IBISWorld

WHERE KNOWLEDGE IS POWER

Money's best friend: Growth in the number of insured pets will boost industry demand

IBISWorld Industry Report OD4612

Pet Insurance in the US

May 2018

Jack Curran

About this Industry

Industry Definition

This industry underwrites insurance policies for pets and pays veterinary costs related to illness or injury.

Main Activities

The primary activities of this industry are

- Underwriting accident and illness pet insurance policies
- Underwriting accident only pet insurance policies
- Underwriting pet insurance policies with embedded wellness

The major products and services in this industry are

- Accident and illness dog policies
- Accident only dog policies
- Cat and other pet insurance policies with embedded wellness
- Dog insurance policies with embedded wellness
- Accident only policies for cats and other pets
- Accident and illness policies for cats and other pets

Similar Industries

45391 Pet Stores in the US
Operators in this industry sell a variety of pets, including dogs, cats, fish and birds. Stores also sell pet foods and pet supplies.

52411b Health & Medical Insurance in the US
Operators in this industry underwrite health and medical insurance policies. Operators also provide administrative services for self-funded insurance plans.

54194 Veterinary Services in the US
Operators in this industry are licensed veterinary practitioners who provide medical, dental or surgical treatment for animals.

81291 Pet Grooming & Boarding in the US
Operators in this industry provide pet care services, such as boarding, grooming and training.

Additional Resources

For additional information on this industry

www.americanpetproducts.org
American Pet Products Association

naphia.org
North American Pet Health Insurance Association

www.petbusiness.com
Pet Business

Industry at a Glance

Pet Insurance in 2018

Key Statistics Snapshot

Revenue	Annual Growth 13–18	Annual Growth 18–23
$1.0bn	13.4%	7.5%
Profit	**Wages**	**Businesses**
$117.7m	$96.6m	14

Market Share

Nationwide Pet Insurance
44.6%

Trupanion
29.3%

ASPCA Pet Health Insurance
11.8%

Petplan Pet Insurance
7.0%

p. 22

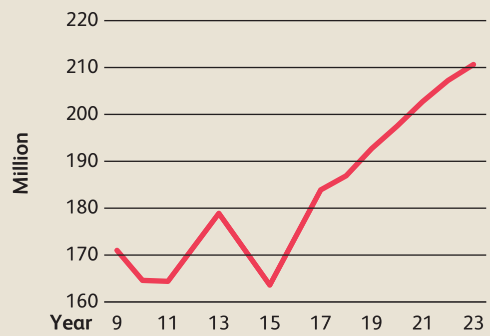
Key External Drivers

- External competition
- Number of pets (cats and dogs)
- Median age of population
- Homeownership rate

p. 4

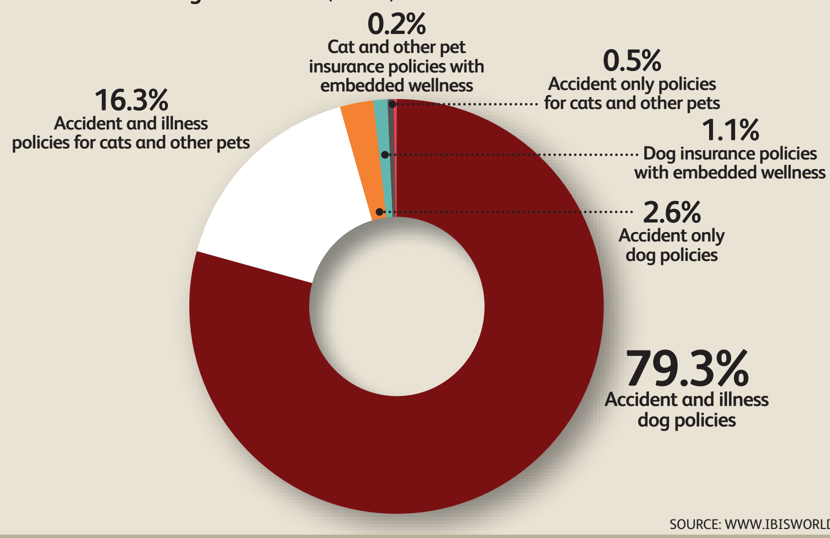
Revenue vs. employment growth

Number of pets (cats and dogs)



SOURCE: WWW.IBISWORLD.COM

Products and services segmentation (2018)



SOURCE: WWW.IBISWORLD.COM

Industry Structure

Life Cycle Stage	Growth	Regulation Level	Medium
Revenue Volatility	Medium	Technology Change	High
Capital Intensity	Medium	Barriers to Entry	High
Industry Assistance	Low	Industry Globalization	Low
Concentration Level	High	Competition Level	High

FOR ADDITIONAL STATISTICS AND TIME SERIES SEE THE APPENDIX ON PAGE 31

Industry Performance

Executive Summary | Key External Drivers | Current Performance
Industry Outlook | Life Cycle Stage

Executive Summary

Despite accounting for only a marginal portion of the broader Property, Casualty and Direct Insurance industry (IBISWorld report 52412), rapidly increasing consumer awareness and acceptance of industry offerings has benefited the Pet Insurance industry substantially during the current five-year period. According to the latest available data from the Department of Clinical Veterinary Science and the Pet Food Institute, 30.0% of pets in Sweden and 23.0% of pets in the United Kingdom are covered by pet insurance policies.

Key demographic variables underlying the industry's performance are forecast to continue to work in the industry's favor

Alternatively, less than 1.0% of pets in the United States are insured. However, this figure continues to rise and provides the basis for sustained industry growth. Specifically, over the five years to 2018, industry revenue is anticipated to rise at an annualized rate of 13.4% to reach $1.0 billion; this growth includes an expected 8.6% increase in revenue in 2018 alone.

Pet insurers largely experience the same regulatory trends as their broader property and casualty counterparts, given that pets are considered property in the view of government regulators. However, pet insurance risks and trends tend to be aligned more with the health insurance market. For example, the cost of obtaining treatment in both markets has consistently increased at a faster pace than inflation. For veterinary costs in particular, expenditures have risen due to both advancements in medicine and increased use of care. According to industry operator Trupanion, more expensive and sophisticated treatments are rapidly gaining acceptance, including radiation therapy, CT scans, transplants and chemotherapy. This trend has increased the financial incentive for pet owners to take out industry coverage, while extensive marketing efforts have expanded consumer awareness of pet insurance policy options.

Over the five years to 2023, industry revenue is forecast to increase at an annualized rate of 7.5% to reach $1.5 billion. Key fundamental and demographic variables underlying the industry's performance are forecast to continue to work in the industry's favor over the years ahead. For example, the number of pets is anticipated to rise at an annualized rate of 2.4%. However, the number of insured pets is expected to rise much more rapidly. In line with insurance penetration trends observed in other advanced economies, IBISWorld expects the number of insured pets to reach about 2.0% by 2023, which is expected to boost industry participation and revenue.

Key External Drivers

External competition

Externally, industry operators primarily compete against consumers that choose to self-fund veterinary costs and pet medications. However, given the use of more advanced procedures and the increased use of care, veterinary costs continue to mount. This trend, coupled with the marketing efforts of industry operators, has caused both consumer acceptance and policy volumes to increase sharply. External competition for the Pet Insurance industry is expected to decrease in 2018, representing a potential opportunity for the industry.

Number of pets (cats and dogs)

The number of domestic pets fundamentally affects revenue for industry operators. When the number of

Industry Performance

Key External Drivers continued

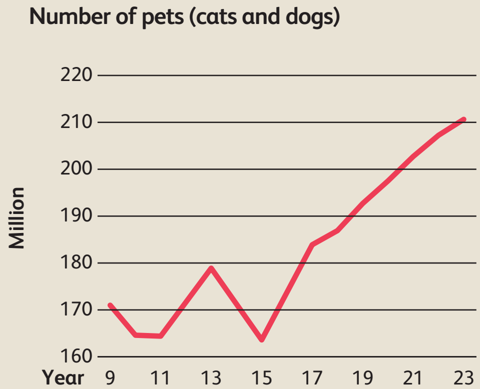
cats and dogs increases in the United States, pet insurers are provided with additional opportunities to underwrite insurance policies. The number of pets is expected to increase in 2018.

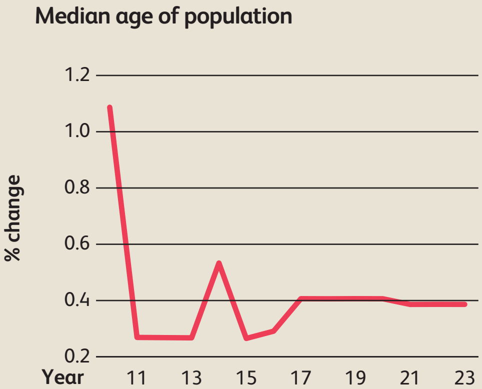
Median age of population

According to the Bureau of Labor Statistics, individuals under the age of 25 spend the least amount on pets, with annual expenditures on pets increasing consistently through age 64. As a result, the aging of the domestic population tends to increase spending on pets in all forms, including insurance premiums. The median age of the population is expected to increase slowly in 2018.

Homeownership rate

According to the Bureau of Labor Statistics, homeowners spend nearly three times more on pets compared with renters. Consequently, increases in the homeownership rate tend to correlate with improving industry policy volumes. The homeownership rate is expected to remain unchanged in 2018, posing a potential threat to the industry.



