

# CRC BENEFITS



## Pawsitive Perks: Why Pet Insurance is the Latest Must-Have Employee Benefit

Companies are consistently looking to stand out with unique and creative ways to improve employee retention and satisfaction. Beyond gourmet chef-inspired cafeterias, fully-outfitted gyms, and generous paid time off, employers are turning to four-legged friends for additional motivation. Pet insurance is quickly becoming a mainstream benefit offered to attract and retain top talent as well as improve financial and mental well-being of existing employees.

### QUICK HISTORY AND GROWTH OF PET INSURANCE

According to a Pew Research Center survey, nearly 70% of people in the US own pets and another 35% have more than one. And of those, 97% consider their pets part of their family.<sup>1</sup> Given that, along with the increased cost of veterinary care, it's not surprising that more and more people are looking to insure even the furry members of their household.

The roots of pet insurance in the US can be traced back to Hollywood and to TV star and legendary collie Lassie, who, in 1982, became the first animal to receive an insurance policy. The groundbreaking policy was issued by an insurance company founded by California veterinarian Jack Stephens. Stephens created the business to help pet owners who were struggling to afford treatment and were forced to make financial decisions that impacted the care of their beloved animals.<sup>2</sup>

Despite the celebrity endorsement, pet insurance was initially met with a fair share of skepticism due to early questionable pricing and coverage. But as more companies began writing policies, more pet owners signed on.

In 2022, The National Association of Insurance Commissioners created a Pet Insurance Model Act to help standardize the industry and create a framework of guidelines.<sup>3</sup> Even though only a few states have adopted formal laws governing pet insurance (including California, Mississippi, Washington and Maine), a 2023 Marketwatch survey found that 81% of pet owners considered pet insurance worth the added cost and 74% were satisfied with their insurance provider<sup>4</sup>. In recent years, pet insurance coverage has skyrocketed, driven by the pet ownership boom during Covid-19 and rising veterinary costs. For

**The total number of insured pets has seen double-digit increases in the last four years with an average growth rate of over 22%.**



example, since 2020, the average growth rate of insured pets has exceeded 22%. Dogs account for about 78% of insured animals, while cats make up 21%. The remaining small percentage includes policies for more exotic pets, such as birds and reptiles.<sup>5</sup> As more animals are covered, the industry is expanding as well. More companies are adding plans as the premium volume in the US topped \$1 billion in 2019 and has also seen double-digit growth year to year for the past four years, reaching nearly \$4 billion in 2023.<sup>6</sup>

## COST AND COVERAGE

According to the ASPCA, dog ownership costs an average of \$1,391 annually, while cat ownership averages \$1,149.<sup>7</sup> Recent studies by Forbes Advisor reveal a 60% increase in vet costs for dogs and 70% for cats from 2020 to 2022,<sup>8</sup> driving the cost of dog ownership to escalate to as much as \$5,000 annually, primarily driven by those substantial vet bill increases.<sup>9</sup> As a result, many pet owners are turning to insurance to manage these expenses. Premiums typically range from \$130 to \$700 annually, offering a variety of options to suit different budgets and pet care needs. Most carriers break down coverage and plans into five categories:

- **Comprehensive Coverage:** Comprehensive coverage will typically provide coverage for accidents and illness including surgeries, diagnostic and preventive care.
- **Accident and Illness Coverage:** Coverage of this type handles accidental injuries and both common and serious illness, but does not cover any preventive or wellness care.
- **Accident Only Coverage:** Just as the name indicates, Accident Only Coverage only covers pets injured in an accident.
- **Wellness Coverage:** Wellness coverage covers routine veterinary checkups, vaccinations, and flea and heartworm prevention, and it can often be added to an Accident and Illness plan.
- **Discount Plan:** These plans are not insurance products but instead provide discounted rates for care and services when visiting a network of veterinarians and service providers.

In addition to cost, there are several other important components for employees to consider when selecting the right coverage and plans. These can include coverage exclusions (including pre-existing conditions), waiting periods, deductible and co-pay amounts, lifetime or annual cap limits, and reimbursement timelines and policies.

Plans can be customized for owners' and pets' individual needs. Finding the best insurance coverage is a matter of balancing different options depending on whether the insured is looking to reduce monthly costs or carry robust coverage that will cover most everything. Plan flexibility allows owners to create a premium that works for their household and budget, and premium costs increase or decrease depending on deductible amounts and reimbursement levels. For example, a plan that offers 90% reimbursement will have a higher premium than the same plan with 70% reimbursement.

