comprise a set of conditions that the patient may acquire during their development and/or growth. Frequently, both genes and development play a combination role in the manifestation of many conditions. Thus, they are grouped together.

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King Charles) his heart condition won't be covered. This doesn't make any sense to the pet owning public. It is misleading and confusing and I recommend avoiding it.

Pre-existing Conditions

By definition a “pre-existing condition” is a medical condition that is present before the policy is issued. **All insurance companies exclude pre-existing conditions** - when they can. This is partly an underwriting decision primarily based upon the lack of actuarial data. And partly a marketing decision based upon the fact that the premiums would be relatively high.

All too often, when I am consulting one-on-one with a client, our conversation goes something like this: “Fido” or “Fluffy” has a tumor or some other condition that needs an expensive fix. My client says “can we schedule it next week, doc? I've been thinking about pet insurance so I'm going to get it *tomorrow*.” — Sorry. It doesn't work like that for people, and it doesn't work like that for dogs and cats.

In human insurance there are certain “open enrollment periods” for specific plans. That phenomenon does not exist in the pet insurance world today. There is one possible exception you should be aware of and if you actually qualify, jump on it. A few employers offer pet insurance as an employee benefit. If your employer has contracted with a pet insurance company you *may* be eligible for an open enrolment period under the specific terms of your employer’s contract. If you ever find yourself in that situation, jump on that train immediately! You will be glad you did

Age

The take-home for this topic is simple: Start young and keep it up. Enroll your 8 week old puppy or your brand new kitten the first day they walk in your house. Then keep the policy up to date. That's the best advice that I can give you.

Some companies will not even issue a first-time policy to a pet that is older. For example, 7 or more years of age. Once the policy has been issued and is in force, renewals (year after year) should be automatic. Remember, the premium may increase, based on the terms or your insurance contract

Even those companies that do issue new policies to older pets will require a premium that is larger than the premium would have been had the patient been insured continuously for a period of time.

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Policy Limits

All policies will have a maximum ceiling or limit that will be paid during any policy term. This will affect the price. Some companies offer an option or rider to increase this limit. The higher the limit the higher the price. But the equation is not linear.

For just slightly more premium you can get a disproportionately higher coverage. You can use this knowledge to your advantage when you are planning your purchase. Buy what you need; not more not less. Also, be aware that some policies have tiered limits: one limit per incident or diagnosis, and an aggregate limit for multiple claim events.

Limited vs. Full coverage

[i.e. Accident only versus Accident plus Major Medical Coverage]

Some companies will underwrite accident only policies, some full coverage (Accident plus Major Medical), some both. The accident only is far less expensive but the coverage is limited. For example, a sprain encountered while running would be an accident, an injury from an automobile or a bicycle would be an accident. A kidney infection or cancer or diabetes would be major medical. An ear infection, a cold, or heartworm disease would be major medical.

My experience clearly dictates that major medical plus accident, the more comprehensive coverage, is best in the long run. It will definitely give you more confidence and less worry and anxiety.

In the beginning we introduced both plans at VPI — more from a naive marketing standpoint than from a medical recommendation standpoint. The company was new, the concept of pet insurance was new, we had no idea how the plan or the pricing would be accepted by the pet owning public. We felt that giving everyone a choice between limited and full coverage would be the best way to start. Perhaps it was.

Now, after several decades of experience, I wish we would never have offered the accident only plan. In retrospect, I believe that was a mistake. More than 75% of my patients have medical problems not accidents. So recommending accident only plans I feel is not in my client's patient's best interest.

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The problem with an accident only plan is that it gives most pet owners a false sense of security. You have insurance - right! So... picture Fido playing in the backyard. He begins to limp. When you take him in for treatment you find out he has a torn ligament. But also an ear infection. Both are treated and Fido gets better.

However, under an accident only policy only the treatment for the torn ligament is covered and not the treatment for the ear infection. This can be further complicated if the company decides to investigate the torn ligament. The company may suspect that the injury developed from a hereditary congenital condition. Then additional questions are asked additional bookkeeping is required and the claim payment is delayed and may even be denied. So, beware of the limitations of accident only plans, you'll be glad you did.

Riders and Extra Coverage

Today, most companies have regionalized their premiums. This is both understandable and necessary because different areas have different costs of living. This is standard in the human healthcare industry. If your company has this built into the premium there is nothing to do or worry about.

However some companies still offer an additional coverage premium, which is necessary in major metropolitan areas like Los Angeles, New York and other areas. If the company offers this type of coverage and you're not aware that it's recommended for your area, you may end up with insufficient coverage and an unhappy result. If you see this option and it's not clear call the company and ask them.

Some companies offer riders to increase the policy limits for certain specific conditions or the total policy limit itself. For example, additional coverage for cancer or for dental. One even offers additional coverage for hereditary congenital diseases.

