



By Bill Konstantinidis and Angela Bu

This article provides a comprehensive overview of the rapidly growing market for pet insurance in Australia. It covers existing products and providers and why the take up of pet insurance is increasing.

EXISTING MARKET

History of pet insurance

Pet insurance has a history dating back to 1890 when the first policy was issued in Sweden focusing on horses and livestock. By 1924, Sweden expanded coverage to include dogs and the concept crossed borders, reaching the United Kingdom in 1947 with the issuance of its first pet insurance policy. Today, both Sweden and the UK offer comprehensive pet insurance policies that not only cover medical costs for pets but also include liability coverage for any third-party damage caused by covered pets.

According to National Association of Insurance Commissioners, around 60% to 70% of pet owners have pet insurance in Sweden and 25% to 30% of dog and cat owners have pet insurance in the UK. Australia has significantly lower penetration in the pet insurance market than these two countries in 2019[1].

[1] publication-pin-op-pet-insurance.pdf (naic.org)

[2] AMAU008-Pet-Ownership22-Report_v1.6_WEB.pdf (animalmedicinesaustralia.org.au)

PET INSURANCE MARKET AND PRODUCT OVERVIEW

Domestic Market Size and Growth

The Australian total pet insurance market is estimated to be \$1.1 billion in 2022 and has been growing at 14% p.a. over the last few years[2].

The Nature of Domestic Market

Petsure is a major insurer in Australia who, after being underwritten by Hollard in 2023 was granted a general insurance license from APRA and became the first general insurer in Australia that is exclusively dedicated to pet health insurance.

Petsure white labels its products through large brands, including:

- Guide Dogs,
- RSPCA Pet Insurance,
- Medibank,
- Woolworths Everyday Pet Insurance, and
- Petbarn Insurance.

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Other pet insurance agents include Petplan and Knose.

- Petplan is underwritten by HDI Global Specialty SE - Australia.
- Knose is underwritten by Pacific International Insurance Pty Ltd.

Coles Pet Insurance and Vets choice are two other major brands who are underwritten by Guild.

EXISTING PRODUCTS

Product Structure

Product Plans

Pet insurance policies can cover:

- **Accident and illness** - covers vet costs for accidents as well as illnesses. This can include infections, upset stomachs and skin conditions.
- **Accident and illness plus routine and preventative care** - covers routine vaccinations, dental cleaning, worming treatments, as well as vet costs for accidents and illnesses and may also include some optional extras.
- **Accident only** - covers vet costs where your pet is involved in an accident. This covers physical injuries caused by an accident, such as broken bones, flesh wounds or even snake bites. This cover is not commonly chosen by customers.

Excess and Copayment

There are two main types of excess. One is a copayment percentage, and the other is a fixed excess. The copayment percentage generally comes first and is applied to the total vet bill.

Deductibles and coinsurance are intended to discourage owners from bringing their pets to the veterinarian for unnecessary ailments as there will always be an out-of-pocket cost.

By illustration, consider a scenario where the eligible invoice from the vet is \$300, the applicable excess level is \$100 on a claim basis, and there is a 90% benefit reimbursement/co-payment. The pet owner needs to pay \$100 for each invoice. The pet owner will also need to pay 10% of the remaining bill for each invoice. Thus, the pet owner will pay \$120, and the insurer will cover the remaining \$180.

<- Total Cost = \$300 ->	
Excess: \$100	Insurer Co-payment: 90%*(300-\$100) -> \$180
	Customer Co-payment: 10%*(300-\$100) -> \$20

Age Limit

Depending on the insurer, policies generally won't cover pets that are younger than eight weeks or older than seven to nine years at the time that you apply. It is possible for pet owners to obtain cover for older pets; however, costs are significantly higher compared to the younger ones. Often, once your pet reaches the age limit you generally can't find cover with other insurers, so you are locked into your current insurer.

For some specific covers, pets must be under the age of nine years old to apply.

