

Trupanion: Company Pricing for Insurance Is on Average Higher than Competitors; Pets Best Growth Could Negatively Affect Company Margins

A review of premiums in ten major metropolitan areas reveals that Trupanion's (TRUP) monthly premiums are higher than similar plans offered by Pets Best, Healthy Paws, Nationwide, Embrace, ASPCA, and Petplan, according to a *Capitol Forum* investigation.

The variance in pricing between Trupanion and other pet insurance companies could open the door to competitors gaining customers who might otherwise have gone to Trupanion, according to an industry participant who spoke on the condition of anonymity.

"The consumer is not buying by brand; they are going to do their research, they are going to look at two or three different companies and then, all things being equal, they are going to go with the plan based on price," the source added.

Increased competition, particularly from Pet's Best whose insurance policies are underwritten in part by Trupanion's wholly owned insurance subsidiary American Pet Insurance Company, could also harm Trupanion's margins. The Pets Best business line is included in the company's less profitable but faster growing "other business" segment.

Trupanion declined to comment.

Trupanion pet insurance is, on average, more expensive than six other pet insurance companies. *The Capitol Forum* priced insurance policies for a hypothetical two-year-old medium-sized (20 to 70 lbs.) mixed breed male dog named Yogi in Boston, Chicago, Dallas, Houston, Los Angeles, Miami, New York, Philadelphia, San Francisco and Washington DC across the seven insurance companies.

To get the information for this investigation, *The Capitol Forum* requested quotes online from each of the companies. In each case, *The Capitol Forum* indicated that Yogi was neutered, did not have a pre-existing condition, did not show symptoms of any disease, was not an assistance animal, and its owner was not in the military. A more detailed methodology is available at the bottom of this article.

The monthly premiums for the Trupanion policies were, on average, 32.1% higher at \$74.99 than the average of the other six companies at \$56.76.

Yogi 2- year old mixed breed male	Trupanion	Pets Best Essential*	Healthy Paws	Nationwide Whole Pet	Embrace*	ASPCA Complete Coverage*	Petplan	Average Price Excluding TRUP
Boston	\$64.61	\$37.11	\$35.29	\$56.44	\$47.50	\$66.94	\$63.86	\$51.19
Chicago	\$61.93	\$44.47	\$52.35	\$56.44	\$47.50	\$66.94	\$72.70	\$56.73
Dallas	\$62.71	\$38.25	\$52.18	NA	\$47.49	\$62.06	\$70.07	\$54.01
Houston	\$51.59	\$31.02	\$41.38	NA	\$47.49	\$63.27	NA	\$45.79
Los Angeles	\$80.86	\$46.25	\$54.29	NA	\$52.40	\$63.52	\$90.67	\$61.43
Miami	\$79.02	\$29.74	\$46.43 (1)	\$52.84	\$43.01	\$54.36	NA	\$45.28
New York	\$103.51	\$52.37	\$45.88	NA	\$97.16	\$73.99	\$85.22	\$70.92
Philadelphia	\$74.47	\$31.96	\$45.12	\$49.00	\$97.16	\$66.94	\$43.85	\$55.67
San Francisco	\$106.89	\$55.54	\$63.11	NA	\$52.41	\$63.52	\$90.67	\$65.05
Washington DC	\$64.30	\$39.42	\$63.17	\$62.60	\$63.14	\$68.22	\$72.70	\$61.54
Average	\$74.99	\$40.61	\$49.92	\$55.46	\$59.53	\$64.98	\$73.72	\$56.76
Premium Difference		84.6%	50.2%	35.2%	26.0%	15.4%	1.7%	32.1%
Size	Mixed Breed (20-55 lbs.)	Mixed Breed (20 - 55 lbs.)	Mixed Breed (31-59 lbs.)	Mixed Breed (31-50 lbs.)	Mixed Breed (31-50 lbs.)	Mixed Breed (26-50 lbs.)	Mixed Breed (23 - 70lb)	
Deductible	\$200	\$200	\$200(1) or \$250	\$250	\$200	\$250	\$250	
Annual Deductible	No	Yes	Yes	Yes	Yes	Yes	Yes	
Reimbursement Rate	90%	90%	90%	90%	90%	90%	90%	
Annual Coverage or Payout Limit	Unlimited	Unlimited	Unlimited	\$10,000	\$10,000	Unlimited	Unlimited	
*Includes monthly transaction fee		\$2.00			\$1.00	\$2.00		

Source: *The Capitol Forum*

Continued growth in Pets Best, which is underwritten, in part, by Trupanion’s wholly owned insurance subsidiary could harm Trupanion’s margins. The Pets Best policies, underwritten in part by Trupanion’s wholly owned subsidiary, American Pet Insurance Company were, on average, priced the lowest of the group at \$40.61 or a 45.8% discount to a similar policy sold by Trupanion. Pets Best has been “doing very well on their conversion rates and their selling” due to positive changes from a marketing perspective, which has helped them, the industry participant said.

