UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2024

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____ to ____

Commission File Number: 001-36537

TRUPANION, INC.

(Exact name of registrant as specified in its charter)

Delaware	**83-0480694**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

6100 4th Avenue S, Suite 200
Seattle, Washington 98108

(855) 727 - 9079

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Exchange on Which Registered
Common stock, $0.00001 par value per share	TRUP	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☒ Yes ☐ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

The aggregate market value of the registrant's common stock held by non-affiliates as of June 30, 2024, the last business day of the registrant's most recently completed second fiscal quarter, was approximately $978,851,803 using the closing price on that day of $29.40.

As of February 19, 2025, there were approximately 42,490,664 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE Part III incorporates certain information by reference from the definitive proxy statement to be filed by the registrant in connection with the 2025 Annual Meeting of Stockholders (Proxy Statement). The Proxy Statement will be filed by the registrant with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the registrant's fiscal year ended December 31, 2024.

TRUPANION, INC.
Annual Report on Form 10-K
For the Fiscal Year Ended December 31, 2024
TABLE OF CONTENTS

Note About Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act), and Section 27A of the Securities Act of 1933, as amended (Securities Act). All statements contained in this Annual Report on Form 10-K other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans and our objectives for future operations, are forward-looking statements. The words "believe," "may," "will," "potentially," "estimate," "target," "continue," "anticipate," "intend," "could," "would," "project," "plan" and "expect," and similar expressions that convey uncertainty of future events or outcomes, are intended to identify forward-looking statements.

These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in Part I. Item 1A. "Risk Factors" and elsewhere in this Annual Report on Form 10-K. Moreover, we operate in a very competitive and rapidly changing environment, and new risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Annual Report on Form 10-K may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely on forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. We undertake no obligation to update publicly any forward-looking statements for any reason, except as required by law.

Unless otherwise stated or the context otherwise indicates, references to "we," "us," "our" and similar references refer to Trupanion, Inc. and its subsidiaries taken as a whole.

PART I

Item 1. Business

Our Mission

Our mission is to help loving, responsible pet parents budget and care for their pets.

Company Overview

We provide medical insurance for cats and dogs in the United States, Canada, certain countries in Continental Europe, and Australia. Through our data-driven, vertically-integrated approach, we develop and offer high value medical insurance products, priced specifically for each pet's unique characteristics and coverage level. Our growing and loyal membership base provides us with highly predictable and recurring revenue.

We operate in two reporting segments: subscription business and other business. We generate revenue in our subscription business segment primarily through insurance premiums, which we refer to as subscription payments, from direct-to-consumer products. We operate our subscription business segment similar to other subscription-based businesses, with a focus on achieving a target margin prior to our pet acquisition expense and acquiring as many pets as possible at our targeted average estimated internal rate of return. Within our subscription business, we also provide "Powered by Trupanion" pet insurance product offerings marketed by third parties, low and medium average revenue per pet products marketed under the brand names Furkin and PHI Direct in Canada, and a Trupanion branded product in Germany and Switzerland. We either directly underwrite or assume full insurance risk for these products through reinsurance arrangements. We provide a full suite of services and support for these products and they are designed to align with the target margin profile of our subscription business segment. Within this segment we also offer products in certain countries in Continental Europe which are currently underwritten using third-party underwriters. Going forward our intent is to assume full insurance risk for these products, either through direct underwriting or reinsurance arrangements.

Our other business segment is comprised of revenue from other product offerings with third parties with whom we generally have a business-to-business relationship. This business segment has, and targets, a lower margin profile than our subscription business segment and is not part of our core business strategy. The largest source of revenue within this segment is from our long-standing contractual relationship with Pets Best Insurance Services ("Pets Best"), a third-party partner we have worked with since 2015.

Our Business

It is very difficult for pet owners, who we refer to as pet parents, to budget for veterinary expenses when their pets become sick or injured. Pet parents do not know whether their pet's health will be "average," "lucky," or "unlucky." Over the life of a pet, veterinary expense for a lucky versus unlucky pet can vary from $500 to more than $50,000. Even if a pet ends up being "average" over its life, the timing of accidents or illnesses may not align with the pet owner's budget. Further, many pet parents do not know how to budget for the "average" cost of medical care for their pets. Average veterinary expenses often greatly exceed the expectations of pet parents and vary dramatically based on a multitude of factors, including the availability of care by region and the types of treatments advisable for specific pet breeds. Consequently, self-insuring is not an effective solution for many pet parents as the cost of pet medical care has been outpacing inflation for over 20 years due to advancements in medical procedures and technology and due to increased availability of care options.

Our subscription products, priced specifically for each pet's unique characteristics and coverage level, help pet parents budget for unforeseen medical expenses. Through our high quality medical insurance products, pet parents are able to ensure coverage for the best care for their pet and avoid treatment decisions being made due to financial constraints. We believe, due to the nature of the reliability of our coverage and the satisfaction of our member base, our subscription business model also provides us with highly predictable and recurring revenue.

Our subscription business's cost-plus model is designed to spread the risk evenly within categories of pets so our policy holders, which we refer to as members, can better budget for unexpected veterinary costs. We have been collecting comprehensive pet health data for over 25 years. Given the comprehensive and broad coverage of our subscription products and the capabilities of our software to collect and assess date, we believe our data and approach to pricing is unmatched by other pet insurers and provides us with a greater understanding of anticipated veterinary costs. We leverage this data to price our subscription plan for each pet based on their specific circumstances such as breed, age, geography, desired deductible or co-payment and coverage level, so that, in aggregate, the amounts paid by parents of lucky pets helps to cover the veterinary costs incurred by unlucky pets. We believe our actuarial team, working with our granular data, is able to price our subscription products much more accurately than any other players in the pet health insurance industry, enabling us to provide our members with the most accurate cost and highest value proposition relative to coverage level in our industry.

Since launch, our core “Trupanion” branded product has been designed by veterinarians to enable them to practice best medicine – thus recommending the optimal treatment for the pet. As a result, we believe our Trupanion-branded products (the products with our most comprehensive coverage options) enable veterinarians to establish stronger ties and better alignment with our members. Members with a Trupanion-branded product visit their veterinarian more frequently and spend more money on the best course of treatment for their pet. This results in better health outcomes for pets, which we believe creates a flywheel effect that has been the key driver of growth for our subscription business.

Through the use of our proprietary, patented software designed to communicate directly with a veterinary hospital’s practice management system, we are able to offer a differentiated experience to our members. Using our software, veterinary hospitals can receive payment from us directly for approved invoices in seconds, with our members only paying their deductible or co-payment for covered treatments. We believe this unique and patented solution, which is offered free to veterinarians and our members, transforms the pet insurance experience.

Through our "Powered by Trupanion" suite of products, which are marketed by third parties, we are broadening our distribution in the retail and corporate worksite channels. Our "Powered by Trupanion" products offer the same experience members with Trupanion branded products receive but with options for varying levels of coverage to meet the different needs of our target pet parents and associated budgetary requirements. In addition, our Furkin and PHI Direct products are currently distributed direct-to-consumer in Canada and offer similar optionality of coverage at different price points.

Our other business segment is comprised of a collective of other product offerings with third parties with whom we generally have a business-to-business relationship, and this business segment has, and targets, a different margin profile than our subscription business segment. The largest source of revenue within this segment is from our long-standing contractual relationship with Pets Best, an unaffiliated pet insurance company we have worked with since 2015. Additional products in this segment include the U.S. Department of Veterans Affairs program and certain employer sponsored programs.

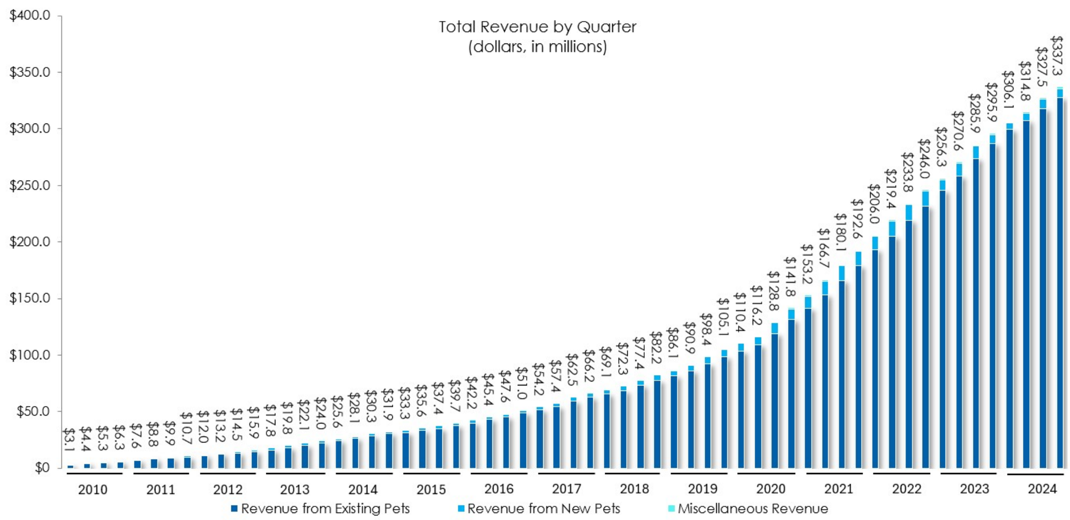
Our key markets are large and under-penetrated, as measured by insured pets:

	North America[1]	**Continental Europe[2]**
Household dogs and cats (in thousands)	213,300	160,599
Pet insurance market penetration	3.6 %	8.5 %

[1]According to IBIS World and Canadian Animal Health Institute, there are approximately 213.3 million household dogs and cats in the United States and Canada. North American Pet Health Insurance Association estimates that the penetration rate for medical insurance for cats and dogs in North America is less than four percent.

[2]According to FEDIAF European Facts & Figures, GfK Czech consumer panel, and KVL Czech Republic, there are approximately 161 million household dogs and cats in Continental Europe and the estimated penetration rate for medical insurance for cats and dogs is approximately eight and a half percent.

We believe that, over the long-term, pet insurance penetration rates in the markets we currently operate in could approach those seen in the United Kingdom or Sweden where approximately 28% and 67%, respectively, of household dogs and cats are insured. Our total enrolled pets has grown from 31,207 pets on January 1, 2010 to 1,677,570 pets on December 31, 2024, which represents a compound annual growth rate of 30%. As a result, our revenue has grown from $19.1 million in 2010 to $1.3 billion in 2024, which represents a compound annual growth rate of 32%.



Our Strategy

We are focused on attracting and retaining members by providing the highest customer value proposition and best-in-class member experience. To execute on our strategy, we concentrate on the following:

Increasing leads from veterinary hospitals. Our outside team of Territory Partners (who interface directly with veterinarians) work to increase the number of veterinary hospitals that educate their clients about high quality medical insurance, and to increase the rate at which veterinary hospitals refer leads to us.

Increasing referrals from members. We seek to grow the number of existing members that add a pet or refer their friends and family to Trupanion. We do so by focusing on improving the member experience, including increasing the percentage of veterinary invoices that are paid directly to veterinarians through our patented, proprietary software.

Improving conversion. We are investing to increase the rate at which we convert pet parents receiving quotes for our subscription plan into enrolled members.

Targeting a 71% value proposition. We aim to pay veterinary invoices promptly and return 71% of premiums we collect, in the aggregate, to members, which we believe is the highest targeted value proposition in our industry. Our ability to target the highest value proposition stems from our low cost operating model and requires we increase our subscription payments in-line with the cost of veterinary care.

Improving retention. Member retention is a key part of our strategy. Our approach to retention includes the assessment of three member cohorts: members in their first year of membership, members receiving rate changes below 20%, and members receiving rate changes over 20%. As part of our effort to increase retention in these cohorts, we seek to enhance the education of individual pet parents accordingly and invest in improving overall member communication and experience.

Automating payment of veterinary invoices. In line with our low-cost operating model, we use artificial intelligence and machine learning to leverage data to automate the payment of a portion of our veterinary invoices. We intend to increase the percentage of veterinary invoices paid without human intervention with the goal of ensuring that we can process veterinary invoices in seconds, providing settlement at check-out and therefore enhancing our member and veterinary support, while lowering our cost of operations.

Expanding our insurance product offerings. We seek to grow our subscription membership through the addition of new member acquisition channels including employee benefits, retail, and direct-to-consumer. We also intend to expand internationally, including in certain countries in Continental Europe, and enter into relationships with strategic partners who are leaders in their field and are aligned with our goals.

Pursuing non-insurance revenue offerings. We intend to continue pursuing opportunities to provide pet parents with complementary products and services. For example, we have invested in a pet food initiative to explore whether pets on a calorie-controlled, high-quality diet have improved health outcomes that can justify a decrease in the cost of their medical insurance.

Sales and Marketing (New Pet Acquisition)

We generate leads for our core Trupanion product through a diverse set of pet parent acquisition channels, which we then aim to convert into members primarily through our website and contact center. These acquisition channels include leads from third-parties such as veterinarians, strategic partners and referrals from existing members.

We build awareness of our core Trupanion product predominately through the veterinary community, engaging our team of “Territory Partners." Our Territory Partners are independent contractors who market our product and are paid fees based on activity in their regions. Their role is to create meaningful, long-term relationships with veterinarians and to educate those veterinarians about the benefits of high quality medical insurance for pets. We believe this structure aligns our interests and provides a platform that we can leverage over time. Our Territory Partner approach provides a unique and unmatched moat in our industry. We believe that it would be extremely difficult, costly and time consuming for a competitor to replicate this model and that heavy investment alone would not likely dissolve the competitive advantage this model provides us.

Competition

We compete primarily with pet parents who choose to self-fund their veterinary costs, mainly via credit cards, as well as new and existing pet medical insurance brands. We view our primary competitive challenge as educating pet parents on why high-quality medical insurance for pets is a better alternative to self-insuring.

The vast majority of pet parents in the markets in which we operate do not currently have medical insurance for their pets and those that do have medical insurance for their pets do not typically move from one insurance company to another because pre-existing conditions would likely not be covered following a move. As a result, we are focused primarily on expanding the overall size of our markets by providing pet parents with high value, transparent medical coverage designed for each pet's unique characteristics and coverage level.

Throughout our operating history we have competed, and continue to compete, against numerous pet insurance brands. In our experience, competing pet medical insurance companies generally fall into one of two segments: (a) traditional providers with low target price points and narrow coverage that is unlikely to cover things most likely to go wrong, like congenital and hereditary conditions, and (b) higher-value providers that offer some form of an annual plan, the cost of which increases as the pet ages.

In recent years, there has been significant consolidation in the pet medical insurance industry resulting in many brands being controlled by a small number of companies.

We believe that we have competitive advantages that position our core Trupanion branded product offerings favorably compared to other brands offered in the marketplace. These include:

- broader coverage and a superior value proposition due, in part, to our vertically integrated structure that reduces frictional costs,
- a unique member acquisition strategy that leverages the relationships our Territory Partners have developed in the veterinary community,
- a proprietary database containing over 25 years of comprehensive pet health data enabling us to be more precise in our pricing and pet acquisition expense, and
- our patented, proprietary software which allows us to pay veterinary invoices directly at time of treatment.

Intellectual Property

We rely on federal, state, common law, and international rights, as well as contractual restrictions, to protect our intellectual property. We control access to our proprietary technology, software, and documentation by entering into confidentiality and invention assignment agreements with our employees and independent contractors and non-disclosure agreements with third parties, such as service providers, vendors, individuals and entities that may be exploring a business relationship with us. We also rely on a combination of intellectual property rights, including trade secrets, patents, copyrights, trademarks, and domain names to establish and protect our intellectual property. We seek to protect our proprietary position by filing patent applications in the United States and in jurisdictions outside of the United States related to our technology, inventions, and improvements that are important to our business. We hold several U.S. utility and design patents related to our proprietary software, and we have additional patent applications pending in the United States. We also have several issued utility and design patents in other jurisdictions, as well as additional patent applications pending. We additionally rely on data and market exclusivity, and patent term extensions when available. Our ability to protect and enforce our intellectual property rights is subject to risk and our failure to do so may adversely impact our business.

Human Capital Resources

Our Team

We are a mission driven organization with a diverse team united by a shared passion for pets. Our employees and independent contractors, which we refer to as team members, are our greatest asset, and we focus on attracting great people to our team and offering high-quality experiences to all team members.

As of December 31, 2024, we employed 1,130 people across the U.S., Canada and Europe. Our team is further supported by 171 field sales Territory Partner business owners and their associates who represent Trupanion. We also contract with team members in the Philippines through a third-party service provider.

We have team members working in our Seattle headquarters in the United States, in our offices in the U.K., Germany, and Czechia, and virtually across the U.S., Canada, and Europe. Our Seattle headquarters is pet friendly.

Benefits

We offer each employee team member substantially the same benefits, regardless of role or level in the organization (with appropriate variations due to the country in which they reside). We also recognize the importance of family and design our benefits plans to support the physical, financial, and emotional wellbeing of team members and their families, including their pets.

Among the benefits we offer include:

- Full medical, dental, and vision benefits at no cost to employees.
- At least four weeks of paid time off and paid floating holidays.
- Five-week sabbatical after five years of employment.
- Free medical health insurance for one pet.
- Paid time off to volunteer at nonprofit organizations.
- A variety of benefits to support employee wellness both at and away from work.
- Seattle headquarters office amenities, including on-site childcare at no cost to employees, free on-site gym, and free dog walking services for office pets during business hours.

Diversity, Equity, and Inclusion

We believe that diversity, equity, and inclusion (DEI) is critical to supporting our fellow team members and enhancing our ability to fulfill our mission and achieve our goals. We strive to foster an environment where diversity of people with different perspectives and backgrounds can thrive. A core tenet of Trupanion is that we offer a work experience that applies equally to all team members, regardless of role, as noted for example with respect to our Benefits offerings. This approach extends throughout the way we work together; for example, team members that come into any of our offices work in an open environment where the size of working space is the same for everyone regardless of role or seniority.

We have multiple employee-led resource groups that celebrate aspects of our team’s diversity and help foster a welcoming and safe space for support, education, professional development, and networking. Our DEI Committee is also employee-led and focuses on cultivating a culture of inclusion and belonging by supporting DEI activities, fostering effective DEI communications with Trupanion employees and advising on ways to improve progress in Trupanion's commitment to DEI. We have also developed a DEI curriculum that is required for all team members, and we continue to develop accessibility enhancements to both our physical and digital spaces.

We have a large representation of women at Trupanion including 61% of leadership positions. Our culture of inclusion at Trupanion is in part reflected by, in 2024, 39% of our US new hires self-identifying that they are from an underrepresented group.

Trupanion is committed to paying equitably for equal work, regardless of gender or race/ethnicity, and conducts pay equity analyses as part of our efforts in furtherance of this commitment.

Career Development

At Trupanion we are committed to helping everyone grow and thrive along with the company. We are proud to continually see approximately 15% of our employee team members transitioning to new roles within Trupanion each year. Team members have access to ongoing development designed to help them succeed in their roles today, develop skills for the future, and build a career at Trupanion.

A sampling of our development opportunities include:

- Trupanion Embark! – All team members participate in company orientation to learn about our history, culture, product, business model, and operations.
- Mentorship – Our TruMentor program creates connection across departments, so team members can learn from and support each other in their development.
- Professional skills – Our continuing education course catalog includes a wide variety of topics related to our business, the animal health industry, and professional skills.
- Leadership Development – Our Leadership Unleashed program offers development for aspiring, new and experienced managers to drive ownership and growth for the future of our business.

Regulation

For further information, refer to the Regulation section included in Part II Item 7 of this report.

United States Regulations

U.S. federal law and the laws and regulations of each United States state, territory and possession apply to companies licensed to transact insurance business in these jurisdictions. Our primary insurance subsidiary and underwriter, American Pet Insurance Company (APIC), is domiciled in New York State and the New York Department of Financial Services (NY DFS) serves as its primary regulator. APIC is currently licensed to do business in all 50 states, Puerto Rico and the District of Columbia. As such, APIC is also subject to comprehensive regulation and supervision under laws and regulations of each U.S. state, territory, and possession.

Because APIC is domiciled in New York, we are subject to laws governing insurance holding companies in New York. These laws, among other things, require that we file periodic information reports with the NY DFS, including information concerning our capital structure, ownership, financial condition and general business operations; limit our ability to enter into transactions between APIC and our other affiliated entities; restrict the ability of any one person to acquire certain levels of our voting securities without prior regulatory approval; and restrict APIC’s ability to pay dividends to its holding company parent.

Other state regulators also have broad authority to perform on-site market conduct examinations of our management and operations, marketing and sales, underwriting, customer service, claims handling and licensing. Regulators may perform market conduct examinations by visiting our facilities for a period of time to identify potential regulatory violations, discuss and correct identified violations, or to obtain a better understanding of how we operate in the marketplace. Further, U.S. state insurance laws and regulations require APIC to file financial statements with state insurance regulators in each state where it is licensed and its operations and accounts are subject to examination at any time. APIC prepares statutory financial statements in accordance with accounting practices and procedures prescribed or permitted by these regulators. The National Association of Insurance Commissioners (NAIC) has approved a series of uniform statutory accounting principles (SAP) that have been adopted, in some cases with minor modifications, by all state insurance regulators. As a basis of accounting, SAP was developed to monitor and regulate the solvency of insurance companies. When developing SAP, insurance regulators were primarily concerned with assuring an insurer’s ability to pay all its current and future obligations to policyholders. As a result, statutory accounting focuses on conservatively valuing the assets and liabilities of insurers, generally in accordance with standards specified by the insurer’s state of domicile. The financial statements included in this document are prepared in accordance with U.S. generally accepted accounting principles. The values for assets, liabilities and equity reflected in these financial statements are usually different from those reflected in financial statements prepared under SAP.

In 2021, we established two new wholly-owned insurance subsidiaries, ZPIC Insurance Company (ZPIC) and QPIC Insurance Company (QPIC), domiciled in Missouri and Nebraska, respectively. ZPIC is currently licensed to do business in 41 states and the District of Columbia. We have funded required statutory capital to ZPIC, however, it has not begun underwriting insurance policies as of December 31, 2024. Due to anticipated lack of use, we dissolved QPIC in the fourth quarter of 2024.

U.S. federal law generally does not directly regulate the insurance industry. However, from time to time, various federal regulatory and legislative changes have been proposed. Among the proposals that have in the past been, or are at present may be under consideration, are the possible introduction of federal regulation in addition to, or in lieu of, the current system of state regulation of insurers.

In August 2022, members of the National Association of Insurance Commissioners (NAIC) passed a pet insurance model act to establish appropriate regulatory standards for the pet insurance industry. This act standardizes how insurers enforce waiting periods, certain policy conditions, and the sale of pet insurance in general. As of January 2025, twelve states (ME, DE, LA, MS, NE, NH, WA, PA, CA, MD, OH, and VT) have either adopted these NAIC standards or have enacted their own versions. Trupanion is proactively engaged in the development of the pet insurance law through its government relations efforts.

In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) established a Federal Insurance Office within the U.S. Department of the Treasury. The Federal Insurance Office initially was charged with monitoring all aspects of the insurance industry (with exceptions for certain types of insurance), gathering data and conducting a study on methods to modernize and improve the insurance regulatory system in the United States. It is not possible to predict whether, in what form or in what jurisdictions any of these proposals might be adopted, or the effect federal involvement in insurance will have, if any, on us.

Industry Regulations

The NAIC adopted risk-based capital requirements for life, health and property and casualty insurance companies. APIC is subject to these risk-based capital requirements that require us to maintain certain levels of surplus to support our overall business operations in consideration of our size and risk profile. If we fail to maintain the amount of risk-based capital required, we will be subject to additional regulatory oversight. To comply with these regulations, we may be required to maintain capital that we would otherwise invest in our growth and operations. ZPIC will be subject to similar regulations after it begins underwriting insurance policies. Refer to Item 1A. “Risk Factors” for additional details of these requirements.

Other Jurisdictions Regulations

In Canada, our insurance is currently written by an unaffiliated Canadian-licensed insurer, Accelerant Insurance Company of Canada (Accelerant), formerly known as Omega General Insurance Company. Under the terms of our agreements with Accelerant, we retain any financial risk associated with our Canadian business. Accelerant’s Canadian insurance operations are supervised and regulated by Canadian federal, provincial and territorial governments and Accelerant is a fully licensed insurer in all of the Canadian provinces and territories in which we do business. In addition, we are required to fund a Canadian trust account in accordance with Canadian regulations. As of December 31, 2024, the account held CAD $19.9 million.

In 2022, we incorporated a new wholly-owned insurance subsidiary, GPIC Insurance Company (GPIC), domiciled in Canada. GPIC is currently licensed to do business in all provinces and territories in Canada except for Nunavut. We have funded required statutory capital to this new subsidiary and expect our underwriting activity to ramp up significantly in 2025 and our business with Accelerant to diminish.

We have three segregated accounts with Wyndham Insurance Company (SAC) Limited ("WICL"), located in Bermuda. WICL is regulated by the Bermuda Monetary Authority (BMA). Insurance companies with a presence in Bermuda are subject to solvency and liquidity standards, certain restrictions on the declaration and payment of dividends and distributions, certain restrictions on the reduction of statutory capital, and auditing and reporting requirements. In addition, BMA has the authority to supervise and, in certain circumstances, investigate and intervene in the affairs of insurance companies. Most significantly, Bermudan law restricts WICL’s ability to declare or pay dividends and the value of WICL’s assets must remain greater than the aggregate of its liabilities, issued share capital, and share premium accounts.

Corporate Information

We were founded in Canada in 2000 as Vetinsurance Ltd. In 2006, we effected a business reorganization whereby Vetinsurance Ltd. became a consolidated subsidiary of Vetinsurance International, Inc., a Delaware corporation. In 2007, we began doing business as Trupanion. In 2013, we formally changed our name to Trupanion, Inc. Our principal executive offices are located at 6100 4th Avenue South, Seattle, Washington 98108, USA, and our telephone number is +1 (855) 727-9079. Our website address is www.trupanion.com. Information contained on, or that can be accessed through, our website is not incorporated by reference, and you should not consider information on our website to be part of this Annual Report on Form 10-K.

Available Information

We are required to file annual, quarterly and other reports, proxy statements and other information with the Securities and Exchange Commission (SEC) under the Exchange Act. We also make available, free of charge on the investor relations portion of our website at investors.trupanion.com, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after they are filed electronically with the SEC. The SEC also maintains an Internet website at www.sec.gov where you can obtain our SEC filings. You can also obtain paper copies of these reports, without charge, by contacting Investor Relations at InvestorRelations@Trupanion.com.

Investors and others should note that we may announce material financial information to our investors using our investor relations website, SEC filings, our annual stockholder meeting, press releases, public conference calls, investor conferences, presentations and webcasts. We regularly use these channels, as well as social media, to communicate with our members and the public about our company, our services and other issues. It is possible that the information we post on these channels, such as social media, could be deemed to be material information.

Item 1A. Risk Factors

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this report, including our consolidated financial statements and related notes, as well as in our other filings with the SEC, in evaluating our business and before investing in our common stock. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that are not expressly stated, that we are unaware of, or that we currently believe are not material, may also become important factors that affect us. If any of the following risks occur, our business, operating results, financial condition and prospects could be materially harmed. In that event, the price of our common stock could decline, and you could lose part or all of your investment.

Summary of Material Risk Factors

Our business is subject to numerous risks and uncertainties of which you should be aware. Among others, these risks relate to:

- Our significant net losses since inception, ability to achieve and maintain profitability and our ability to maintain our rate of revenue growth in the future;
- Our ability to grow and retain our member base, including uncertainties in the assumptions we use to determine our new pet acquisition spend, variable costs of attracting new members through online channels such as social media or search engines and from leads generated from Territory Partners, veterinarians and other third parties;
- Our ability to maintain certain levels of surplus capital, and access excess capital for other parts of our business, under applicable insurance regulations;
- Our reliance on Territory Partners, whom we engage as independent contractors rather than employees, and other third parties;
- Our veterinary invoice expense (which may increase with use of our patented software for direct payment of invoices) and our ability to timely and accurately process valid invoices and to identify improper invoices;
- Our ability to comply with numerous laws and regulations applicable to our business, including state, federal and foreign laws relating to insurance, privacy, e-commerce, email and texting, and accounting matters;
- Our ability to react to competitors and alternative financing methods for pet related medical costs;
- Our ability to maintain and enhance our brand;
- Our ability to maintain and scale our infrastructure, to invest in or acquire businesses, products or technologies, or otherwise manage our growth;
- Changes in legal, judicial, social and other environmental conditions, which could result in unexpected claim and coverage liability;
- Our reliance on key personnel and strategic relationships and our ability to maintain these relationships;
- Fluctuations in foreign exchange rates, other issues relating to expanding our operations internationally, and general changes in the global economy that can cause our operating results to vary;
- Our ownership of multiple insurance subsidiaries in different jurisdictions;
- Our ability to maintain effective internal controls and security measures, including measures to mitigate cyber-attacks;
- Our acceptance of automatic fund transfers, credit card and debit card payments;
- Our ability to protect our intellectual property (IP), avoid violating IP rights of others, and maintain relationships with third parties providing necessary IP and technology to us;
- The outcome of litigation or regulatory proceedings;
- Our level of indebtedness, our ability to service our debt, and our ability to comply with covenants that may restrict our operations and limit our ability to expand our business;
- Our ability to initiate substantial underwriting activity by our Canadian subsidiary GPIC in connection with rolling off business and ending our contractual relationship with our fronting partner Accelerant;
- Our ability to utilize net operating loss carryforwards and potential increases in our tax liabilities; and
- Our common stock, including missed earnings guidance, inadequate analyst coverage, trading volatility, lack of dividends, concentrated ownership, and anti-takeover provisions in our governing documents.

Risks Related to Our Business and Industry

We have incurred significant cumulative net losses since our inception and may not be able to achieve or maintain profitability in the future.

We have incurred significant cumulative net losses since our inception. We incurred net losses of $9.6 million and $44.7 million in the years ended December 31, 2024 and 2023, respectively, and as of December 31, 2024, we had an accumulated deficit of $225.9 million. We have funded our operations through our operations, equity financings, and borrowings under revolving lines of credit and term loans. Our ability to achieve and maintain profitability will depend, in significant part, on obtaining new members, retaining our existing members, maintaining relationships with our strategic partners, and ensuring that our expenses, including new pet acquisition expense, do not exceed our revenue. We expect to make significant expenditures and investments in new pet acquisition and product initiatives and these expenditures may not result in additional growth. Our growth in revenue and membership may not be sustainable or may decrease, and we may not generate sufficient revenue to consistently achieve profitability. Additionally, we budget for our expenses based, in significant part, on our estimates of future revenue and many of these expenses are fixed in the short term. As a result, we may be unable to adjust our spending in a timely manner if our revenue falls short of our estimates. Accordingly, any significant shortfall of revenue in relation to our estimates could have an immediate negative effect on our financial results.

We may not maintain our current rate of revenue growth.

Our revenue has increased quickly and substantially in recent years. We believe that our continued revenue growth will depend on, among other factors, our ability to:

- improve our market penetration through cost-efficient and effective pet acquisition programs to attract new members;
- convert leads into enrollments;
- maintain high retention rates;
- increase the lifetime value per pet;
- price our subscriptions in relation to actual operating expenses and achieve required regulatory approval for pricing changes;
- achieve our target margin profile to allow continued reinvestment in growth and member experience;
- maintain and increase positive relationships with veterinarians and other lead sources;
- maintain high-performing Territory Partners in our target markets;
- administer and continue to grow our business internationally;
- create and maintain positive relationships with strategic partners, particularly partners who present us with new sales channels and those who create software solutions for veterinary practices;
- continue to offer products with a superior value with competitive features and rates;
- recruit, integrate and retain skilled, qualified and experienced sales professionals who can demonstrate our value proposition to new and existing members;
- provide our members with superior service, including timely and efficient payment of veterinary invoices, and by recruiting, integrating and retaining skilled and experienced personnel who can efficiently review veterinary invoices and process payments;
- generate business to replace revenue generated through our relationship with Pets Best, since we expect our relationship with Pets Best will diminish and our business activity with them will terminate over future periods;
- react to existing and new competitors;
- protect and defend our critical intellectual property;
- increase awareness of and positive associations with medical insurance for pets and our brand;
- react to unexpected developments and general macroeconomic conditions, including pandemics and unfavorable changes in economic conditions, such as inflation, rising interest rates, or a recession; and
- successfully respond to and comply with regulations affecting our business and defend or prosecute any litigation.

You should not rely on our historical rate of revenue growth as an indication of our future performance.

We base our decisions regarding new pet acquisition expenditures primarily on the projected internal rate of return on marketing spend. Our estimates and assumptions may not accurately reflect our future results - we may over, or underspend on new pet acquisition, and we may not be able to recover our pet acquisition costs or generate profits from these investments.

We have made and plan to continue to make significant investments to grow our member base. We spent $71.4 million in new pet acquisition expense to acquire new members for the year ended December 31, 2024. We base our decisions regarding our new pet acquisition expenditures primarily on our internal rate of return generated on an average pet. This analysis depends substantially on estimates and assumptions based on our historical experience with pets enrolled in earlier periods, including our key operating metrics. If our estimates and assumptions regarding our internal rate of return and the lifetime value of the pets that we project to acquire and our related decisions regarding investments in new pet acquisition prove incorrect, or if our calculation of internal rate of return and lifetime value of the pets that we project to acquire differs significantly from that of pets acquired in prior periods, we may be unable to recover our new pet acquisition expenses or generate profits from our investment in acquiring new members. Moreover, if our new pet acquisition expenses increase or we invest in member acquisition channels that do not ultimately result in the expected number of new member enrollments or enrollments cancel before we recoup our acquisition expenses, the return on our investment may be lower than we anticipate irrespective of the lifetime value of the pets that we project to acquire as a result of the new members. If we cannot generate profits from this investment, we may need to alter our growth strategies, and our growth rate and operating results may be adversely affected. In addition, even if we decrease our average pet acquisition cost, our operating margins may differ from our expectations due to incorrect assumptions relating to existing members adding new pets or referring friends, expenses for member support, and other factors, some of which we do not control.

Our average pet acquisition cost and the number of new pets we enroll depends on a number of factors and assumptions, including the effectiveness of our sales execution and marketing initiatives, changes in costs of media, the mix of our pet acquisition expenditures and the competitive environment. Our average pet acquisition cost has significantly varied over time. In the future, our average pet acquisition cost may vary significantly period to period based upon marketing initiatives we choose to employ. We also regularly test new member acquisition channels and marketing initiatives, including direct-to-consumer initiatives, which often are more expensive than our traditional veterinary-focused marketing channels and generally increase our average acquisition costs.

The prices of our subscriptions are based on assumptions and estimates. If our actual experience differs from the assumptions and estimates used in pricing our subscriptions or if we are unable to obtain any necessary regulatory approval for our pricing, our revenue and financial condition could be adversely affected.

The pricing of our subscriptions reflects amounts we expect to pay for a pet’s medical care and we derive these prices from assumptions that we make based on our analytics platform. Our analytics platform draws upon pet data we collect and we use this data to price our policy in response to a number of factors, including a pet’s species, breed, age, gender and location. Factors related to pet location include the current and assumed changes in the cost and availability of veterinary technology and treatments and local veterinary hospital preferences. Some data that feeds into our analytics platform is provided by third-party sources and these sources may limit or prevent us from accessing the data. Additionally, the assumptions we make about breeds and other factors in pricing may prove to be inaccurate and, accordingly, these pricing analytics may not accurately reflect the expense that we will ultimately incur. Furthermore, if any of our competitors develop similar or better data systems, adopt similar or better underwriting criteria and pricing models or receive our data, our competitive advantage could decline or be lost.

The prices of our subscriptions also reflect assumptions and estimates regarding our own operating costs and expenses. We monitor and manage our pricing and overall sales mix to achieve our target returns. If the actual costs, including veterinary invoice expenses, operating costs and expenses within anticipated pricing allowances, are greater than our assumptions and estimates such that the premiums we collect are insufficient to cover these expenses, then our results could be adversely affected and our revenue may be insufficient to consistently achieve or maintain profitability. Conversely, if our pricing assumptions differ from actual results such that we overprice risks, our competitiveness, retention rates, and growth prospects could be adversely affected.

In addition, most states require licensure and regulatory approval prior to marketing new insurance products and increasing prices of our existing products. Our practice has been to regularly reevaluate and adjust the price of our subscriptions, with a goal of achieving our targeted payout ratio, subject to the review and approval of applicable state regulators, who may reduce or disallow our pricing changes. Such review has in the past (for instance, during the COVID-19 pandemic) resulted, and may in the future result, in delayed implementation of pricing changes, which could adversely affect our operating results and financial condition. In addition, we may be prevented by regulators from implementing certain pricing changes, which could require us to raise rates more often than we otherwise may desire. This could damage our reputation with our members and reduce our retention rates, which could significantly damage our brand, result in the loss of expected revenue and otherwise harm our business, operating results and financial condition.

If we are unable to grow our member base and maintain high member retention rates, our growth prospects and revenue will be adversely affected.

Our ability to grow our business depends on retaining and expanding our member base. For the year ended December 31, 2024, we generated approximately 67.0% of our revenue from our subscription business segment. In order to increase our membership, we must continue to convince prospective members of the benefits of medical insurance for pets in general and our subscription business segment in particular. To maintain our existing member base, we need to continue to reinforce the value of our subscription among our members, prospective members, and veterinarians.

We utilize Territory Partners, who are paid fees based on enrollments and retention in their regions, to communicate the benefits of medical insurance to veterinarians through a combination of remote and in-person communications. We also invest in other third-party and direct-to-consumer member acquisition channels. We intend to maintain our Territory Partner model and structure and we plan to introduce other distribution channels to increase lead generation and to engage in other sales and promotional activities, including direct-to-consumer advertising, all of which are likely to increase our acquisition costs. In addition, these go-to-market plans may face unexpected delays, costs or other challenges, such as decreased ability of Territory Partners to conduct in-person visits with veterinarians.

Our ability to generate leads through veterinary hospitals could be negatively impacted if any of our products are perceived to be inadequate, unreliable, cumbersome or otherwise does not provide sufficient value, or if our process for paying veterinary invoices is unsatisfactory to the veterinarians and their clients.

If we fail to establish new or are unable to maintain our existing member acquisition channels, if the cost of our existing sources increases or does not scale as we anticipate, or if we are unable to continue to use any existing channels or programs in any jurisdiction, our member levels and pet acquisition expenses may be adversely affected.

