



THE LANDSCAPE OF PET INSURANCE IN THE NORDICS

Abstract

The global pet insurance market is surging to new highs with an expected value of US \$19.5 billion by 2032. Fueled by the increasing awareness of pet health and rising veterinary costs, it is evident that pet insurance is not just a financial investment but also a commitment to providing the best possible care for pets. Europe is at the forefront of this trend, led by the UK and Sweden with growing support from leading companies and government initiatives. This paper examines the trends in the global pet insurance industry as well as its growth and future outlook in the Nordic region.

Global Trends in the Pet Insurance Industry

Pet insurance refers to policies that cover the cost of treatment and medical expenses of pets when they are injured or sick. Legally, pets are considered as personal property and, hence, pet insurance falls under the gamut of property and casualty insurance, not health insurance. Pet insurance policies primarily cover dogs, cats, horses, although more exotic species of animals can be included as well.

Previously, pet insurance would only cover accidents and illnesses. However, due to rising demand, insurers are now offering wellness plans to cover the expenses for regular checkups and vaccinations.

In 2022, the global pet insurance market size was valued at US \$9.3 billion and is projected to touch US \$19.5 billion by 2032, growing at a CAGR of 11.90%¹. While North America has the fastest growing market, Europe leads the pet insurance industry with a market size of US \$3.1 billion, which is expected to grow to US \$4.85 billion by 2028².

Here are some of the topmost trends in the pet insurance industry:

- Dogs are the most popular type of pet. Dogs account for the majority of the pet insurance market share globally, followed by cats.
- Coverages for accidents and illnesses are the most common type of policy followed by 'accident only' policies.
- Pet insurance companies are increasingly offering customizable policies, allowing pet owners to tailor coverage to their unique requirements and budgets.
- There is an increased emphasis on preventive care and wellness. Insurance companies are collaborating with veterinarians and pet service providers to offer routine check-ups, dental care, and other preventive services.
- Wearable gadgets and telemedicine services are being implemented to improve the entire pet healthcare experience.
- Pet insurance policies have evolved to provide comprehensive coverage including accidents, illnesses, preventive care, inherited disorders, and alternative therapies.

Drivers of Pet Insurance

Some key factors are driving the rise in uptake of pet insurance. These include:

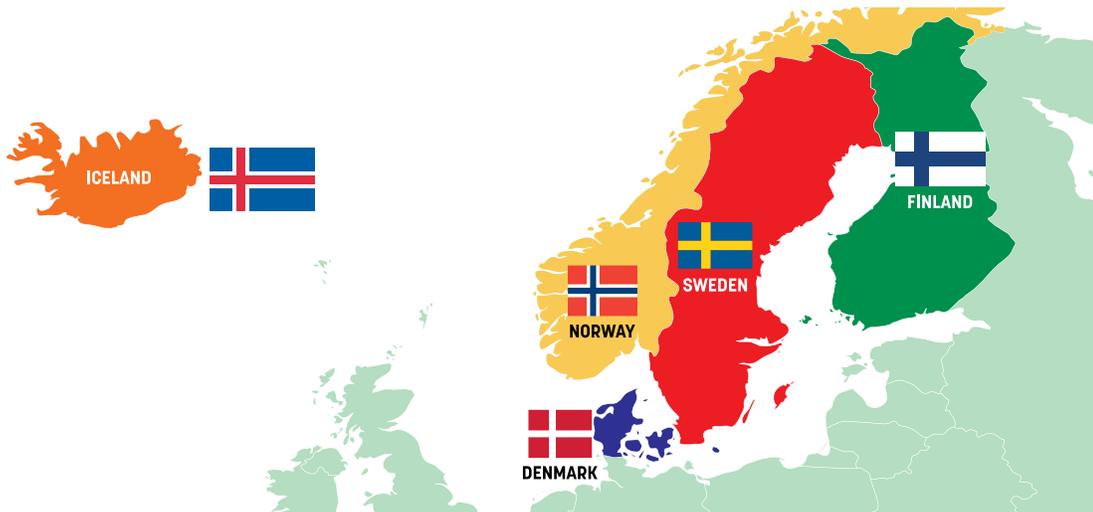
- **Growth in pet ownership:** Recently, there has been a steady rise in the number of pet owners worldwide. This trend is influenced by millennials and the aging population adopting pets for companionship. The work-from-home culture brought on by Covid-19 has propelled this trend further.
- **Rising veterinary costs:** Veterinary care has become increasingly costly due to advanced medical procedures, technology, and specialized treatment. Pet insurance offers financial security and access to the best medical care available.
- **Increasing awareness:** There is increased awareness about the health benefits of owning a pet and the financial freedom of having pet insurance. This has been enabled in part by awareness campaigns and educational initiatives from insurance providers and pet organizations.

