

Harnessing the pet insurance market:

the untapped potential of the pet cover space



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Section 01

Executive summary

More households than ever before have pets.

The coronavirus pandemic saw people across the globe spending more time at home and, as a result, many found that for the first time, they had the time to invest in a family pet. With so many more pet owners now, the pet insurance market, while still under-utilized, is seeing promising growth, with more predicted over the next decade.

One of the main concerns for pet owners is the escalating costs of veterinary care. As laid out in detail later in this report, in recent years the costs of veterinary services have grown at a rate that owners find alarming.

Despite their responsibility to provide a quality of care to these animals, increasing numbers of pet owners without insurance find themselves unable to pay for routine and emergency veterinary costs alike. The end result is heartbreak for families and vets, who have to turn away pet owners who cannot pay for the treatments their animals require.

If insurance brands can craft affordable and attractive, high-quality pet products for customers, fewer families would have to face the grim choice between their pet's care, and their pet's life.

Currently, the vast majority of UK and US pet owners are not taking out insurance policies to protect their pets. While the market predicts a huge shift in this trend, with expectations of unprecedented growth, insurers have a responsibility to create pet products that appeal to pet owners.

Insurance customers are growing to be savvier with high expectations, and aren't satisfied with an insurance plan they pay for monthly and never have to think about. Today's customer wants to know that their money is not only buying them cover, but also value. They expect that their insurance policy will come with extra benefits through such things as loyalty schemes, partnerships, and discounts.

For insurers not currently offering pet policies, now is the time to enter the market. The market presents a wealth of opportunity to insurers with the right offering, as more and more pet owners are expected to see the prudence in purchasing a pet policy in the coming years.

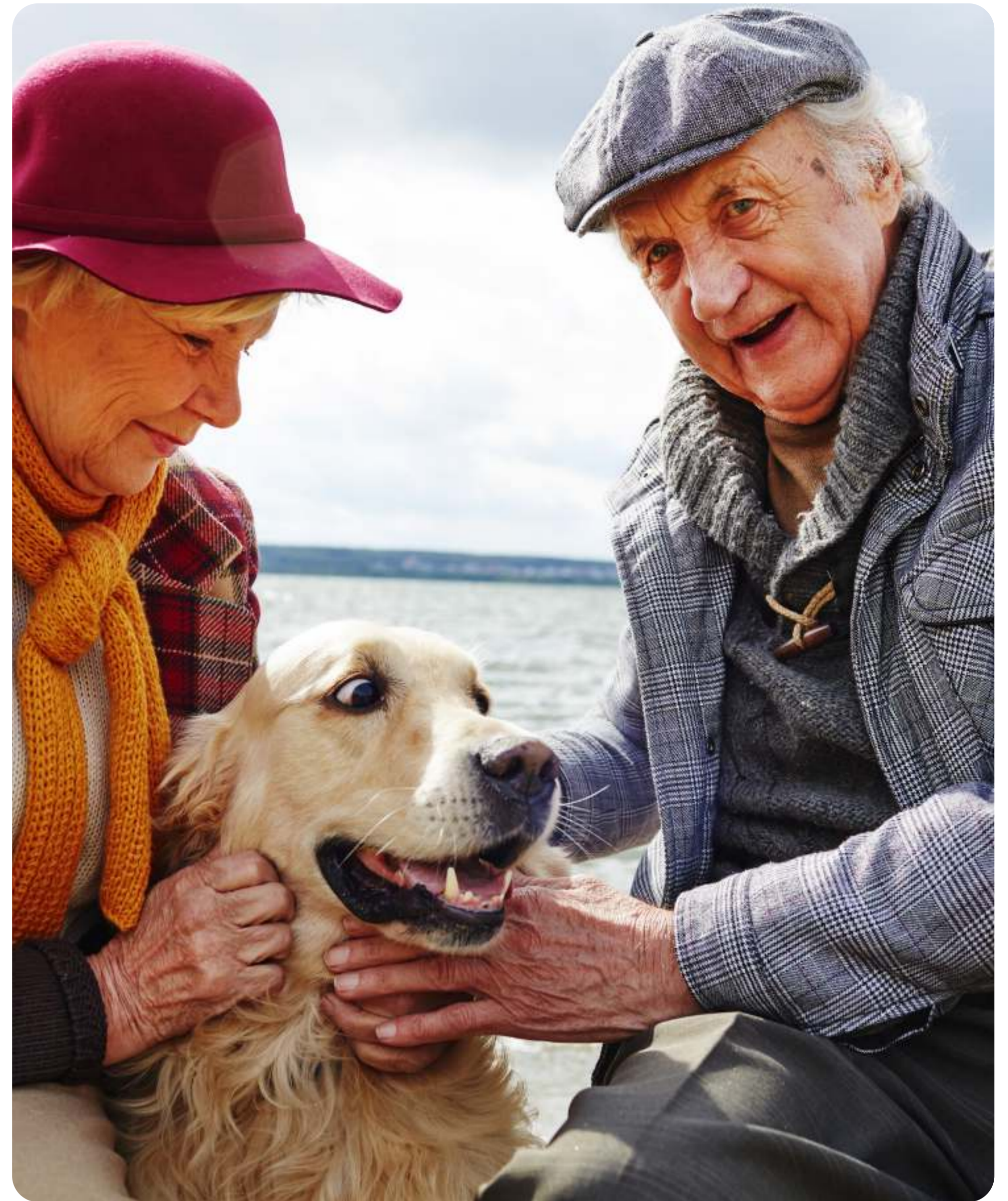
This raises the question, how can an insurance brand make sure that they stand out in a landscape that will gradually be facing more and more competition? Pet products cannot be hastily thrown together as an afterthought for brands that prefer to focus on health or life or car insurance. Pet products must be grown with a holistic approach in mind, where data, personalization, partnerships and technology are combined to create a seamless and value-added customer experience and approach to pet care.

The crux of it all is that everything comes down to data and technology. To contend with leading brands and offer the experience that today's customer seeks, insurers must offer a seamless, data driven and technologically delivered pet insurance solution.

This will look different for every brand, and in fact a one-size-fits all approach is the exact opposite of what insurance brands should be looking to deliver. Finding a niche area where your brand can fill a market gap is key. It's not necessary to do everything all at once when it comes to pet insurance, but to hone in on the area where you can do something best.

For some brands, that will be offering the most comprehensive policies at the lowest prices. For others, it will be focusing on an unmatched app, or top tier customer service, or the lowest deductibles for the highest payout. Others will find that they can deliver gamification in an enthralling and addictive way. Whatever the approach, it must be done well to find success and longevity amongst today's consumers, in today's market.





Section 02

Introduction

The benefits of owning a pet are beyond debate. Anyone who owns an animal, from the humblest goldfish to the purest breed poodle, will tell you that they reap some reward.

Pets not only offer companionship and encourage owners to be more active, they also have scientifically proven benefits to the human heart and blood pressure. Scientific research¹ carried out amongst dog owners showed that they have less risk of cardiovascular issues, lower blood pressure levels and better response to stress.

Owning a pet can also have a positive impact on the owner's mental health, research² shows. Interacting with an animal is physically proven to help reduce anxiety and stress.