We seek to convert pet parents who visit our website and call our contact center into members. The rate at which we convert these visitors into members is a significant factor in the growth of our member base. A number of factors have influenced, and could in the future influence, the conversion rates for any given period, some of which are outside of our control. These factors include:

- the pricing of our subscriptions, including their perceived value, simplicity, and fairness;
- consumers' perception of our subscription compared to offerings from our competitors;
- changes in consumer shopping behaviors due to circumstances outside of our control, such as increased inflation and other economic conditions, and consumers’ ability or willingness to pay for our product;
- our ability to explain and educate consumers regarding the benefits and differences related to our products, including our offerings marketed by third parties, and any potential consumer confusion as we add more products;
- legal or regulatory requirements, including those that make the experience on our website cumbersome or difficult to navigate or that hinder our ability to communicate with potential members quickly and in a way that is more conducive to conversion; and
- system failures or interruptions in our website or contact center.

We have made and plan to continue to make substantial investments in features and enhanced functionalities for our website and support our contact center. These enhancements are designed to help appropriately direct pet owner traffic to the enrollment journey of their choice, increase member engagement, and improve member service. These activities do not directly generate revenue, however, and we may never realize any benefit from these investments. If the expenses that we incur in connection with these activities do not result in sufficient growth in members to offset the cost, our business, operating results and financial condition will be adversely affected. Generally, we see greater conversion through our contact center and if we are unable to drive more potential members to call our contact center, our conversion rates may decline.

If we do not retain our existing members or if our marketing initiatives do not result in enrolling more pets or result in enrolling pets that inherently have a lower retention rate, we may not be able to maintain our retention and new pet acquisition rates. In the past, we have experienced reduced retention rates during periods of rapid member growth, as our retention rate generally has been lower during the first year of member enrollment. Members may choose to terminate their subscription for a variety of reasons, including, loss of a pet, increased subscription payments, perceived or actual lack of value, delays or other unsatisfactory experiences in how we review and process veterinary invoice payments, unsatisfactory member service, a change in the economic environment, a more attractive offer from a competitor, changes in our subscription or other reasons, including reasons that are outside of our control. Our cost of acquiring a new member is substantially greater than the cost involved in maintaining our relationship with an existing member. If we are not able to successfully retain existing members and limit cancellations, our revenue and operating margins will be adversely impacted and our business, operating results and financial condition would be harmed.

We rely significantly on Territory Partners, veterinarians and other third parties, including strategic partners, to generate leads.

In order for us to continue to implement our business strategy and grow our revenue, we must effectively maintain and increase the number and quality of our relationships with Territory Partners, veterinarians and veterinary affiliates, including veterinary purchasing groups and associations, existing members, complementary online and other businesses, animal shelters, breeders and other referral sources, and continue to scale and improve our processes, programs and procedures that support them. Those processes, programs and procedures could become increasingly complex and difficult to manage as we grow.

Veterinary leads represent our largest member acquisition channel. We spend significant time and resources attracting qualified and engaging Territory Partners and providing them with current information about our business and they, in turn, communicate the benefits of medical insurance for pets to veterinarians. Identifying and engaging quality Territory Partners can be challenging and Territory Partners typically need months or years to build their business before they can generate meaningful income. In addition, our relationship with our Territory Partners may be terminated at any time (for instance, if they feel unsupported or undervalued by us), and, if terminated, we may not recoup the costs associated with educating them about our subscription products, and the relationships with veterinarians developed by that Territory Partner would be unsupported until such time a new Territory Partner is installed. Sometimes a single relationship may be used to cover multiple territories so that a terminated relationship with a Territory Partner could significantly affect our company. Further, if we experience an increase in the rate at which Territory Partner relationships are terminated, we may not develop or maintain relationships with veterinarians as quickly as we have in the past or need to in order to execute our business strategy and our growth and financial performance could be adversely affected.

Territory Partners are independent contractors and, as such, may pose additional risks to our business.

Territory Partners are independent contractors and, accordingly, we do not directly provide the same direction, motivation and oversight over Territory Partners as we otherwise could if Territory Partners were our own employees. Further, Territory Partners may themselves employ or engage others; we refer to these partners and their associates, collectively, as our Territory Partners. We do not control a Territory Partner's employment or engagement of others, and it is possible that their actions or the actions of their employees and/or contractors could create threatened or actual legal proceedings against us. Moreover, applicable law might prevent or limit our ability to subject our Territory Partners to non-compete obligations. Similarly, Territory Partners may not require, or applicable law may not permit or may limit a Territory Partner's ability to subject their employees or service providers to non-compete obligations.

Territory Partners may decide not to participate in our marketing initiatives and/or training opportunities, accept our introduction of new solutions or comply with our policies and procedures applicable to them, any of which may adversely affect our ability to develop relationships with veterinarians and grow our membership. If we terminate a contract with a Territory Partner, such termination could also trigger contractually obligated termination payments or result in disputes, including threatened or actual legal or regulatory proceedings.

We believe that Territory Partners are not and should not be classified as employees under existing interpretations of the applicable laws of the jurisdictions in which we operate. We do not pay or withhold any employment tax with respect to or on behalf of Territory Partners or extend any benefits to them that we generally extend to our employees, and we otherwise treat Territory Partners as independent contractors. Applicable authorities or Territory Partners may in the future challenge this classification. Further, the applicable laws or regulations, including tax laws or interpretations, may change. If it were determined that we had misclassified any of our Territory Partners, we may be subjected to penalties and/or be required to pay withholding taxes, extend employee benefits, provide compensation for unpaid overtime, or otherwise incur substantially greater expenses with respect to Territory Partners. In addition, the costs associated with defending, settling, or resolving pending and future lawsuits or regulatory proceedings (including demands for arbitration) relating to the independent contractor status of Territory Partners could be material to our business.

Any of the foregoing circumstances could have a material adverse impact on our operating results and financial condition.

Our use of capital may be constrained by minimum capital requirements or contractual obligations.

Our insurance subsidiaries are required to maintain minimum levels of surplus capital to support our overall business operations in consideration of our size, scope, jurisdiction, and risk profile. We have in the past and may in the future fail to maintain the amount of risk-based capital required to avoid potentially costly additional regulatory oversight. We are also subject to contractual obligations related to reinsurance agreements with third parties (including Accelerant, who currently underwrites our policies in Canada) which requires us to fund trust accounts to support the capital requirements of our insurance company partners.

To comply with these regulations and contractual obligations, we may be required to maintain capital that we would otherwise invest in our growth and operations, which may require us to modify our operating plan or marketing initiatives, delay the implementation of new initiatives or development of new technologies, decrease the rate at which we hire additional personnel and enter into relationships with Territory Partners, incur indebtedness or pursue equity or debt financings or otherwise modify our business operations, any of which could have a material adverse effect on our operating results and financial condition.

We operate in a competitive market which could adversely affect our prospects, operating results and financial condition.

We are and will continue to operate in a competitive market. In addition to pet parents self-financing their pets' medical care, there are traditional insurance companies that provide pet insurance products, either as a stand-alone product or along with a broad range of other insurance products, such as wellness. In addition, new entrants backed by large insurance companies have entered the pet medical insurance market in the past and more may do so in the future. Further, traditional "pet insurance" providers may consolidate or take other actions to mimic the efficiencies from our vertically-integrated structure or create other operational efficiencies, which could lead to increased competition. The success of any of these competitors would, in time, affect our prospects, operating results and financial condition.

Some of our current and potential competitors have longer operating histories, larger customer bases, greater brand recognition and significantly greater financial, technical, marketing and other resources than we do. In addition to competing for new enrollments, such competitors may drive up pet acquisition costs and/or make offers that are more attractive to potential employees, referral sources and third-party service providers.

Moreover, some of our existing competitors may consolidate or be acquired, or may enter into new alliances with each other or establish or strengthen cooperative relationships. Any such consolidation, acquisition, alliance or cooperative relationship could adversely affect our ability to compete effectively and result in our loss of market share and could result in a competitor with greater financial, technical, marketing, service and other resources, all of which could harm our business, financial condition, cash flows and results of operations.

To compete effectively, we believe we will need to continue to invest significant resources in pet acquisition, improve our member service levels, enhance the online experience and functionalities of our website and in other technologies and infrastructure. Failure to compete effectively against our current or future competitors could result in loss of current or potential members, which could adversely affect our pricing, lower our revenue, prevent us from maintaining profitability and diminish our brand strength.

Our actual veterinary invoice expense may exceed our current reserve established for veterinary invoices and may adversely affect our operating results and financial condition.

We maintain a recorded reserve for veterinary invoices that is based on our best estimates of the amount of veterinary invoices we expect to pay, inclusive of an estimate for veterinary invoices we have not yet received, after considering internal factors, including data from our proprietary data analytics platform, experience with similar cases, actual veterinary invoices paid, historical trends involving veterinary invoice payment patterns, patterns of receipt of veterinary invoices, seasonality, pending levels of unpaid veterinary invoices, veterinary invoice processing programs and contractual terms. We may also consider external factors, including changes in the law, court decisions, changes to regulatory requirements and economic conditions. Because reserves are estimates of veterinary invoices that have been incurred but are not yet submitted to us, setting appropriate reserves is an inherently uncertain and complex process that involves significant subjective judgment. Further, in the United States, we do not transfer or cede our risk as an insurer and, therefore, we maintain more risk than we would if we purchased reinsurance.

Rising costs of veterinary care and the increasing availability and usage of more expensive, technologically advanced medical treatments may increase the amount of veterinary invoices we receive. Similarly, industry trends may emerge that are difficult to identify or to predict their impact on us, such as consolidated ownership of veterinary hospitals that increase prices more rapidly than we estimate.

Increases in the number and amount of veterinary invoices we receive could arise from unexpected or other events that are inherently difficult to predict or estimate, such as a pandemic that spreads through the pet population, tainted pet food or supplies or an unusually high number of serious injuries or illnesses. We may experience volatility in the number of veterinary invoices we receive from time to time, and short-term trends may not continue over the longer term. The number or amount of veterinary invoices may be affected by the level of care and attentiveness an owner provides to the pet, the pet's breed and age (at enrollment) and other factors outside of our control, as well as fluctuations in member retention rates and by new member initiatives that encourage an increase in veterinary invoices and other new member acquisition activities.

The ultimate cost of paying veterinary invoices and the related administration may vary materially from recorded reserves, and such variance may result in adjustments to the reserve for veterinary invoices, which could have a material effect on our operating results and resources available for acquiring additional members.

As more veterinary hospitals install and use our patented proprietary software, the number of veterinary invoices we receive, and our associated expenses, are likely to increase.

Our patented proprietary software is designed to integrate directly with most practice management software systems used by veterinary hospitals and allow us to receive and pay veterinary invoices directly to the hospital. We have found that installation and use of our patented software by a veterinary hospital could increase the number of invoices we receive from that hospital. As more veterinary hospitals install our patented software, we expect the number or amount of veterinary invoices to increase and result in an increase in our cost of revenue, which may have a material adverse effect on our financial condition.

Our business depends on our ability to maintain and scale the infrastructure necessary to operate our technology platform and could be adversely affected by a system failure, security breach, loss of data or cyberattack.

Our business depends on our ability to maintain and scale the infrastructure necessary to operate our technology platform, which includes our analytics and pricing engine, systems for managing veterinary invoice payments, customer relationship management system, billing system, contact center phone system and website. We use these technology frameworks to price our subscriptions, provide quotes to prospective members, enroll members, engage with current members and pay veterinary invoices. Prospective members research and purchase subscriptions through our website and contact center. Our reputation and ability to acquire, retain and serve our members and support our partners depends on the reliable performance of our technology platform and the underlying network systems and infrastructure, and on providing best-in-class member service, including through our contact center and website. As our member base continues to grow, the amount of information collected and stored on the systems and infrastructure supporting our technology platform will continue to grow, and we expect to require an increasing amount of network capacity, computing power and information technology personnel to develop and maintain our technology platform and service our departments involved in member interaction and comply with regulations governing the collection, use, retention, sharing and security of personal information.

We have made, and expect to continue to make, substantial investments in equipment and related network infrastructure to handle the operational demands on our technology platform, including increasing data collection, software development, traffic on our website and the volume of calls at our contact center. The operation of the systems and infrastructure supporting our technology platform is expensive and complex and could experience operational failures. In the event that our data collection, member base or amount of traffic on these systems grows more quickly than anticipated, we may be required to incur significant additional costs to increase the capacity in our systems. Further, our development and implementation activities may not be successful, may not be well-received by veterinarians or by prospective or existing members, particularly if they are costly, cumbersome or unreliable, and we may incur delays or cost overruns or elect to curtail our currently planned expenditures related to them. Even if our system improvements are well-received, they may be or become obsolete due to regulatory or technological reasons or the availability of alternative solutions in the marketplace. If new solutions and enhancements are not successful on a long-term basis, we may not realize benefits from these investments, and our business and financial condition could be adversely affected.

In addition, any system failure that causes an interruption in or decreases the responsiveness of our services could impair our revenue-generating capabilities, harm our business and operating results and damage our reputation. Any loss or mishandling of data could result in breach of confidence, competitive disadvantage or loss of members, and subject us to potential liability or regulatory action. Any failure of the systems and infrastructure that we rely on could negatively impact our enrollments as well as our relationship with members. If we do not maintain or expand the systems and infrastructure underlying our technology platform successfully, or if we experience operational failures, our reputation could be harmed and we could lose current and potential members, which could harm our operating results and financial condition.

Computer viruses, hackers, employee misconduct, and other external hazards could expose our technology platform to security breaches, cyber-attacks or other disruptions. While we have implemented security measures designed to protect against breaches of security and other interference with our systems and networks, our systems and networks may be subject to breaches or interference and we, and our third-party service providers, will likely continue to experience cybersecurity incidents of varying degrees. Any such event may result in operational disruptions as well as unauthorized access to, the disclosure of, or loss of our proprietary information or our customers' data and information, which in turn may result in legal claims, regulatory scrutiny and liability, reputational damage, the incurrence of costs to eliminate or mitigate further exposure, the loss of customers or affiliated advisors, or other damage to our business. In addition, the trend toward general public notification of such incidents could exacerbate the harm to our business, financial condition and results of operations. Even if we successfully protect our technology infrastructure and the confidentiality of sensitive data, we could suffer harm to our business and reputation if attempted security breaches are publicized. We cannot be certain that advances in criminal capabilities, discovery of new vulnerabilities, attempts to exploit vulnerabilities in our systems, data thefts, physical system or network break-ins or inappropriate access, or other developments will not compromise or breach the technology or other security measures protecting the networks and systems used in connection with our business.

Third parties to whom we outsource certain of our functions are also subject to these risks. While we can review and assess our third-party providers' cybersecurity controls, as appropriate, and make changes to our business processes to manage these risks, we cannot ensure that our attempts to keep such information confidential will always be successful. Moreover, our use of third-party services (e.g. cloud technology and software as a service) can make it more difficult to identify and respond to cyberattacks in any of the above situations due to the dynamic nature of these technologies and because we do not directly control these services.

We depend in part on Internet search engines to attract potential new members to visit our website. If Internet search engines' methodologies are modified or our search result page rankings decline for other reasons, our new member growth could decline, and our business and operating results could be harmed.

We endeavor to drive significant traffic to our website from consumers who search for pet medical insurance through Internet search engines such as Google, Bing and Yahoo!. A critical factor in attracting consumers searching for pet medical insurance on the Internet to our website is whether we are prominently displayed in response to Internet searches relating to medical insurance for pets. Algorithmic search result listings are determined and displayed in accordance with a set of formulas or algorithms developed by the particular Internet search engine, which may change from time to time, and paid search advertisements often receive the most prominent listing. Newer tools enhanced by artificial intelligence including large language models are swiftly changing the search and display landscape. If we are listed less prominently in, or removed altogether from, search result listings for any reason, the traffic to our websites would decline and we may not be able to replace this traffic, which in turn would harm our business, operating results and financial condition. If we attempt to replace this traffic, we may be required to increase our pet acquisition expenditures, including by utilizing paid search advertising. Certain of our competitors have spent additional funds to promote their products in search results over us. If we decide to respond by purchasing search advertising, our pet acquisition costs would increase which may harm our business, operating results and financial condition.

Our success depends in part on our ability to review, process, and pay veterinary invoices timely and accurately.

We believe member satisfaction and retention depends in part on our ability to accurately evaluate and pay veterinary invoices in a timely manner. Many factors can affect our ability to do this, including the training, experience and skill of our personnel, our ability to reduce the number of payment requests made for services not included in our subscription, effectiveness of management, our ability to develop or select and implement appropriate procedures, supporting technologies and systems, changes in our policy and veterinarian compliance with our protocols and procedures. Our failure to pay veterinary invoices, accurately and in a timely manner, or to deploy resources appropriately, could result in unanticipated costs to us, lead to material litigation, undermine member goodwill and our reputation, and impair our brand image and, as a result, materially and adversely affect our competitiveness, financial results, prospects and liquidity.

In addition, we use artificial intelligence and machine learning to leverage data so we can automate the payment of veterinary invoices. Although we intend to increase the percentage of veterinary invoices paid without human intervention and process veterinary invoices in seconds, our efforts may be unsuccessful for a number of reasons. The data we gather is extensive, and the development, maintenance and operation of our data analytics engine is novel, expensive and complex. We may face unforeseen difficulties, including material performance problems, undetected defects or technical obstacles, for example, with new capabilities incorporating machine learning. If such problems, defects, or obstacles prevent our proprietary algorithms from operating properly, we may incorrectly pay or deny claims made by our customers. Such errors could result in existing customers canceling their policies, prospective customers declining to purchase our subscription, or improper payments that reduce our resources. Additionally, our artificial intelligence and machine learning algorithms may lead to unintentional bias or discrimination, which could subject us to legal or regulatory liability that has a material and adverse effect on our business, results of operations and financial condition.

State legislatures and insurance regulators have shown interest in insurance companies' use of external data and artificial intelligence in insurance practices, including underwriting, marketing and claims practices. The NAIC adopted Artificial Intelligence Principles in August 2020. In addition, a number of states have had legislative or regulatory initiatives relating to the use of external data and artificial intelligence in the insurance industry, such as bulletins issued by the California and Connecticut Departments of Insurance advising insurers of their obligations related to unfair discrimination when using data and artificial intelligence. There is also increasing focus on regulating the use of artificial intelligence and machine learning in Europe such as the proposal by the European Commission for regulation on artificial intelligence using a comprehensive risk-based governance framework. Increased focus on regulation in the United States and foreign jurisdictions could subject us to legal or regulatory liability that has a material and adverse effect on our business, results of operations and financial condition.

We may not identify fraudulent or improperly inflated veterinary invoices.

It is possible that we may pay a veterinary invoice which appears authentic but in fact reflects false services, products or prices. It is also possible that veterinarians will charge insured customers higher amounts than they would charge their non-insured clients for the same service or product, or may alter medical records or exclude information from records. Such activity could lead to unanticipated costs to us and/or to time and expense to recover such costs. They could also lead to strained relationships with veterinarians and/or members, and could adversely affect our competitiveness, financial results and liquidity.

If we are unable to maintain and enhance our brand recognition and reputation, our business and operating results will be harmed.

We believe that maintaining and enhancing our brand recognition and reputation is critical to our relationships with existing members, Territory Partners, veterinarians and others, and to our ability to attract new members, new Territory Partners, and additional supportive veterinarians. We also believe that the importance of our brand recognition and reputation will continue to increase as competition in our market continues to develop and mature. Our success in this area will depend on a wide range of factors, some of which are out of our control, including the following:

- the efficacy and viability of our pet acquisition programs and initiatives;
- the perceived value of our subscription;
- the quality of service provided, including the fairness, ease and timeliness of reviewing and paying veterinary invoices;
- actions of our competitors, Territory Partners, veterinarians and others;
- positive or negative publicity, including regulatory pronouncements and material on the Internet or social media;
- regulatory and other government-related developments; and
- litigation-related developments.

The promotion of our brand will require us to make substantial investments, and we anticipate that, as our market becomes increasingly competitive, these branding initiatives may become increasingly difficult and expensive. Our brand promotion activities may not be successful or yield increased revenue, and to the extent that these activities result in increased revenue, the increased revenue may not offset the expenses we incur and our operating results could be harmed. If we do not successfully maintain and enhance our brand, our business may not grow which would harm our operating results and financial condition.

Furthermore, negative publicity, whether or not justified, relating to events or activities attributed to us, our employees, Territory Partners, our strategic partners, our affiliates, or others associated with any of these parties, may tarnish our reputation and reduce the value of our brands. Damage to our reputation and loss of brand equity may reduce demand for our services and have an adverse effect on our business, operating results, and financial condition. Moreover, any attempts to rebuild our reputation and restore the value of our brands may be costly and time consuming, and such efforts may not ultimately be successful.

We have in the past, and may in the future identify material weaknesses in our internal controls which, if not remediated appropriately or timely, could result in an inability to effectively and timely complete our financial statements, which may result in a loss of investor confidence and an adverse impact to our stock price.

Section 404 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") requires that we evaluate and determine the effectiveness of our internal control over financial reporting and provide a management report on the internal control over financial reporting, which must be attested to by our independent registered public accounting firm. We have in the past, and may in the future identify material weaknesses or significant deficiencies in our internal control over financial reporting, which may result in us not detecting material errors in our financial statements on a timely basis. If we, or our independent registered public accounting firm, identify future material weaknesses in our internal control over financial reporting, we are unable to comply with the requirements of Section 404 in a timely manner, we are unable to assert that our internal control over financial reporting is effective or our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected. We could also become subject to investigations by the stock exchange on which our securities are listed, the SEC or other regulatory authorities, which could require additional financial and management resources.

If we fail to effectively manage our growth, our business, operating results and financial condition may suffer.

We have experienced, and expect to continue to experience, significant growth in an underpenetrated market, which has placed, and may continue to place, significant demands on our management and our operational, technological and financial systems and infrastructure. We expect that our growth strategy will require us to commit substantial financial, operational and technical resources and this commitment may also result in increased costs (such as member acquisition costs or costs associated with increases in the number or amounts of veterinary invoices received) generated by our business, which could prevent us from achieving profitability and remaining profitable and could impair our ability to compete effectively for business. If we do not effectively manage growth at any time, our financial condition could be harmed and the quality of our services could suffer.

In order to successfully expand our business, we need to hire, integrate and retain in-demand highly skilled and motivated employees and continue to improve our existing systems for operational and financial management. These improvements could require significant capital expenditures and place increasing demands on our management. If we do not successfully implement improvements in these areas, our business, operating results and financial condition will be harmed.

Emerging claim and coverage issues may adversely affect our business.

As industry practices and legal, judicial, social and other environmental conditions change, unexpected and unintended issues related to claims and coverage may emerge, including new or expanded theories of liability. These or other changes could impose new financial obligations on us by extending coverage beyond our underwriting intent or otherwise require us to make unplanned modifications to the products and services that we provide, or cause the delay or cancellation of products and services that we provide. In some instances, these changes may not become apparent until sometime after we have issued subscriptions that are affected by the changes. As a result, the full extent of liability under our subscriptions may not be known for many years after the subscription begins.

Our operating results may vary, which could make period-to-period comparisons less meaningful, and make our future results difficult to predict.

We have historically experienced, and may in the future experience, fluctuations in our revenue, expenses and operating results. Our operating results may fluctuate in the future as a result of a number of factors, many of which are beyond our control. These fluctuations may make comparing our operating results on a period-to-period basis less meaningful and make our future results difficult to predict. You should not rely on our past results as an indication of our future performance. In addition, if revenue levels do not meet our expectations, our operating results and ability to execute on our business plan are likely to be harmed.

Seasonal or periodic variations in the behavior of our members also may cause fluctuations in our financial results. Enrollment in our subscription tends to be discretionary in nature and may be sporadic, reflecting overall economic conditions, budgeting constraints, pet-buying patterns and a variety of other factors, many of which are outside our control.

Due to these and other factors, our financial results for any quarterly or annual period may not meet our expectations or the expectations of investors or analysts that follow our stock and may not be meaningful indications of our future performance.

Changes in the economy may affect consumer spending on our subscription and this may negatively impact our business, operating results and financial condition.

Our business may be affected by changes in the economic environment. Members may reduce or eliminate their spending during an economic downturn, resulting in an increase in subscription cancellations and a reduction in the number of new member enrollments. We may experience a material increase in cancellations or a material reduction in our member retention rate in the future, especially in the event of a prolonged recessionary period or a downturn in economic conditions. In addition, media prices and other costs may change with changes in the economic environment, which could increase our new pet acquisition expenses. As a result, our business, operating results and financial condition may be significantly affected by changes in the economic environment.

We depend on key personnel to operate our business and, if we are unable to retain, attract and integrate qualified personnel, our ability to develop and successfully grow our business could be harmed.

Our success depends to a significant extent on the continued services of our leadership team, such as Margi Tooth, our Chief Executive Officer and President. Moreover, the loss of key executives or employees or the departure of members of our board within a short time frame could have a material adverse effect on our business. We have experienced turnover in our management team in the past and may experience similar turnover in the future. We would be adversely affected if we fail to adequately plan for the succession of our senior management and other key employees. Additionally, if we were to lose a large percentage of our current employees in a relatively short time period, or our employees were to engage in a work stoppage or unionize, we may be unable to hire and train new employees quickly enough to prevent disruptions in our operations, which may result in the loss of members, Territory Partners and/or referral sources.

We may continue to create, invest in or acquire businesses, products and technologies, which could divert our management's attention, result in additional dilution to our stockholders, otherwise disrupt our operations or harm our operating results.

We have in the past created, invested in or acquired complementary businesses, products, technologies and new lines of business, and we may continue to do so in the future. Our ability to successfully evaluate and manage investment opportunities, or make and integrate acquisitions or products, is unproven. For example, we have invested in a pet food initiative, and we believe that pet food may be an important part of our offerings over the long term. We do not have experience manufacturing, selling, or distributing food products and pet food manufacturing facilities and pet food products are subject to many laws and regulations administered by the United States Department of Agriculture, the Federal Food and Drug Administration, the Occupational Safety and Health Administration, and other federal, state, local, and foreign governmental agencies relating to the production, packaging, labelling, storage, distribution, quality, and safety of food products and the health and safety of employees. We have also acquired technology intended to enable us to improve our back-end software and facilitate certain expansion efforts, but technology integration is complicated, expensive and time consuming, and it may not result in us realizing the intended benefits from the acquisition.

The pursuit of potential new products, investments or acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating and pursuing suitable opportunities, whether or not they are consummated. Further, even if we successfully invest in or acquire additional businesses or technologies, we may not achieve the anticipated benefits from the transaction. The investment or acquisition may also expose us to additional risks, including from unknowingly inheriting liabilities that are not adequately covered by contractual remedies. Acquisitions or investments could also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our operating results.

If we do not spend our development budget efficiently or effectively on commercially successful and innovative offerings and products, we may not realize the expected benefits of our strategy. Further, our development efforts with respect to new products and offerings and integrations of acquired businesses could distract management from current operations, and will divert capital and other resources from our more established products and offerings. If an investment or acquisition fails to meet our expectations, our business, operating results and financial condition may suffer.

We may not realize the benefits of our current and planned strategic relationships.

We have developed, maintain, and in the future may seek new strategic relationships with various third parties. For these efforts to be successful, we must negotiate and enter into agreements with these third parties on terms that are attractive to us, and then successfully implement the arrangement, which requires integrating and coordinating their resources and capabilities with our own, which may present challenges relating to technology integration, marketing, regulatory matters, customer support, and other operational matters. These relationships may require several years to implement, may face delays or terminations, and may not be successfully implemented at all. We may be unsuccessful in entering into agreements with acceptable third parties, negotiating favorable terms in these agreements, or achieving the anticipated results over our desired time horizon. In addition, some of our historical strategic relationships have required us to agree to exclusivity, and or other terms that may limit our ability to pursue opportunities we might otherwise pursue. In connection with our strategic relationships, we have in the past and may in the future provide equity consideration, impose contractual holding periods for such securities, impose standstill obligations or include other requirements that terminate in the event the strategic relationship ceases, which may have an adverse effect on our stock price and otherwise cause our business to suffer.

Strategic relationships also involve various risks, depending on their structure, including the following:

- our strategic partnerships may not be successful;
- we may be unable to convert leads from our strategic referral partners into enrolled pets;
- our strategic partners could terminate their relationships with us;
- our strategic partners may acquire or form alliances with our competitors, thereby reducing or eliminating their business with us;
- we may overpay strategic partners relative to the business the relationship generates; and
- negative publicity and other issues faced by our strategic partners could adversely impact us.

If we are unsuccessful in our strategic relationships, we may not realize the intended benefits of these relationships, lose the investment we have made in these relationships, face difficulty entering into other relationships, and our business may suffer.

Our business and financial condition is subject to risks related to our writing of policies for unaffiliated third parties, including Pets Best.

Our other business segment includes revenues and expenses related to underwriting policies on behalf of third parties that do not carry reference to the Trupanion brand. In the past, our other business segment involved numerous third parties to varying extent, but in recent years this segment has consisted almost entirely of business with Pets Best, a third-party managing general agent. For the year ended December 31, 2024, premiums from policies written for Pets Best, pursuant to our agreements with them, accounted for 32% of our total revenue. The contractual relationship with Pets Best and other third parties may be terminated by either party, and the third party may choose to be in a relationship with a different underwriter, including one of our competitors. In administering or marketing a product to consumers, if one of these unaffiliated third parties make an operating decision that adversely affects its business or brand, our business or brand could also be adversely impacted. Further, we rely on the timely dissemination of financial information from these third parties to compile our own financial statements. Failure to receive this information timely, or failure to receive complete and accurate information, could negatively impact our ability to meet regulatory filing requirements, including the filing of our annual audited financial statements.

We and Pets Best have agreed to roll off a portion of our business together, as Pets Best ramps up policies written by another insurer. We do not control the timing or extent of this roll off and, accordingly, it may not proceed as we expect, which could cause our results to fluctuate or have other unexpected impacts on our business. Our Pets Best business historically has had, and we expect it to continue to have, significantly lower margins than our subscription business. During the roll-off of Pets Best, administration of this business and any similar business in the future may divert our time and attention away from our subscription business segment, which could adversely affect our operating results in the aggregate. Further, the roll-off is expected to result, over time, in significantly reduced premiums (and associated expense) in our other business segment. This reduced revenue stream will reduce the diversification of our premium base and make us more dependent on the success of our subscription business segment, at least in the short term. Further, the reduction of this business could have a material adverse impact on our operating results, financial condition, and stock price.

In Canada, we are planning a significant ramp of underwriting activity by our subsidiary GPIC during 2025, while simultaneously reducing our business written through Accelerant. This transition may be delayed or may be not be successful.

In Canada, our insurance policies are currently written by Accelerant, and we assume all premiums written by Accelerant and the related veterinary invoice expense through an agency agreement and a fronting and administration agreement. In advance of the termination of our agreement with Accelerant, which is currently scheduled for December 31, 2025, we plan to transition policies from Accelerant to our wholly owned subsidiary, GPIC. In addition, we expect to begin underwriting new business through GPIC during 2025. GPIC has limited operating history, and the transition of this business will be complicated and involve regulatory, operational and contractual challenges. As GPIC begins underwriting policies, we will face risks and uncertainties similar to those faced by our United States insurance company APIC. With respect to the transition itself, we may encounter regulatory delay and challenges, face operational and information technology issues that are new to us, and create confusion for our members. In addition, we may be required to contribute more risk-based capital into GPIC, potentially over a short time frame as our underwritten premiums grow at a rapid pace. We expect to work with Accelerant to make this transition as smooth as possible for our members, our company, and Accelerant, but there is no guarantee that these risks will not materially impact the transition. If we face timing constraints with our transition, we may discuss with Accelerant whether we should continue the underwriting relationship in some fashion; or we may need to seek other underwriting capacity.

We have expanded, and seek to further expand, our operations internationally, and are subject to a number of risks associated with international expansion and operations.

We have developed and seek to expand our operations internationally and expect to continue exploring opportunities outside of North America. For instance, in August 2022 we purchased Smart Paws, an MGA for pet insurance with operations based in Germany and Switzerland, and in November 2022 we acquired PetExpert, an MGA for pet insurance with operations based in the Czech Republic and Slovakia. We have limited history of marketing, selling, administering and supporting our subscription product for consumers outside of the North America. In general, international sales and operations may be subject to a number of risks, including the following:

- regulatory rules and practices, including robust privacy regulations, foreign exchange controls, tariffs, tax laws and treaties that are different than those we operate under currently;
- the costs and resources required to modify our subscription appropriately to suit the needs and expectations of residents and veterinarians in such foreign countries;
- our data analytics platform may have limited applicability in foreign countries, which may impact our ability to develop adequate underwriting criteria and accurately price subscriptions in such countries;
- increased expenses incurred in establishing and maintaining office space and equipment for our international operations;
- technological incompatibility between our patented proprietary software and software used by veterinarians;
- difficulties in modifying our business model or subscription in a manner suitable for any particular foreign country, including any modifications to our Territory Partner model to the extent we determine that our existing model is not suitable for use in foreign countries;
- our lack of experience in marketing to consumers and veterinarians and online engagement in foreign countries, especially if doing so in a foreign language;
- our relative lack of industry connections in many foreign countries;
- our ability to locally hire, integrate and retain highly skilled and motivated employees and establish and improve systems for operational and financial management where appropriate;
- difficulties in managing operations due to language barriers, distance and time zone differences, staffing, cultural differences and business infrastructure constraints, including difficulty in obtaining foreign and domestic visas;
- the uncertainty of protection for intellectual property rights in some countries; and
- general economic and political conditions in these foreign markets.

These and other factors could harm our ability to gain future international revenue and increase our expenses, which would materially impact our business and operating results. The expansion of our existing international operations and entry into additional international markets will require significant management attention and financial resources, which may detract from management attention and financial resources otherwise available to our existing business. Our failure to successfully manage our international operations and the associated risks effectively could limit the future growth of our business and could have an adverse effect on our operating results and financial condition.

Changes in foreign exchange rates may adversely affect our revenue and operating results.

Our international operations expose us to the risk of changes in currency exchange rates, particularly with respect to our Canada operations. For the year ended December 31, 2024, approximately 16% of our total revenue was generated in Canada. While Europe currently does not present material income statement exposure to exchange rates, that may not continue. Fluctuations in the relative strength of the US dollar compared to the currencies of other jurisdictions in which we operate has in the past and could in the future adversely affect our revenue and operating results. Moreover, in the future, we may continue to expand the number of countries in which we offer products and operate and this could increase our exposure to currency exchange rate fluctuations.

Owning multiple insurance subsidiaries may harm our results of operations.

We currently own one United States insurance company through which we are issuing products - APIC, a New York domiciled insurer. We also own and have regulatory approvals for a U.S. insurer domiciled in Missouri called ZPIC. We are currently pursuing so-called expansion applications to allow ZPIC to write business similar to that underwritten by APIC. In Canada, as mentioned above, we are planning to underwrite significant business previously underwritten by Accelerant through GPIC. We may also seek to acquire or establish other insurers, including to support our operations in certain countries in Continental Europe.

Acquisitions and operations of these insurers presents a number of risks, including the following:

- Acquiring or forming a new insurance subsidiary may divert the attention of management and cause us to incur various expenses in identifying, investigating and pursuing suitable opportunities, whether or not the acquisition or formation is completed.
- Even if we are successful in forming or acquiring a new insurance subsidiary we may not achieve the anticipated benefits. We may incur additional costs if we decide to sell or dissolve any such subsidiary.
- Each insurance entity will likely require a significant initial minimum capital contribution. It may take a longer period of time to achieve efficiency on these contributions, if ever.
- Each insurance entity will be subject to additional regulatory scrutiny in the jurisdiction of incorporation and any additional jurisdictions in which the insurance subsidiary operates. Failure to comply with laws, regulations and guidelines applicable to a new insurance subsidiary could result in significant liability, result in the loss of revenue and otherwise harm our business, operating results and financial condition.
- A supervisory regulator may increase the amount of capital we must hold in an insurance subsidiary, especially if it shows material growth. We may not have easy access to such capital, and using it for this purpose may prevent us from investing in our growth and operations, which may require us to modify our operating plan, delay new initiatives, interfere with personnel growth, incur indebtedness or pursue financings, or otherwise modify our operations, any of which could have a material adverse effect on our operating results and financial condition.
- If the required minimum capital in one of our insurers falls below the required threshold, the responsible regulator may take action, or such a reduction may result in a breach of various contractual relationships, including, for example, with the unaffiliated general agents for which we write medical insurance for pets policies, which may give such parties the ability to cancel their contracts with us and/or sue us for damages related to our risk-based capital levels, which could have a material adverse effect on our financial condition.
- We may not obtain required regulatory approvals in connection with potentially investing a portion of an insurer's assets, for example in real property.

We may require additional capital to meet our risk-based capital requirements, pursue our business objectives and respond to business opportunities, challenges or unforeseen circumstances. If capital is not available to us at any time, our business, operating results and financial condition may be harmed.

We may require additional capital to meet our risk-based capital requirements, operate or expand our business or respond to unforeseen circumstances. Additional funds may not be available when we need them, on terms that are acceptable to us, or at all. For instance, our arrangement with Aflac requires that, before we issue or sell equity to another investor, we are required to provide Aflac an opportunity to purchase equity allowing them to maintain their ownership percentage. This requirement may introduce delays or prevent us from raising funds through the issuance of securities. If we raise additional funds through the issuance of equity or convertible securities, the percentage ownership of holders of our common stock could be significantly diluted and these newly issued securities may have rights, preferences or privileges senior to those of holders of our common stock. Further, volatility in the equity markets may have an adverse effect on our ability to obtain equity financing or the cost of such financing and, in the event we require additional debt financing, volatility in the debt markets may have an adverse effect on our ability to obtain debt financing or the cost of such financing. Similarly, our access to funds may be impaired if regulatory authorities or rating agencies take negative actions against us. If a combination of these factors were to occur, our internal sources of liquidity may prove to be insufficient and, in such case, we may not be able to successfully obtain additional financing on favorable terms. If funds are unavailable to us on reasonable terms when we need them, we may be unable to meet our risk-based capital requirements, train and support our employees, support Territory Partners, maintain the competitiveness of our technology, pursue business opportunities, service our existing debt, pay veterinary invoices or acquire new members, any of which could have an adverse effect on our business, operating results and financial condition.

If our security measures are breached and unauthorized access is obtained to our data, including our members' data, we may lose our competitive advantage, our systems may be perceived as not being secure, we may incur third-party liability, and/or be subject to regulatory action.