Understanding the Nordic Region

The Nordic region in Northern Europe consists of Denmark, Sweden, Norway, Finland, and Iceland. It also includes Faroe Islands and Greenland, which are autonomous island regions of Denmark as well as Åland, an autonomous island region of Finland. The word 'Nordic' comes from the term 'Norden,' which means 'the northern lands'. These countries share a common history, lifestyle, language, and social structure.

The Nordic countries lead the global industry in facets such as gender equality, healthcare, innovation, and environmental stewardship. They follow a socio-economic model that combines a market economy with a welfare state financed by high taxes. For the last ten years, the Nordics have been ranked as one of the best countries to live in. According to various studies, they have the best work-life balance in the region.





Pet insurance trends in the Nordics

The love for pets in the Nordic region is known the world over. Pets are treated as family members and most homes are pet-friendly. People believe that pets offer protection, loyalty, unconditional love, health benefits, and companionship. The humanization of pets is the key trend driving demand for high-quality pet products and services. Millennials are increasingly adopting pets, adding to the trend.

There are 6.7 million pets in Denmark, Finland, Norway, and Sweden. Despite cats being more popular than dogs in most countries, more dogs are insured compared to cats. In Sweden particularly, a total of SEK 5.3 billion was paid in premiums for various pet insurance policies in 2021. Here, the pet insurance market is expected to reach SEK 8.9 billion by 2027, growing at a CAGR of nearly 8%.

Overall, the pet insurance market in the Nordics is expected to grow alongside the European market, which is projected to reach US \$4.85 billion by 2028, at a CAGR of 9.36%⁴.

Pet demographics and preferences in the Nordics

As of today, there are around 145 million pets in the European Union (including Norway and Switzerland), 5 million more than that of in 2021. Among those pets, 66 million are dogs and 79 million are cats. The total number of horses in Denmark, Sweden, and Finland is about 424,000⁵.

Nordic Trends in the Pet Population

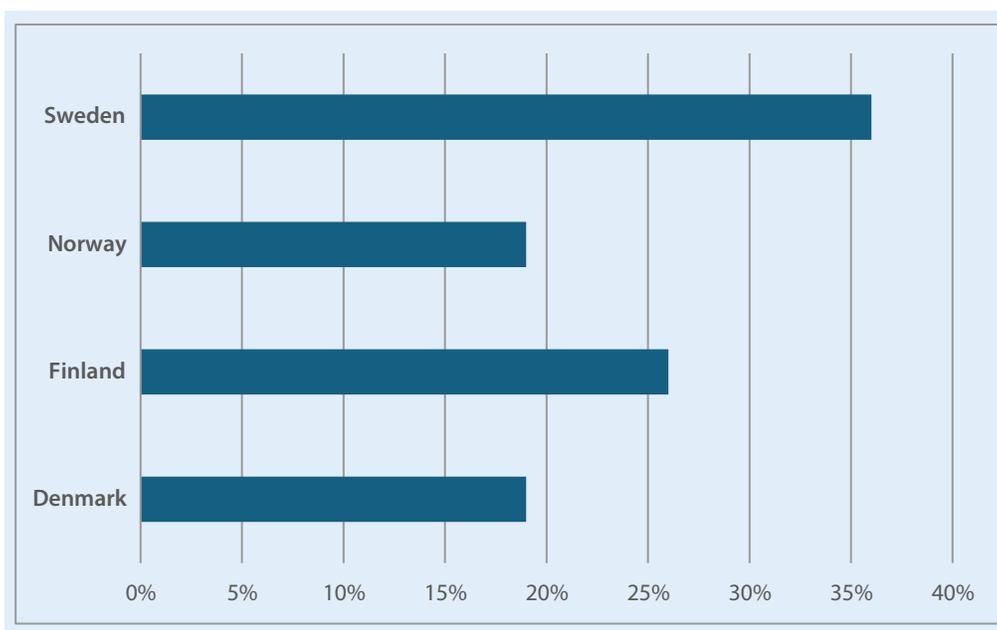


Figure 1: Pet population across Denmark, Finland, Norway, and Sweden

Factors influencing pet insurance adoption in the Nordics

The growing use of pet insurance in the Nordic region is the result of factors such as rising pet adoption, increased pet health awareness, steep veterinary costs, and sophisticated product offerings. The interplay of these factors with other drivers such as full-time life insurance, locked-in policies for older animals, and potential for market replication is helping accelerate the growth of the pet insurance industry in the region. Broadly, however, one can see that the Nordic pet insurance industry is governed by:

- **Economy:** The higher average income in the Nordic countries along with higher disposable income make pet insurance more accessible to pet owners. The high cost of veterinary care also plays a role as expensive medical treatments increase the demand for insurance coverage.
- **Culture:** The humanization of pets and the changing demographics of pet owners, particularly driven by millennials and Gen Z, are reshaping the industry as pet owners consider pets as family members and prioritize their well-being.
- **Regulations:** Liability coverage requirements influence pet insurance adoption. For instance, Sweden has a requirement for dog owners to maintain liability coverage and, hence, 60-70% of pet owners retain pet insurance. The limitations on switching insurance companies, however, can have implications for competition and pricing.

Market players and platform providers for pet insurance in the Nordics

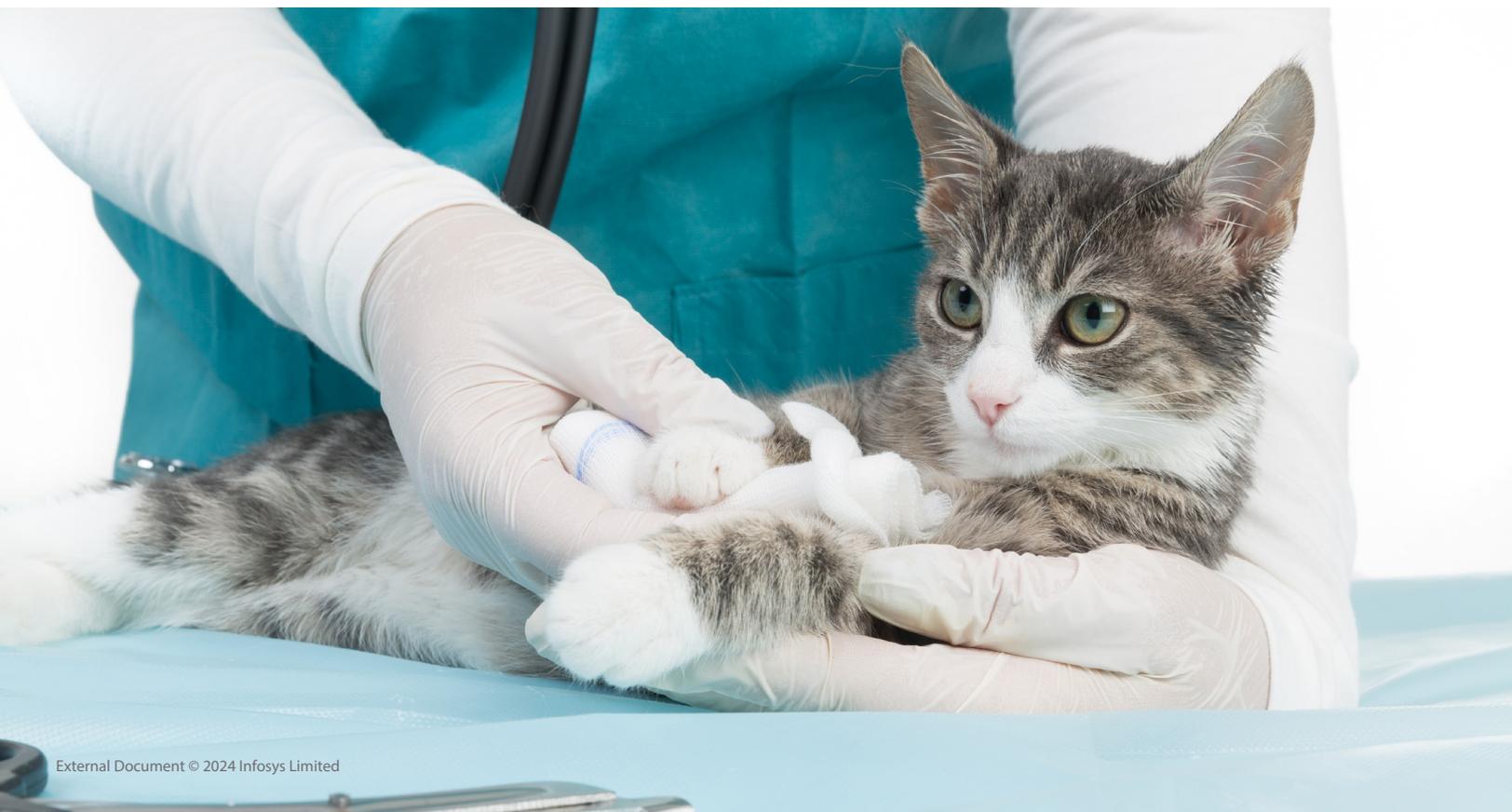
There are few multi-country as well as region-specific players in the pet insurance market within the Nordics. For instance, insurers like Agria⁶, If⁷, and Tryg⁸ have operations across Sweden, Denmark, Finland, and Norway while Iceland stands apart with its own distinctive set of players.

