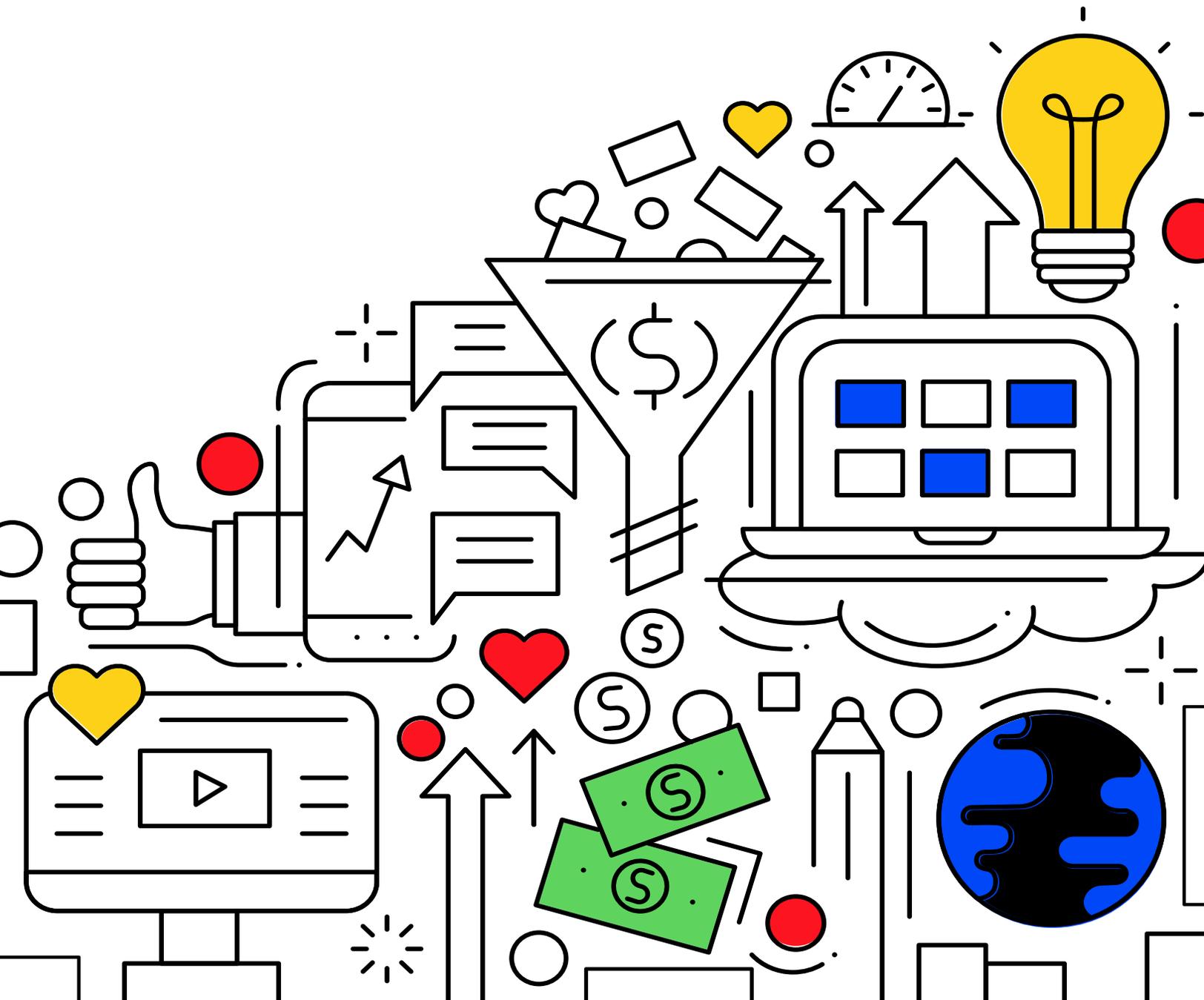


coverager

# Small Business Insurance

A GAME OF CURATION X CHANNELIZATION



# Forward

According to the findings of a 2019 small business survey conducted by S&P Global Market Intelligence, the number of respondents (out of 1,371 U.S. respondents) who bought coverage for their companies online directly from a carrier rose to approximately 23 percent; compared to 14 percent for the 2018 version of this survey. The other two findings worth mentioning pertain to the respondent’s go-to channel as well as the respondent’s reason to avoid the online, direct channel altogether.