Our data repository contains proprietary information that we believe gives us a competitive advantage, including data on veterinary invoices received and other data with respect to members, Territory Partners, veterinarians and other third parties. We also collect and utilize demographic and other information from and about prospective and existing members when they visit our website, call our contact center and apply for enrollment. Further, we use tracking technologies, including "cookies," to help us manage and track our members' interactions and deliver relevant advice and advertising. Security breaches could expose us to a risk of loss of our data and/or disclosure of this data, either publicly or to a third party who could use the information to gain a competitive advantage. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or implement adequate preventative measures. In the event of a loss of our systems or data, we could experience increased costs, delays, legal liability and reputational harm, which in turn may harm our financial condition, damage our brand and result in the loss of members. Such a disclosure also could lead to litigation and possible liability.

In the course of operating our business, we store and/or transmit our members' confidential information, including credit card and bank account numbers and other private information. Because the methods used to obtain unauthorized access to private information change frequently and may be difficult to detect for long periods of time, security breaches would expose us to a risk of loss of this information, litigation and possible liability. Our payment services are similarly susceptible to credit card and other payment fraud schemes, including unauthorized use of credit cards, debit cards or bank account information, identity theft or merchant fraud.

If our security measures are breached as a result of third-party action, employee error, malfeasance or otherwise, and, as a result, someone obtains unauthorized access to our data, including data of our members, our reputation may be damaged, our business may suffer and we could incur significant liability. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or implement adequate preventative measures. If an actual or perceived breach of our security occurs, the public perception of the effectiveness of our security measures could be harmed.

In addition, cyber-attacks or acts of terrorism could cause disruptions in our business or the economy as a whole. Our servers and systems may also be vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering with our computer systems, which could lead to interruptions, delays, loss of critical data or the unauthorized disclosure of confidential member data. We currently have limited disaster recovery capability, and our business interruption insurance may be insufficient to compensate us for losses that may occur. Such disruptions could negatively impact our ability to run our business, which could have an adverse effect on our operating results and financial condition.

We are subject to a number of risks related to accepting automatic fund transfers and credit card and debit card payments.

We accept subscription payments from our members through automatic fund transfers and payments via credit and debit card and mobile payment applications. For payments via credit and debit card and mobile payment applications, we pay interchange and other fees, which may increase over time. An increase in the number of members who utilize credit and debit cards and mobile apps to make their subscription payments or related credit and debit card fees would reduce our margins and could require us to increase our fees, which could cause us to lose members and revenue, or suffer an increase in our operating expenses, either of which could adversely affect our operating results.

If we, or any of our processing vendors or banks have problems with our billing software, or if the billing software malfunctions, it could have an adverse effect on our member satisfaction and new member growth and could cause one or more of the major credit card companies or banks to disallow our continued use of their payment products. In addition, if our billing software fails to work properly and, as a result, we do not automatically charge our members' credit cards on a timely basis or at all, or a bank withdraws the incorrect amount or fails to timely transfer the correct amount to us, we could lose revenue and harm our member experience, which could adversely affect our business and operating results. Moreover, a vendor could fail to process payments, or could process payments in the wrong amounts, which could result in us failing to collect premiums, could result in increased cancellations and could adversely affect our reputation.

We are also subject to payment card association operating rules, certification requirements and rules governing electronic funds transfers, including the Payment Card Industry Data Security Standard (PCI DSS), a security standard applicable to companies that collect, store or transmit certain data regarding credit and debit cards, holders and transactions. We are currently compliant with PCI DSS in North America but our compliance efforts are ongoing with respect to acquired businesses. We may not be fully or materially compliant with PCI DSS, or other payment card operating rules in the future. Any failure to comply with the PCI DSS in the future may violate payment card association operating rules, federal and state laws and regulations, and the terms of our contracts with payment processors and merchant banks. Such failure to comply may subject us to fines, penalties, damages and civil liability, and may result in the loss of our ability to accept credit and debit card payments. In addition, there is no guarantee that PCI DSS compliance will prevent illegal or improper use of our payment systems or the theft, loss or misuse of data pertaining to credit and debit cards, credit and debit card holders and credit and debit card transactions.

If we fail to adequately control fraudulent payment processing, we may face civil liability, diminished public perception of our security measures and significantly higher credit card-related costs, each of which could adversely affect our business, operating results and financial condition.

If we are unable to maintain our chargeback rate at acceptable levels, our credit card fees for chargeback transactions, or our fees for many or all categories of credit and debit card transactions, credit card companies and debit card issuers may increase our fees or terminate their relationship with us. Any increases in our credit card and debit card fees could adversely affect our operating results, particularly if we elect not to raise our fees. The termination of our ability to process payments on any major credit or debit card would significantly impair our ability to operate our business.

We may face unexpected costs as a result of owning our own headquarters office building.

We own our headquarters office building in Seattle, Washington, USA. Our financial condition and cash flow could be materially affected by changes in costs associated with maintaining the building and ensuring it is suitable for our use and that of other tenants and maintain compliance with all environmental and other regulations applicable to ownership of real estate. Failure to attract and retain tenants for our unused space will result in our not receiving rental income and could also cause a reduction in the value of the building. Managing tenants, maintaining the building, and otherwise facing the costs and responsibilities of being the owner of a building may be a distraction from our core business and cause our performance to suffer. We are also exposed to and potential third-party liability as the owner of our office building, such as if an accident occurs on the premises.

Environmental, social, and governance ("ESG") issues may result in reputational harm and liability.

Companies across all industries are experiencing increased scrutiny and litigation related to their ESG practices, positions, and reporting. Our disclosures on ESG matters, any standards set by governments or private organizations, any standards we may set for ourselves, or a failure to meet these standards, may adversely affect our reputation and the value of our brand. California recently adopted two new climate-related bills, which require companies doing business in California that meet certain revenue thresholds to publicly disclose certain greenhouse gas emissions data and climate-related financial risk reports, and compliance with such requirements could require significant effort and resources. The SEC has also adopted rules requiring disclosure regarding climate-related risks, oversight and management of such risks, and climate-related targets or goals. Our business may face increased scrutiny related to these activities and our related disclosures, including from the investment community, and our failure to achieve progress or manage the dynamic public sentiment and legal landscape in these areas on a timely basis, or at all, could adversely affect our reputation, business, and financial performance.

Failure to adequately protect our intellectual property could substantially harm our business and operating results.

We rely on a combination of intellectual property rights, including trade secrets, patents, copyrights, trademarks and domain names, as well as contractual restrictions, to establish and protect our patented proprietary software and our intellectual property. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy our digital content, pricing analytics, technology, software, branding and functionality, or obtain and use information that we consider proprietary. Moreover, policing our proprietary rights is difficult and may not always be effective. We may need to enforce our rights internationally under the laws of countries that do not protect proprietary rights to as great an extent as do the laws of the United States, which may be expensive and divert management's attention away from other operations.

Our proprietary software is protected by patents which may not be sufficient to maintain effective product exclusivity because patent rights are limited in time and do not always provide effective protection. Furthermore, our efforts to enforce or protect our patent rights may be ineffective, could result in substantial costs and diversion of resources, could result in the invalidation of our patent rights, and could substantially harm our operating results. In addition, patents have a limited lifespan (generally 20 years after they are filed in the United States). Once the patent life has expired for our software, our competitors will be able to use our patented technology.

We seek to control access to our proprietary technology, software and documentation by entering into confidentiality and invention assignment agreements with our employees and partners, confidentiality agreements or license agreements with third parties, such as service providers, vendors, individuals and entities that may be exploring a business relationship with us, and terms of use with third parties, such as veterinary hospitals desiring to use our technology, software and documentation. These agreements may not prevent disclosure of intellectual property, trade secrets and/or other confidential information, and may not provide an adequate remedy in the event of misappropriation of trade secrets or any unauthorized disclosure of trade secrets and other confidential information. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our intellectual property rights and related confidentiality, license and nondisclosure provisions, and failure to obtain or maintain trade secret protection, or our competitors being able to obtain our trade secrets or to independently develop technology similar to ours or competing technologies, could adversely affect our competitive business position.

Our efforts to enforce or protect our proprietary rights may be ineffective, could result in substantial costs and diversion of resources and could substantially harm our operating results.

Assertions by third parties of infringement or other violation by us of their intellectual property rights could result in significant costs and substantially harm our business and operating results.

Third parties have in the past and may in the future claim that our services or technologies, including our proprietary software, infringe or otherwise violate their intellectual property rights. We may be subject to legal proceedings and claims, including claims of alleged infringement by us of the intellectual property rights of third parties. Any dispute or litigation regarding intellectual property could be expensive and time consuming, regardless of the merits of any claim, and could divert our management and key personnel from our operations.

If we were to discover or be notified that our services or our proprietary software potentially infringe or otherwise violate the intellectual property rights of others, we may need to obtain licenses from these parties in order to avoid infringement. We may not be able to obtain the necessary licenses on acceptable terms, or at all, and any such license may substantially restrict our use of the intellectual property. Moreover, if we are sued for infringement and lose the lawsuit, we could be required to pay substantial damages or be enjoined from offering the infringing services. Any of the foregoing could cause us to incur significant costs and prevent us from selling or properly administering subscriptions or performing under our other contractual relationships.

The outcome of litigation or regulatory proceedings could subject us to significant monetary damages, restrict our ability to conduct our business, harm our reputation and otherwise negatively impact our business.

From time to time, we have been, and in the future may become, subject to litigation, claims and regulatory proceedings and inquiries, including market conduct examinations and investigations by state insurance regulatory agencies and threatened or filed lawsuits by, among others, government agencies, employees, competitors, stockholders, prospective, current or former members, or business partners.

We cannot predict the outcome of these actions or proceedings, and the cost of defending such actions or proceedings could be material. Further, defending such actions or proceedings could divert our management and key personnel from our business operations. If we are found liable in any action or proceeding, we may have to pay substantial damages or fines, which may have a material adverse effect on our business, operating results, financial condition and prospects. More critically, an adverse result from a proceeding could require us to change the way we conduct our business, including our marketing and sales practices, and such a result may have a greater adverse effect on our business than monetary damages or fines. There may also be negative publicity associated with litigation or regulatory proceedings that could harm our reputation or decrease acceptance of our services. These claims may be costly to defend and may result in assessment of damages, adverse tax consequences and harm to our reputation.

Our current and future indebtedness could limit our ability to expand our business or respond to changes, and we may be unable to generate sufficient cash flow to satisfy any of our debt service obligations.

In March 2022, we entered into a credit agreement with Piper Sandler Finance, LLC, as administrative agent, that provides us with up to $150.0 million of credit (the "Credit Facility"). As of December 31, 2024, we issued term loans totaling $135.0 million under the Credit Facility. Substantial indebtedness, and the fact that a substantial portion of our cash flow from operating activities could be needed to make payments on this indebtedness, could have adverse consequences, including the following:

- reducing the availability of our cash flow for our operations, capital expenditures, future business opportunities and other purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate, which could place us at a competitive disadvantage compared to our competitors that may have less debt;
- limiting our ability to borrow additional funds; and
- increasing our vulnerability to general adverse economic and industry conditions.

Our ability to borrow any funds needed to operate and expand our business will depend in part on our ability to generate cash. If our business does not generate sufficient cash flow from operating activities or if future borrowings, under our Credit Facility or otherwise, are not available to us in amounts sufficient to enable us to fund our liquidity needs, our operating results, financial condition and ability to expand our business and meet our risk-based capital requirements may be adversely affected.

Covenants in our Credit Facility may restrict our operations, and if we do not effectively manage our business to comply with these covenants, our financial condition could be adversely affected.

Our Credit Facility contains various restrictive covenants, including limitations on our ability to incur other indebtedness or liens, make investments, and merge with or acquire other entities. Our Credit Facility also contains certain financial covenants, including minimum revenue and liquidity thresholds. Our ability to meet these restrictive covenants can be affected by events beyond our control. We are also obligated to pay interest under the Credit Facility at a floating base rate plus an applicable margin, which rate will increase based on prevailing rates. Our Credit Facility provides that our breach or failure to satisfy various covenants and obligations constitutes an event of default. Upon the occurrence of an event of default, our lenders could elect to declare any future amounts outstanding under our Credit Facility to be immediately due and payable. The Credit Facility is secured by substantially all of our assets and those of our subsidiaries. If we are unable to repay those amounts, our financial condition could be adversely affected.

We may have additional tax liabilities.

We are subject to income tax, premium tax, transaction tax and other taxes in the U.S. and foreign jurisdictions. Judgment is required in determining our provision for income taxes, premium tax, transaction tax and other taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. Further, we often make elections for tax purposes which may ultimately not be upheld. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation in the jurisdictions where we are subject to taxation could be materially different from our historical income tax provisions and accruals. The results of an audit or litigation could have a material effect on our consolidated financial statements in the period or periods in which that determination is made.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

As of December 31, 2024, we had U.S. federal net operating loss carryforwards of approximately $256.9 million that will begin to expire in 2026. Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended (the "Code"), if a corporation undergoes an “ownership change,” the corporation’s ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes, such as research tax credits, to offset its post-change income taxes may be limited. In general, an “ownership change” occurs if there is a cumulative change in our ownership by “5-percent stockholders” that exceeds 50 percentage points over a rolling three-year period. Similar rules may apply under state tax laws. Pursuant to Sections 382 and 383 of the Code, annual use of our net operating loss carryforwards and credit carryforwards may be limited by previous and future ownership changes.

Risks Related to Compliance with Laws and Regulations

Our business is heavily regulated, and if we fail to comply with the numerous applicable laws and regulations our business and operating results could be harmed.

Our business is heavily regulated. In the United States, insurance is regulated by each state in which we operate, and it is challenging to comply with the requirements of each of these jurisdictions along with the different Canadian federal provincial, and territorial requirements. Furthermore, as we expand internationally, compliance with insurance-related laws, rules and regulations becomes even more difficult and imposes significant costs on our business. Each applicable regulator has broad supervisory power over all insurance-related operations (and certain regulatory oversight of our group of companies), which can include granting and revoking licenses to transact insurance business, and imposing fines and other penalties.

Failure to comply with insurance laws, regulations and guidelines or other laws and regulations applicable to our business could result in significant liability, additional department of insurance licensing requirements, the revocation of licenses in a particular jurisdiction or our inability to sell insurance products, which could significantly increase our operating expenses, result in the loss of our revenue and otherwise harm our business, operating results and financial condition.

Moreover, adverse regulatory action in one jurisdiction could result in penalties and adversely affect our license status or reputation in other jurisdictions. Even if the allegations in any regulatory or other action against us ultimately are determined to be unfounded, we could incur significant time and expense defending against the allegations, and any related negative publicity could harm consumer and third-party confidence in us, which could significantly damage our brand.

In addition, we have received, and may in the future receive, inquiries from regulators regarding our marketing and business practices. These inquires may include investigations regarding a number of our business practices, including the manner in which we market and sell products, the manner in which we write policies for any unaffiliated general agent, and whether any amounts we pay to hospitals or hospital groups (e.g., for electronic claims processing) is appropriate. Any modification of our marketing or business practices in response to regulatory inquiries could harm our business, operating results or financial condition and lead to reputational harm.

New laws may be adopted that may adversely affect our operating results and financial condition.

Existing laws and regulations impose limits on, for instance, our ability to enact price increases for our products. New laws may be adopted that could further affect our business, for example our ability to effect rate increases, to cancel or not issue existing policies, to use artificial intelligence or machine learning, or to market our products in various ways. Implementing changes in order to comply with new laws or regulations could also be time-consuming and costly.

Failure to comply with federal, state and provincial laws and regulations relating to privacy and security of personal information, and civil liabilities relating to breaches of privacy and security of personal information, could create liabilities for us, damage our reputation and harm our business.

A variety of regulations govern the collection, use, retention, sharing and security of personal information. Claims or allegations that we, or the vendors with whom we have contracted, have violated applicable laws or regulations related to privacy and data security could result in negative publicity and a loss of confidence in us by our members, our participating service providers or team members, and may subject us to litigation and/or regulatory action and/or fines, including by credit card companies and the loss of our ability to accept credit and debit card payments. In addition, we have posted privacy policies and practices concerning the collection, use and disclosure of member data on our website. Several companies have incurred penalties for failing to abide by the representations made in their privacy policies and practices. In addition, our use and retention of personal information could lead to civil liability exposure in the event of any disclosure of such information due to hacking, viruses, inadvertent action or other use or disclosure. Several companies have been subject to civil actions, including class actions, relating to this exposure.

We have incurred, and will continue to incur, expenses to comply with privacy and security standards and protocols for personal information imposed by law, regulation, self-regulatory bodies, industry standards and contractual obligations. Such laws, standards and regulations, however, are evolving and subject to potentially differing interpretations, and new privacy laws are frequently enacted. Each year, additional U.S. jurisdictions promulgate or amend privacy-related laws and regulations. However, in general, we are unable to predict far in advance what additional legislation, standards or regulation in the area of privacy and security of personal information could be enacted or its effect on our operations and business.

Law and regulations of the Internet, email and texting could adversely affect our business.

Many laws governing general commerce on the Internet remain unsettled and it may take years to fully determine whether and how existing laws such as those governing insurance, intellectual property, privacy and taxation apply to the Internet. In addition, the growth and development of the market for electronic commerce and Internet-related advertisements and transactions may prompt calls for more stringent consumer protection laws that may impose additional burdens on companies conducting business and selling subscriptions over the Internet. Any new laws or regulations or new interpretations of existing laws or regulations relating to the Internet could harm our business and we could be forced to incur substantial costs in order to comply with them, which would harm our business, operating results and financial condition.

Additionally, we use phone solicitation, email, and texting to market our services to potential members and/or as a means of communicating with our existing members. The laws and regulations governing the use of phone solicitation, email, and texting continue to evolve, and the growth and development of the market for commerce over the Internet may lead to the adoption of additional legislation. Failure to comply with existing or new laws regarding phone solicitation, text or electronic communications with members could lead to significant damages. We have incurred, and will continue to incur, expenses in our efforts to comply with electronic messaging laws. If new laws or regulations are adopted, or existing laws and regulations are interpreted, to impose additional restrictions on our ability to send email to our members or potential members, we may not be able to communicate with them in a cost-effective manner. In addition to legal restrictions on the use of email for commercial purposes, Internet and email service providers and others attempt to block the transmission of unsolicited email, commonly known as “spam.” Many service providers have relationships with organizations whose purpose it is to detect and notify the Internet and email service providers of entities that the organization believes are sending unsolicited email. If an Internet or email service provider identifies messaging and email from us as “spam” as a result of reports from these organizations or otherwise, we could be placed on a restricted list that will block our emails to members or potential members. If we are restricted or unable to communicate by phone, text or email with our members and potential members as a result of legislation, blockage or otherwise, our business, operating results and financial condition would be harmed.

Regulations that require individuals or entities that sell insurance or process claims to be licensed may be interpreted to apply to our business more broadly than we expect them to, which could require us to modify our business practices, create liabilities, damage our reputation, and harm our business.

Insurance regulations generally require that each individual who sells, solicits or negotiates insurance on our behalf must maintain a valid license in the jurisdiction in which the activity occurs. Regulations also generally prohibit paying an insurance commission to an unlicensed person or entity. Regulations may also require certain individuals who process claims to be licensed. These requirements are subject to a variety of interpretations between jurisdictions. We may not interpret and apply the requirements in the same manner as all applicable regulators, and, even if we have, the requirements or regulatory interpretations of those requirements may change. Regulators have in the past and/or may in the future determine that certain of our personnel or third parties were performing licensable activities without the required license. If such persons were not in fact licensed in any such jurisdiction, we could become subject to conviction for an offense or the imposition of an administrative penalty, and liable for significant penalties. Regulators may also deem payments we make to an unlicensed entity or person to be improper. We would also likely be required to modify our business practices and/or pet acquisition programs, or license the affected individuals, which may be impractical or costly and time-consuming to implement. Any modification of our business or marketing practices in response to regulatory licensing requirements could harm our business, operating results or financial condition.

We are subject to numerous laws and regulations in multiple jurisdictions, and ongoing compliance may be challenging for us.

We are subject to numerous laws and regulations that are administered and enforced by a number of different governmental authorities, each of which exercises a degree of interpretive latitude, including, in the United States, state insurance regulators, state securities administrators, state attorneys general and federal agencies including the SEC, Internal Revenue Service and the U.S. Department of Justice. There is risk that laws and regulations or any particular regulator’s or enforcement authority’s interpretation of a legal issue may change over time to our detriment, or that changes in the overall legal environment may necessitate changes to our practices that may, in some cases, increase our costs and limit our ability to grow or to improve our results of operations.

We may be affected by mandatory participation in plans that could result in contributions from insurance subsidiaries we own.

Certain states have enacted laws that require a property-casualty insurer, which includes a pet insurance company, conducting business in that state to participate in assigned risk plans, reinsurance facilities, joint underwriting associations ("JUAs"), Fair Access to Insurance Requirements ("FAIR") plans and wind pools. In these markets, if the state reinsurance facilities, wind pools, FAIR plans or JUAs recognize a financial deficit, they may in turn have the ability to assess participating insurers, adversely affecting our operating results and financial condition if we are a part of such state reinsurance facilities, wind pools, FAIR plans or JUAs. Additionally, certain jurisdictions require insurers to participate in guaranty funds for impaired or insolvent insurance companies. These funds periodically assess losses against all insurance companies doing business in the jurisdiction. Our operating results and financial condition could be adversely affected by any of these factors.

Our segregated accounts in Bermuda with Wyndham Insurance Company (SAC) Limited, could be adversely impacted by regulatory compliance of an unaffiliated third party.

We maintain three segregated accounts in accordance with Bermuda laws with Wyndham Insurance Company (SAC) Limited ("WICL"). One account, which we call WICL segregated account AX, has entered into a reinsurance agreement with our Canada insurance partner. The second account, WICL Segregated Account Trupanion Germany, has entered into a reinsurance agreement with our German insurance partner. The third account, WICL Segregated Account Switzerland has entered into a reinsurance agreement with our Swiss insurance partner. WICL is a class 3 insurer regulated by the Bermuda Monetary Authority ("BMA"). WICL's ability to continue operations and pay dividends could impact the ability of our segregated accounts to do the same. WICL's failure to meet regulatory requirements set forth by the BMA could result in our inability to transact business through our WICL segregated accounts. Further, WICL could be limited from allowing dividends to be paid out of any of our segregated accounts in the event of adverse regulatory actions.

Our accounting is becoming more complex, and relies upon estimates or judgments relating to our critical accounting policies. If our accounting is erroneous or based on assumptions that change or prove to be incorrect, our operating results could fall below the expectations of securities analysts and investors, resulting in a decline in our stock price.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes, and also to comply with many complex requirements and standards. We devote substantial resources to compliance with accounting requirements and we base our estimates on our best judgment, historical experience, information derived from third parties, and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. However, various factors are causing our accounting to become complex, such as our investments in strategic opportunities and our expansion into foreign markets. The ongoing evolution of our business, international expansion, and entry into complementary businesses, such as pet food, may compound these complexities. Our operating results may be adversely affected if we make accounting errors or our judgments prove to be wrong, assumptions change or actual circumstances differ from those in our assumptions, which could cause our operating results to fall below the expectations of securities analysts and investors or guidance we may have provided, resulting in a decline in our stock price and potential legal claims. Significant judgments, assumptions and estimates used in preparing our consolidated financial statements include those related to revenue recognition, reserve for veterinary invoices, business combinations, and income taxes.

Risks Related to Ownership of Our Common Stock

Our actual operating results may differ significantly from our guidance.

From time to time we have released, and may continue to release, guidance in quarterly earnings conference call, quarterly earnings releases, or otherwise, regarding our future performance that represents our management's estimates as of the date of release. This guidance, which includes forward-looking statements, has been and will be based on projections prepared by our management. These projections are not prepared with a view toward compliance with published guidelines of the American Institute of Certified Public Accountants, and neither our independent registered public accounting firm nor any other independent expert or outside party compiles or examines the projections. Accordingly, no such person expresses any opinion or any other form of assurance with respect to the projections. In addition, from time to time we have provided, and may continue to provide, information regarding how we think about the drivers of and our method of calculating our intrinsic value, including related statements regarding discounted cash flows and underlying assumptions (such as pet enrollment, revenue per pet, lifetime values of a pet, pet acquisition costs, and other costs and expenses).

These statements are based upon a number of assumptions and estimates that, while presented with numerical specificity, are inherently subject to significant business, economic and competitive risks and uncertainties, many of which are beyond our control, including those described in these "Risk Factors" and elsewhere in this report. When we state possible outcomes as high and low ranges, these are intended to provide a sensitivity analysis as variables are changed but are not intended to imply that actual results could not fall outside of the suggested ranges.

Guidance is necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying these statements will not materialize or will vary significantly from actual results. In addition, we change our assumptions and methodologies from time to time. Accordingly, these statements are only estimates of what management believes is reasonable as of the date of release. Actual results may vary and the variations may be material. In light of the foregoing, we urge investors not to rely upon our guidance or other information regarding our view of the drivers and calculation method of our intrinsic value in making an investment decision regarding our common stock. In addition, we do not accept any responsibility for any projections or reports published by any such third parties, and we urge you not to place undue reliance on those statements.

Any failure to successfully implement our operating strategy or the occurrence of any of the events or circumstances set forth in this report, or the other reports we file from time to time, could result in the actual operating results being different from our guidance, and the differences may be adverse and material.

Future securities issuances could result in significant dilution to our stockholders and impair the market price of our common stock.

Future issuances of shares of our common stock, or the perception that these sales may occur, could depress the market price of our common stock and result in dilution to existing holders of our common stock. Acquisitions, strategic investments, partnerships, or alliances could also result in dilutive issuances of equity securities. In addition, we may issue options, restricted stock units, or other stock-based awards to those providing services to us, and to the extent outstanding or future options are exercised or restricted stock units or other stock-based awards are settled for shares of our common stock, there will be further dilution. The amount of dilution could be substantial depending upon the size of our future issuances of securities or exercises or settlement of stock-based awards. Furthermore, we may issue additional equity securities that could have rights senior to those of our common stock, such as pursuant to the “blank check” preferred stock contained in our certificate of incorporation. As a result, purchasers of our common stock bear the risk that future issuances of debt or equity securities may reduce the value of and dilute their ownership interest.

The market price of our common stock has been and is likely to continue to be volatile, and you may be unable to sell your shares at or above the price at which you purchased them.

The market price of our common stock has been and is likely to continue to fluctuate widely. Factors affecting the market price of our common stock include:

- variations in our operating results, earnings per share, cash flows from operating activities, and key operating metrics, and how those results compare to analyst expectations;
- forward-looking guidance that we provide to the public and industry and financial analysts related to future revenue and results of operations, and any change in that guidance or our failure to achieve the results reflected in that guidance;
- the net increases in the number of members, either independently or as compared with published expectations of industry, financial or other analysts that cover our company;
- changes to our subscription, strategic alliances, acquisitions or significant agreements by us or by our competitors;
- recruitment or departure of key personnel;
- factors relating to our other business segment;
- issuance of common stock or other securities to certain partners;
- the economy as a whole and market conditions in our industry;
- trading activity by a limited number of stockholders who together beneficially own a majority of our outstanding common stock;
- publications and public statements by financial analysts and other finance industry professionals and activists (or the cessation of coverage by key financial analysts);
- the number of shares of our stock trading on a regular basis; and
- any other factors discussed in these risk factors.

In addition, if the market for stock in our industry or the stock market in general experiences uneven investor confidence, the market price of our common stock could decline for reasons unrelated to our business, operating results or financial condition. Some companies that have experienced volatility in the trading price of their stock have been the subject of securities class action litigation. If we are the subject of such litigation, it could result in substantial costs and a diversion of our management’s attention and resources.

We do not intend to pay dividends on our common stock and, therefore, any returns will be limited to the value of our stock.

We have never declared or paid any cash dividends on our common stock. Other than potential repurchases of our common stock, we currently intend to retain all available funds and any future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. APIC’s ability to pay dividends is limited by New York state insurance laws, and the ability of our WICL segregated accounts to pay dividends is limited by our agreements with WICL as well as WICL’s regulatory requirements. Any return to stockholders will therefore be limited to the increase, if any, of our stock price.

Our directors and principal stockholders own a significant percentage of our stock and will be able to exert significant control over matters subject to stockholder approval.

Our directors, five percent or greater stockholders and their respective affiliates beneficially hold a significant amount of our outstanding voting stock. Therefore, these stockholders have the ability to influence us through this ownership position. These stockholders may be able to determine all matters requiring stockholder approval. For example, these stockholders may be able to control elections of directors, amendments of our organizational documents, or approval of any merger, sale of assets, or other major corporate transaction. This may prevent or discourage unsolicited acquisition proposals or offers for our common stock that you or other stockholders may feel are in your or their best interest as one of our stockholders.

Provisions in our restated certificate of incorporation, restated bylaws and Delaware law might discourage, delay or prevent a change in control of our company or changes in our management and, therefore, depress the market price of our common stock.

Our restated certificate of incorporation and restated bylaws contain provisions that could depress the market price of our common stock by acting to discourage, delay or prevent a change in control of our company or changes in our management that the stockholders of our company may deem advantageous. These provisions, among other things:

- permit only the board of directors to establish the number of directors and fill vacancies on the board;
- require super-majority voting to amend some provisions in our restated certificate of incorporation and restated bylaws;
- authorize the issuance of "blank check" preferred stock that our board could use to implement a stockholder rights plan (also known as a "poison pill");
- eliminate the ability of our stockholders to call special meetings of stockholders;
- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders;
- prohibit cumulative voting; and
- establish advance notice requirements for nominations for election to our board or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

In addition, Section 203 of the Delaware General Corporation Law may discourage, delay or prevent a change in control of our company. Section 203 imposes certain restrictions on mergers, business combinations and other transactions between us and holders of 15% or more of our common stock. Moreover, applicable insurance laws require that any person or entity acquiring direct or indirect control of an insurer obtain prior regulatory approval, which may impede potential acquisitions.

We have an Employee Severance and Change in Control Plan that applies to each employee of our company. This plan provides certain benefits to our employees in the event there is a change in control of our company and an employee is terminated under certain conditions. Potential acquirers may determine that the possible payments and acceleration of equity under this plan make an acquisition of our company unattractive.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

As part of its oversight of our company, our board of directors is involved in overseeing our risk management program. Cybersecurity is an important component of overall enterprise risk management ("ERM"). Our cybersecurity processes are fully integrated into our ERM program and are based on recognized frameworks established by the National Institute of Standards and Technology, the International Organization for Standardization and industry standards and regulations, including the NYDFS Cybersecurity Regulation and PCI DSS. We address cybersecurity risks through an approach that focuses on preserving the confidentiality, integrity, and availability of our assets, including the information we collect and store, by identifying, preventing, and mitigating cybersecurity threats and effectively responding to cybersecurity incidents as they occur.

Risk Management and Strategy

Our cybersecurity risk management program focuses on the following key areas:

- **Technical Safeguards.** We utilize technical safeguards that are designed to protect our assets from cybersecurity threats. These safeguards include firewalls, intrusion prevention and detection systems, Managed Detection and Response, antimalware and access controls solutions, which we evaluate and improve through security assessments and threat intelligence.
- **Incident Response and Recovery Planning.** We have established and maintained incident response and recovery plans that address how we respond to cybersecurity incidents, and we test and evaluate these plans on a regular basis.
- **Third-Party Risk Management.** We maintain a risk-based approach to identifying and overseeing cybersecurity risks presented by third parties, including software and services vendors, Territory Partners and other external users of our systems and those of third parties that could adversely impact our business in the event of a cybersecurity incident.
- **Education.** We provide regular, mandatory training for all team members regarding general security concepts, cybersecurity, and physical threats. The training is designed to equip team members to identify and properly respond to a variety of cybersecurity threats and risks, as well as to communicate our processes.
- **Governance.** We maintain a management Risk Committee that assists with our ERM function. We also utilize a virtual Chief Information Security Officer ("vCISO") and other members of senior management and our IT team to support our risk management program. Our board of directors receives regular reports regarding our ERM function to support its oversight responsibilities, and we ensure our business units receive appropriate updates that may impact operations.
- **Collaboration.** Our processes are designed to identify, prevent, and mitigate cybersecurity threats and incidents and provide for prompt escalation when appropriate. This approach is cross-functional, drawing on the skills and experiences of our diverse team, and it is designed to allow management to make timely decisions regarding public disclosure and business matters.

We periodically assess and test our cybersecurity processes. These efforts include a wide range of activities, such as audits, assessments, tabletop exercises, threat modeling and vulnerability testing focused on evaluating the effectiveness of our cybersecurity measures and planning. We regularly engage independent third parties to assess our cybersecurity measures, including audits and reviews of our information security control environment and operating effectiveness. The results of such assessments are reported to management's Risk Committee and to our board of directors. We adjust our cybersecurity documentation, processes, and practices as necessary based on the information provided by these assessments, audits, and reviews.

Governance

Our board of directors, in coordination with our internal Risk Committee, oversees our ERM function, including the management of risks arising from cybersecurity threats. Our board of directors receives regular updates on cybersecurity matters from management's Risk Committee and from the Information Security Committee, which is comprised of Information Technology and Security leadership and oversees operational aspects of our cybersecurity program. Those updates to our board of directors address a wide range of topics that may include information on recent developments, evolving standards, vulnerability assessments, third-party and independent reviews, the threat environment, and information security considerations with respect to our partners and third parties. Our board of directors and management's Risk Committee also receive prompt information regarding any cybersecurity incident that meets established reporting thresholds and ongoing updates on any such incident until it has been addressed. Our Information Security Committee and vCISO annually report on the status of our cybersecurity program and meet with our board of directors to discuss our approach to cybersecurity and risk management.

Our Information Security Committee and vCISO, in coordination with management's Risk Committee, work collaboratively to implement a program designed to protect our assets from cybersecurity threats and to promptly respond to any cybersecurity incidents in accordance with our incident response and recovery plans. To facilitate the success of our cybersecurity risk management program, we deploy multidisciplinary teams to address cybersecurity threats and to respond to cybersecurity incidents. Through ongoing communications with these teams, our Information Security Committee monitors the prevention, detection, mitigation, and remediation of cybersecurity threats and incidents in real-time and report such threats and incidents to management's Risk Committee when appropriate.

Our vCISO has served in various information technology, security, and privacy roles for over 25 years, including as the Chief Information Security Officer for several large public companies. Our vCISO holds undergraduate and graduate degrees in business administration and law, including specialties in information systems management and legal risk and compliance. Additionally, he has attained professional certifications in information security, auditing and assessment, and threat intelligence.

Cybersecurity threats, including those related to previous cybersecurity incidents, have not materially affected and are not reasonably likely to affect us, our business strategy, operations, or financial condition.

Item 2. Properties

Our principal executive offices are located at 6100 4th Avenue South, Seattle, Washington. We purchased the building in August 2018 and occupy 120,124 square feet.

Item 3. Legal Proceedings

Information with respect to this item may be found in Note 8 of Item 8, “Financial Statements and Supplementary Data”, under the caption, “Legal Proceedings” which information is incorporated herein by reference.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities

Recent Sales of Unregistered Securities

Pursuant to a marketing agreement between us and a strategic distributor, we agreed to issue shares of our common stock to the distributor as partial consideration for sales made through the distributor's marketing channels of white-label pet insurance and wellness products that we create and administer under the agreement. The number of shares we issue is determined quarterly, based on a percentage of revenue from such product sales divided by the volume weighted average price per share for the preceding quarter or, if lower, for the three months ended December 5, 2021. The shares we issue are subject to various restrictions, including a minimum holding period of two years and customary transfer restrictions for shares acquired in a private placement. During the quarter ended December 31, 2024, we issued 2,881 shares of our common stock to the distributor in respect of product sales that occurred in the quarter ended September 30, 2024. We offered and sold these shares in reliance upon the exemption from the registration set forth under Section 4(a)(2) of the Securities Act, and the regulations promulgated thereunder relating to sales by an issuer not involving any public offering, and in reliance on similar exemptions under applicable state laws.

Market for our Common Stock

Our common stock began trading on the New York Stock Exchange (NYSE) under the symbol "TRUP" on July 18, 2014. Prior to that time, there was no public market for our common stock. On June 17, 2016, we voluntarily transferred the listing of our common stock from the NYSE to the NASDAQ Global Market of the NASDAQ Stock Market LLC (NASDAQ) where our common stock continues to be traded under the symbol "TRUP".

Dividend Policy

We have never declared or paid cash dividends on our common stock. Other than potential repurchases of our common stock, we currently intend to retain all available funds and any future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. Any further determination to pay dividends on our common stock will be at the discretion of our board of directors, subject to applicable laws, and will depend on our financial condition, results of operations, capital requirements, general business conditions and other factors that our board of directors considers relevant.

Holders of Record

As of February 14, 2025, there were 24 registered stockholders of record of our common stock. The actual number of stockholders is greater than this number of record holders, and includes stockholders who are beneficial owners, whose shares are held of record by banks, brokers, and other financial institutions.

Securities Authorized for Issuance under Equity Compensation Plans

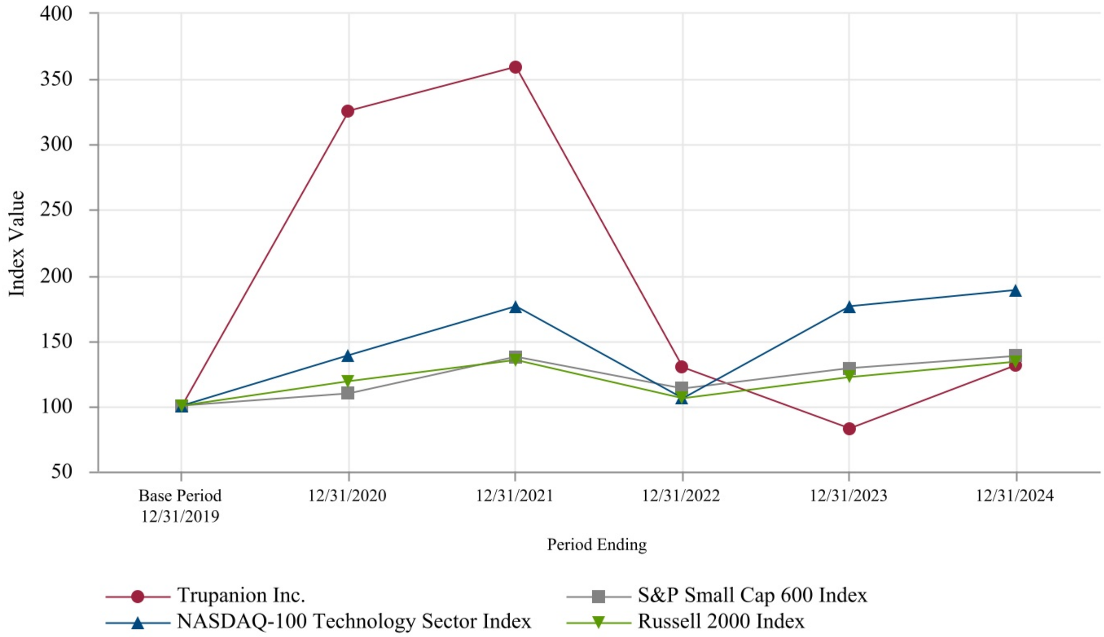
The information called for by this item is incorporated by reference to our Proxy Statement for the Annual Meeting of Stockholders to be held in 2025. See Part III, Item 12 "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."