It gives the words 'man's best friend' new meaning, doesn't it? This mutually beneficial relationship (not unlike the clownfish and anemone) where man provides a safe and warm home for a pet, with food, water and love, while the pet reciprocates by making man happier, healthier, and less lonely, highlights just why mankind holds their pets so very dear.

Individuals have been insuring their valuable belongings for centuries. Houses, vehicles, fine jewelry, Swiss watches, and even our very lives are insured to protect ourselves and the ones we love.

Let's look at that statement again - the ones we love. Pet insurance, while certainly nothing new, isn't as utilized in some parts of the world as it could be.

We love our pets, and in most households, dogs, cats, birds, guinea pigs, horses (you name it) are a part of the family, even ruling the roost for many. Why then, is pet insurance not more utilized?

The answer is because too many owners are underwhelmed by the available options. So, how can insurance brands work to shake up the sector and make their pet insurance products more appealing to customers? How can brands not currently offering a range of pet insurance products enter the market while adding value for customers and their pets?

Throughout this report we'll analyze the use of pet insurance currently, review statistics surrounding the purchasing of a policy for pets, examine trends and explore the reasons that insurance brands should absolutely be offering the option of pet policies as one of their products.





Section 03

An in-depth look at pet insurance policy participation

Man has domesticated animals nearly as far back as history goes. Originally, the purpose of man and beast partnerships were for survival and work, but over time, man began to bond with various creatures and soon, pets were common for people from all walks of life.

Statistics³ now show that the number of households with pets is only increasing, and events over recent years have seen the number of pet owners skyrocket, as a result of the coronavirus pandemic.

In 2018/2019 the years that led us directly into the pandemic,



40%

of UK households owned a pet. By the height of the pandemic in 2020/2021, with so many people spending more time at home due to a series of enforced lockdowns, this number leapt drastically

59%

In 2021/2022, even as the pandemic eased, the number has grown further, with a whopping

62%

of households in the UK owning one pet or more.

With nearly two thirds of the British population considering themselves pet lovers, one might expect a similar series of trends when we examine how many of these pet owners have taken out an insurance policy for their pet.

Research shows that



86%

of British pet owners have not taken out pet insurance for their furry friends.⁴

The difference is even greater in the US. According to a survey carried out by the APPA, roughly 90.5 million American families own a pet in 2021-2022. However, according to Forbes, only a shocking 2% of Americans insure their pets.⁵

So, what's the reason for the disparity here? We love our pets, and yet we're not willing to insure them in the same way we insure ourselves, our families, and our luxury items? Like so many things in this current age of contending with one disaster after another and navigating through a cost-of-living crisis, the issue comes down to money.

People don't feel they can afford to insure their pets. In fact, more than half of dog owners⁶ have not arranged cover because they say they simply can't work it into the budget.

Yet, is choosing not to insure a pet to save money a false economy in the long run? The answer is a resounding: yes.

Pet insurance:

a virtually untapped market for insurers

While the vast majority of pet owners are avoiding taking out a policy because they claim they can't afford it, the industry sees that changing - and that change is coming soon.

According to a recent report⁷ from Allied Market Research, the pet insurance market is expected to see a significant boom in the next decade.

In 2020 the global pet insurance market was worth USD 4.5 billion.



By 2030, the market is predicted to see a sharp increase of more than

14%

reaching nearly USD 17 billion.

What is this prediction based on? Even though most pet owners currently don't have pet insurance, more people are beginning to take out policies.

In a way, the pet insurance market is a new frontier, and the possibilities for insurance brands are endless. There are more veterinary centers opening, and people, through eye-opening stats, figures, and stories (many of which will be highlighted in this report) are ready to accept, understand, and act upon, the logic behind insuring their pets.

Leading insurers across the globe are already offering a number of pet-related products, and more continue to enter the space. Revolut⁸ is one such insurance brand, who with their new pet product, is venturing into the world of insurtech at the same time. Their product is app based, and the entire customer experience is in-app.

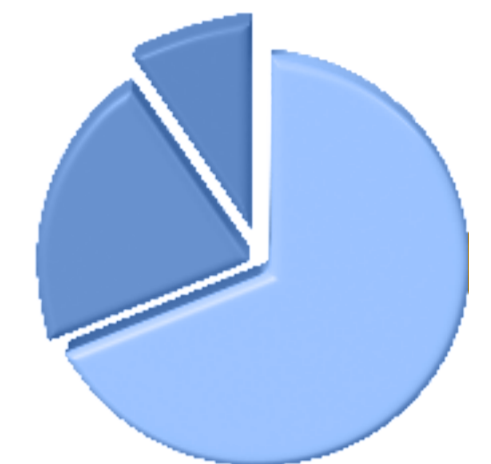
The offering includes an in-app pet profile, which allows the customer to manage anything and everything related to the insurance policy in one place. Users can view policy documents, make claims and access vet support all within the app. We anticipate that for many brands, this is the future of pet insurance offerings.

The potential to upsell

For existing insurers, offering a pet insurance product should be a no-brainer. Multi-policy discounts are a motivator for customers and many choose to take out a home insurance and car insurance policy from the same provider, for example, in order to receive discounts on their premiums.

Garnering customer loyalty in the insurance market can be a challenge for brands, though it's not impossible. Most customers are not attached to their insurance providers, and their decision-making when choosing a provider typically comes down to price.

Statistics from YouGov show



73%

of policyholders are shopping for a new provider. The same study shows that

68%

of British policyholders believe that insurance brands will do just about anything it takes to keep from paying out on claims.⁹

It's clear that brands need to be doing more to retain customers, build trust, show that they care, and find more opportunities to offer multi-policy discounts.

Reaching out to existing customers about new products is part of every company's business model. If customers have a positive experience, and see additional products that are relevant to them that come with a discount, they'll be more likely to take out a pet policy. However, brands cannot just cobble together a pet product or two as an afterthought.

With so many basic plans available to customers already, insurers must work to make their offering exciting and valuable – even for their existing customers. Offering a multi-policy discount alone will likely not be enough to entice today’s discerning consumer, but it should be part of your brand’s approach when entering the pet insurance space.

Does your insurance brand need to offer pet insurance products?

In the following sections, we’ll look through the proof and reasons that pet owners will, in the near future, be turning to insurance brands to help them protect their beloved pets. From the staggering amount of veterinary costs to the stark realities that come with not being able to pay for the care a pet might need, the evidence is clear.

Insurance brands must have a pet insurance range of products available, because the future of pet ownership is coming, and that future includes an insurance policy for pets of all shapes and sizes.

To put it simply, however, the answer is yes – your brand should absolutely be thinking about offering pet policies. Even though the industry is in its infancy, it’s growing rapidly.

10% of US respondents told Statista they had acquired a pet during 2020¹⁰, while 14% have done so in 2021.

In the UK, the Pet Food Manufacturers’ Association estimates that 3.2 million new pets were acquired by UK households from 2020 to 2021.¹¹ Once again, Allied Market Research estimates the value of pet insurance will be USD 16.8 billion by 2030.

Brands should not be discouraged by thinking that their only target market is pet owners who don’t currently have insurance plans to help protect their pet because they feel that they can’t afford it. Insurers can certainly change the minds of those individuals with the right offering, but they can also win over customers currently insuring their pet with competitors.