Sweden boasts extensive pet insurance coverage, with policies for 90% of dogs and 50% of cats. Agria currently commands a dominant position in Sweden's pet insurance domain with an impressive 55% market share. Other insurers like Lassie are trying to compete with Agria by embracing technology.

Platform providers such as Guidewire⁹, Sapiens¹⁰, IBSuite¹¹, Duck Creek¹², etc., offer insurance platforms to handle the front and back-office needs of pet insurers. They also offer various types of pet insurance plans that cover areas such as accidents, illnesses, wellness, preventive care, surgery, emergency care and hospitalization, prescription medication, remote consultations, etc

How Pet Insurers are Accelerating Growth in the Nordic Region

The Nordics have witnessed accelerated market growth thanks to an enhanced product portfolio. In Sweden, aggressive marketing endeavors have pushed pet insurance coverage to remarkable heights, reaching up to 80%. Insurers have refined their product range, expertly adjusting pricing based on diverse variables and introducing inventive insurance options providing full life coverage for valuable pets.



- 1. Start-ups and comprehensive plans:** The Nordics have several noteworthy pet insurance successes, exemplified by startups like Lassie, operating in Sweden and Germany. These innovative ventures focus on preventive coverage and comprehensive pet protection, as explained in Table 1.

Insurance plan	Coverage
Accident	<ul style="list-style-type: none"> Financial support for accidents, injuries, and emergencies Costs related to diagnostic tests and X-rays Treatments for sudden accidents like fractures, bites, etc.
Illness	<ul style="list-style-type: none"> Treatment for infections, allergies, digestive issues, and respiratory problems Chronic conditions and hereditary diseases may be included
Wellness or preventive care	<ul style="list-style-type: none"> Routine wellness check-ups, vaccinations, preventive treatments like flea and tick prevention, dental cleaning Costs of keeping pets healthy and up to date on their medical needs
Surgery	<ul style="list-style-type: none"> Surgical procedures and medicines that might be necessary due to accidents and injuries
Hereditary and congenital conditions	<ul style="list-style-type: none"> Treatment of hereditary or congenital conditions, which are present from birth or have a genetic basis
Emergency care and hospitalization	<ul style="list-style-type: none"> Costs associated with emergency veterinary care including hospitalization, intensive care, and overnight stays at the veterinary clinic
Prescription medication	<ul style="list-style-type: none"> Prescription medications that are necessary for treating covered conditions Costs of ongoing medication for chronic illnesses
Alternative and holistic therapies	<ul style="list-style-type: none"> Expenses for therapies such as acupuncture, chiropractic care, hydrotherapy, and other alternative treatments
Travel	<ul style="list-style-type: none"> Emergency veterinary care while traveling with the pet within or outside the Nordic countries
Legal liability	<ul style="list-style-type: none"> Liability related to legal expenses of pet owners
Life insurance	<ul style="list-style-type: none"> Compensation equivalent to the pet value if the pet dies, has to be put to sleep, runs away, or is stolen
Team insurance	<ul style="list-style-type: none"> Insurance for flocks, hunting dogs, and other such animals
Supplementary insurance	<ul style="list-style-type: none"> Security costs for dogs in care and breeding homes as well as their medicine and rehabilitation
Remote consultation	<ul style="list-style-type: none"> Expenses covered for remote visits of doctors

Table 1 – The types of insurance plans and breadth of coverage offered by insurers in the Nordic region

- 2. An insights-first approach:** Players in the region are keen to learn from others' successes and failures. Insurers stay abreast of trends such as client education, effective pricing strategies, ethical marketing practices, sophisticated product portfolios, and state-backed healthcare frameworks. Such an approach fosters confidence among pet owners that insurers will devise compelling pet insurance products and campaigns that meet their diverse demands with trust and credibility.
- 3. Personalized and pet-specific insurance:** Crafting pet insurance products that resonate with the distinctive preferences of Nordic consumers offers a promising avenue

for insurers in this region. Insurers are using a combination of strategies to align pet insurance with Nordic sensibilities. Some are tailoring policies to beloved Nordic dog breeds like the Norwegian Elkhound and Finnish Spitz to effectively address breed-specific health concerns. Others are looking at comprehensive protection based on the Nordic culture. For instance, some cover home accidents and safeguard against cyber threats while others cover injuries or illnesses incurred during outdoor activities, a typical Nordic pursuit. The key is to be flexible and offer adaptable policies that empower consumers to fine-tune coverage levels and minimize payments for each pet in a manner that meets Nordic preferences.