Stock Performance Graph

The following shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or incorporated by reference into any of our other filings under the Exchange Act or the Securities Act, except to the extent we specifically incorporate it by reference into such filing.

This chart compares the stockholder return on an investment of $100 over the five years from December 31, 2019 through December 31, 2024 for (1) our common stock, (2) the S&P Small Cap 600 Index, (3) the NASDAQ-100 Technology Sector Index, and (4) the Russell 2000 Index. All values assume the reinvestment of any dividends; however, no dividends have been declared on our common stock to date. The stockholder return on the following graph is not necessarily indicative of future performance.

Comparison of Cumulative Total Return
Among Trupanion, S&P Small Cap 600 Index, NASDAQ-100 Technology Sector Index, and Russell 2000 Index



	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024
Trupanion Inc.	$ 100.00	$ 325.65	$ 359.17	$ 129.30	$ 83.00	$ 131.12
S&P Small Cap 600 Index	$ 100.00	$ 109.57	$ 137.26	$ 113.35	$ 129.09	$ 137.90
NASDAQ-100 Technology Sector Index	$ 100.00	$ 138.58	$ 175.96	$ 105.70	$ 176.19	$ 188.76
Russell 2000 Index	$ 100.00	$ 118.67	$ 134.92	$ 105.83	$ 121.81	$ 134.01

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Please read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and related notes included under Part II, Item 8 of this Annual Report on Form 10-K.

This section of this Form 10-K generally discusses 2024 and 2023 items and year-to-year comparisons between 2024 and 2023. Discussions of 2022 items and year-to-year comparisons between 2023 and 2022 that are not included in this Form 10-K can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Overview

We provide medical insurance for cats and dogs in the United States, Canada, certain countries in Continental Europe, and Australia. Through our data-driven, vertically-integrated approach, we develop and offer high value medical insurance products, priced specifically for each pet's unique characteristics and coverage level. Our growing and loyal membership base provides us with highly predictable and recurring revenue.

We operate in two reporting segments: subscription business and other business. We generate revenue in our subscription business segment primarily through insurance premiums, which we refer to as subscription payments from direct-to-consumer products. We operate our subscription business segment similar to other subscription-based businesses, with a focus on achieving a target margin prior to our new pet acquisition expense and acquiring as many pets as possible at our targeted average estimated internal rate of return. Within our subscription business, we also provide "Powered by Trupanion" pet insurance product offerings marketed by third parties, low and medium average revenue per pet products marketed under the brand names Furkin and PHI Direct in Canada, and a Trupanion branded product in Germany and Switzerland. We either directly underwrite or assume full insurance risk for these products through reinsurance arrangements. We provide a full suite of services and support for these products and they are designed to align with the target margin profile of our subscription business segment. Within this segment, we also offer products in certain countries in Continental Europe, which are currently underwritten by third parties who pay us commissions that we recognize as revenue. Going forward our intent is to assume full insurance risk for these products, either through direct underwriting or reinsurance arrangements.

We generate leads for our subscription business segment from a diverse set of member acquisition channels, which we then seek to convert into members through our contact center, website and other direct-to-consumer activities. These channels include leads from third-parties such as veterinarians and referrals from existing members. Veterinary hospitals represent our largest referral source. Our "Territory Partners" travel through their territories to have face-to-face visits with veterinarians and their staff. Territory Partners are dedicated to cultivating direct veterinary relationships and helping those veterinarians understand the benefits of high-quality medical insurance. Veterinarians then educate pet parents, who visit our website or call our contact center to learn more about, and potentially enroll in, a Trupanion product. We also receive a significant number of new leads from existing members adding pets and referring their friends and family members. Our direct-to-consumer acquisition channels serve as important resources for pet owner education and drive new member leads and conversion. We monitor average pet acquisition cost to evaluate the efficiency in acquiring new members and measure effectiveness based on our targeted return on investment.

Our other business segment is comprised of revenue from other product offerings, with third parties with whom we generally have a business-to-business relationship. This business segment has, and targets, a lower margin profile than our subscription segment and is not part of our core business strategy. The largest source of revenue within this segment is from our long-standing contractual relationship with Pets Best, a third-party partner we have worked with since 2015.

Key Operating Metrics

The following tables set forth total enrolled pets in our subscription and our other business segment and key operating metrics for our subscription business for the years ended December 31, 2024, 2023 and 2022, and for each of the last eight fiscal quarters.

	Year Ended December 31,		
	2024	2023	2022
Total Business:			
Total pets enrolled (at period end)	1,677,570	1,714,473	1,537,573
Subscription Business:			
Total subscription pets enrolled (at period end)	1,041,212	991,426	869,862
Monthly average revenue per pet	$ 72.98	$ 65.26	$ 63.82
Average pet acquisition cost (PAC)	$ 235	$ 228	$ 289
Average monthly retention	98.25 %	98.49 %	98.69 %

	Three Months Ended							
	Dec. 31, 2024	Sep. 30, 2024	Jun. 30, 2024	Mar. 31, 2024	Dec. 31, 2023	Sep. 30, 2023	Jun. 30, 2023	Mar. 31, 2023
Total Business:								
Total pets enrolled (at period end)	1,677,570	1,688,903	1,699,643	1,708,017	1,714,473	1,712,177	1,679,659	1,616,865
Subscription Business:								
Total subscription pets enrolled (at period end)	1,041,212	1,032,042	1,020,934	1,006,168	991,426	969,322	943,958	906,369
Monthly average revenue per pet	$ 76.02	$ 74.27	$ 71.72	$ 69.79	$ 67.07	$ 65.82	$ 64.41	$ 63.58
Average pet acquisition cost (PAC)	$ 261	$ 243	$ 231	$ 207	$ 217	$ 212	$ 236	$ 247
Average monthly retention	98.25 %	98.29 %	98.34 %	98.41 %	98.49 %	98.55 %	98.61 %	98.65 %

Total pets enrolled and total subscription pets enrolled include certain pet enrollments in European markets, where policies are currently underwritten by third parties and Trupanion is acting as an insurance broker. Per pet metrics, however, exclude these European policies, as their revenue is currently earned from commissions, as opposed to the subscription payments earned by the remainder of our subscription business.

Total pets enrolled. Total pets enrolled reflects the number of pets enrolled in one of the insurance products offered in our subscription business segment and our other business segment at the end of each period presented. We monitor total pets enrolled because it provides an indication of the growth of our consolidated business.

Total subscription pets enrolled. Total subscription pets enrolled reflects the number of pets in active memberships at the end of each period presented. We monitor total subscription pets enrolled because it provides an indication of the growth of our subscription business.

Monthly average revenue per pet. Monthly average revenue per pet is calculated as amounts billed in a given period for subscriptions divided by the total number of subscription pet months in the period. Total subscription pet months in a period represents the sum of all subscription pets enrolled for each month during the period. We monitor monthly average revenue per pet because it is an indicator of the per pet unit economics of our subscription business.

Average pet acquisition cost. Average pet acquisition cost ("PAC") is calculated as net acquisition cost divided by the total number of new subscription pets enrolled in that period. Net acquisition cost, a non-GAAP financial measure, is calculated in a reporting period as new pet acquisition expense, excluding stock-based compensation expense, other business segment expense, offset by sign-up fee revenue. We exclude stock-based compensation expense because the amount varies from period to period based on number of awards issued and market-based valuation inputs. We offset sign-up fee revenue because it is a one-time charge to new members collected at the time of enrollment used to partially offset initial setup costs, which are included in new pet acquisition expenses. We exclude other business segment pet acquisition expense because that does not relate to subscription enrollments. We monitor average pet acquisition cost to evaluate the efficiency in acquiring new members and measure effectiveness based on our targeted return on investment.

Average monthly retention. Average monthly retention is measured as the monthly retention rate of enrolled subscription pets for each applicable period averaged over the 12 months prior to the period end date. As such, our average monthly retention rate as of December 31, 2024 is an average of each month's retention from January 1, 2024 through December 31, 2024. We calculate monthly retention as the number of pets that remain after subtracting all pets that cancel during a month, including pets that enroll and cancel within that month, divided by the total pets enrolled at the beginning of that month. We monitor average monthly retention because it provides a measure of member satisfaction and allows us to calculate the implied average subscriber life in months.

Non-GAAP Financial Measures

In addition to our results determined in accordance with U.S. GAAP, we believe the following non-GAAP financial measures are useful in evaluating our operating performance. We use the following non-GAAP financial information to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe that these non-GAAP financial measures, when taken collectively, may be helpful to investors in providing consistency and comparability with past financial performance. However, non-GAAP financial information is presented for supplemental informational purposes only, has limitations as an analytical tool, and should not be considered in isolation, or as a substitute for, the directly comparable financial measures prepared in accordance with GAAP.

We calculate these non-GAAP financial measures by excluding certain non-cash or non-recurring expenses. We exclude non-recurring transactions and restructuring expenses as they are not indicative of our operating performance. We exclude stock-based compensation as it is non-cash in nature. Although stock-based compensation expenses are expected to remain recurring expenses for the foreseeable future, we believe excluding them allows investors to make meaningful comparisons between our recurring core business operating results and those of other companies. We define non-GAAP development expenses as operating expenses incurred to develop new products and offerings that are pre-revenue. We define non-GAAP fixed expenses as the total of technology and development expense and general and administrative expense, less stock-based compensation expense, non-recurring transaction and restructuring expense, and development expenses related to exploring and developing new products and offerings that generally are in the pre-revenue stage or not at scale.

The following tables present the reconciliation of our non-GAAP financial measures from corresponding GAAP measures for the periods presented (in thousands):

	Year Ended December 31,		
	2024	2023	2022
Veterinary invoice expense	$ 949,148	$ 831,055	$ 649,737
Less:			
Stock-based compensation expense(1)	(3,335)	(3,450)	(4,054)
Other business cost of paying veterinary invoices(4)	(324,720)	(287,858)	(212,857)
Subscription cost of paying veterinary invoices (non-GAAP)	$ 621,093	$ 539,747	$ 432,826
% of subscription revenue	72.5 %	75.7 %	72.5 %
Other cost of revenue	$ 157,738	$ 146,534	$ 133,257
Less:			
Stock-based compensation expense(1)	(1,955)	(1,544)	(2,232)
Other business variable expenses(4)	(75,050)	(75,756)	(72,453)
Subscription variable expenses (non-GAAP)	$ 80,733	$ 69,234	$ 58,572
% of subscription revenue	9.4 %	9.7 %	9.8 %
Technology and development expense	$ 31,255	$ 21,403	$ 25,133
General and administrative expense	63,731	60,207	39,379
Less:			
Stock-based compensation expense(1)	(19,742)	(19,869)	(17,135)
Non-recurring transaction or restructuring expenses (2)	—	(4,175)	(372)
Development expenses(3)	(5,624)	(5,100)	(7,789)
Fixed expenses (non-GAAP)	$ 69,620	$ 52,466	$ 39,216
% of total revenue	5.4 %	4.7 %	4.3 %
New pet acquisition expense	$ 71,379	$ 77,372	$ 89,500
Less:			
Stock-based compensation expense(1)	(6,908)	(7,000)	(9,116)
Other business pet acquisition expense(4)	(39)	(200)	(541)
Subscription acquisition cost (non-GAAP)	$ 64,432	$ 70,172	$ 79,843
% of subscription revenue	7.5 %	9.8 %	13.3 %

(1)Trupanion employees may elect to take restricted stock units in lieu of cash payment for their bonuses. We account for such expense as stock-based compensation in accordance with GAAP, but we do not include it in any non-GAAP adjustments. Stock-based compensation associated with bonuses was approximately $1.5 million and $1.3 million for the years ended December 31, 2024 and 2023, respectively.

(2)Consists of business acquisition transaction expenses, severance and legal costs due to certain executive departures, and a $3.8 million non-recurring settlement of accounts receivable in the first quarter of 2023 related to uncollected premiums in connection with the transition of underwriting a third-party business to other insurers.
(3)Consists of costs related to product exploration and development that are pre-revenue and historically have been insignificant.

(4)Excludes the portion of stock-based compensation expense attributable to the other business segment.

	Three Months Ended							
	Dec. 31, 2024	Sep. 30, 2024	Jun. 30, 2024	Mar. 31, 2024	Dec. 31, 2023	Sep. 30, 2023	Jun. 30, 2023	Mar. 31, 2023
Veterinary invoice expense	$ 245,663	$ 238,814	$ 231,102	$ 233,569	$ 217,739	$ 212,441	$ 206,738	$ 194,137
Less:								
Stock-based compensation expense(1)	(800)	(830)	(843)	(862)	(885)	(870)	(856)	(839)
Other business cost of paying veterinary invoices(4)	(85,378)	(82,507)	(75,622)	(81,213)	(77,572)	(72,694)	(72,443)	(65,149)
Subscription cost of paying veterinary invoices (non-GAAP)	$ 159,485	$ 155,477	$ 154,637	$ 151,494	$ 139,282	$ 138,877	$ 133,439	$ 128,149
% of subscription revenue	70.0 %	71.0 %	74.1 %	75.3 %	72.7 %	75.9 %	77.0 %	77.6 %
Other cost of revenue	$ 38,721	$ 39,263	$ 43,429	$ 36,325	$ 38,054	$ 38,179	$ 34,455	$ 35,846
Less:								
Stock-based compensation expense(1)	(476)	(536)	(523)	(420)	(386)	(282)	(428)	(448)
Other business variable expenses(4)	(17,336)	(18,126)	(23,091)	(16,498)	(19,301)	(20,482)	(17,230)	(18,743)
Subscription variable expenses (non-GAAP)	$ 20,909	$ 20,601	$ 19,815	$ 19,407	$ 18,367	$ 17,415	$ 16,797	$ 16,655
% of subscription revenue	9.2 %	9.4 %	9.5 %	9.6 %	9.6 %	9.5 %	9.7 %	10.1 %
Technology and development expense	$ 8,172	$ 7,933	$ 8,190	$ 6,960	$ 5,969	$ 5,302	$ 5,232	$ 4,900
General and administrative expense	16,828	16,977	15,253	14,673	13,390	12,664	13,136	21,017
Less:								
Stock-based compensation expense(1)	(5,277)	(5,258)	(4,949)	(4,258)	(3,797)	(3,754)	(3,497)	(8,821)
Non-recurring transaction or restructuring expenses (2)	—	—	—	—	—	(8)	(65)	(4,102)
Development expenses(3)	(1,322)	(1,474)	(1,655)	(1,178)	(1,683)	(1,594)	(925)	(898)
Fixed expenses (non-GAAP)	$ 18,401	$ 18,178	$ 16,839	$ 16,197	$ 13,879	$ 12,610	$ 13,881	$ 12,096
% of total revenue	5.5 %	5.6 %	5.3 %	5.3 %	4.7 %	4.4 %	5.1 %	4.7 %
New pet acquisition expense	$ 18,354	$ 18,308	$ 17,874	$ 16,843	$ 17,189	$ 17,772	$ 20,769	$ 21,642
Less:								
Stock-based compensation expense(1)	(1,482)	(1,503)	(2,066)	(1,857)	(1,567)	(1,679)	(1,722)	(2,032)
Other business pet acquisition expense(4)	(8)	(8)	(10)	(13)	(77)	(10)	(62)	(51)
Subscription acquisition cost (non-GAAP)	$ 16,864	$ 16,797	$ 15,798	$ 14,973	$ 15,545	$ 16,083	$ 18,985	$ 19,559
% of subscription revenue	7.4 %	7.7 %	7.6 %	7.4 %	8.1 %	8.8 %	11.0 %	11.8 %

(1)Trupanion employees may elect to take restricted stock units in lieu of cash payment for their bonuses. We account for such expense as stock-based compensation in accordance with GAAP, but we do not include it in any non-GAAP adjustments. Stock-based compensation associated with bonuses was approximately $0.3 million and $0.7 million for the three months ended December 31, 2024 and 2023, respectively.
(2)Consists of business acquisition transaction expenses, severance and legal costs due to certain executive departures, and a $3.8 million non-recurring settlement of accounts receivable in the first quarter of 2023 related to uncollected premiums in connection with the transition of underwriting a third-party business to other insurers. (3)Consists of costs related to product exploration and development that are pre-revenue and historically have been insignificant (4)Excludes the portion of stock-based compensation expense attributable to the other business segment

When determining our PAC, we calculate net acquisition cost for a more comparable metric across periods. Net acquisition cost, a non-GAAP financial measure, is calculated in a reporting period as GAAP new pet acquisition expense, excluding stock-based compensation expense, other business segment expense, and pet acquisition expense for commission-based policies, offset by sign-up fee revenue. We exclude stock-based compensation expense because the amount varies from period to period based on the number of awards issued and market-based valuation inputs. We exclude other business segment pet acquisition expense because it does not relate to subscription enrollments. We exclude pet acquisition expense for commission-based policies because the revenue of these products is earned from commissions from a third-party underwriter, as opposed to the subscription payments earned by the remainder of our subscription business. We offset sign-up fee revenue because it is a one-time charge to new members collected at the time of enrollment used to partially offset initial setup costs, which are included in new pet acquisition expenses.

The following tables reconcile GAAP new pet acquisition expense to non-GAAP net acquisition cost (in thousands) for the years ended December 31, 2024, 2023, and 2022, and for each of the last eight fiscal quarters:

	Year Ended December 31,		
	2024	2023	2022
New pet acquisition expense	$ 71,379	$ 77,372	$ 89,500
Net of sign-up fee revenue	(4,061)	(4,527)	(4,984)
Excluding:			
Stock-based compensation expense	(6,908)	(7,000)	(9,116)
Other business pet acquisition expense	(39)	(200)	(541)
Pet acquisition expense for commission-based policies	(3,345)	(3,443)	(443)
Net acquisition cost	$ 57,026	$ 62,202	$ 74,416

	Three Months Ended							
	Dec. 31, 2024	Sep. 30, 2024	Jun. 30, 2024	Mar. 31, 2024	Dec. 31, 2023	Sep. 30, 2023	Jun. 30, 2023	Mar. 31, 2023
New pet acquisition expense	$ 18,354	$ 18,308	$ 17,874	$ 16,843	$ 17,189	$ 17,772	$ 20,769	$ 21,642
Net of sign-up fee revenue	(906)	(1,100)	(1,036)	(1,019)	(1,035)	(1,084)	(1,189)	(1,219)
Excluding:								
Stock-based compensation expense	(1,482)	(1,503)	(2,066)	(1,857)	(1,567)	(1,679)	(1,722)	(2,032)
Other business pet acquisition expense	(8)	(8)	(10)	(13)	(77)	(10)	(62)	(51)
Pet acquisition expense for commission-based policies	(1,125)	(634)	(754)	(832)	(802)	(826)	(888)	(927)
Net acquisition cost	$ 14,833	$ 15,063	$ 14,008	$ 13,122	$ 13,708	$ 14,173	$ 16,908	$ 17,413

Components of Operating Results

General

We operate in two reporting segments: subscription business and other business. We generate revenue in our subscription business segment primarily by subscription payments from direct-to-consumer products. We operate our subscription business segment similar to other subscription-based businesses, with a focus on achieving a target margin prior to our pet acquisition expense and acquiring as many pets as possible at our targeted average estimated internal rate of return. Within our subscription business, we also provide "Powered by Trupanion" pet insurance product offerings marketed by third parties, low and medium average revenue per pet products marketed under the brand names Furkin and PHI Direct in Canada, and a Trupanion branded product in Germany and Switzerland. We provide a full suite of services and support for these products and they are designed to align with the target margin profile of our subscription business segment. Within our subscription business segment we also offer products in certain countries in Continental Europe, which are underwritten by third parties who pay us commissions that we recognize as revenue.

Our other business segment is comprised of revenue from other product offerings with third parties with whom we generally have a business-to-business relationship. This business segment has, and targets, a different margin profile than our subscription business segment and includes revenue from writing policies on behalf of third parties and revenue from other pet insurance products. The largest source of revenue within this segment is from our long-standing contractual relationship with Pets Best, a third-partner we have worked with since 2015. Additional products in this segment include the U.S. Department of Veterans Affairs program and employer-sponsored programs.

Revenue

We generate revenue in our subscription business segment primarily from subscription payments for our pet medical insurance. Subscription payments are paid at the beginning of each subscription period. In most cases, our members authorize us to directly charge their credit card, debit card or bank account through automatic funds transfer. Subscription revenue is recognized on a pro rata basis over the policy term. Membership may be canceled at any time without penalty, and we issue a refund for the unused portion of the canceled membership. In addition to subscription payments, we generate a small amount of revenue from charging a one-time sign-up fee to new members collected at the time of enrollment to partially offset initial setup costs. Sign-up fees are related to Trupanion's obligation to provide insurance coverage and are recognized over the policy term. We also generate a portion of our subscription business segment revenue through commissions earned in our European markets, where policies are currently underwritten by third parties and Trupanion is acting as an insurance broker.

We generate revenue in our other business segment primarily from writing policies on behalf of third parties where we do not undertake the direct consumer marketing. This segment also includes revenue from other pet insurance products that have a different margin profile from our subscription business.

Cost of Revenue

Cost of revenue in each of our segments is comprised of the following:

Veterinary invoice expense

Veterinary invoice expense includes our costs to review and pay veterinary invoices, administer the payments, and provide member services, and other operating expenses directly or indirectly related to the claims process. We also accrue for veterinary invoices that have been incurred but not yet received and for the estimated internal costs of processing those invoices. This also includes amounts paid by unaffiliated general agents on our behalf, and an estimate of amounts incurred and not yet paid for our other business segment.

Other cost of revenue

Other cost of revenue for the subscription business segment includes direct and indirect member service expenses, Territory Partner fees upon policy renewals, payment processing fees and premium tax expenses. Other cost of revenue for the other business segment includes the commissions we pay to unaffiliated general agents, costs to administer the programs in the other business segment and premium taxes on the sales in this segment.

Operating Expenses

Our operating expenses are classified into five categories: technology and development, general and administrative, new pet acquisition expense, goodwill impairment charges, and depreciation and amortization. For each category, except goodwill impairment charges and depreciation and amortization, the largest component is personnel costs, which include salaries, employee benefit costs, bonuses and stock-based compensation expense.

Technology and development

Technology and development expenses primarily consist of personnel costs and related expenses for our technology staff, which includes information technology development and infrastructure support, including third-party services. It also includes expenses associated with development in new geographies and new products and offerings.

General and administrative

General and administrative expenses consist primarily of personnel costs and related expenses for our finance, actuarial, human resources, regulatory, legal and general management functions, as well as facilities and professional services.

New pet acquisition expense

New pet acquisition expenses primarily consist of costs, including personnel costs, to educate veterinarians and consumers about the benefits of Trupanion, to generate leads and to convert leads into enrolled pets, as well as print, online and promotional advertising costs.

Goodwill impairment charges

Goodwill impairment charges consist of impairment charges taken on goodwill balances arising from acquisitions. For further details on goodwill impairment charges refer to Note 4, Goodwill and Intangible Assets, included in Item 8 of this report.

Depreciation and amortization

Depreciation and amortization expenses consist of depreciation of property, equipment, and software developed for internal use, as well as amortization of finite-lived intangible assets.

Gain (loss) from investment in joint venture

Gain (loss) from investment in joint venture consists of the share of income and losses from our equity method investment in a joint venture, as well as income and expenses associated with administrative services provided to the joint venture.

Stock-based compensation

Stock-based compensation is included in the cost and expense line items above. Stock-based compensation will vary depending on corporate performance and terms of the awards under our equity incentive plan. For example, when we have delivered strong performance, stock-based compensation may increase as a result of incentive-based awards under our equity incentive plan.

Factors Affecting Our Performance

Average monthly retention. Our performance depends on our ability to continue to retain our existing and newly enrolled pets and is impacted by our ability to provide a best-in-class value and member experience. Our ability to retain enrolled pets depends on a number of factors, including the actual and perceived value of our services and the quality of our member experience, the ease and transparency of the process for reviewing and paying veterinary invoices for our members, the rate of veterinary inflation and of our pricing adjustments, and the competitive environment. In addition, other initiatives across our business may temporarily impact retention and make it difficult for us to improve or maintain this metric. For example, if the number of new pets enrolled increases at a faster rate than our historical experience, our average monthly retention rate could be adversely impacted, as our retention rate is generally lower during the first year of member enrollment.

Investment in pet acquisition. We have made and may continue to make significant investments to grow our member base. Our pet acquisition cost and the number of new members we enroll depends on a number of factors, including the amount we have available and we elect to invest in pet acquisition activities in any particular period in the aggregate and by channel, the frequency of existing members adding a pet or referring their friends or family, the effectiveness of our sales execution and marketing initiatives, changes in costs of media, the mix of our pet acquisition expenditures and the competitive environment. Our average pet acquisition cost has in the past significantly varied, and in the future may significantly vary, from period to period based upon specific marketing initiatives and estimated rates of return on pet acquisition spend. We also regularly test new member acquisition channels and marketing initiatives, which may be more expensive than our traditional marketing channels and may increase our average pet acquisition costs. We continually assess our pet acquisition activities by monitoring the estimated return on PAC spend both on a detailed level by acquisition channel and in the aggregate.

Timing of price adjustments. Our subscription business's cost-plus model depends on our ability to estimate our operating costs and expenses, including veterinary invoice expenses, and to adjust our pricing to achieve our target margins. We regularly reevaluate and adjust the price of our subscriptions, with a goal of achieving our targeted payout ratio, subject to the review and approval of regulators where applicable. This makes it important for us to accurately estimate our costs and to promptly implement pricing adjustments, which generally roll onto our book of insured pets over the succeeding twelve months following any applicable regulatory approval. As a result, we may have timing mismatches during which our pricing does not reflect our current expense profile. In periods of rapid increases in veterinary invoice expenses, including periods of significant inflation, this timing mismatch may have a significant impact on our margin profile.

Timing of initiatives. Over time, we plan to implement new initiatives to improve our member experience, make modifications to our subscription plan, introduce new coverage plans, pursue pet food or other adjacent opportunities, improve our technology, increase the number of veterinary hospitals using our patented direct pay software, and find other ways to maintain a strong value proposition for our members. The implementation of such initiatives could impact our expense profile and result in us incurring expenses that may not always directly coincide with revenue increases, resulting in fluctuations in revenue and profitability in our subscription business segment.

Mix of sales. The relative mix of our business by geography, pet age, species, breed, and other factors impacts the monthly average revenue per pet we receive. For example, prices from our plans could vary depending on the relative cost of veterinary care in different countries or areas or whether the pet is a dog or a cat. As our mix of business between products and geographies changes, our metrics, such as our monthly average revenue per pet, and our exposure to foreign exchange fluctuations will be impacted. We expect our international business, additional product offerings and "Powered by Trupanion" plans to grow and, in turn, we expect these effects to increase.

Other business segment. Our other business segment primarily includes other product offerings that are materially different from those in our subscription business segment. In addition, we expect the growth rate and margin profile of this segment to be significantly different from our subscription business segment. We do not undertake marketing efforts for and are not the primary interface with the customers of the third parties for whom we underwrite other business segment policies. Our relationships in our other business segment are generally subject to termination provisions and are non-exclusive, including our contractual relationship with Pets Best. Accordingly, we have limited influence on the volume of business of this segment. Loss of an entire program via contract termination could result in the associated policies and revenue being lost over a period of 12 to 18 months, which could have a material impact on our results of operations. In some cases, we have structured exclusive relationships, but those relationships have been and may continue to be subject to limitations on the number of enrolled pets as to which we will write policies for the third party. We may enter into additional relationships in this segment in the future, if we believe they will be beneficial, which could impact our operating results.

Results of Operations

The following tables set forth our results of operations for the periods presented both in absolute dollars and as a percentage of total revenue for those periods. The period-to-period comparison of financial results is not necessarily indicative of future results.

	Year Ended December 31,		
	2024	2023	2022
	(in thousands)		
Revenue:			
Subscription business	$ 856,521	$ 712,906	$ 596,610
Other business	429,163	395,699	308,569
Total revenue	1,285,684	1,108,605	905,179
Cost of revenue:			
Subscription business	706,851	613,686	497,684
Other business	400,035	363,903	285,310
Total cost of revenue[1]	1,106,886	977,589	782,994
Operating expenses:			
Technology and development[1]	31,255	21,403	25,133
General and administrative[1]	63,731	60,207	39,379
New pet acquisition expense[1]	71,379	77,372	89,500
Goodwill impairment charges	5,299	—	—
Depreciation and amortization	16,466	12,474	10,921
Total operating expenses	188,130	171,456	164,933
Gain (loss) from investment in joint venture	(182)	(219)	(253)
Operating loss	(9,514)	(40,659)	(43,001)
Interest expense	14,498	12,077	4,267
Other expense (income), net	(14,374)	(7,701)	(3,072)
Loss before income taxes	(9,638)	(45,035)	(44,196)
Income tax expense (benefit)	(5)	(342)	476
Net loss	$ (9,633)	$ (44,693)	$ (44,672)

[1] Includes stock-based compensation expense as follows:

	Year Ended December 31,		
	2024	2023	2022
	(in thousands)		
Cost of revenue	$ 5,523	$ 5,279	$ 6,484
Technology and development	4,934	2,846	4,742
General and administrative	15,696	17,717	12,831
New pet acquisition expense	7,279	7,319	9,336
Total stock-based compensation expense	$ 33,432	$ 33,161	$ 33,393

	Year Ended December 31,		
	2024	2023	2022
	(as a percentage of revenue)		
Revenue	100 %	100 %	100 %
Cost of revenue	86	88	87
Operating expenses:			
Technology and development	2	2	3
General and administrative	5	5	4
New pet acquisition expense	6	7	10
Goodwill impairment charges	—	—	—
Depreciation and amortization	1	1	1
Total operating expenses	14	15	18
Gain (loss) from investment in joint venture	—	—	—
Operating loss	(1)	(4)	(5)
Interest expense	1	1	—
Other expense (income), net	(1)	(1)	—
Loss before income taxes	(1)	(4)	(5)
Income tax expense (benefit)	—	—	—
Net loss	(1)%	(4)%	(5)%

Stock-based compensation expense:	Year Ended December 31,		
	2024	2023	2022
	(as a percentage of revenue)		
Cost of revenue	— %	— %	1 %
Technology and development	—	— %	1
General and administrative	1	2 %	1
New pet acquisition expense	1	1 %	1
Total stock-based compensation expense	2 %	3 %	4 %

	Year Ended December 31,		
	2024	2023	2022
	(as a percentage of subscription revenue)		
Subscription business revenue	100 %	100 %	100 %
Subscription business cost of revenue	83	86	83

Comparison of the years ended December 31, 2024, 2023, and 2022

Revenue

	Year Ended December 31,			% Change	
	2024	2023	2022	2024 vs. 2023	2023 vs. 2022
	(in thousands, except percentages, pet and per pet data)				
Revenue:					
Subscription business	$ 856,521	$ 712,906	$ 596,610	20%	19%
Other business	429,163	395,699	308,569	8	28
Total revenue	$ 1,285,684	$ 1,108,605	$ 905,179	16	22
Percentage of Revenue by Segment:					
Subscription business	67 %	64 %	66 %		
Other business	33	36	34		
Total revenue	100 %	100 %	100 %		
Total pets enrolled (at period end)	1,677,570	1,714,473	1,537,573	(2)	12
Total subscription pets enrolled (at period end)	1,041,212	991,426	869,862	5	14
Monthly average revenue per pet	$ 72.98	$ 65.26	$ 63.82	12	2
Average monthly retention	98.25 %	98.49 %	98.69 %		

Year ended December 31, 2024 compared to year ended December 31, 2023. Total revenue increased by $177.1 million, or 16%, to $1,285.7 million for the year ended December 31, 2024. Revenue from our subscription business segment increased by $143.6 million, or 20%, to $856.5 million for the year ended December 31, 2024. This increase was primarily due to a 12% increase in monthly average revenue per pet and an increase in subscription pet months (the sum of pets enrolled for each month during a period) for policies underwritten by Trupanion. Revenue from our other business segment increased by $33.5 million, or 8%, to $429.2 million for the year ended December 31, 2024. This increase was primarily driven by a 17% increase in monthly average revenue per pet in this segment, partially offset by a decrease in pet months in this segment primarily reflecting the expected run off of pets we historically insured for a third-party.

Cost of Revenue

	Year Ended December 31,			% Change	
	2024	2023	2022	2024 vs. 2023	2023 vs. 2022
	(in thousands, except percentages, pet and per pet data)				
Cost of Revenue:					
Subscription business:					
Veterinary invoice expense	$ 624,428	$ 543,196	$ 436,880	15%	24%
Other cost of revenue	82,423	70,490	60,804	17	16
Total cost of revenue	$ 706,851	$ 613,686	$ 497,684	15	23
Other business:					
Veterinary invoice expense	$ 324,720	$ 287,859	$ 212,857	13	35
Other cost of revenue	75,315	76,044	72,453	(1)	5
Total cost of revenue	$ 400,035	$ 363,903	$ 285,310	10	28
Percentage of Revenue by Segment:					
Subscription business:					
Veterinary invoice expense	73 %	76 %	73 %		
Other cost of revenue	10	10	10		
Total cost of revenue	83	86	83		
Other business:					
Veterinary invoice expense	76	73	69		
Other cost of revenue	18	19	23		
Total cost of revenue	94	92	92		
Total pets enrolled (at period end)	1,677,570	1,714,473	1,537,573	(2)	12
Total subscription pets enrolled (at period end)	1,041,212	991,426	869,862	5	14
Monthly average revenue per pet	$ 72.98	$ 65.26	$ 63.82	12	2

Year ended December 31, 2024 compared to year ended December 31, 2023. Total cost of revenue for our subscription business segment increased $93.2 million, or 15%, to $706.9 million for the year ended December 31, 2024. This increase was driven by a $81.2 million, or 15%, increase in veterinary invoice expense and a $11.9 million, or 17%, increase in other cost of revenue. The 15% increase in veterinary invoice expense was driven by an increase in total subscription pet months for policies underwritten by Trupanion and a 7% increase in veterinary invoice expense per pet. The 17% increase in other cost of revenue was primarily driven by general increases in costs attributable to growth in our membership and subscription revenue. Subscription business cost of revenue decreased from 86% to 83% of revenue year-over-year. The primary drivers of this margin improvement were our ongoing pricing actions and continued efficiency gain in our cost of processing claims.

Total cost of revenue for our other business segment increased by $36.1 million, or 10%, to $400.0 million for the year ended December 31, 2024. The increase was primarily driven by a $36.9 million, or 13%, increase in veterinary invoice expense, partially offset by a $0.7 million, or 1%, decrease in other cost of revenue. The 13% increase in veterinary invoice expense was primarily driven by a 21% increase in veterinary invoice expense per pet, offset by a decrease in pet months in this segment primarily reflecting the expected run off of pets we historically insured for a third-party. The 1% decrease in other cost of revenue was primarily driven by decreases in premium-based expenses. Cost of revenue for the other business segment increased from 92% to 93% of revenue year-over-year.

Technology and Development Expenses

	Year Ended December 31,			% Change	
	2024	2023	2022	2024 vs. 2023	2023 vs. 2022
	(in thousands, except percentages)				
Technology and development	$ 31,255	$ 21,403	$ 25,133	46%	(15)%
Percentage of total revenue	2 %	2 %	3 %		

Year ended December 31, 2024 compared to year ended December 31, 2023. Technology and development expenses increased by $9.9 million, or 46%, to $31.3 million for the year ended December 31, 2024. This increase was primarily due a $6.8 million reduction in capitalized expenditures related to internally-developed software projects launched in early 2024, a $1.0 million increase in general compensation and other employee-related expenses, a $1.3 million increase in infrastructure-related expenses, and an increase of $0.8 million in development expense. Technology and development expenses remained constant at 2% of total revenue year over year.

General and Administrative Expenses

	Year Ended December 31,			% Change	
	2024	2023	2022	2024 vs. 2023	2023 vs. 2022
	(in thousands, except percentages)				
General and administrative	$ 63,731	$ 60,207	$ 39,379	6%	53%
Percentage of total revenue	5 %	5 %	4 %		

Year ended December 31, 2024 compared to year ended December 31, 2023. General and administrative expenses increased by $3.5 million, or 6%, to $63.7 million for the year ended December 31, 2024. This increase was driven by increases of $6.6 million in general compensation and other employee-related expenses, $2.7 million in professional services, and $2.3 million in underwriting fees related to our Canadian business. These increases were offset by two charges that were recorded during the first quarter of 2023 that led to a decrease in expense when comparing periods, a $4.8 million stock-based compensation charge following certain executive departures and a $3.8 million charge related to a negotiated settlement of uncollected premiums in connection with the transition of underwriting a third-party business to other insurers. General and administrative expense remained constant at 5% of total revenue year-over-year.

New Pet Acquisition Expense

	Year Ended December 31,			% Change	
	2024	2023	2022	2024 vs. 2023	2023 vs. 2022
	(in thousands, except pet and per pet data)				
New pet acquisition expense	$ 71,379	$ 77,372	$ 89,500	(8)%	(14)%
Percentage of total revenue	6 %	7 %	10 %		
Subscription Business:					
Total subscription pets enrolled (at period end)	1,041,212	991,426	869,862	5	14
Average pet acquisition cost (PAC)	$ 235	$ 228	$ 289	3	(21)

Year ended December 31, 2024 compared to year ended December 31, 2023. New pet acquisition expense decreased by $6.0 million, or 8%, to $71.4 million for the year ended December 31, 2024. This decrease was primarily due to a decrease in expenses related to generating leads and driving conversion, particularly in the first half of 2024, as we focused on growth in our more efficient channels. New pet acquisition expense as a percentage of revenue was 6% for the year ended December 31, 2024 compared to 7% in the same period last year, as we were able to stay disciplined with our discretionary pet acquisition spend, while still managing to grow total enrolled subscription pets, excluding those related to managing general agent policies, by 5%.

Depreciation and Amortization

	Year Ended December 31,			% Change	
	2024	2023	2022	2024 vs. 2023	2023 vs. 2022
	(in thousands, except percentages)				
Depreciation and amortization	$ 16,466	$ 12,474	$ 10,921	32%	14%
Percentage of total revenue	1 %	1 %	1 %		

Year ended December 31, 2024 compared to year ended December 31, 2023. Depreciation and amortization expense increased by $4.0 million, or 32%, to $16.5 million for the year ended December 31, 2024 primarily driven by an increase in in-service internally developed software projects during the period.