As mentioned, customer loyalty is hard to maintain in the insurance market, and the stats reflect this

Scratch and Patch Pet Insurance Survey 2020



53%

of pet insurance customers feel trapped with their current insurer, and

78%

are open to changing provider.¹²

With the right plans, prices, and approach to pet insurance, the market share is up for grabs for any brands willing to put in the effort of doing it right.



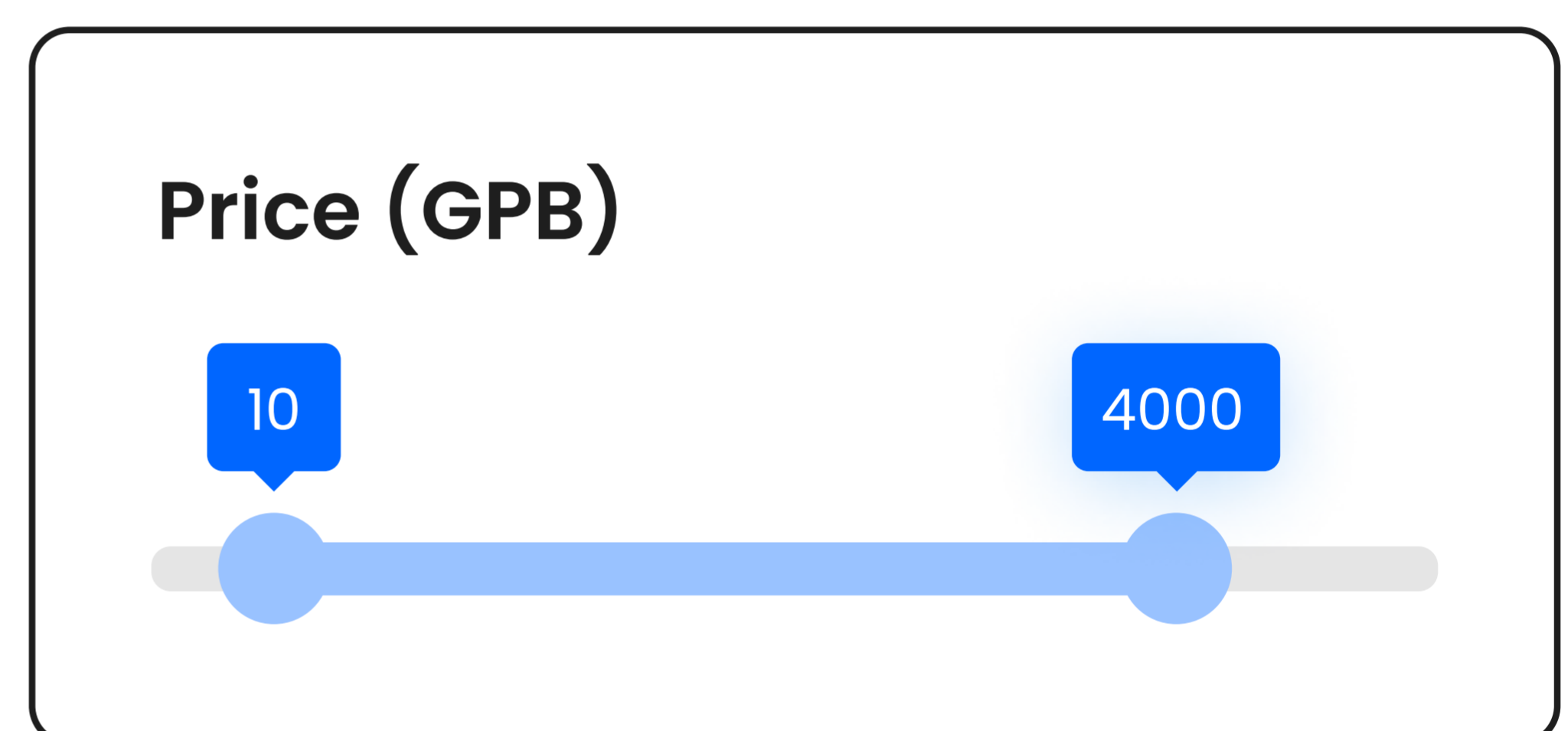
Section 04

The cost of pet ownership investigated

Anyone who has ever wanted a pet can surely think back to their childhood and recall one of the many reasons their parents said no when they asked for a dog, or whichever creature their heart was set upon.

“No, think of the cost. How are you going to contribute to the costs of a pet?”

Any new pet requires an initial payout. There’s the actual cost of the animal, and depending on species and breed of the animal would-be owners could be looking at prices anywhere from GBP 10 (think goldfish) to GBP 4,000 (think pedigree).



Those who set their sights on pets at the height of the pandemic faced unprecedented prices for even mixed-breed or mongrel dogs and cats. In fact, the lockdown puppy fever caused the cost of dogs to double¹³, with prices only dropping mid-2022. The time period saw the average cost of a dog soar to nearly GBP2,000 - long gone were the days of finding a mixed breed dog for just a few hundred dollars.

Whatever the price, after the pet is obtained there are also items needed to care for it. Leads, collars, kennels, cages, tanks, microchip fees, food and water bowls and toys might not be particularly expensive items to start with, but when combined, pet owners can quickly be looking at a fair chunk of money.

Then there's the ongoing cost of feeding the animal. However, these costs don't seem enough to put off pet owners (nor should they be), with two thirds of Brits owning animals and millions of American families doing the same.

Veterinary costs are another factor that new pet owners are forced to face, and the area in which pet insurance becomes, quite literally, a lifesaver. Many species of domesticated animals require annual checkups and injections, day-to-day treatments like de-fleaing and de-worming, and so on. Most people hope and assume that this is the extent of the money they'll need to spend on their beloved pet.

However, that's rarely the case. It's not uncommon for pets to develop ongoing conditions that, while not affecting their quality of life, require them to take daily medications. Injuries and accidents can also be extremely expensive, as can serious health conditions.

It's impossible for pet owners to anticipate or prepare for a time when their pet may need serious veterinary care. In many instances, situations may arise where a pet will need urgent attention on a weekend, evening, or national holiday. This then requires an emergency or out-of-hours vet, which will cost significantly more than your normal vet.

We take a look at the cost of some common veterinary treatments that are rising in cost.

