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DELTA REPORT

10-Q

TRUP - TRUPANION, INC.

10-Q - SEPTEMBER 30, 2024 COMPARED TO 10-Q - JUNE 30, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	698
🟨 CHANGES	257
🟥 DELETIONS	297
🟩 ADDITIONS	144

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)

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

For the quarterly period ended June 30, 2024 September 30, 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 each exchange on which registered
Common stock, $0.00001 par value per share	TRUP	The Nasdaq Stock Market LLC

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

As of August 2, 2024 October 25, 2024, there were approximately 42,163,753 42,343,514 shares of the registrant’s common stock outstanding.

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TRUPANION, INC.
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Note About Forward-Looking Statements

This Quarterly Report on Form 10-Q 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 Quarterly Report on Form 10-Q 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 II. Item 1A. “Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q. 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 Quarterly Report on Form 10-Q 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 - FINANCIAL INFORMATION

Item 1. Financial Statements

TRUPANION, INC.
Condensed Consolidated Statements of Operations
(in thousands, except share data)
(unaudited)

	Three Months Ended June 30,	Six Months Ended June 30,
	Three Months Ended September 30,	Nine Months Ended September 30,

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	2024	2024	2023	2024	2023	2024	2023	2024	2023
Revenue									
Cost of revenue:									
Veterinary invoice expense(1)									
Veterinary invoice expense(1)									
Veterinary invoice expense(1)									
Other cost of revenue(1)									
Total cost of revenue									
Operating expenses:									
Technology and development(1)									
Technology and development(1)									
Technology and development(1)									
General and administrative(1)									
New pet acquisition expense(1)									
Depreciation and amortization									
Total operating expenses									
Loss from investment in joint venture									
Operating loss									
Gain (loss) from investment in joint venture									
Operating income (loss)									
Interest expense									
Other income, net									
Loss before income taxes									
Income tax benefit									
Net loss									
Income (loss) before income taxes									
Income tax expense (benefit)									
Net income (loss)									
Net loss per share:									
Net loss per share:									
Net loss per share:									
Basic and diluted									
Basic and diluted									
Basic and diluted									
Net income (loss) per share:									
Net income (loss) per share:									
Net income (loss) per share:									
Basic									
Basic									
Basic									
Diluted									
Weighted average shares of common stock outstanding:									
Weighted average shares of common stock outstanding:									
Weighted average shares of common stock outstanding:									
Basic and diluted									
Basic and diluted									
Basic and diluted									
Basic									
Basic									
Basic									
Diluted									

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

Veterinary invoice expense
Veterinary invoice expense
Veterinary invoice expense
Other cost of revenue
Technology and development
General and administrative
New pet acquisition expense

See accompanying notes to the condensed consolidated financial statements.

TRUPANION, INC.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(in thousands)
(unaudited)

		Three Months Ended June 30,		Six Months Ended June 30,					
		Three Months Ended September 30,		Nine Months Ended September 30,					
	2024	2024	2023	2024	2023	2024	2023	2024	2023
Net loss									
Net income (loss)									
Other comprehensive income (loss):									
Foreign currency translation adjustments									
Foreign currency translation adjustments									
Foreign currency translation adjustments									
Net unrealized loss on available-for-sale investments									
Net unrealized gain (loss) on available-for-sale investments									
Other comprehensive income (loss), net of taxes									
Comprehensive loss									
Comprehensive income (loss)									

See accompanying notes to the condensed consolidated financial statements.

TRUPANION, INC.
Condensed Consolidated Balance Sheets
(in thousands, except share data)

	June 30, 2024	December 31, 2023
	September 30, 2024	December 31, 2023
Assets		
Current assets:		
Current assets:		
Current assets:		
Cash and cash equivalents		
Cash and cash equivalents		
Cash and cash equivalents		
Short-term investments		
Accounts and other receivables, net of allowance for credit loss of $1,019 at June 30, 2024 and $1,085 at December 31, 2023		
Accounts and other receivables, net of allowance for credit loss of $1,015 at September 30, 2024 and $1,085 at December 31, 2023		
Prepaid expenses and other assets		
Total current assets		
Restricted cash		
Long-term investments		

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Property, equipment, and internal-use software, net

Intangible assets, net

Other long-term assets

Goodwill

Total assets

Liabilities and stockholders’ equity

Current liabilities:

Current liabilities:

Current liabilities:

Accounts payable

Accounts payable

Accounts payable

Accrued liabilities and other current liabilities

Reserve for veterinary invoices

Deferred revenue

Long-term debt - current portion

Total current liabilities

Long-term debt

Deferred tax liabilities

Other liabilities

Total liabilities

Stockholders’ equity:

Common stock: $0.00001 par value per share, 100,000,000 shares authorized; 43,187,817 and 42,159,631 issued and outstanding at June 30, 2024; 42,887,052 and 41,858,866 shares issued and outstanding at December 31, 2023

Common stock: $0.00001 par value per share, 100,000,000 shares authorized; 43,187,817 and 42,159,631 issued and outstanding at June 30, 2024; 42,887,052 and 41,858,866 shares issued and outstanding at December 31, 2023

Common stock: $0.00001 par value per share, 100,000,000 shares authorized; 43,187,817 and 42,159,631 issued and outstanding at June 30, 2024; 42,887,052 and 41,858,866 shares issued and outstanding at December 31, 2023

Common stock: $0.00001 par value per share, 100,000,000 shares authorized; 43,368,881 and 42,340,695 issued and outstanding at September 30, 2024; 42,887,052 and 41,858,866 shares issued and outstanding at December 31, 2023

Common stock: $0.00001 par value per share, 100,000,000 shares authorized; 43,368,881 and 42,340,695 issued and outstanding at September 30, 2024; 42,887,052 and 41,858,866 shares issued and outstanding at December 31, 2023

Common stock: $0.00001 par value per share, 100,000,000 shares authorized; 43,368,881 and 42,340,695 issued and outstanding at September 30, 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

Accumulated other comprehensive income (loss)

Accumulated deficit

Treasury stock, at cost: 1,028,186 shares at June 30, 2024 and December 31, 2023

Treasury stock, at cost: 1,028,186 shares at September 30, 2024 and December 31, 2023

Total stockholders’ equity

Total liabilities and stockholders’ equity

See accompanying notes to the condensed consolidated financial statements.

Trupanion, Inc.

Condensed Consolidated Statements of Stockholders' Equity

(in thousands, except share amounts)

(unaudited)

	Common Stock		Common Stock							
	Shares	**Shares**	**Amount**	**Total Stockholders' Equity**	**Amount**	**Additional Paid-in Capital**	**Accumulated Deficit**	**Accumulated Other Comprehensive Income (Loss)**	**Treasury Stock**	**Total Stocl Equ**
Balance at April 1, 2024										

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Balance at July 1, 2024

Issuance of common stock in connection with the Company's equity award programs, net of tax withholdings

Stock-based compensation expense

Other comprehensive income (loss)

Other comprehensive income (loss)

Other comprehensive income (loss)

Net loss

Balance at June 30, 2024

Net Income

Balance at September 30, 2024

Common Stock

Common Stock

Common Stock

Shares	Treasury Stock	Total Stockholders' Equity	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity	Additional Paid-in Capital	Accumulated Deficit	Ac C I

Balance at April 1, 2023

Balance at July 1, 2023

Issuance of common stock in connection with the Company's equity award programs, net of tax withholdings

Stock-based compensation expense

Other comprehensive income (loss)

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Other comprehensive income (loss)
Other comprehensive income (loss)
Net loss
Balance at June 30, 2023
Balance at September 30, 2023

See accompanying notes to the condensed consolidated financial statements.

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

	Common Stock		**Common Stock**							
	Shares		**Shares**	**Amount**	**Total Stockholders' Equity**	**Additional Paid-in Capital**	**Accumulated Deficit**	**Accumulated Other Comprehensive Income (Loss)**	**Treasury Stock**	**Total Stock Equ**
Balance at January 1, 2024										
Issuance of common stock in connection with the Company's equity award programs, net of tax withholdings										
Stock-based compensation expense										
Other comprehensive income (loss)										
Other comprehensive income (loss)										
Other comprehensive income (loss)										
Net loss										
Balance at June 30, 2024										
Balance at September 30, 2024										

Common Stock

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		Common Stock								
		Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity	Additional Paid-in Capital	Accumulated Deficit	Ac
	Shares									
Balance at January 1, 2023		**Treasury Stock** **Total Stockholders' Equity**								
Issuance of common stock in connection with the Company's equity award programs, net of tax withholdings										
Stock-based compensation expense										
Other comprehensive income (loss)										
Other comprehensive income (loss)										
Other comprehensive income (loss)										
Net loss										
Balance at June 30, 2023										
Balance at September 30, 2023										

TRUPANION, INC.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Six Months Ended June 30,			Nine Months Ended September 30,	
	2024	2024	2023	2024	2023
Operating activities					
Net loss					
Net loss					
Net loss					
Adjustments to reconcile net loss to cash provided by (used in) operating activities:					
Depreciation and amortization					
Depreciation and amortization					
Depreciation and amortization					
Stock-based compensation expense					
Other, net					
Changes in operating assets and liabilities:					
Accounts and other receivables					
Accounts and other receivables					

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Accounts and other receivables
Prepaid expenses and other assets
Accounts payable, accrued liabilities, and other liabilities
Reserve for veterinary invoices
Deferred revenue
Net cash provided by (used in) operating activities
Investing activities
Purchases of investment securities
Purchases of investment securities
Purchases of investment securities
Maturities and sales of investment securities
Purchases of property, equipment, and internal-use software
Purchases of property, equipment, and internal-use software
Purchases of property, equipment, and internal-use software
Other
Other
Other
Net cash provided by (used in) investing activities
Financing activities
Proceeds from debt financing, net of financing fees
Proceeds from debt financing, net of financing fees
Proceeds from debt financing, net of financing fees
Proceeds from exercise of stock options
Proceeds from exercise of stock options
Proceeds from exercise of stock options
Shares withheld to satisfy tax withholding
Repayments of debt financing
Other
Net cash provided by (used in) financing activities
Effect of foreign exchange rate changes on cash, cash equivalents, and restricted cash, net
Net change in cash, cash equivalents, and restricted cash
Cash, cash equivalents, and restricted cash at beginning of period
Cash, cash equivalents, and restricted cash at end of period
Supplemental disclosures
Noncash investing and financing activities:
Noncash investing and financing activities:
Noncash investing and financing activities:
Purchases of property, equipment, and internal-use software included in accounts payable and accrued liabilities
Purchases of property, equipment, and internal-use software included in accounts payable and accrued liabilities
Purchases of property, equipment, and internal-use software included in accounts payable and accrued liabilities

See accompanying notes to the condensed consolidated financial statements.

TRUPANION, INC.
Notes to the Condensed Consolidated Financial Statements (unaudited)

1. Nature of Operations and Significant Accounting Policies

Description of Business and Basis of Presentation

Trupanion, Inc. (collectively with its wholly-owned subsidiaries, the "Company") provides medical insurance for cats and dogs in the United States, Canada, Continental Europe, Australia, and Puerto Rico. The Company's data-driven, vertically-integrated approach enables the Company to provide pet owners with products that the Company believes are the highest value medical insurance, priced specifically for each pet’s unique characteristics.

