

# National Animal Insurance

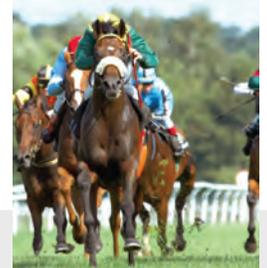
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## EXECUTIVE SUMMARY

National Animal Insurance will consolidate and streamline the selling of life and liability insurance products for high-value show quality horses via an internet platform. There are 3.5 million horses active in competitive showing or racing in the US, with only 40% currently insured. The average annual premium is \$705, creating an insured base of \$987 million with a total addressable market of \$2.5 billion. The process today is low-tech, paper-driven, and highly labor/time intensive. Our solution will be automated, nearly paperless, fast, and customer friendly. Additional growth will come from adding canine, avian and other exotic animals to our product mix in future years.

## MARKET OPPORTUNITY/PROBLEM/OUR APPROACH

The high-end animal insurance market has changed very little in the past 20 years, while animal values and perceived liability have steadily risen. Since this market is served by local agents who typically do not specialize in animal life and liability and are usually not licensed in multiple states, the industry has experienced very little technical or marketing innovation in the past two decades.

## COMPETITION FACTS

**ONLY 18** agents/brokers are licensed in more than 3 states

**ONLY 5** agents/brokers accept credit card payments online

**NONE OFFER** real-time online quotes

**NO FOCUSED EFFORT** to target the key 18-49 female demographic

## THE PROBLEM

Horse insurance marketing is very traditional, staid, and unbranded. 

The market is fragmented. Few agents are licensed in more than one state. 

The horse insurance industry generates an enormous amount of paperwork and the process can take days to secure a policy. 

## OUR SOLUTION

Offer a hip, user-friendly, automated, online approach targeting females 18 - 49. Establish a national brand.

Our national approach will consolidate the market by leveraging technology and partnering with an established broker to sell in all states.

Create a paperless process and real-time platform for the purpose of securing competitive quotes, applying for and paying for the policy online.

## OUR PLATFORM

We will provide a web-based platform allowing customers to get a real-time quote from a selection of underwriters. The customer will have the option of selecting and purchasing the policy immediately or saving the quote for future access. At the time the application is made, an electronic notification will be sent to the prospect's veterinarian, who will then log-in and provide the required verification data online. At any time, the customer will be able to log-in and review the status of the application. The immediacy of our process will be especially useful to a customer who is purchasing a horse and wants insurance before transporting the animal. For example, most sales are made on weekends and evenings when traditional agencies are closed. We will also establish a national brand and have the ability to market and write policies in all geographic regions (reducing our cost of customer acquisition). The strength of the national approach will resonate with our target audience. We will build our brand to be "the name" in the horse insurance market.

## OPERATIONS

**BROKER:** We will partner with an insurance broker allowing us to quickly enter the market. This strategy is the fastest method to becoming cash flow and income positive. Current commissions for these types of policies are 15%.

**UNDERWRITERS:** We have identified 10 insurance underwriters currently offering life and liability policies with whom we will negotiate representative agreements. We will partner with as many underwriters as necessary such that we can offer three competitive quotes. Underwriters will also handle the claims process, as is standard industry practice.

**WEB PLATFORM:** We will create a web-based sales platform that will automate the process, greatly reducing the transaction time.

**DIRECT RESPONSE:** All marketing efforts will direct the customer to the web for quote/purchase/education information.

## PHASE ONE - LAUNCH HORSE LIFE & LIABILITY INSURANCE/WEB PLATFORM

Launch support will include:

**SEARCH** engine marketing including key words, PPC, and banner ads

**PRINT ADS** in national horse publications

**EDUCATIONAL** cafés at major horse shows and events

**SPONSORSHIP** at shows and events

**PRODUCT PUBLICITY** and feature editorial in major horse publications

**BUILD** customer loyalty emphasis

**ESTABLISH** formal relationships with horse groups/clubs, and riding facilities

**CHAT** sessions w/professional riders

Educational cafés featured prominently at shows and events will feature kiosks allowing a prospect to test drive the online experience, secure an actual quote, print it out, e-mail it to their home/business, and even purchase on the spot. This provides a mechanism for capturing leads. We will develop collateral elements emphasizing the value proposition, defining our differentiators, and building the brand. Partnering with horse groups will provide a platform to address multiple horse owners at one time and use their membership base for e-mail marketing. We will use branded items as handouts and conduct educational forums at shows to reinforce our story. All efforts will build the brand and tie back to the web site.