First, the survey suggests that approximately one-half of respondents relied on their personal lines agent to obtain coverage for their small business. For us, at Coverager, this rings true. In a discussion with a Progressive executive, it was revealed that their commercial insurance unit benefits from Progressive’s dominant personal lines brand, as customers inquire about additional coverage offered by Progressive. And according to market intelligence platform SimilarWeb, progressivecommercial.com has attracted an average of 275k visits per month over the last 12 months; sitting smack in the middle between Next Insurance and Hiscox.

Next	Progressive Commercial	Hiscox
242,365	274,839	305,025

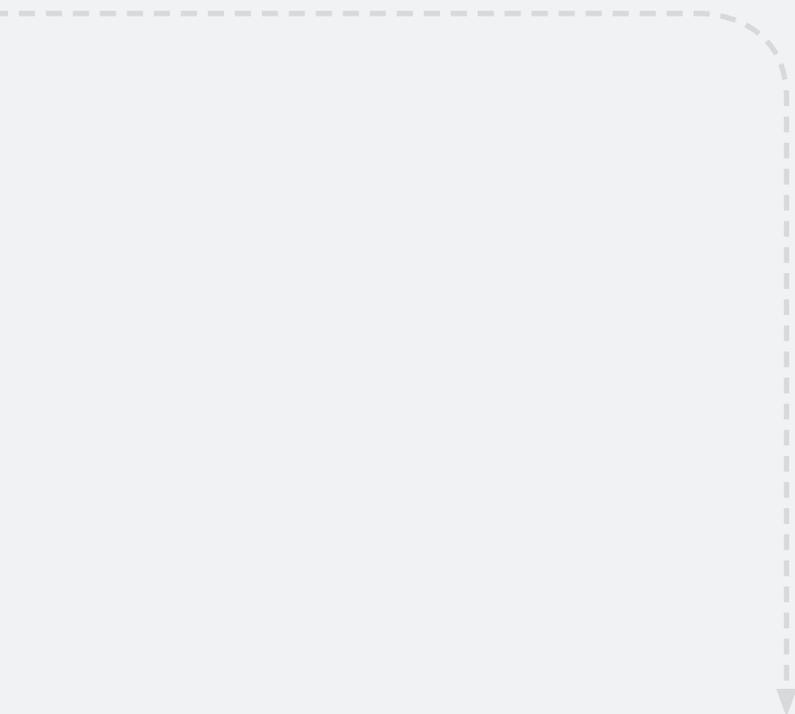
Further, close to 10 percent of Progressive Commercial’s traffic is generated via referrals where the top referring websites are progressive.com (84.23 percent of referral traffic) and progressivedirect.com (13.36 percent of referral traffic). In comparison, 6 percent of Hiscox’s traffic comes from referrals where the top referring site is geico.com (54.46 percent of referral traffic), and 3 percent of Next’s traffic comes from referrals where the top referring site is auiagents.com aka Appalachian Underwriters (48.47 percent of referral traffic).

The other interesting bit is that according to the survey, one of the most common reasons for not purchasing commercial insurance online - directly from the carrier - is the belief that the process is too complicated. Approximately 15 percent of the respondents who did not purchase directly cited complexity as a factor in their decision, up from only percent of respondents in the 2018 survey, and, in this case, perception is reality, as the online process is time-consuming when you step away from the contractually mandated coverages.

The first part of this research provides an overview of the digital and direct small business landscape; but since there aren't any homogeneous distributors in the space, the second part of this research analyzes the strategy and noteworthy acquisitions of agent-facing companies. The third part of this research provides the opinions and views of ten players in the space; specifically: Ask Kodiak, Bigfoot Insurance, Briza, Cogitate, ID Federation, KASKO, Semsee, Symbo, Talage, and Zywave. Finally, the report concludes with information on new entrants and investments, followed by the main takeaway.

