

# Today's Veterinary **Business**

BUSINESS PROTECT & DEFEND

## Damage control

Animal bailee insurance is a crucial need when you are responsible for the custody, transport or care of patients.



By Ed Branam, DVM, CIC

**The hospitalization of patients, be it for a few hours or several days, is routine at every veterinary practice.** In addition, many hospitals offer grooming and boarding as an extension of their services.

From a business liability standpoint, the question then becomes, "What happens if an animal in my possession is injured or dies, is stolen or escapes?" The short answer is that you are liable for the defined value of the animal

under your state's legal statutes.

I recall my entire class being excused from a lecture one day during my second year of veterinary school so that everyone could help search for a dog that had escaped from

the teaching hospital. If several inches of snow had not been on the ground, I would have deemed the event a wonderful opportunity for me to escape the drudgery of the lecture hall. In retrospect, I doubt the school's administration



shared this same perspective. The loss of or injury to an animal entrusted to your care can be devastating to not only the owner but to your business and staff as well. Not to mention the animal.

The next question is, “Do you have insurance to assist with this problem?” Coverage for the care, custody or control of animals belonging to others is traditionally excluded from standard business insurance policies, so, the answer is “no” unless you have an animal bailee policy.

### A Basic Understanding

What is animal bailee insurance? Well, first let’s define a bailee. A bailee is any person or business en-

trusted with the care, custody or control of another person’s property. A bailment relationship exists when a person — the bailor — leaves property with the bailee for a special purpose, such as the storage or safekeeping of it or to perform work or service on it. Once bailees take possession of a bailor’s property, they have a certain fiduciary responsibility to the bailor to maintain and return the property at a previously agreed-upon time and condition.

From the standpoint of a veterinary clinic, failure to return an animal because of the business’s negligence typically falls into either the professional or animal bailee area

of liability. Assuming the problem is not related to the delivery of medical services below the accepted standard of care, which would be professional liability, then an animal bailee liability issue is present. Animal bailee insurance is designed to provide financial and legal assistance to the veterinary business when an adverse event occurs to an animal while in the clinic’s care, custody or control.

Unfortunately, many veterinarians either do not have animal bailee coverage or have a limited policy, putting them at serious financial risk. Here is what you should look for in an animal bailee policy and from the

insurance provider:

### 1 Adequate Total Coverage Limits

I recommend that the coverage limits take into account a catastrophic event, such as when all cages and runs are occupied and a complete loss of animal life occurs. This level of insurance is not expensive, so save your money somewhere else.

### 2 No Per-Animal Sublimits

Animal bailee policies often provide an appropriate coverage maximum but then restrict the per-animal limit to an inadequate level. Insurance companies recognize that the chance of loss of one or



two animals is statistically much greater than the loss of all animals under a veterinary practice's care, custody or control during any one occurrence. By limiting the amount paid per animal, insurers can substantially reduce their financial exposure and create the impression that an adequate coverage limit is available. The best way to ensure you have sufficient coverage for replacement of any one animal is to select a policy that does not include a per-animal sublimit.

### 3 In-Transit Coverage

Make sure your animal bailee coverage is not limited to animals on your insured premises. Coverage should extend to animals in transit in your owned, leased or hired vehicles. The policy should read similar to: "We will pay for loss or damage to covered animals while in your care, custody or control for veterinary services at any insured premises or while in transit in your owned, leased or hired vehicles."

### 4 Ancillary Replacement Costs

Most people will replace a lost or deceased adult animal with a juvenile. However, the true replace-

ment cost of an adult animal is significantly greater than the purchase price of a puppy or kitten. The total first year's medical expense for a new animal — think exams, vaccines, deworming and sterilization — should be included in the replacement cost calculation when reimbursing the owner. Behavioral training expenses might need to be considered.

### 5 Search Expenses

The most common animal bailee claim is associated with the escape of an animal that is at a practice or in transit to or from one. Animals are notorious for escaping while on walks, while entering or exiting vehicles, and when a door is open. Cats find open windows and drop-down ceilings to be attractive escape routes. Be sure your animal bailee policy covers expenses tied to the recovery of an animal, such as:

- **Advertising:** Some policies will pay for printing and advertising expenses when the practice is trying to locate or recover a lost animal.
- **Rewards:** Some policies will cover cash rewards for information leading to the recovery of a lost animal.

Look for a policy that provides a minimum of \$2,500 per occurrence and a \$5,000 annual aggregate for these additional expenses.

### 6 Preservation Expenses

Insurance companies will pay to move animals in your care, custody or control in order to preserve their safety and well-being. An animal bailee policy should contain verbiage such as this: "If it is necessary to move covered animals to preserve them from loss by a covered cause of loss (fire, etc.), we will pay the actual expense to move the covered animal to safety." The policy should provide at least \$15,000 or \$25,000 of preservation expenses coverage per occurrence.

### 7 Uncollectible Accounts

One nice feature to some animal bailee policies is they reimburse you for accrued charges not collected from a client because of an animal's loss. For example, the policy might read: "In the event of loss to covered animals

caused by or resulting from a covered cause of loss, we will pay accrued charges not collected from the customers as a result of the loss."

### What's Not Covered

Policy exclusions will typically include but are not limited to:

- Any rendering or failure to render professional service. This would fall under a professional liability claim.
- Dishonest acts by you, your employees or your authorized representatives.
- Any disease, sickness or death from a natural cause.
- Animals held for sale.
- The seizure or destruction of animals by order of a governmental authority. Examples are an animal in quarantine at your facility, an animal ordered by health officials to be euthanized for rabies testing or one removed from its owner because of vicious behavior. ■

Protect & Defend columnist Dr. Ed Branam is veterinary and animal services program manager for Safehold Special Risk Inc. He serves on the American Veterinary Medical Association's Legislative Advisory Committee.