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Business Risk or Insurance Risk? Understanding Pet Insurance Laws

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It's no secret that Americans are crazy about their pets. According to PawlicyAdvisor, in 2018, 57% of all US households owned a pet, and 38.4% of US households owned a dog. With such a large population of pet owners, many veterinarians are considering offering wellness programs to their clients—but are these wellness programs considered pet insurance and regulated by your state's department of insurance? Let's start by defining the difference between preventative care plans and pet insurance.

Preventative care plans, also called wellness plans, charge a fixed monthly fee and allow the pet to receive a combination of physical exams, blood work, urinalysis, spay and neutering, dental cleaning, fecal exams, and vaccines. These plans allow the owner to spread out veterinary bill payments, rather than paying one large invoice once or twice a year. By bundling services, it allows the owner to provide preventative pet care without wondering about the financial consequences every time. In a nutshell, preventive care plans cover healthy pets and provide preventative medicine.

Because preventative care is so closely tied to a veterinarian's way of doing business, it is not considered the same as a pet insurance policy, which would be regulated by the state department of insurance.

Pet insurance, on the other hand, mostly helps to pay for expenses related to illness or injury, which are specifically excluded from a preventative care plan. Pet insurance covers financial loss from an insurable risk—i.e., one that is uncommon or unexpected and beyond the control of the insured.

Pet insurance is regulated as insurance under the laws of every state. In many states, the rules for pet insurance are the same as for other casualty insurance policies. Some states have enacted specific rules for pet insurance, and in 2022 the National Association of Insurance Commissioners published a new model pet insurance act. Regardless of the precise regulations that apply in a given state, pet insurance is a regulated insurance product in all states and can be underwritten only by insurers authorized to transact business in the state.

Under preventive care plans, however, pet owners are not contracting to spread the risk of sudden or expensive illness or injury to their pets; instead, they are seeking to enter alternative fee arrangements for routine care that they know they will encounter in owning and properly caring for their dogs and cats. Preventative care, wellness care, and routine

treatment are clearly known and predictable requirements and expenses.

These types of arrangements are generally viewed favorably by consumers and regulators alike as they allow care to be more available and cost-effective, and they have very few of the risks of unauthorized insurance schemes.

It's important to note that with any wellness plan, non-primary care treatments and services outside the plan would be charged at the standard rates. Pet owners should be informed in writing that a wellness plan is not pet insurance, and no claims should be filed with any insurance carrier for services provided under the plan.

Offering preventative veterinary care reduces illness and improves the quality and length of pets' lives. It gives you the opportunity to partner with your clients to provide their pet with the quality of veterinary care they deserve, in an affordable manner. It can also aid in the long-term customer satisfaction of your clients and build loyalty to your brand.

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