Waiting Periods

A waiting period refers to the time between the purchase of cover and when the coverage begins. On taking out a new policy, there may be a waiting period for the policy. Usually, a waiting period of 30 days for illness conditions or 6 months for a cruciate ligament condition may be applied, depending on the policy and the insurer.

Wellness Options

Additional options ("routine care", "wellness cover" or "tender loving care") include extra covers for:

- dental illness, such as fractured teeth, tooth abscesses, and gingivitis, and/or
- alternative treatments, including physiotherapy and hydrotherapy.

Premium Payment

Insurance premiums can be paid fortnightly, monthly, or yearly.

- For a comprehensive pet insurance cover, the average new business premium ranges from \$81 to \$120 per month, which vary depending on pet's age, breed, gender, excess, limit, etc[3].
- Following are some sample quotes for Accident & Illness Cover from RSPCA Pet Insurance[4]:

	Quote 1 (Base)	Quote 2	Quote 3
Gender	Male	Male	Male
If desexed	Yes	Yes	Yes
Breed	Irish Setter	Irish Setter	English Springer Spaniel
DOB	January 2024	January 2017	January 2024
Premium (\$ per Month)			
General	92.82	117.22	62.13
Economy	116.37	230.41	79.48
Ultimate	126.27	250.15	86.19
Ultimate Plus	134.47	290.70	91.72



Pre-existing Conditions and Exclusions

Similar to other insurance products, pre-existing conditions are usually not covered by insurance. For pet insurance, pre-existing conditions are assessed differently depending on whether the condition is chronic or temporary. Examples of pre-existing conditions include:

- Bilateral conditions, which refer to situations that can affect both sides of the pets' body, including hip dysplasia, luxating patella, and cataracts,
- Cruciate ligament conditions, which refer to situations that can affect the knee stability in pets which can then lead to mobility issues;
- Genetic conditions,
- Cancer, and
- Infections or similar ailments.

Other than the pre-existing conditions, some common exclusions that may apply to the policy include:

- Failure to take due care or abuse,
- Diseases with a known vaccine, and
- Organ transplants.

Benefit Limits

Different benefit limits will be applied on different policies with different insurance companies. For example, for Pet Insurance Australia Pty Ltd, the current annual benefit limit for Major Medical and Comprehensive policies is \$30k and for Pet Essential policies is \$6k[5].

[3] <https://www.finder.com.au/pet-insurance/pet-insurance-cost>

[4] Dog Insurance Australia | RSPCA Pet Insurance

[5] <https://www.petinsuranceaustralia.com.au/our-pet-insurance-cover-options/>



One of the most common diseases for pets is cancer. A study conducted by the American Veterinary Medical Association shows that 1 in 4 dogs will suffer cancer during their lives and nearly half of dogs aged over 10 years old are likely to die because of cancer. According to PetSure, the estimated total cost of cancer claims in 2022 was around \$25.8 million. The highest cancer related claim cost in 2022 was \$27,304 for a dog with a Mast Cell Tumour[6].

Cancer treatment and after-surgery care can be costly in the absence of a sufficient cover.

Products in Domestic Market

There are various products available in the domestic market.

Below is a summary of product features offered at RSPCA[7].

What's covered

What is covered in all plans?^	
✓	Specified Accidental injuries and illnesses
✓	Tick paralysis
✓	Cancer treatment
✓	Skin condition
✓	Hereditary and congenital conditions
✓	Emergency boarding
✓	Eye and ear conditions
✓	Cruciate ligament conditions (6 month waiting period applies but may be waived on application)
✓	Essential euthanasia
✓	Pet overseas travel insurance (New Zealand and the Norfolk Islands only)

Exclusions	
✗	Certain pre-existing conditions
✗	Dental procedures
✗	Behavioural problems
✗	Elective treatments and procedures
✗	Food and diets
✗	Grooming
✗	Pregnancy
✗	Pet accessories
✗	For a full list of all exclusions, please refer to the relevant Policy Booklet .

