

# Business Plan

December 2017

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# EXECUTIVE SUMMARY

## OVERVIEW

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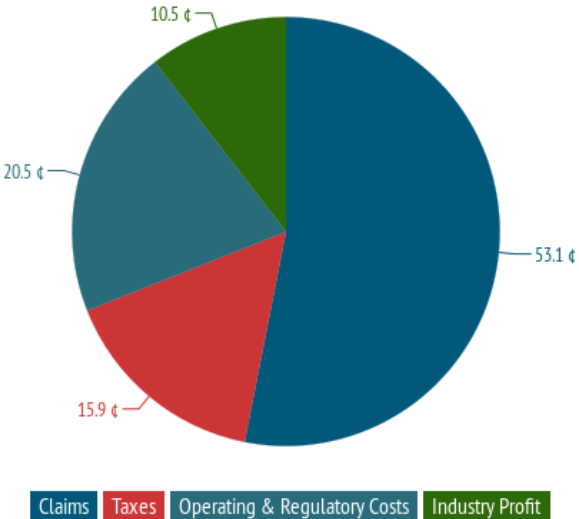
## THE PROBLEM

### 1. Almost 50% of the premium paid is used for other purposes than covering damages

A 7-years national study<sup>1</sup> shows that for every dollar of premiums gathered from policyholders, only ¢53.1 go back to policyholders in the form of claims.

### 2. Paying for other people's mistakes

The way insurance companies operate – careful drivers pay considerable amounts for reckless drivers' mistakes. Even though insurance companies use many rating factors<sup>2</sup> that result in more dangerous drivers paying higher premium, many drivers that are rarely involved in accidents still pay hundreds and thousands of dollars every year for other people's damages.



## THE PRODUCT

NO NAME is a peer-2-peer insurance platform that focuses on Auto insurance where insurees do not pay premium. Instead, they are required to pay only when an insurance claim has been filed by other insurees. **How it works:**

<sup>1</sup> <https://www.insurancehotline.com/how-does-insurance-work-and-where-do-my-premiums-go/>  
<sup>2</sup> <https://www.thezebra.com/insurance-data/>

1. **Screening Process** - Applications are filtered by pre-determined factors that filter dangerous or potentially-dangerous drivers. Once approved, the insuree is required to install a designated dongle which monitors speed, acceleration, mileage and other behavioral factors which allow NO NAME to dismiss reckless drivers or raise their relative payment proportion
2. **Determining Maximum Exposure** - Based on the Insuree's driving history, age, location, mileage, car type and other factors, a maximum premium is determined in which the insuree is exposed to in case of accidents
3. **Claims** - Once an insurance claim has been filed, all insurees chip in based on their relative proportion and pay for the damages

## VALUE PROPOSITION

By operating a peer-to-peer model, NO NAME is expected to decrease the premium by approximately ~20%.

In addition, NO NAME anticipates an additional 10-15% premium decrease for the following reasons:

- A stringent screening process that filters dangerous drivers
- Ongoing monitoring (dongle) that will force drivers to drive safely on a regular basis
- Lower operating costs for NO NAME due to wide usage of A.I. systems that obviate the need for dozens of employees which allows NO NAME to charge lower commission

## THE MARKET

Since the P2P insurance market is new, there are no available statistics that can quantify it. Nevertheless, 27% of the US population believes that P2P insurance model is trustworthy and would consider it over traditional insurance.

9% of the respondents from the U.S. said they found peer-to-peer car insurance very trustworthy. Compared to Germans and British people, Americans seem to have a good perception of P2P car insurance.

The US Auto Insurance market generates approximately \$220 billion every year with \$22 billion net profit<sup>3</sup>.

- As of 2015 there were over 263 million registered vehicles on the roads in the US

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<sup>3</sup> <https://courses.cit.cornell.edu/jl2545/4550/submitted%20presentations/insurance.pdf>

- The average annual Auto insurance premium in 2016 was \$1,323, a **10%** increase from 2013

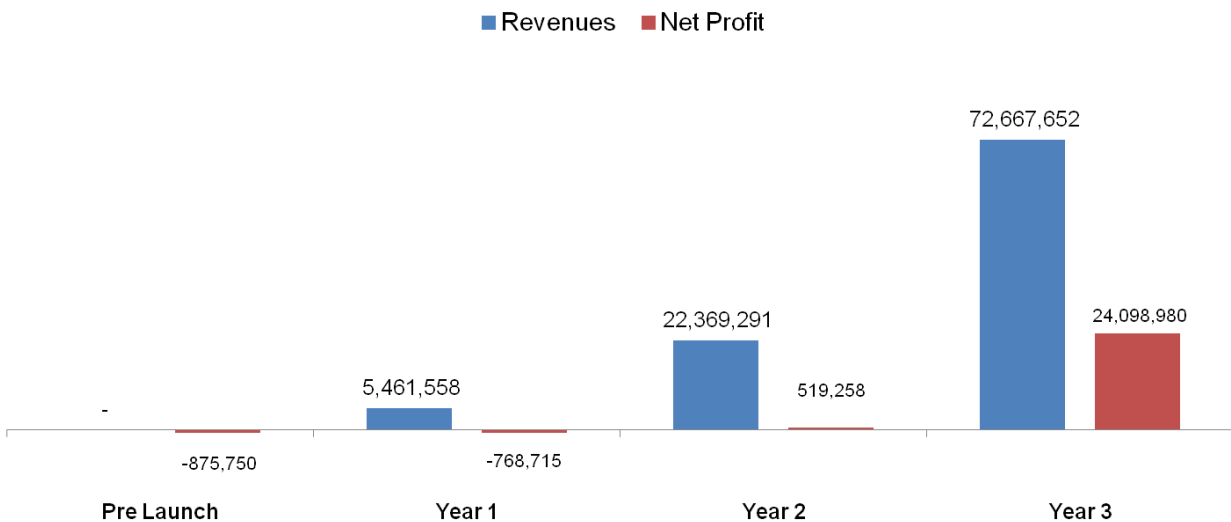
## BUSINESS MODEL

NO NAME 's model requires a critical mass of insurees in order to obtain enough working capital to cover its operating expenses and have enough cash to indemnify insurees when damages exceed the insurance fund. The critical mass of insurees ranges between a few tens of thousands to several tens of thousands of insurees.