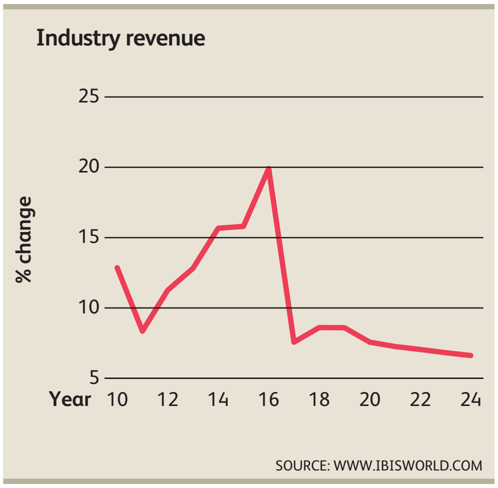


SOURCE: WWW.IBISWORLD.COM

Industry Performance

Current Performance

While considered a segment of the Property, Casualty and Direct Insurance industry (IBISWorld report 52412), the Pet Insurance industry accounts for a very small portion of the broader industry's revenue. Moreover, pet insurance risks and trends tend to be aligned more with the health insurance market. Industry operators primarily underwrite insurance policies for pets, providing coverage for a range of veterinary treatments and procedures. Given the comparative infancy of the domestic pet insurance market to foreign markets, both consumer acceptance of, and demand for, industry services are increasing rapidly. Consequently, industry revenue is anticipated to rise at an annualized rate of 13.4% over the five years to 2018 to reach $1.0 billion; this growth includes an 8.6% increase in revenue in 2018 alone. While the industry's profitability is anticipated to rise during the period, it is not expected to keep pace with the industry's rapid growth in policy volumes, as large marketing and technological development costs are expected to limit growth. Specifically, the industry's average profit margin is expected rise to 5.7% of revenue in 2017, up from 1.4% in 2012.



Product acceptance

While external competition for pet insurers is high, it has consistently declined during the five-year period. The most potent form of external competition for the industry is derived from the self-funding of veterinary costs and pet medications among consumers. Only 0.7% of pets in the United States are covered by pet insurance, whereas more than 20.0% of pets are insured in several European markets, according to the latest available data from the Department of Clinical Veterinary Science and the Pet Food Institute. However, given the use of more advanced procedures and the increased use of care, veterinary costs continue to mount. This trend has increased the financial incentive for pet owners to take out pet insurance policies. Moreover, the marketing efforts of industry insurers have expanded consumer awareness of the industry's offerings.

Consequently, the rapid increase in the number of pet insurance policies has been the key driver of industry growth. As the industry is firmly in the growth stage of its economic life cycle, demand is growing consistently, regardless of prevailing macroeconomic conditions. Similarly, while the number of domestic pets and the average age of the population fundamentally affects demand levels for pet insurers, the muted increases of these variables during the five-year period has not slowed the industry's growth.

Industry Performance

Distinction from the property and casualty market

As pets are viewed as property by domestic government regulators, the regulatory environment for pet insurers is very similar to the broader Property, Casualty and Direct Insurance industry, of which the Pet Insurance industry is a segment. Yet, many of the industry's products and trends are similar to the Health and Medical Insurance industry (52411b). For example, the cost of obtaining treatment in both markets has consistently increased at a faster pace than inflation. For veterinary costs in particular, expenditures have risen due to both advancements in medicine and increased use of care. According to industry operator Trupanion, more expensive and sophisticated treatments are gaining acceptance, including radiation therapy, CT scans, transplants and chemotherapy.

However, the loss ratios for the broader Property, Casualty and Direct Insurance industry (IBISWorld report 52412) have consistently exceeded those for the Pet Insurance industry. The loss ratio is the percentage of premiums earned that were paid out as claims; therefore, lower loss ratios for industry operators tend to benefit their profitability. For example, according to the latest available data from A.M. Best and StoneRidge Advisors, loss ratios for the property and casualty (P&C) market typically exceeds 60.0%, while loss ratios for the Pet Insurance industry generally remain below 55.0%.

Yet, the industry's average profit margin has generally failed to exceed the broader P&C industry's margins, which typically range from 9.0% to 17.0%. More specifically, the Pet Insurance industry's average profit margin is expected to rise from 8.2% of revenue in 2013 to 11.6% in 2018. This trend is largely explained by the differences in the two industries' life cycles. As opposed to the maturity of the broader P&C market, the industry is rapidly growing alongside consumer acceptance of its products. Consequently, industry operators are expending massive portions of their revenue on not just claims, but also sales, marketing and technological development.

Policy type and market trends

Insurance policies related to dogs dominate both industry policy volumes and revenue. According to the latest available data from the North American Pet Health Insurance Association (NAPHIA), dogs accounted for 83.0% of insurance premiums while cats accounted for the remaining 17.0% in 2014. Moreover, dogs are also generally more expensive to cover than other pets. For example, according to the latest available data from the American Pet Products Association, surgical vet visits cost dog owners $621.0 a year, compared with $382.0 for cat owners. Similarly, routine vet visits cost dog owners $231.0 a year, compared with $193.0 a year for cat owners.

Moreover, as these costs continue to rise, the number of domestic pet owners interested in taking out a pet insurance policy continues to rise. While consumers aged 35 to 64 account for the majority of industry premiums and households with multiple individuals are more apt to spend on pets, policy volumes have consistently and sharply increased. In turn, the number of companies underwriting pet insurance policies is expected to rise at an annualized rate of 4.9% to 14 enterprises over the five years to 2018. Similarly, industry employment is anticipated to increase at an annualized rate of 6.2% during the same period, reaching 1,205 workers in 2018.

While external competition for pet insurers is high, it has consistently declined

Industry Performance

Industry Outlook

Mounting veterinary costs and consumer awareness of industry products are anticipated to benefit the Pet Insurance industry over the five years to 2023. IBISWorld anticipates that the number of insured pets will rise, driven by projected growth in the total number of cats and dogs in the United States. Conversely, a forecast decline in the homeownership rate could pose a potential threat to this industry, given that homeowners expend nearly three times the amount on pets that renters spend, according to the Bureau of Labor Statistics. However, due to an extremely low market penetration rate compared with the rates observed in other advanced economies, the industry is expected to experience rapid growth, as consumer awareness increases. Overall, industry revenue is forecast to rise at an annualized rate of 7.5% over the five years to 2023 to reach $1.5 billion.

Cost structure changes

Industry operators rely on a pool of talented labor for each of their product and service offerings. For many pet insurers, member support functions dominate their aggregate employment figures. In addition, employees are required to provide sales, marketing, finance, actuary, information technology and product development functions. As industry competition intensifies, industry operators are expected to increasingly invest in the quality of their employees over the five years to 2023. As a result, total industry wage growth is anticipated to outpace industry revenue growth during the period, causing wages to rise as a share of revenue. In 2023, IBISWorld expects wages to account for 9.7% of revenue, up from 9.5% 2018.

Alternatively, the quality of an operator's technological platform has become an increasingly important basis of competition in the industry. These platforms often incorporate data analytics, pricing engines, claims processing and customer relationship management tools. As a result, technological platforms increase both an operator's efficiency and the quality of the customer experience.

Mounting veterinary costs and consumer awareness of products are anticipated to benefit the industry

Consequently, the industry's average profit margin is forecast to improve over the years ahead, rising from 11.6% of revenue in 2018 to an estimated 13.1% in 2023, as existing operators benefit from economies of scale and relatively new operators become profitable.

Moreover, some industry operators also provide a range of complementary technological services to clients. For example, Pethealth Inc. provides cloud-based animal management software through its PetPoint offerings. PetPoint provides database management and logistical support to animal control agencies, shelter organizations and rescue groups in North America. Additionally, the company also distributes radio-frequency identification (RFID) microchip products that are used to provide the location of pets.

Industry Performance

Market share dominance

Market share concentration in the Pet Insurance industry is high and increasing. The top four companies are estimated to account for 92.7% of total industry revenue in 2018, representing a substantial increase from 69.4% in 2013. However, with only an estimated 14 companies operating in the industry in 2018, it is not surprising that the industry is highly concentrated. The industry's largest player, Nationwide Pet Insurance, has maintained its dominant share of the market during the five-year period.

The industry's uptick in concentration is primarily the result of the rapid growth among some smaller pet insurers. For example, Trupanion's industry-specific revenue is anticipated to increase at an annualized rate of 28.8% over the five years to 2018, causing the company's market share to spike from 15.5% to 29.3%. Similarly, Petplan's industry-specific revenue is expected to rise at an annualized rate of 19.0% during the same period, causing this company's market share to rise as well. This historic growth is likely to continue over the next five years, as these companies use their established position in the industry to drive revenue growth for both themselves and the industry as a whole.

An increase in industry participation is expected to stimulate the industry's demand for labor

Over the five years to 2023, the number of pet insurance underwriters is forecast to rise at an annualized rate of 5.2% to 18 companies. Such an increase in industry participation is expected to stimulate the industry's demand for labor during the outlook period. As a result, IBISWorld anticipates that industry employment will rise at an annualized rate of 7.0% during the same period, reaching 1,689 workers in 2023. Yet, while new companies are anticipated to enter the Pet Insurance industry over the next five years, the comparatively massive size of existing operators and their impressive growth will keep the industry's market share concentration high during the outlook period.