The Association of British Insurers (ABI) gives the following examples of the average costs of veterinary treatment¹⁴

GBP 7,000

to treat a French bulldog with a fractured leg

GBP 5,000

to re-attach two toes to a cat after they had been crushed

GBP 3,800

to treat a dog's dislocated kneecap

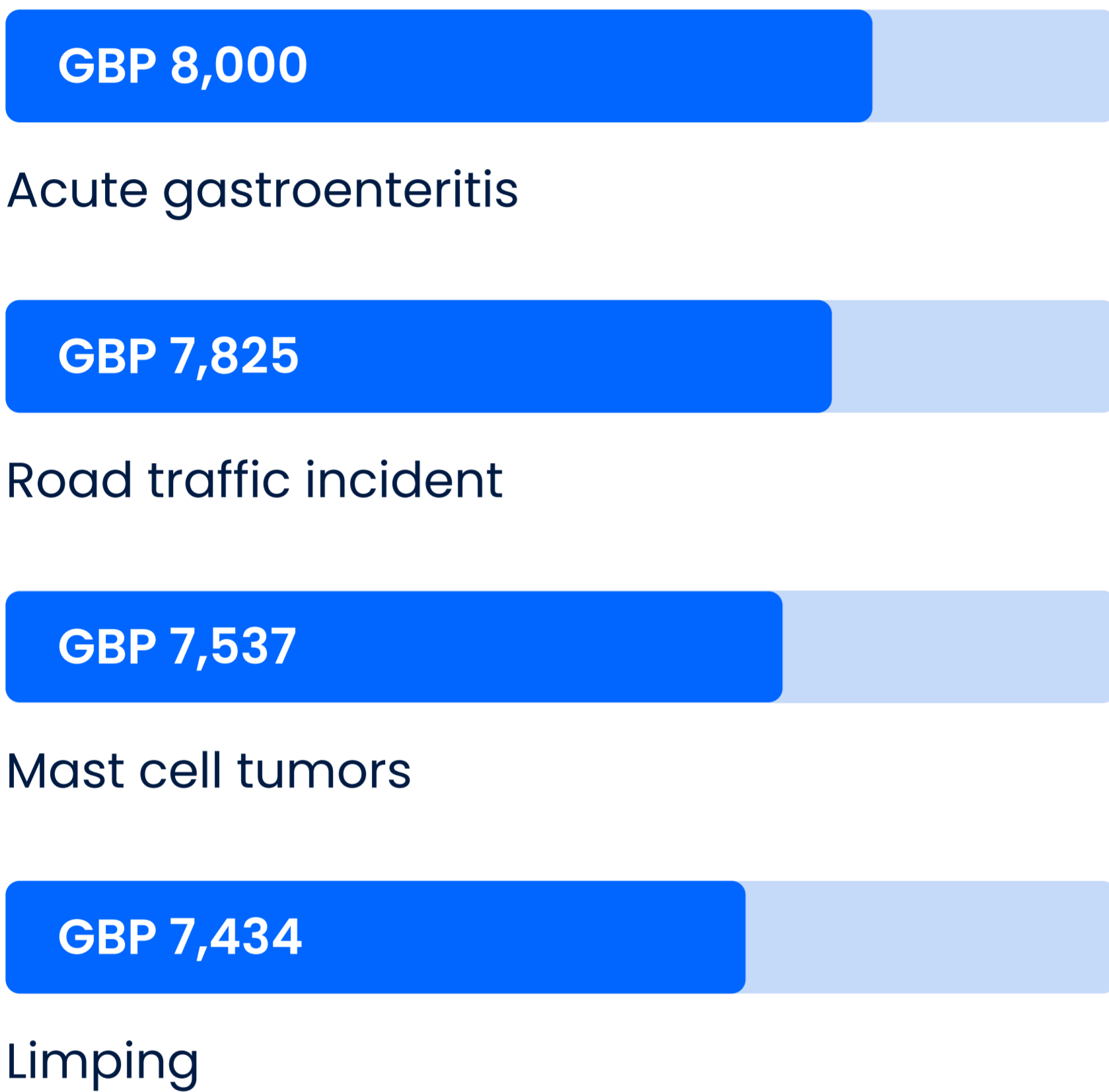
GBP 3,600

to repair right-leg cruciate ligament damage in a Jack Russell terrier

GBP 3,770

for the treatment of a fractured femur leg bone of a cat following an accident

Confused.com, a British insurance comparison website, highlights the price of other common veterinary procedures¹⁵



These are only a few examples of the treatments that some pets may need over the course of their lifetime. It's fair to assume that most pet owners do not, at all times, have upwards of GBP 8,000 of disposable income per pet, bearing in mind that many people own multiple pets.

Research shows that



40%

of Americans have less than USD 300 in savings. Knowing as we do that roughly

2%

of American pet owners opt for pet insurance, we must assume that the remaining

98%

of are left with some very difficult decisions and financial burdens when their pet is seriously injured or falls gravely ill, particularly the

40%

with low savings.¹⁶

It's easy to see how the costs of owning a pet can overwhelm owners very quickly. After all, a road traffic incident or the ingestion of a toxic substance happen in a split second and have the potential to affect a pet for the rest of their life.

The relative cost of pet insurance

For pet owners who take out an insurance policy for their pet, this is yet another ongoing cost to consider. Depending on the provider, policy and pet, monthly costs can range anywhere from GBP 5 to over GBP 100. Compare the Market¹⁷, a British insurance comparison site, sets the average annual price of a pet insurance policy at around GBP 154, or roughly GBP 13 a month.

Let's take a step back and ask a fundamental question. Why do people take out insurance policies of any type?

Some forms of insurance, like car and home, are required by law in some countries. For most, they are taken out to save money in the long run and offer the policyholder financial protection.

The idea of paying GBP 15 a month for a policy that a customer may never even use is much easier to swallow than the idea of potentially having to pay out tens of thousands in medical bills, property damages, or replacing items that have been stolen.

So, with this in mind, and the knowledge of how much people's pets mean to them, why are pet owners not willing to pay the costs associated with taking out pet insurance? More importantly, what contingency plans do these pet owners have in place for urgent vet care?

It really comes down to simple mathematics. How can pet owners, who claim to be unable to pay for a monthly pet insurance plan ranging from GBP 5 to GBP 100, (a total of GBP 60 to GBP 1,200 annually), expect to care for their pet in the event that they need treatment for mast cell tumors, which will cost them in the region of GBP 7,500?

The prospects don't look positive. This question raises another heavy question - can pet owners afford not to take out pet insurance?

In the next section we review some startling stats around the lack of care that unprepared pet owners are offering their pets. These statistics, when shared with pet owners, should cast a harsh light on the realities of pet ownership without insurance, and give them a whole new perspective when it comes to that monthly direct debit for a pet insurance policy.

Suddenly, a monthly premium becomes quite affordable in light of the number of pets lost because their owners could not afford the care they require.

Should pet insurance be mandatory?

It isn't currently required by law, either in the US or the UK, for pet owners to insure their pets, but should it be? Some would argue so.

If pet insurance were to be required by law, insurance brands could reap untold benefits. With laws requiring micro-chipping, licensing and vaccines (though laws vary by country and within the US, by state), laws regarding our pets are no new thing.

By having laws that protect pets and the public, governments re-inforce the need for responsible pet ownership. Financial responsibility is perhaps no less important when it comes to pets. Therefore, it is possible that we could see a future where pet insurance is mandatory, at least for certain species of animal.

The obligation to take out certain types of insurance plans is nothing new. In the UK, drivers must, by law, insure their car.

Failure to do so will render their vehicle registration obsolete, meaning they cannot legally drive their car. The same is true in the United States, though insurance requirements may vary from state to state.

The benefits of introducing a law around insuring pets wouldn't only benefit insurers. If pet owners were required by law to insure their pets, several things could potentially be accomplished by this one mandate.

Irresponsible pet owners may be deterred from taking on a pet that they couldn't properly care for. Loving pet owners who might otherwise be met with a shocking veterinary bill could find themselves able to provide care for their pet confidently without having to face financial hardship or borrow money at a high interest rate.