WellCare

The pet insurance industry is still grappling with the WellCare concept. Whether this type of care should be included or not. What were talking about is routine well patient examination, vaccination, and preventive care. The actuarial data in this area is very black and white so the insurance companies can add or subtract this opinion with impunity.

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The company's reasons for incorporating it in every plan, or excluding it completely from all their plans, or offering it as option or rider appears to be completely a marketing or philosophical choice by the company itself.

This affords you the opportunity to make a real decision on whether you want that type of coverage or not. Your decision will affect your premium.

Are you a good budgeter? Do you plan for all of your expenses including your pets expenses in the future? If so you probably already have WellCare in your budget. Thus you may choose to exclude it from your pet insurance and lower your premium.

Or you may be in the group with good intentions. Those who try to keep track of their budget but generally miss a few things here or there. Then having WellCare incorporated in the premium of your pet plan make sense. Because you do not have to worry about it!

Deductible and Copay

This may seem straightforward but there is a catch to watch for. Deductibles can be per incident or per year. Let's say you are considering a plan with a \$200 a year deductible versus a \$100 per incident deductible. If you have one claim with the \$100 per incident deductible, you would be ahead because you're only deductible expense would be \$100. But if you have 3 claims during the policy term, (for example an ear infection, a diarrhea attack from eating too much Christmas pudding, and a sprain from playing in the park) your total deductible expense would be \$300.

Term and Cancellation

1-year policy terms are standard but with some companies you can buy more and get a discount. Remember true insurance is 100% cancellable and regulated by your State's Department of Insurance. That means that you can cancel at any time and get a full, but prorated, refund of your premium. for example, you could pay for 12 months insurance in advance.

If Fido experiences a major event and has a \$5,000 claim in the first month, in theory you could cancel before the second month and get 11 months of your premium back. The company would still be liable for your \$5,000 claim, subject to the terms of your contract less the deductible. That's how it works.

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Many companies offer a discount for paying the annual premium in full vs. making monthly payments. So check out what is available for each company and what will fit your budget the best.

Caveat Emptor - Buyer Beware. Avoid quasi-insurance plans and HMO's that are not backed by a bona fide insurance company. Watch for the phrase "underwritten by XYZ Insurance Company" or "reinsured by xyz insurance" or the equivalent. That will indicate that the company is regulated and you are protected. Also you can always contact your State's Department of Insurance to verify their credentials.

Scheduled Benefits vs. A Percentage of Your Bill

There are two primary ways insurance companies calculate claims payments for reimbursement to the insured. 1) a benefit schedule. 2) a percentage of the loss. In the former instance, the benefit schedule is the company's Bible. It is published and is part of your policy contract. You know exactly what the company will or will not pay up to its limit subject to the deductible and terms of the policy. The disadvantage is that the schedules are long and few people take the time to read them.

Industry standards for percentage claims range from 70 to 90%. The following example illustrates how they might work for you. Let's say that you have a policy that covers 70% with a \$100 deductible and you experience a \$500 claim for your pet's broken tooth. The company will reimburse you \$250. (70% of 500 is \$350 minus your \$100 deductible leaves \$250).

The industry started out by using a benefit schedule. But the last decade has seen the percentage based plans gain in popularity. Neither way is better or worse — just different. What is important is that you understand how the claim will be calculated so that you won't be surprised or disappointed.

Miscellaneous Exclusions

Please bear in mind that the entire industry is still in its fledgling state. At the time of this writing, only 3.5% of the pets in the United States have pet insurance coverage. This is in sharp contrast to over 30% in the United Kingdom. Today in the US, pet insurance companies can be fiercely individualistic, entrepreneurial and intensely competitive.

Individual companies and can also have their quirks. I'm aware of companies that specifically exclude all dental coverage, I'm aware of companies that

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specifically exclude all well patient care. They do not want to see a claim for any routine examination or vaccination. I am aware of companies that specifically deny every claim remotely associated with hereditary or congenital disease.

Fortunately, you have choices.

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Recommendations

So... Short Version — Dr. B... Recommends:

- Deal only with companies that have reputable underwriters.
- Purchase full coverage (not 'accident only').
- Pay attention to the exclusions.
- Make sure hereditary/congenital conditions are covered.
- Understand that any pre-existing conditions your pet has will not be covered.
- Choose a deductible that fits your budget.
- Include WellCare only if it is best for you.
- **Understand and manipulate your premium with the 5 factors that you can control.**
 - 1 Term and frequency of payments
 - 2 Deductible
 - 3 Policy Limits and Percentage of Coverage
 - 4 Exclude or include WellCare
 - 5 Specific Riders that you can add or not

I recognize pet insurance to be an important aid in the delivery of the care that my patients deserve. And I highly recommend it to my clients for their pets.

I trust and pray that this guide has provided you with the information you need to make informed decisions to keep your pet healthy and make you worry free.

Insure your pets today, and
You Will Worry Less

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