The source added that “Trupanion has some strong competition from companies like Pets Best and Healthy Paws on price, which could be slowing their growth,” and while Trupanion’s growth is not in negative territory, “they have been hit.”

In March of this year, Pets Best was acquired by Synchrony’s CareCredit, “a provider of health, wellness and personal care credit cards that can be used to pay for veterinary procedures,” and accepted at [more than 22,000](#) veterinary practices, according to [veterinary news](#).

CareCredit has a strong brand value to veterinarians, and its ability to market its insurance product is “a really interesting challenge for companies that rely on the veterinary channel for positioning,” although “it will still come down to the price and coverage offered,” said the industry participant.

Trupanion is the underwriter for Pets Best and does not anticipate any changes to that relationship, said Tricia Plouf, Chief Financial Officer for Trupanion, at a meeting hosted by Stifel on May 29, 2019.

Synchrony and Pets Best did not respond to requests for comment.

Trupanion does not disclose the percentage of revenues generated by Pets Best, but sales from these products are included in Trupanion's other business segment, which increased by 65.4% to \$40.2 million in 2018 as compared to the company's subscription business which increased by 20.8% to \$263.8 million during the same period, according to the last [10-K](#).

Pets Best also represented 14% of American Pet Insurance Company's gross written premiums, or \$35.1 million [in 2018](#) up from 7.0% or \$13.8 million the year [prior](#), according to NAIC annual filings.

It is important to note that reported revenues at Trupanion may not match the figures reported at American Pet Insurance Company during the same period as there is a [timing difference](#) between premiums written and earned. Trupanion also discusses the differences between its reported financials and those reported by American Pet Insurance Company on its top investor questions [page](#).

Despite its outsized revenue growth, the margin profile for Trupanion's other business segment of 9% is half that of the company's more profitable subscription business at 18%, according to the last [10-K](#). Importantly, the company does not expect the margin profile for its other business segment to change over time and targets its gross margin at 8% to 10%, according to the Q119 conference call.

Methodology for price comparison investigation. *The Capitol Forum* selected the seven pet insurance companies in its investigation as they represented the largest percentage of gross written premiums in 2017, according to a 2018 Nationwide [presentation](#).

To be sure, the policies offered by these seven insurance policies vary. For example, Trupanion is the only company in the investigation that requires the consumer to pay a [deductible per condition](#) for the life of the pet as compared to other companies that specify an annual deductible that must be paid before the consumer is reimbursed.

Trupanion is also the only company in the investigation to have a single reimbursement rate with unlimited payouts. While Nationwide offers its customers the single reimbursement option of 90%, it caps its annual payout at \$10,000. The other five companies offer reimbursements at 70%, 80% or 90% and offer varied annual payouts—some unlimited and some ranging from \$2,500 to \$30,000.

The benefits each plan offer also vary as some explicitly cover dental diseases (Nationwide) or alternative therapies (Healthy Paws, Embrace, and Petplan), while other plans do not indicate if such benefits are included. More information about each plan and what they cover can be found [here](#).

All plans included in the investigation covered hereditary and congenital conditions, were priced based on a 90% reimbursement rate and excluded pre-existing conditions and well or routine care, like those offered by Trupanion.

Also, each of these plans allows the customer to take their pet to any licensed veterinarian, and, unlike typical medical insurance, pet insurance companies do not negotiate rates directly with veterinarians.

When possible, deductibles were also adjusted to \$200 to match the plans Trupanion said on their website were the “most popular.”

The investigation was further narrowed by the benefits offered in the attempt to best match Trupanion. For example, Pets Best sells three plans: Essential, Plus or Elite. The lowest priced plan, Essential, covers “accidents, illnesses, cancer, hereditary conditions, emergency care, surgeries & RX meds,” but not “accident & illness exam fees,” associated with the diagnosis of the pet for an eligible injury, which are included in the Plus plan. Likewise, the more expensive, Elite plan, includes “rehabilitative, acupuncture & chiropractic coverage.”

Since Trupanion does not [cover](#) exam fees and charges extra for [alternative and rehabilitative therapies](#), *The Capitol Forum* used the lowest priced, Essential plan, in its price comparison.