

Pet Insurance pays the veterinary costs if one's pet is ill or has an accident. Some policies also pay out if the pet dies, is lost or stolen. The purpose of pet insurance is to remove the need for the "life or money" decision if a pet guardian is faced (also called Economic Euthanasia) with an unexpected and very expensive veterinary bill. Since pets are increasingly considered part of the family more and more and veterinary medicine is increasingly using expensive human medical techniques and drugs, pet guardians are facing this emotional decision more frequently than in the past.

UK Policies usually pay 100% of vets fees. Policies in the USA usually offer to pay 80-90% of the costs minus a \$50-100 deductible depending on the company (VPI Pet Insurance offers a \$50 deductible, while PetCare pet insurance offers a \$100 deductible). The owner will usually pay the amount due to the Vet, and then send in the claim form and receive the reimbursement. In the case of a very high bill, the Vet will usually allow the owner to work out a contingency plan to pay the Vet when the claim is processed. However, providers such as Direct Line Pet Insurance do pay the vets directly (subject to vets agreement) on behalf of customers.

Pet insurance generally will not pay for preventative veterinary care (such as vaccinations) or elective veterinary care (such as neutering) since these costs are known and can be budgeted for in advance. Recently however, some companies in the UK and US (Such as PetPlan & Direct Line Pet Insurance, in the UK, and VPI, in the US) are offering routine care coverage as well to help reimburse for all costs related to pet care.

In addition, companies are not equipped to pay for pre-existing medical conditions for a pet (much like trying to get house insurance for your already burning house), which is why, if one does choose to sign their pet up for insurance, it's best to do it as a puppy.

Some insurers cover more than just health issues. It can also cover boarding costs for animals if the owner needs to go into the hospital, and money to help with retrieval of a lost animal, as reward or for posters. With some policies, the owner can receive money if forced to cancel a holiday due to the pet needing urgent treatment or dying.

Some UK policies for dogs also include third party liability insurance. This means, for example, that if the dog causes a car accident that damages a vehicle, the insurance will pay to rectify the damage (under the 1971 Animals Act, owners are legally responsible for their dogs).

Pet Insurance is available in all developed counties and the precise details of the insurance cover will vary from policy to policy.