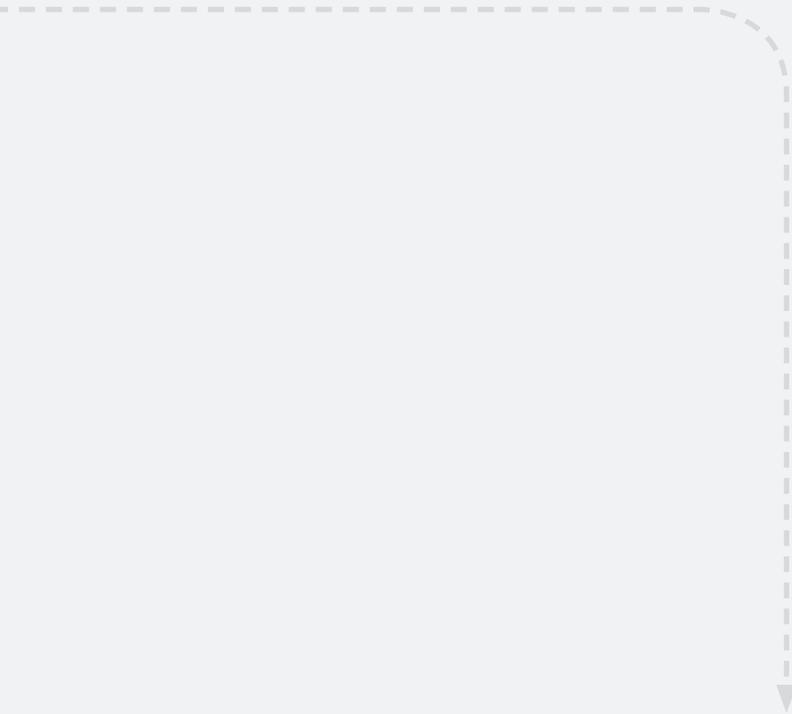
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# Part I: Digital & Direct



# A Small Shift

The internet has enabled convenient shopping in personal lines insurance. As a result, shoppers enjoy fast, free quotes and access to free advice via social media platforms, while insurers combat product commoditization as the do-it-yourself shopper can more readily compare on price. But small business is a fragmented business that is neither compulsory (exceptions apply), nor easy to buy.

When the business (insurance) is compulsory (contractually required) or project-based (short-term purchase) you'll find that the prospect, oftentimes a sole proprietor, independent contractor or gig worker, is comfortable buying coverage online as convenience trumps confidence when you need something done. However, beyond the space of compulsory commercial insurance, the shift in buying insurance has remained largely the same. No, it hasn't taken the path of personal lines, where direct personal lines writers account for 71 percent of net premiums compared to 27 percent for agency writers. And, no, it will not follow the path of personal lines, because the change in purchasing habits isn't linked to higher average premiums, higher sales, or simply larger businesses.

Consider the following different data points to assess the retail business in the US: According to the Hiscox 2018 Annual Report, Hiscox writes business "predominantly for small businesses with one to five employees." Before "Next for Agents," Next attracted businesses with an average policy premium of \$1,000. At Insureon, you'd be hard pressed to find an account with over \$500,000 in revenue and its average policy premium is \$1,400. Finally, when an Aon investor was asked to quantify the policies for which CoverWallet wasn't paying a commission for, the response was "Nothing over \$8,000 in premium."

## Assessing the digital small business insurance shopper:



**Max Premium**  
\$8,000



**Business Revenue**  
<\$500,000



**Avg Premium**  
\$1,000-\$1,400

While it's challenging to spot a shift in consumer buying behavior, there's a shift in the economy. In 2016, firms employing fewer than 20 employees experienced the largest gains,

adding 1.2 million net jobs. The latest data from the SBA Office of Advocacy suggests that there are 5,339,918 businesses with 1-19 employees and 25,701,671 nonemployee firms, defined as a small business that has no paid employees, for a total of ~31 million businesses with fewer than 20 employees. And all in all, being a freelancer is becoming commonplace, as around 35 percent of the US workforce are freelancers.

### US SB by Industry and Firm Size, 2017



Industry	1-499 Employees	Nonemployee Firms	1-19
Other Services (except Public Administration)	695,268	3,740,305	649,612
Professional, Scientific, and Technical Services	807,932	3,535,071	757,638
Construction	700,393	2,494,089	643,304
Real Estate and Rental and Leasing	308,106	2,784,753	295,084
Retail	645,685	2,093,459	589,200
Health Care and Social Assistance	650,689	1,941,097	561,991
Administrative, Support, and Waste Management	343,791	2,143,437	305,247
Transportation and Warehousing	182,688	2,205,648	163,167
Arts, Entertainment, and Recreation	129,287	1,436,152	112,643
Finance and Insurance	236,657	732,196	220,285
Accommodation and Food Services	537,443	402,772	413,464
Educational Services	92,148	741,870	73,163
Wholesale Trade	294,909	399,261	253,458
Manufacturing	244,098	348,476	185,612
Information	78,430	349,905	67,876
Agriculture, Forestry, and Fishing and Hunting	22,535	250,537	21,184
Mining, Quarrying, and Oil and Gas Extraction	18,720	88,882	15,808
Utilities	5,752	13,761	4,535
<b>Total</b>	<b>5,976,761</b>	<b>25,701,671</b>	<b>5,339,918</b>