Total Other Expense (Income), Net

	Year Ended December 31,			% Change	
	2024	2023	2022	2024 vs. 2023	2023 vs. 2022
	(in thousands, except percentages)				
Interest expense	$ 14,498	$ 12,077	$ 4,267	20%	183%
Other expense (income), net	(14,374)	(7,701)	(3,072)	87	151
Total other (income) expense, net	$ 124	$ 4,376	$ 1,195	(97)%	266%
Percentage of total revenue	— %	— %	— %		

Year ended December 31, 2024 compared to year ended December 31, 2023. Total other expense decreased by $4.3 million to $0.1 million for the year ended December 31, 2024 primarily due to an increase in interest income from our investments partially offset by an increase in interest expense. Additionally, in 2023 total other expense included a credit loss of $1.7 million related to our preferred stock investment in Baystride, Inc. This loss was subsequently determined to be recovered, and was reversed through other expense during the year ended December 31, 2024.

Stock-Based Compensation

Year ended December 31, 2024 compared to year ended December 31, 2023. Stock-based compensation is included in the cost and expense line items in the consolidated statements of operations, discussed above. Stock-based compensation expense in total was $33.4 million for the year ended December 31, 2024, an increase from $33.2 million in the prior year period. The amount of stock-based compensation recognized largely reflects the timing and vesting of our annual performance grants, calculated according to our equity incentive plan. Additionally, the year ended December 31, 2023, included $4.8 million in stock-based compensation as a result of charges taken after certain executive departures.

Quarterly Results of Operations

The following tables contain selected quarterly financial information for the years ended December 31, 2024 and 2023. The unaudited quarterly information has been prepared on a basis consistent with the audited consolidated financial statements and includes all adjustments that we consider necessary for a fair presentation of the information shown. These quarterly operating results for any fiscal quarter are not necessarily indicative of the operating results for any full fiscal year or future period.

Consolidated Statements of Operations Data:	Three Months Ended							
	Dec. 31, 2024	Sep. 30, 2024	Jun. 30, 2024	Mar. 31, 2024	Dec. 31, 2023	Sep. 30, 2023	Jun. 30, 2023	Mar. 31, 2023
	(in thousands)							
Revenue:								
Subscription business	$ 227,783	$ 218,986	$ 208,618	$ 201,134	$ 191,537	$ 182,906	$ 173,253	$ 165,210
Other business	109,524	108,470	106,182	104,987	104,320	102,947	97,313	91,119
Total revenue	337,307	327,456	314,800	306,121	295,857	285,853	270,566	256,329
Cost of revenue:								
Subscription business	181,614	177,365	175,740	172,132	158,631	157,444	151,520	146,091
Other business	102,770	100,712	98,791	97,762	97,162	93,176	89,673	83,892
Total cost of revenue[(1)]	284,384	278,077	274,531	269,894	255,793	250,620	241,193	229,983
Operating expenses:								
Technology and development[(1)]	8,172	7,933	8,190	6,960	5,969	5,302	5,232	4,900
General and administrative[(1)]	16,828	16,977	15,253	14,673	13,390	12,664	13,136	21,017
New pet acquisition expense[(1)]	18,354	18,308	17,874	16,843	17,189	17,772	20,769	21,642
Goodwill impairment charges	5,299	—	—	—	—	—	—	—
Depreciation and amortization	3,924	4,381	4,376	3,785	3,029	2,990	3,253	3,202
Total operating expenses	52,577	47,599	45,693	42,261	39,577	38,728	42,390	50,761
Gain (loss) from investment in joint venture	2	(34)	(47)	(103)	(79)	4	(73)	(71)
Operating income (loss)	348	1,746	(5,471)	(6,137)	408	(3,491)	(13,090)	(24,486)
Interest expense	3,427	3,820	3,655	3,596	3,697	3,053	2,940	2,387
Other expense (income), net	(4,773)	(3,538)	(3,220)	(2,843)	(1,256)	(2,465)	(2,078)	(1,902)
Income (loss) before income taxes	1,694	1,464	(5,906)	(6,890)	(2,033)	(4,079)	(13,952)	(24,971)
Income tax expense (benefit)	38	39	(44)	(38)	130	(43)	(238)	(191)
Net income (loss)	$ 1,656	$ 1,425	$ (5,862)	$ (6,852)	$ (2,163)	$ (4,036)	$ (13,714)	$ (24,780)

(1) Includes stock-based compensation expense as follows (in thousands):

	Three Months Ended							
	Dec. 31, 2024	Sep. 30, 2024	Jun. 30, 2024	Mar. 31, 2024	Dec. 31, 2023	Sep. 30, 2023	Jun. 30, 2023	Mar. 31, 2023
	(in thousands)							
Cost of revenue	$ 1,337	$ 1,401	$ 1,395	$ 1,390	$ 1,478	$ 1,176	$ 1,307	$ 1,318
Technology and development	1,160	1,259	1,261	1,254	861	650	627	708
General and administrative	4,261	4,125	3,861	3,449	3,269	3,281	2,948	8,219
New pet acquisition expense	1,536	1,555	2,129	2,059	1,693	1,785	1,755	2,086
Total stock-based compensation expense	$ 8,294	$ 8,340	$ 8,646	$ 8,152	$ 7,301	$ 6,892	$ 6,637	$ 12,331

	Three Months Ended							
	Dec. 31, 2024	Sep. 30, 2024	Jun. 30, 2024	Mar. 31, 2024	Dec. 31, 2023	Sep. 30, 2023	Jun. 30, 2023	Mar. 31, 2023
Other Financial and Operational Data:								
Total Business:								
Total pets enrolled (at period end)	1,677,570	1,688,903	1,699,643	1,708,017	1,714,473	1,712,177	1,679,659	1,616,865
Subscription Business:								
Total subscription pets enrolled (at period end)	1,041,212	1,032,042	1,020,934	1,006,168	991,426	969,322	943,958	906,369
Monthly average revenue per pet	$ 76.02	$ 74.27	$ 71.72	$ 69.79	$ 67.07	$ 65.82	$ 64.41	$ 63.58
Average pet acquisition cost (PAC)	$ 261	$ 243	$ 231	$ 207	$ 217	$ 212	$ 236	$ 247
Average monthly retention	98.25 %	98.29 %	98.34 %	98.41 %	98.49 %	98.55 %	98.61 %	98.65 %

	Three Months Ended							
	Dec. 31, 2024	Sep. 30, 2024	Jun. 30, 2024	Mar. 31, 2024	Dec. 31, 2023	Sep. 30, 2023	Jun. 30, 2023	Mar. 31, 2023
	(as a percentage of revenue)							
Revenue	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
Cost of revenue	84	85	87	88	86	88	89	90
Operating expenses:								
Technology and development	2	2	3	2	2	2	2	2
General and administrative	5	5	5	5	5	4	5	8
New pet acquisition expense	5	6	6	6	6	6	8	8
Goodwill impairment charges	2	—	—	—	—	—	—	—
Depreciation and amortization	1	1	1	1	1	1	1	1
Total operating expenses	15	14	15	14	14	13	16	19
Gain (loss) from investment in joint venture	—	—	—	—	—	—	—	—
Operating income (loss)	—	1	(2)	(2)	—	(1)	(5)	(10)
Interest expense	1	1	1	1	1	1	1	1
Other expense (income), net	(1)	(1)	(1)	(1)	—	(1)	(1)	(1)
Income (loss) before income taxes	1	—	(2)	(2)	(1)	(1)	(5)	(10)
Income tax expense (benefit)	—	—	—	—	—	—	—	—
Net income (loss)	— %	— %	(2)%	(2)%	(1)%	(1)%	(5)%	(10)%

	Three Months Ended							
	Dec. 31, 2024	Sep. 30, 2024	Jun. 30, 2024	Mar. 31, 2024	Dec. 31, 2023	Sep. 30, 2023	Jun. 30, 2023	Mar. 31, 2023
	(as a percentage of subscription revenue)							
Subscription business revenue	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
Subscription business cost of revenue	80	81	84	86	83	86	87	88

Liquidity and Capital Resources

The following table summarizes our cash flows for the periods indicated (in thousands):

	Year Ended December 31,		
	2024	2023	2022
Net cash provided by (used in) operating activities	$ 48,287	$ 18,638	$ (8,000)
Net cash provided by (used in) investing activities	(13,457)	7,639	(67,516)
Net cash provided by (used in) financing activities	(3,957)	59,126	60,743
Effect of foreign exchange rates on cash, cash equivalents, and restricted cash, net	(1,877)	424	(1,459)
Net change in cash, cash equivalents, and restricted cash	$ 28,996	$ 85,827	$ (16,232)

Our primary requirements for liquidity are paying veterinary invoices, funding and growing our operations, funding our capital requirements, investing in new member acquisition, investing in enhancements to our member experience, and servicing debt. We have certain contractual obligations in the normal course of business, including obligations and commitments relating to our Credit Facility, non-cancellable vendor purchase agreements, as well as future payments of veterinary invoices. Refer to Note 9, Reserve for Veterinary Invoices, included in Item 8 of Part II of this 10-K, for further details on anticipated cash outflows.

Most recently, our primary sources of liquidity have been cash provided by operations and available borrowings from our Credit Facility. We believe these sources are sufficient to fund our operations and capital requirements for the next 12 months. As we continue to grow and consider strategic opportunities, however, we may explore additional financing to fund our operations and growth or for strategic purposes. Financing could include equity, equity-linked, or debt financing. Additional financing may not be available to us on acceptable terms, or at all. If our capital surplus grows relative to the rate of growth of our business, we may also generate cash for operations and growth, via dividends or other methods, from one or more of our underwriting entities.

As of December 31, 2024, we had $307.4 million in cash, cash equivalents and short-term investments, of which $272.0 million was held by our insurance entities. Outside of insurance entities, we held $35.4 million in cash, cash equivalents and short-term investments with an additional $15.0 million available under our Credit Facility. Our insurance entities maintained $288.0 million of capital surplus. The ability to distribute any portion of this capital surplus to our parent company, and the timing of any distribution, may be subject to regulatory limitations and may be delayed or limited from time to time.

In April 2021, our board of directors approved a share repurchase program, pursuant to which we may, between May 2021 and May 2026, repurchase outstanding shares of our common stock. While our board of directors has approved the program, any repurchase activity is subject to quarterly assessment and board approval, based on various factors including available cash, our stock price relative to our estimated intrinsic value, forecasted operating results, and available opportunities to deploy capital. We repurchased no shares under this program during the year ended December 31, 2024.

Operating Cash Flows

Net cash provided by operating activities was $48.3 million for the year ended December 31, 2024, compared to $18.6 million net cash provided by operating activities for the year ended December 31, 2023. This increase was primarily driven by improved operating results largely driven by higher revenue and improved Subscription Business margins, offset by timing differences in other working capital activities. Changes in accounts receivable and deferred revenue were primarily related to annual policies with annual payment terms within our other business segment. Changes in our reserve for veterinary invoices are driven by multiple factors, including ongoing analysis of claims frequency and severity as well as changes in claims inventory at period end.

Investing Cash Flows

Net cash used by investing activities was $13.5 million for the year ended December 31, 2024, primarily consisting of $9.7 million of capital expenditures primarily related to the development of internal-use software focused on member experience, claims processing, and internal policy management improvements and $5.8 million in purchases, net of sales and maturities, of investment securities. Net cash provided by investing activities was $7.6 million for the year ended December 31, 2023, primarily consisting of $24.3 million in sales and maturities of investment securities, net of purchases, offset by $18.3 million of capital expenditures primarily related to the development of internal-use software focused on member experience, claims processing, and internal policy management improvements.

Financing Cash Flows

Net cash used by financing activities was $4.0 million for the year ended December 31, 2024, primarily consisting of $2.5 million in shares withheld to satisfy tax withholdings and $1.4 million in repayments on the Credit Facility. Net cash provided by financing activities was $59.1 million for the year ended December 31, 2023, primarily consisting of $60.1 million in proceeds from the Credit Facility, partially offset by $1.7 million in debt repayments.

Long-Term Debt

Our Credit Facility provides us with up to $150.0 million of credit. As of December 31, 2024, we issued term loans totaling $135.0 million under the Credit Facility. The Credit Facility is secured by substantially all of our assets and those of our subsidiaries. Refer to Note 10, Debt, included in Item 8 of this report, for further details.

Regulation

As of December 31, 2024, our insurance entities collectively held $125.5 million in cash and cash equivalents, to be used for operating expenses of our insurance entities, $146.4 million in short-term investments and $270.2 million in other current assets. Most of the assets in our insurance entities are subject to certain capital and dividend rules and regulations prescribed by jurisdictions in which they are authorized to operate.

American Pet Insurance Company ("APIC")

The majority of our investments are held by our insurance entities to satisfy risk-based capital requirements of our regulators based on requirements published by the National Association of Insurance Commissioners ("NAIC"). The NAIC requirements provide a method for analyzing the minimum amount of risk-based capital (statutory capital and surplus plus other adjustments) appropriate for an insurance company to support its overall business operations, taking into account the risk characteristics of the company's assets, liabilities and certain other items. An insurance company found to have insufficient statutory capital based on its risk-based capital ratio may be subject to varying levels of additional regulatory oversight depending on the level of capital inadequacy. APIC must hold certain capital amounts in order to comply with the statutory regulations and, therefore, we cannot use these amounts for general operating purposes without regulatory approval. As our business grows, the amount of capital we are required to maintain to satisfy our risk-based capital requirements will also increase, though risk-based capital requirements also take our overall rate of growth into consideration. Recently, our other business segment growth has slowed and, currently, we expect that to continue, which would reduce capital requirements. APIC maintained $245.5 million and $199.6 million of capital surplus as of December 31, 2024 and 2023, respectively. In July 2024, APIC distributed an ordinary dividend of $4.2 million to Trupanion, Inc.

ZPIC Insurance Company ("ZPIC"), QPIC Insurance Company ("QPIC"), and GPIC Insurance Company ("GPIC")

In 2021, we established two new wholly-owned U.S. insurance subsidiaries, ZPIC and QPIC, domiciled in Missouri and Nebraska, respectively, and in 2022 we established a new wholly-owned insurance subsidiary, GPIC, domiciled in Canada. We formed these insurance subsidiaries to provide us flexibility as to the insurance entity we use to market and write policies. We have funded the required statutory capital to each of these new subsidiaries. Due to anticipated lack of use, during the year ended December 31, 2024, we fully dissolved QPIC, which included a distribution of $7.0 million of previously required capital to Trupanion, Inc.

Wyndham Insurance Company (SAC) Limited ("WICL") Segregated Account AX, Wyndham Insurance Company (SAC) Limited Segregated Account Trupanion Germany, and Wyndham Insurance Company (SAC) Limited Segregated Account Trupanion Switzerland

WICL is domiciled in Bermuda and regulated by the Bermuda Monetary Authority ("BMA"). WICL Segregated Account AX was established by WICL, with Trupanion, Inc. as the shareholder, to enter into a reinsurance agreement with Accelerant Insurance Company of Canada, formerly known as Omega General Insurance Company. All of the assets and liabilities of WICL Segregated Account AX are legally segregated from other assets and liabilities within WICL, and all shares of the segregated account are owned by Trupanion, Inc. In April 2024, our parent company received a dividend of $8.6 million from WICL Segregated Account AX as permitted under our agreements with WICL. As required by the Office of the Superintendent of Financial Institutions regulations related to our reinsurance agreement with Accelerant Insurance Company of Canada, we are required to maintain a Canadian Trust account with the greater of CAD $2.0 million or 120% of unearned Canadian premium plus 20% of outstanding Canadian claims, including all incurred but not reported claims. As of December 31, 2024, the account held CAD $19.9 million.

WICL Segregated Account Trupanion Germany and WICL Segregated Account Trupanion Switzerland were established in the third quarter of 2024 by WICL, with Trupanion, Inc. as the shareholder, for purposes of entering into reinsurance agreements with underwriters in Germany and Switzerland, respectively. All of the assets and liabilities of WICL Segregated Account Trupanion Germany and WICL Segregated Account Trupanion Switzerland are legally segregated from other assets and liabilities within WICL, and all shares of the segregated accounts are owned by Trupanion, Inc.

Though we are not directly regulated by the BMA, WICL's regulation and compliance impacts us as it could have an adverse impact on our ability to secure dividends from our WICL segregated accounts. WICL is regulated by the BMA under the Insurance Act of 1978 ("Insurance Act") and the Segregated Accounts Company Act of 2000. The Insurance Act imposes on Bermuda insurance companies, solvency and liquidity standards, certain restrictions on the declaration and payment of dividends and distributions, certain restrictions on the reduction of statutory capital, and auditing and reporting requirements, and grants the BMA powers to supervise and, in certain circumstances, to investigate and intervene in the affairs of insurance companies. Under the Insurance Act, WICL, as a class 3 insurer, is required to maintain available statutory capital and surplus at a level equal to or in excess of a prescribed minimum established by reference to net written premiums and loss reserves.

Under the Bermuda Companies Act 1981, as amended, a Bermuda company may not declare or pay a dividend or make a distribution out of contributed surplus if there are reasonable grounds for believing that: (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realizable value of the company's assets would thereby be less than its liabilities. The Segregated Accounts Company Act of 2000 further requires that dividends out of a segregated account can only be paid to the extent that the account remains solvent and the value of its assets remain greater than the aggregate of its liabilities and its issued share capital and share premium accounts.

Contractual Obligations

We enter into long-term contractual obligations and commitments in the normal course of business, consisting primarily of debt obligations and non-cancellable vendor service agreements. In March 2022, we entered into a credit agreement that provides us with up to $150.0 million of credit, including a $60.0 million initial term loan that was funded at closing and an aggregate $75.0 million of delayed draw term loans funded between December 2022 and September 2023. Refer to Note 10, Debt, included in Item 8 of Part II of this report, for further details, including interest and future principal repayments.

Critical Accounting Policies and Significant Estimates

Our discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, as well as the reported revenue and expenses during the reporting periods.

Critical accounting policies and estimates are those that we consider the most important to the portrayal of our financial condition and results of operations because they require our most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Generally, we base our estimates on historical experience and on various other factors that we believe to be reasonable under the circumstances. Actual results may differ from these estimates.

Reserve for Veterinary Invoices

The reserve for veterinary invoices represents our estimate of future amounts we will pay for veterinary claims that have been incurred but not yet paid as of the reporting date. The reserve also includes our best estimate of related internal processing costs. We use the paid development method and other commonly used actuarial methods to estimate reserves for veterinary invoices for our subscription business and for the majority of our other business segment. Paid loss development factors measure the pattern of veterinary invoice payments over time and are used to estimate ultimate loss incurred. These factors are derived from historical paid loss triangles and reflect observed claim settlement patterns and any operational or external changes affecting claim payments including, but not limited to:

- the number of veterinary invoices we expect to receive,
- the average cost of those veterinary invoices,
- the time elapsed between the date of loss and the date of payment,
- the appropriate segmentation between product lines or claim processing method, and
- the expected cost to process and administer claim payments

As of each reporting date, we also utilize subsequent claims payment activities to monitor and reevaluate previously established reserves. If estimates are determined to be materially different than originally reported, we record "development" in the results of operations in the period the estimates are changed. Development is unfavorable when losses ultimately settle for more than the amount reserved or subsequent estimates indicate a basis for reserve increases on unresolved claims. Development is favorable when losses ultimately settle for less than the amount reserved, or subsequent estimates indicate a basis for reducing loss reserves on unresolved claims.

As of December 31, 2024, our reserve for veterinary invoices was $51.6 million, consisting of $49.3 million for the amount we expect to pay in the future for veterinary invoices dated between January 1, 2024 and December 31, 2024, inclusive of related processing costs, and a reserve of $2.3 million for invoices dated prior to January 1, 2024. We believe the reserve amount as of December 31, 2024 is adequate, and we do not believe that there are any reasonably likely changes in the facts or circumstances underlying key assumptions that would result in the reserve balance being insufficient in an amount that would have a material impact on our reported results, financial position or liquidity. The ultimate liability, however, may be in excess of or less than the amount we have reserved.

For the year ended December 31, 2024, we paid $60.1 million for veterinary invoices dated on or before December 31, 2023, including related processing costs. Our reserve estimate for these expenses was $63.2 million as of December 31, 2023. As of December 31, 2024, we had unfavorable development on veterinary invoice reserves of $0.8 million for the year ended December 31, 2023. Refer to Note 9, Reserve for Veterinary Invoices, in Item 8 of Part II of this report, for further details.

Income Taxes

We determine our deferred tax assets and liabilities based on the differences between the financial reporting and tax basis of assets and liabilities. The deferred tax assets and liabilities are measured using the enacted tax rates that will be in effect when the differences are expected to reverse. A valuation allowance is recorded when it is more likely than not that the deferred tax asset will not be recovered. We apply judgment in the determination of the consolidated financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Although we believe our assumptions, judgments and estimates are reasonable, changes in tax laws or our interpretation of tax laws and the resolution of any tax audits could significantly impact the amounts provided for income taxes in our consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risks

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates (inclusive of credit spreads) and other relevant market rate or price changes. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. The following is a discussion of our primary market risk exposures and how those exposures are managed as of December 31, 2024. Our market risk sensitive instruments are primarily entered into for purposes other than trading.

Interest Rate Risk

The primary market risks to our investment portfolio are interest rate risk and credit risk associated with investments in fixed maturity securities. The objective of our investment activities is to maintain principal and the majority of our investments are short-term in nature. For additional information regarding our investments, refer to Note 5, Investments, included in Item 8 of this report.

Additionally, we are exposed to interest rate risk as a result of our debt and our investment activities. Our Credit Facility bears interest at a floating base rate plus an applicable margin. As of December 31, 2024, our aggregate outstanding indebtedness was $128.9 million. A hypothetical 100 basis point interest rate increase would increase our annual interest expense by $1.3 million. Our fixed maturities portfolio is also exposed to interest rate risk. Changes in interest rates have a direct impact on the market valuation of these securities. Certain securities are held in an unrealized loss position, but we do not intend to sell and believe we will not be required to sell any of these securities held in an unrealized loss position before their anticipated recovery. We manage interest rate risk by investing in securities with relatively short durations. A hypothetical 100 basis point interest rate increase would not have a material effect on the fair value of our investments.

Foreign Currency Exchange Risk

We generate approximately 16% of our revenue in Canada. As our operations in Canada or the United States grow on an absolute basis and/or relative to one another, our results of operations and cash flows will be subject to fluctuations due to changes in foreign currency exchange rates. A 10% change in the Canadian currency exchange rate could have a material impact on our consolidated financial condition or results of operations. A hypothetical change of this magnitude would have increased or decreased our total revenues by approximately $20.7 million, total expenses by approximately $19.3 million, and have a net impact of $1.4 million on income or loss for the year ended December 31, 2024. To date, we have not entered into any material foreign currency hedging contracts although we may do so in the future. Other foreign currency risk in European currencies is currently immaterial.

Item 8. Financial Statements and Supplementary Data

Trupanion, Inc.
Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Trupanion, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Trupanion, Inc. (the Company) as of December 31, 2024 and 2023, the related consolidated statements of operations, comprehensive loss, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2024, and the related notes and financial statement schedule listed in the Index at Item 15(a)(2) (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2024, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 27, 2025 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosures to which it relates.

Reserve for Veterinary Invoices

Description of the Matter	The Company's reserve for veterinary invoices totaled $51.6 million as of December 31, 2024. As discussed in Note 1 and Note 9 to the consolidated financial statements, the reserve for veterinary invoices is an estimate of the future amount the Company will pay for veterinary claims that have been incurred but not yet paid as of the reporting date. The reserve also includes the Company's estimate of related internal processing costs. The Company's reserve for veterinary invoices is based on an actuarial analysis of observed claim settlement patterns including, but not limited to, the number of veterinary invoices the Company expects to receive, the average cost of those veterinary invoices, the time elapsed between the date of loss and the date of payment, the appropriate segmentation between product lines or claim processing method, and the expected cost to process and administer claim payments. Auditing the Company's reserve for veterinary invoices was complex and required the involvement of our actuarial specialists due to the sensitivity of the estimated reserve to management's assumptions.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's controls over the process for estimating the reserve for veterinary invoices. For example, we tested management review controls over the review and approval of methods and assumptions used in estimating the reserve for veterinary invoices. To test the reserve for veterinary invoices, our audit procedures included, among others, testing the completeness and accuracy of the data used in the actuarial analyses by testing reconciliations of the underlying historical veterinary paid invoice data recorded in the source systems to the Company's actuarial analyses, and comparing a sample of paid veterinary invoices to source documentation. With the assistance of EY actuarial specialists, we evaluated the appropriateness of the actuarial methods and assumptions used to estimate veterinary invoice reserves by comparing such methods and assumptions to our expectations of those used for the specific type of insurance, current and historical invoice payment patterns. We also compared management's recorded reserves to a range of reasonable reserve estimates calculated independently by our EY actuarial specialists. Additionally, we performed a hindsight analysis of the prior period estimates of the reserve for veterinary invoices using subsequent claims development.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2012.

Seattle, Washington
February 27, 2025

Trupanion, Inc.
Consolidated Statements of Operations
(in thousands, except share data)

	Year Ended December 31,		
	2024	2023	2022
Revenue	$ 1,285,684	$ 1,108,605	$ 905,179
Cost of revenue:			
Veterinary invoice expense[1]	949,148	831,055	649,737
Other cost of revenue[1]	157,738	146,534	133,257
Total cost of revenue	1,106,886	977,589	782,994
Operating expenses:			
Technology and development[1]	31,255	21,403	25,133
General and administrative[1]	63,731	60,207	39,379
New pet acquisition expense[1]	71,379	77,372	89,500
Goodwill impairment charges	5,299	—	—
Depreciation and amortization	16,466	12,474	10,921
Total operating expenses	188,130	171,456	164,933
Gain (loss) from investment in joint venture	(182)	(219)	(253)
Operating loss	(9,514)	(40,659)	(43,001)
Interest expense	14,498	12,077	4,267
Other expense (income), net	(14,374)	(7,701)	(3,072)
Loss before income taxes	(9,638)	(45,035)	(44,196)
Income tax expense (benefit)	(5)	(342)	476
Net loss	$ (9,633)	$ (44,693)	$ (44,672)
Net loss per share:			
Basic and diluted	$ (0.23)	$ (1.08)	$ (1.10)
Weighted average shares of common stock outstanding:			
Basic and diluted	42,158,773	41,436,882	40,765,355

[1]Includes stock-based compensation expense as follows:

Veterinary invoice expense	$ 3,460	$ 3,667	$ 4,145
Other cost of revenue	2,063	1,612	2,339
Technology and development	4,934	2,846	4,742
General and administrative	15,696	17,717	12,831
New pet acquisition expense	7,279	7,319	9,336

Trupanion, Inc.
Consolidated Statements of Comprehensive Loss
(in thousands)

	Year Ended December 31,		
	2024	2023	2022
Net loss	$ (9,633)	$ (44,693)	$ (44,672)
Other comprehensive income (loss):			
Foreign currency translation adjustments	(3,037)	2,712	(4,412)
Net unrealized gain (loss) on available-for-sale debt securities	22	3,992	(4,966)
Other comprehensive income (loss), net of taxes	(3,015)	6,704	(9,378)
Comprehensive loss	$ (12,648)	$ (37,989)	$ (54,050)

Trupanion, Inc.
Consolidated Balance Sheets
(in thousands, except share data)

	December 31,	
	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	$ 160,295	$ 147,501
Short-term investments	147,089	129,667
Accounts and other receivables, net of allowance for credit losses of $1,117 at December 31, 2024 and $1,085 at December 31, 2023	274,031	267,899
Prepaid expenses and other assets	15,912	17,022
Total current assets	597,327	562,089
Restricted cash	39,235	22,963
Long-term investments	373	12,866
Property, equipment, and internal-use software, net	102,191	103,650
Intangible assets, net	13,177	18,745
Other long-term assets	17,579	18,922
Goodwill	36,971	43,713
Total assets	$ 806,853	$ 782,948
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 11,532	$ 10,505
Accrued liabilities and other current liabilities	33,469	34,052
Reserve for veterinary invoices	51,635	63,238
Deferred revenue	251,640	235,329
Long-term debt - current portion	1,350	1,350
Total current liabilities	349,626	344,474
Long-term debt	127,537	127,580
Deferred tax liabilities	1,946	2,685
Other liabilities	4,476	4,487
Total liabilities	483,585	479,226
Stockholders' equity:		
Common stock: $0.00001 par value per share, 100,000,000 shares authorized; 43,516,631 and 42,488,445 shares issued and outstanding at December 31, 2024 and 42,887,052 and 41,858,866 shares issued and outstanding at December 31, 2023	—	—
Preferred stock: $0.00001 par value per share, 10,000,000 shares authorized; no shares issued and outstanding	—	—
Additional paid-in capital	568,302	536,108
Accumulated other comprehensive income (loss)	(2,612)	403
Accumulated deficit	(225,888)	(216,255)
Treasury stock, at cost: 1,028,186 shares at December 31, 2024 and 2023	(16,534)	(16,534)
Total stockholders' equity	323,268	303,722
Total liabilities and stockholders' equity	$ 806,853	$ 782,948

Trupanion, Inc.
Consolidated Statements of Stockholders' Equity
(in thousands, except share amounts)

	Common Stock				Accumulated		
	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
Balance at January 1, 2022	40,475,185	$ —	$ 466,792	$ (126,890)	$ 3,077	$ (10,779)	$ 332,200
Issuance of common stock in connection with the Company's equity award programs, net of tax withholdings	632,994	—	(2,124)	—	—	—	(2,124)
Stock-based compensation expense	—	—	35,026	—	—	—	35,026
Repurchases of common stock	(95,021)	—	—	—	—	(5,755)	(5,755)
Other comprehensive income (loss)	—	—	—	—	(9,378)	—	(9,378)
Net loss	—	—	—	(44,672)	—	—	(44,672)
Balance at December 31, 2022	41,013,158	—	499,694	(171,562)	(6,301)	(16,534)	305,297
Issuance of common stock in connection with the Company's equity award programs, net of tax withholdings	845,708	—	1,118	—	—	—	1,118
Stock-based compensation expense	—	—	35,296	—	—	—	35,296
Repurchases of common stock	—	—	—	—	—	—	—
Other comprehensive income (loss)	—	—	—	—	6,704	—	6,704
Net loss	—	—	—	(44,693)	—	—	(44,693)
Balance at December 31, 2023	41,858,866	—	536,108	(216,255)	403	(16,534)	303,722
Issuance of common stock in connection with the Company's equity award programs, net of tax withholdings	629,579	—	(1,743)	—	—	—	(1,743)
Stock-based compensation expense	—	—	33,937	—	—	—	33,937
Other comprehensive income (loss)	—	—	—	—	(3,015)	—	(3,015)
Net loss	—	—	—	(9,633)	—	—	(9,633)
Balance at December 31, 2024	42,488,445	$ —	$ 568,302	$ (225,888)	$ (2,612)	$ (16,534)	$ 323,268

Trupanion, Inc.
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31, 2024	2023	2022
Operating activities			
Net loss	$ (9,633)	$ (44,693)	$ (44,672)
Adjustments to reconcile net loss to cash provided by (used in) operating activities:			
Depreciation and amortization	16,466	12,474	10,921
Stock-based compensation expense	33,432	33,161	33,393
Goodwill impairment charges	5,299	—	—
Other, net	(1,748)	1,347	1,051
Changes in operating assets and liabilities:			
Accounts and other receivables	(6,717)	(35,440)	(66,982)
Prepaid expenses and other assets	3,215	(1,907)	(5,227)
Accounts payable, accrued liabilities, and other liabilities	2,084	1,644	3,136
Reserve for veterinary invoices	(11,310)	19,485	4,227
Deferred revenue	17,199	32,567	56,153
Net cash provided by (used in) operating activities	48,287	18,638	(8,000)
Investing activities			
Purchases of investment securities	(133,493)	(165,936)	(273,006)
Maturities and sales of investment securities	127,653	190,270	239,210
Cash paid in business acquisition, net of cash acquired	—	—	(15,034)
Purchases of property, equipment, and internal-use software	(9,716)	(18,280)	(17,088)
Other	2,099	1,585	(1,598)
Net cash provided by (used in) investing activities	(13,457)	7,639	(67,516)
Financing activities			
Proceeds from debt financing, net of financing fees	—	60,102	69,138
Repayment of debt financing	(1,350)	(1,717)	(571)
Repurchases of common stock	—	—	(5,755)
Proceeds from exercise of stock options	752	2,655	2,290
Shares withheld to satisfy tax withholding	(2,519)	(1,536)	(4,359)
Other	(840)	(378)	—
Net cash provided by (used in) financing activities	(3,957)	59,126	60,743
Effect of foreign exchange rate changes on cash, cash equivalents, and restricted cash, net	(1,877)	424	(1,459)
Net change in cash, cash equivalents, and restricted cash	28,996	85,827	(16,232)
Cash, cash equivalents, and restricted cash at beginning of period	170,464	84,637	100,869
Cash, cash equivalents, and restricted cash at end of period	$ 199,530	$ 170,464	$ 84,637
Supplemental disclosures			
Income taxes paid	$ 546	$ 611	$ 2,498
Interest paid	13,191	12,100	3,353
Noncash investing and financing activities:			
Purchases of property, equipment, and internal-use software included in accounts payable and accrued liabilities	534	887	1,324

Trupanion, Inc.
Notes to Consolidated Financial Statements

1. Nature of Operations and Summary of Significant Accounting Policies

Description of Business

Trupanion, Inc. (collectively with its wholly-owned subsidiaries, the "Company") provides medical insurance for cats and dogs in the United States, Canada, certain countries in Continental Europe, and Australia. Through our data-driven, vertically-integrated approach, we develop and offer high value medical insurance products, priced specifically for each pet's unique characteristics and coverage level.

Basis of Presentation

The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from such estimates.

Cash, Cash Equivalents and Restricted Cash

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. At times, cash on deposit may be in excess of the applicable federal deposit insurance corporation limits.

The Company considers any cash account not held in trust for a third party that is contractually restricted to withdrawal or use to be restricted cash. The Company is required to maintain certain restricted cash balances to comply with insurance company regulations. As of December 31, 2024, the Company was in compliance with all requirements.

Accounts and Other Receivables

Accounts and other receivables are comprised of trade receivables and other miscellaneous receivables and are carried at their estimated collectible amounts. Trade receivables are primarily related to the Company's other business segment where the Company generates revenue from underwriting policies through unaffiliated general agents. These policies are typically annual policies, with monthly payment terms through the end of the twelve-month period. The Company had $252.0 million and $249.8 million accounts receivable associated with underwriting these policies as of December 31, 2024 and 2023, respectively. During the year ended December 31, 2023, the Company incurred a non-recurring $3.8 million settlement of accounts receivable due to uncollected premiums in connection with the transition of underwriting a third-party business to other insurers.

Deferred Acquisition Costs

The Company incurs certain costs, including premium taxes, enrollment-based bonuses, and referral fees that directly relate to the successful acquisition of new or renewal customer contracts. These costs are deferred and are included in prepaid expenses and other assets on the consolidated balance sheet and amortized over the related policy term to the applicable financial statement line item, either new pet acquisition expense or other cost of revenue. Deferred acquisition costs as of December 31, 2024 and 2023 were $7.5 million and $7.4 million, respectively. Amortized deferred acquisition costs classified within new pet acquisition expense amounted to $6.9 million, $6.0 million, and $4.9 million and amortized deferred acquisition costs classified within other cost of revenue amounted to $51.5 million, $45.6 million, and $33.9 million, for the years ended December 31, 2024, 2023, and 2022, respectively.

Investments

The Company invests in investment grade fixed maturity securities of varying maturities. Available-for-sale securities are reported at fair value with unrealized gains and losses included in accumulated other comprehensive income (loss). Held-to-maturity securities are reported at amortized cost. Premiums or discounts on fixed maturity securities are amortized or accreted over the life of the security and included in interest income. There were $0.4 million in realized gains and $0.3 million in realized losses on sales of fixed maturity securities during the year ended December 31, 2024, $0.3 million in realized gains and $0.9 million in realized losses on sales of fixed maturity securities during the year ended December 31, 2023, and no realized gains or losses on sales of fixed maturity securities during the years ended December 31, 2022.

Each reporting period, the Company evaluates whether declines in fair value of its investments below carrying value are the result of expected credit losses. This evaluation includes the Company's ability and intent to hold these investments until recovery of carrying value occurs, including an evaluation of all available information relevant to the collectability of the security, including past events, current conditions, and reasonable and supportable forecasts. Expected credit losses are recorded as an allowance through other expense (income), net on the Company's consolidated statements of operations.

Fair Value of Financial Instruments

The Company is required to disclose information on all assets and liabilities reported at fair value that enables an assessment of the inputs used in determining the reported fair values. The fair value hierarchy prioritizes valuation inputs based on the observable nature of those inputs. The fair value hierarchy applies only to the valuation inputs used in determining the reported fair value of the investments and is not a measure of the investment credit quality. The hierarchy defines three levels of valuation inputs:

Level 1 - Quoted prices in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly

Level 3 - Unobservable inputs that reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability

The Company's financial instruments, in addition to those presented in Note 7, Fair Value, include cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities. The carrying amounts of accounts receivable, accounts payable, and accrued liabilities approximate fair value because of the short-term nature of these instruments.

Property, Equipment, and Internal-Use Software

Property, equipment, and internal-use software primarily consists of building, land and land improvements, office equipment, internal-use software related to the Company’s website, and internal support systems. Internal-use software is capitalized during the application development stage of the project. Property and equipment is recorded at cost and depreciated using the straight-line method over the estimated useful life of the respective asset:

Land	Not depreciable		
Land improvements	10 years		
Building	39 years		
Software	3 to	5	years
Office equipment	3 to	5	years

Goodwill and Intangible Assets

Goodwill and indefinite-lived intangible assets are not amortized. The Company reviews these assets for impairment at least annually or if indicators of potential impairment exist. Acquired finite-lived intangibles are amortized on a straight-line basis over the estimated useful lives of the assets. The Company recognized impairment charges on goodwill totaling $5.2 million during the year ended December 31, 2024, and no goodwill impairment charges in the years ended December 31, 2023 and 2022. The Company recognized no impairment on indefinite-lived intangible assets during the years ended December 31, 2024, 2023, and 2022. See Note 4 to these financial statements for further details on goodwill and related impairment charges.

Asset Impairment

Long-lived assets, including property, equipment, internal-use software, and finite-lived intangible assets, are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Should an impairment exist, the impairment loss would be measured as the amount the asset's carrying value exceeds its fair value. The Company has recognized no impairment loss on long-lived assets, including property, equipment, internal-use software, and finite-lived intangible assets for the years ended December 31, 2024, 2023, and 2022.