* Pre-existing conditions and certain illnesses are excluded. Terms, conditions, exclusions, benefit limits, sub-limits and annual condition limits may apply.

[6]Cancer in Pets: What you need to know | PetSure
 [7]<https://www.rspcapetinsurance.org.au/dog-insurance>

Routine Care Cover (optional extra)

You can choose to add our optional Routine Care Cover to either the RSPCA Ultimate or RSPCA Ultimate Plus Cover, and claim for benefits such as;

- ✔ Heartworm test or blood screen - \$15 a year
- ✔ Heartworm test or blood screen - \$15 a year

Plus, a \$50 annual benefit for any one of these routine treatments:

- ✔ De-sexing and Micro-chipping
- ✔ Heartworm preventative medication
- ✔ Teeth cleaning
- ✔ Vaccinations
- ✔ Council registration fees
- ✔ Prescription diets
- ✔ Alternative therapies

OPPORTUNITIES AND PROBLEMS

Problems

Terms and conditions

Complexity of products is one of the main reasons for pet owners to not take up pet insurance. There are different levels of cover and various products available in the current market.

To meet Product Design and Distribution and Target Market Obligations, clear terms and conditions are crucial, so pet owners can choose the right policy for their pet. Pet owners need to understand the difference between policies and levels of covers to make the right choice.

For example, if pet owners wish their pets to be covered for illness, it should be clear to them that accident-only covers will not be suitable for their needs.

Claim process

Due to the nature of the low average claim size for pet insurance claims, online electronic submission and processing of claims are critical in improving the efficiency of the claiming and communication for veterinarians with the insurers.

The claim management team needs sufficient veterinary knowledge to correctly assess whether the claim is related to a pre-existing condition and whether it should be covered.

Exclusions

Clarity on the definition of pre-existing conditions and clear communication on specific exclusions at the outset of the policy uptake are required to make sure pet owners can select the correct cover for their pets and avoid getting their claims rejected due to exclusions.

Excess and Copayment

The combination of excess and copayment terms creates additional complexity stemming from the two main types of excess, including per condition excess and per year excess. This makes it unclear how much will be returned to the customers.





Affordability of Pet Insurance

Veterinary costs and treatment costs are increasing rapidly in recent years. For example, veterinary costs are increasing at a rate of around 10% per annum in US[8]. It is challenging to keep premiums affordable in the current environment.

Opportunities

Uninsured Market Size - Domestic

In Australia, there is still a large proportion of pet owners that are currently not buying pet insurance. More and more pet owners are becoming aware of the benefit of having pet insurance in the face of rising veterinary costs, thus pet insurance take-up is expected to increase.

New Ways to Assess Pets' Conditions

Recently, there have been new ways to assess pets' conditions, such as basing it on a short video recording taken on your phone that is uploaded. This may allow more efficient assessment processes for some pre-existing conditions.

Impact of COVID Pandemic

Through the COVID-19 pandemic, the number of pets in Australia increased significantly[9]. This has led to a growth in the size of the pet insurance market.

Product Development

Pet insurance products should align more towards customer needs. Analysing complaints and declined claim data to identify pain points in the product to facilitate product development.

Pre-existing Condition

Consider built-in pricing and change in product design for pre-existing conditions, treating it in similar ways as treating human health conditions in travel insurance.

Wearables

Having wearables and sensors for pets allow better collection of health data on pets and more efficient underwriting and claim assessment.

[8] https://animalmedicinesaustralia.org.au/wp-content/uploads/2021/08/AMAU005-PATP-Report21_v1.4_WEB.pdf

[9] What spiking US veterinary prices reveal about inflation | AP News

ABOUT PFS

PFS Consulting is an actuarial and risk consultancy. It provides insight, foresight and oversight and always seeks to leave its clients better placed after engagement than they were before. One of the keys to PFS's success is that its approach embodies some of the core actuarial perspectives and attributes outlined above.

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