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The financial data as of December 31, 2023 was derived from the Company's audited consolidated financial statements. The accompanying unaudited interim consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and, in management's opinion, have been prepared on the same basis as the audited financial statements and include all adjustments, consisting of normal recurring adjustments, necessary for the fair presentation of the Company's financial position, results of operations, comprehensive income (loss), stockholders' equity and cash flows for the interim periods. These unaudited interim consolidated financial statements should be read in conjunction with the Company’s audited financial statements included in the Company’s Annual Report on Form 10-K, filed with the U.S. Securities and Exchange Commission ("SEC") on February 27, 2024 (the "2023 10-K"). The Company's accounting policies are described in Note 1 to the audited financial statements included in the 2023 10-K. Operating results for the six nine months ended June 30, 2024 September 30, 2024 are not necessarily indicative of the results that may be expected for the full fiscal year or any other interim period.

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. See Note 1 to the audited financial statements included in the 2023 10-K for additional discussion of these estimates and assumptions.

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. This ASU is effective for annual periods beginning after December 15, 2023, with early adoption permitted. The Company is still evaluating the impact of this ASU on its consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09 which expands upon the income tax disclosures through changes to the rate reconciliation and income taxes paid information. This ASU is effective for annual periods beginning after December 15, 2024, with early adoption permitted. The Company is still evaluating the impact of this ASU on its consolidated financial statements.

2. Net Loss Income (Loss) per Share

Basic net loss income (loss) per share is computed using the weighted average number of shares of common stock outstanding during the period. Diluted net loss income (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 components of basic and diluted earnings per share were as follows (in thousands, except share and per share information):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Basic earnings per share:				
Net income (loss)	$ 1,425	$ (4,036)	$ (11,289)	$ (42,530)
Shares used in computation:				
Weighted average shares of common stock outstanding	42,233,903	41,536,575	42,076,998	41,344,195
Basic earnings per share	$ 0.03	$ (0.10)	$ (0.27)	$ (1.03)
Diluted earnings per share:				
Net income (loss)	$ 1,425	$ (4,036)	$ (11,289)	$ (42,530)
Shares used in computation:				
Weighted average shares of common stock outstanding	42,233,903	41,536,575	42,076,998	41,344,195
Stock options	242,254	—	—	—
Restricted stock awards and units	346,348	—	—	—
Weighted average number of shares	42,822,505	41,536,575	42,076,998	41,344,195
Diluted earnings per share	$ 0.03	$ (0.10)	$ (0.27)	$ (1.03)

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:

	Three Months Ended June 30,		Six Months Ended June 30,	Three Months Ended September 30,		Nine Months Ended September 30,		
	2024	2023	2024	2023	2024	2023	2024	2023
Stock options								
Restricted stock awards and restricted stock units								

3. 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 the effective maturity dates. The amortized cost, gross unrealized holding gains and losses, and

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estimates of fair value of long-term and short-term investments by major security type and class of security were as follows as of June 30, 2024 September 30, 2024 and December 31, 2023 (in thousands):

	Amortized Cost **Amortized Cost** **Amortized Cost**
As of June 30, 2024 As of June 30, 2024 As of June 30, 2024	
As of September 30, 2024 As of September 30, 2024 As of September 30, 2024	
Long-term investments: Long-term investments: Long-term investments:	
Available-for-sale investments Available-for-sale investments Available-for-sale investments	
Foreign deposits Foreign deposits Foreign deposits	
	$ $ $
Held-to-maturity investments Held-to-maturity investments Held-to-maturity investments	
U.S. treasury securities U.S. treasury securities U.S. treasury securities	
	$ $ $
Short-term investments: Short-term investments: Short-term investments:	
Available-for-sale investments Available-for-sale investments Available-for-sale investments	
U.S. treasury securities U.S. treasury securities U.S. treasury securities	
Mortgage-backed securities and collateralized mortgage obligations Mortgage-backed securities and collateralized mortgage obligations Mortgage-backed securities and collateralized mortgage obligations	
Other asset-backed securities Other asset-backed securities Other asset-backed securities	
Corporate bonds Corporate bonds	

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Corporate bonds	
	$
	$
	$
Held-to-maturity investments	
Held-to-maturity investments	
Held-to-maturity investments	
U.S. treasury securities	
U.S. treasury securities	
U.S. treasury securities	
Certificates of deposit	
Certificates of deposit	
Certificates of deposit	
	$
	$
	$

	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

	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				

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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):

	As of June 30, 2024		As of September 30, 2024	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Available-for-sale:				
Due under one year				
Due under one year				
Due under one year				
Due after one year through five years				
	$			
	$			
	$			
Available-for-sale collateralized:				
Mortgage-backed securities and collateralized mortgage obligations				
Mortgage-backed securities and collateralized mortgage obligations				
Mortgage-backed securities and collateralized mortgage obligations				
Other asset-backed securities				
Due under one year				
Due under one year				
Due under one year				
Due after one year through five years				
Due after five years through ten years				
Due after ten years				
	$			
Held-to-maturity:				
Due under one year				
Due under one year				
Due under one year				
Due after one year through five years				
	$			

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. For available-for-sale investments, the Company determined that there were unrealized losses of $0.5 million less than $0.1 million as of September 30, 2024, and $0.3 million as of June 30, 2024 and December 31, 2023, respectively. . As of June 30, 2024 September 30, 2024, $15.8 million $8.2 million in available-for-sale investments have been in a loss position for more than twelve months, with total unrealized losses of $0.2 million less than $0.1 million. As of June 30, 2024 September 30, 2024, $46.7 million $6.8 million available-for-sale investments have been in a loss position for less than twelve months, with total unrealized losses of $0.2 million less than $0.1 million. As of December 31, 2023, $18.9 million in available-for-sale investments have had been in a loss position for more than twelve months, with total unrealized losses of $0.2 million. As of December 31, 2023, $25.9 million available-for-sale investments have had been in a loss position for less than twelve months, with total unrealized losses of $0.1 million. These All losses relate to

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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.

Proceeds from the sales of fixed maturities classified as available-for-sale were $40.2 million $59.2 million and $58.8 million $83.9 million during the six nine months ended June 30, 2024 September 30, 2024 and 2023, respectively.

4. Other Investments

Preferred Stock Investment

The Company has invested $7.0 million in the preferred stock of a variable interest entity, Baystride, Inc. ("Baystride"), 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 Baystride 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 5.

Additionally, the Company has extended a $7.0 million revolving line of credit to Baystride 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 $2.6 million $2.1 million and $4.0 million as of June 30, 2024 September 30, 2024 and December 31, 2023, respectively. The Company has also entered into a series of agreements to provide ancillary services to, and receive reimbursement from, Baystride at cost. The Company provided $0.1 million $0.2 million and $0.3 million of these services for the six nine months ended June 30, 2024 September 30, 2024 and 2023, respectively.

Allowance for Credit Loss

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 has established an allowance for credit losses related to its preferred stock investment. The following table presents a rollforward of the allowance for credit losses for this investment.

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
Balance at beginning of period								
(Addition to) allowance for credit losses								
Balance at end of period								

5. Fair Value

Fair Value Disclosures - Investments

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 June 30, 2024					As of September 30, 2024			
	Fair Value	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
Assets									
Money market funds									
Money market funds									
Money market funds									
Fixed maturities:									
Mortgage-backed securities and collateralized mortgage obligations									
Mortgage-backed securities and collateralized mortgage obligations									
Mortgage-backed securities and collateralized mortgage obligations									
Other asset-backed securities									
Corporate bonds									
Foreign deposits									
U.S. Treasury securities									
U.S. Treasury securities									
U.S. Treasury securities									
Preferred stock investment									
Total									

As of December 31, 2023

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	As of December 31, 2023 As of December 31, 2023								
	Fair Value	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
Assets									
Money market funds									
Money market funds									
Money market funds									
Fixed maturities:									
Mortgage-backed securities and collateralized mortgage obligations									
Mortgage-backed securities and collateralized mortgage obligations									
Mortgage-backed securities and collateralized mortgage obligations									
Other asset-backed securities									
Corporate bonds									
Foreign deposits									
U.S. Treasury securities									
U.S. Treasury securities									
U.S. Treasury securities									
Preferred stock investment									
Total									

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 3, 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 4) 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 $5.3 million as of June 30, 2024 September 30, 2024, unchanged from December 31, 2023, 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 six nine months ended June 30, 2024 September 30, 2024 and the year ended December 31, 2023.

The following table presents the change in fair value of the Company’s preferred stock investment carried at fair value and classified as Level 3 as of June 30, 2024 September 30, 2024 and 2023 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
Balance at beginning of period								
Changes in fair value included in earnings								
Balance at end of period								

Fair Value Disclosures - Other Assets and Liabilities

The Company's other long-term assets balance also included notes receivable of $5.4 million $4.9 million and $6.8 million as of June 30, 2024 September 30, 2024 and December 31, 2023, respectively, recorded at their estimated collectible amount. The Company estimates that the carrying value of the notes receivable approximates the 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 June 30, 2024 September 30, 2024.

6. 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.

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7. Reserve for Veterinary Invoices

The reserve for veterinary invoices is an estimate of the future amount the Company will pay for veterinary invoices that have not been processed or received but that are dated as of, or prior to, its balance sheet 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):

		Six Months Ended June 30,			Nine Months Ended September 30,	
Subscription	**Subscription**	2024	2023	**Subscription**	2024	2023
Reserve at beginning of year						
Veterinary invoices during the period related to:						
Current year						
Current year						
Current year						
Prior years						
Total veterinary invoice expense						
Amounts paid during the period related to:						
Current year						
Current year						
Current year						
Prior years						
Total paid						
Non-cash expenses						
Reserve at end of period						

The Company had favorable unfavorable development on veterinary invoice reserves for the subscription business segment of $0.3 million $0.1 million for the six nine months ended June 30, 2024 September 30, 2024, and unfavorable development on veterinary invoice reserves of $2.0 million $2.4 million for the six nine months ended June 30, 2023 September 30, 2023, both of which were the result of ongoing analysis of recent payment trends. Non-cash expenses are primarily comprised of stock-based compensation expense for employees performing claims processing related duties.

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

		Six Months Ended June 30,			Nine Months Ended September 30,	
Other Business	**Other Business**	2024	2023	**Other Business**	2024	2023
Reserve at beginning of year						
Veterinary invoices during the period related to:						
Current year						
Current year						
Current year						
Prior years						
Total veterinary invoice expense						
Amounts paid during the period related to:						
Current year						
Current year						
Current year						
Prior years						
Total paid						
Non-cash expenses						
Reserve at end of period						

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The Company had favorable development on veterinary invoice reserves for the other business segment of $0.9 million $1.3 million for the six nine months ended June 30, 2024 September 30, 2024, and unfavorable development on veterinary invoice reserves of $0.8 million $0.7 million for the six nine months ended June 30, 2023 September 30, 2023, both of which were the result of ongoing analysis of recent payment trends.

Reserve for veterinary invoices, by year of occurrence

In the following tables, the reserve for veterinary invoices for each segment is presented as the amount (in thousands) by the year to which the veterinary invoice relates, referred to as the year of occurrence.

