STATE OF THE INDUSTRY REPORT 2018

HIGHLIGHTS

naphia
NORTH AMERICAN PET HEALTH INSURANCE ASSOCIATION

naphia.org

ABOUT **NAPHIA**

The North American Pet Health Insurance Association (NAPHIA) is comprised of reputable pet health insurance (PHI) organizations from across Canada and the United States. NAPHIA's membership makes up over 99 per cent of all pet health insurance coverage in effect in North America.

As a coalition, NAPHIA works to advance and grow the PHI industry by undertaking proactive research, data sharing, benchmarking initiatives, advocacy efforts, and strategic partnerships.

Each year, the industry marks its performance and growth with the release of its State of the Industry Report.

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REPORT OVERVIEW AND METHODOLOGY

The North American Pet Health Insurance Association (NAPHIA) is pleased to present the 2018 North American Pet Health Insurance Industry Report. The objective of the report is to provide a thorough understanding of the size of the North American Pet Health Insurance industry and monitor its performance and growth in key areas. The report also aims to provide participants with a comprehensive and credible benchmarking tool.

The following products are monitored in this report:

- Accident Only – Foreign body ingestion, lacerations, motor vehicle accident, ligament tears, poisoning, etc.
- Accident & Illness – Accident benefits plus illnesses such as cancer, infections, digestive problems, etc.
- Insurance with Embedded Wellness – Comprehensive plans that may include vaccinations, early screening diagnostics, consultations for proper nutrition, dental care, etc.
- Endorsements – Riders such as wellness or cancer endorsements.

In an effort to maintain confidentiality of the data collected, some of the above products have been grouped together in several sections of the report (for example, Accident & Illness and Insurance with Embedded Wellness were combined for the U.S.).

The data has been compiled by Willis Canada Inc., a Willis Towers Watson company ("Willis Towers Watson"), an independent third party organization that manages the collection and compilation of the survey data. The data was reviewed in detail and reasonableness tests were conducted to ensure that the data was reported accurately.

NAPHIA and Willis Towers Watson assume no liability of any kind regarding the information contained in the report, or the accuracy of the information received during the scope of the research. Nothing in this report constitutes legal, accounting or tax advice.

Aggregate Results Compiled

"In-Force data" is based on End-of-Year (EOY) results as at December 31, as submitted in the survey questionnaire/data call. In-Force GWP and Total Insured Pets data are as at December 31.

All dollar amounts in this report are expressed in the country's (U.S. and Canadian) currency from 2013 to 2017. This is due to the ongoing fluctuation in currency between the two countries.

ABOUT WILLIS TOWERS WATSON

Willis Towers Watson (NASDAQ: WLTW) is a leading global advisory, brokering and solutions company that helps clients around the world. With over 39,000 employees in more than 120 different countries, they provide solutions to individuals and institutions that manage risk, optimize benefits, cultivate talent and expand the power of capital.

Recognized as experts in travel insurance, credit card insurance, creditor/debtor insurance and other niche insurance markets, Willis Towers Watson provides these industries with unique market intelligence (through market surveys and varied consulting services). Willis Towers Watson monitors these markets, including various industry events, developments and innovations affecting insurance and brings this knowledge to bear across a variety of disciplines to provide best-in-class support for product development, underwriting and actuarial support, and assistance with third party provider relationships.

MEET THE MEMBERS

All statistics and figures presented in this report are based on the data submitted by the participating NAPHIA members (aggregate results). The information summarized in this report was collected by means of a survey questionnaire/data call spreadsheets, completed by the following NAPHIA members (and for their related entities/brands):

Crum & Forster Pet Insurance Group

ASPCA Pet Health Insurance, Hartville Pet Insurance, Pet Insured, PetPremium Pet Health Insurance, Petshealth Care Plan, Premier Pet Insurance

Embrace Pet Insurance

Embrace, USAA, Geico, AllState, Bolt Agency, American Family, American Modern, Nationstar Mortgage, SWBC, Armed Forces, Leasing Desk

FIGO Pet Insurance

Healthy Paws Pet Insurance & Foundation

Nationwide

PetFirst Pet Insurance

PetHealth Inc.

