INTRODUCTION AND EXECUTIVE SUMMARY

INDUSTRY INSIDERS’ REPORT 2016

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Report Research Methodology

NAPHIA’s 2016 Pet Health Insurance Industry Insiders’ Report was developed through a combination of primary and secondary research.

Primary research was conducted with dozens of industry experts. Researchers conducted in-depth interviews with leaders of the 13 North American pet health insurance companies, which includes a new entry to the market, as well as veterinarians, pet industry journalists, associations, authors and consumers. Third-party analysis was conducted to validate findings against private and public market and benchmarking data.

Secondary research included investigation of published research on pet health, veterinary medicine and pet insurance adoption; pet health insurers’ websites, marketing collateral and social media profiles; independent review sites, including petinsurancereview.com and petinsuranceguideus.com; and recent news, feature articles and reports on pet health.

The report includes exclusive excerpts and private data from NAPHIA’s proprietary State of the Industry Report, as well as interviews with its authors, including Christine Panet-Raymond, Executive Vice President of Willis Towers Watson, a Division of Willis Canada Inc.

Additional insight was provided by NAPHIA’s proprietary 2016 Driving Growth of Pet Health Insurance Research Report, which is based on interviews with 626 U.S. and Canadian adults who had primary or shared responsibility for pet care and 505 U.S. and Canadian companion animal veterinarians in private practice.
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Executive Summary
Introduction

Since the inaugural Industry Insiders’ Report was published in July 2014, the industry—and NAPHIA—has continued to grow. Today, all 12 established pet health insurance companies are individual providers of the association. Startup FIGO Pet Insurance, LLC is not yet a member.

As individual companies work together for the good of the entire industry, the benefits are spread wide: to the companies, NAPHIA, veterinarians, pet owners and, last but not least, to the pets these insurance plans protect.

Today, there are 13 companies providing pet health insurance in the United States and Canada. They are:

- American Modern Insurance Group
- Embrace Pet Insurance
- FIGO Pet Insurance, LLC*
- Hartville Pet Insurance Group
- Healthy Paws Pet Insurance and Foundation
- Independence American Insurance Company IHC
- Nationwide
- PetFirst Healthcare
- Pethealth Inc.
- PetPartners
- Petplan
- Pets Best Insurance Services
- Pets Plus Us
- Trupanion
- Western Financial Insurance Company

*Not currently a NAPHIA Member

While most focus on one country, three providers—Pethealth Inc., Petplan and Trupanion—sell policies in both Canada and the United States. The association’s members represent over 99% of pet insurance premium underwritten in North America.

For the pet health insurance companies, growth is measured not only in in-force Gross Written Premium (GWP) and number of policies, but also by improvements to products and processes.

Two trends continue to build momentum:

1. the movement away from offering multiple products in lieu of one highly customizable insurance plan
2. deploying technology both in customer-facing apps and behind the scenes, in the systems that support customer acquisition, claims processing and the data mining and analytics required to accurately determine risk and price products fairly, rationally and competitively.

ACCELERATED GROWTH IN THE NORTH AMERICAN MARKET

Growth in the industry is robust and is likely to remain strong, whether the measure is new business added or increased in-force Gross Written Premium. The most recent results, for year-over-year 2014-2015, are extremely positive. The US has grown total in-force GWP about 17% for the past two years. Canada achieved 12.6% year-over-year growth for 2013-2014 and did even better the following year, with a 15.0% increase in in-force GWP.

IN-FORCE GWP (US)

- The total premium volume in the US, as reported by NAPHIA members, amounted to $688.9 million at year-end 2015.
- The US market has experienced double-digit increases since 2013 (average annual growth rate of 17.4%).

<table>
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<td>$688.9</td>
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FIGURE 1.13 – IN-FORCE GROSS WRITTEN PREMIUM, CAN, 2013-2015

IN-FORCE GWP (CANADA)

- The total premium volume in Canada, as reported by NAPHIA members, amounted to $118.0 million at year-end 2015 (Canadian currency).
- The Canadian market has experienced double-digit increases since 2013 (average annual growth rate of 13.7%).

<table>
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<th>Year</th>
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