

# Is Pet Insurance Worth the Cost?

Like medical coverage for people, pet policies are complicated. Here's what we found when we analyzed the coverage from three health insurers.

by Mandy Walker

TWO YEARS AGO, Elizabeth Newsom-Stewart's cat Fawkes ate part of a lily plant leaf. Newsom-Stewart, then a veterinary student at Cornell University, immediately knew the danger he was in, and rushed him to an animal hospital.

"Some lily plants are toxic to cats" she says, and may cause kidney failure. "Symptoms can take 12 to 24 hours to show. By the time kidney failure occurs, it's almost always fatal."

Emergency treatment, which included three days in intensive care, medication, tests, and lots of IV fluids, cost \$1,783. But just three months before, Newsom-Stewart bought pet insurance, and it covered \$1,327 of the bill. And Fawkes, now 4, made a full recovery.

A serious illness or injury can take a financial toll, even when the patient is a pet. Cancer treatments can easily run \$5,000; surgery to fix a torn ACL from, say, a poorly executed jump off the sofa can cost about \$3,300. Pet insurance is sold with the promise that by helping to cover some of your pet's medical bills, you won't be forced to consider "economic euthanasia" in the most dire circumstances.

But as helpful and emotionally comforting as it might be, is insurance really worth the price?

About 1.4 million pets in the U.S. and Canada were covered by a plan at the end of 2014, according to the North American Pet Health Insurance Association, a trade group. That's less than 1 percent of about 174 million pet cats and dogs, but up from 680,000 policies in 2008. Some of the increase may be linked to

a surprising fact: Pet insurance is one of the fastest-growing optional employee benefits.

Major policy providers include the ASPCA (through Hartville), Embrace, Healthy Paws, PetFirst, Petplan, and Trupanion. Most cover only cats and dogs, but one company, Nationwide (formerly Veterinary Pet Insurance), also insures birds, rabbits, snakes, turtles, and other animals.

## How the Plans Work

Like people insurance, pet policies come with a variety of deductibles, co-payments, and premiums. Unlike people coverage, you usually have to pay the vet bills in full and wait for reimbursement. But Trupanion

Less than 1%  
of dog and cat  
owners have  
pet insurance.

launched a service in February that can disburse payments directly to vets on the day of service. The company says about 60 percent of its bills are already processed that way.

The cost of coverage can increase depending on your pet's breed (purebreds cost more to insure because they're more prone to some hereditary conditions), age (plans may cost more as your pet gets older), the rising cost of veterinary care, and the coverage options you

choose, such your deductible amount. Embrace and Healthy Paws pay a flat percentage of covered costs after your deductible is met. Other companies calculate reimbursements based on the "usual and customary costs" of vet care in your area. Embrace lets you pick the annual maximum amount it will cover each year (\$5,000, \$8,000, \$10,000, or \$15,000); Healthy Paws and Trupanion have no annual ceiling.

Almost all policies exclude pre-existing conditions and may exclude breed-specific conditions (or charge you more to cover them).

## What They Cover

You can pick a plan that insures costs due to accidents (such

as injuries caused by motor vehicles), or accidents and illness (including arthritis, cancer, and colitis). Some providers also offer wellness coverage for certain routine care, like annual exams, flea and tick treatments, and vaccinations. Eighty-one percent of pet insurance policies are accident and illness plans for dogs; 14.6 percent provide the same kind of coverage for cats and other pets. Only about 4 percent of the market is made up of accident-only and wellness coverage.

The insurance trade group says that accident and illness coverage per year averaged \$473 for dogs and \$285 for cats in 2014. Accident-only policies ran \$158 and \$132, respectively.





To compare costs, we asked four providers—Embrace, Healthy Paws, Nationwide, and Trupanion—whose parent companies comprise roughly 75 percent of the market, to estimate what their accident and illness policies would cover for a specific dog and cat. After initially agreeing, Nationwide decided it would only provide data for its policy that had accident, illness, and wellness coverage, so we didn't include the company in our analysis.

We used the vet bills of Guinness, an almost 12-year-old Labrador mix from Westchester County, N.Y., and Freddie, a mixed-breed cat from Fairfield County, Conn., who's almost 9.