Of course, knowing as we do that people of all backgrounds benefit from the companionship that owning a pet provides, some would understandably argue that it's unfair to require pet insurance. For lower income households who are also responsible and caring owners, it may be difficult to work a monthly policy fee into their budget.

For this reason, insurers must offer customized and scalable pet insurance policies so that no pet owner is priced out and unable to participate. Still, a difficult set of statistics need to be examined around the following question:

How many pets die or are euthanized because pet owners cannot meet the financial demands for veterinary care?

A nationwide study revealed that roughly



28%

of American pet owners have experienced boundaries when it comes to providing their pets with veterinary care, and finances were part of the biggest problem.¹⁸

According to APPA and the Humane Society of the United States¹⁹, these costs have been increasing for some time, too. American pet owners spent USD 55 billion on their pets in veterinary care in 2013, which was a huge USD 2 billion increase since the previous year of 2012.

In some cases, vets have to turn pets and their owners away if they cannot pay for their care. Depending on where pet owners live, this can cause them legal problems.



For example, in the state of Michigan in the USA, by law, failure to provide a pet with adequate veterinary care is considered a misdemeanor and is punishable by up to three months in jail and/or fines in the region of USD 1,000.

In the event that a pet owner cannot afford the care for their pet to save their life, in many cases, the result is what is called economic euthanasia. This is when pet owners choose to have their pet euthanized, because it is a more affordable option than the life-saving surgery or ongoing care that would be required to keep them alive.

This happens to young and old pets alike, with conditions that could be treated or managed so that they could still live a happy life.

A veterinary clinic located in Virginia, USA, claimed that on a weekly basis, as many as two thirds of their weekly euthanasia cases²⁰ were a result of the owners not being able to pay for the treatment the pet required. How many pets would be alive today if their owners had opted for pet insurance?

Even more tragic is when pet owners take euthanasia into their own hands, because, while cheaper than the surgery or ongoing care needed, paying the vet to put their pet down is still too expensive for them. This can, unfortunately, result in further suffering for the pet, or it may not work and the help of a vet will be required anyway.

While the possibility of pet insurance becoming mandatory will no doubt be exciting and intriguing for insurance brands, it presents other challenges. An influx of new customers is also going to mean more brands joining the space to get their share of this new demand.

The market could easily become saturated, and so, it will be even more important for insurers to hone their offering, making the benefits and perks of insuring a pet with your brand so appealing that customers cannot possibly look the other way.

It also means that insurers would quickly have to find effective ways to upsell. It's safe to assume that many customers forced to take out insurance would be looking for the cheapest and most-basic policies available that would meet the minimum legal requirement, whatever that may be.

Insurance brands would have a difficult time trying to convince these customers to take out more comprehensive packages, but if it were possible to do so, their business could grow in untold ways. The challenge is finding what it takes to encourage customers to opt for better insurance plans by making them extra appealing.

For the time being, however, insurance is not mandatory and there are currently no indications that it will become a requirement any time soon. As a result, insurance brands have the luxury of time on their side. This will allow insurers to invest the time required to create a valuable approach to pet insurance products.



Section 05

Pet insurance: what should your brand be offering?

Those brands already offering pet insurance have a number of products on offer, and anyone planning on entering the market should mirror this approach. By having a variety of products available to customers, you're ensuring that the type of policy they can afford is one that you can provide.

However, it's not enough to enter the pet insurance market with dependable products. For several years now, the stand-out trend within the insurance market, no matter the type of product, is a shift from a product-centric ethos towards a service that actually helps people.

Today's consumer is looking for the personalized, instantly available services that they have grown accustomed to – services like Amazon Prime, Netflix, and Spotify. The insurance industry is behind in this regard, and true innovation is needed to offer concrete value to customer's lives regularly – not only when they need to make a claim.

Pet insurance plans come in a variety of shapes and sizes, but brands must be thinking outside the box in order to offer something extra – something more than just the basics.

The majority of pet owners who currently hold a policy for their animal are likely to be working with vanilla-flavored, run-of-the-mill plans that offer nothing beyond those basics, and their experience is likely to be limited to straightforward policies with no added benefits.

To dive into the pet insurance market, brands must decide how they're going to stand out. It's not enough to offer a variety of cover levels to suit the needs of potential customers and their pets.

Insurers should view the pet insurance market as a new opportunity, rather than just another box to tick. The insurance industry is changing and, as a result, so should insurance brands and their products.

The basics

The majority of pet insurers are not currently pushing boundaries. Even for those who are, beneath the apps and additional perks, the bottom line policies all typically fall into one of the following categories:

01 Accident only

This type of policy will be popular with pet owners who want to protect their pet, but perhaps cannot afford a more comprehensive policy. Accidents include injuries like broken bones, wounds, bites, damaged ligaments, the swallowing of foreign objects, toxic ingestion, and the like.

However, what is covered will vary by policy and insurer, so your offering will need to be made clear to customers, so they know exactly what their pet is protected from.

02 Time limited

This type of pet insurance is useful to customers whose pets have a one-off bout of illness, and for this reason can be more suitable for individuals with young, healthy pets.

Time-limited insurance typically covers accidents and illnesses for pets, but only for a period of a year. If an illness or injury occurs, the insurer will not pay out beyond a year following the date of the first claim.

This type of insurance wouldn't be overly helpful for a pet that needed ongoing medication for the rest of their life, like seizures, for example.

03 Maximum benefit

This type of insurance offers better quality cover to pet owners, however that is reflected in the price. With maximum benefit policies, pets are covered per condition. Also called "per condition" policies, this approach allows claims for each illness or injury up to a certain amount.

So, for example, if a maximum benefit policy came with a cover of GBP 1500 per condition, this means that pet owners could claim up to GBP 1500 for their pet on a leg injury, another GBP 1500 for arthritis treatment, another GBP 1500 for eye infections, and so on.

04 Lifetime

This is the type of cover that vets recommend²¹ customers take out. It's the most comprehensive type of cover available for pets, because it helps pet owners to look after their animals' needs for their entire life.

Lifetime cover is different from other pet insurance plans because the maximum payout of a lifetime policy is the maximum payment per condition, per year.

This means that a customer could get cover for their cat's diabetes treatment for £10,000 a year for the duration of the animal's life, not just for £10,000. This is valid for as long as the customer continues to renew their policy.



Section 06

Disruption in the pet insurance sector

Across all types of cover, from car to health, from life to home, brands finding ways of shaking up the landscape of insurance. For the first time ever, people are actually interacting with their insurers, not just paying monthly for a policy that they may or may not ever even use. Brands are finding ways to connect with customers and be active in peoples' lives.

Brands like AXA and Vitality are already taking advantage of gamification²² and partnerships to interact with their customers, create buzz and excitement, and offer them real value, full of extras beyond peace of mind from their policy.

This is every bit as possible specifically for pet insurance, and here we examine some insurance brands already pushing pet insurance boundaries. You'll also find a number of innovations and ideas for insurance brands who want to offer pet products that give customers more.

Pet insurance disruption case studies

Lassie AB

In our recent blog post²³, we looked in depth at the exciting and innovative way European insurer, Lassie AB, is approaching pet products.