Subscription	**Subscription**	**As of June 30, 2024**	**Subscription**	**As of September 30, 2024**
Year of Occurrence				
2022 and prior				
2022 and prior				
2022 and prior				
2023				
2024				
	$			

Other Business	**Other Business**	**As of June 30, 2024**	**Other Business**	**As of September 30, 2024**
Year of Occurrence				
2022 and prior				
2022 and prior				
2022 and prior				
2023				
2024				
	$			

8. 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 were able to 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 June 30, 2024 September 30, 2024 was approximately 10.46% 10.48% for the $60.0 million Initial Term Loan and for the aggregate $75.0 million Delayed Draw Term Loans. The Company incurred total debt issuance costs of approximately $5.9 million, which are reported in the consolidated balance sheet as a direct reduction from the carrying amount of the Credit Facility, and are 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 June 30, 2024 September 30, 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 June 30, 2024 September 30, 2024 are as follows (in thousands):

Year Ending December 31,	**Year Ending December 31,**	**June 30, 2024**	**Year Ending December 31,**	**September 30, 2024**
2024				
2025				
2026				
2027				
2028				
Thereafter				

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Total
Total
Total

9. Stock-Based Compensation

Stock-based compensation expense includes stock options and 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 was as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
Veterinary invoice expense								
Other cost of revenue								
Technology and development								
General and administrative								
New pet acquisition expense								
Total expensed stock-based compensation								
Capitalized stock-based compensation								
Total stock-based compensation								

Restricted Stock Awards and Restricted Stock Units

A summary of the Company’s restricted stock award and restricted stock unit activity is as follows:

	Number of Shares	Number of Shares	Weighted Average Grant Date Fair Value per Share	Number of Shares	Weighted Average Grant Date Fair Value per Share
Unvested shares as of December 31, 2023					
Granted					
Vested					
Forfeited					
Unvested shares as of June 30, 2024					
Unvested shares as of September 30, 2024					

As of June 30, 2024 September 30, 2024, the Company had 1,131,801 1,037,672 unvested restricted stock units. Stock-based compensation expenses of $46.9 million $41.6 million related to unvested restricted stock units are expected to be recognized over a weighted average period of approximately 2.3 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 six nine months ended June 30, 2023 September 30, 2023.

Stock Options

A summary of the Company's stock option activity is as follows:

	Number of Options	Number of Options	Weighted Average Exercise Price per Share	Aggregate Intrinsic Value (in thousands)	Number of Options	Weighted Average Exercise Price per Share	Aggregate Intrinsic Value (in thousands)
Outstanding as of December 31, 2023							
Granted							
Exercised							
Forfeited							
Outstanding as of June 30, 2024							
Outstanding as of September 30, 2024							
Exercisable as of June 30, 2024							
Exercisable as of June 30, 2024							
Exercisable as of June 30, 2024							
Exercisable as of September 30, 2024							

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Exercisable as of September 30, 2024

Exercisable as of September 30, 2024

As of June 30, 2024September 30, 2024, stock options outstanding and stock options exercisable had a weighted average remaining contractual life of 2.11.9 years. The Company has not granted any new stock options since 2017.

10. Stockholders' Equity

Common Stock and Preferred Stock

As of June 30, 2024September 30, 2024, the Company had 100,000,000 shares of common stock authorized and 42,159,63142,340,695 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 June 30, 2024September 30, 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 sixnine months ended June 30, 2024September 30, 2024 and 2023, respectively.

11. Accumulated Comprehensive Income (Loss)

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

For the three months ended June 30, 2024	Foreign Currency Translation	Net Unrealized Gain (Loss) on Available-for-Sale Securities	Total
Balance as of April 1, 2024	$ (1,408)	$ (173)	$ (1,581)
Other comprehensive income (loss)	(185)	(5)	(190)
Balance as of June 30, 2024	$ (1,593)	$ (178)	$ (1,771)

For the three months June 30, 2023	Foreign Currency Translation	Net Unrealized Gain (Loss) on Available-for-Sale Securities	Total
Balance as of April 1, 2023	$ (1,233)	$ (3,022)	$ (4,255)
Other comprehensive income (loss)	1,256	(1,103)	153
Balance as of June 30, 2023	$ 23	$ (4,125)	$ (4,102)

For the three months ended September 30, 2024	Foreign Currency Translation	Net Unrealized Gain (Loss) on Available-for-Sale Securities	Total
Balance as of July 1, 2024	$ (1,593)	$ (178)	$ (1,771)
Other comprehensive income (loss)	2,805	2,209	5,014
Balance as of September 30, 2024	$ 1,212	$ 2,031	$ 3,243

For the three months September 30, 2023	Foreign Currency Translation	Net Unrealized Gain (Loss) on Available-for-Sale Securities	Total
Balance as of July 1, 2023	$ 23	$ (4,125)	$ (4,102)
Other comprehensive income (loss)	(2,763)	(243)	(3,006)
Balance as of September 30, 2023	$ (2,740)	$ (4,368)	$ (7,108)

For the six months ended June 30, 2024	Foreign Currency Translation	Net Unrealized Gain (Loss) on Available-for-Sale Securities	Total
For the nine months ended September 30, 2024	Foreign Currency Translation	Net Unrealized Gain (Loss) on Available-for-Sale Securities	Total
Balance as of January 1, 2024			
Other comprehensive income (loss)			
Balance as of June 30, 2024			
Balance as of September 30, 2024			
For the six months ended June 30, 2023	Foreign Currency Translation	Net Unrealized Gain (Loss) on Available-for-Sale Securities	Total

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For the nine months ended September 30, 2023	Foreign Currency Translation	Net Unrealized Gain (Loss) on Available-for-Sale Securities	Total
Balance as of January 1, 2023			
Other comprehensive income (loss)			
Balance as of June 30, 2023			
Balance as of September 30, 2023			

12. Segments

The Company has two aggregated reporting segments: subscription business and other business. The subscription business segment consists of 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 fees related to the Company's direct-to-consumer products. The other business segment generates revenue primarily by underwriting policies on behalf of third parties. The Company does not undertake marketing efforts for these policies and has a business-to-business relationship with these third-parties. The other business segment also includes other products and insurance software solutions that have a different margin profile from the Company’s subscription business segment.

The chief operating decision maker reviews revenue and operating income (loss) to evaluate segment performance. Revenue, veterinary invoice expense, other cost of revenue, and new pet acquisition expenses 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 income (loss) of the Company’s segments were as follows (in thousands):

		Three Months Ended June 30,		Six Months Ended June 30,					
		Three Months Ended September 30,		Nine Months Ended September 30,					
	2024	2024	2023	2024	2023	2024	2023	2024	2023
Subscription business:									
Revenue									
Revenue									
Revenue									
Veterinary invoice expense									
Other cost of revenue									
Technology and development									
General and administrative									
New pet acquisition expense									
Depreciation and amortization									
Subscription business operating loss									
Subscription business operating income (loss)									
Other business:									
Other business:									
Other business:									
Revenue									
Revenue									
Revenue									
Veterinary invoice expense									
Other cost of revenue									
Technology and development									
General and administrative									
New pet acquisition expense									
Depreciation and amortization									
Other business operating loss									
Loss from investment in joint venture									
Operating loss									
Other business operating income (loss)									
Gain (loss) from investment in joint venture									
Operating income (loss)									
Interest expense									

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Other income, net
Loss before income taxes
Income (loss) before income taxes

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

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
United States								
Canada and other								
Total revenue								

Substantially all of the Company's long-lived assets were located in the United States as of June 30, 2024 September 30, 2024 and December 31, 2023.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

We provide medical insurance for cats and dogs in the United States, Canada, Continental Europe, Australia, and Puerto Rico. 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 aggregated reporting segments: subscription business and other business. We generate revenue in our subscription business segment primarily by from insurance premium payments, which we refer to as subscription fees, 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 and, in Canada, low and medium average revenue per pet products marketed under the brand names, Furkin and PHI Direct. We are the underwriter and provide a full suite of services and support for these products. 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 currently have been underwritten using third-party underwriters. by third-parties who pay us commissions we recognize as revenue. Going forward our intent is to underwrite these products similar to our core Trupanion subscription products.

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 a different margin profile than our subscription segment and includes revenue from underwriting policies on behalf of third parties and revenue from other products and insurance software solutions. This segment of our business is not part of our core business strategy and generally has a lower margin. Over time, it is reasonable to expect changes to this segment that may impact the revenue contribution due to a partner or partners rolling off to the new other underwriters.

We generate leads for our subscription business segment from a diverse set of member acquisition channels, which we then 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. We engage our "Territory Partners" to have face-to-face visits with veterinarians and their staff. Territory Partners are dedicated to cultivating direct veterinary relationships and building awareness of the benefits of high quality medical insurance to veterinarians and their clients. Veterinarians then educate pet owners, who visit our website or call our contact center to learn more about, and potentially enroll in, Trupanion. 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.

Key Operating Metrics

The following tables set forth total pets enrolled and key operating metrics for our subscription business for year to date values as well as each of the last eight fiscal quarters.

		Six Months Ended June 30,		Nine Months Ended September 30,	
	2024	2024	2023	2024	2023
Total Business:					
Total pets enrolled (at period end)					
Total pets enrolled (at period end)					
Total pets enrolled (at period end)					
Subscription Business:					
Total subscription pets enrolled (at period end)					
Total subscription pets enrolled (at period end)					
Total subscription pets enrolled (at period end)					
Monthly average revenue per pet					
Lifetime value of a pet, including fixed expenses					
Average pet acquisition cost (PAC)					

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Average monthly retention	Average monthly retention 98.34 %	98.61 %	Average monthly retention 98.29 %	98.55 %

	Three Months Ended							
	Jun. 30, 2024	Mar. 31, 2024	Dec. 31, 2023	Sep. 30, 2023	Jun. 30, 2023	Mar. 31, 2023	Dec. 31, 2022	Sep. 30, 2022
	Sep. 30, 2024	Jun. 30, 2024	Mar. 31, 2024	Dec. 31, 2023	Sep. 30, 2023	Jun. 30, 2023	Mar. 31, 2023	Dec. 31, 2022
Total Business:								
Total pets enrolled (at period end)								
Total pets enrolled (at period end)								
Total pets enrolled (at period end)								
Subscription Business:								
Total subscription pets enrolled (at period end)								
Total subscription pets enrolled (at period end)								
Total subscription pets enrolled (at period end)								
Monthly average revenue per pet								
Lifetime value of a pet, including fixed expenses								
Average pet acquisition cost (PAC)								
Average monthly retention	Average monthly retention 98.34 %	98.41 %	98.49 %	98.55 %	98.61 %	98.65 %	98.69 %	98.71 %
	Average monthly retention 98.29 %	98.34 %	98.41 %	98.49 %				

Total pets enrolled and total subscription pets enrolled include 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 gross underwriting premiums subscription fees earned by the remainder of our subscription business.

Total pets enrolled. Total pets enrolled reflects the number of subscription pets and pets enrolled in one of the insurance products offered in 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.

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Lifetime value of a pet, including fixed expenses. Lifetime value of a pet, including fixed expenses, is calculated based on subscription revenue less cost of revenue from our subscription business segment for the 12 months prior to the period end date excluding stock-based compensation expense related to cost of revenue from our subscription business segment, sign-up fee revenue, and the change in deferred revenue between periods. This amount is also reduced by the fixed expenses related to our subscription business, which are the pro-rata portion of general and administrative and technology and development expenses, less stock-based compensation, based on revenues. This amount, on a per pet basis, is multiplied by the implied average subscriber life in months. Implied average subscriber life in months is calculated as the quotient obtained by dividing one by one minus the average monthly retention rate. We monitor lifetime value of a pet, including fixed expenses, to estimate the value we might expect from new pets over their implied average subscriber life in months, if they behave like the average pet in that respective period. When evaluating the amount of pet acquisition expenses we may want to incur to attract new pet enrollments, we refer to the lifetime value of a pet, including fixed expenses, as well as our estimated internal rate of return calculation for an average pet, which also includes an estimated surplus capital charge, to inform the amount of acquisition spend in relation to the estimated payback period.