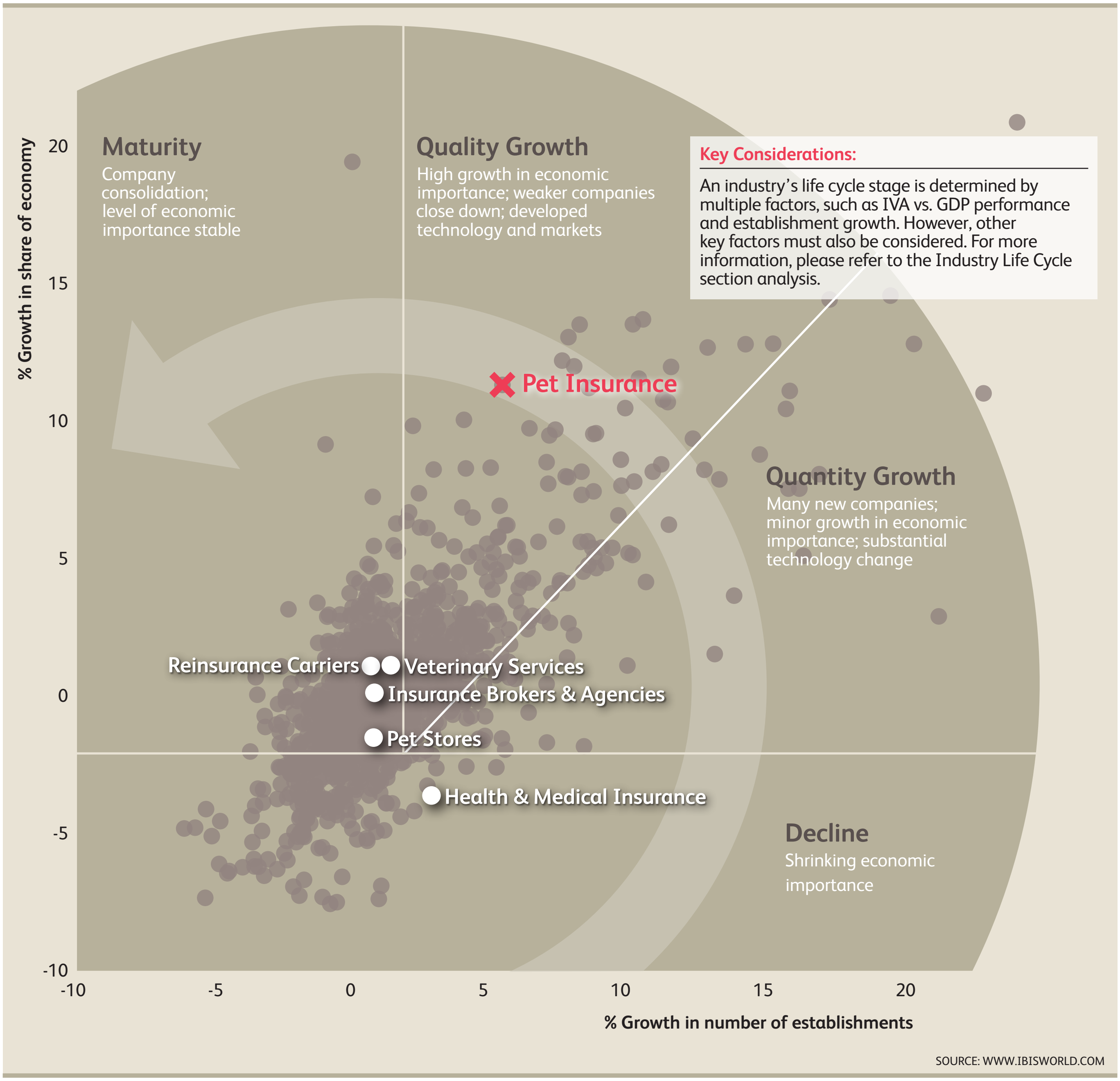
Industry Performance

Life Cycle Stage

Industry value added is expected to increase at a faster rate than US GDP over the 10 years to 2023

Rapid growth in consumer acceptance of pet insurance

Technological innovations favor industry growth



Industry Performance

Industry Life Cycle

This industry is **Growing**

The Pet Insurance industry is in the growth stage of its economic life cycle. This stage is characterized by swift growth in consumer acceptance of industry offerings and a rapid rate of technological change. Industry value added (IVA), which measures an industry's contribution to the overall economy, is expected to increase rapidly at an annualized rate of 13.7% over the 10 years to 2023. In contrast, US GDP is projected to grow at an annualized rate of 2.2% during the same period. Typically, an industry is considered to be in the growth stage of its life cycle when growth in IVA exceeds GDP growth during a 10-year period.

According to the latest available data from The Department of Clinical Veterinary Science and the Pet Food Institute, 30.0% of pets in Sweden and 23.0% of pets in the United Kingdom are covered by pet insurance policies. Alternatively, less than 1.0% of US pets are insured. However, the number of domestic pet that are insured continues to rise. Many pet insurers expend large portions of their revenue on advertising as a means to increase consumer awareness of both the industry's and the company's product offerings. Additionally, as more advanced procedures are now used and care utilization rates have risen, veterinary costs have continued to mount. In turn, consumers are increasingly valuing the benefit that pet insurers provide by taking on the risk of potentially expensive procedures in exchange for consistent premiums.

Moreover, technological change has substantially affected pet insurers in recent years, which is also highly indicative of an industry in the growth stage of its life cycle. As mentioned, veterinary costs are rising, partially due to the use of more expensive and sophisticated treatments like radiation therapy, CT scans, transplants and chemotherapy. The use of these procedures tends to increase both industry claims expenses and demand for insurance policies. Additionally, industry operators are increasingly developing their own proprietary software systems that incorporate claims processing, sales tasks and data analytics, among other functions. As these technological platforms increase an operator's efficiency, the industry's profit margins are forecast to expand in the years ahead.

Products & Markets

Supply Chain

KEY BUYING INDUSTRIES

99 **Consumers in the US**
Individuals are the ultimate market for the industry, taking on pet insurance policies to pass the risk of potentially expensive veterinary procedures onto industry operators.

KEY SELLING INDUSTRIES

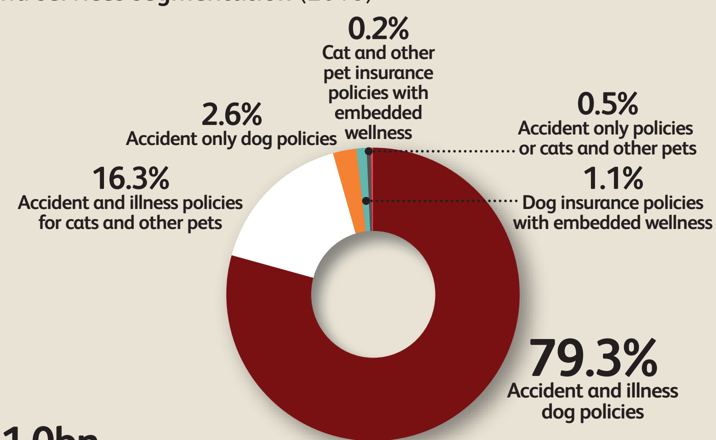
52413 **Reinsurance Carriers in the US**
Pet insurers can offload risk by reinsuring their policies. Reinsurance carriers assume all or part of the risks associated with existing insurance policies originally underwritten by other insurance carriers.

52421 **Insurance Brokers & Agencies in the US**
Insurance agents and brokers distribute pet insurance policies on behalf of industry operators.

52429 **Third-Party Administrators & Insurance Claims Adjusters in the US**
Pet insurers are provided with insurance support services in the form of claims adjustments, insurance adjustments and third-party insurance plan administrative services from this upstream industry.

Products & Services

Products and services segmentation (2018)



Total $1.0bn

SOURCE: WWW.IBISWORLD.COM

Pet type characteristics

According to the latest available data from the North American Pet Health Insurance Association (NAPHIA), 876,441 of its member's policies insured dogs in 2013, corresponding to 90.0% of the total number of pets insured by the association's members. Consequently, insurance policies for dogs dominate revenue for industry operators as compared with coverage for cats and other pets. In 2015, NAPHIA reported that dogs accounted for 84.0% of the premiums generated.

In addition to greater policy volumes for dogs, these pets also tend to be more expensive to insure. For example, according to the NAPHIA, annual premiums for accident and illness policies for dogs cost $196.4 more, on average, compared with cats, in 2016. Similarly, annual premiums for accident only policies costed dog owners $18.8 more in 2016 compared with cat owners.

This divergence in premiums is largely the result of differing veterinary costs between pet types. For example,

Products & Markets

Products & Services continued

according to the latest available data from the American Pet Products Association, surgical vet visits cost dog owners $621.0 a year, compared with $382.0 for cat owners. Similarly, routine vet visits cost dog owners $231.0 a year, compared with $193.0 a year for cat owners.

Insurance policy types

According to the NAPHIA, 95.6% of policies in force are products that provide coverage for both accidents and illnesses. Accident protection provides pet owners reimbursement for treatment of broken bones, burns, swallowed objects and poison ingestion, among other accidents. Alternatively, illness coverage provides treatments like laboratory tests, X-rays, surgeries and hospitalizations.

According to the NAPHIA, policies that only cover accidents account for 3.1% of total policies in force. There are several wellness options that pet owners can choose from, many of which can be combined with accident and illness policies into one monthly premium. Wellness options include annual checkups, vaccination coverage, microchips, flea and heartworm preventative medication and annual dental cleanings.

Demand Determinants

Given that the Pet Insurance industry is in the growth stage of its economic life cycle, demand is growing consistently regardless of prevailing macroeconomic conditions. Alternatively, industry demand has largely been influenced by rapidly increasing levels of consumer awareness and acceptance of industry insurance policies. In several European markets, more than 20.0% of all pets are insured. Conversely, in the United States, less than 1.0% of total pets are covered by pet insurance, according to the latest available data from The Department of Clinical Veterinary Science and the Pet Food Institute. Many pet insurers expend large portions of their revenue on advertising as a means to increase consumer awareness of both the industry's and the company's product offerings.

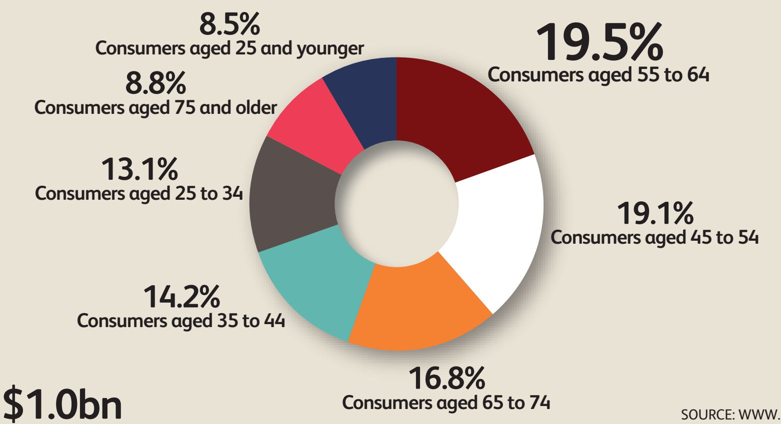
Moreover, similar to the Health and Medical Insurance industry (IBISWorld report 52411b), veterinary costs continue to rise. According to industry operator Trupanion, more expensive and sophisticated treatments are gaining acceptance, including radiation therapy, CT scans, transplants and chemotherapy. In response, consumers are increasingly valuing the benefit that pet insurers provide by taking on the risk of potentially expensive procedures in exchange for consistent premiums.