Reserve for Veterinary Invoices

Reserve for veterinary invoices is an estimate of the future amount the Company will pay for veterinary claims that have been incurred but not yet paid as of the reporting date. The reserve also includes the Company's estimate of related internal processing costs. To determine the accrual, the Company makes assumptions based on its historical experience, including the number of veterinary invoices it expects to receive, the average cost of those veterinary invoices, the length of time between the date of the veterinary invoice and the date the Company receives it, the member's chosen deductible, and the Company's expected cost to process and administer the payments. As of each balance sheet date, the Company reevaluates its reserve and adjusts the estimate for new information.

Deferred Revenue

Deferred revenue is primarily related to the Company’s other business segment where the Company generates revenue from underwriting policies through unaffiliated general agents. These policies are typically annual policies for which revenue is recognized pro-rata over the twelve-month policy period. Deferred revenue also consists of subscription payments received or billed in advance of the subscription services within the Company's subscription business.

Revenue Recognition

Revenue is recognized pro-rata over the term of the customer contracts. The Company generates revenue primarily from subscription payments and through underwriting policies for unaffiliated general agents. For the year ended December 31, 2024, premiums from policies sourced by general agents accounted for 32% of our total revenue, and one general agent sourced members whose premiums accounted for over 10% of our total revenue.

Veterinary Invoice Expense

Veterinary invoice expense includes the Company’s costs to review and pay veterinary invoices, administer the payments, and provide member services, and other operating expenses directly or indirectly related to this process. The Company also accrues for veterinary claims that have been incurred but not yet paid and the estimated cost of processing these invoices. Veterinary invoice expense also includes amounts paid by unaffiliated general agents on our behalf, and an estimate of amounts incurred and not yet paid for the other business segment.

Other Cost of Revenue

Other cost of revenue for the subscription business segment includes direct and indirect member service expenses, Territory Partner renewal fees, credit card transaction fees and premium tax expenses. Other cost of revenue for the other business segment includes the commissions the Company pays to unaffiliated general agents and costs to administer the programs in the other business segment.

Technology and Development

Technology and development expenses primarily consist of personnel costs and related expenses for the Company's technology staff, which includes information technology development and infrastructure support and third-party services. It also includes expenses associated with development of new products and offerings.

General and Administrative

General and administrative expenses consist primarily of personnel costs and related expenses for the Company’s finance, actuarial, human resources, legal, regulatory, and general management functions, as well as facilities and professional services.

New Pet Acquisition Expense

New pet acquisition expense primarily consists of costs, including employee compensation, to educate veterinarians and consumers about the benefits of Trupanion, to generate leads and to convert leads into enrolled pets, as well as print, online and promotional advertising costs.

Other Expense (Income), Net

Other income, net, totaled $14.4 million, $7.7 million, and $3.1 million, including interest income of $12.4 million, $9.0 million, and $3.0 million for the years ended December 31, 2024, 2023, and 2022. In 2023 other income was offset by a credit loss of $1.7 million related to the Company's preferred stock investment (refer to Note 6, Other Investments). This loss was subsequently determined to be recovered, and reversed through other income, during the year ended December 31, 2024.

Advertising

Advertising costs are expensed as incurred. Advertising costs amounted to $13.3 million, $16.9 million and $25.5 million, in the years ended December 31, 2024, 2023 and 2022, respectively.

Stock-Based Compensation

Compensation expense related to stock-based transactions, including employee and non-employee stock option awards, restricted stock awards, and restricted stock units, is measured and recognized in the financial statements based on fair value. The fair value of restricted stock awards and restricted stock units is the common stock price as of the measurement date.

Stock-based compensation expense for stock options and restricted stock units is recognized on a straight-line basis over the requisite service period, which is generally the vesting period of the respective award. The Company recognizes forfeitures when they occur.

Income Taxes

The Company uses the asset and liability approach for accounting and reporting income taxes. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases, operating loss, and tax credit carryforwards.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a tax rate change is recognized in the period that includes the enactment date. Valuation allowances are provided for when it is considered more likely than not that deferred tax assets will not be realized.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than a 50% likelihood of being realized. Penalties and interest are classified as a component of income taxes.

Foreign Currency Translation

The Company’s consolidated financial statements are reported in U.S. dollars. Assets and liabilities denominated in foreign currencies were translated to U.S. dollars, the reporting currency, at the exchange rates in effect on the balance sheet date. Revenue and expenses denominated in foreign currencies were translated to U.S. dollars using a weighted average rate for the relevant reporting period. Cumulative translation adjustments of $(3.1) million, $(0.1) million, and $(2.8) million were recorded in accumulated other comprehensive loss (income) as of December 31, 2024, 2023, and 2022, respectively.

Reclassifications

Certain presentation reclassifications have been made to prior-year deferred tax amounts disclosed within Note 16 of these financial statements to conform to current-year reporting classifications. These reclassifications had no impact on net earnings, total assets, total liabilities, total shareholders' equity, or cash flows.

Insurance Operations

Effective January 1, 2015, the Company formed a segregated account in Bermuda as part of Wyndham Insurance Company (SAC) Limited (WICL) and entered into a revised fronting and reinsurance arrangement with Accelerant Insurance Company of Canada, formerly known as Omega General Insurance Company, to include its newly formed segregated account. The Company maintains all risk with the business written in Canada and consolidates the entity in its financial statements. Dividends are allowed subject to the Segregated Accounts Company Act of 2000, which allows for dividends only to the extent that the entity remains solvent and the value of its assets remain greater than the aggregate of its liabilities and its issued share capital and share premium accounts.

For the Company's Canadian business, all plans are written by Accelerant and the risk is assumed by the Company through a fronting and reinsurance agreement. Premiums are recognized and earned pro rata over the terms of the related customer contracts. Revenue recognized from the agreement in 2024, 2023, and 2022 was $206.7 million, $167.6 million and $135.9 million, respectively, and deferred revenue relating to this arrangement at December 31, 2024 and 2023 was $11.3 million and $9.5 million, respectively. Reinsurance revenue was 16%, 15%, and 15% of total revenue in 2024, 2023, and 2022, respectively. Cash designated for the purpose of paying claims related to this reinsurance agreement was $7.2 million and $11.2 million at December 31, 2024 and 2023, respectively. In addition, as required by the Office of the Superintendent of Financial Institutions regulations related to the Company's reinsurance agreement with Accelerant, the Company is required to fund a Canadian Trust account with the greater of CAD $2.0 million or 120% of unearned Canadian premium plus 20% of outstanding Canadian claims, including all incurred but not reported claims. As of December 31, 2024, the account balance was CAD $19.9 million and the Company was in compliance with all requirements.

The Company has not transferred any risk to third-party reinsurers.

Concentrations of Credit Risk

Financial instruments, which potentially subject the Company to concentration of credit risk, consist primarily of cash and cash equivalents, investments, and debt. The Company manages its risk by investing cash equivalents and investment securities in money market instruments and securities of the U.S. government, U.S. government agencies and high-credit-quality issuers of debt securities.

Recent Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07 related to improving segment disclosures. This ASU enhances disclosures about significant segment expenses, allows for multiple measures of a segment's profit or loss, and requires additional disclosures about the Chief Operating Decision Maker. The Company adopted ASU 2023-07 for the fiscal year ended December 31, 2024.

In December 2023, the FASB issued ASU 2023-09 which improves and expands upon the income tax disclosures, primarily related to the rate reconciliation and income taxes paid information. The ASU is effective for annual periods beginning after December 15, 2024, including interim periods within that reporting period, with early adoption permitted. As of year-end, the Company is still evaluating the impact on its consolidated financial statements.

In November 2024, the FASB issued ASU 2024-03 which requires that public business entities disclose additional information about specific expense categories in the notes to the financial statements at interim and annual reporting periods. The ASU is effective for annual periods beginning after December 15, 2026, and interim periods beginning after December 15, 2027, with early adoption permitted. As of year-end, the Company is still evaluating the impact on its consolidated financial statements.

2. Net Loss per Share

Basic net loss per share is computed using the weighted average number of shares of common stock outstanding during the period. Diluted net loss per share is calculated using the weighted average number of shares of common stock plus, when dilutive, potential shares of common stock outstanding using the treasury-stock method. Potential shares of common stock outstanding include stock options, unvested restricted stock awards and restricted stock units.

The following potentially dilutive equity securities were not included in the diluted earnings per share of common stock calculation because they would have had an antidilutive effect:

	As of December 31,		
	2024	2023	2022
Stock options	347,334	408,970	629,650
Restricted stock units	970,739	714,382	1,112,552

3. Property, Equipment, and Internal-Use Software, Net

Property, equipment, and internal-use software, net consisted of the following (in thousands):

	December 31, 2024	December 31, 2023
Land and improvements	$ 15,911	$ 15,911
Building and improvements	49,359	48,974
Software	64,368	40,097
Office equipment and other	6,123	6,129
Construction in progress	16,070	34,627
Property, equipment and internal-use software, at cost	151,831	145,738
Less: Accumulated depreciation	(49,640)	(42,088)
Property and equipment, net	$ 102,191	$ 103,650

Depreciation expense related to property, equipment, and internal-use software was $11.2 million, $6.7 million and $6.1 million for the years ended December 31, 2024, 2023 and 2022, respectively.

4. Goodwill and Intangible Assets

Goodwill arises from business acquisitions in which the purchase price exceeds the fair value of tangible and intangible assets acquired less assumed liabilities. The carrying values of goodwill and other intangible assets with indefinite lives are reviewed at least annually for possible impairment. The Company may first assess qualitative factors in order to determine if goodwill and indefinite-lived intangible assets are impaired. If through qualitative assessment it is determined that it is more likely than not that goodwill or indefinite-lived assets are not impaired, no further testing is required. If it is determined more likely than not that goodwill or indefinite-lived assets are impaired, the Company's impairment testing continues with the estimation of reporting unit fair value using a combination of a market approach and an income (discounted cash flow) approach, at the reporting unit level. Estimates of fair value are based on the best information available to the Company as of the assessment date.

The Company has identified reporting units in conjunction with its annual goodwill impairment testing date during the fourth quarter of 2024. All of the Company's goodwill has been assigned to three separate reporting units within our Subscription Business reportable segment: Trupanion Core – North America, Smart Paws, and PetExpert.

The following is a summary of goodwill by reportable segment for the years ended December 31, 2024 and 2023 (in thousands):

	Subscription Business	Other Business	Total
Balance as of January 1, 2023	$ 41,983	$ —	$ 41,983
Effects of foreign currency	1,730	—	1,730
Balance as of December 31, 2023	43,713	—	43,713
Impairment charges	(5,229)	—	(5,229)
Effects of foreign currency	(1,513)	—	(1,513)
Balance as of December 31, 2024	$ 36,971	$ —	$ 36,971

In the fourth quarter of 2024, the Company performed its annual goodwill impairment test for all three reporting units with assigned goodwill and recognized impairment charges of $2.7 million and $2.5 million on the goodwill of Smart Paws and PetExpert, respectively, based on the fair value assessments performed after circumstances indicated that the goodwill of these reporting units more likely than not had become impaired. These circumstances primarily related to the Company's decision to slow expansion efforts as the Company focuses capital allocation on reporting units operating within the Company's stated financial guardrails.

Following these impairment charges, no goodwill remains for Smart Paws and $6.7 million of goodwill remains for PetExpert, which could be further impaired in the future if this reporting unit fails to meet its revised financial projections.

The Company determined that the Trupanion Core – North America reporting unit was not at risk of goodwill impairment as of December 31, 2024 and 2023.

The following table presents the detail of intangible assets other than goodwill for the periods presented (in thousands):

	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Weighted Average Remaining Useful Life as of December 31, 2024
December 31, 2024:				
Licenses	$ 4,773	$ —	$ 4,773	N/A
Trade name	1,271	(531)	740	5.8
Developed technologies	16,835	(12,106)	4,729	1.4
Customer relationships	8,180	(6,394)	1,786	1.2
Patents, trademarks, and other	2,556	(1,407)	1,149	3.0
Total Intangibles	$ 33,615	$ (20,438)	$ 13,177	1.6
December 31, 2023:				
Licenses	$ 4,773	$ —	$ 4,773	
Leases	848	(848)	—	
Trade name	1,294	(412)	882	
Developed technologies	17,278	(9,023)	8,255	
Customer relationships	8,379	(4,855)	3,524	
Patents, trademarks, and other	2,459	(1,148)	1,311	
Total Intangibles	$ 35,031	$ (16,286)	$ 18,745	

The Company acquired an insurance company in 2007, which originally included licenses in 23 states. These licenses were valued at $4.8 million. The Company is currently licensed in all 50 states, the District of Columbia and Puerto Rico. Insurance licenses are renewed annually upon payment of various fees assessed by the issuing state. Renewal costs are expensed as incurred. Insurance licenses are considered an indefinite-lived intangible asset given the planned renewal of the certificates of authority and applicable licenses for the foreseeable future.

Amortization expense associated with intangible assets was $5.3 million, $5.7 million, and $4.8 million for the years ended December 31, 2024, 2023, and 2022, respectively.

As of December 31, 2024, expected amortization expense relating to definite-lived intangible assets for each of the next five years and thereafter is as follows (in thousands):

Year ending December 31:	
2025	$ 4,423
2026	1,370
2027	1,272
2028	162
2029	162
Thereafter	277
Total	$ 7,666

5. Investments

Available-for sale securities are classified as short-term versus long-term investments based on whether they represent the investment of funds available for current operations. All available-for-sale securities are considered short-term in nature, with the exception of certain long-term investments that are being held for statutory requirements. Held-to-maturity securities are classified as short-term versus long-term investments based on their maturity dates. The amortized cost, gross unrealized holding gains and losses, and estimated fair value of long-term and short-term investments by major security type and class of security were as follows as of December 31, 2024 and 2023 (in thousands):

	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
As of December 31, 2024				
Long-term investments:				
Held-to-maturity investments				
U.S. treasury securities	$ 373	$ —	$ (1)	$ 372
	$ 373	$ —	$ (1)	$ 372
Short-term investments:				
Available-for-sale investments				
U.S. treasury securities	$ 70,175	$ 318	$ (202)	$ 70,291
Mortgage-backed securities and collateralized mortgage obligations	12,576	80	(60)	12,596
Other asset-backed securities	15,830	134	(8)	15,956
Corporate bonds	35,382	284	(43)	35,623
	$ 133,963	$ 816	$ (313)	$ 134,466
Held-to-maturity investments				
U.S. Treasury securities	$ 10,591	$ 16	$ (1)	$ 10,606
Certificates of deposit	2,032	—	—	2,032
	$ 12,623	$ 16	$ (1)	$ 12,638

	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
As of December 31, 2023				
Long-term investments:				
Available-for-sale investments				
Foreign deposits	$ 11,869	$ —	$ —	$ 11,869
	$ 11,869	$ —	$ —	$ 11,869
Held-to-maturity investments				
U.S. treasury securities	$ 997	$ 8	$ —	$ 1,005
	$ 997	$ 8	$ —	$ 1,005
Short-term investments:				
Available-for-sale investments				
U.S. treasury securities	$ 44,425	$ 326	$ (64)	$ 44,687
Mortgage-backed securities and collateralized mortgage obligations	10,460	69	(75)	10,454
Other asset-backed securities	12,422	67	(53)	12,436
Corporate bonds	36,404	332	(123)	36,613
	$ 103,711	$ 794	$ (315)	$ 104,190
Held-to-maturity investments				
U.S. Treasury securities	$ 13,179	$ 21	$ (15)	$ 13,185
Certificates of deposit	12,298	—	—	12,298
	$ 25,477	$ 21	$ (15)	$ 25,483

Maturities of investments classified as available-for-sale and held-to-maturity were as follows (in thousands):

	December 31, 2024	
	Amortized Cost	Fair Value
Available-for-sale:		
Due under one year	$ 4,178	$ 4,196
Due after one year through five years	101,379	101,718
	$ 105,557	$ 105,914
Available-for-sale collateralized:		
Due under one year	$ 3,823	$ 3,837
Due after one year through five years	20,691	20,865
Due after five years through ten years	3,614	3,565
Due after ten years	278	285
	$ 28,406	$ 28,552
Held-to-maturity:		
Due under one year	$ 12,623	$ 12,638
Due after one year through five years	373	372
	$ 12,996	$ 13,010

The following tables present the gross unrealized losses and related fair values for the Company's investment in available-for-sale securities, grouped by duration of time in a continuous unrealized loss position as of December 31, 2024 and December 31, 2023 (in thousands):

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
As of December 31, 2024						
U.S. treasury securities	$ 27,769	$ (202)	$ —	$ —	$ 27,769	$ (202)
Mortgage-backed securities and collateralized mortgage obligations	1,538	(20)	1,359	(40)	2,897	(60)
Other asset-backed securities	186	(1)	1,737	(7)	1,923	(8)
Corporate bonds	6,461	(40)	736	(3)	7,197	(43)
Total	$ 35,954	$ (263)	$ 3,832	$ (50)	$ 39,786	$ (313)

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
As of December 31, 2023						
U.S. treasury securities	$ 20,772	$ (64)	$ —	$ —	$ 20,772	$ (64)
Mortgage-backed securities and collateralized mortgage obligations	2,385	(4)	2,220	(71)	4,605	(75)
Other asset-backed securities	1,486	(1)	4,986	(52)	6,472	(53)
Corporate bonds	1,178	(1)	11,491	(122)	12,669	(123)
Total	$ 25,821	$ (70)	$ 18,697	$ (245)	$ 44,518	$ (315)

Unrealized losses on available-for-sale investments relate to interest rate changes. The Company does not expect any credit losses from its available-for-sale investments, considering the composition of the investment portfolio and the credit rating of these investments. For those securities, the Company determined it is not likely to, and does not intend to, sell prior to a potential recovery of the cost basis. The Company does not expect any credit losses from its held-to-maturity investments, considering the composition of the investment portfolio and the credit loss history of these investments.

Proceeds from the sales of fixed maturities classified as available-for-sale were $77.1 million and $114.7 million during the years ended December 31, 2024 and 2023, respectively.

6. Other Investments

Preferred Stock Investment

The Company has invested $7.0 million in the preferred stock of a variable interest entity, Baystride, Inc., a U.S.-based privately held corporation operating in the pet food industry. The Company does not have power over the activities that most significantly impact the economic performance of the entity and is, therefore, not the primary beneficiary. The Company has the option to purchase all of the outstanding common stock issued by the entity in August 2027 at an amount approximating its expected fair value. The preferred stock investment in the entity is redeemable and, therefore, is accounted for as an available-for-sale debt security and measured at fair value at each balance sheet date — see Note 7.

Additionally, the Company has extended a $7.0 million revolving line of credit to the variable interest entity to fund its inventory purchases, which will increase annually by $2.0 million until the note’s maturity in 2027. Borrowing amounts are subject to limitations based on Baystride’s forecasted revenues and inventory balances. The Company's investment and amounts loaned under the line of credit are recorded in other long-term assets on its consolidated balance sheet. The outstanding loan balance under the line of credit, including accrued interest, was $1.6 million and $4.0 million as of December 31, 2024 and 2023, respectively. The Company has also entered into a series of agreements to provide ancillary services to, and receive reimbursement from, the variable interest entity at cost. The Company provided $0.3 million and $0.4 million of these services for the years ended December 31, 2024 and 2023, respectively.

Allowance for Credit Losses

The Company regularly evaluates its investments for expected credit losses. The Company considers past events, current conditions, and reasonable and supportable forecasts in estimating an allowance for credit losses. Additionally, the Company considers the ultimate collection of cash flows from its investments and whether the Company has the intent to sell, or if it is more likely than not the Company would be required to sell the security prior to recovery of its amortized cost. Such evaluations are revised as conditions change and new information becomes available. Based on these considerations, the Company established an allowance for credit losses related to its investment in the preferred stock of Baystride, Inc in 2023. This credit loss allowance was reversed in 2024 as the fair value of the Company's investment in Baystride, Inc. was determined to have recovered to an amount above the original investment amount. The following table presents a rollforward of the allowance for credit losses for this investment.

	December 31,	
	2024	2023
Balance at beginning of period	$ (1,674)	$ —
Recovery of (addition to) allowance for credit losses	1,674	(1,674)
Balance at end of period	$ —	$ (1,674)

Investment in Joint Venture

In September 2018, the Company acquired a non-controlling equity interest in a joint venture in Australia, whereby it has committed to licensing certain intellectual property and contributing up to $2.2 million AUD upon the achievement of specific operational milestones over a period of at least four years from the agreement execution date. As of December 31, 2024, the Company has contributed $1.5 million AUD. This equity investment is accounted for using the equity method and is classified in other long-term assets on the Company's consolidated balance sheet. The Company's share of income and losses from this equity method investment is included in gain (loss) from investment in joint venture on its consolidated statement of operations. Also included in this line item are income and expenses associated with administrative services provided to the joint venture.

7. Fair Value

Fair Value Disclosures

The following table summarizes, by major security type, the Company's assets that are measured at fair value on a recurring basis, and placement within the fair value hierarchy (in thousands):

	As of December 31, 2024			
	Fair Value	Level 1	Level 2	Level 3
Assets				
Money market funds	$ 91,534	$ 91,534	$ —	$ —
Fixed maturities:				
Mortgage-backed securities and collateralized mortgage obligations	12,596	—	12,596	—
Other asset-backed securities	15,956	—	15,956	—
Corporate bonds	35,623	—	35,623	—
U.S. Treasury securities	70,291	—	70,291	—
Preferred stock investment	7,916	—	—	7,916
Total	$ 233,916	$ 91,534	$ 134,466	$ 7,916

	As of December 31, 2023			
	Fair Value	Level 1	Level 2	Level 3
Assets				
Money market funds	$ 67,360	$ 67,360	$ —	$ —
Fixed maturities:				
Mortgage-backed securities and collateralized mortgage obligations	10,454	—	10,454	—
Other asset-backed securities	12,436	—	12,436	—
Corporate bonds	36,613	—	36,613	—
Foreign deposits	11,869	11,869	—	—
U.S. Treasury securities	44,687	—	44,687	—
Preferred stock investment	5,326	—	—	5,326
Total	$ 188,745	$ 79,229	$ 104,190	$ 5,326

The Company measures the fair value of money market funds and foreign deposits, classified as Level 1, based on quoted prices in active markets for identical assets. The Company's fixed maturity investments classified as either Level 1 or Level 2 in the above tables are priced exclusively by external sources, including pricing vendors, dealers/market makers, and exchange-quoted prices. The fair value of the Company's fixed maturity investments classified as Level 2 is based on either recent trades in inactive markets or quoted market prices of similar instruments and other significant inputs derived from or corroborated by observable market data. Held-to-maturity investments are carried at amortized cost and the fair value and changes in unrealized gains (losses) are disclosed in Note 5, Investments. The fair value of these investments is determined in the same manner as available-for-sale securities and are considered either a Level 1 or Level 2 measurement.

The Company's preferred stock investment (see Note 6) is accounted for as an available-for-sale debt security, and measured at fair value at each balance sheet date. The estimated fair value of the preferred stock investment is a Level 3 measurement, and is based on certain unobservable inputs such as the value of the underlying enterprise, volatility, time to liquidity, and market interest rates. An increase or decrease in any of these unobservable inputs would result in a change in the fair value measurement. The estimated fair value was $7.9 million and $5.3 million as of December 31, 2024 and 2023, respectively, and is recorded in other long-term assets on the Company's consolidated balance sheet.

The Company recognizes transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers between levels for the years ended December 31, 2024 and 2023.

The following table presents the change in fair value of the Company's investment carried at fair value and classified as Level 3 as of December 31, 2024 (in thousands):

	December 31,	
	2024	2023
Balance at beginning of period	$ 5,326	$ 4,115
Unrealized gain included in other comprehensive income (loss)	916	—
Reversal of cumulative unrealized loss included in other comprehensive income (loss)	—	2,885
Recovery of (increase in) credit loss included in earnings	1,674	(1,674)
Balance at end of period	$ 7,916	$ 5,326

Fair Value Disclosures - Other Assets and Liabilities

The Company's other long-term assets balance also included notes receivable of $4.3 million and $6.8 million as of December 31, 2024 and 2023, respectively, recorded at their estimated recoverable amount. The Company estimates that the carrying value of the notes receivable approximates their fair value. The estimated fair value represents a Level 3 measurement within the fair value hierarchy, and is based on market interest rates and the assessed creditworthiness of the third party.

The Company estimates the fair value of long-term debt based upon rates currently available to the Company for debt with similar terms and remaining maturities. This is a Level 3 measurement. Based upon the terms of the debt, the carrying amount of long-term debt approximated fair value at December 31, 2024.

8. Commitments and Contingencies

Legal Proceedings

From time to time the Company is or may become subject to various legal proceedings arising in the ordinary course of business, including proceedings against members, other entities or regulatory bodies. Estimated liabilities are recorded when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. At this time, the Company does not believe any such matters to be material individually or in the aggregate. These views are subject to change following the outcome of future events or the results of future developments.

9. Reserve for Veterinary Invoices

The reserve for veterinary invoices is an estimate of the future amount the Company will pay for veterinary claims that have not been paid prior to the reporting date. The reserve also includes the Company's estimate of related internal processing costs. The reserve estimate involves actuarial projections, and is based on management's assessment of facts and circumstances currently known, and assumptions about anticipated patterns. The Company uses generally accepted actuarial methodologies, such as paid loss development methods, in estimating the amount of the reserve for veterinary invoices. The reserve is made for each of the Company's segments, subscription and other business, and is continually refined as the Company receives and pays veterinary invoices. Changes in management's assumptions and estimates may have a relatively large impact to the reserve and associated expense.

Reserve for veterinary invoices

Summarized below are the changes in the total liability for the Company's subscription business segment (in thousands):

Subscription		Year Ended December 31,	
	2024	2023	2022
Reserve at beginning of year	$ 31,548	$ 21,543	$ 22,407
Veterinary invoices during the period related to:			
Current year	623,928	540,396	439,679
Prior years	500	2,800	(2,799)
Total veterinary invoice expense	624,428	543,196	436,880
Amounts paid during the period related to:			
Current year	598,593	506,294	414,778
Prior years	30,875	23,001	18,739
Total paid	629,468	529,295	433,517
Non-cash expenses	3,424	3,896	4,227
Reserve at end of period	$ 23,084	$ 31,548	$ 21,543

The Company had unfavorable development on veterinary invoice reserves of $0.5 million for the year ended December 31, 2024, including favorable development of $1.2 million attributable to accident year 2023 and unfavorable development of $1.7 million attributable to accident year 2022 and prior. The favorable development for accident year 2023 was primarily driven by faster reporting patterns of claims than initially anticipated. The unfavorable development for accident year 2022 and prior was driven by higher than expected frequency of claims. Non-cash expenses are primarily comprised of stock-based compensation for employees performing claims processing related duties.

Summarized below are the changes in total liability for the Company's other business segment (in thousands):

Other Business		Year Ended December 31,	
	2024	2023	2022
Reserve at beginning of year	$ 31,690	$ 22,191	$ 17,264
Veterinary invoices during the period related to:			
Current year	326,018	287,361	211,729
Prior years	(1,298)	498	1,128
Total veterinary invoice expense	324,720	287,859	212,857
Amounts paid during the period related to:			
Current year	298,596	256,616	190,031
Prior years	29,263	21,744	17,899
Total paid	327,859	278,360	207,930
Non-cash expenses	—	—	—
Reserve at end of period	$ 28,551	$ 31,690	$ 22,191

The Company had favorable development on veterinary invoice reserves for the other business segment of $1.3 million for the year ended December 31, 2024, including favorable development on veterinary invoice reserves of $1.1 million attributable to accident year 2023 and favorable development of $0.2 million attributable to accident year 2022 and prior. The favorable development for accident year 2023 and 2022 was driven by faster paid loss development factors than originally estimated for Pets Best, as well as the estimated impact of the roll-off of a portion of the business.

Reserve for veterinary invoices, by year of occurrence

In the following tables, the cumulative veterinary invoice expenses represent the total expense from received invoices as of December 31, 2024, by year the veterinary invoice relates to, referred to as the year of occurrence. Information for years 2021 through 2023 is provided as required supplementary information. Amounts in these tables are presented on a constant currency basis to remove the impact of changes in the foreign currency exchange rate on development. The cumulative expenses as of the end of each year are revalued using the currency exchange rate as of December 31, 2024. Due to variability in internal and external sources of claims data, and the lack of comparability of claim count information between those sources, it is impractical for the Company to disclose claim frequency information. As such, the cumulative number of veterinary invoices received is not included in the disclosures below.

The following table summarizes the development of veterinary invoice expense, on a constant currency basis, for the Company's subscription business segment by year of occurrence (in thousands, except for cumulative number of veterinary invoices data):

	Cumulative veterinary invoice expenses				Reserve
	As of December 31,				As of December 31,
Subscription	2021	2022	2023	2024	2024
Year of Occurrence	*(unaudited)*	*(unaudited)*	*(unaudited)*		
2021	$ 348,851	$ 346,611	$ 347,130	$ 347,828	$ —
2022		$ 431,384	$ 432,694	$ 433,132	$ —
2023			$ 533,742	$ 532,630	$ 1,174
2024				$ 617,853	$ 21,910
				$ 1,931,443	$ 23,084

The following table summarizes the development of veterinary invoice expense, on a constant currency basis, for the Company's other business segment by year of occurrence (in thousands, except for cumulative number of veterinary invoices data):

	Cumulative veterinary invoice expenses				Reserve
	As of December 31,				As of December 31,
Other Business	2021	2022	2023	2024	2024
Year of Occurrence	*(unaudited)*	*(unaudited)*	*(unaudited)*		
2021	$ 129,797	$ 130,632	$ 130,559	$ 130,691	$ —
2022		$ 211,708	$ 212,147	$ 211,768	$ 16
2023			$ 287,344	$ 286,241	$ 1,113
2024				$ 326,007	$ 27,422
				$ 954,707	$ 28,551

Cumulative paid veterinary invoice expense

In the following tables, amounts are by the year the veterinary invoice relates to, referred to as the year of occurrence. Amounts in these tables are presented on a constant currency basis to remove the impact of changes in the foreign currency exchange rate. The cumulative amounts paid as of the end of each year are revalued using the currency exchange rate as of December 31, 2024. Information for years 2021 through 2023 is provided as required supplementary information.

The following table summarizes the amounts paid for veterinary invoices, inclusive of related internal processing costs and reported on a constant currency basis, for the subscription segment (in thousands):

	Year Ended December 31,			
Subscription	2021	2022	2023	2024
Year of Occurrence	*(unaudited)*	*(unaudited)*	*(unaudited)*	
2021	$ 329,166	$ 345,748	$ 347,130	$ 347,828
2022		$ 410,869	$ 431,371	$ 433,132
2023			$ 503,819	$ 531,456
2024				$ 595,943
				$ 1,908,359
			Total amounts unpaid and recorded as a liability	$ 23,084

The following table summarizes the amounts paid for veterinary invoices, inclusive of related internal processing costs and reported on a constant currency basis, for the other business segment (in thousands):

	Year Ended December 31,			
Other Business	2021	2022	2023	2024
Year of Occurrence	*(unaudited)*	*(unaudited)*	*(unaudited)*	
2021	$ 112,545	$ 130,139	$ 130,559	$ 130,691
2022		$ 190,010	$ 211,202	$ 211,752
2023			$ 256,600	$ 285,129
2024				$ 298,584
				$ 926,156
			Total amounts unpaid and recorded as a liability	$ 28,551

10. Debt

On March 25, 2022, the Company entered into a credit agreement with Piper Sandler Finance, LLC, acting as the administrative agent, that provides the Company with $150.0 million in credit (the Credit Facility) consisting of:

(a) an initial term loan in an aggregate principal amount of $60.0 million (Initial Term Loan), which was funded at closing;

(b) commitments for delayed draw term loans in an aggregate principal amount not in excess of $75.0 million (Delayed Draw Term Loans, and together with the Initial Term Loan, the Term Loans), which may be drawn from time to time until September 25, 2023. On December 29, 2022, February 17, 2023, and September 21, 2023, the Company borrowed Delayed Draw Term loans of $15.0 million, $35.0 million, and $25.0 million, respectively; and

(c) commitments for revolving loans in an aggregate principal amount at any time outstanding not in excess of $15.0 million (Revolving Loans), which may be drawn at any time prior to March 25, 2027.

The Credit Facility bears interest at a floating base rate plus an applicable margin. The stated interest rate as of December 31, 2024 was approximately 9.5% for the original $60.0 million term loan and for the aggregate $75.0 million term loans. The Company incurred total debt issuance cost of approximately $5.9 million, which is reported in the consolidated balance sheet as a direct reduction from the carrying amount of the Credit Facility, and is amortized as interest expense over the term of five years.

The Credit Facility is secured by substantially all assets of the Company and its subsidiaries. Proceeds from the Credit Facility may be used for permitted acquisitions and investments, working capital and other general corporate purposes. The Credit Agreement contains financial and other covenants. As of December 31, 2024, the Company was in compliance with all financial and other covenants.

To the extent not previously paid, the Initial Term Loan is due and payable on March 25, 2027, the Delayed Draw Term Loans are due and payable on the earlier of the five-year anniversary of their initial funding or March 25, 2028, and Revolving Loans are due and payable on March 25, 2027. The Company must repay 0.25% of any then-outstanding Term Loans, together with accrued and unpaid interest, on a quarterly basis.

Future principal payments on outstanding borrowings as of December 31, 2024 are as follows (in thousands):

Year Ending December 31,	December 31, 2024
2025	1,350
2026	1,350
2027	72,113
2028	57,125
Total	$ 131,938

11. Stock-Based Compensation

Stock-based compensation expense includes restricted stock units granted to employees and other service providers and has been reported in the Company's consolidated statements of operations depending on the function performed by the employee or other service provider. Stock-based compensation expense recognized in each category of the consolidated statements of operations for the years ended December 31, 2024, 2023 and 2022 was as follows (in thousands):

	Year Ended December 31,		
	2024	2023	2022
Veterinary invoice expense	$ 3,460	$ 3,667	$ 4,145
Other cost of revenue	2,063	1,612	2,339
Technology and development	4,934	2,846	4,742
General and administrative	15,696	17,717	12,831
New pet acquisition expense	7,279	7,319	9,336
Total expensed stock-based compensation	33,432	33,161	33,393
Capitalized stock-based compensation	505	2,135	1,633
Total stock-based compensation	$ 33,937	$ 35,296	$ 35,026

Stock Options

The grant date fair value of stock option awards are estimated on the date of grant using the Black-Scholes option-pricing model. The Company did not grant any new stock options during the years ended December 31, 2024, 2023, and 2022.

The following table presents information regarding stock options granted, exercised and forfeited for the periods presented:

	Number of Options	Weighted Average Exercise Price per Share	Aggregate Intrinsic Value (in thousands)
Outstanding as of January 1, 2022	807,205	$ 13.39	$ 95,765
Granted	—	—	—
Exercised	(174,721)	12.82	10,931
Forfeited	(2,834)	18.87	—
Outstanding as of December 31, 2022	629,650	13.53	21,410
Granted	—	—	—
Exercised	(213,848)	12.47	3,720
Forfeited	(6,832)	12.80	—
Outstanding as of December 31, 2023	408,970	14.09	6,715
Granted	—	—	—
Exercised	(61,136)	12.91	1,590
Expired	(500)	14.93	—
Outstanding as of December 31, 2024	347,334	14.30	11,775
Exercisable at December 31, 2024	347,334	$ 14.30	$ 11,775

As of December 31, 2024, stock options outstanding and stock options exercisable had a weighted average remaining contractual life of 1.7 years.

The Company has not granted any new stock options since 2017 and all outstanding options vested prior to January 1, 2022.

Restricted Stock Units

A summary of the Company's restricted stock unit activity for the years ended December 31, 2024, 2023 and 2022 is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value per Share
Unvested shares as of January 1, 2022	1,087,627	$ 78.94
Granted	623,401	84.11
Vested	(516,077)	72.81
Forfeited	(82,399)	81.91
Unvested shares as of December 31, 2022	1,112,552	84.46
Granted	366,870	26.77
Vested	(669,413)	72.52
Forfeited	(95,627)	79.60
Unvested shares as of December 31, 2023	714,382	66.64
Granted	957,168	29.21
Vested	(629,217)	57.46
Forfeited	(71,594)	44.00
Unvested shares as of December 31, 2024	970,739	$ 37.35

As of December 31, 2024, the Company had 970,739 unvested restricted stock units. Stock-based compensation expenses of $34.3 million related to unvested restricted stock units are expected to be recognized over a weighted average period of approximately 2.2 years.

In March 2023, two executives terminated employment with the Company and one executive signed a separation agreement effective June 1, 2023. In conjunction with these departures, the Company accelerated the vesting of certain RSUs as of the termination date and extended the purchase date of certain vested options from 90 to 365 days. These award modifications resulted in the recognition of $4.8 million share-based compensation expense during the year ended December 31, 2023.

12. Stockholders' Equity

Common Stock and Preferred Stock

As of December 31, 2024, the Company had 100,000,000 shares of common stock authorized and 42,488,445 shares of common stock outstanding. Holders of common stock are entitled to one vote on each matter properly submitted to the stockholders of the Company except those related to matters concerning possible outstanding preferred stock. At December 31, 2024, the Company had 10,000,000 shares of undesignated preferred stock authorized for future issuance and did not have any outstanding shares of preferred stock. The holders of common stock are also entitled to receive dividends as and when declared by the board of directors of the Company (the Board), whenever funds are legally available. These rights are subordinate to the dividend rights of holders of any senior classes of stock outstanding at the time. The Company does not intend to declare or pay any cash dividends in the foreseeable future.

Share Repurchase Program

In April 2021, the Board approved a share repurchase program, pursuant to which the Company may, between May 2021 and May 2026, repurchase outstanding shares of the Company's common stock. The Company repurchased no shares during the year ended December 31, 2024 and 2023.

13. Accumulated Comprehensive Income (Loss)

A summary of the components of accumulated other comprehensive income (loss) is as follows (in thousands):

	Foreign Currency Translation	Net Unrealized Gain (Loss) on Available-for-Sale Securities	Total
Balance as of January 1, 2022	$ 1,624	$ 1,453	$ 3,077
Other comprehensive income (loss)	(4,412)	(4,966)	(9,378)
Balance as of December 31, 2022	$ (2,788)	$ (3,513)	$ (6,301)
Other comprehensive income (loss)	2,712	3,992	6,704
Balance as of December 31, 2023	$ (76)	$ 479	$ 403
Other comprehensive income (loss)	(3,037)	22	(3,015)
Balance as of December 31, 2024	$ (3,113)	$ 501	$ (2,612)

14. Segments

The Company has two reporting segments: subscription business and other business. The subscription business segment consists of aggregated operating segments with products that have been created to meet the needs of their distribution channels and have similar target margin profiles. This segment generates revenue primarily from subscription payments related to the Company's direct-to-consumer products. The other business segment generates revenue primarily by underwriting policies on behalf of third parties and has a different margin profile than the Company's subscription business segment. The Company does not undertake marketing efforts for these policies and has a business-to-business relationship with these third-parties.