24PetWatch, Ontario SPCA Pet Insurance Programs, PetCarePrograms, Petango

Petline Insurance

Petsecure Pet Health Insurance, Desjardins, PC Insurance, HBC, CAA, The Personal

PetPartners

PetPartners, AKC Pet Insurance and CFA Pet Insurance

Petplan Pet Insurance

Pets Best Insurance

Pets Best Insurance, Farmers Insurance, Progressive Insurance, BB&T Insurance Services

Pets Plus Us

Trupanion

Note: Two NAPHIA Industry members, American Modern Insurance Group and Independence American Insurance Company are carriers and as such, do not participate in the data call or report.

HIGHLIGHTS

The results shared in this 2018 NAPHIA State of the Industry Report, are comprehensive and wide-reaching. They illustrate the growing maturity and continued stability of an industry whose development continues to outpace most other traditional property and casualty insurance lines, as well as other insurance categories.

OVERVIEW

Close to 2.07 million pets were insured at year-end 2017 in North America.

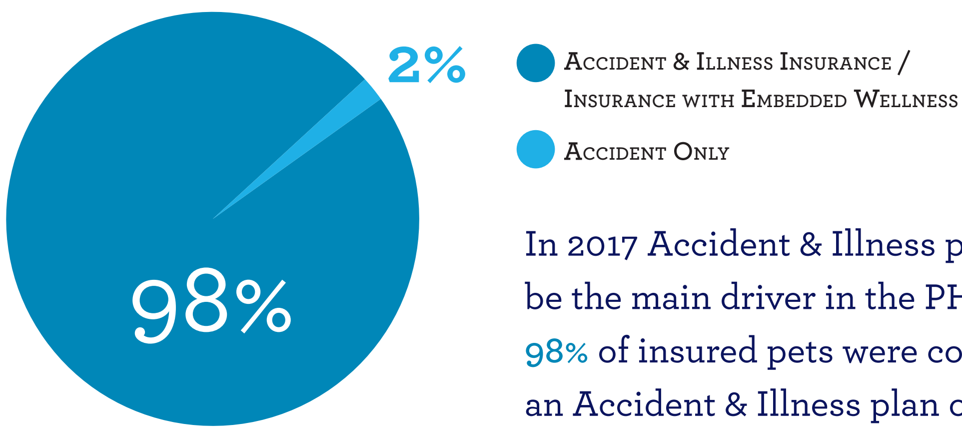
This represents an increase of 16.8% from 2016.

Approximately 1.83 million pets were insured in the United States.

Approximately 244,000 pets were insured in Canada.

TYPES OF COVERAGE

Number of Pets in the U.S. as a Percentage of Coverage Type



2017

In 2017 Accident & Illness plans continue to be the main driver in the PHI market. In the U.S., 98% of insured pets were covered either through an Accident & Illness plan or an Insurance with Embedded Wellness plan. The remaining 2% of insured pets were covered through an Accident Only plan.

AVERAGE PREMIUMS IN 2017

Accident & Illness Plans generated an average annual premium of approximately $516 USD per pet in the U.S. and $603 CAD in Canada.

Accident Only Plans generated an average annual premium of approximately $181 USD per insured pet in the U.S. and $217 CAD in Canada.

The Average Claim amount paid for Accident & Illness plans was $278 USD in the U.S. and $311 CAD in Canada.

AVERAGE ANNUAL PREMIUM PER DOG AND PER CAT, BY PRODUCT

USA (USD)

PRODUCT		2013	2014		2015		2016		2017	
Accident & Illness	Dog	$431.45	$457.67	+6.1%	$465.02	+1.6%	$ 517.63	+11.3%	$ 535.95	+3.5%
	Cat	$268.82	$292.06	+8.6%	$316.30	+8.3%	$321.27	+1.6%	$335.19	+4.3%
Accident Only	Dog	$156.60	$159.26	+1.7%	$164.16	+3.1%	$ 168.35	+ 2.6%	$190.08	+12.9%
	Cat	$120.47	$122.18	+1.4%	$135.85	+11.2%	$149.51	+10.1%	$152.66	+2.1%

Canada (CAD)

