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Next Insurance — an InsurTech Update

To our friends and clients,

2020 has seen many interesting developments in the InsurTech space.

The acquisition of CoverHound by Brown & Brown was one such development. With the combination of a pure InsurTech player with a traditional broker, Brown & Brown announced that the deal would expand their digital offerings and improve the customer service experience for more traditional clients.

Another interesting development was the launch of Lemonade's IPO. Lemonade, an InsurTech carrier providing renters and homeowners coverages, has annual revenues of approximately \$100 million but has not yet made an operating profit. Despite these unusual financial statistics, however, the market rewarded Lemonade with a current market cap of over \$5 billion.

While these stories are interesting for independent brokers, they are not necessarily threatening. The Next Insurance story may be different.

FALL 2020 HIGHLIGHTS IN SMALL COMMERCIAL INSURTECH



Next Insurance had a strong year. In September, the company announced that it completed a new round of financing, raising \$250 million dollars from investors such as Google and Munich Re. This latest round brought Next Insurance's total money raised to \$631 million. Like Lemonade, the valuation was large: \$2 billion.

But, unlike Lemonade, Next Insurance operates in an area closer to home for independent brokers – the small and medium business market. Next Insurance is a direct carrier, aiming to simplify insurance for small businesses by providing online, 24/7 access to policy information, certificates, and claims data. The company does have an agent channel, but its ambitions are considerable in the small and medium business market.

“It’s a massive market. It’s a \$140 billion dollar market in the U.S. and it’s extremely fragmented. And there’s no Geico or Progressive in this space,” said Guy Goldstein, CEO of Next Insurance, in a Reuters article about the capital raise. “This is why we raise so much money. Because we want to become kind of the Geico of small business insurance.”

The company has been rapidly deploying those recently raised funds into growth investments, chasing its aim of being a major player in the small commercial market.

In October 2020, Next Insurance and Intuit, the maker of QuickBooks, announced a partnership whereby Next Insurance product offerings will be integrated into QuickBooks. The thousands of small and medium-sized businesses that use QuickBooks can now purchase insurance through Next Insurance directly from their QuickBooks account.

In December 2020, Next Insurance completed its first-ever acquisition, buying Juniper Labs, a software company that uses available data and machine learning to assist in underwriting small business.

gross written premium of only \$100 million, a market share of about 0.1% based on the company's \$140 billion market size estimate. But the company is growing quickly. Next Insurance – armed with sizeable ambitions and valuations – may be poised to create a true threat in the small commercial market. The company's investors are betting on it.

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