The Company's chief operating decision maker is our Chief Executive Officer. The chief operating decision maker reviews revenue and operating income (loss) to evaluate segment performance. Revenue, veterinary invoice expense, other cost of revenue, new pet acquisition expenses, and goodwill impairment charges are generally directly attributed to each segment. Other operating expenses, such as technology and development expense, general and administrative expense, and depreciation and amortization, are generally allocated proportionately based on revenue in each segment. Interest and other expenses and income taxes are not allocated to the segments, nor included in the measure of segment profit or loss. The Company does not analyze discrete segment balance sheet information related to long-term assets.

Operating loss of the Company's segments was as follows (in thousands):

	Year Ended December 31,		
	2024	2023	2022
Subscription business:			
Revenue	$ 856,521	$ 712,906	$ 596,610
Veterinary invoice expense	624,428	543,196	436,880
Other cost of revenue	82,423	70,490	60,804
Technology and development	20,822	13,765	16,555
General and administrative	42,457	36,256	25,964
New pet acquisition expense	71,240	77,172	88,959
Goodwill impairment charges	5,299	—	—
Depreciation and amortization	10,970	8,021	7,205
Subscription business operating loss	(1,118)	(35,994)	(39,757)
Other business:			
Revenue	429,163	395,699	308,569
Veterinary invoice expense	324,720	287,859	212,857
Other cost of revenue	75,315	76,044	72,453
Technology and development	10,433	7,638	8,578
General and administrative	21,274	23,951	13,415
New pet acquisition expense	139	200	541
Depreciation and amortization	5,496	4,453	3,716
Other business operating loss	(8,214)	(4,446)	(2,991)
Gain (loss) from investment in joint venture	(182)	(219)	(253)
Total operating loss	(9,514)	(40,659)	(43,001)
Interest expense	14,498	12,077	4,267
Other expense (income), net	(14,374)	(7,701)	(3,072)
Loss before income taxes	$ (9,638)	$ (45,035)	$ (44,196)

The following table presents the Company’s revenue by geographic region of the member (in thousands):

	Year Ended December 31,		
	2024	2023	2022
United States	$ 1,073,150	$ 935,312	$ 764,349
Canada and other	212,534	173,293	140,830
Total revenue	$ 1,285,684	$ 1,108,605	$ 905,179

Substantially all of the Company’s long-lived assets were located in the United States as of December 31, 2024 and 2023.

15. Dividend Restrictions and Statutory Surplus

The Company’s business operations are conducted through subsidiaries, one of which is an insurance company domiciled in New York, American Pet Insurance Company (APIC), and three of which are segregated cell businesses, Wyndham Segregated Accounts AX, Trupanion Germany, and Trupanion Switzerland, located in Bermuda. In 2022, the Company incorporated a new wholly-owned insurance subsidiary, GPIC Insurance Company (GPIC), domiciled in Canada. In 2021, the Company established two new wholly-owned insurance subsidiaries in the United States, ZPIC Insurance Company (ZPIC) and QPIC Insurance Company (QPIC), domiciled in Missouri and Nebraska, respectively. In addition to general state law restrictions on payments of dividends and other distributions to stockholders applicable to all corporations, insurance companies are subject to further regulations that, among other things, may require such companies to maintain certain levels of equity and restrict the amount of dividends and other distributions that may be paid to their parent corporations.

Applicable regulations generally restrict the ability of the insurance entities to pay dividends to its holding company parent. These restrictions are based in part on the prior year’s statutory income and surplus. In the United States, dividends up to specified levels are generally considered ordinary and may be paid without prior approval. Dividends, in larger amounts, known as extraordinary dividends, are subject to approval by the insurer's domiciliary state regulator. An extraordinary dividend or distribution is generally defined as a dividend or distribution that, in the aggregate in any 12-month period, exceeds the lesser of (i) 10% of surplus as of the preceding December 31 or (ii) the insurer’s adjusted net investment income for the 12-month period immediately preceding the declaration or distribution of the current dividend increased by the excess, if any, of net investment income over dividends declared or distributed during the period commencing thirty-six months prior to the declaration or distribution of the current dividend and ending twelve months prior thereto, and not including realized capital gains. APIC paid dividends of $4.2 million and $7.6 million to the Company during the years ended December 31, 2024 and 2023, respectively, and no dividends during the year ended December 31, 2022.

The Company's insurance subsidiaries in Bermuda are regulated by the Bermuda Monetary Authority. Under the Bermuda Companies Act of 1981, as amended, a Bermuda company may not declare or pay a dividend or make a distribution out of contributed surplus if there are reasonable grounds for believing that: (a) the company is, or would be after the payment, unable to pay its liabilities as they become due; or (b) the realizable value of the company’s assets would thereby be less than its liabilities. The Segregated Accounts Company Act of 2000 further requires that dividends out of a segregated account can only be paid to the extent that the cell remains solvent. The value of its assets must remain greater than the aggregate of its liabilities, issued share capital, and share premium accounts. Per our contractual agreements with Wyndham Insurance Company (SAC) Limited, the allowable dividend is equivalent to the positive undistributed profit attributable to the shares. Wyndham Segregated Account AX paid the Company a dividend of $8.6 million, $7.3 million, and $6.9 million during the years ended December 31, 2024, 2023 and 2022, respectfully.

The statutory net income for 2024, 2023 and 2022 and statutory capital and surplus at December 31, 2024, 2023 and 2022, for APIC were as follows (in thousands):

	As of December 31,		
	2024	2023	2022
Statutory net income	$ 49,007	$ 40,076	$ 35,227
Statutory capital and surplus	$ 245,484	$ 199,613	$ 162,232

As of December 31, 2024, APIC maintained $245.5 million of statutory capital and surplus which was above the company action level risk-based capital requirement of $105.3 million.

During the year ended December 31, 2024, the Company funded $1.1 million and $0.2 million of statutory capital to APIC and ZPIC, respectively, and no capital to GPIC. During the year ended December 31, 2023, the Company funded $3.8 million, $0.2 million and CAD $8.5 million of statutory capital to APIC, ZPIC and GPIC, respectively. ZPIC and GPIC will each be required to maintain a level of surplus as determined by their respective domiciliary regulators. During 2024, the Company fully dissolved QPIC, which included total distributions of $7.0 million of previously required capital to Trupanion, Inc.

As of December 31, 2024, the Company had $11.5 million on deposit with various states in which it is licensed to write policies.

16. Income Taxes

Loss before income taxes was as follows for the years ended December 31, 2024, 2023 and 2022 (in thousands):

	Year Ended December 31,		
	2024	2023	2022
United States	$ (758)	$ (41,019)	$ (43,794)
Foreign	(8,880)	(4,016)	(402)
Total	$ (9,638)	$ (45,035)	$ (44,196)

The components of income tax expense (benefit) were as follows (in thousands):

	Year Ended December 31,		
	2024	2023	2022
Current:			
U.S. federal & state	$ 120	$ (8)	$ 82
Foreign	610	464	814
	730	456	896
Deferred:			
U.S. federal & state	(48)	7	11
Foreign	(687)	(805)	(431)
	(735)	(798)	(420)
Income tax expense (benefit)	$ (5)	$ (342)	$ 476

A reconciliation of income tax expense at the statutory federal income tax rate and income taxes as reflected in the financial statements is presented below:

	Year Ended December 31,		
	2024	2023	2022
Federal income taxes at statutory rate	21.0 %	21.0 %	21.0 %
U.S. state income taxes	11.1	7.9	3.5
Equity compensation	(28.0)	(9.2)	2.5
Change in valuation allowance	8.5	(19.1)	(26.7)
Other, net	(0.4)	(0.1)	(1.7)
Credits	1.2	0.3	0.3
Goodwill impairment	(13.4)	—	—
Effective income tax rate	— %	0.8 %	(1.1)%

The principal components of the Company's deferred tax assets and liabilities were as follows (in thousands):

	As of December 31, 2024	As of December 31, 2023
Deferred tax assets:		
Deferred revenue	$ 10,798	$ 9,988
Accruals and reserves	1,932	2,163
Net operating loss carryforwards	67,128	68,436
Depreciation and amortization	3,387	2,254
Equity compensation	1,323	1,828
Credits	1,297	1,147
Other	977	1,962
Total deferred tax assets	86,842	87,778
Deferred tax liabilities:		
Deferred costs	(1,569)	(1,537)
Intangible assets	(2,302)	(3,103)
Other	(623)	(496)
Total deferred tax liabilities	(4,494)	(5,136)
Total deferred taxes	82,348	82,642
Less deferred tax asset valuation allowance	(84,161)	(85,245)
Net deferred tax liability	$ (1,813)	$ (2,603)

At December 31, 2024, the Company had U.S. federal, U.S. state, and foreign net operating loss carryforwards of $67.1 million (tax-effected, net of federal benefit) and U.S. federal income tax credits of $1.3 million. Use of carryforwards is limited based on the future income of the Company. The federal net operating loss carryforwards will begin to expire in 2027. Foreign net operating loss carryforwards will begin to expire in 2025. U.S. federal income tax credits will begin to expire in 2036. Pursuant to Sections 382 and 383 of the Internal Revenue Code, annual use of the Company's net operating loss carryforwards and credit carryforwards may be limited if the Company experiences an ownership change. As of December 31, 2024, the utilization of approximately $0.3 million of net operating losses are subject to limitation as a result of prior ownership changes; however, subsequent ownership changes may further affect the limitation in future years.

A valuation allowance is required to reduce the deferred tax assets reported if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. After consideration of all the evidence, both positive and negative, the Company has recorded a full valuation allowance against its U.S. Federal, the majority of its U.S. State, and a portion of its foreign deferred tax assets as of December 31, 2024, 2023, and 2022 because the Company's management has determined that it is more likely than not that these assets will not be fully realized.

For the year ended December 31, 2024, the Company recognized a net decrease of $1.1 million in valuation allowance against its net deferred tax assets associated with U.S. federal and certain foreign and U.S. state jurisdictions, primarily attributable the utilization of net operating losses in certain jurisdictions.

The Company is open to examination by the U.S. federal tax jurisdiction for the years ended December 31, 2021 through 2024, and is also open to examination for 2006 and forward with respect to net operating loss carryforwards generated and carried forward from those years in the United States. The Company is subject to taxation in various states and countries, and may be subject to audit or examination by the relevant authorities in respect to those particular jurisdictions primarily for 2018 and thereafter.

For the year ended December 31, 2024, the Company intends to invest substantially all of its foreign subsidiary earnings, as well as its capital in its foreign subsidiaries, indefinitely outside of the U.S. in those jurisdictions in which it would incur significant, additional costs upon repatriation of such amounts. A deferred tax liability related to taxes due upon repatriation to the U.S. has not been recorded.

The Company is booking Global Intangible Low-Taxed Income ("GILTI") on a current basis and is not booking deferred taxes related to GILTI.

The Company accounts for uncertain tax positions based on a two-step process of evaluating recognition and measurement criteria. The first step assesses whether the tax position is more likely than not to be sustained upon examination by the taxing authority, including resolution of any appeals or litigation, on the basis of the technical merits of the position. If the tax position meets the more-likely-than-not criteria, the portion of the tax benefit greater than 50% likely to be realized upon settlement with the relevant taxing authority is recognized in the financial statements. No significant changes in uncertain tax positions are expected in the next twelve months.

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows (in thousands):

	Year Ended December 31,		
	2024	2023	2022
Balance, beginning of year	$ 80	$ 151	$ 138
Increases (decreases) to tax positions related to prior periods	3	(72)	8
Increases to tax positions related to the current year	—	1	5
Balance, end of year	$ 83	$ 80	$ 151

17. Employee Benefits

The Company has a 401(k) plan for its U.S. employees. The plan allows employees to contribute a percentage of their pretax earnings annually, subject to limitations imposed by the Internal Revenue Service. The plan also allows the Company to make a matching contribution, subject to certain limitations. As of December 31, 2024, the Company has made no matching contributions to the 401(k) plan. The Company instituted a 401(k) match effective January 1, 2025, wherein employee contributions will be matched up to 1% of eligible compensation.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this Annual Report on Form 10-K. Based on such evaluation, our CEO and CFO have concluded that as of December 31, 2024, the disclosure controls and procedures were effective.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined under Rule 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and the dispositions of our assets; (2) provide reasonable assurance that our transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2024, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework (2013). As a result of this assessment, management concluded that, as of December 31, 2024, our internal control over financial reporting was effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP.

In addition, Ernst & Young LLP has issued a report on our internal control over financial reporting as of December 31, 2024, and its report appears below.

Remediation of Material Weaknesses

As disclosed in Part II Item 9A Controls and Procedures in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, we identified two material weaknesses in internal control related to (1) the design of information technology general controls (ITGCs) in the areas of user access and program change-management over certain information technology systems related to revenue, veterinary invoice expense, accounts receivable, reserve for veterinary invoices and deferred revenue in our subscription business segment; (2) processing transactions performed by an unaffiliated general agent within our other business segment.

During 2024, management implemented our previously disclosed remediation plan and completed our testing of the operating effectiveness of the implemented controls and found them to be effective. As a result, we have concluded the two material weaknesses have been remediated as of December 31, 2024.

Changes in Internal Control

Except for changes relating to remediation of the material weaknesses discussed above, there have been no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(f) or 15d-15(f) of the Exchange Act during the period covered by this Annual Report on Form 10-K that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Trupanion, Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Trupanion, Inc.'s internal control over financial reporting as of December 31, 2024, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Trupanion, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2024 and 2023, the related consolidated statements of operations, comprehensive loss, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2024, and the related notes and the financial statement schedule listed in the Index at Item 15(a)(2) and our report dated February 27, 2025, expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Seattle, Washington

February 27, 2025

Item 9B. Other Information

Rule 10b5-1 Plan

On November 29, 2024, Margi Tooth, our President, Chief Executive Officer and a member of our Board of Directors, adopted a trading plan intended to satisfy Rule 10b5-1 to sell up to 2,294 shares of Trupanion, Inc. common stock and exercise and sell up to 40,000 options to purchase shares of Trupanion, Inc. common stock over a period ending on December 17, 2025, subject to certain conditions.

No other officers nor directors of the Company adopted, modified, or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," as defined in Item 408(a) of Regulation S-K, during the three months ended December 31, 2024.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information required by this item is incorporated herein by reference to our Proxy Statement with respect to our 2025 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the end of the fiscal year covered by this Annual Report.

Item 11. Executive Compensation

Information required by this item is incorporated herein by reference to our Proxy Statement with respect to our 2025 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the end of the fiscal year covered by this Annual Report.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information required by this item is incorporated herein by reference to our Proxy Statement with respect to our 2025 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the end of the fiscal year covered by this Annual Report.

Item 13. Certain Relationships and Related Transactions and Director Independence

Information required by this item is incorporated herein by reference to our Proxy Statement with respect to our 2025 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the end of the fiscal year covered by this Annual Report.

Item 14. Principal Accountant Fees and Services

Information required by this item is incorporated herein by reference to our Proxy Statement with respect to our 2025 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a)(1) Financial Statements

We have filed the financial statements listed in the Index to Financial Statements as a part of this Annual Report on Form 10-K.

(a)(2) Financial Statement Schedules

Schedule I Condensed Financial Information of Registrant

No other financial statement schedules have been provided because the information called for is not required or is shown either in the financial statements or notes thereto.

(a)(3) Exhibits

The following exhibits are filed as part of this Annual Report on Form 10-K or are incorporated herein by reference.

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed/Furnished Herewith
		Form	File No.	Exhibit	Exhibit Filing Date	
3.1	Amended and Restated Certificate of Incorporation of Trupanion, Inc.	8-K	001-36537	3.1	6/12/2023	
3.2	Amended and Restated Bylaws of Trupanion, Inc.	8-K	001-36537	3.2	6/12/2023	
4.1	Description of Capital Stock					X
4.2	Form of Common Stock Certificate.	S-1	333-196814	4.1	6/16/2014	
10.1+	Form of Indemnity Agreement.	S-1	333-196814	10.1	6/16/2014	
10.2+	2007 Equity Compensation Plan and forms of stock option agreements and exercise notices, restricted stock notice agreement and restricted stock agreement thereunder.	S-1	333-196814	10.2	6/16/2014	
10.3+	2014 Equity Incentive Plan and forms of stock option award agreement, restricted stock agreement and restricted stock unit award agreement thereunder.	S-1	333-196814	10.3	6/16/2014	
10.4+	2014 Employee Stock Purchase Plan.	S-1	333-196814	10.4	6/16/2014	
10.5+	2024 Equity Incentive Plan and forms of stock option award agreement, restricted stock agreement and restricted stock unit award agreement thereunder	S-8	333-380069	99.1	6/7/2024	
10.6†	Agency Agreement between Omega General Insurance Company and Trupanion Brokers Ontario, Inc., effective January 1, 2015.	10-K	001-36537	10.13	2/24/2015	
10.7†	Fronting and Administration Agreement between Wyndham Insurance Company (SAC) Limited and Omega General Insurance Company, effective January 1, 2015.	10-K	001-36537	10.14	2/24/2015	
10.8†	Quota Share Reinsurance Agreement between Wyndham Insurance Company (SAC) Limited and Omega General Insurance Company, effective January 1, 2015.	10-K	001-36537	10.15	2/24/2015	
10.9	Quota Share Reinsurance Agreement between Wyndham Insurance Company (SAC) Limited and Omega General Insurance Company, effective July 1, 2020.	10-K	001-36537	10.23	2/14/2020	
10.10	Addendum #11 to Quota Share Reinsurance Agreement between Wyndham Insurance Company (SAC) Limited and Omega General Insurance Company, effective January 1, 2024.	10-K	001-371285	10.9	2/27/2024	

10.11	Addendum #1 to Fronting And Administration Agreement between Omega General Insurance Company and Wyndham Insurance Company (Sac) Limited, effective January 1, 2024.	10-K	001-371285	10.1	2/27/2024	
10.12+	Compensation Program for Non-Employee Directors of Trupanion, Inc, as amended on November 7, 2024.					X
10.13+	Form of Consulting Agreement.	8-K	001-36537	10.1	4/4/2023	
10.14+	Form of Separation Agreement.	8-K	001-36537	10.2	4/4/2023	
10.15+	Trupanion, Inc. Severance and Change in Control Plan effective July 28, 2023.	10-Q	001-36537	10.2	8/4/2023	
10.16+	Offer Letter dated as of August 24, 2023, by and between the Company and Fawwad Qureshi.	8-K	001-36537	10.1	9/6/2023	
10.17	Strategic Alliance Agreement, dated as of October 26, 2020 by and between Trupanion, Inc. and Aflac Incorporated.	8-K	001-36537	10.2	10/29/2020	
10.18	Shareholder Agreement, dated as of October 26, 2020 by and between Trupanion, Inc. and Aflac Incorporated.	8-K	001-36537	10.3	10/29/2020	
10.19†	Credit Agreement, dated as of March 25, 2022, by and among Trupanion, Inc., Piper Sandler Finance, LLC, as administrative agent, and the lenders party thereto.	10-Q	001-36537	10.1	4/29/2022	
19.0	Amended and Restated Insider Trading Policy					X
21.1	Subsidiaries of the Registrant.					X
23.1	Consent of independent registered public accounting firm.					X
24.1	Power of Attorney (reference is made to the signature page hereto).					X
31.1	Certification of Principal Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Principal Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1*	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2*	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
97.1	Compensation Clawback Policy	10-K	001-371285	97.1	2/27/2024	
101.INS	XBRL Instance Document - the instance does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.					X
101.SCH	Inline XBRL Taxonomy Extension Schema With Embedded LinkBase Documents.					X

104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)	X

\+ Indicates a management contract or compensatory plan or arrangement.

† Registrant has omitted portions of the referenced exhibit pursuant to a request for confidential treatment under Rule 24b-2 promulgated under the Exchange Act. The omitted portions of this exhibit have been filed separately with the SEC.

* This certification is deemed not filed for purpose of section 18 of the Exchange Act or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Seattle, state of Washington, on this 27th day of February, 2025.

TRUPANION, INC.

By: /s/ Margi Tooth

Margi Tooth
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Margi Tooth, Fawwad Qureshi and Chris Kearns, and each of them, as his or her true and lawful attorneys-in-fact, proxies and agents, each with full power of substitution, for him or her in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact, proxies and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact, proxies and agents, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: February 27, 2025	/s/ Margi Tooth Margi Tooth Chief Executive Officer *(Principal Executive Officer)*
Date: February 27, 2025	/s/ Fawwad Qureshi Fawwad Qureshi Chief Financial Officer *(Principal Financial and Accounting Officer)*
Date: February 27, 2025	/s/ Darryl Rawlings Darryl Rawlings Chairperson of the Board
Date: February 27, 2025	/s/ Max Broden Max Broden Director
Date: February 27, 2025	/s/ Jacqueline Davidson Jacqueline Davidson Director
Date: February 27, 2025	/s/ Paulette Dodson Paulette Dodson Director
Date: February 27, 2025	/s/ Richard Enthoven Richard Enthoven Director
Date: February 27, 2025	/s/ Murray Low Murray Low Director
Date: February 27, 2025	/s/ Betsy McLaughlin Betsy McLaughlin Director
Date: February 27, 2025	/s/ Howard Rubin Howard Rubin Director

Schedule I - Condensed Financial Information of Registrant

Trupanion, Inc.
Condensed Statements of Operations and Comprehensive Loss
(Parent Company Only, in thousands)

	Year Ended December 31,		
	2024	2023	2022
Expenses:			
Veterinary invoice expense	$ 290	$ 253	$ 4,144
Other cost of revenue	347	240	2,340
Technology and development	1,934	1,507	4,930
General and administrative	3,915	5,345	16,346
New pet acquisition expense	1,422	806	9,351
Depreciation and amortization	941	494	289
Total expenses	8,849	8,645	37,400
Gain (loss) from investment in joint venture	192	(237)	(192)
Operating loss	9,041	(8,882)	(37,592)
Interest expense	14,345	11,998	4,255
Other expense (income), net	(16,303)	(14,442)	(8,047)
Loss before income taxes and loss in undistributed earnings of subsidiaries	(7,083)	(6,438)	(33,800)
Income tax benefit	18,939	15,766	14,544
Loss in undistributed earnings of subsidiaries	(21,489)	(54,021)	(25,416)
Net loss	$ (9,633)	$ (44,693)	$ (44,672)
Other comprehensive income (loss), net of taxes:			
Other comprehensive income (loss) of subsidiaries	(3,015)	6,704	(9,378)
Other comprehensive income (loss)	(3,015)	6,704	(9,378)
Comprehensive loss	$ (12,648)	$ (37,989)	$ (54,050)

Trupanion, Inc.
Condensed Balance Sheets
(Parent Company Only)
(In thousands, except share data)

	December 31, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 11,951	$ 10,994
Accounts and other receivables	1,194	1
Prepaid expenses and other assets	815	804
Total current assets	13,960	11,799
Restricted cash	25,406	22,963
Property and equipment, net	4,180	3,981
Intangible assets, net	5,869	5,808
Other long-term assets	12,415	12,540
Advances to and investments in subsidiaries	392,898	377,031
Total assets	$ 454,728	$ 434,122
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable, accrued liabilities, and other current liabilities	$ 1,488	$ 336
Long-term debt - current portion	1,350	1,350
Total current liabilities	2,838	1,686
Long-term debt	127,537	127,580
Deferred tax liabilities	1,057	1,106
Other liabilities	28	28
Total liabilities	131,460	130,400
Stockholders' equity:		
Common stock: $0.00001 par value per share, 100,000,000 shares authorized; 43,516,631 and 42,888,445 shares issued and outstanding at December 31, 2024; 42,887,052 and 41,858,866 shares issued and outstanding at December 31, 2023	—	—
Preferred stock: $0.00001 par value per share, 10,000,000 shares authorized; no shares issued and outstanding	—	—
Additional paid-in capital	568,302	536,108
Accumulated other comprehensive income (loss)	(2,612)	403
Accumulated deficit	(225,888)	(216,255)
Treasury stock, at cost: 1,028,186 shares at December 31, 2024 and 2023	(16,534)	(16,534)
Total stockholders' equity	323,268	303,722
Total liabilities and stockholders' equity	$ 454,728	$ 434,122

Trupanion, Inc.
Condensed Statements of Cash Flows
(Parent Company Only, in thousands)

	Year Ended December 31,		
	2024	2023	2022
Operating activities			
Net loss	$ (9,633)	$ (44,693)	$ (44,672)
Adjustments to reconcile net loss to cash provided by (used in) operating activities:			
Loss attributable to investments in subsidiaries	8,707	39,184	19,331
Dividends from subsidiaries	12,782	14,837	6,942
Depreciation and amortization	941	494	289
Stock-based compensation expense	6,178	4,575	33,393
Other, net	(395)	4,200	533
Changes in operating assets and liabilities	507	6,194	(166)
Net cash provided by operating activities	19,087	24,791	15,650
Investing activities			
Cash paid in business acquisition, net of cash acquired	—	—	(15,034)
Purchases of property, equipment, and internal-use software	(1,201)	(172)	(516)
Advances to and investments in subsidiaries	(13,526)	(87,198)	(71,671)
Other	2,157	1,586	(1,598)
Net cash used in investing activities	(12,570)	(85,784)	(88,819)
Financing activities			
Proceeds from debt financing, net of financing fees	—	59,972	69,138
Repayment of debt financing	(1,350)	(1,225)	(487)
Repurchases of common stock	—	—	(5,755)
Proceeds from exercise of stock options	752	2,655	2,290
Shares withheld to satisfy tax withholding	(2,519)	(1,536)	(4,359)
Net cash (used in) provided by financing activities	(3,117)	59,866	60,827
Net change in cash, cash equivalents, and restricted cash	3,400	(1,127)	(12,342)
Cash, cash equivalents, and restricted cash at beginning of period	33,957	35,084	47,426
Cash, cash equivalents, and restricted cash at end of period	$ 37,357	$ 33,957	$ 35,084

1. Organization and Presentation

The accompanying condensed financial statements present the financial position, results of operations and cash flows for Trupanion, Inc. These condensed unconsolidated financial statements should be read in conjunction with the consolidated financial statements of Trupanion, Inc. and its subsidiaries and the notes thereto (the Consolidated Financial Statements). Investments in subsidiaries are accounted for using the equity method of accounting. Trupanion, Inc. received cash dividends from subsidiaries of $12.8 million, $14.9 million and $6.9 million for the years ended December 31, 2024, 2023 and 2022, respectively. These cash dividends were recorded within Trupanion, Inc.'s other income and were eliminated within the consolidated financial statements of Trupanion, Inc.

Additional information about Trupanion, Inc.’s accounting policies pertaining to intangible assets, commitments and contingencies, stock-based compensation, stockholders’ equity, and income taxes are set forth in Notes 4, 8, 11, 12, and 16, respectively, to the Consolidated Financial Statements.

Compensation expense related to stock-based transactions, including employee and non-employee stock option awards, and restricted stock units is measured and recognized in the financial statements based on fair value. Effective January 1, 2023, we entered into an intercompany agreement with a non-insurance subsidiary whereby stock-based compensation costs are allocated to this entity. Stock-based compensation expenses of $27.3 million and $28.3 million were included within equity (loss) in undistributed earnings of subsidiaries within the Condensed Statements of Operations and Comprehensive Loss and in advances to and investments in subsidiaries in the Condensed Balance Sheets for the years ended December 31, 2024 and 2023, respectively. There was no impact to net income as a result of this intercompany agreement.

Exhibit 4.1

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

As of December 31, 2024, Trupanion, Inc. (the "Company") had one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: the Company's common stock.

Description of Capital Stock

The following description of the Company's common stock is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to the Company's Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") and the Company's Amended and Restated Bylaws (the "Bylaws"), each of which are incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.1 is a part. This description should be read in conjunction with the Certificate of Incorporation, Bylaws, and applicable Delaware law.

Authorized Capital Stock

The Company's authorized capital stock consists of 100,000,000 shares of common stock, $0.00001 par value per share ("Common Stock"), and 10,000,000 shares of preferred stock, $0.00001 par value per share ("Preferred Stock"). The Company only has shares of Common Stock outstanding, all of which are fully paid and nonassessable.

Voting Rights

Holders of Common Stock are entitled to one vote per share on all matters voted on by the stockholders, including the election of directors. The Common Stock does not have cumulative voting rights.

Dividend Rights

Subject to the rights of holders of outstanding shares of Preferred Stock, if any, the holders of Common Stock are entitled to receive dividends, if any, as may be declared from time to time by the board of directors in its discretion out of funds legally available for the payment of dividends.

Liquidation Rights

Subject to any preferential rights of outstanding shares of Preferred Stock, holders of Common Stock will share ratably in all assets legally available for distribution to the Company's stockholders in the event of dissolution.

Other Rights and Preferences

The Common Stock has no sinking fund or redemption provisions or preemptive, conversion or exchange rights.

Anti-Takeover Effects of Provisions of Delaware Law, the Certificate of Incorporation, and the Bylaws

Certain provisions of Delaware law, the Certificate of Incorporation, and the Bylaws contain provisions that could discourage, delay or prevent a change in control of the Company or changes in its management.

Delaware Anti-Takeover Statute

The Company is subject to Section 203 of the Delaware General Corporation Law, which prohibits persons deemed "interested stockholders" from engaging in a "business combination" with a publicly-held Delaware corporation for three years following the date these persons become interested stockholders unless the business combination is, or the transaction in which the person became an interested stockholder was, approved in a prescribed manner or another exception applies. Generally, an "interested stockholder" is a person who, together with affiliates and associates, owns, or within three years prior to the determination of interested stockholder status did own, 15% or more of a corporation's voting stock. Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. The existence of this provision may have an anti-takeover effect with respect to transactions not approved in advance by the Company's board of directors, such as discouraging takeover attempts that might result in a premium over the market price of the Common Stock.

Undesignated Preferred

The Company's board of directors has the authority, without further action by stockholders, to issue up to 10,000,000 shares of undesignated Preferred Stock, with voting or other rights and preferences designated from time to time by the Company's board of directors.

Elimination of Stockholder Ability to Act by Written Consent or Call Special Meetings

The Certificate of Incorporation eliminates the right of stockholders to act by written consent without a meeting. Further, the Bylaws and Certificate of Incorporation provide that special meetings of stockholders may be called only by a majority of the Company's board of directors, chairman of the board of directors, Chief Executive Officer or President. As a result, stockholders may only initiate action properly brought through an annual meeting.

Advance Notice Requirements

The Bylaws provide advance notice procedures for stockholders seeking to bring business before, or to nominate candidates for election as directors at, the annual meeting of stockholders. The Bylaws specify certain requirements regarding the timing, form and content of a stockholder's notice.

Choice of Forum

The Certificate of Incorporation provides that, unless the Company consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the exclusive forum for certain litigation that may be initiated by the Company’s stockholders.

Listing

The Common Stock is traded on The Nasdaq Stock Market LLC under the trading symbol “TRUP”.

Compensation Program for Non-Employee Directors of Trupanion, Inc.

(As amended through November 8, 2024)

1. **Purpose.** This Compensation Program for Non-Employee Directors (this ***"Plan"***) is intended to attract highly-qualified individuals to serve as a members of the board of directors (the ***"Board"***) of Trupanion, Inc. (the ***"Company"***) who are not officers or employees of the Company or of any of its subsidiaries or affiliates (each, a "***Non-Employee Director***") and to provide Non-Employee Directors with incentives and rewards that motivate superior oversight and protection of the Company's business.

2. **Administration.** This Plan shall be administered by the compensation committee of the Board (the ***"Committee"***) which shall have the authority to construe and interpret this Plan, prescribe, amend and rescind rules relating to this Plan's administration and take any other actions necessary or desirable for the administration of this Plan. The Committee may correct any defect or supply any omission or reconcile any inconsistency or ambiguity in this Plan. The decisions of the Committee shall be final and binding on all persons. All expenses of administering this Plan shall be borne by the Company.

3. **Eligibility.** Each Non-Employee Director shall be eligible to receive the compensation provided hereunder. Directors who are also employees of the Company or any of its subsidiaries or affiliates do not receive additional compensation for service as a director and shall not be eligible to participate in this Plan.

4. **Compensation.**

4.1. Standard Compensation.

4.1.1. Board Member Annual Retainer. Beginning in 2025, each Non-Employee Director who is elected or appointed to the Board and is serving on the Board as of the regular meeting of the Board immediately prior to the annual meeting of Company stockholders at which Non-Employee Directors are to be elected to the Board (the "Stockholder Meeting") and each anniversary thereafter (each, the "Reference Date") shall receive an annual retainer in the amount of $150,000 (the "Annual Retainer") in connection with such meeting of the Board. A Non-Employee Director who is appointed or elected to the Board after the Reference Date shall receive a pro-rated portion of the Annual Retainer for the year in which such Non-Employee Director was elected or appointed based on the number of complete days of the year during which the Non-Employee Director serves as a member of the Board, unless otherwise determined by the Committee.

4.1.2. Board Chair Annual Retainer. Each Non-Employee Director who is elected or appointed to the Board and serves as the chairperson of the Board (the ***"Chair"***) as of the Reference Date shall receive an additional annual retainer in the amount of $50,000 (the ***"Chair Retainer"***). A Non-Employee Director who is appointed as the Chair after the Reference Date shall receive a pro-rated portion of the Chair Retainer for the year in which such Non-Employee Director was serving as the Chair based on the number of complete days of the year during which the Non-Employee Director serves as the Chair, unless otherwise determined by the Committee.

4.1.3. Lead Independent Director Retainer. Each Non-Employee Director who is elected or appointed to the Board and serves as the lead independent director of the Board (the ***"LID"***) as of the Reference Date shall receive an additional annual retainer in the amount of $50,000 (the ***"LID Retainer"***). A Non-Employee Director who is appointed as the LID after the Reference Date shall receive a pro-rated portion of the LID Retainer for the year in which such Non-Employee Director was serving as the LID based on the number of complete days of the year during which the Non-Employee Director serves as the LID, unless otherwise determined by the Committee.

4.1.4. Committee Chair Annual Retainer. Each Non-Employee Director who is appointed to serve as a chairperson (each a ***"Committee Chair"***) of a committee of the Board (each a ***"Committee"***) and is serving as a Committee Chair on such a Committee as of the Reference Date shall receive the annual compensation below (each, the ***"Annual Committee Chair Retainer"*** and together with the Annual Retainer, Chair Retainer, and LID Retainer, the ***"Director Compensation"***).

4.1.4.1. The Committee Chair of the audit committee of the Board shall be paid an Annual Committee Chair Retainer of $50,000;

4.1.4.2. The Committee Chair of the compensation committee of the Board shall be paid an Annual Committee Chair Retainer of $50,000; and

4.1.4.3. The Committee Chair of the nominating and corporate governance committee of the Board shall be paid an Annual Committee Chair Retainer of $50,000.

4.1.5. A Non-Employee Director who is appointed as a Committee Chair after the Reference Date shall receive a pro-rated portion of the Annual Committee Chair Retainer for the year in which such Non-Employee Director was serving as a Committee Chair based on the number of complete days of the year during which the Non-Employee Director serves as a Committee Chair, unless otherwise determined by the Committee.

4.2. Limitation on Total Director Compensation. Notwithstanding anything to the contrary set forth herein, in no event shall a Non-Employee Director receive more than $200,000 in Director Compensation each year.

4.3. Form of Payment of Director Compensation.

4.3.1. Unless a Non-Employee Director elects otherwise in accordance with this Plan, Director Compensation will be paid in the form of options (***"Options"***) to purchase shares of common stock of the Company (***"Common Stock"***) or restricted stock units settled in Common Stock (***"RSUs"***, and together with Options, ***"Awards"***), as determined below, issued in accordance with the Company's 2024 Equity Incentive Plan or its successor (the ***"2024 Plan"***). Unless otherwise determined by the Committee, any Awards issued pursuant to this Plan will be approved on an annual basis at the first meeting of the Board following the Reference Date and will be granted in the next open trading window.

4.3.2. On an annual basis, at the first meeting of the Board following the Reference Date, the Board will determine whether the Awards will be in the form of Options or RSUs unless otherwise determined by the Committee.

4.3.3. In the event the Board determines that Awards shall be granted in the form of Options, the number of shares of Common Stock underlying such Options to be granted shall be determined by dividing the Director Compensation by the value of each Option calculated using the Black-Scholes valuation method as of the first day of the respective open trading window for which the grant will be made (the foregoing calculation, the ***"Option Calculation"***); provided, a Non-Employee Director appointed to the Board, as the Chair, as the LID, or as a Committee Chair following the Reference Date shall receive an Option to purchase shares of Common Stock representing the number of shares of Common Stock determined using the Option Calculation based on the applicable pro-rated Director Compensation. Any Options granted pursuant to this Plan shall be governed by the 2024 Plan and related documents and shall have an exercise price not less than the fair market value of the Common Stock as of the date of grant.

4.3.4. In the event the Board determines that the Awards shall be granted in the form of RSUs, the number of shares of Common Stock underlying such RSUs shall be determined by dividing the Director Compensation by the lesser of (i) by the volume-weighted average price of the Common Stock on the NASDAQ Stock Market as measured between the closing price on the last day before the regularly scheduled trading window opens for the prior quarter and the last day before the regularly scheduled trading window opens for the quarter in which the Awards are granted and (ii) the then-most current calculation of the intrinsic value of a share of Common Stock, as determined by the Company; provided, a Non-Employee Director appointed to the Board, as the Chair, as the LID or as a Committee Chair following the Reference Date shall receive that number of RSUs determined by dividing the applicable pro-rated Director Compensation by (i) or (ii) above, as applicable. Any RSUs granted pursuant to this Plan shall be governed by the 2024 Plan and related documents.

4.3.5. Notwithstanding anything to the contrary set forth herein, each Non-Employee Director may elect (each, an ***"Election"***) to receive either 50% or 100% of his or her Director Compensation in cash; provided, that a 100% cash election may only be made by a director who holds at least the minimum amount of equity required under the Company's stock ownership guidelines (without regard to the five-year transition relief). Any Election must be made by submitting the form attached hereto as **Exhibit A** to the Committee and Company's General Counsel prior to December 31 of each year unless otherwise determined by the Committee. Once a Non-Employee Director makes an Election, such Election may not be changed. In the absence of an Election, Director Compensation will be issued entirely in the form of Awards as described in this Plan. A Non-Employee Director may not make an Election during a Company blackout period or when the Non-Employee Director is otherwise in possession of material non-public information and any Election must comply with all rules established from time to time by the Board, including any insider trading policy or similar policy.