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 June 30, 2024 September 30, 2024 is an average of each month's retention from July 1, 2023 October 1, 2023 through June 30, 2024 September 30, 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):

				Six Months Ended June 30,				Nine Months Ended September 30,		
		2024		2024		2023		2024		2023
Veterinary invoice expense										
Less:										
Stock-based compensation expense(1)										
Stock-based compensation expense(1)										
Stock-based compensation expense(1)										
Other business cost of paying veterinary invoices(4)										
Subscription cost of paying veterinary invoices (non-GAAP)										
% of subscription revenue	% of subscription revenue	74.7	%	77.3	% % of subscription revenue		73.4	%	76.8	%
Other cost of revenue										
Other cost of revenue										

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Other cost of revenue										
Less:										
Stock-based compensation expense(1)										
Stock-based compensation expense(1)										
Stock-based compensation expense(1)										
Other business variable expenses(4)										
Subscription variable expenses (non-GAAP)										
% of subscription revenue	% of subscription revenue	9.6	%	9.9	%	% of subscription revenue	9.5	%	9.8	%
Technology and development expense										
Technology and development expense										
Technology and development expense										
General and administrative expense										
Less:										
Stock-based compensation expense(1)										
Stock-based compensation expense(1)										
Stock-based compensation expense(1)										
Non-recurring transaction or restructuring expenses(2)										
Development expenses(3)										
Fixed expenses (non-GAAP)										
% of total revenue	% of total revenue	5.3	%	4.9	%	% of total revenue	5.4	%	4.7	%
New pet acquisition expense										
New pet acquisition expense										
New pet acquisition expense										
Less:										
Stock-based compensation expense(1)										
Stock-based compensation expense(1)										
Stock-based compensation expense(1)										
Other business pet acquisition expense(4)										
Subscription acquisition cost (non-GAAP)										
% of subscription revenue	% of subscription revenue	7.5	%	11.4	%	% of subscription revenue	7.6	%	10.5	%

(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 $1.1 million for the six months ended June 30, 2024.

(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.

(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 $1.3 million and $0.6 million for the nine months ended September 30, 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							
	Jun. 30, 2024	**Mar. 31, 2024**	**Dec. 31, 2023**	**Sep. 30, 2023**	**Jun. 30, 2023**	**Mar. 31, 2023**	**Dec. 31, 2022**	**Sep. 30, 2022**
	Sep. 30, 2024	**Jun. 30, 2024**	**Mar. 31, 2024**	**Dec. 31, 2023**	**Sep. 30, 2023**	**Jun. 30, 2023**	**Mar. 31, 2023**	**Dec. 31, 2022**

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Veterinary invoice expense																
Less:																
Stock-based compensation expense(1) Stock-based compensation expense(1) Stock-based compensation expense(1)																
Other business cost of paying veterinary invoices(4)																
Subscription cost of paying veterinary invoices (non-GAAP)																
% of subscription revenue	% of subscription revenue	74.1 %	75.3 %	72.7 %	75.9 %	77.0 %	77.6 %	72.7 %	73.5 %	% of subscription revenue	71.0 %	74.1 %	75.3 %	72.7 %	75.9 %	77.0
Other cost of revenue Other cost of revenue Other cost of revenue																
Less:																
Stock-based compensation expense(1) Stock-based compensation expense(1) Stock-based compensation expense(1)																
Other business variable expenses(4)																
Subscription variable expenses (non-GAAP)																
% of subscription revenue	% of subscription revenue	9.5 %	9.6 %	9.6 %	9.5 %	9.7 %	10.1 %	9.6 %	9.7 %	% of subscription revenue	9.4 %	9.5 %	9.6 %	9.6 %	9.5 %	9.7
Technology and development expense Technology and development expense Technology and development expense																
General and administrative expense																
Less:																

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Stock-based compensation expense(1)																
Stock-based compensation expense(1)																
Stock-based compensation expense(1)																
Non-recurring transaction or restructuring expenses(2)																
Development expenses(3)																
Fixed expenses (non-GAAP)																
% of total revenue	% of total revenue	5.3 %	5.3 %	4.7 %	4.4 %	5.1 %	4.7 %	4.1 %	4.0 %	% of total revenue	5.6 %	5.3 %	5.3 %	4.7 %	4.4 %	5.1
New pet acquisition expense																
New pet acquisition expense																
New pet acquisition expense																
Less:																
Stock-based compensation expense(1)																
Stock-based compensation expense(1)																
Stock-based compensation expense(1)																
Other business pet acquisition expense(4)																
Subscription acquisition cost (non-GAAP)																
% of subscription revenue	% of subscription revenue	7.6 %	7.4 %	8.1 %	8.8 %	11.0 %	11.8 %	12.5 %	13.2 %	% of subscription revenue	7.7 %	7.6 %	7.4 %	8.1 %	8.8 %	11.0

(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 for the three months ended June 30, 2024.

(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.

(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 $0.2 million and $0.3 million for the three months ended September 30, 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.

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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 gross underwriting premiums subscription fees 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 table reconciles GAAP new pet acquisition expense to non-GAAP net acquisition cost (in thousands) for the six nine months ended June 30, 2024 September 30, 2024 and 2023 and for each of the last eight fiscal quarters:

		Six Months Ended June 30,				Nine Months Ended September 30,	
	2024		2024		2023	2024	2023
New pet acquisition expense							
Net of sign-up fee revenue	Net of sign-up fee revenue	(2,055)	(2,408)	Net of sign-up fee revenue	(3,155)		(3,492)
Excluding:							
Stock-based compensation expense	Stock-based compensation expense	(3,923)	(3,754)				
Stock-based compensation expense							
Stock-based compensation expense		(5,426)	(5,433)				
Other business pet acquisition expense	Other business pet acquisition expense	(23)	(113)	Other business pet acquisition expense	(31)		(123)
Pet acquisition expense for commission-based policies	Pet acquisition expense for commission-based policies	(1,586)	(1,815)	Pet acquisition expense for commission-based policies	(2,220)		(2,641)
Net acquisition cost							

	Three Months Ended							
	Jun. 30, 2024	Mar. 31, 2024	Dec. 31, 2023	Sep. 30, 2023	Jun. 30, 2023	Mar. 31, 2023	Dec. 31, 2022	Sep. 30, 2022
	Sep. 30, 2024	Jun. 30, 2024	Mar. 31, 2024	Dec. 31, 2023	Sep. 30, 2023	Jun. 30, 2023	Mar. 31, 2023	Dec. 31, 2022
New pet acquisition expense								
Net of sign-up fee revenue								
Excluding:								
Stock-based compensation expense								
Stock-based compensation expense								
Stock-based compensation expense								
Other business pet acquisition expense								
Pet acquisition expense for commission-based policies								
Net acquisition cost								

Components of Operating Results

General

We operate in two aggregated reporting segments: subscription business and other business. We generate revenue in our subscription business segment primarily by subscription fees 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 and, in Canada, low and medium average revenue per pet products marketed under the brand names Furkin and PHI Direct. 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 Continental Europe, which are currently have been underwritten using third-party underwriters. by third-parties who pay us commissions 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 a different margin profile than our subscription segment and includes revenue from writing policies on behalf of third parties and revenue from other products and insurance software solutions.

Revenue

We generate revenue in our subscription business segment primarily from subscription fees for our pet medical insurance. Fees We also generate an immaterial amount of revenue in this segment in the form of one-time sign-up fees charged to members at enrollment. Subscription fees 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 enrollment term. Membership may be canceled at any time without penalty, and we issue a refund for the unused portion of the canceled membership. 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.

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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 products and insurance software solutions 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 this 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 four categories: technology and development, general and administrative, new pet acquisition expense, and depreciation and amortization. For each category, except 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.

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

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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 have been materially different from those in our subscription business segment. In addition, we expect the growth rate and margin profile of this segment to be materially 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. 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.

	Three Months Ended June 30,			Six Months Ended June 30,					
	Three Months Ended September 30,			Nine Months Ended September 30,					
	2024	2024	2023	2024	2023	2024	2023	2024	2023
	(in thousands)								
Revenue:									
Subscription business									
Subscription business									
Subscription business									
Other business									
Total revenue									
Cost of revenue:									
Subscription business									
Subscription business									
Subscription business									
Other business									
Total cost of revenue(1)									
Operating expenses:									
Technology and development(1)									
Technology and development(1)									
Technology and development(1)									
General and administrative(1)									
New pet acquisition expense(1)									
Depreciation and amortization									
Total operating expenses									
Loss from investment in joint venture									
Operating loss									
Gain (loss) from investment in joint venture									
Operating income (loss)									
Interest expense									

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Other income, net
Loss before income taxes
Income tax benefit
Net loss
Income (loss) before income taxes
Income tax expense (benefit)
Net income (loss)

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

	Three Months Ended June 30,			Six Months Ended June 30,					
	Three Months Ended September 30,			Nine Months Ended September 30,					
	2024	2024	2023	2024	2023	2024	2023	2024	2023
	(in thousands)								
Cost of revenue									
Technology and development									
General and administrative									
New pet acquisition expense									
Total stock-based compensation expense									

	Three Months Ended June 30,		Six Months Ended June 30,					
	Three Months Ended September 30,		Nine Months Ended September 30,					
	2024	2023	2024	2023	2024	2023	2024	2023
	(as a percentage of revenue)				(as a percentage of revenue)			
Revenue	Revenue 100 %	100 %	100 %	100 %	Revenue 100 %	100 %	100 %	100 %
Cost of revenue								
Operating expenses:								
Technology and development								
Technology and development								
Technology and development								
General and administrative								
New pet acquisition expense								
Depreciation and amortization								
Total operating expenses								
Loss from investment in joint venture								
Operating loss								
Gain (loss) from investment in joint venture								
Operating income (loss)								
Interest expense								
Other income, net								
Loss before income taxes								
Income tax benefit								
Net loss	(2) %	(5) %	(2) %	(7) %				
Income (loss) before income taxes								
Income tax expense (benefit)								
Net income (loss)	— %	(1) %	(1) %	(5) %				

Stock-based compensation expense:	Stock-based compensation expense:	Three Months Ended June 30,	Six Months Ended June 30,	Stock-based compensation expense:	Three Months Ended September 30,	Nine Months Ended September 30,			
	2024	2024	2023	2024	2023	2024	2023	2024	2023

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	(as a percentage of revenue)									
Cost of revenue	Cost of revenue	— %	— %	— %	— %	Cost of revenue	— %	— %	— %	— %
Technology and development										
General and administrative										
New pet acquisition expense										
Total stock-based compensation expense	Total stock-based compensation expense	3 %	2 %	3 %	4 %	Total stock-based compensation expense	3 %	2 %	3 %	3 %