Source: sba.gov

The other reason for *optimism* is that businesses with “0 years in business” tend to flock to digital, direct insurers. Last year, Insureon saw the percentage of new businesses applying for coverage increase to 50 percent. By the way, if hope is a strategy, Insureon would like to get to a point where it attracts businesses in the \$1 to \$3 million revenue range, but hope isn’t a strategy and Insureon isn’t fully digital.

# INSUREON'S UX

GET QUOTES



YOUR COMPANY INFO

YOUR PROTECTION OPTIONS



GL



WC



BOP



E&O, PL



COMML AUTO

YOUR CONTACT INFORMATION

YOUR BUSINESS DETAILS

YOUR LOCATIONS

YOUR SALES & OPERATIONS

GENERAL LIABILITY DETAILS

YOUR BUSINESS OPERATIONS & PRACTICES

SUBMIT APPLICATION



Your quotes are here!

**1. Review your quotes below.**

These quotes are estimates, not a contract. They expire in 30 days.

**2. Contact your agent to get started.**

Let your agent know which quotes you're interested in, or get more information about your quotes.



**NEED HELP? TALK TO AN AGENT**  
system account  
8am-5:30pm CST | Monday - Friday  
(312) 690-4122  
Call us to get started

GENERAL LIABILITY (2 Quotes) ⓘ

  
A.M. Best Rating: **A+ (Superior)**

**\$ 500<sup>00</sup>** annual premium  
*Excludes taxes and/or fees of \$30.00*

Quote #: 13322487

[Next Step](#)

General Liability Occurrence Limit ⓘ  
**\$1,000,000**

General Liability Aggregate ⓘ  
**\$2,000,000**

[View Details](#)

  
A.M. Best Rating: **A (Excellent)**

**\$ 350<sup>00</sup>** annual premium  
*Excludes taxes and/or fees of \$30.00*

Quote #: 13322482

[Next Step](#)

General Liability Occurrence Limit ⓘ  
**\$1,000,000**

Gener

COMMERCIAL PACKAGE (1 Quote) ⓘ

  
A.M. Best Rating: **A (Excellent)**

**\$ 500<sup>00</sup>** annual premium  
*Excludes taxes and/or fees of \$30.00*

Quote #: 13322486



We've received your request for **General Liability**. Your agent will contact you to help you with the next step in the process.

# Noteworthy Entrants

In 2015, Amazon and Homee didn't offer insurance, Thimble was still known as Verifly, Insureon had just raised \$31 million in a Series B round, and Next Insurance was still in stealth mode, most likely in talks with Hiscox, America's number one online small business insurer. Now, it's 2021, and we are counting 29 new brands in the direct-to-consumer, small business space as of 2015:

- **Berxi**
- **biBERK**
- **Bunker**
- **Cake Insure**
- **Cerity**
- **Certainly**
- **CM Select Insurance**
- **Coterie**
- **CoverWallet**
- **Direct Work Comp**
- **Embroker**
- **Glow Insurance**
- **Huckleberry**
- **Inshurents.com**
- **Intrepid Direct**
- **MyGearVault**
- **Mylo**
- **Next Insurance**
- **Pie Insurance**
- **Pogo Insurance**
- **PolicySweet**
- **ProSight Direct**
- **RaisinBread**
- **Simply Business (US)**
- **Starr Insure**
- **StartSure**
- **Thimble**
- **THREE**
- **Vouch Insurance**

However, being new isn't always noteworthy, and going forward we will highlight the following 10 brands:

	Company	 Founded	 Funding	 Type		Company	 Founded	 Funding	 Type
<u>1.</u>	Next	2016	881		<u>6.</u>	Insureon	2011	31	
<u>2.</u>	Pie	2017	306		<u>7.</u>	Thimble	2015	29	
<u>3.</u>	CyberPolicy	2016	111*		<u>8.</u>	CoverWallet	2015	28	
<u>4.</u>	Vouch	2018	94		<u>9.</u>	Huckleberry	2017	22	
<u>5.</u>	Embroker	2015	42		<u>10.</u>	Coterie	2018	20	