How exactly does that work? With most coverage, the insured pays the veterinarian for the care and is reimbursed later by the policy carrier. Once the annual deductible is met, eligible expenses are reimbursed according to the parameters of the policy. A basic example of a typical accident and illness coverage breakdown is as follows:

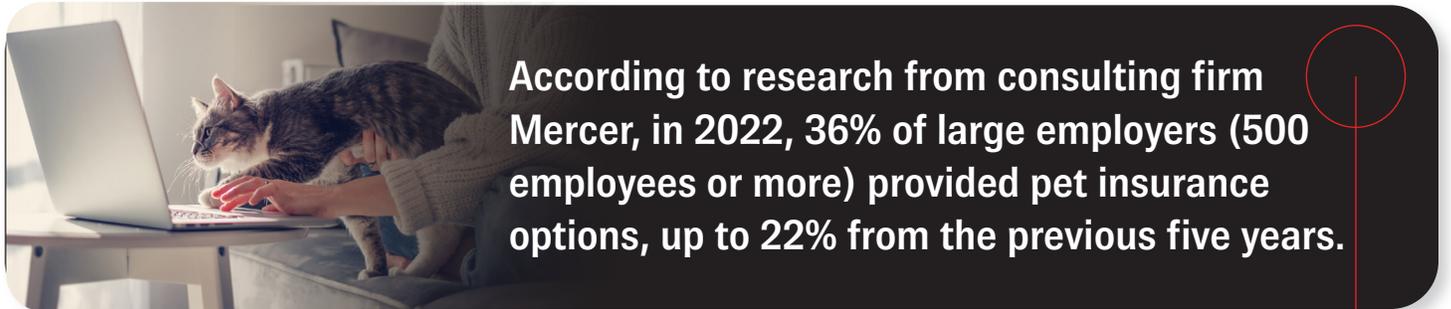
An insured dog suffers an ACL injury and requires surgery costing \$10,000. At a 90% reimbursement rate and a \$500 deductible, the insured will receive \$8,550 back from the policy carrier.

## ADVANTAGES TO COVERAGE THROUGH AN EMPLOYER

Insuring loved ones extends to four legged friends and family members and pet insurance has recently become an important and popular recruiting and retention incentive for companies. According to research from consulting firm Mercer, in 2022, 36% of large employers (500 employees or more) provided pet insurance options, up 22% from the previous five years.<sup>10</sup> Companies

are also finding that it transcends all types of employer groups and appeals to a majority of employee populations, regardless of their generation and status.

Along with increased demand from employees and HR benefits, employers also see an improvement in the overall well-being of employees when coverage is offered. By including a pet insurance option, employers show a commitment and compassion to employees with pets and create a more inclusive working environment. While the vast majority of plans offered are voluntary,



some employers are even offering contributions to the plans.

For employees, coverage provides a safety net against the stress and financial burdens of pet ownership. It offers peace of mind for their pets' health and helps them avoid falling into potential debt when hit with a costly vet bill from an illness or accident. A Forbes study noted that almost 50% of pet owners would go into debt with a veterinary bill over \$1,000.<sup>11</sup> Finding a policy through work can also save an employee money typically offering a 5-10% discount compared to open market plans. Many of the plans also include the convenience of telehealth and can be managed through mobile apps and allow for digital enrollment.

## P&C REQUIREMENTS

Despite how owners may feel about their pets, it's important to note that under insurance guidelines, they are considered property and fall within the Property and Casualty category. Pet Insurance policies can only be sold by a licensed P&C agent. Discount plans, however, aren't considered insurance and can be offered by Life & Health agents and don't carry the P&C license requirement.

## BOTTOM LINE

There's no questioning the joy and well-being a pet can bring to a household. Pets have become cherished members of the family and owners are looking to protect their health while also trying to avoid potential financial disasters from illness or accidents. Factors such as the rising cost of vet care and higher pet life and health expectations will continue to fuel pet insurance's tremendous growth. Employers are recognizing these benefits as added value not only for their employees but also as a consideration for the bottom line. Looking to bolster their human resource offerings, employers will continue to want to provide incentives such as pet insurance options for their employees and their furry, winged, and scaly extended family members. CRC Benefits is continually enhancing its portfolio to offer the most complete and current coverage options. Reach out to your CRC Benefits Sales Team to ensure you are up to date with the latest news and information on this popular (and cuddly) insurance trend.

## CONTRIBUTORS

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## END NOTES

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