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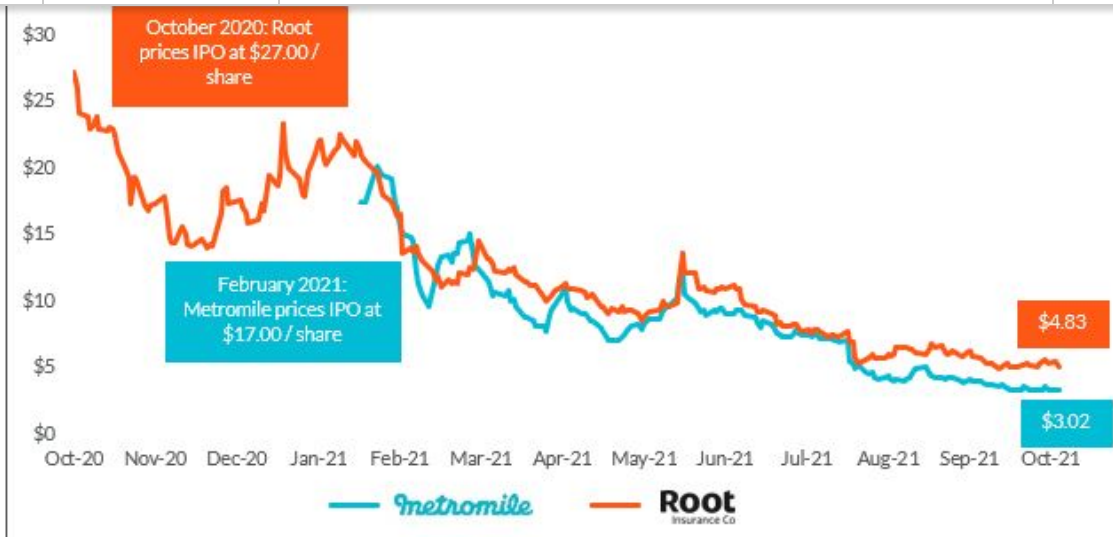
October 29, 2021

Full-Stack Insurtechs, Friends or Foes?

Metromile Inc. and Root Inc. are two full-stack insurtechs (i.e., they act as both carrier and agent) in the personal auto space that recently completed initial public offerings at eye-popping valuations. These insurtechs attracted investors with the pay-per-mile mobile app concept and the thesis that car insurance pricing is broken (i.e., historical practices prioritizing credit history over driving ability are inefficient).

At IPO, [Metromile](#) (February 2021) and [Root Insurance](#) (October 2020) had revenues of ~\$31 million and ~\$430 million, respectively. As a multiple of revenues, they were valued at ~44x and ~15x!

Today, they are valued at 2.8x and 1.7x revenue, respectively, and each firm's market capitalization has declined by more than 70% since IPO. Each firm has failed to live up to management and Wall Street's lofty growth expectations.



Market Capitalization	At IPO	As of 10/27/21	% Change
ROOT	\$6.75 billion	\$1.203 billion	(82%)
MILE	\$1.35 billion	\$383 million	(72%)

It is important to note that founders, sponsors, and original investors of each company did not cash out at the IPO valuations and thus remain keenly interested in their respective valuations going forward. According to public filings, Metromile sold only ~18% of its outstanding equity to public investors in its initial public offering. Today, ~48% of Metromile’s shares are traded publicly. This implies Metromile’s original investors, sponsors, and founders still own a majority of the outstanding shares.

Similarly, public filings suggest that Root sold only ~11% of its outstanding equity to public investors in its initial public offering. Today, ~35% of Root’s shares are traded publicly, implying a ~65% existing position for founders, sponsors, and institutional investors.

How Do These Developments Impact the Independent Agent?

In response to higher-than-typical losses and slower-than-expected growth, *Root and Metromile are looking to significantly expand their presence in the independent agent channel*, which represents in excess of 30% of the industry’s total auto insurance sales. These moves further emphasize the prevailing trend of insurtechs embracing, rather than disrupting, the independent agent.

Metromile launched its independent agent channel with comparative raters in Q2 2021 by appointing 700+ agents. Last week, Metromile appointed Scot Rankin as Independent Agency Relationship Manager. Upon his hiring, Rankin stated, “I’ve specialized in working with Independent Agents for more than 30 years, so I can attest to their position as a trusted resource for many consumers shopping for insurance.” You can read the full press release [here](#). While the company’s current base is limited to eight states (AZ, CA, IL, NJ, OR, PA, VA, and WA), Metromile anticipates entering the remainder of the U.S. (excl. Michigan) over the next two years.

Root is working to diversify its customer acquisition strategy by scaling an internal sales agent program as well as piloting a program through independent licensed agents.

in the Northeast (only currently in CT) and Southeast (currently not in AL, FL, or NC).

For Root and Metromile, it is not an “either or” distribution strategy but a “both and” distribution strategy. The line between competitor and partner continues to blur. Meanwhile, traditional carriers, like Cincinnati Insurance, are embracing insurtech to encourage safe driving using mobile apps like [RIDEWELL](#) to offer auto discounts. Captive agents are also getting into the usage-based auto game, demonstrated by USAA’s acquisition of [Noblr, Inc.](#), a smartphone telematics insurer of mileage-based policies.

These recent developments raise some challenging questions:

1. Is your agency embracing technology or partnering with carriers to improve your insureds’ user experience?
2. If not, will your firm embrace these full-stack insurtechs as friends or oppose them as foes?

It will be interesting to watch the answers to these questions play out in the public markets. Will entering the independent agent channel help Root and Metromile make a valuation comeback? Time will tell.

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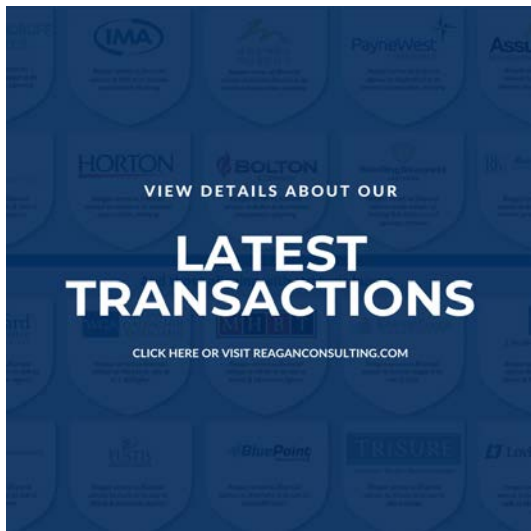
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