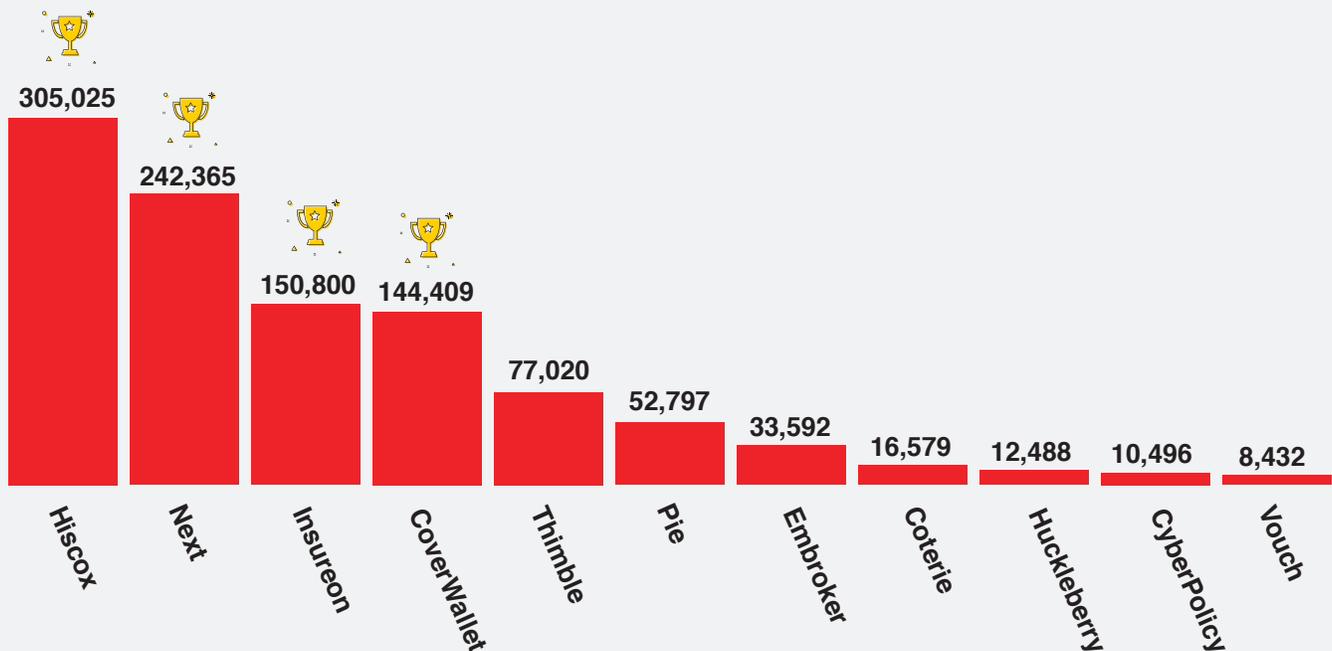
 Funding - in \$M
  Digital Insurer
  Broker/MGA/Intermediary

\*The funding noted for CyberPolicy is for its sister brand CoverHound, which launched as a personal lines aggregator in 2010 to later expand to small business insurance.

## I. Above average performers: Hiscox, Next, Insureon & CoverWallet

At the risk of stating the obvious, having a direct-to-consumer (D2C) interface isn't a suggestion that there's a true disconnect between the digital brand and working with agents. In 2016, Next's co-founder Guy Goldstein stated that his biggest competition is "the insurance companies and the agents, not other startups," and in 2018, Coterie was launched to distribute commercial insurance "via API (and partnerships) rather than insurance agents." Also, having a D2C interface isn't a suggestion that 'online' is the company's primary growth channel. The average monthly visits these 10 companies attract is around 74,898. When factoring Hiscox, the figure (the average monthly site visits) jumps to 95,916. And by these ranges, the 'above average' performers are: Hiscox, Next, Insureon and CoverWallet.

### MONTHLY SITE VISITS (AVERAGE OF LAST 12 MONTHS)



\*In the US, Simply Business averaged 84,364 monthly site visits over the last 12 months; with no effect on the above averages.

Source: SimilarWeb