The number of domestic pets also fundamentally affects demand levels for industry operators. Over the five years to 2018, the number of cats and dogs is anticipated to rise at an annualized rate of 0.9%, with growth forecast to continue at an annualized rate of 2.4% over the five years to 2023, to the benefit of industry operators. Similarly, industry demand is also affected by a range of demographic trends. For example, the aging of the domestic population stands to benefit pet insurers, given that individuals aged 35 and older are anticipated to represent 78.4% of total industry revenue in 2018.

Products & Markets

Major Markets

Major market segmentation (2018)



SOURCE: WWW.IBISWORLD.COM

Consumers aged 34 and younger

In 2018, consumers aged 34 and younger are anticipated to account for 21.6% of total industry revenue. More specifically, individuals aged 25 and younger are expected to represent 8.5% of industry revenue, while individuals aged 25 to 34 are anticipated to account for the remaining 13.1%. According to the latest available data from the US Bureau of Labor Statistics (BLS), individuals under the age of 25 spend the least amount on pets; more specifically, consumers in this age bracket spend an average of $279.0 a year on pets. Similarly, individuals aged 25 to 34 also spend a relatively small amount on pets each year, estimated at $427.0 according to the BLS.

Part of the explanation behind younger individuals accounting for smaller portions of industry revenue is that consumers in this age group are less likely to be married with children. According to the BLS, households of one person spend an average of only $349.0 per year on pets, as compared with $656.0 for two-person households and $536.0 for three-person households.

Consumers aged 35 to 64

In 2018, consumers aged 35 to 64 are anticipated to account for 52.8% of total industry revenue. More specifically, individuals aged 35 to 44 are expected to represent 14.2% of industry revenue, while individuals aged 45 to 54 and 55 to 64 are anticipated to account for 19.1% and 19.5% of industry premiums, respectively. According to the BLS, individuals aged 55 to 64 spend the most on pets; more specifically, consumers in this age bracket spend an average of $636.0 a year on their pets. Alternatively, consumers aged 35 to 44 and 45 to 54 expend $465.0 and $625.0, respectively, on their pets each year.

Consumers aged 65 and older

In 2018, consumers aged 65 and older are anticipated to account for 25.6% of total industry revenue. More specifically, individuals aged 65 to 74 are expected to represent 16.8% of industry revenue, while individuals aged 75 and older are anticipated to account for the remaining 8.8% of industry premiums. According to the BLS, individuals aged 65 to 74 expend $547.0 annually on average on their pets. Alternatively, consumers aged 75 and older spend slightly more than consumers aged 25 and under, averaging $286.0 annually.

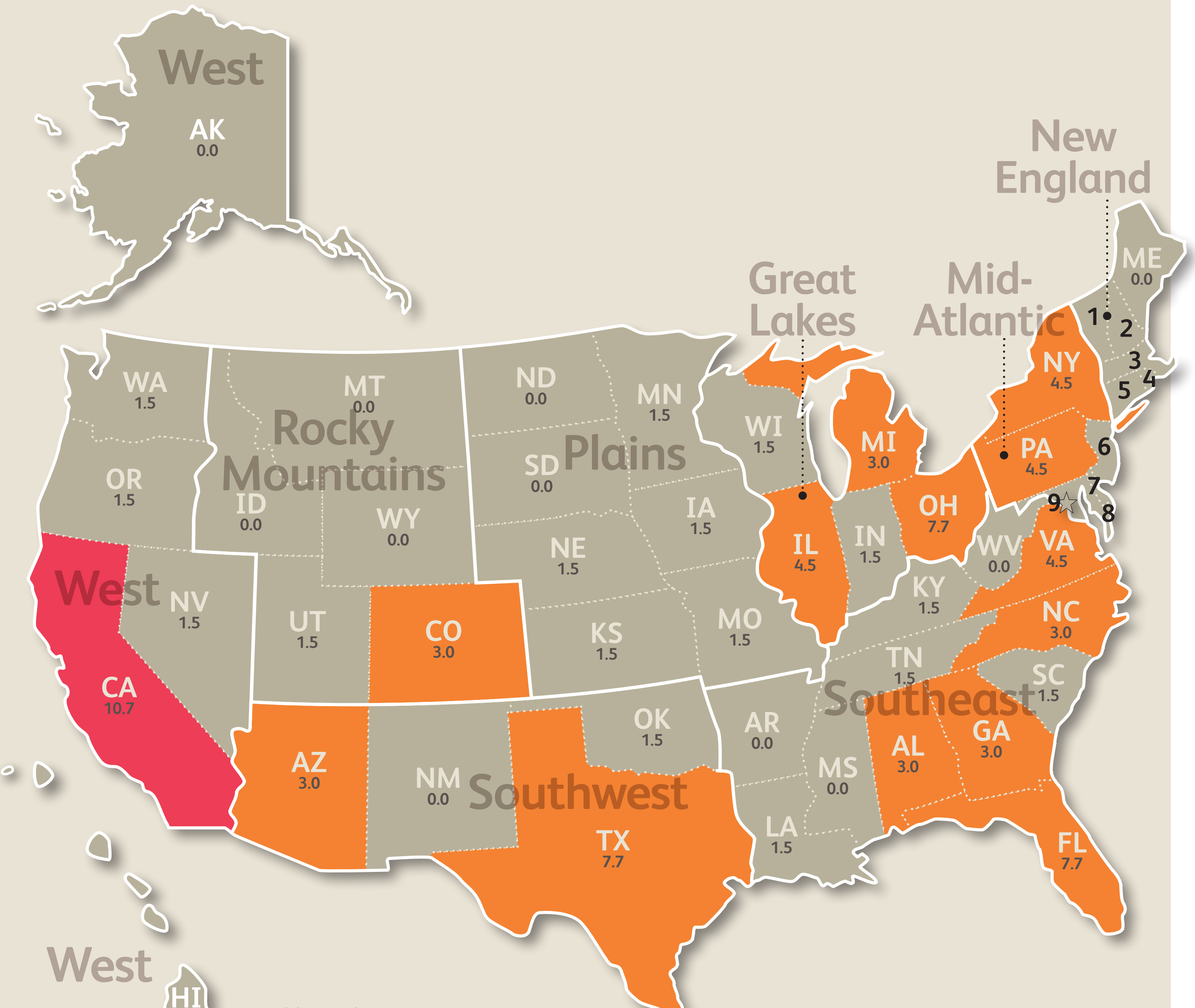
Products & Markets

International Trade

Exports and imports are not applicable to the Pet Insurance industry. Moreover, pet insurance demand in the United States is still largely filled by US insurers. However, some insurers have extensive international operations. For more information on the industry's international trends, please refer to the "Industry Globalization" section of this report.

Products & Markets

Business Locations 2018



Additional States (as marked on map)

1 VT 0.0	2 NH 0.0	3 MA 1.5	4 RI 0.0	
5 CT 1.5	6 NJ 1.5	7 DE 0.0	8 MD 1.5	9 DC 0.0

Establishments (%)

- Less than 3%
- 3% to less than 10%
- 10% to less than 20%
- 20% or more

SOURCE: WWW.IBISWORLD.COM

Products & Markets

Business Locations

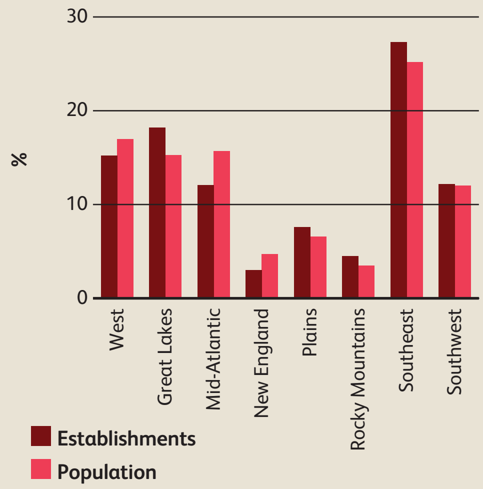
The distribution of industry establishments is largely determined by population trends. Larger and more populated states tend to have more industry establishments than their smaller counterparts. Population density is also an important indicator of the number of establishments in each state. States with low density tend to have more establishments per individual than densely populated regions. In contrast, densely populated regions have fewer establishments but larger offices.

In addition to population, the distribution of industry establishments is also influenced by the wealth characteristics of a state or region. The decision to own a pet, a prerequisite for the distribution of industry policies, is largely determined by disposable income levels. In general, areas where the average salary is high provides its citizens with the enhanced ability to own a pet and, subsequently, take out a pet insurance policy.

Southeast

The Southeast region is home to the largest number of industry establishments, accounting for an estimated 27.3% of the total; similarly, the region accounts for 25.7% of the population. The population size of the region largely determines the Southeast's large share of industry establishments. Moreover, Arkansas and West Virginia both rank in the top 10 states with respect to the percentage of households that own a pet, according to the latest available data from the American Veterinary Medical Association (AVMA).

Distribution of establishments vs. population



SOURCE: WWW.IBISWORLD.COM

West

The West is another region with a strong Pet Insurance industry operator presence, accounting for an estimated 15.2% of total industry establishments in 2018. Both Oregon and Washington rank in the top 10 states with respect to the percentage of households that own a pet, according to the AVMA. Additionally, several new pet insurers choose to operate in California due to the state's large population and access to financing.

Other regions and their share of establishments include: The Great Lakes (18.2%), Southwest (12.2%), Mid-Atlantic (12.1%), Plains (7.5%), Rocky Mountains (4.5%) and New England (3.0%) regions.

Competitive Landscape

Market Share Concentration | Key Success Factors | Cost Structure Benchmarks
Basis of Competition | Barriers to Entry | Industry Globalization

Market Share Concentration

Level
Concentration in this industry is **High**

The Pet Insurance industry operates with a high level of market share concentration. The top four companies are estimated to account for 92.7% of total industry revenue in 2018, representing a substantial increase from 69.4% in 2013. With only an estimated 14 companies operating in the industry in 2018, it is not surprising that the industry is highly concentrated. The industry's largest player, Nationwide Pet Insurance, has maintained its dominant share of the market during the five-year period.