PRODUCT		2013	2014		2015		2016		2017	
Accident & Illness	Dog	$599.28	$593.32	-1.0%	$602.10	+1.5%	$649.04	+7.8%	$703.76	+8.4%
	Cat	$335.33	$334.97	-0.1%	$343.13	+2.4%	$364.63	+6.3%	$374.09	+2.6%
Accident Only	Dog	$179.79	$178.99	-0.4%	$192.59	+7.6%	$215.31	+11.8%	$226.75	+5.3%
	Cat	$151.76	$152.76	+0.7%	$181.33	+18.7%	$172.28	-5.0%	$170.95	-0.8%

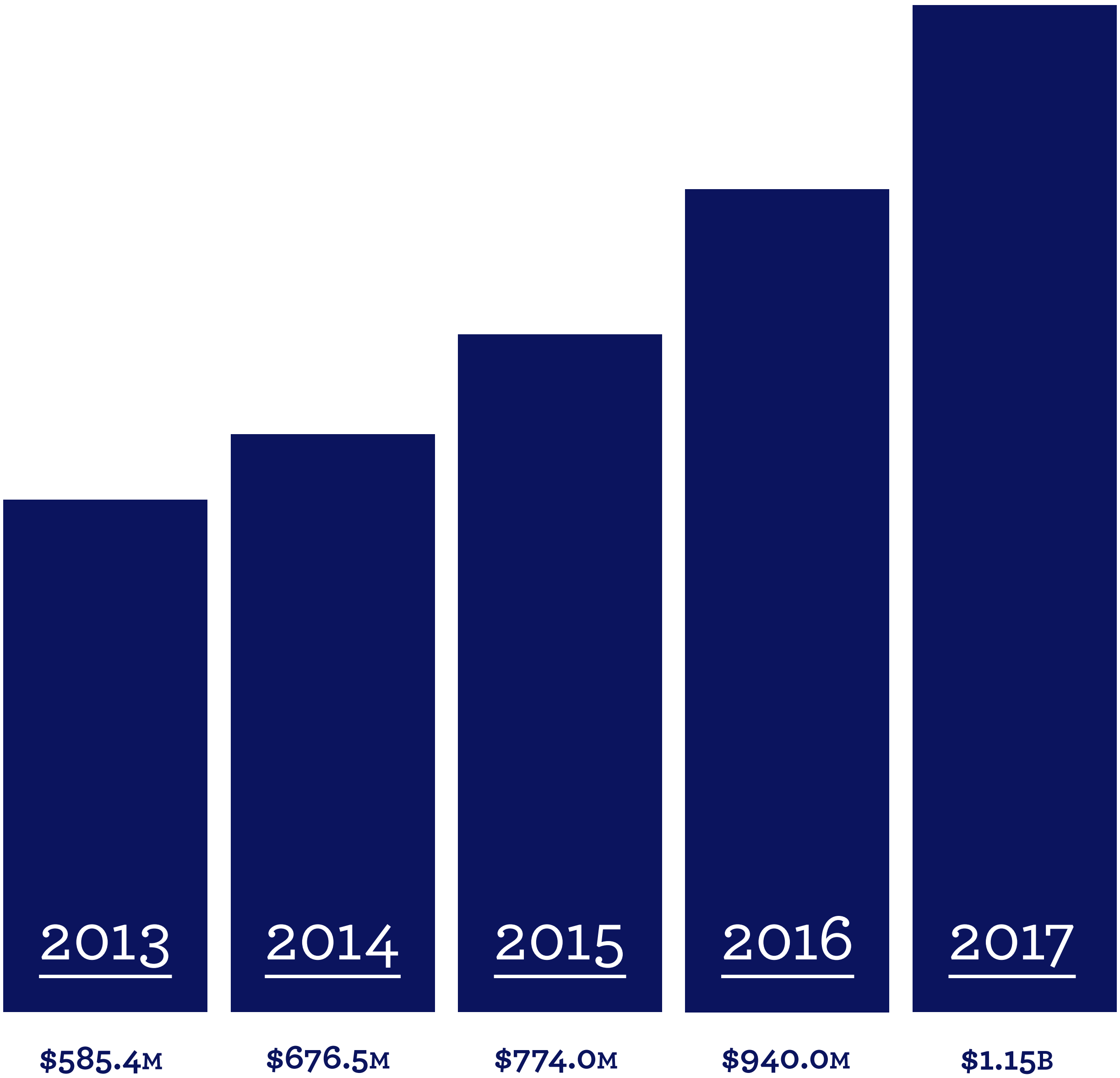
GROSS WRITTEN PREMIUM

All dollar amounts in this report are expressed in the country's currency (U.S. and Canada) from 2013 to 2017.