		Three Months Ended June 30, Three Months Ended June 30, Three Months Ended June 30,		Six Months Ended June 30,						
		Three Months Ended September 30, Three Months Ended September 30, Three Months Ended September 30,		Nine Months Ended September 30,						
		2024	2023	2024	2023		2024	2023	2024	2023
		(as a percentage of subscription revenue)				(as a percentage of subscription revenue)				
Subscription business revenue	Subscription business revenue	100 %	100 %	100 %	100 %	Subscription business revenue	100 %	100 %	100 %	100 %
Subscription business cost of revenue										

Comparison of the Three and Six Nine Months Ended June 30, 2024 September 30, 2024 and 2023

Revenue

	Three Months Ended June 30,			% Change		Six Months Ended June 30,			% Change		Three Months Ended September 30,		% Change
	(in thousands, except percentages, pet and per pet data)							(in thousands, except percentages, pet and per pet data)					
Revenue:													
Subscription business													
Subscription business													
Subscription business	$ 208,618	$	$ 173,253	20	20 %	$ 409,752	$	$338,463	21	21 %	$218,986	$	$182,906
Other business													
Total revenue													
Percentage of Revenue by Segment:													

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Percentage of Revenue by Segment:															
Percentage of Revenue by Segment:															
Subscription business															
Subscription business															
Subscription business															
Other business															
Other business															
Other business															
Total revenue															
Total revenue															
Total revenue															
Total pets enrolled (at period end)															
Total pets enrolled (at period end)															
Total pets enrolled (at period end)	1,699,643	1,679,659	1,679,659	1	1	%	1,699,643	1,679,659	1,679,659	1	1	%	1,688,903	1,712,177	1,712,17
Total subscription pets enrolled (at period end)															
Monthly average revenue per pet															
Average monthly retention															

Three months ended June 30, 2024 September 30, 2024 compared to three months ended June 30, 2023 September 30, 2023. Total revenue increased by $44.2 $41.6 million, or 16% 15%, to $314.8 $327.5 million for the three months ended June 30, 2024 September 30, 2024. Revenue from our subscription business segment increased by $35.4 $36.1 million, or 20%, to $208.6 $219.0 million for the three months ended June 30, 2024 September 30, 2024. This increase was primarily driven by an 8% due to a 13% increase in total monthly average revenue per pet and an increase in subscription pet months (the sum of pet months pets enrolled for each month during a period) for policies underwritten by Trupanion and a 11% increase in monthly average revenue per pet. Trupanion. Revenue from our other business segment increased by $8.9 $5.5 million, or 9% 5%, to $106.2 $108.5 million, for the three months ended June 30, 2024 September 30, 2024. This increase was primarily driven by an 18% increase in monthly average revenue per pet in this segment, 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.

Nine months ended September 30, 2024 compared to nine months ended September 30, 2023. Total revenue increased by $135.6 million, or 17%, to $948.4 million for the nine months ended September 30, 2024. Revenue from our subscription business segment increased by $107.4 million, or 21%, to $628.7 million for the nine months ended September 30, 2024. This increase was primarily due to an 11% increase in monthly average revenue per pet and an increase in subscription pet months for policies underwritten

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by Trupanion. Revenue from our other business segment increased by $28.3 million, or 10%, to $319.6 million for the nine months ended September 30, 2024. This increase was primarily driven by a 16% increase in monthly average revenue per pet in this segment, offset by a 6% decrease in pet months in this segment.

Six months ended June 30, 2024 compared to six months ended June 30, 2023. Total revenue increased by $94.0 million, or 18%, to $620.9 million for segment primarily reflecting the six months ended June 30, 2024. Revenue from our subscription business segment increased by $71.3 million, or 21%, to $409.8 million for the six months ended June 30, 2024. This increase was primarily due to an 10% increase in subscription pet months (the sum expected run off of pets enrolled we historically insured for each month during a period) for policies underwritten by Trupanion and a 11% increase in monthly average revenue per pet. Revenue from our other business segment increased by $22.7 million, or 12%, to $211.2 million for the six months ended June 30, 2024. This increase was primarily driven by a 15% increase in monthly average revenue per pet in this segment, offset by a 2% decrease in pet months in this segment. third-party.

<u>Cost of Revenue</u>

	Three Months Ended June 30,		% Change	Six Months Ended June 30,		% Change	Three Months Ended September 30,		% Change	Nine Months Ended September 30,		% Change
	(in thousands, except percentages, pet and per pet data)						(in thousands, except percentages, pet and per pet data)					
Cost of Revenue:												
Subscription business:												
Subscription business:												
Subscription business:												
Veterinary invoice expense												
Veterinary invoice expense												
Veterinary invoice expense	$ 155,480	$ $134,295	16 16 %	$ 307,835	$ $263,283	17 17 %	$156,307	$ $139,747	12 12 %	$464,143	$ $403,030	15 15 %
Other cost of revenue												
Total cost of revenue												
Other business:												
Veterinary invoice expense												
Veterinary invoice expense												
Veterinary invoice expense												
Other cost of revenue												
Total cost of revenue												
Percentage of Revenue by Segment:												

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Percentage of Revenue by Segment:
Percentage of Revenue by Segment:
Subscription business:
Subscription business:
Subscription business:
Veterinary invoice expense
Veterinary invoice expense
Veterinary invoice expense
Other cost of revenue
Other cost of revenue
Other cost of revenue
Total cost of revenue
Total cost of revenue
Total cost of revenue
Other business:
Other business:
Other business:
Veterinary invoice expense
Veterinary invoice expense
Veterinary invoice expense
Other cost of revenue
Other cost of revenue
Other cost of revenue
Total cost of revenue
Total cost of revenue

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Total cost of revenue

Total pets enrolled (at period end)

Total pets enrolled (at period end)

Total pets enrolled (at period end)

Total subscription pets enrolled (at period end)

Three months ended June 30, 2024 September 30, 2024 compared to three months ended June 30, 2023 September 30, 2023. Total cost of revenue for our subscription business segment increased $24.2 $19.9 million, or 16% 13%, to $175.7 $177.4 million, for the three months ended June 30, 2024 September 30, 2024. This increase was driven by a $21.2 $16.6 million, or 16% 12%, increase in veterinary invoice expense and a $3.0 $3.4 million, or 18% 19%, increase in other cost of revenue. The 16% 12% increase in veterinary invoice expense was driven by an 8% increase in total subscription pet months for policies underwritten by Trupanion and a 7% 5% increase in veterinary invoice expense per pet month. The 18% 19% increase in other cost of revenue was primarily due to general increases in costs attributable to growth in our membership. membership and subscription revenue. Subscription business cost of revenue decreased from 87% 86% to 84% 81% of revenue year-over-year.

Total cost of revenue for our other business segment increased by $9.1 $7.5 million, or 10% 8%, to $98.8 $100.7 million for the three months ended June 30, 2024 September 30, 2024. The This increase was primarily driven by a $5.9 $9.8 million, or 34%, increase in other cost of revenue as well as a $3.2 million, or 4% 13%, increase in veterinary invoice expense. expense offset by a $2.3 million, or 11%, decrease in other cost of revenue. The 34% 13% increase in veterinary invoice expense was primarily driven by a 27% 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 11% decrease in other cost of revenue was primarily driven by increases decreases in managing general agent ("MGA") and underwriting fees which reflects higher earned premium and lower are primarily a reflection of the loss ratio in the sensitive nature of our MGA arrangements with minimal impact to our other business segment. The 4% increase in veterinary invoice expense was primarily driven by a 10% increase in veterinary invoice expense per pet, offset by a 6% decrease in pet months in this segment. operating margin. Cost of revenue for the other business segment increased from 92% 91% to 93% of revenue year-over-year.

Six Nine months ended June 30, 2024 September 30, 2024 compared to six nine months ended June 30, 2023 September 30, 2023. Total cost of revenue for our subscription business segment increased by $50.3 $70.2 million, or 17% 15%, to $347.9 million, $525.2 million for the six nine months ended June 30, 2024 September 30, 2024. This increase was driven by a $44.6 $61.1 million, or 17% 15%, increase in veterinary invoice expense and a $5.7 $9.1 million, or 17%, increase in other cost of revenue. The 17% 15% increase in veterinary invoice expense was driven by a 10% an increase in total subscription pet months for policies underwritten by Trupanion and a 7% 6% increase in veterinary invoice expense per pet month.

The 17% increase in other cost of revenue was primarily due to general increases in costs attributable to growth in our membership. membership and subscription revenue. Subscription business cost of revenue decreased from 88% 87% to 85% 84% of revenue year-over-year.

Total cost of revenue for our other business segment increased by $23.0 million $30.5 million, or 13% 11%, to $196.6 million $297.3 million for the six nine months ended June 30, 2024 September 30, 2024. The This increase was primarily driven by a $19.2 million $29.1 million, or 14%, increase in veterinary invoice expense as well as a $3.7 million $1.5 million, or 10% 3%, increase in other cost of revenue. The 14% increase in veterinary invoice expense was primarily driven by a 16% 20% increase in veterinary invoice expense per pet, offset by a 2% decrease in pet months. months in this segment primarily reflecting the expected run off of pets we historically insured for a third-party. The 10% 3% increase in other cost of revenue was primarily driven by increases in MGA, underwriting, and underwriting fees. other 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

	Three Months Ended June 30,			**Six Months Ended June 30,**		
	Three Months Ended September 30,	**% Change**	**% Change**	**Nine Months Ended September 30,**	**% Change**	**% Change**
2024						
	(in thousands, except percentages)					
	(in thousands, except percentages)					

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		(in thousands, except percentages)																						
Technology and development	Technology and development	$8,190	$	$5,232	57	57	%	$15,150	$	$10,132	50	50	%	Technology and development	$7,933	$	$5,302	50	50	%	$23,083	$	$15,434	50
Percentage of total revenue																								

Three months ended June 30, 2024 September 30, 2024 compared to three months ended June 30, 2023 September 30, 2023. Technology and development expenses increased by $3.0 $2.6 million, or 57% 50%, to $8.2 $7.9 million for the three months ended June 30, 2024, September 30, 2024. This increase was primarily due to a $1.8 million $1.7 million decrease in capitalized expenditures related to internally-developed software projects launched in early 2024, a $0.8 million increase in general compensation and other employee-related expenses, including stock-based compensation expense, and a $0.2 million increase in infrastructure-related expenses, partially offset by a $0.1 million decrease in development expense. Technology and development expenses remained consistent at 2% of total revenue year over year.

Nine months ended September 30, 2024 compared to nine months ended September 30, 2023. Technology and development expenses increased by $7.6 million, or 50%, to $23.1 million for the nine months ended September 30, 2024. This increase was primarily due to a $5.3 million reduction in capitalized expenditures related to internally-developed software projects launched in early 2024, a $0.9 million increase in development expense, and a $0.4 million $1.2 million increase in infrastructure-related expenses. Technology and development expenses, increased from 2% to 3% of total revenue year over year.

Six months ended June 30, 2024 compared to six months ended June 30, 2023. Technology and development expenses increased by $5.0 million, or 50%, to $15.2 million for the six months ended June 30, 2024, primarily due to a $3.5 million reduction in capitalized expenditures related to internally-developed software projects launched in early 2024 and a $1.2 million increase in development expense. Technology and development expenses remained constant at 2% of total revenue year-over-year.