The industry's uptick in concentration is primarily the result of the rapid growth among some smaller pet insurers during the five-year period. For example, Trupanion's industry-specific revenue is anticipated to increase at an annualized rate of 28.8% during the five-year period, causing the company's market share to spike from 15.5% in 2013 to an estimated 29.3% in 2018. Similarly, Petplan's industry-specific revenue is expected to rise at an annualized rate of 19.0% during the same period, causing its market share to rise. While new companies are anticipated to enter the Pet Insurance industry over the five years to 2023, the comparatively massive size of existing operators will keep the industry's market share concentration high over the years ahead.

Key Success Factors

IBISWorld identifies 250 Key Success Factors for a business. The most important for this industry are:

Disciplined underwriting processes
Underwriting procedures must emphasize high quality risks. Adequate provisions must be made for future claims, using in-house and external actuarial resources.

Having a cost effective distribution system
It is important for insurers to have effective, low cost product distribution channels. This tends to involve the use of agents and brokers and a targeted retail presence.

Maintenance of excellent customer relations
Superior customer relations are essential to maintain clients, while a good reputation within the market is crucial to increase pet insurance policy volumes.

Possession of accurate information
A large database of risk related information enables insurers to price policies accurately and calculate requisite surplus levels.

Cost Structure Benchmarks

Profit
Industry profit, defined as earnings before interest and taxes, is expected to increase over the five years to 2018, rising from 8.2% of revenue in 2013 to an estimated 11.6% in 2018. The loss ratios for the broader Property, Casualty and Direct Insurance industry (IBISWorld report 52412) have consistently exceeded those for the Pet Insurance industry. For example, according to data from A.M. Best and StoneRidge Advisors, loss ratios for the property and casualty (P&C) market tends to exceed 60.0%, while loss ratios for the Pet Insurance industry generally remains below 55.0%. As the loss ratio is the percentage of premiums earned that were paid out as claims, lower loss ratios for industry operators tend to benefit their profitability.

Yet, the industry's average profit margin has generally failed to exceed the broader P&C industry's margins. This trend is largely explained by the differences in the life cycles of the two industries. As opposed to the maturity of the broader P&C market, the Pet Insurance industry is rapidly growing

Competitive Landscape

Cost Structure Benchmarks continued

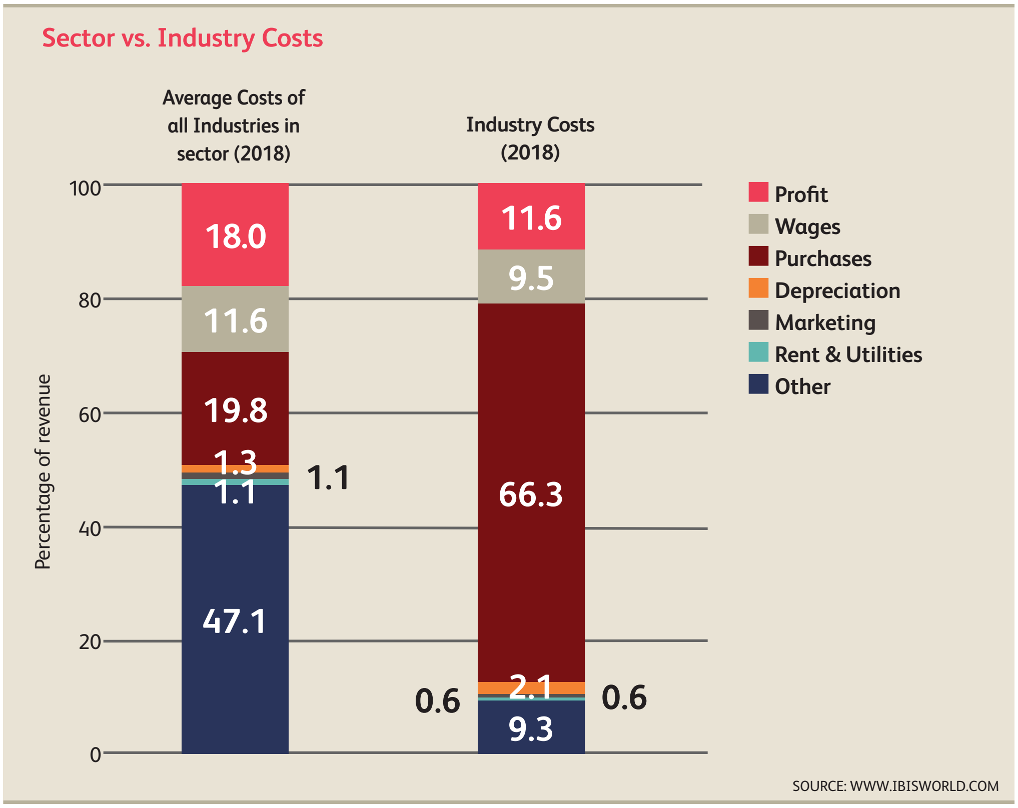
alongside consumer acceptance of its products. Consequently, industry operators are expending massive portions of their revenue on not just claims, but also sales, marketing and technological development.

Claims expenses

Mirroring the majority of insurance industries, claims expenses represent the largest cost for pet insurers. More specifically, in 2018, claims expenses are anticipated to account for 66.3% of total industry revenue. The extent of claims expenses varies considerably by company due to differing policy options. Many industry operators provide a myriad of policies with a range of incident limits (i.e. the maximum reimbursement for a single accident or illness during the policy period). Policies with higher incident levels also tend to be coupled with higher premium payments to compensate the insurer for increased risk. Given the nature of industry, claims expenses are anticipated to remain the largest industry cost over the five years to 2023.

Wages

Labor costs represent the second largest cost for the Pet Insurance industry. In 2018, wages are expected to account for 9.5% of industry revenue, up from 9.4% in 2013. Industry operators rely on a pool of talented labor for each of their product and service offerings. For many pet insurers, member support functions dominate their aggregate employment figures. In addition, employees are required to provide sales, marketing, finance, actuarial, information technology and product development functions. As industry operators increasingly benefit from economies of scale in the years ahead, wages are anticipated to continue rising as a share of total revenue.



Competitive Landscape

Cost Structure Benchmarks continued

Marketing and other

In contrast to several European markets, where more than 20.0% of pets are insured, only 1.0% of pets in the United States are covered by pet insurance, according to the latest available data from The Department of Clinical Veterinary Science and the Pet Food Institute. As a result, many pet insurers expend large portions of their revenue on advertising as a means to increase consumer awareness of both the industry's and the company's product offerings. In 2018, marketing is anticipated to account for 0.6% of total industry revenue.

Other costs for industry operators include professional and outside service fees and merger-related expenses. Moreover, rent and utilities and depreciation are anticipated to account for 0.6% and 2.1% of total industry revenue, respectively, in 2018.

Basis of Competition

Level & Trend
Competition in this industry is **High** and the trend is **Decreasing**

Internal competition

Internally, industry operators primarily compete on the basis of price, coverage options, technological offerings and reputation. Larger industry operators are generally able to offer lower premiums for insurance plans, given that they benefit from economies of scale, with the average cost per policy declining as volumes rise. These operators also typically have the capital necessary to offer a range of policy options. For example, Nationwide Pet Insurance, the largest industry operator, offers four distinct plan options for both dogs and cats, with each plan involving a mix of premium prices and annual benefit limits. The provision of a range of policies enables an insurer to capture premiums from a broader range of clients, given the heterogeneity in the willingness to take on risk among pet owners.

In addition, the quality of an operator's technological platform is also an important basis of competition in the industry. These platforms often incorporate data analytics, pricing engines, claims processing and customer relationship management tools. As a result, technological platforms increase both an operator's efficiency and the quality of the customer experience. Finally, the reputation of an industry operator is a crucial basis of competition. For example, ASPCA's long history of working for animal protection increases its presence in the market place and makes it more likely for a pet owner to trust the company's insurance products. Reputational advantages are also gained by more experienced operators, such as Nationwide Pet Insurance, that have operated in the industry for several years.

External competition

Externally, industry operators primarily compete against individuals that choose to self-fund their pet's expenses, rather than rely on insurance policies. In contrast to several European markets where more than 20.0% of pets are insured, only 1.0% of pets in the United States are covered by pet insurance, according to the latest available data from The Department of Clinical Veterinary Science and the Pet Food Institute. As a result, marketing efforts by industry operators are used as a means to increase consumer awareness of both the industry's and the company's product offerings. In addition, industry operators, such as Trupanion, are focused on creating a value proposition for consumers by keeping policy premiums below expected losses from potentially expensive veterinary treatments.

Competitive Landscape

Barriers to Entry

Level & Trend
Barriers to Entry in this industry are **High** and **Increasing**

The Pet Insurance industry operates with high barriers to entry. A new entrant must conform to strict state and federal regulations to establish property and casualty (P&C) operations, of which pet insurance is a segment. Both the broader P&C and pet insurance markets are highly competitive. Both markets contain a large number of well-established brands, making it expensive for new entrants to compete on the basis of consumer awareness of their products. The largest of these traditional providers is Nationwide Pet Insurance, a privately-owned subsidiary of Nationwide Insurance. Existing operators backed by large insurance companies with substantial financial resources pose massive barriers to entry in the Pet Insurance industry.

Furthermore, perhaps the highest barrier to overcome, a prospective entrant must raise a large amount of capital to start operations. In addition, a new entrant must apply for a Certificate of Authority to supply insurance products as a P&C insurance carrier. Moreover, this certificate must be obtained not only for the state of domicile but also for every other state where the insurer wishes to conduct business. The insurer must also submit regular reports and comply with set standards for minimum capital and solvency requirements.

Larger insurers benefit from economies of scale in back office operations, marketing, sales and customer service. The substantial size of these companies also means they are well known and trusted by consumers and businesses alike. Moreover, the largest insurers also have sizeable distribution networks, including well-established relationships with agents, brokers and financial services companies. These factors give the major players significant advantages over potential entrants and serve to increase market share concentration in the industry.