Not content to offer the same basic approach to insurance that every other brand is offering, Lassie AB stepped up their business model and found a way to personalize pet insurance. The foundation for the Swedish insurance business is based on two pillars.

First, insurance policies should be specific to each pet's needs, not only based on their breed, but also individual needs and circumstances.

So, this means that two pug owners in the same town could be paying completely different monthly premiums, because each pug has a different history and situation.

The second pillar of Lassie AB's offering is that their customers receive added value, through their proactive support of ongoing pet care and the option to earn deductions from their premiums.

Customers create a custom profile for their pet with specific information to receive their unique quote. The brand's mobile app then uses this data to recommend specific articles and advice pieces, which are relevant to the information provided, and therefore relevant to their pet. As customers interact with and read the materials, they are able to earn discounts on their premium.

According to Lassie AB



by leveraging this customer data to tailor their premiums to their customers, they are able to charge

25%

less than traditional insurers.²⁴ As a result, Lassie is currently earning USD 329,000 pa in revenue within its second year of operation.

Lemonade

Exciting insurance brand, Lemonade, entered the pet insurance market in 2020, although they've been offering artificial intelligence-based (AI) policies in other areas for much longer than this. Through their AI focused approach, Lemonade claims that their service and products come with a no-hassle digital experience and "lightning fast claims payment."

The brand offers discounts for multi-pet policies, paying annually, or for bundles. Also available to customers are preventative care packages, which include routine vet visits for the likes of wellness exams, annual vaccinations, annual blood tests, flea and worm treatments, and more.

These packages work to help customers save money on this straightforward, day-to-day treatment, and by default, ensures that Lemonade customers are taking better care of their pets in the long run by keeping up with these general needs.

This approach presents a win-win situation for both Lemonade and their customers. Through savings and bundles, pet owners can more-easily afford to not only insure their pet, but keep up on their routine visits and health checks, which makes for a healthier pet. For the customer, this means having to pay out less frequently for unspotted health issues, and for Lemonade, it means less risk.

Lemonade also looks to support their customers by paying out much more quickly than other brands. One of the top complaints from customers regarding any type of insurance is the lag between making a claim and receiving their pay out.

Customers can easily wait days, certainly weeks, and sometimes even months before they are reimbursed, but Lemonade aims to be different. They work to pay customer claims within minutes.

The brand also sets itself apart from the competition with their Giveback program, which appeals to the philanthropic traits of their customers. When customers sign up with Lemonade, they can select a charity that will benefit from their custom.

Once a year, Lemonade then donates a portion of their proceeds from customers to the program, which benefits the charities that their customers selected. Lemonade stated that in 2021, they contributed USD 2.3 million to the program.

Embrace Pet Insurance

A problem that the majority of pet owners who opt for pet insurance face is that when their pet begins to age, their premiums become less affordable or completely obsolete. Breed and previous health will of course affect these costs, but even pet owners with a healthy older pet who have made zero or few claims will find that their premium continues to climb year after year.

Embrace pet insurance looks to make pet insurance for older animals better and more affordable. It's not uncommon for customers to find that, despite being with their insurer for a number of years, that suddenly, they aren't able to cover their pet once they turn ten.

It leaves customers and their pets in a vulnerable position, as most pet healthcare costs typically climb towards the end of the animal's life as they become more frail and sickly.

Instead, Embrace offers comprehensive cover for pets up to the age of 14. After this point, customers can still insure their pets beyond the age of 15, but the only policies for pets this age are accident only.

The example of Embrace is an important one to hold on to. Providing cover for animals that most insurance brands won't even consider gives them an edge, and other brands would do well to think of their own unique angle when entering the market.

Healthy Paws

Another insurance brand making their mark with a unique offering is Healthy Paws. Unlike most pet insurance competitors, Healthy Paws' insurance policies cover alternative pet treatment.

People all over the world are considering alternative medicine. In a survey funded by the National Institute for Health Research and carried out in England, the results were impressive.

The survey
uncovered that

16%

of participants had
undergone CAM
(complementary and
alternative medicine)
treatments.²⁵



The types of treatments include acupuncture, massage therapy, chiropractic treatment and more.

Some pet owners may not even know that similar treatments are available for their pets. Depending on the condition, CAM can be beneficial to pets and make them more comfortable living with whatever condition they may have.

Healthy Paws' offering includes cover for treatments like those listed above, but also hydrotherapy, laser therapy and physical therapy, so long as the treatment is carried out by a licensed veterinarian.

Claims are filed via an app and the brand also offers their customer the option to take advantage of a direct payment option rather than a re-imbusement payment, in the event that the customer cannot afford the upfront veterinary costs for pet treatment.



Versik – The Pet Black Box Tool

Insurers aren't the only type of organization shaking up the pet insurance landscape. Versik, an American data analytics and risk assessment firm, are creating products to help insurers and customers get the best out of policies, including those for pets.

One of the issues with pet insurance (any type of health insurance, really) is that of pre-existing conditions. Many pet owners take their animal to the vet about an issue, without knowing whether or not it's related to a pre-existing condition.

In most instances, vets begin to run tests and routine treatment or care before consulting with a customer's insurer. This means that the customer is already tied up in costs, however they don't know until a file is claimed whether or not their insurer will actually cover the pet.

This is concerning and frustrating to pet owners who feel that, despite being responsible by taking out a policy for their pet, they're not getting what they perhaps feel they have paid for.

Versik's Pet Black Box is a tool that is designed to help both insurer and customer. The Pet Black Box clears up any confusion from the get-go, as soon as the customer takes out a policy for their pet.

During the onboarding process, the tool takes customers through a series of simple questions regarding their pet's health conditions. Based on this information, a pet risk score is then generated.

This score is then used to help insurers write a relevant and tailored policy from the start, which provides clarity for both insurer and customer.

The end goal with tools like this is to ensure that there are no surprises for the customer or the insurer in the event that a claim needs to be made for the pet.



Section 07

How to design disruptive pet insurance products

The above examples should offer some inspiration for your brand. There are already exciting and forward-thinking products available to pet owners, and they're only going to want more.

Tempting new offerings can easily lure a customer away from your competitor's cover to your brand, if the offering is good enough.

How else can insurance brands like yours disrupt the world of pet insurance when you enter the space for the first time?

There are plenty of approaches and themes that you can capitalize on in order to do so, all the while finding a way to stand out, even among the exciting innovations of brands like Lemonade and Lassie AB.

Personalization

No matter the industry, every brand needs to be working towards providing their customers with some sort of personalized experience. You might choose to tailor your marketing emails to customers based on the products they have purchased in the past, or introduce bundle collections that are all specific to different ages, genders, interest and demographic backgrounds in order to make customers feel understood and catered to.

Looking at stats focusing on personalization, we can see just how important it is to today's consumer:

Epsilon

found that 80% of consumers are more likely to make a purchase from a brand that is providing a personalized experience²⁶



Smarter HQ

claim that 72% of consumers have stated they only engage with messaging that is personalized, and 80% of frequent shoppers will only shop with brands who are personalizing customer experiences.²⁷



Smart Insights

findings show that 63% of customers will stop buying from brands who are using poor personalization tactics²⁸



So, the consumer has spoken loud and clear - personalization (done well) is a must, and we see brilliant examples across industries. Any brands that aren't prioritizing personalization within their messaging, tactics, and customer experience are likely to soon be finding themselves at a loss.