Accident & Illness/Insurance with Embedded Wellness represented **92.1%** of total Gross Written Premium in 2017 in North America.

In total, across North America, dogs represented approximately **88.9%** of In-Force Gross Written Premium in 2017, for a total of **$1.02 billion** USD.

TOTAL GROSS WRITTEN PREMIUM



The combined total premium volume for all NAPHIA members in North America was approximately **$1.15 billion USD** in 2017.

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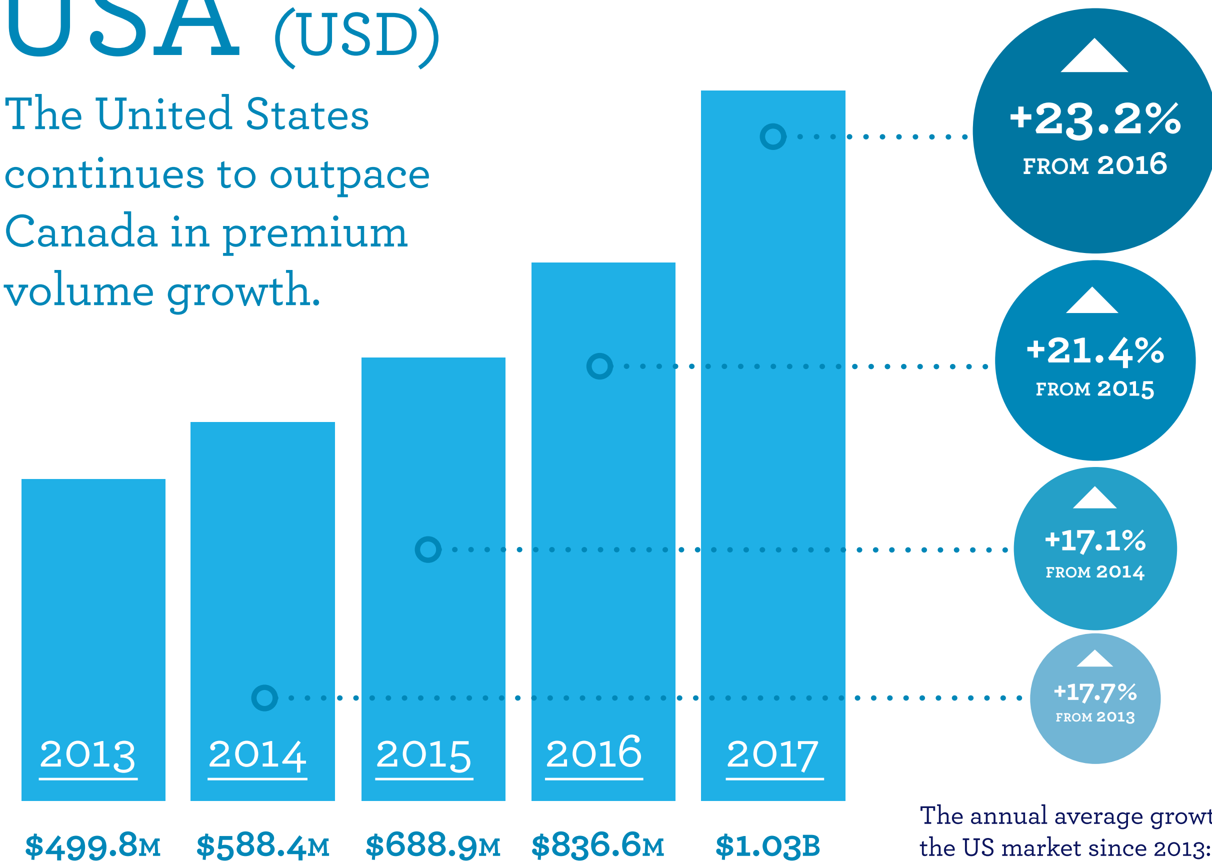
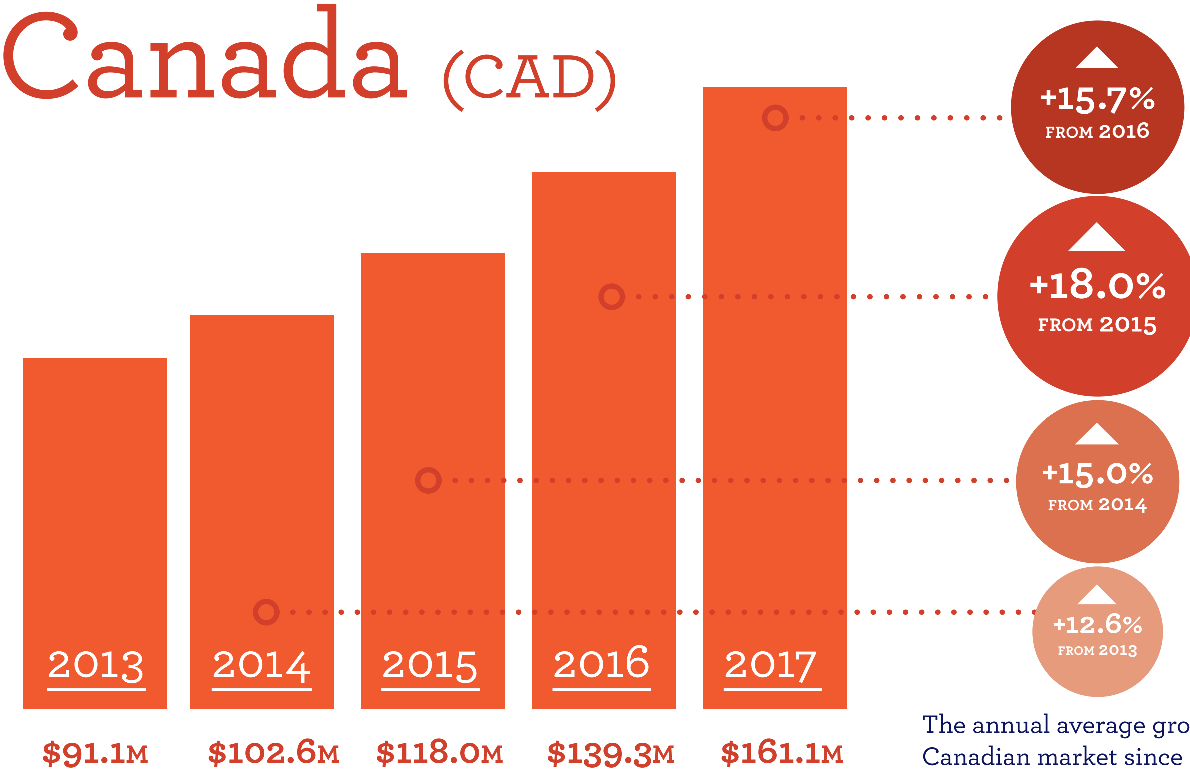
USA (USD)

