

Is Pet Health Insurance Worth It?

How much do we love our pets? Somewhere near the tune of \$40.8 billion – the total amount Americans will spend on their pets this year, according to the American Pet Products Manufacturers Association.

Somewhere in that figure is \$230 million – the amount that was spent on pet health insurance in 2006, according to research firm Packaged Facts, which projects that amount will rise 24 percent in 2007.

The veterinary industry is mirroring the advances in human health care – new drugs, new treatments and new opportunities for dogs, cats, birds, horses and even fish. But is pet health insurance really worth the money, which can be as high as \$500 or more a year for an older pet with a top-of-the-line policy that includes cancer coverage?

There are now more than 12 major suppliers of pet insurance in the United States. High-end policies can include coverage for items like accidents and illnesses, CAT scans and MRIs, surgeries, cancer treatments, prescriptions, hospitalizations, vaccinations, annual exams, heartworm protection, flea control and spaying and neutering.

However, coverage is tempting because it's not unusual for annual expenses for a pet's cancer treatment to exceed \$3,000. Be aware that most policies pay to a maximum "per incident", so for a chronic problem once you have received the maximum for that diagnosis, you are on your own for payment no matter how many years or treatments you schedule. In major metro areas, vet bills can average \$100-\$250 just for the basics, which include annual vaccinations and checkups.

But is it wise to actually buy insurance? If you feel that a major illness or accident for your pet would wipe you out financially, it might be worth considering. However, if that's the case, you should only consider paying for a catastrophic or accident policy if an insurer offers it – that is, a policy that covers major illnesses or an accident only.

That would keep premiums relatively low and you would pay out of pocket for annual checkups, vaccinations and routine care. You could also save money by buying your pet's prescriptions through reputable online and mail-order pet pharmaceutical suppliers.

Reputable pet insurers underwrite their coverage as traditional insurers do, but at this point, the market leaders in the industry are not rated for financial strength by A.M. Best or other major insurance rating agencies that cover human concerns due to insufficient data.

What are some things you can do to control your veterinary care costs? It might start with your pet selection. You should research particular breeds of animals before you buy or adopt to see if there are any particular conditions associated with the breed.

Also, when you adopt, see if the adoption agency has a provision for health care reimbursement whether your particular breed of pet falls ill with certain specified conditions within a specific period of time.

Of course, there are other options. One might be creating your own pet emergency fund in an interest-bearing account with deposits of at least \$400-\$500 a year. By the time a pet is 10 years old, you'll have a healthy cushion of at least \$4,000 to \$5,000 to cover any serious treatments necessary. Putting sudden pet expenses on a credit card could risk your credit rating if you can't pay them off right away.

If your current pet doesn't liquidate your reserve account by the time he goes to his reward, keep the fund intact for your next pet. Then you'll never have to think twice about paying for sensible treatments.

Also think about:

- Asking your veterinarian if he or she negotiates payment plans and what interest costs might be;
- Contact your local shelter to see if there are subsidized veterinary clinics in your community;
- If you have a specific breed in mind, contact the national club for that breed and see if they might have knowledge of specific health conditions faced by that breed as well as a veterinary assistance fund;
- Ask your vet to submit an assistance request to the American Animal Hospital Association's AAHA Helping Pets Fund (www.aahanet.org).

One of the best things any pet owner can do is be vigilant about annual checkups and proper vaccinations – that way, you can catch problems early. But of course, there is a non-financial aspect to any decision making necessary to a pet's care: if treatments only extend a pet's suffering, then it's time to rethink.