## PHASE TWO - LAUNCH CANINE MARKET

**YEAR 2010** US population = 74.8 million dogs

## PHASE THREE - LAUNCH AVIAN & EXOTIC

**YEAR 2011** US population = 16 million birds and 151 million fish

## THE MARKET

There are over 10 MILLION horses in the US.

3.54 million of these are show or race horses.

40% of show and racing horses are currently insured.

Average annual policy premium is \$705.

The initial addressable market is \$2.5 billion.

Sources: Deloitte for the American Horse Council Foundation 2005, internal study 2008 and USEA study, and premium average of four sources.



## CONSOLIDATE & AUTOMATE THE INDUSTRY

Offer a turn-key operation with the first-of-its-kind online quotation/application process. This will engage customers to obtain a quote, provide an upselling opportunity (major medical riders, barns, care & custodial insurance, etc.) in an effort to convert the 1.4 million currently insured policyholders and the 2.1 million uninsured horses. An internal study revealed 71% of our target market has never tried to get a competitive quote.



## CREATE A NATIONAL BRAND

We will establish a national brand which resonates with the key demographic of our target market: females 18-49.

The site will be dynamic and interactive. A portion of the site will focus on education by utilizing innovative ways of online communication. This will include informative podcasts and building a community database through the use of wikis. It will also include tools such as an online calculator to assist the potential customer in determining some of the following factors:

- How much is my horse worth?
- What is my potential liability?
- What happens if I move to another state?
- What do these insurance terms mean?
- How much is my riding stable worth?
- How do I transfer my policy to National Animal Insurance?



## COMPETITION

We have identified several hundred agent/brokers offering horse insurance in the US. The majority of these agencies are focused on other product lines and other market segments.

In many cases the existing process for securing quotes, for completing the application, for getting veterinarian verifications and paying for the policy is very inconvenient and slow. Most competitors' sites are unsophisticated and have poor functionality.

# FUTURE OPPORTUNITIES

## RELATED HORSE MARKETS

Beyond our initial entry into the selling of event/racing horse life and liability insurance, there are 3.9 million recreational horses in the US, 1.9 million other insurable horses (rodeo, polo, police, etc.), and 4.6 million riders, trainers and service providers who could benefit from insurance. Other income streams include providing insurance for:

- Horse farms
- General business coverage
- Care and custodial coverage for stables
- Transit coverage
- Special event/ show coverage

## OTHER NATIONAL ANIMAL INSURANCE OPPORTUNITIES

Outside of the show/racing horse market, we have identified other business opportunities to which we can apply our specialized experience:

- Licensing our proprietary platform to third parties
- Create an underwriting business unit
- Transaction intermediary/escrow services between a buyer/seller of a horse
- Risk analysis consultation
- Financing of animal sales
- Brokerage of animals for sale
- Credit facilities (business and/or personal)
- Third-party billing services between owner and trainer

## MANAGEMENT TEAM

**BRAD CASSIDAY, PRESIDENT** ~ Brad is a management professional with nearly two decades of experience in new product and new business development. For the last decade, Brad has focused his entrepreneurial efforts exclusively on animal-focused start-ups. Most recently, he served as managing partner of the Northwest School of Animal Massage and is currently consulting for a number of animal-related businesses through Chew Toy Media, his animal-business media firm. As a small-farm owner, he is well aware of the pleasures and challenges facing today's animal owner and businessperson. Brad has an MBA in Operations and Logistics Management from Michigan State University.

**TBD, INSURANCE CONSULTANT** ~ We are in negotiations to retain the services of an insurance industry veteran.

**JOANNE TURK, OPERATIONS DIRECTOR** ~ Professionally, Joanne has more than 20 years experience managing operations and marketing in dynamic, sales driven enterprises. She has been a founder and principal in two start-ups focusing on the operational and marketing functions. For ten years she bred, raised and marketed exotic parrots, and currently participates in a family ranching and livestock operation in Eastern Washington. Joanne is passionate about the welfare and care of all animals and is devoted to Bud, her 8-year-old dog. She holds a degree from the University of Minnesota.

**SOPHIE PALADICHUK, CREATIVE DIRECTOR** ~ Sophie has nearly two decades of experience in marketing and creative operations. She has been a successful marketing and creative professional by displaying the very out-of-the-box, dynamic thinking required in shepherding path-breaking ideas to fruition. She has a grounded balance between creativity and profitability. She has been the marketing director for both traditional and web-based companies, successfully launched numerous branding and advertising campaigns, and is the current Creative Director for a specialized multi media company. Sophie and her daughter are both active and educated in the AKC dog show world. Sophie holds degrees in both Marketing and Multi-Media Design & Production.