Guinness had few health problems over the years until he was diagnosed with skin cancer last fall. Treating him required two costly surgeries and expensive follow-up care.

Freddie has been relatively healthy; he had one pricey dental cleaning under anesthesia, and has been prescribed cat

food and medication to treat infections. We did our analysis assuming that their owners had signed them up for coverage when they were just a few weeks old, and we adjusted each medical-care charge into present-day dollars to judge how their expenses would have been covered.

### Playing the Odds

For Freddie, only the Healthy Paws policy would have paid out more than it cost, in part because of its lower premiums.

If you have a pet like Guinness with a costly condition or illness you want to treat, we found that pet insurance may pay out more than it costs you. In our exercise, a Healthy Paws plan was the only one that paid more than it cost.

But if his owner continues to cover cancer treatments, all three plans may be worth it. In 2015, for example, Healthy Paws and Trupanion would have reimbursed the owner over \$3,000 more than they would have charged for coverage. Embrace would have covered more than \$4,000 over the cost of its plan.

Of course, our results are for a single cat and dog; vet bills are different for every animal, and there's no way to predict whether your pet will become sick or injured. But if you'd like help with unexpected, large vet bills, a plan may be worth considering.

Talk with your vet about the medical costs your pet's breed will usually incur, and ask about his experience with different pet insurers.

Download sample policies from insurance websites and read them thoroughly for limitations, exceptions, and co-payments. Consider skipping wellness coverage if possible and paying for it out of pocket. Last year routine vet care cost cat owners just \$196 and dog owners only \$235, according to the American Pet Products Association.

If you don't want to pay for pet insurance, consider

starting an emergency savings fund for pet care instead. If you find you need help with a big pet medical bill, the Humane Society has a list of organizations that may help pay for it ([humanesociety.org](http://humanesociety.org)).

### More Ways to Save

Take steps to keep your pet healthy to trim medical costs.

- **Ask your vet which vaccines you can skip.** Some effectively prevent serious and costly diseases, says Louise Murray, D.V.M., a veterinarian and vice president of the ASPCA's Bergh Memorial Animal Hospital in

New York City. But ringworm, for example, is a mild condition and its vaccine isn't that effective, she says.

- **Guard against parasites.** Fleas can cause life-threatening anemia, and ticks can spread Lyme disease and Rocky Mountain spotted fever. An inexpensive topical solution can keep the bugs at bay.
- **Spay or neuter your pet.** Doing so can help prevent health problems, including some cancers. Many shelters or chapters of the ASPCA provide low-cost or no-cost spay or neuter surgery.

## A TALE OF TWO CRITTERS

How much, if anything, would the owners of Guinness and Freddie have saved over the years on their healthcare if they had pet insurance?

	EMBRACE	HEALTHY PAWS	TRUPANION
 <b>GUINNESS THE DOG</b>			
<i>Cost of coverage*</i>	\$10,260	\$6,070	\$8,290
<i>Amount paid by insurance</i>	\$8,450	\$7,060	\$7,810
<i>Net gain or loss with insurance</i>	-\$1,810	+\$990	-\$480
 <b>FREDDIE THE CAT</b>			
<i>Cost of coverage*</i>	\$5,440	\$2,780	\$4,570
<i>Amount paid by insurance</i>	\$3,270	\$3,360	\$3,850
<i>Net gain or loss with insurance</i>	-\$2,170	+\$580	-\$720

\*Includes premiums.

### HOW WE CRUNCHED THE NUMBERS

To compare policies, we converted all of the vet charges over the years into 2016 dollars, and checked current premiums for our pets at different ages. We chose a 10 percent co-pay for all three policies, which means the plans cover 90 percent of eligible charges. Embrace has a \$200 annual deductible; for Healthy Paws, it's \$250. Trupanion has a \$200 deductible per type of illness or accident. Once that deductible is met (say, for a cancer treatment), it covers 90 percent of additional charges for that condition. Healthy Paws and Trupanion have unlimited annual reimbursements; Embrace lets you choose an annual ceiling of \$5,000, \$8,000, \$10,000, or \$15,000. In only one year did bills for Guinness go over the \$5,000 annual ceiling we used in our example. Note that the premiums of an Embrace plan go up significantly if you choose higher annual ceilings.