<u>General and Administrative Expenses</u>

		Three Months Ended June 30,						Six Months Ended June 30,															
		Three Months Ended September 30,			% Change	% Change		Nine Months Ended September 30,			% Change	% Change											
	2024																						
		(in thousands, except percentages)																					
		(in thousands, except percentages)																					
		(in thousands, except percentages)																					
General and administrative	General and administrative	$15,253	$	$13,136	16	16	%	$29,926	$	$34,153	(12)	(12)	%	General and administrative	$16,977	$	$12,664	34	34	%	$46,903	$	$46,8
Percentage of total revenue																							

Three months ended June 30, 2024 September 30, 2024 compared to three months ended June 30, 2023 September 30, 2023. General and administrative expenses increased by $2.1 $4.3 million, or 16% 34%, to $15.3 $17.0 million for the three months ended June 30, 2024 September 30, 2024. The This increase was primarily due to $1.2 million $2.0 million in property general compensation and sales taxes other employee-related expenses, including stock-based compensation expense, $1.5 million in professional services, and discretionary related expenses, $0.5 million $0.6 million in underwriting fees related to our Canadian business, and $0.5 million in professional services. operations. General and administrative expenses remained constant at increased from 4% to 5% of total revenue year over year.

Six Nine months ended June 30, 2024 September 30, 2024 compared to six nine months ended June 30, 2023 September 30, 2023. General and administrative expenses decreased increased by $4.2 million $0.1 million, or 12% 0%, to $29.9 million $46.9 million for the six nine months ended June 30, 2024 September 30, 2024. The decrease in expense when comparing periods was driven primarily by two Two charges were recorded during the first quarter of 2023 that led to decreases 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 the negotiated settlement of uncollected premiums in connection with the transition of underwriting a third-party business to other insurers. These decreases in expense period over period were partially offset by increases of $1.8 million $3.9 million in property general compensation and sales taxes other employee-related expenses, $2.7 million in professional services, and discretionary related expenses, $1.1 million $1.7 million in underwriting fees related to our Canadian business, $1.1 million in professional services, and $0.5 million in general compensation and other employee-related expenses. operations. General and administrative expenses decreased from 6% to 5% of total revenue year-over-year.

<u>New Pet Acquisition Expense</u>

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		Three Months Ended June 30,							Six Months Ended June 30,															
		Three Months Ended September 30,			% Change	% Change			Nine Months Ended September 30,		% Change	% Change												
	2024																							
		(in thousands, except percentages, pet and per pet data)																						
		(in thousands, except percentages, pet and per pet data)																						
		(in thousands, except percentages, pet and per pet data)																						
New pet acquisition expense	New pet acquisition expense	$17,874	$	$20,769	(14)	(14)	%	$34,717	$	$42,411	(18)	(18)%	New pet acquisition expense	$18,308	$	$17,772	3	3 %	$53,025	$	$60,183	(12)	(	
Percentage of total revenue																								
Subscription Business:																								
Subscription Business:																								
Subscription Business:																								
Total subscription pets enrolled (at period end)																								
Total subscription pets enrolled (at period end)																								
Total subscription pets enrolled (at period end)																								
Average pet acquisition cost (PAC)																								

Three months ended June 30, 2024 September 30, 2024 compared to three months ended June 30, 2023 September 30, 2023. New pet acquisition expenses increased by $0.5 million, or 3%, to $18.3 million for the three months ended September 30, 2024. The increase was primarily driven by expanded external marketing spend during the third quarter of 2024 for purposes of generating leads and driving conversion. New pet acquisition as a percentage of revenue remained constant at 6% of total revenue year over year.

Nine months ended September 30, 2024 compared to nine months ended September 30, 2023. New pet acquisition expenses decreased by $2.9 million, $7.2 million, or 14% 12%, to $17.9 million $53.0 million for the three nine months ended June 30, 2024 September 30, 2024. The 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 expenses as a percentage of revenue was 6% for the three nine months ended June 30, 2024 September 30, 2024 compared to 8% 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 by 8%.

Six months ended June 30, 2024 compared to six months ended June 30, 2023. New pet acquisition expenses decreased by $7.7 million, or 18%, to $34.7 million for the six months ended June 30, 2024. This decrease was primarily due to a decrease in expenses related to generating leads and driving conversion, as we focused on growth in our more efficient channels. New pet acquisition expenses as a percentage of revenue was 6% for the six months ended June 30, 2024 compared to 8% 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 by 8%.

Depreciation and Amortization

	Three Months Ended June 30,			Six Months Ended June 30,		
	Three Months Ended September 30,	% Change	% Change	Nine Months Ended September 30,	% Change	% Change

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	2024																			
		(in thousands, except percentages)																		
		(in thousands, except percentages)																		
		(in thousands, except percentages)																		
Depreciation and amortization	Depreciation and amortization	$4,376	$	$3,253	35%	35%	$8,161	$	$6,455	26%	26%	Depreciation and amortization	$4,381	$	$2,990	47%	47%	$12,542	$	$9,445	33
Percentage of total revenue																				

Three months ended June 30, 2024 September 30, 2024 compared to three months ended June 30, 2023 September 30, 2023. Depreciation and amortization expense increased by $1.1 $1.4 million, or 35% 47%, to $4.4 million for the three months ended June 30, 2024 September 30, 2024 primarily driven by an increase in in-service internally developed software projects during the period.

Six Nine months ended June 30, 2024 September 30, 2024 compared to six nine months ended June 30, 2023 September 30, 2023. Depreciation and amortization expense increased by $1.7 million $3.1 million, or 26% 33%, to $8.2 million $12.5 million for the six nine months ended June 30, 2024 September 30, 2024 primarily driven by an increase in in-service internally developed software projects during the period.

<u>Total Other (Income) Expense, Net</u>

		Three Months Ended June 30,					Six Months Ended June 30,							
		Three Months Ended September 30,				% Change	Nine Months Ended September 30,				% Change		% Change	
	2024					% Change								
		(in thousands)												
		(in thousands)												
		(in thousands)												
Interest expense Interest expense Interest expense		$3,655	$	$ 2,940	24%	24%	$ 7,251	$	$5,327	36%	36%	$ 3,820	$	$ 3,053
Other income, net	Other income, net	(3,220)	(2,078)	(2,078)	55%	55%	(6,063)	(3,980)	(3,980)	52%	52%	Other income, net	(3,538)	(2,465)
Total other (income) expense, net	Total other (income) expense, net	$ 435	$	$ 862	(50)%	(50)%	$ 1,188	$	$1,347	(12)%	(12)%	Total other (income) expense, net	$ 282	$
Percentage of total revenue														

Three months ended June 30, 2024 September 30, 2024 compared to three months ended June 30, 2023 September 30, 2023. Total other (income) expense, net decreased by $0.4 $0.3 million to $0.4 $0.3 million for the three months ended June 30, 2024 September 30, 2024 primarily due to an increase in interest income from our investments partially offset by an increase in interest expense.

Six Nine months ended June 30, 2024 September 30, 2024 compared to six nine months ended June 30, 2023 September 30, 2023. Total other (income) expense, net decreased by $0.2 million $0.5 million to $1.2 million $1.5 million for the six nine months ended June 30, 2024 September 30, 2024 primarily due to an increase in interest income from our investments partially offset by an increase in interest expense.

<u>Stock-Based Compensation</u>

Stock-based compensation is included in the cost and expense line items in the consolidated statements of operations, discussed above.

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Three months ended June 30, 2024 September 30, 2024 compared to three months ended June 30, 2023 September 30, 2023. Stock-based compensation increased by $2.0 $1.4 million, or 30% 21%, to $8.6 million $8.3 million for the three months ended June 30, 2024 September 30, 2024. 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.

Six Nine months ended June 30, 2024 September 30, 2024 compared to six nine months ended June 30, 2023 September 30, 2023. Stock-based compensation decreased by $2.2 million $0.7 million, or 11% 3%, to $16.8 million $25.1 million for the six nine months ended June 30, 2024 September 30, 2024. 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 six nine months ended June 30, 2023 September 30, 2023 included $4.8 million in stock-based compensation as a result of charges after certain executive departures.

Liquidity and Capital Resources

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

		Six Months Ended June 30,		Nine Months Ended September 30,	
	2024	2024	2023	2024	2023
Net cash provided by (used in) operating activities					
Net cash provided by (used in) investing activities					
Net cash provided by (used in) financing activities					
Effect of foreign exchange rates on cash, cash equivalents, and restricted cash, net					
Net change in cash, cash equivalents and restricted cash					

Our primary requirements for liquidity are paying veterinary invoices, funding operations and 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 7, Reserve for Veterinary Invoices, included in Item 1 of Part I of this report, 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 to meet capital requirements. 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. As 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 June 30, 2024 September 30, 2024, the Company we had $277.2 million $293.1 million in cash, cash equivalents and short-term investments, of which $244.1 million $256.7 million was held by the Company's our insurance entities. Outside of our insurance entities, we held $33.2 million $36.4 million in cash, cash equivalents and short-term investments with investments. We also had an additional $15.0 million available under our Credit Facility. Our insurance entities maintained $263.0 million $274.6 million of capital surplus, which was $130.3 million $139.9 million in excess of the estimated risk-based capital requirement of $132.7 million $134.7 million. The ability to distribute any portion of this estimated $130.3 million $139.9 million excess to our parent company, and the timing of any distribution, may be subject to regulatory limitations. 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 six nine months ended June 30, 2024 September 30, 2024.

Operating Cash Flows

Net cash provided by operating activities was $9.3 million $24.6 million for the six nine months ended June 30, 2024 September 30, 2024, compared to $10.3 million $1.1 million net cash used in provided by operating activities for the six nine months ended June 30, 2023 September 30, 2023. This increase was primarily driven by an increase expansion in premium collection from members as our pricing actions flow through subscription operating margin and a decrease in acquisition costs 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 each period end.

Investing Cash Flows

Net cash used in investing activities was $30.5 million $31.9 million for the six nine months ended June 30, 2024 September 30, 2024, primarily consisting of purchases of investment securities of $81.2 million $25.6 million, net of maturities, as well as $5.9 million $7.9 million of capital expenditures primarily related to the development of internal-use software focused on member experience, claims processing and internal policy management improvements, partially offset by $55.7 million in sales and maturities of investment securities. improvements. Net cash provided by investing activities was $28.4 million $25.1 million for the six nine months ended June 30, 2023 September 30, 2023, primarily consisting of $117.7 million $38.0 million in sales and maturities of investment securities, net of purchases, offset by $79.9 million of purchases of investments and $9.9 million $14.3 million of capital expenditures. expenditures primarily related to the development of internal-use software focused on member experience improvements.

Financing Cash Flows

Net cash used in financing activities was $1.2 million $2.3 million for the six nine months ended June 30, 2024 September 30, 2024, primarily consisting of $0.7 million $1.0 million in repayments on the Credit Facility. Facility, as well as $1.4 million in shares withheld to satisfy tax withholding. Net cash provided by financing activities was $33.7 million $58.6 million for the six nine months ended June 30, 2023 September 30, 2023, primarily consisting of $35.1 million $60.1 million in proceeds from the Credit Facility, offset by $1.4 million in repayments on the Credit Facility.

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Long-Term Debt

Our Credit Facility provides us with up to $150.0 million of credit. As of June 30, 2024 September 30, 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 8, Debt, included in Item 1 of Part I of this report, for further details.