Barriers to Entry checklist

Competition	High
Concentration	High
Life Cycle Stage	Growth
Capital Intensity	Medium
Technology Change	High
Regulation & Policy	Medium
Industry Assistance	Low

SOURCE: WWW.IBISWORLD.COM

Industry Globalization

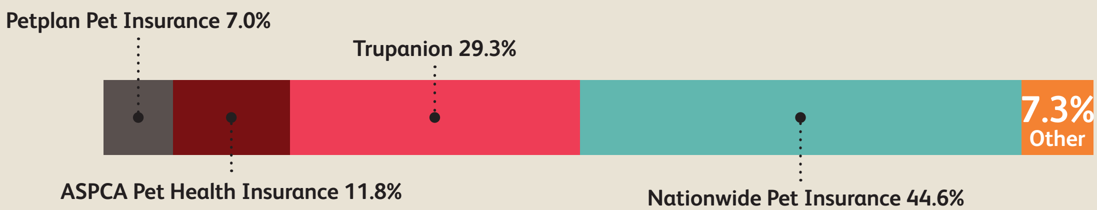
Level & Trend
Globalization in this industry is **Low** and the trend is **Decreasing**

The Pet Insurance industry is characterized by a low level of globalization. Exports and imports are not applicable to the industry, and there are only a few pet insurance underwriters in the United States that are foreign-owned. Moreover, while the industry's major players provide pet insurance in a range of foreign markets, many continue to focus on the United States for growth opportunities. For example, the United States currently accounts for an estimated 76.0% of Trupanion's total revenue, up from 70.2% in 2012. This trend is largely the result of the low, but rapidly increasing, portion of pets that are insured in the domestic market, particularly when compared with the maturity of the market in Europe.

Major Companies

Nationwide Pet Insurance | Trupanion
ASPCA Pet Health Insurance | Petplan Pet Insurance | Other Companies

Major players
(Market share)



SOURCE: WWW.IBISWORLD.COM

Player Performance

Nationwide Pet Insurance
Market share: 44.6 %

Headquartered in Brea, CA, Nationwide Pet Insurance is the largest pet insurance company in North America. Founded in 1982, Veterinary Pet Insurance Company (VPI) was the first pet insurance company in the United States. Moreover, VPI was the first domestic underwriter to sell policies nationwide and introduce routine care coverage. In 2008, VPI joined the Nationwide family of companies; Nationwide is one of the largest insurance and financial services companies in the world. The move provided the company increased stability, financial resources and an enhanced presence in the market. In addition, the company continues to focus on both the medical expertise and insurance experience of its staff as a means to expand its client base. In 2018, Nationwide Pet Insurance is anticipated to employ 500 individuals; among these employees, 11 are veterinarians and more than 90 have veterinary practice experience.

Nationwide Pet Insurance offers four distinct plan options for both dogs and cats. The company's comprehensive plans provide coverage for chronic conditions and permit the use of any veterinarian, with a maximum annual benefit of $14,000. Nationwide Pet Insurance's economic plan options are similar to the comprehensive plans but provide maximum annual benefits of only $7,000; in turn, the monthly premiums for the economic plans cost five to eight dollars less. The company's pet wellness plans provide cash back on the wellness care needed by pets, including vaccinations, wellness exams and dental cleaning. Finally, Nationwide Pet Insurance provides an emergency plan for dogs and a feline select plan for cats.

Nationwide Pet Insurance (US industry-specific segment) - financial performance*

Year	Revenue ($ million)	(% change)	Operating Income ($ million)	(% change)
2013	197.9	-7.4	16.1	436.7
2014	236.3	19.4	20.0	24.2
2015	280.9	18.9	30.1	50.5
2016	336.5	19.8	36.9	22.6
2017	412.5	22.6	49.6	34.4
2018	452.9	9.8	52.4	5.6

*Estimates

SOURCE: IBISWORLD

Major Companies

Player Performance continued

Financial performance

Over the five years to 2018, Nationwide Pet Insurance's industry-specific revenue is expected to increase at an annualized rate of 18.0% to reach $452.9 million. Despite rising competition from new companies, Nationwide has continued to grow its market share. As demand has grown for pet insurance, Nationwide has expanded its pet insurance offerings.

Player Performance

Trupanion
Market share: 29.3 %

Headquartered in Seattle, Trupanion is a publicly traded direct-to-consumer monthly subscription service provider of pet medical plans. The company provides these offerings to owners of cats and dogs throughout the United States, Canada and Puerto Rico. As of December 2017 (latest available financial information), Trupanion employed 439 individuals, the majority of which work in member support functions in the United States.

Both the company's revenue and total pets enrolled have increased rapidly in recent years. Trupanion's total number of pets enrolled has increased to 423,194 pets in 2017. The company primarily generates revenue from subscription fees for its medical plan. Trupanion's medical plan automatically renews on a monthly basis, with members paying the subscription fee at the beginning of the subscription period. In addition to rapid growth in the total number of pets insured, the loyalty of the company's existing clients has also benefited Trupanion substantially. For example, the company has maintained an average monthly retention rate in excess of over 98.0% from 2010 to 2016.

Moreover, with respect to this industry, Trupanion's growth has benefited from a rapid increase in the proportion of total revenue derived from the United States. While the company enrolled its first pet in Canada in 2000, Trupanion did not enroll its first pet in the United States until 2008. Since 2008, the company's revenue generated from US customers has increased from 0.0% to an estimated 79.0% in 2017.

Financial performance

Over the five years to 2018, Trupanion's US industry-specific revenue is expected to increase at an annualized rate of 28.8% to $296.8 million. Sharp growth in total pets insured, loyalty from existing clients and rapid penetration in the domestic market have all contributed to this growth. Yet, the company has

Trupanion (US industry-specific segment) - financial performance

Year	Revenue ($ million)	(% change)	Operating Income ($ million)	(% change)
2013	83.7	91.1	0.7	N/C
2014	115.9	38.5	0.6	-14.3
2015	137.0	18.2	1.4	133.3
2016	188.1	37.3	0.1	-92.9
2017	242.7	29.0	5.0	4,900.0
2018*	296.8	22.3	6.1	22.0

*Estimates

SOURCE: ANNUAL REPORT AND IBISWORLD

Major Companies

Player Performance continued

consistently operated at a loss during the five-year period. Trupanion's costs have increased in tandem with revenue growth. In particular, the company's claims expenses, agent commissions and marketing efforts have prevented it from turning a profit during the period.

Player Performance

ASPCA Pet Health Insurance
Market share: 11.8 %
Industry Brand Names
Hartville Pet Insurance Group

Hartville Pet Insurance Group (Hartville Group), which provides ASPCA Pet Health Insurance offerings, started providing pet insurance for domestic dogs and cats in 1997. In 2006, the American Society for the Prevention of Cruelty to Animals (ASPCA) chose Hartville Group as its strategic partner for pet insurance. In May 2013, Fairfax Financial Holdings Limited announced its intention to merge with Hartville Group, making Hartville Group a wholly owned subsidiary of Crum & Forster's United States Fire Insurance Company.

The company's insurance plans are depicted through multiple levels, with a range of premium and coverage combinations offered. For example, ASPCA's level one plans cover costs related to ongoing conditions and accidents, with an incident limit of $2,500. The company's level two plans cover costs related to ongoing conditions, accidents and illnesses, with an incident limit of $3,000. Alternatively, the company's level three and four plans also cover hereditary conditions, alternative therapies and behavioral treatments, with increased incident limits.

ASPCA Pet Health Insurance maintains several competitive advantages. For example, the company's long history of working for animal protection increases its presence in the market place. Additionally, each of the company's plans reimburses 90.0% of usual and customary covered charges. Moreover, owners of the insurance policies need only meet a $100.0 annual deductible per pet, which is lower than many other companies' deductibles in the industry, with dogs and cats aged eight weeks and older eligible for level one plans.

Financial performance

Over the five years to 2018, ASPCA Pet Health Insurance's industry-specific revenue is expected to increase at an annualized rate of 13.5% to reach $119.7 million. Despite the company's

ASPCA Pet Health Insurance (US industry-specific segment) - financial performance*

Year	Revenue ($ million)	(% change)	Operating Income ($ million)	(% change)
2013	63.6	45.9	-1.8	N/C
2014	73.7	15.9	-2.2	22.2
2015	85.0	15.3	-2.2	0.0
2016	102.8	20.9	-3.6	63.6
2017	108.7	5.7	-3.3	-8.3
2018	119.7	10.1	-1.3	-60.6

*Estimates

SOURCE: IBISWORLD

Major Companies

Player Performance continued

competitive advantages, particularly its brand awareness, it has failed to keep pace with the industry's sharp revenue growth during the five-year period.

Player Performance

Petplan Pet Insurance
Market share: 7.0 %

Headquartered in Newtown Square, PA, Petplan Pet Insurance (Petplan) is a rapidly growing domestic pet insurer. Since being founded in 2006, the company's workforce has expanded sharply to an estimated 120 individuals. As a result, the company has recently relocated from a smaller office in Philadelphia, to a larger office in Newtown Square.

Petplan currently provides pet insurance to more than 100,000 domestic dogs and cats. Despite the industry's classification as part of the Property, Casualty and Direct Insurance industry (IBISWorld report 52412), Petplan's offerings resemble health insurance coverage, with a wide range of treatments covered. The company's premiums for this coverage average $400.0 per year and depend on the pet's age, type and geographic location.

The company has intentions to expand its international presence, given the founders' experience insuring pets abroad. For example, Petplan recently expanded into the Canadian market, which more closely resembles the European market with respect to regulation and consumer acceptance. Moreover, the company is striving, with the help of its brokers, to expand the number of Fortune 500 companies that offer Petplan's services to their employees.

Financial performance

Over the five years to 2018, Petplan's US industry-specific revenue is expected to increase at an annualized rate of 19.0% to reach $70.6 million. Similar to Trupanion, rapid growth in the company's client base largely explains Petplan's performance in recent years. Yet, alternative to Trupanion, Petplan was founded with a focus on the domestic market and is slowly expanding into different geographic regions. Moreover, Petplan is estimated to have been

Petplan Pet Insurance (US industry-specific segment) - financial performance*

Year	Revenue ($ million)	(% change)	Operating Income ($ million)	(% change)
2013	29.6	18.9	2.4	-25.0
2014	36.0	21.6	3.0	25.0
2015	43.8	21.7	4.7	56.7
2016	55.3	26.3	6.1	29.8
2017	62.5	13.0	7.5	23.0
2018	70.6	13.0	8.2	9.3

*Estimates

SOURCE: IBISWORLD

Major Companies

Player Performance continued

profitable in each year during the five-year period, with the company's operating income keeping pace with revenue growth in recent years.