Brands like Virgin Media are honing in on customer preferences, rather than relying on their huge global presence to draw in customers. Customers have recently reported personalized calls from sales assistants. The calls are straightforward and friendly, and customers are being contacted based on their On Demand purchases.

Those who are frequently paying to rent movies are offered a discount for getting additional movie channels. Those who pay to view boxing matches are being offered exciting sports channel offerings.

Don't make the mistake of thinking that something happening in the media isn't relevant to what you're doing in the insurance industry - it absolutely is.

If insurance is to evolve, brands must follow suit and take direction from those already offering services that are a part of a customer's everyday lives. Customers expect the same level of personalization, support, and value from every single thing they pay for, from their home entertainment packages to their insurance policies.

We are, however, already seeing thrilling trends of personalization existing within the world of insurance. For years, AI has been tweaked and honed, with experts working to find a way to personalize underwriting decisions in a revolutionary way.

Algorithms already exist in which customers' social media activity is analyzed to determine risk, based on a variety of behaviors exhibited by a profile on their social accounts. Insurtech is making all of this possible, helping insurance brands to build seamless digital customer journeys and experiences.

Pet insurance doesn't have to be different, and personalization doesn't have to be complicated. It's as simple as allowing customers to set up profiles for their pets in your app or on your website, where they can add a picture to customize their pet's avatar.

This example was illustrated beautifully in the case study for Lassie AB, where customers are delivered relevant articles and materials tailored to their specific pet's details.

Brands can take this further by tailoring multi-policy bundles and discounts they offer to each customer. It's as simple as presenting customers with a brief survey during the registration process to gather helpful information about their lifestyle.

Based on these answers, additional marketing materials and offers can be sent to them. Brands can be more confident that these offers will be of interest to their customers as they already know who they're talking to and what is needed by those individuals.

Data can be analyzed by insurers to notify customers about dangerous lifestyle trends or unhealthy habits. These notifications can be paired with advice and incentives for ceasing these riskier behaviors.

Customers will be driven to follow such advice, enjoying the challenge of potentially lowering their deductible and increasing their safety or health at the same time.

Why not follow suit while pushing the envelope? Mortgage lenders have been sending out new homeowner kits of teabags and screwdrivers for many years. Why not put together welcome packs for new pets, with relevant toys, pet accessories, and treats based upon the type of pet and breed the owner has. Find your own way to put a spin on personalization for pets and their owners.

Technology

Nobody has the time to spend hours on hold, waiting to speak to their insurance provider. This is especially true in the case of pets, where, in many cases, treatment may be required urgently as the result of an accident or a serious condition that presents itself seemingly out of thin air.

Technology must be embraced to give pet owners what they expect, and quite frankly need, when it comes to an insurer. Brands must be offering, at the very least, an intuitive website with live chat assistants on hand to help immediately with any questions, concerns, or urgent claims.

Better yet, why not create a reliable interface where customers can quickly and easily file claims, update their pet's information, gain access to prescriptions and orders, and more?

People don't want to search your website for ways to contact your business, and they don't want to search their inflated inbox to find their policy details or correspondence with you about their claims or their pet's condition. Everything should be centralized through an optimized interface or app for the customer's ease. Brands who don't enter the pet insurance scene with a functional and easy-to-use app are starting in last place.

Creating other technological solutions for your customers can make your solutions all-the-more appealing. Wearable technology (discussed more in the partnership section) is another simple approach, but there are a multitude of ways brands can find their edge with a unique technological offering.

According to Jathana Kaenprakhamory, CEO of Tapoly, Technology innovation is currently, and is likely to remain, the leading disruption trend within insurtech. There is an ongoing and very real need for big data and AI within the insurance industry.

It all comes down to the hard market - where a high demand for insurance exists, but there is a lower supply of coverage available. This represents an increased level of risk for insurers.

This level of risk requires extra information and data so that a solid decision can be made in terms of whether or not coverage should be provided by an insurer. Big data and AI brought by insurtech can help close this gap using information from any number of places - social data or Internet of Things, for example - to assess risk and streamline accuracy.

By embracing AI and big data, insurers can offer a personalized product offering to customers, all with a smooth purchasing process while knowing that they're not facing any increased risk by doing so.

The trends and predictions are clear - insurance brands must move away from clunky and outdated offerings, embracing the movement of data and AI in order to reduce risk, protect their brand, and most importantly, offer exciting services (not just products) to their customers.

Partnerships

An insurance brand that doesn't partner with various services to provide customers with a satisfying experience and extra incentives are missing the point completely. Let's look at (human) health insurance brands that have been taking advantage of the appeal that partnerships bring to customers.

Because, if you think about it, there's no reason that pet insurance shouldn't follow in the steps of health cover - it's about keeping people and pets healthy.

British insurer, Vitality, is an excellent example of both gamification and partnerships in the market. Vitality customers are able to wear fitness trackers to reduce their premiums by proving that they are living a healthy and active lifestyle. This benefits Vitality, who can see that they are lower risk for insurance.

To make this offering even more appealing to their customers, Vitality offers schemes where individuals can purchase fitness trackers and end up paying nothing for them. Vitality partners with brands like Apple so that customers can purchase an Apple Watch on finance with no interest, and then can earn points based on their fitness activities.

These points can earn them a discount on their monthly payment. If customers are active enough, they can even reduce their monthly payment to zero.

Vitality also partners with high street brands and athletic wear retailers to offer customers discounted running shoes, free coffees, and cinema tickets. It's not only health insurance where these exciting partnerships exist. They're already happening in the pet insurance market, and there are plenty of more partnerships that could be founded.

For example, did you know that there are products on the market that monitor general health and activity for pets? Wearable technology exists for pets through brands like Pitpat and Felcana.

What's to stop innovative insurance brands from reaching out to such companies and forming a partnership? You could offer your customers the use of these devices at a discounted price or a financing scheme similar to Vitality's, by which they could prove their pet is regularly walked and well taken care of, to them earn discounts on their monthly or annual premiums.

There are plenty more opportunities, too. British pet insurance brand, Animal Friends, offers their cat- and dog-owning customers a membership with the Jooi app. Through the app, customers can arrange for video calls with trained vet professionals for initial advice and care for their pets.

They can even obtain prescribed medication through these consultation calls which is then shipped directly to their home. This goes a long way in helping save customers time and money, because for them, the Jooi service is completely free (unless medication is purchased).

It's also particularly helpful out-of-hours. Pets are notorious for getting ill or ingesting a foreign object in the evening or over the weekend when a typical vet center is closed, meaning pet owners have to turn to expensive emergency vet facilities.

DogTV is another service that represents intriguing partnership opportunities for pet insurers. It's not unusual for pets who are left at home throughout the day to experience stress and anxiety.

DogTV provides a streaming service to help soothe animals who are in the house at various times without their owners present. This is an excellent partnership opportunity for brands hoping to enter the pet insurance market.