Regulation

As of June 30, 2024 September 30, 2024, our insurance entities collectively held $91.2 million $101.2 million in cash and cash equivalents to be used for operating expenses for our insurance entities, $152.8 million $155.5 million in short-term investments and $284.4 million $288.0 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 was required to maintain at least $99.0 million $99.1 million and $137.6 million of risk-based capital as of June 30, 2024 September 30, 2024 and December 31, 2023, respectively. In July 2024, APIC distributed an ordinary dividend of $4.1 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 have funded required statutory capital to each of these new subsidiaries. As of June 30, 2024, neither ZPIC, QPIC nor GPIC have begun underwriting any insurance policies, accordingly, each of these entities are currently overcapitalized relative to traditional risk-based capital requirements. 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. As of September 30, 2024, neither ZPIC, QPIC nor GPIC have begun underwriting any insurance policies. Due to anticipated lack of use, during the quarter ended September 30, 2024, we began the dissolution process for QPIC, which included a distribution of $4.4 million of previously required capital to Trupanion, Inc. We intend to fully dissolve QPIC and distribute remaining capital of $3.4 million to Trupanion, Inc. upon receiving necessary regulatory approvals.

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 allowed 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 June 30, 2024 September 30, 2024, the account held CAD $17.9 million $19.0 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 Bermuda Monetary Authority ("BMA"), BMA, WICL's regulation and compliance impacts us as it could have an adverse impact on the our ability of to secure dividends from our WICL Segregated Account AX to pay dividends. 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 cell 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, primarily 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 8, Debt, included in Item 1 of Part I of this report, for further details, including interest and future principal payments.

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Critical Accounting 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 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.

There have been no material changes to our critical accounting estimates as compared to those described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Item 3. Quantitative and Qualitative Disclosures About Market Risks

Management believes there have been no material changes to our quantitative or qualitative disclosures about market risk during the first six nine months of 2024. For a discussion of our exposure to market risk, refer to our market risk disclosures set forth in Part II, Item 7A, “Quantitative and Qualitative Disclosures About Market Risk” of the 2023 Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, 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 Quarterly Report on Form 10-Q. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of such date, our disclosure controls and procedures were not effective due to material weaknesses in internal control over financial reporting, specifically with respect to (1) the design of information technology general controls ("ITGCs") in the areas of user access and program change-management over certain information technology ("IT") systems, and (2) the processing of transactions performed by an unaffiliated general agent. These material weaknesses were disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 ("Annual Report").

Prior to filing this Quarterly Report on Form 10-Q, we have performed additional procedures for the quarter ended June 30, 2024 September 30, 2024. Based on these procedures and notwithstanding such material weaknesses in internal control over financial reporting, management has concluded that the consolidated financial statements included in this Quarterly Report on Form 10-Q fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented in accordance with U.S. GAAP.

Remediation

As previously disclosed in Part II, Item 9A of our Annual Report, we are in the process of remediating the material weaknesses in internal control over financial reporting. We have hired additional staff and retained a global independent accounting and consulting firm to assist us with ongoing risk assessments and control design. We have also established ongoing reporting about remediation activities and status to the Audit Committee, developed an overall remediation plan for identified deficiencies and implemented tools to track our progress.

The actions that we are taking are subject to ongoing senior management review as well as Audit Committee oversight. We are committed to maintaining a strong internal control environment and believe that we have made progress toward remediation. We continue to implement our remediation plan for the current material weaknesses in internal control over financial reporting. The identified material weaknesses will not be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

Changes in Internal Control

Except for changes relating to the material weaknesses identified above and remediation efforts, there have been no changes in our internal control over financial reporting identified in management’s evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the period covered by this Quarterly Report on Form 10-Q 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.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are subject to litigation matters and claims arising from the ordinary course of business, including, but not limited to, claims of alleged infringement of trademarks, copyrights, and other intellectual property rights; employment claims; coverage disputes with policyholders; disputes regarding general contracts; and regulatory or governmental investigations or disputes. We record an estimated liability relating to such matters when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The outcomes of legal proceedings are inherently unpredictable, subject to significant uncertainties, and could be material to our operating results for a particular period. We review our estimates at least quarterly and makes adjustments to reflect the outcome of negotiations, estimated settlements, legal rulings, advice of legal counsel and other information and events pertaining to a particular matter.

Item 1A. Risk Factors

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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 or 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 reliance on Territory Partners, whom we engage as independent contractors rather than employees, and other third parties;
- The actual levels of 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 maintain certain levels of surplus capital under applicable insurance regulations;
- 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;
- Our CEO succession plan, including the recent appointment of Margi Tooth as CEO, to be effective August 1, 2024;
- 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;
- Ownership of multiple insurance subsidiaries in different jurisdictions;
- Our ability to remediate the material weaknesses in internal control over financial reporting and 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;
- Ownership of an office building;
- 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 utilize net operating loss carryforwards and potential increases in our tax liabilities;
- Our ability to comply with numerous laws and regulations applicable to our business, including state, federal and foreign laws relating to insurance, privacy, the internet, email and texting, and accounting matters; 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 $44.7 million in each of the years ended December 31, 2023 and 2022, and as of December 31, 2023, we had an accumulated deficit of $216.3 million. We have funded our operations through 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:

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- 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;
- maintain positive relationships with veterinarians and other lead sources;
- maintain positive relationships with Territory Partners in all of our target markets;
- successfully integrate entities we acquire into our business;
- expand 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;
- price our subscriptions in relation to actual operating expenses and achieve required regulatory approval for pricing changes;
- 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 new relationships and manage and maintain existing relationships and programs in our other business segment;
- 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 overspend 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 $77.4 million in new pet acquisition expense to acquire new members for the year ended December 31, 2023. 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 rise or fall and vary significantly period to period based upon the success of specific marketing initiatives. 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.

In addition, 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.

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 maintain profitability. Conversely, if our pricing assumptions differ from actual results such that we overprice risks, our competitiveness 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 resulted (for instance, during the COVID-19 pandemic), 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

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significant pricing changes, requiring 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, 2023, we generated 64.0% 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 in particular. To maintain our existing member base, we need to continue to reinforce the value of our subscription.

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. Veterinarians then educate pet owners, who visit our website or call our contact center to learn more about these benefits, and potentially become members. We also invest in other third-party and direct-to-consumer member acquisition channels, though we have limited experience with some of them. 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 our policy is 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, including our exam day offer program, our member levels and pet acquisition expenses may be adversely affected.

We seek to convert pet owners 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 subscription, including its perceived value, simplicity, and fairness;
- 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;
- 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;
- 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.

We have historically experienced high average monthly retention rates. For example, our average monthly retention rate between 2010 and 2023 was 98.5%. We expect to continue to make significant expenditures relating to the retention of existing members.

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. Members we obtain through aggressive promotions or other channels that involve relatively less meaningful contact between us and the member and such members are more likely to terminate their subscription. 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 fees, 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 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 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. 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,

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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.

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. For instance, we compete with pet owners that self-finance unexpected veterinary invoices with savings or credit, as well as traditional pet insurance providers and relatively new entrants into our market. The vast majority of pet owners in the markets we serve do not currently have medical insurance for their pets. We are focused primarily on expanding our share of the overall market, and we view our primary competitive challenge as educating pet owners on why our subscription is a better alternative to self-financing.

Additionally, 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 (and in some cases exited) the medical insurance for pets 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.

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. 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 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

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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.

If more veterinary hospitals install and use our patented proprietary software, the number or amounts of veterinary invoices we receive is 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 believe that it is critical to our long-term success to improve the member experience so we encourage veterinary hospitals to install and use our software. 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 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 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 a contractual obligation related to our reinsurance agreement with Accelerant (formerly known as Omega General Insurance Company), who currently writes our policies in Canada. Under this agreement, we are required to fund a Canadian trust account in accordance with Canadian regulations.

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.

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

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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 identified 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. Maintaining adequate internal control over financial reporting is critical to effective and timely completion of our financial statements. We have reported material weaknesses in internal control in Part II, Item 9A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023. As a result, management concluded that our internal control over financial reporting was not effective as of December 31, 2023. We are currently implementing certain remedial measures and assessing others intended to remediate the material weaknesses, but our efforts may not be successful. These measures will result in additional expenses associated with technology, finance personnel, training and other costs and implementation could distract management from current operations. If we are unable to remediate the material weaknesses within a reasonable time or at all, or are otherwise unable to maintain effective internal control over financial reporting or disclosure controls and procedures, our ability to record, process and report financial or other information accurately, and to prepare financial statements within required time periods, could be adversely affected, which could subject us to litigation or investigations requiring management resources and payment of legal and other expenses, negatively affect investor confidence in our financial statements and adversely impact our stock price.

We may in the future identify other material weaknesses and significant deficiencies in our internal control over financial reporting, in addition to those identified as of December 31, 2023, which may result in our not detecting errors on a timely basis and our financial statements being materially misstated. 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.

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, enroll members, engage with current members and pay veterinary invoices. Our members research and purchase subscriptions through our website and contact center, and for those veterinary hospitals who have installed our patented proprietary software, we receive and pay veterinary invoices directly to the hospitals through our patented software. 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.

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 new 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 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. In addition, any loss or mishandling of data could result in breach of confidence, competitive disadvantage or loss of members, and subject us to potential liability. 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.

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Third parties to whom we outsource certain of our functions are also subject to these risks. While we 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.

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

We have recently experienced, and expect to continue to experience, significant growth, 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 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. Conversely, consumers may have more income to pay veterinary costs out-of-pocket and less desire to purchase our subscription during a period of economic growth. 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. Ms. Tooth became our new Chief Executive Officer, effective as of August 1, succeeding our founder Darryl Rawlings who remains our Chairperson of the Board. This transition may not be successful. 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 employ all of our employees, including executive officers and key employees on an at-will basis, and their employment can be terminated by us or them at any time, for any reason and without notice, subject to severance payment obligations. Applicable law might prevent or limit our ability to subject our employees to non-compete obligations. In order to retain valuable employees, in addition to salary and cash incentives, we have provided stock options and restricted stock units that vest over time. While we may in the future grant equity awards tied to company performance, if we do not achieve certain financial goals, we will not grant equity awards and this may affect our ability to retain employees. The value to employees of stock options and restricted stock units that vest over time will be significantly affected by movements in our stock price that are beyond our control and may at any time be insufficient to maintain their retention benefit or counteract offers from other companies. 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.

Our success also depends on our ability to attract, retain and motivate additional skilled management personnel. We plan to continue to expand our work force, which we believe will enhance our business and operating results. As a result of COVID-19, we adopted hybrid work arrangements, which may result in decreased efficiency. Over time, hybrid work arrangements may also decrease the cohesiveness of our teams, which is critical to our corporate culture and to attracting, retaining and motivating skilled management personnel. We believe that there is significant competition for qualified personnel with the skills and knowledge that we require. Many of the other companies with which we compete for qualified personnel have greater financial and other resources than we do. New hires require significant training, capital expenditures and, in most cases, significant time before they achieve full productivity. New employees may not become as productive as we expect, and we may be unable to hire or retain sufficient numbers of qualified individuals. If we do not successfully hire and integrate new employees in accordance with our plans, our business, operating results and financial condition will be harmed.

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

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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.

Our growth strategy includes developing and maintaining strategic relationships with various third parties. For example, in October 2020, we entered into a Strategic Alliance Agreement and certain related agreements with Aflac Incorporated (Aflac). We generally pursue strategic relationships with industry leaders that may offer us expanded access to segments of the pet owner market. 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 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.