Other Companies

In 2017, an estimated 17 companies operate in the Pet Insurance industry. Consequently, market share concentration in the industry is high and increasing. Other industry operators not previously discussed include American Modern Insurance Group, Embrace Pet Insurance, Healthy Paws Pet Insurance & Foundation, Independence American Insurance Company, PetFirst Healthcare, Pethealth, Pet Partners and Pets Best Insurance.

Operating Conditions

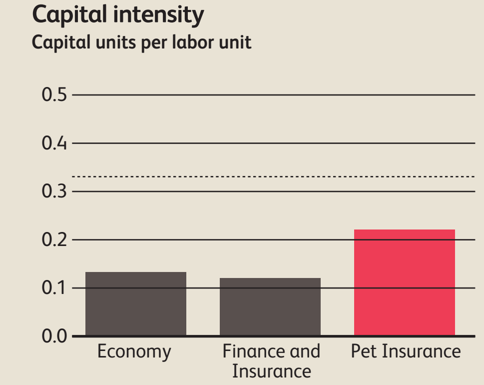
Capital Intensity | Technology & Systems | Revenue Volatility
Regulation & Policy | Industry Assistance

Capital Intensity

Level
The level of capital intensity is **Medium**

The Pet Insurance industry operates with a low-to-moderate level of capital intensity. In 2018, IBISWorld estimates that for every $1.00 spent on wages, the industry allocates $0.13 to capital investment, representing a marginal decline from the industry's level of capital intensity in 2012. Industry operators rely extensively on IT systems and databases to process transactions, summarize results and manage business operations. Additionally, industry operators typically integrate their financial systems and electronic payment solutions.

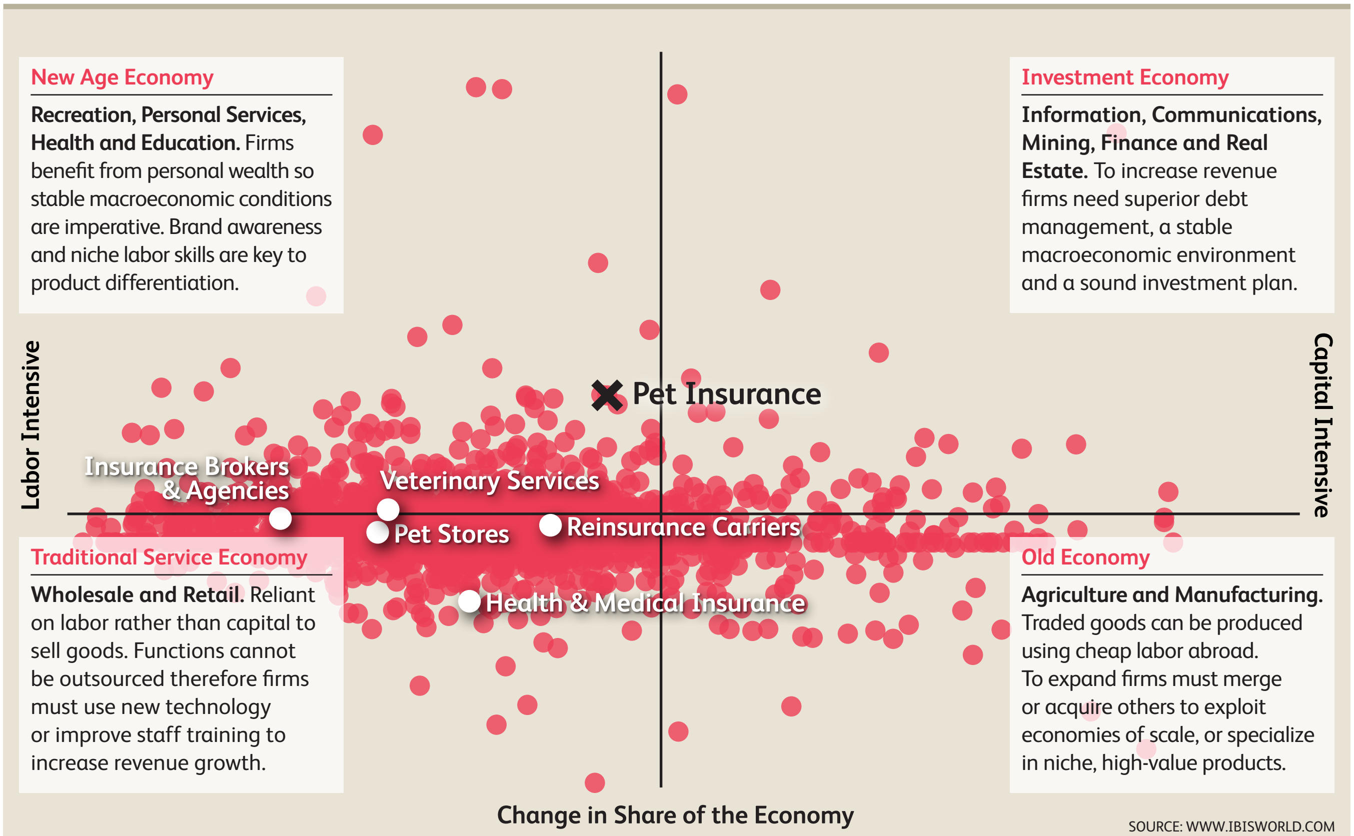
Many industry operators develop their own proprietary software systems; these systems often incorporate data analytics, pricing engines, claims processing and customer relationship management tools.



Dotted line shows a high level of capital intensity
SOURCE: WWW.IBISWORLD.COM

Operators like Trupanion continue to invest heavily in research and development as a means to increase both

Tools of the Trade: Growth Strategies for Success



SOURCE: WWW.IBISWORLD.COM

Operating Conditions

Capital Intensity continued

their customer bases and efficiency. For example, Trupanion recently introduced Trupanion Express, which facilitates the direct payment of claims to the veterinarian. However, some operators, including Pethealth Inc., rely on third parties to retain data and process transactions, tempering the industry's aggregate capital intensity to a certain degree.

Technology & Systems

Level
The level of Technology Change is **High**

Technological change, both at the veterinary level and within the industry, has significantly affected pet insurers in recent years. At the veterinary level, expenditures have consistently increased due to both advancements in medicine and increased utilization of care. According to industry operator Trupanion, more expensive and sophisticated treatments are gaining acceptance, including radiation therapy, CT scans, transplants and chemotherapy. In turn, the mounting use of these treatments has increased costs for pet owners and the financial incentive to obtain pet insurance policies.

With respect to the industry specifically, industry operators expend large amounts on technological upgrades. For example, in 2015, 5.0% of industry operator Trupanion's revenue was accounted for by its technology and development cost segment. The company's technology framework is used to price its medical plan subscriptions, enroll members and administer claims. Industry operators compete on the reliability of their technological platforms, with the scalability of these systems gaining importance as the industry's number of customers continues to grow rapidly.

Moreover, some industry operators also provide a range of complementary technological services to clients. For example, Pethealth Inc. provides cloud-based animal management software through its PetPoint offerings. PetPoint provides database management and logistical support to animal control agencies, shelter organizations and rescue groups in North America. Moreover, the company also distributes RFID microchip products that are used to identify the location of pets.

Revenue Volatility

Level
The level of Volatility is **Medium**

This industry is expected to exhibit a low level of revenue volatility. Volatility largely depends on any aggregate changes in premium prices and policy volumes. Similar to the Health and Medical Insurance industry (IBISWorld report 52411b), premium prices have been rising consistently due to both advancements in medicine and increased utilization of care.

Alternatively, the volume of industry policies has displayed a much larger amount of volatility. The Pet Insurance industry is relatively new and is firmly in the growth stage of its economic life cycle. Consequently, revenue changes are primarily being driven by sharp increases in consumer acceptance, with this trend outweighing the effect of general macroeconomic conditions. Yet, policy volumes have not increased at a uniform rate on an annual basis. Over the past five years, revenue has grown by as much as 15.8% in 2014 and as little as 10.1% in 2016.

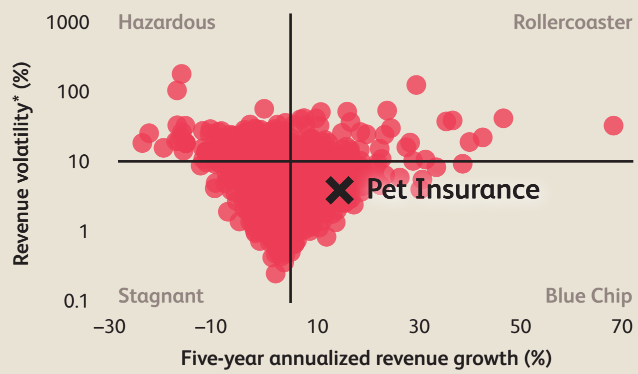
Operating Conditions

Revenue Volatility continued

A higher level of revenue volatility implies greater industry risk. Volatility can negatively affect long-term strategic decisions, such as the time frame for capital investment.

When a firm makes poor investment decisions it may face underutilized capacity if demand suddenly falls, or capacity constraints if it rises quickly.

Volatility vs. growth



* Axis is in logarithmic scale

SOURCE: WWW.IBISWORLD.COM

Regulation & Policy

Level & Trend
The level of Regulation is **Medium** and the trend is **Steady**

While many of the industry's products and trends are similar to the Health and Medical Insurance industry (IBISWorld report 52411b), pet insurers are considered a part of the Property, Casualty and Direct Insurance industry (52412). As pets are viewed as property by domestic government regulators, the regulatory environment for pet insurers is very similar to the broader Property, Casualty and Direct Insurance industry.