4.3.6. Awards shall vest as to 1/4 of the total shares underlying the Award on the twenty-second day of the month of the quarterly open trading window immediately following the Stockholder Meeting (the ***"Open Trading Window"***) and 1/4 of the total shares underlying the Award shall vest on the twenty-second day of the month of each subsequent Open Trading Window until the Award is fully vested, subject to the Non-Employee Director's provision of service to the Company on each vesting date. Notwithstanding the foregoing, in the event a Non-Employee Director resigns from the Board or declines to stand for reelection, in both cases in connection with the Stockholder Meeting, 1/4th of such Non-Employee Director's Director Compensation shall vest and/or be paid (as applicable) on or about the date of the Stockholder Meeting. Any unvested Awards will be forfeited.

4.3.7. In the event a Non-Employee Director makes an Election to receive a portion his or her Director Compensation in the form of cash, such cash shall be paid in the same manner as set forth in Section 4.3.6.

4.3.8. In the event the Board determines that the Awards shall be granted in the form of RSUs, a Non-Employee Director may elect to defer settlement of such RSUs until such Non-Employee Director is no longer providing services to the Company. Any such election must be made by submitting the form attached hereto as <u>**Exhibit B**</u> to the Committee and Company's General Counsel prior to December 31 of each year unless otherwise determined by the Committee.

4.3.9. Notwithstanding anything to the contrary set forth herein, for the fiscal year ending December 31, 2025 (the ***"Stub Year"***), each Non-Employee Director who is elected or appointed to the Board and is serving on the Board as of January 1, 2025 shall receive a prorated portion of such Non-Employee Director's Director Compensation in the first quarter of the Stub Year for that portion of the Stub Year prior to the meeting of the Board immediately prior to the annual meeting of Company stockholders held in the Stub Year (the ***"Interim Payment"***). Awards made for the Interim Payment shall vest as to 50% of the total shares underlying the Award on the twenty-second day of the month of the next Open Trading Window and 50% of the total shares underlying the Interim Payment Award shall vest on the twenty-second day of the month of the subsequent Open Trading Window, subject to the Non-Employee Director's provision of service to the Company on each vesting date.

5. <u>Other.</u> To the extent a Non-Employee Director is also a consultant to the Company in a capacity unrelated to Board service, such Non-Employee Director's compensation under the applicable consulting agreement will be separate from and in addition to such Non-Employee Director's compensation under this Plan.

[*Remainder of page intentionally left blank*]

Exhibit A

Election Form

Trupanion, Inc.

Compensation Program for Non-Employee Directors

Election Form

This Election Form is being delivered pursuant to the Compensation Program for Non-Employee Directors, as amended from time to time.

Instructions: You will <u>DEFAULT to 100% of the Award Value being paid in equity UNLESS you elect otherwise by returning this election form.</u> You do not need to complete and return this election form unless you wish to receive cash during the upcoming year. To elect to receive cash in lieu of equity, select a box below, date, and sign. Return the signed form to the Company's Compensation Committee Chairperson and Company's General Counsel by December 31st.

□ COMBINATION EQUITY/CASH ELECTION: 50% of the Award Value in the form of stock options or restricted stock units, and 50% of the Award Value in cash.
□ CASH ONLY: 100% of the Award Value in the cash. By checking this box, I represent that I own at least the minimum amount of equity required under the Company's stock ownership guidelines (without regard to the five-year transition relief).

The undersigned hereby elects as above for the upcoming fiscal year.

By: ____________________________________

Print Name: ______________________________

Date: ___________________________________

Exhibit B

RSU Deferral Election

[Date]

[Director Name]
[Director Address]

Re: **Restricted Stock Unit Award and Deferred Settlement Election**
Action Required No Later Than [DATE]

Dear [Director Name]:

As you know, the Trupanion Compensation Program for Non-Employee Directors (the “NED Program”) permits directors to receive either cash or equity in consideration of their service on the board of directors. For calendar year [20__], directors must elect to receive cash or equity no later than December 31 of the prior year. In the event you elect to receive equity in the form of restricted stock units (“RSUs”), you have the opportunity to elect to defer the settlement of your vested [YEAR] RSUs. However, we must receive this election no later than December 31, [YEAR]. The form necessary to make this election is enclosed with this letter.

Deferred Settlement Election

Unless you elect otherwise, shares of our common stock will be issued in settlement of your RSU award on the date that the RSUs vest. You will recognize taxable income on that date in an amount equal to the fair market value of the shares issued to you.

If you wish, you may elect to defer the settlement of all, but not less than all, of your vested RSUs received in [YEAR] until you leave the board. The effect of this election will be to delay both the issuance of our shares and your recognition of taxable income.

We have included a response form with this letter allowing you to elect to defer settlement of your [YEAR] RSUs.

Please forward your election to us no later than [DATE] to ensure timely receipt and processing prior to the end of the year.

By law, you must make your election no later than December 31, [YEAR]. If we do not receive a completed, dated and signed Deferred Settlement Election from you by December 31, [YEAR], the settlement of your RSUs granted during the following year cannot be deferred.

Please do not hesitate to phone me at (___) ___________ or contact me by email at ________ @________.com if you have any questions regarding this matter.

Very truly yours,

____

Enclosures

TRUPANION, INC.
DEFERRED SETTLEMENT ELECTION FOR
RESTRICTED STOCK UNIT AWARD

TO: Chief Legal Officer, Trupanion, Inc. (the *"Company"*)

FROM: ___________________________________ (the *"Participant"*)

I hereby elect to defer the settlement date for the award of Restricted Stock Units that I am granted by the Company during the calendar year indicated below, subject to the terms and conditions of the Company's 2024 Equity Incentive Plan (the *"Plan"*) and this election.

1. **Calendar Year to which Election applies.** My election applies to any award of Restricted Stock Units (the *"RSU Award"*) granted to me under the Plan during the following calendar year (the *"Plan Year"*):

Plan Year: Calendar year commencing January 1, [YEAR].

I understand that this election will terminate at the end of the Plan Year, and that I will be required to submit a new election for each subsequent calendar year in which I may be granted an RSU Award for which I wish to elect deferred settlement.

I understand that if I fail to make a valid deferred settlement election, my RSU Award will be settled when and as the units subject to the award vest.

2. **Deferred Settlement Election.** I understand that my RSU Award will be settled upon the first to occur of the following events, to the extent that my RSU Award is then vested:

(a) the 60th day following the date of my death;

(b) 60th day following the date of my "disability" (as such term is defined by regulations under Section 409A of the Internal Revenue Code);

(c) immediately prior to the effective time of a Change in Control (as defined by the Plan); or

(d) the 60th day following the date of my "separation from service" (as such term is defined by regulations under Section 409A of the Internal Revenue Code); provided, however, that if I am a "specified employee" (as such term is defined by regulations under Section 409A of the Internal Revenue Code) at the time of my separation from service and such separation precedes a Change in Control, my RSU Award will be settled on the date that is six months and one day after the date of my separation from service (or, if earlier, the date of my death) to the extent that such delayed settlement is required by Section 409A.

3. **Submission of Election.** This Deferred Settlement Election must be delivered to the Chief Legal Officer of the Company or his designee no later than the last day of the calendar year immediately preceding the Plan Year.

4. **Irrevocability of Election.** This Deferred Settlement Election will become irrevocable as of the commencement of the Plan Year. Notwithstanding anything herein to the contrary, the Company may

accelerate payment in its sole discretion to the extent permissible and in accordance with and subject to the requirements of Treasury Regulation Section 1.409A-3(j)(4).

5. **Election Subject to Plan and Applicable Law.** This Deferred Settlement Election is in all respects subject to the terms and conditions of the Plan and applicable law. Should any inconsistency exist between this Deferred Settlement Election, the Plan and/or any applicable law, including Section 409A of the Internal Revenue Code, then the provisions of the Plan and applicable law will control, with the provisions of the Plan subordinated to the applicable law.

Dated: __________________________ __________________________________

Participant Signature

TRUPANION, INC.

AMENDED AND RESTATED INSIDER TRADING POLICY

As amended on February 13, 2025

I. PURPOSE

It is illegal for any employee, officer, consultant, contractor, director, or other service provider of Trupanion, Inc. (collectively with its subsidiaries, the "***Company***") to trade in the securities of the Company or securities of other publicly traded companies while in the possession of material nonpublic information. It is also illegal for any employee, officer, consultant, contractor, director or other service provider of the Company to give material nonpublic information to others who may trade on the basis of that information.

In order to comply with federal and state securities laws governing (i) trading in Company securities while in the possession of material nonpublic information and (ii) tipping or disclosing material nonpublic information to outsiders, and in order to prevent the appearance of improper trading or tipping, the Company has adopted this policy for all of its employees, officers, consultants, contractors, directors, and other service providers, members of their immediate families and others living in their households, and venture capital funds and other entities (such as trusts and corporations) over which such employees, officers, consultants, contractors, directors, or other service providers have or share voting or investment control.

II. SCOPE

A. This policy covers all employees, officers, consultants, contractors, directors, and other service providers of the Company, members of their immediate families and others living in their households and venture capital funds and other entities (such as trusts and corporations) over which such employees, officers, consultants, contractors, directors, or other service providers have or share voting or investment control (collectively referred to herein as "***employees, officers or directors***"). Employees, officers or directors are responsible for ensuring compliance by their immediate families and other members of their households and entities over which they exercise voting or investment control.

B. This policy applies to any and all transactions in the Company's securities, including shares of its Common Stock and options to purchase Common Stock (as described in more detail in Section VI.E below), however acquired, securities not issued by the Company but related to the Company's securities, and any other type of securities that the Company may issue, such as preferred shares, convertible debentures, warrants and exchange-traded options or other derivative securities.

C. This policy will be delivered to all employees, officers and directors upon its adoption by the Company, and to all new employees, officers and directors at the start of their employment or relationship with the Company. Upon first receiving a copy of this policy or any revised versions, each employee, officer or director must sign a certification that he or she has received a copy and agrees to comply with the terms of this policy. This certification and agreement will constitute consent for the Company to impose sanctions for violation of this policy and to issue any necessary stop-transfer orders to the Company's transfer agent to enforce compliance with this policy. As discussed in Section VII.B, sanctions for individuals may include demotion or other disciplinary actions, up to and including termination of employment, if the Company has a reasonable basis to conclude that any of its policies has been violated. Section 16 Parties, as defined below, may be required to certify compliance with this policy on an annual basis.

D. This policy allows for trades by employees, officers and directors made in compliance with Rule 10b5-1 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 ("***Rule 10b5-1***"), subject to the approval of the Compliance Officer (as defined in Section IV below).

E. The Company may change these procedures or adopt such other procedures in the future as the Company considers appropriate in order to carry out the purposes of this policy.

III. SECTION 16 PARTIES; ACCESS PERSONS

A. ***Section 16 Parties.*** The Company's Board of Directors designates certain persons from time to time as the officers and directors who are subject to the reporting provisions and trading restrictions of Section 16 of the Securities Exchange Act of 1934 ("***Exchange Act***"), and the underlying rules and regulations promulgated by the Securities and Exchange Commission ("***SEC***"). Each such person, and each entity affiliated or associated with any such officer or director (other than venture capital funds affiliated with a director), is referred to herein as a "***Section 16 Party***." Section 16 Parties must obtain prior approval to trade Company securities from the Compliance Officer in accordance with the procedures set forth in Section VI.D below. The Company will promptly notify any Section 16 Party in writing if the Company independently determines that such Section 16 Party is no longer legally subject to Section 16 of the Exchange Act.

B. ***Access Persons.*** The Company will determine from time to time those persons, other than Section 16 Parties who have regular access to material nonpublic information in the normal course of their duties for the Company. Each such person is referred to herein as an "***Access Person.***" The Company will promptly notify any Access Person if the Company independently determines that such Access Person no longer has access to material nonpublic information about the Company.

IV. INSIDER TRADING COMPLIANCE OFFICER

The Company has designated the Company's General Counsel as its Insider Trading Compliance Officer ("***Compliance Officer***") and in the event of the General Counsel's unavailability, the Company's Chief Financial Officer, shall be authorized to serve as Compliance Officer in the interim. The Compliance Officer will review and either approve or prohibit all proposed trades by Section 16 Parties or Access Persons in accordance with the procedures set forth in Section VI.D below, except that with respect to the Compliance Officer, any proposed trades must be approved by the Company's Chief Financial Officer. The Compliance Officer may consult with the Company's outside legal counsel.

In addition to the trading approval duties described in Section VI.D below, the duties of the Compliance Officer will include the following:

A. Administering and interpreting this policy and monitoring and enforcing compliance with all policy provisions and procedures.

B. Responding to all inquiries relating to this policy and its procedures.

C. Designating and announcing special trading blackout periods during which no designated employees, officers or directors may trade in Company securities.

D. Providing copies of this policy and other appropriate materials to all current and new employees, officers and employees, and such other persons who the Compliance Officer determines may have access to material nonpublic information concerning the Company.

E. Administering, monitoring and enforcing compliance with all federal and state insider trading laws and regulations, including without limitation Sections 10(b), 16, 20A and 21A of the Exchange Act and the rules and regulations promulgated thereunder, and Rule 144 under the Securities Act of 1933, as amended ("***Securities Act***"); and assisting in the preparation and filing of all required SEC reports relating to insider trading in Company securities, including without limitation Forms 3, 4, 5 and 144 and Schedules 13D and 13G.

F. Revising this policy as necessary to reflect changes in federal or state insider trading laws and regulations, subject to approval by the Company's Board of Directors or a duly authorized committee thereof.

G. Maintaining as Company records originals or copies of all documents required by the provisions of this policy or the procedures set forth herein, and copies of all required SEC reports relating to insider trading, including without limitation Forms 3, 4, 5 and 144 and Schedules 13D and 13G.

H. Maintaining the accuracy of the list of Section 16 Parties and the list of persons who meet (or are exempt from) the designation of an Access Person, and updating such lists periodically as necessary to reflect additions or deletions.

I. Providing a reporting system with an effective whistleblower protection mechanism.

J. Providing prior approval to trade in Company securities in accordance with the procedures set forth in Section VI. D below.

The Compliance Officer may designate one or more individuals who may perform the Compliance Officer's duties in the event that the Compliance Officer is unable or unavailable to perform such duties.

V. DEFINITION OF "MATERIAL NONPUBLIC INFORMATION"

A. "Material" Information

Information about the Company is "material" if it would be expected to affect the investment or voting decisions of a reasonable shareholder or investor, or if the disclosure of the information would be expected to alter significantly the total mix of the information in the marketplace about the Company. In simple terms, material information is any type of information that could reasonably be expected to affect the market price of the Company's securities or if it otherwise is information that a reasonable investor would want to know before making an investment decision. Both positive and negative information may be material. While it is not possible to identify all information that would be deemed “material,” the following types of information ordinarily would be considered material:

- financial performance, especially quarterly and year-end earnings, and significant changes in financial performance or liquidity;
- potential material mergers and acquisitions or material sales of Company assets or subsidiaries;
- stock splits, public or private securities/debt offerings, or changes in Company dividend policies or amounts;
- significant changes in senior management;
- developments regarding significant litigation or government agency investigations;
- cybersecurity risks and incidents, including vulnerabilities and breaches;
- offerings of Company securities;
- new major contracts or customers, or the loss of a major customer; and
- initiation of a significant lawsuit.

Material information is not limited to historical facts but may also include projections and forecasts. Information concerning an event that would have a large effect on stock price, such as a merger, may be material even if the possibility that the event will occur is relatively small. When in doubt about whether particular nonpublic information is material, you should presume it is material. If you are unsure whether information is material, you should either consult the Compliance Officer before making any decision to disclose such information (other than to persons who need to know it) or to trade in or recommend securities to which that information relates or assume that the information is material.

B. “Nonpublic” Information

Material information is “nonpublic” if it has not been widely disseminated to the public, for example, through major newswire services, national news services, Web casts or financial news services and investors have not been given the opportunity to absorb the information. For the purposes of this policy, information will be considered public, i.e., no longer “nonpublic,” at the opening of trading on the second full trading day following the Company’s widespread public release of the information.

C. Consult the Compliance Officer for Guidance

Employees, officers or directors who are unsure whether the information that they possess is material or nonpublic must consult the Compliance Officer for guidance before trading in any Company securities.

VI. STATEMENT OF COMPANY POLICY AND PROCEDURES

A. Prohibited Activities

1. No employee, officer or director may trade in Company securities while possessing material nonpublic information concerning the Company (except as permitted by Section VI.C). It does not matter that there may exist a justifiable reason for a purchase or sale apart from the nonpublic information; if the employee, officer or director has material nonpublic information, the prohibition still applies.

2. No employee, officer or director may trade in Company securities outside of the applicable "trading windows" described in Section VI.B below and no employee, officer or director may trade in the Company securities during any special trading blackout periods designated by the Compliance Officer that are applicable to such employee, officer or director (except as permitted by Section VI.C).

3. No Section 16 Party or Access Person may trade in Company securities unless the proposed trade by that Section 16 Party or Access Person has been approved by the Compliance Officer in accordance with the procedures set forth in Section VI.D below (except as permitted by Section VI.C).

4. The Compliance Officer may not trade in Company securities unless the trade has been approved by the Company's Chief Financial Officer in accordance with the procedures set forth in Section VI.D below (except as permitted by Section VI.C).

5. No employee, officer or director may disclose material nonpublic information concerning the Company to any outside person (including family members, analysts, individual investors and members of the investment community and news media), unless required as part of the regular duties of such employee, director or officer for the Company or as authorized by the Compliance Officer. In any instance in which such information is disclosed to outsiders, the Company will take such steps as are necessary to preserve the confidentiality of the information, including requiring the outsider to agree in writing to comply with the terms of this policy and/or to sign a confidentiality agreement. All inquiries from outsiders regarding material nonpublic information about the Company must be forwarded to the Compliance Officer.

6. No employee, officer or director may give trading advice of any kind about the Company to anyone while possessing material nonpublic information about the Company, except that employees, officers or directors should advise others not to trade if doing so might violate the law or this policy. The Company strongly discourages all employees, officers or directors from giving trading advice concerning the Company to third parties even when the directors, officers and employees do not possess material nonpublic information about the Company.

7. No employee, officer or director may acquire, sell, or trade in any interest or position relating to the future price of Company securities, such as a put option, a call option, or a short sale (including a short sale "against the box").

8. No employee, officer or director may (a) trade in the securities of any other public company while possessing material nonpublic information concerning that company obtained in the

course of service as an employee, officer or director, (b) "tip" or disclose such material nonpublic information concerning any other public company to anyone, or (c) give trading advice of any kind to anyone concerning any other public company while possessing such material nonpublic information about that company.

9. Except as permitted by Section VI.C, no employee, officer or director may make a gift or other transfer without consideration of Company securities during a period when that employee, officer or director is not permitted to trade.

10. No director, officer or employee may participate, in any manner other than passive observation, in any of the investment or stock-related Internet "chat" rooms, blogs, social media sites or message boards relating to the Company.

11. No entity over which an employee, officer or director has or shares voting or investment control may distribute securities of the Company to its limited partners, general partners or shareholders during a period when the employee, officer or director is not permitted to trade, unless the limited partners, general partners or shareholders of that entity have agreed in writing to hold the securities until the trading window described in VI.B below is first open.

12. It is the Company's policy to disclose material information concerning the Company to the public only in accordance with its Corporate Communications Policy in order to avoid inappropriate publicity and to ensure that all such information is communicated in a way that is reasonably designed to provide broad, non-exclusionary distribution of information to the public. All inquiries or calls from the press, investors and financial analysts should be referred to a designated Company spokesperson. Please see the Company's Corporate Communications Policy for details.

B. Trading Windows and Blackout Periods

1. ***Trading Windows for Section 16 Parties and Access Persons.*** After obtaining trading approval from the Compliance Officer in accordance with the procedures set forth in Section VI.D below, Section 16 Parties and Access Persons may trade in Company securities only during the period **<u>beginning</u> at the opening of trading on the second business day following the Company's widespread public release of quarterly or year-end earnings (not including the date of such earnings release), and <u>ending</u> at the close of trading on the seventh day of the third month of the then-current quarter (or if such date falls, on a weekend or holiday, then the prior business day), as long as they are not in possession of material nonpublic information or subject to any special trading blackout.**

2. ***Trading Windows for Other Employees.*** Any employees who are not Section 16 Parties or Access Persons may trade in Company securities only during the period **<u>beginning</u> at the opening of trading on the second business day following the Company's widespread public release of quarterly or year-end earnings (not including the date of such earnings release), and <u>ending</u> at the close of trading on the seventh day of the third month of the then-current quarter (or if such date falls on a weekend or holiday then the prior business day), as long as they are not in possession of material nonpublic information or subject to any special trade blackout.** Employees who are not Section 16 Parties or Access Persons need not obtain approval from the Compliance Officer prior to trading.

3. ***Trading Windows for Affiliated Venture Capital Funds.*** Venture capital funds affiliated with a director may trade in Company securities only during the period **beginning at the opening of trading on the second business day following the Company's widespread public release of quarterly or year-end earnings (not including the date of such earnings release), and ending at the close of trading on the seventh day of the third month of the then-current quarter (or if such date falls on a weekend or holiday, then the prior business day), as long as they are not in possession of material nonpublic information or subject to any special trading blackout.**

4. ***No Trading During Trading Windows While in the Possession of Material Nonpublic Information.*** No employee, officer or director possessing material nonpublic information concerning the Company may trade in Company securities even during applicable trading windows. Persons possessing such information may trade during a trading window only after the opening of trading on the second full trading day following the Company's widespread public release of the information.

5. ***No Trading During Blackout Periods.*** The Compliance Officer may designate special trading blackouts that apply to particular individuals or groups of persons for such time as is determined by the Compliance Officer. No director, officer or employee may trade in Company securities outside of the applicable trading windows or during any special blackout periods that the Compliance Officer may designate. No director, officer or employee may disclose to any outside third party that a special blackout period has been designated.

C. Exception for Transfers Pursuant to Rule 10b5-1

The restrictions outlined in Sections VI.A.1, 2, 3, 4 and 9 and VI.B shall not prohibit transfers of Company securities made pursuant to a written contract, letter of instruction or plan that is established by a Section 16 Party, or by an Access Person, and: (a) complies with the requirements of Rule 10b5-1 ("Rule 10b5-1 Plan"), including the requirement that such Rule 10b5-1 Plan be established when such person is not in possession of material nonpublic information or subject to a special blackout, (b) has been approved by the Compliance Officer at least one month in advance of the first trade thereunder (or such other date as required by applicable law) and (c) with respect to which the Company's Compliance Officer has received the certification referred to in Section VI.D.2.c. No such approval by the Compliance Officer shall be considered the Compliance Officer's or the Company's approval that the Rule 10b5-1 Plan satisfies the requirements of Rule 10b5-1. It shall be the sole responsibility of the person establishing the Rule 10b5-1 Plan to ensure that such plan complies with the requirements of Rule 10b5-1.

D. Procedures for Approving Trades

1. Section 16 Parties and Access Persons. No Section 16 Party or Access Person or such person's spouse, other persons living in such person's household and minor children or entities over which such person exercises control may , directly or indirectly, purchase or sell (or otherwise make any transfer, gift, pledge or loan of) any Company securities, until:

   a. The person trading has notified the Compliance Officer in writing of the amount and nature of the proposed trade(s) (see form attached hereto);

b. The person trading has certified, during the applicable pre-clearance application period or during the applicable trading window, to the Compliance Officer in writing (see form attached hereto) prior to the proposed trade during an applicable trading window that:

(i) such person is not in possession of material nonpublic information concerning the Company, and
(ii) the proposed trading does not violate the trading restrictions of Section 16 of the Exchange Act, Rule 144 of the Securities Act (if applicable) or any other securities laws, and

c. The Compliance Officer has approved the trade(s) and has certified such approval in writing, except as provided in paragraph 2 of this subsection.

d. Unless revoked, a grant of permission will remain valid until the earlier of (i) the close of the applicable trading window and (ii) the close of trading on the last permitted trading day indicated in the permission countersigned by the Compliance Officer.

For the purposes of this Section VI.D, notification or certification in writing shall include such notification or certification via a digitally-signed e-mail or electronic signature.

2. ***Rule 10b5-1 Plans.*** No trades shall be treated as having been made pursuant to a Rule 10b5-1 Plan under this policy unless:

a. The Rule 10b5-1 Plan complies with the requirements of Rule 10b5-1;

b. The Compliance Officer has approved the Rule 10b5-1 Plan, and has certified such approval in writing at least one month in advance of the first trade thereunder (or such other date as required by applicable law); and

c. The person establishing the Rule 10b5-1 Plan has certified during the applicable pre-clearance application period or during the applicable trading window, to the Compliance Officer in writing prior to the date that the Rule 10b5-1 Plan is formally established, that:
(i) such person is not in possession of material nonpublic information concerning the Company and all such trades to be made pursuant to the Rule 10b5-1 Plan will be made in accordance with Section 16 of the Exchange Act and Rule 144 of the Securities Act to the extent such Sections are applicable; and

(ii) the Rule 10b5-1 Plan complies with the requirements of Rule 10b5-1.

d. In order to effect an amendment to an existing Rule 10b5-1 Plan, the person amending such plan must satisfy all of the conditions set forth in Section VI.D.2.a-c with respect to such amendment.

3. ***No Obligation to Approve Trades.*** The existence of the foregoing approval procedures does not in any way obligate the Compliance Officer to approve any trades requested by Section 16 Parties or Access Persons or to approve any Rule 10b5-1 Plan. The Compliance Officer may reject any trading requests or Rule 10b5-1 Plans at his or her sole reasonable discretion.

E. Employee Stock Purchase and Equity Incentive Plans

1. ***Employee Stock Purchase Plan.*** The trading prohibitions and restrictions set forth in this policy do not apply to periodic wage withholding contributions by the Company or employees to the Company's Employee Stock Purchase Plan that is used to purchase Company securities pursuant to the employees' advance instructions. However, no officers or employees may alter their instructions regarding the level of withholding or purchase by the employee of Company securities under such plan while in the possession of material nonpublic information. Any sale of securities acquired under such plan is subject to the prohibitions and restrictions of this policy.

2. ***Stock Option Plans.*** The trading prohibitions and restrictions of this policy apply to all sales of securities acquired upon the exercise of options to purchase Company stock, but not to the acquisition of Company stock by such exercise.

F. Priority of Statutory or Regulatory Trading Restrictions

The trading prohibitions and restrictions set forth in this policy will be superseded by any greater prohibitions or restrictions prescribed by federal or state securities laws and regulations, e.g., contractual restrictions on the sale of securities, short-swing trading by Section 16 Parties or restrictions on the sale of securities subject to Rule 144 under the Securities Act. Any employee, officer or director who is uncertain whether other prohibitions or restrictions apply should ask the Compliance Officer.

VII. POTENTIAL CIVIL, CRIMINAL AND DISCIPLINARY SANCTIONS

A. Civil and Criminal Penalties

The consequences of prohibited insider trading or tipping can be severe, both for individuals involved in such unlawful conduct and their employers and supervisors, and may include jail terms, criminal fines, civil penalties and civil enforcement injunctions. Persons violating insider trading or tipping rules may be required to disgorge the profit made or the loss avoided by trading, pay the loss suffered by the persons who purchased securities from or sold securities to the insider tippee, pay civil penalties of several times the profit made or loss avoided, pay significant criminal penalties and serve a substantial jail term. The Company and/or the supervisors of the person violating the rules may also be required to pay major civil or criminal penalties and could under certain circumstances be subject to private lawsuits by contemporaneous traders for damages suffered as a result of illegal insider trading or tipping by persons under the Company's control. The SEC can also seek substantial civil penalties from any person who, at the time of an insider trading violation, "directly or indirectly controlled the person who committed such violation," which would apply to the Company and/or management and supervisory personnel. These control persons may be held liable for up to the greater of $1 million or three times the amount of the profits gained or losses avoided. Even for violations that result in a small or no profit, the SEC can seek penalties from a company and/or its management and supervisory personnel as control persons.

B. Company Discipline

Violation of this policy or federal or state insider trading or tipping laws by any employee, officer or director may subject a director to dismissal proceedings and an officer or employee to disciplinary action by the Company up to and including termination for cause. A violation of the Company's policy is not necessarily the same as a violation of law. In fact, for the reasons indicated above, the Company's policy is intended to be broader than the law. The Company reserves the right to determine, in its own discretion and on the basis of the information available to it, whether its policy has been violated. The Company may determine that specific conduct violates its policy, whether or not the conduct also violates the law. It is not necessary for the Company to await the filing or conclusion of a civil or criminal action against the alleged violator before taking disciplinary action.

C. Reporting of Violations

Any employee, officer or director who violates this policy or any federal or state laws governing insider trading or tipping, or knows of any such violation by any other employee, officer or director, must report the violation immediately to the Compliance Officer, the Chief Financial Officer or the Chief Executive Officer. Upon learning of any such violation, the Compliance Officer, Chief Financial Officer or the Chief Executive Officer, in consultation with the Company's legal counsel, will determine whether the Company should release any material nonpublic information, or whether the Company should report the violation to the SEC or other appropriate governmental authority.

VIII. INQUIRIES

Please direct all inquiries regarding any of the provisions or procedures of this policy to the Compliance Officer.

Trupanion, Inc.

APPLICATION AND APPROVAL FORM FOR TRADING BY SECTION 16 PARTIES AND ACCESS PERSONS

Name: ____

Title: ____

Proposed Trade to occur during the following Open Trading Window:

Open Trading Window Start Date: _______________

Open Trading Window End Date: _______________

Type of Security to be Traded: ____

Type of Trade that will be executed (check all that apply):

- □ Buy TRUP stock
- □ Sell TRUP stock
- □ Conduct a stock option exercise via Same-Day-Sale (exercise your stock options and sell all your TRUP stock) or Sell-To-Cover (exercise your stock options and sell enough TRUP stock to cover the exercise price owed to the Company)
- □ Other (please describe): ____

Number of Shares or Other Securities to be Traded: _________________________

EXAMPLES OF MATERIAL NONPUBLIC INFORMATION

While it is not possible to identify all information that would be deemed "material nonpublic information," the following types of information ordinarily would be included in the definition if not yet publicly released by the Company:

- financial performance, especially quarterly and year-end earnings, and significant changes in financial performance or liquidity;
- potential material mergers and acquisitions or material sales of Company assets or subsidiaries;

- stock splits, public or private securities/debt offerings, or changes in Company dividend policies or amounts;
- significant changes in senior management;
- new major contracts or customers, or the loss of a major customer; and
- initiation of a significant lawsuit.

Trupanion, Inc.

CERTIFICATION

I, *(please print name)*____, hereby certify that (i) I am not in possession of any "material nonpublic information" concerning Trupanion, Inc. (together with its subsidiaries, the "***Company***"), as defined in the Company's Insider Trading Policy and (ii) to the best of my knowledge, the proposed trade(s) in the trading window listed above does not violate the trading restrictions of Section 16 of the Securities Exchange Act of 1934, as amended, or Rule 144 under the Securities Act of 1933, as amended. I understand that, if I trade while possessing such information or in violation of such trading restrictions, I may be subject to severe civil and/or criminal penalties, and may be subject to discipline by the Company up to and including termination for cause.

____
(Signature)

Date signed: _____________

<u>INSIDER TRADING COMPLIANCE OFFICER REVIEW AND DECISION</u>

The undersigned hereby certifies that the Insider Trading Compliance Officer of the Company has reviewed the foregoing application and (Insider Trading Compliance Officer to initial one of the following): _________ APPROVES _________ PROHIBITS the proposed trade(s) in the trading window listed above.

____
(Signature)

Insider Trading Compliance Officer (or Designee)

Date signed: ____________________________

<u>Trupanion, Inc.</u>

<u>Insider Trading Compliance Program - Preclearance Checklist</u>

Individual Proposing to Trade:

Compliance Officer:

Proposed Trading Window (Start and End Dates):

Proposed Trading Dates:

Date:

- □ **<u>Trading Window.</u>** Confirm that the trading will be made during the Company's "trading window."
- □ **<u>Section 16 Compliance.</u>** Confirm, if the individual is an officer or director subject to Section 16, that the proposed trading will not give rise to any potential liability under Section 16 as a result of matched past (or intended future) transactions. Ensure that no matching purchase or sale has occurred in the past six (6) months (or is likely to occur in the next six (6) months).

  Also, ensure that a Form 4 has been or will be completed and will be timely filed.

- □ **<u>Prohibited Trades.</u>** Confirm, if the individual is an officer or director subject to Section 16, that the proposed transaction is not a "short sale," put, call or other prohibited transaction.

- □ **<u>Rule 144 Compliance.</u>** Confirm that:

  - □ Current public information requirement has been met.
  - □ Shares are not restricted or, if restricted, the applicable holding period has been met.
  - □ Volume limitations are not exceeded (confirm the individual is not part of an aggregated group), if applicable.
  - □ The manner of sale requirements will be met, if applicable.
  - □ The Notice on Form 144 has been completed and filed, if applicable.

- ☐ **Rule 10b-5 Concerns**. Confirm that (i) the individual has been reminded that trading is prohibited when in possession of any material information regarding the Company that has not been adequately disclosed to the public, and (ii) the Compliance Officer has discussed with the insider any information known to the individual or the Compliance Officer which might be considered material, so that the individual has made an informed judgment as to the inside information.

____
Signature of Compliance Officer

Trupanion, Inc.

Re: ***Insider Trading Policy***

Ladies and Gentlemen:

Enclosed is a copy of the Insider Trading Policy, as amended by the Board of Directors of Trupanion, Inc. (***"Company"***) on February [_], 2025. **PLEASE READ IT VERY CAREFULLY.** As it indicates, the consequences of insider trading can be drastic to both you and the Company.

To show that you have read the Insider Trading Policy and agree to be bound by it, please sign and return the attached copy of this letter to the Company's General Counsel, as soon as possible.

Very truly yours,

____
[*TITLE*]

CERTIFICATION

The undersigned certifies that the undersigned has read, understands and agrees to comply with the Insider Trading Policy of Trupanion, Inc. ("Company"). The undersigned agrees that the undersigned will be subject to sanctions, including, as to employees of the Company, termination of employment, that may be imposed by the Company, in its discretion, for violation of the Company's policy, and that the Company may give stop-transfer and other instructions to the Company's transfer agent against the transfer of Company securities by the undersigned in a transaction that the Company considers to be in contravention of its policy.

INDIVIDUAL:

____
(Signature)

Printed name: ________________________
Date signed: _________________________

Exhibit 21.1

Trupanion, Inc.

List of Subsidiaries

Subsidiary	Incorporation
American Pet Insurance Company	United States, New York
Trupanion Managers USA, Inc.	United States, Arizona
Canada Pet Health Insurance Services, Inc.	Canada, Ontario
Trupanion Canadian Shareholders Ltd.	Canada, Alberta
Trupanion Alberta Holding Company, ULC	Canada, Alberta
Wyndham Insurance Company (SAC), Ltd. - Segregated Account AX	Bermuda
Wyndham Insurance Company (SAC) Limited - Segregated Account Trupanion Switzerland	Bermuda
Wyndham Insurance Company (SAC) Limited - Segregated Account Trupanion Germany	Bermuda
6100 Building, LLC	United States, Washington
Trupanion Administration Canada, Inc.	Canada, Ontario
ZPIC Insurance Company	United States, Missouri
GPIC Insurance Company	Canada, Ontario
Front Street Distribution Services, Inc.	United States, Washington
US Pet Health Insurance Services, Inc.	United States, Washington
Aquarium Software Limited	United Kingdom
Aquarium Software Ireland Limited	Republic of Ireland
Smart Paws GmbH	Germany
Trupanion Japan, Inc.	Tokyo, Japan
Royal Blue s.r.o.	Czech Republic
PetExpert Europe s.r.o.	Czech Republic
PetExpert SK s.r.o.	Slovakia
PetExpert Belgium B.V.	Belgium
PetExpert Insurance Services s.r.o.	Czech Republic
Blitz 22-452 AG	Germany

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-197514) pertaining to the 2014 Equity Incentive Plan, 2014 Employee Stock Purchase Plan, and 2007 Equity Compensation Plan of Trupanion, Inc.,
(2) Registration Statement (Form S-8 No. 333-202270) pertaining to the 2014 Equity Incentive Plan and 2014 Employee Stock Purchase Plan of Trupanion, Inc.,
(3) Registration Statement (Form S-8 No. 333-209550) pertaining to the 2014 Equity Incentive Plan and 2014 Employee Stock Purchase Plan of Trupanion, Inc.,
(4) Registration Statement (Form S-3 No. 333-275851) of Trupanion, Inc. and in the related prospectus, and
(5) Registration Statement (Form S-8 No. 333-280069) pertaining to the 2024 Equity Incentive Plan of Trupanion, Inc.

of our reports dated February 27, 2025, with respect to the consolidated financial statements and schedule of Trupanion, Inc. and the effectiveness of internal control over financial reporting of Trupanion, Inc. included in this Annual Report (Form 10-K) for the year ended December 31, 2024.

/s/ Ernst & Young LLP

Seattle, Washington
February 27, 2025

Exhibit 31.1

Certification of Principal Executive Officer
Pursuant To Exchange Act Rule 13a-14(a)/15d-14a
As Adopted Pursuant To Section 302 of the Sarbanes-Oxley Act Of 2002

I, Margi Tooth, certify that:

1. I have reviewed this Annual Report on Form 10-K of Trupanion, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 27, 2025

/s/ Margi Tooth

Margi Tooth
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certification of Principal Financial Officer
Pursuant To Exchange Act Rule 13a-14(a)/15d-14a
As Adopted Pursuant To Section 302 of the Sarbanes-Oxley Act Of 2002

I, Fawwad Qureshi, certify that:

1. I have reviewed this Annual Report on Form 10-K of Trupanion, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2025

/s/ Fawwad Qureshi

Fawwad Qureshi
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certification of Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Margi Tooth, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. the Annual Report of Trupanion, Inc. on Form 10-K for the year ended December 31, 2024, as filed with the Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in such Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Trupanion, Inc.

Date: February 27, 2025

/s/ Margi Tooth

Margi Tooth
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

Certification of Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Fawwad Qureshi, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. the Annual Report of Trupanion, Inc. on Form 10-K for the year ended December 31, 2024, as filed with the Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in such Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Trupanion, Inc.

Date: February 27, 2025

/s/ Fawwad Qureshi

Fawwad Qureshi
Chief Financial Officer
(Principal Financial Officer)