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. The contractual relationships with these third parties may be terminated by either party or the third party may choose to begin a relationship with a different underwriter. Any termination of these relationships could result in a reduction in our revenue. For the year ended December 31, 2023, premiums from policies sourced by general agents accounted for 34% of our total revenue, and one general agent sourced members whose premiums accounted for over 10% of our total revenue. Further, in administering or marketing a product to consumers, if an unaffiliated third party makes an operating decision that adversely affects its business or brand, our business or brand could also be adversely impacted. We expect to roll off a portion of our other business starting in 2025 subject to certain limitations which may allow us to utilize capital for other purposes, but 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.

Changes to this business may be volatile due to the nature of the relationships. Further, this business historically has had, and we expect it to continue to have, significantly lower margins than our subscription business. As a result of this business, we are subject to additional regulatory requirements and scrutiny, which increase our costs and risks, and may have an adverse effect on our operations. Further, administration of this business and any similar business in the future may divert our time and attention away from our subscription business, which could adversely affect our operating results in the aggregate.

In Canada, our medical plan is written by Accelerant Insurance Company of Canada. If Accelerant were to terminate its underwriting arrangement with us, our business could be adversely affected.

In Canada, our medical insurance for pets subscription is 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. We expect to begin to underwrite our own products in Canada through our wholly-owned subsidiary, GPIC. If Accelerant were to terminate our agreement or be unable to write insurance for regulatory or other reasons, in particular before GPIC is duly authorized to write insurance across all Canadian jurisdictions, we may have to terminate subscriptions with or otherwise change coverage for our existing Canadian members and/or suspend member enrollment and renewals in Canada. In addition, as we move business from Accelerant to GPIC, we may be required to contribute more risk-based capital than expected into GPIC.

We are expanding our operations internationally, and we may therefore become subject to a number of risks associated with international expansion and operations.

We are expanding our operations internationally and expect to continue exploring opportunities outside of North America. For instance, we have entered the Australian market in 2019 through a joint venture. 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:

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- regulatory rules and practices, 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.

In addition to the United States, we offer products in Canada, Continental Europe, and Australia, and we are pursuing operations in several other jurisdictions. These activities expose us to the risk of changes in currency exchange rates. For the year ended December 31, 2023, approximately 15% of our total revenue was generated in Canada. While we have not experienced material exposure to exchange rates in Australia or Europe, 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 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 of the insurers through which we are issuing products - APIC, a New York domiciled insurer. We also own and have regulatory approvals for two U.S. insurers domiciled respectively in Missouri and Nebraska, ZPIC and QPIC. We are currently pursuing so-called expansion applications for these entities ZPIC in most United States jurisdictions. jurisdictions and are in the process of dissolving QPIC. In addition, we own and are pursuing Canadian regulatory approvals for our Canadian insurer GPIC and we may also seek to acquire or establish other insurers.

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

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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 and we may incur third-party liability.

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 our 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 payments of subscription fees 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 pay their subscription fees or related credit and debit card fees would reduce our margins and could require us to increase subscription 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 subscription 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 have limited experience owning an office building and may face unexpected costs.

In August 2018, we purchased our headquarters office building in Seattle, Washington, USA. Prior to this purchase, we had no experience owning an office building. It is difficult to predict all 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. Following our transition to hybrid work arrangements, we have far fewer people working in our headquarters office, resulting in decreased utilization of our space. 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. Tenants may also negotiate tenant improvements, requiring capital expenditures that may adversely impact our financial position. In addition, we may identify structural defects or other conditions, or we may determine that remodeling or renovations are necessary given our business operations and objectives. 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.

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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. Investors, customers, regulators, employees, and other stakeholders have focused increasingly on ESG issues, including, among other things, climate change and greenhouse gas emissions, human and civil rights, and diversity, equity, and inclusion matters. Expectations surrounding appropriate corporate behavior in these areas are continually evolving and often reflect opposing viewpoints. Positions we may take (or choose not to take) on ESG issues may be unpopular with some of our current or potential employees, partners, or customers, which may in the future impact our ability to attract or retain employees, partners, or customers. Further, actions taken by our customers or partners, including through the use or misuse of our products, may result in reputational harm or possible liability to us.

Our disclosures on ESG matters, and any standards we may set for ourselves or a failure to meet these standards, may influence our reputation and the value of our brand. For example, we have elected to share publicly certain information about our ESG initiatives and information, and our commitment to the recruitment, engagement, and retention of a diverse board and workforce. In addition, 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 (which it then voluntarily stayed, pending litigation that challenges such 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. As we continue to expand internationally, we may need to enforce our rights 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. These patents 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. Even where our patents rights are enforced, legal remedies available for harm caused to us by infringing products may be inadequate to make us whole. Further, our successful assertion of our patent against one competing product is not necessarily predictive of our future success or failure in asserting the same patent against a second competing product. In addition, patents have a limited lifespan. In the United States, the natural expiration of a patent is generally 20 years after it is filed. Various extensions may be available. However, the life of a patent, and the protection it affords, is limited. 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. In addition, others may independently discover trade secrets and confidential information and, in such cases, we may not be able to assert any trade secret rights against such parties. 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.

Litigation or proceedings before the U.S. Patent and Trademark Office or other governmental authorities and administrative bodies in the United States and abroad may be necessary in the future to enforce our intellectual property rights, to protect our domain names and to determine the validity and scope of the proprietary rights of others. 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, 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

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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, 2023, 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, 2023, we had U.S. federal net operating loss carryforwards of approximately $271.6 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.

The sale of medical insurance for cats and dogs, like other lines of insurance, 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. 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.

Due to the complexity, periodic modification and differing interpretations of insurance laws and regulations, we have not always been, and we may not always be, in compliance with them. A regulator’s interpretation of existing laws or regulations may change without notice. 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, because adverse regulatory actions in one jurisdiction may be required to be reported to other jurisdictions, an 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.

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Existing laws and regulations impose limits on, for instance, our ability to enact price increases for our products, among other things. 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.

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.

Regulations that require individuals or entities that sell medical insurance for cats and dogs 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, and compliance with one law or regulation may result in non-compliance with another.

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. Consequently, we are subject to the risk that compliance with any particular regulator’s or enforcement authority’s interpretation of a legal issue may not result in compliance with another’s interpretation of the same issue, particularly when compliance is judged in hindsight. In addition, 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, even absent any particular regulator’s or enforcement authority’s interpretation of a legal issue changing, cause us to change our views regarding the actions we need to take from a legal risk management perspective, thus necessitating 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. Further, in some cases, these laws and regulations are designed to protect or benefit the interests of a specific constituency rather than a range of constituencies. For example, state insurance laws and regulations generally are intended to protect or benefit purchasers or users of insurance products, not holders of securities, which generally is the jurisdiction of the SEC. In many respects, these laws and regulations limit our ability to grow or to improve our results of operations.

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 have violated applicable laws or regulations related to privacy and data security could in the future 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 fines 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 Internet 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. We are unable to predict 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

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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.

Our segregated account accounts in Bermuda WICL segregated account AX, 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 account 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 with and through our WICL segregated account AX. accounts. Further, WICL could be limited from allowing dividends to be paid out of any of our segregated account AX 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.

The principal reason that we release guidance and other information regarding our view of the drivers and calculation method of our intrinsic value is to provide a basis for our management to discuss our business and outlook with analysts and investors.

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. Until June 2024, these equity incentives were generally granted under our 2014 Equity Incentive Plan, which provided for automatic annual increases in the number of shares or our common stock available for issuance under the plan equal to 4% of our issued and outstanding shares of common stock, or any lesser number determined by our board of directors. Our board of directors most recently approved a 4% increase in 2022. In June 2024, our stockholders approved our 2024 Equity Incentive Plan, which replaces our 2014 Equity Incentive Plan. The 2024 Equity Incentive Plan does not provide for automatic annual increases in the number of shares or our common stock available for issuance under the plan. 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.

If securities or industry analysts do not publish research, or publish inaccurate or unfavorable research, about our business, our stock price and trading volume could decline.

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The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the securities or industry analysts who publish research about us or our business downgrade our stock or publish inaccurate or unfavorable evaluations of our company or our stock, the price of our stock could decline. If one or more of these analysts cease coverage of our company, our stock may lose visibility in the market, which in turn could cause our stock price to decline.

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;
- 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 Account AX's ability 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 2. Unregistered Sales of Equity Securities and Use of Proceeds

Recent Sales of Unregistered Securities

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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 medical and wellness pet insurance 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 June 30, 2024 September 30, 2024, we issued 3,150 3,697 shares of our common stock to the distributor in respect of product sales that occurred in the quarter ended March 31, 2024 June 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.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Rule 10b5-1 Plan

On May 17, 2024 August 28, 2024, Fawwad Qureshi, Murray Low, a member of our Chief Financial Officer, Board of Directors, adopted a trading plan intended to satisfy Rule 10b5-1 trading arrangement for the sale of to sell up to the net 9,984 shares (not yet determinable) after shares are withheld of Trupanion, Inc. common stock over a period ending on December 27, 2025, subject to satisfy tax obligations upon the vesting of 33,603 restricted stock units. This 10b5-1 trading arrangement is scheduled to expire on August 29, 2025, or upon the earlier completion of all authorized sales. certain conditions.

No other officers or directors, as defined in Rule 16a-1(f), adopted, modified, or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," as defined in Item 408 of Regulation S-K, during the three months ended June 30, 2024 September 30, 2024.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Exhibit Filing Date	Filed/Furnished Herewith
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	
10.1+	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	
10.2+	Compensation Program for Non-Employee Directors of Trupanion, Inc., as amended on July 30, 2024.					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
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 Document.					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.					X
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document.					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.					X

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

Exhibit		Incorporated by Reference				Filed/Furnished
Number	**Exhibit Description**	**Form**	**File No.**	**Exhibit**	**Exhibit Filing Date**	**Herewith**
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	
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
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 Document.					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.					X
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document.					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.					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.

* 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.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized.

TRUPANION, INC.

Date: August 9, 2024 November 1, 2024

/s/ Margi Tooth

Margi Tooth
Chief Executive Officer
(Principal Executive Officer)

Date: August 9, 2024 November 1, 2024

/s/ Fawwad Qureshi

Fawwad Qureshi
Chief Financial Officer
(Principal Financial and Accounting Officer)

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Exhibit 10.2

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

(As amended through July 30, 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

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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 “***2024Plan***”).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

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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.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

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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. Other.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 DEFAULT to 100% of the Award Value being paid in equity UNLESS you elect otherwise by returning this election form.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.

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☐ 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: _______________________________________

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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 Quarterly Report on Form 10-Q 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)) for the registrant 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: August 9, 2024 November 1, 2024

/s/ Margi Tooth

Margi Tooth
Chief Executive Officer
(Principal Executive Officer)

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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 quarterly report on Form 10-Q 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)) for the registrant 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: August 9, 2024 November 1, 2024

/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 Quarterly Report of Trupanion, Inc. on Form 10-Q for the quarterly period ended June 30, 2024 September 30, 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-Q fairly presents, in all material respects, the financial condition and results of operations of Trupanion, Inc.

Date: August 9, 2024 November 1, 2024

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/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 Quarterly Report of Trupanion, Inc. on Form 10-Q for the quarterly period ended June 30, 2024 September 30, 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-Q fairly presents, in all material respects, the financial condition and results of operations of Trupanion, Inc.

Date: August 9, 2024 November 1, 2024

/s/ Fawwad Qureshi

Fawwad Qureshi
Chief Financial Officer
(Principal Financial Officer)

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