4. **Affordability of costs:** The delicate balance between comprehensive coverage and premium affordability is pivotal to satisfying the elevated expectations of Nordic consumers. Pet insurance providers in the Nordics extend their coverage beyond veterinary costs and include various pet-related expenses such as grooming, boarding, and training. Some leverage data enrichment and advanced analytics to customize policies based on individual pet attributes such as age, breed, or health history, thereby driving greater adoption.
5. **Embracing technological advancements:** Technological progressions and digital channels are ushering in transformative changes within the Nordic pet insurance landscape. For instance, integrating IoT and pet ecosystems unlocks additional data points for underwriting, permitting more nuanced pricing strategies. This pairs well with the trend of using wearable sensors such as smart collars, which are increasingly popular to track and monitor pets' health and behavior. Some Nordic pet insurers are introducing telemedicine services, granting pet owners remote access to veterinary consultations, thereby enhancing convenience. Others are focusing on streamlining agent and claim handler workflows through automation for faster, efficient, and more accurate transaction processing. Straight-through processing for regular and frequent claims and policy changes like payment method/frequency are areas to start with.
6. **Going digital:** To cater to the demand for digitalization, insurers are building self-service portals for policy issuance, changes and claims handling for end-customers. They are also investing in digital solutions to simplify back-end processes such as pet insurance management, as done by platform providers such as Guidewire, Sapiens, and IBA. Finally, many are leveraging social media platforms like Facebook and Instagram to promote their offerings, engage with customers, and provide support.

What Pet Insurers Need for Future Success in the Nordics

With a projected CAGR of 8.6% in Sweden's pet insurance market and escalating demand across the Nordics, there is clearly significant growth potential. Insurance providers must seize the opportunity by leveraging innovative and forward-looking approaches in the burgeoning market. Some key steps to take are:

- **Embrace technology and transformation:** This entails introducing sophisticated, flexible coverage options with expansive benefits. Innovations like AI, insurtech, and telemedicine should be harnessed to meet customer expectations, enhance their experience, and drive operational efficiency.
- **Address the cost of claims through proactive strategies:** Insurance providers can further attract pet owners by offering full-time life insurance policies for older pets and engaging in proactive customer education initiatives to highlight the benefits of pet insurance.
- **Improve regulations for pet protection:** Government and regulatory bodies must maintain a vigilant oversight of the pet insurance sector's expansion in order to protect consumers and uphold equitable industry practices. This might involve adapting offerings and practices to comply with local regulations.
- **Educate pet owners about the tangible benefits of pet insurance:** This is particularly crucial in regions without state support. Emphasizing the potential risks of lack of coverage can help motivate pet owners to invest in insurance. Collaborating with veterinarians can drive such education, advocate for pet insurance, and enable prompt access to coverage benefits.



Conclusion

Pet insurance is becoming essential to manage the increasing out-of-pocket expenses associated with pet medical care. It offers a financial shield, granting peace of mind to pet owners by covering various expenses including illness, surgeries, preventive care, and more. Nordic countries have witnessed a significant uptake in insuring various types of pets. Moreover, competitiveness, technological advancements, and market appetite are shaping this industry. The Nordic pet insurance sector must tap into opportunities to navigate shifting market dynamics while meeting the evolving needs of pet owners and their cherished companions. A forward-looking approach that leverages technology, transformation, client education, collaboration, and personalization will offer insurers opportunities to thrive and position the industry for continued success and growth.



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Ravi Jha is a Delivery Manager in the Infosys Insurance practice. He has vast experience in leading engagements related to insurance products in areas such as IT services and consulting, platform transformation, delivery management, and alliance partnerships. He has successfully delivered many global large-scale programs and led high-performing teams to achieve measurable outcomes. Ravi is skilled in CoE management for insurance products, project governance, and operations. He has recently earned Ph.D in Management from KSOM, KIIT University (Institution of Eminence), Bhubaneswar, India.



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