In addition to adding true value to the lives of pets and their owners, well-chosen partnerships can be a vital casting net for insurance brands. One-off promotions, sales and discounts are not the only way to attract new customers.

Partnerships are proving essential to brands who want to up their insurance offering, and people are not above signing up for one service simply because of another product or service they will gain access to as a result.

Data

None of the innovations mentioned, whether in case studies of other brands or inspiration for your own, would be possible without data. To achieve anything along these lines, you need advanced data and customer-centric, embeddable technology.

If you're like most insurance brands, you have more data about your customers than you know what to do with. Age, gender, job role, socio-economic background, the number and ages of their children, the type of car they drive and how many miles a year they drive it, the size, cost and economic implications of the home they own.


The number and type of pets they own and the amount of physical exercise they undertake, the quality of their diet, whether or not they smoke, how often they visit the doctor, and so on.

All of this untapped data is a figurative goldmine that most insurers are sitting on top of, and may be doing nothing at all with. It is a wholly outdated mindset that this information, which most insurance brands are already in possession of, should only be used in the underwriting process and to create a suitable quote and policy for a customer.

When a customer signs up for a policy, they are literally handing their provider the key to the language in which they desire to be spoken. To not use this information to deliver tailored offerings, products, marketing, and valuable material to the customer, all the while increasing your potential to earn more, is a huge error.

How can data be harnessed? Firstly, it needs to be managed safely and appropriately, meeting all GDPR requirements, but it must also be organized in such a way that it can actually be taken advantage of.

Technology is the only way to achieve this. The number of insurance brands still using outdated technology is shocking.

**In a survey by
REG Technologies** 

41%
of insurers and MGAs, and

68%
of brokers and intermediaries,
still use spreadsheets and
folders to manage
relationships.²⁹

One can only imagine how much unused data is sitting in company networks, holding the potential for so much more than slowing down systems.

Utilizing better ways to store, organize, filter, and use data is the only answer. This will help brands to achieve the hyper-personalization that is so desired by customers, as well as excellent customer journeys, high service levels and unique offerings.

Data is the basis of the formula required to offer your customers a personalized and tailored, end-to-end satisfying consumer experience. It's time for insurers to care about more than just the bottom line.

Today's successful brands - in all industries - care about the customer journey, experience, reviews, referrals, and adding actual value to peoples' lives.

The good news is you don't have to figure out the best way to use data or build the technology from scratch - platforms such as FintechOS were built to make it simple. Our Northstar digital insurance platform makes it possible to win back consumer trust and draw in new customers.

It's achieved through our high-productivity fintech infrastructure (HPFI), which helps brands to create innovative and digital insurance products that are hyper-personalized to customer needs. Our Innovation Studio helps brands to design their own journey and products in record time, and the ease of use is such that even non-technical teams can create and launch truly personalized products and customer journeys to ensure success.

Everything is driven by data, and powered by effortless automation.



Section 08

Conclusion

People love their pets, people benefit from having pets in their lives, and the coronavirus pandemic saw more households than ever welcoming a pet into their family.

People really do feel that their pets are a member of the family. A survey uncovered just how much people’s pets mean to them.

How much people’s pets mean to them.



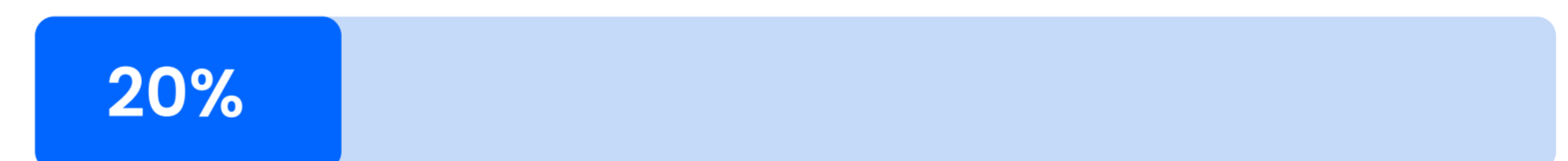
of respondents said they feel that their pet is part of the family



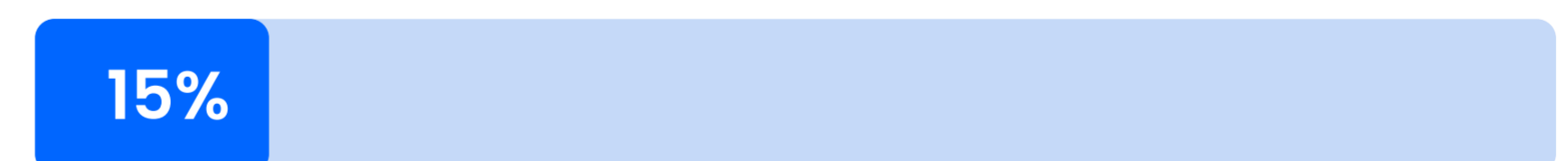
said they actually felt closer to their pet than some members of their family



signed their pet’s names on greeting cards



refer to themselves as their pet’s “mummy” or “daddy”



admitted that they have taken time off work when their pet was ill³⁰

The growth anticipated in the pet insurance market is exponential, and it's already beginning. The above stats tell us why.

As a society, our social responsibility and love for our pets, combined with rapidly increasing veterinary costs, is urging pet owners to do the prudent thing and take out pet insurance. Because people care so deeply for their pets, they want to feel that they are adding more to their life than a monthly direct debit. Pet owners want a next-level offering when it comes to pet insurance.

Technology is allowing brands like Lemonade and Lassie AB to offer exciting services that make the lives of their customers and their pets better. With the projected growth for the market over the next decade, brands who want to make an impact in the pet insurance market need to be acting now.

If an insurer simply intends to enter the market with generic, run of the mill offerings, they must re-evaluate. The pet insurance landscape is already littered with uninspired brands offering even less inspired services to customers.

For an insurance brand to truly make an impact and a profit in the growing pet insurance market, they must be part of the disruption.

Customers who are already paying monthly for a pet insurance policy are unlikely to be tempted by another bland offering from another insurer. Those pet owners sitting on the fence about whether or not to take the leap and pay out for a policy to protect their pet will need to feel tempted.

Pet owners, just like all other consumers in all their forms, want a better experience for themselves, and for their pets. Following suit and offering something to fill a gap in the market, like Embrace, or incentivizing customers to keep their pet healthy and earn discounts, like Lassie AB, is the only way forward.

For brands still eager to revolutionize the pet space: take heart. The risk is worth the reward, and there will be ample opportunity for insurers to claim a rewarding part of that projected USD 16.8 billion pet insurance market.

Insurers must simply commit to offering more. More personalization, more service, better journeys, smoother technology, profitable partnerships, and refined data. Internal systems and software must be updated in order for insurers to harness the true power of their raw data and make it work for them.

The possibilities of AI, insurtech and UX innovations make this an exciting arena to explore for willing and motivated brands.

The future of pet insurance is thrilling, and the pioneer brands already making waves are setting the scene for eager brands who are following suit, or plan to do so to take advantage of the growth this next decade promises.

As the pet insurance market continues to grow in terms of pet owners partaking and insurers offering cover, endless innovation is possible, and more importantly, it's expected by those consumers who render it necessary.

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