Property and casualty (P&C) insurers are governed on a state level with individual laws and regulations administered by state insurance departments. It has been recognized, however, that the basic regulatory structure of the insurance sector requires some degree of uniformity throughout the states. The National Association of Insurance Commissioners (NAIC) was created by state insurance regulators in 1871 to address the need to coordinate regulation of multi-state insurers, and the first major step in that process was the development of insurance companies' uniform financial reporting.

The National Association of Insurance Commissioners (NAIC)

The NAIC is the organization of insurance regulators from the 50 states, the District of Columbia and the four US territories, and provides a forum for the development of uniform policy. The mission of the NAIC is to assist state insurance regulators in servicing the public interest and achieving the following fundamental insurance regulatory goals: promoting competitive markets; facilitating the fair and equitable treatment of insurance consumers; promoting the reliability and solvency of insurance institutions; and supporting and improving the state regulation of insurance.

The NAIC's primary instruments of public policy are model laws, regulations and guidelines. To address the need for uniformity, model laws and regulations are developed at the NAIC meetings for members' use. The states may either adopt the models intact or modify them to meet their specific needs and conditions. Some of the models have been deemed essential for effective solvency regulation and are required of those states seeking formal NAIC accreditation.

Operating Conditions

Regulation & Policy continued

Adopted in 1990, the NAIC Accreditation Program strives to introduce more effective solvency regulation of the insurance sector. The program is designed to improve the quality of regulation to boost both consumers' and fellow regulators' confidence in an insurance department's abilities. The standards require that insurance departments have adequate statutory and administrative authority to regulate an insurer's corporate and financial affairs, the necessary resources to carry out that authority and that the department have in place organizational and personnel practices designed for effective regulation. The Accreditation Program involves a rigorous review of the departments by an independent review team and mandates a full on-site re-examination and re-accreditation every five years. Furthermore, the program requires interim annual reviews to ensure compliance with the standards.

Financial Accounting Standards Board

Insurers are required to use a special accounting system when filing annual financial reports with state regulators and the IRS. This system is known as statutory accounting principles. These accounting principles are more conservative than generally accepted accounting principles (GAAP), as defined by the Financial Accounting Standards Board, and have been introduced to ensure that insurers have sufficient capital and surplus to cover insurance losses. Differences between the two systems include the timing of expenses and the treatment of capital gains, among others. Insurance companies reporting to the Securities and Exchange Commission must maintain and report another set of figures that meet GAAP standards.

Industry Assistance

Level & Trend
The level of Industry Assistance is **Low** and the trend is **Steady**

The Pet Insurance industry does not receive any direct assistance from the federal government in the form of tariffs. However, the National Association of Insurance Commissioners (NAIC) provides a forum for the development of uniform policy. Moreover, industry operators do benefit from the support of industry associations. For example, the North American Pet Health Insurance Association (NAPHIA) works to advance the industry through research, data sharing and advocacy efforts. According to the association, 100.0% of North American pet insurance providers are members of NAPHIA.

Key Statistics

Industry Data

	Revenue ($m)	Industry Value Added ($m)	Establish-ments	Enterprises	Employment	Exports	Imports	Wages ($m)	Domestic Demand	Number of pets (Mil)
2009	352.2	85.5	51	11	784	--	--	35.9	N/A	171.0
2010	397.5	78.9	48	11	737	--	--	38.7	N/A	164.6
2011	430.7	98.8	46	11	722	--	--	40.2	N/A	164.4
2012	479.2	111.5	53	11	871	--	--	45.3	N/A	171.7
2013	540.6	104.2	53	11	891	--	--	51.0	N/A	178.9
2014	625.3	117.9	54	11	925	--	--	59.9	N/A	171.3
2015	724.1	155.3	54	11	905	--	--	69.6	N/A	163.6
2016	868.3	193.3	61	12	1,046	--	--	82.4	N/A	173.8
2017	934.0	222.6	64	13	1,110	--	--	88.3	N/A	183.9
2018	1,014.4	235.4	69	14	1,205	--	--	96.6	N/A	195.1
2019	1,101.6	262.4	72	14	1,291	--	--	104.6	N/A	206.8
2020	1,185.0	280.5	79	15	1,399	--	--	114.0	N/A	212.5
2021	1,271.0	312.3	83	16	1,492	--	--	122.6	N/A	218.5
2022	1,360.6	337.7	89	17	1,603	--	--	132.5	N/A	224.9
2023	1,453.4	377.6	92	18	1,689	--	--	140.9	N/A	231.2

Annual Change

	Revenue (%)	Industry Value Added (%)	Establish-ments (%)	Enterprises (%)	Employment (%)	Exports (%)	Imports (%)	Wages (%)	Domestic Demand (%)	Number of pets (%)
2010	12.9	-7.7	-5.9	0.0	-6.0	N/A	N/A	7.8	N/A	-3.7
2011	8.4	25.2	-4.2	0.0	-2.0	N/A	N/A	3.9	N/A	-0.1
2012	11.3	12.9	15.2	0.0	20.6	N/A	N/A	12.7	N/A	4.4
2013	12.8	-6.5	0.0	0.0	2.3	N/A	N/A	12.6	N/A	4.2
2014	15.7	13.1	1.9	0.0	3.8	N/A	N/A	17.5	N/A	-4.3
2015	15.8	31.7	0.0	0.0	-2.2	N/A	N/A	16.2	N/A	-4.5
2016	19.9	24.5	13.0	9.1	15.6	N/A	N/A	18.4	N/A	6.2
2017	7.6	15.2	4.9	8.3	6.1	N/A	N/A	7.2	N/A	5.8
2018	8.6	5.8	7.8	7.7	8.6	N/A	N/A	9.4	N/A	6.1
2019	8.6	11.5	4.3	0.0	7.1	N/A	N/A	8.3	N/A	6.0
2020	7.6	6.9	9.7	7.1	8.4	N/A	N/A	9.0	N/A	2.8
2021	7.3	11.3	5.1	6.7	6.6	N/A	N/A	7.5	N/A	2.8
2022	7.0	8.1	7.2	6.3	7.4	N/A	N/A	8.1	N/A	2.9
2023	6.8	11.8	3.4	5.9	5.4	N/A	N/A	6.3	N/A	2.8

Key Ratios

	IVA/Revenue (%)	Imports/ Demand (%)	Exports/ Revenue (%)	Revenue per Employee ($'000)	Wages/Revenue (%)	Employees per Est.	Average Wage ($)	Share of the Economy (%)
2009	24.28	N/A	N/A	449.23	10.19	15.37	45,790.82	0.00
2010	19.85	N/A	N/A	539.35	9.74	15.35	52,510.18	0.00
2011	22.94	N/A	N/A	596.54	9.33	15.70	55,678.67	0.00
2012	23.27	N/A	N/A	550.17	9.45	16.43	52,009.18	0.00
2013	19.27	N/A	N/A	606.73	9.43	16.81	57,239.06	0.00
2014	18.85	N/A	N/A	676.00	9.58	17.13	64,756.76	0.00
2015	21.45	N/A	N/A	800.11	9.61	16.76	76,906.08	0.00
2016	22.26	N/A	N/A	830.11	9.49	17.15	78,776.29	0.00
2017	23.83	N/A	N/A	841.44	9.45	17.34	79,549.55	0.00
2018	23.21	N/A	N/A	841.83	9.52	17.46	80,165.98	0.00
2019	23.82	N/A	N/A	853.29	9.50	17.93	81,022.46	0.00
2020	23.67	N/A	N/A	847.03	9.62	17.71	81,486.78	0.00
2021	24.57	N/A	N/A	851.88	9.65	17.98	82,171.58	0.00
2022	24.82	N/A	N/A	848.78	9.74	18.01	82,657.52	0.00
2023	25.98	N/A	N/A	860.51	9.69	18.36	83,422.14	0.00

Figures are in inflation-adjusted 2018 dollars.

SOURCE: WWW.IBISWORLD.COM

Jargon & Glossary

Industry Jargon

CLAIM A formal request to an insurance company asking for a payment based on the terms of the policy.

LOSS RATIO The percentage of premiums earned that were paid out as claims; it equals loss-incurred and loss-adjusted expenses (LLAE) divided by earned premiums.

UNDERWRITING The process where insurers assess the risks to insure and decide how much to charge for those risks.

IBISWorld Glossary

BARRIERS TO ENTRY High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

CAPITAL INTENSITY Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labor. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than $0.333 of capital to $1 of labor; medium is $0.125 to $0.333 of capital to $1 of labor; low is less than $0.125 of capital for every $1 of labor.

CONSTANT PRICES The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the "real" growth or decline in industry metrics. The inflation adjustments in IBISWorld's reports are made using the US Bureau of Economic Analysis' implicit GDP price deflator.

DOMESTIC DEMAND Spending on industry goods and services within the United States, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

EMPLOYMENT The number of permanent, part-time, temporary and seasonal employees, working proprietors, partners, managers and executives within the industry.

ENTERPRISE A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

ESTABLISHMENT The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

EXPORTS Total value of industry goods and services sold by US companies to customers abroad.

IMPORTS Total value of industry goods and services brought in from foreign countries to be sold in the United States.

INDUSTRY CONCENTRATION An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70% of industry revenue. Medium is 40% to 70% of industry revenue. Low is less than 40%.

INDUSTRY REVENUE The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

INDUSTRY VALUE ADDED (IVA) The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry's contribution to GDP, or profit plus wages and depreciation.

INTERNATIONAL TRADE The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5%, medium is 5% to 20%, and high is more than 20%. Imports/domestic demand: low is less than 5%, medium is 5% to 35%, and high is more than 35%.

LIFE CYCLE All industries go through periods of growth, maturity and decline. IBISWorld determines an industry's life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry's products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

NONEMPLOYING ESTABLISHMENT Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

PROFIT IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company's profitability. It is calculated as revenue minus expenses, excluding interest and tax.

VOLATILITY The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than ±20%; high volatility is ±10% to ±20%; moderate volatility is ±3% to ±10%; and low volatility is less than ±3%.

WAGES The gross total wages and salaries of all employees in the industry. The cost of benefits is also included in this figure.