## INVESTMENT OPPORTUNITY

### CURRENT VALUE \$2.0 MILLION

National Animal Insurance is currently valued at \$2.0 million based on forward revenue projections and comparable valuation of other businesses in this market segment.

### CURRENTLY SEEKING \$500,000

NAI is currently seeking \$500,000 in bridge financing to develop our web platform, establish our brand identity, fund our go-to-market strategy and provide working capital

### TO VIEW WEBSITE GO TO:

[www.nationalanimalinsurance.com](http://www.nationalanimalinsurance.com)

# FIVE YEAR PROFIT PROJECTION

YEAR	2008	2009	2010	2011	2012
Sales Income					
Equine	\$0	\$7,025,819	\$13,663,812	\$19,669,868	\$25,104,148
Canine	\$0	\$0	\$5,000,000	\$9,724,000	\$13,998,275
Avian/Exotics	0	0	0	\$1,200,000	2,333,760
Gross Profit	\$0	\$7,025,819	\$18,663,812	\$30,593,868	\$41,436,183
<b>COMMISSION INCOME</b>					
Salary (Office & Overhead)	\$100,000	\$380,000	\$426,400	\$474,656	\$524,842
Payroll (taxes etc.)	30,000	114,000	127,920	142,397	157,453
Outside Services	280,000	125,000	130,000	135,200	140,608
Supplies	25,000	12,600	13,104	13,628	14,173
Repairs/ Maintenance	0	5,000	5,200	5,408	5,624
Advertising	0	1,869,996	1,944,796	2,022,588	2,103,491
Sponsorships	0	80,000	83,200	86,528	89,989
Accounting and Legal	5,000	12,000	12,480	12,979	13,498
Rent	1,000	30,000	31,200	32,448	33,746
Telephone	2,500	12,000	12,480	12,979	13,498
Utilities	1,500	3,600	3,744	3,894	4,050
Insurance	4,000	22,000	22,880	23,795	24,747
Events/show s/tradeshaw	50,000	250,000	260,000	270,400	281,216
Card processing	0	119,439	317,285	520,096	704,415
Depreciation	0	60,000	60,000	60,000	60,000
Postage	1,000	11,000	11,440	11,898	12,374
Customer loyalty program	0	140,516	373,276	611,877	828,724
Total Expenses	\$500,000	\$3,247,151	\$3,835,405	\$4,440,771	\$5,012,448
Net Profit Before Tax	(500,000)	3,778,667	14,828,407	26,153,097	36,423,735
Income Taxes Offset	0	1,284,747	5,041,658	8,892,053	12,384,070
Net Profit After Tax	(500,000)	2,493,920	9,786,749	17,261,044	24,039,665

## OPERATING EXPENSES

2009 ANNUAL REVENUE (\$585,485 X 12) = \$7,025,819

MONTHLY	SEM/PPC	PRINT MEDIA	EVENT	TOTAL
CLICKS/TRAFFIC	200,000	500,000	6,000	706,000
CONV RATE	2.50%	0.083%	2.00%	NA
NEW POLICIES	5000	417	120	5537
AVG POLICY	\$705	\$705	\$705	\$705
POLICY VALUE	\$3,525,000	\$293,633	\$84,600	\$3,903,233
COMMISSION	15%	15%	15%	15%
MONTHLY REVENUE	\$528,750	\$44,045	\$12,690	\$585,485

2009 ANNUAL AD COSTS (\$155,833 X 12) = \$1,869,996

MONTHLY	SEM/PPC	PRINT MEDIA	EVENT	TOTAL
VENDOR FEES	\$0	\$0	\$2,500	NA
CONSUMMABLES	\$0	\$0	\$4,500	NA
LABOR	\$0	\$0	\$8,000	NA
TRAVEL	\$0	\$0	\$5,833	NA
CLICKS/TRAFFIC	200,000	500,000	6,000	706,000
CPC/CPM	\$0.55	\$50	NA	NA
TOTAL ACQ COST	\$110,000	\$25,000	\$20,833	\$155,833
COST PER CUSTOMER	\$22	\$60	\$174	NA

## 2008 START UP COSTS

WEB DEVELOPMENT	\$250,000
BRANDING/GTM	\$30,000
ACCT/LEGAL	\$5,000
TRADESHOW BOOTH	\$50,000
OFFICE SETUP/EXP	\$35,000
SALARY EXPENSES	\$130,000
<b>TOTAL START UP</b>	<b>\$500,000</b>

## FINANCIAL ASSUMPTIONS

- 87% renewal rate YOY
- 4.0% annual inflation on all expenses
- \$300k fixed assets depreciated @ 5yr SL
- Projections for mortality/liability only