The United States continues to outpace Canada in premium volume growth.



The annual average growth rate in the US market since 2013: +19.8%

Canada (CAD)



The annual average growth rate in the Canadian market since 2013: +15.3%

NUMBER OF PETS

Over 2.07 Million pets were insured in North America in 2017, an increase of 16.8% over 2016.

For 2017 the average age of insured dogs was **4.6** and the average age of insured cats was **5.37**.

+17.5%
2017

1.83 million pets were insured in the United States

+11.1%
2017

244,000 pets were insured in Canada

*These are just the 2018 report highlights.

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2018 State of the Industry Report – *Full Version Includes:*

GROSS WRITTEN PREMIUM

- Total In-Force GWP – Dogs vs. Cats
- In-Force GWP Per Company 2017
- In-Force GWP, Per Product
- Trending of In-Force GWP, Per Product
- New Business Added GWP
- New Business Added GWP, Per Product
- Ratio of New Business Added to In-Force, GWP

NUMBER OF PETS

- Total Insured Pets
- Ratio of Insured Dogs to Cats
- Total Insured Pets, Per Product
- Trending of Insured Pets, Per Product
- Total New Insured Pets Added Each Year
- New Insured Dogs and Cats
- Percentage of Pets and GWP by Location
- Average Age of Pets, Cats and Dogs

AVERAGE PREMIUMS

- Average Premium Per Insured Pet
- Average Premium Per Dog and Per Cat, by Product