To cover its expenses and maintain healthy profit margins of at least 7-10%, NO NAME will charge a monthly fee of **\$15** from each insuree.

In addition, insurees will be required to pay a fixed fee of deductible. This deductible will be part of the company's revenues and will be used to cover claims if the damages exceed the maximum exposure amount.

## PROJECTIONS



## FINANCIAL NEEDS

NO NAME is looking to raise a total of **\$900K** in order to complete the development of the platform. After the completion of the platform, which is estimated to take up to 12 months, NO NAME will seek seed funding of **\$6.7M** that will be used for:

- ✓ Launching NO NAME in Northern part of the US
- ✓ Gaining critical mass of insurees

- ✓ Marketing & operational expenses for 12 months

# THE PRODUCT

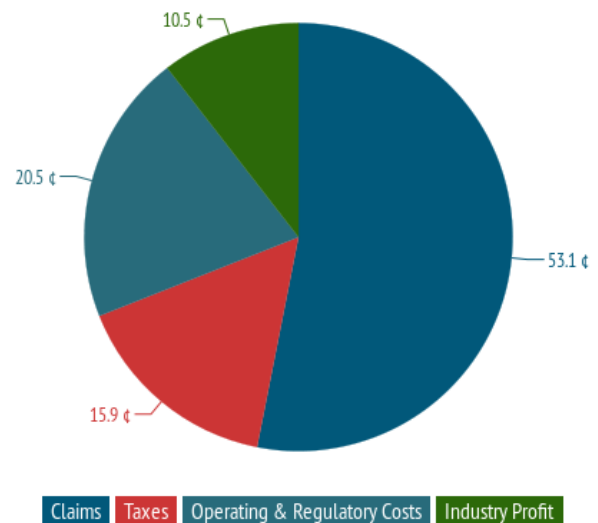
## THE PROBLEM

NO NAME deals with two of the most fundamental problems in the insurance industry:

### 3. Almost 50% of the premium paid is used for other purposes than covering damages

A 7-years national study<sup>4</sup> shows that for every dollar of premiums gathered from policyholders, ¢53.1 go back to policyholders in the form of claims, ¢15.9 go back to communities in the form of various government taxes on insurance, ¢20.5 go to industry operating and regulatory costs and ¢10.5 go to industry profit.

Since 2012, the consumer price index (CPI) for auto insurance has gone up by 21.5%, compared with a rise in the overall consumer price index of 4.5% over that same five-year period



With an average premium of \$1,300 (Auto), about \$600 goes for financing the insurance company. Multiplied by 171 million insured cars, it sums up to ~\$102 billion spent on other expenses than insurance claims.

### 4. Paying for other people's mistakes

The way insurance companies operate – careful drivers pay considerable amounts for reckless drivers' mistakes. Even though insurance companies use many rating factors<sup>5</sup> that result in more dangerous drivers paying higher premium, many drivers that are rarely involved in accidents still pay hundreds and thousands of dollars every year for other people's damages.

<sup>4</sup> <https://www.insurancehotline.com/how-does-insurance-work-and-where-do-my-premiums-go/>

<sup>5</sup> <https://www.thezebra.com/insurance-data/>

## PRODUCT DESCRIPTION

[REDACTED]

## HOW IT WORKS



### Screening Process

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[REDACTED]



### Determining The Maximum Exposure

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[REDACTED]



### Insurance Claims

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[REDACTED]



## VALUE PROPOSITION

NO NAME has one goal – to cut insurance costs for insurees.

Based on the chart above that details how the premium is distributed, by operating a peer-to-peer model NO NAME is expected to decrease the premium by approximately ~20%.

In addition, NO NAME anticipates an additional 10-15% premium decrease for the following reasons:

- A stringent screening process that filters dangerous drivers
- Ongoing monitoring (with the dongle) that will force drivers to drive safely on a regular basis
- Lower operating costs for NO NAME due to wide usage of A.I. systems that obviate the need for dozens of employees which allows NO NAME to charge lower commission.



# COMPETITORS ANALYSIS

The following analysis examines several leading P2P insurance platforms in order to better understand NO NAME 's competitive edge.

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[Teambrella](#)

The logo for Teambrella, featuring the word "teambrella" in white lowercase letters on a dark blue rectangular background.

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## **About**

Teambrella is the first decentralized bitcoin-based insurance company where users insure each other. While Teambrella itself is not decentralized, Bitcoin's multi-signature addresses allow users to manage the entire flow of funds in a trustless and decentralized manner. Users retain strong control over their own money at all times, while reputation systems incentivize everyone to pay each other out when needed.

Teambrella works with almost any kind of coverage, with some exceptions:

- It is not designed to work with cases where liability is not limited, e.g., some types of health coverage.
- Teambrella is not suitable in cases where a regular insurance policy is required by a law or regulation, e.g., it won't work for liability car insurance in most countries.

## **How it works**

Each teammate deposits funds into a special personal Bitcoin wallet. The funds in the wallet are co-controlled by the teammate and the team. If the team votes to reimburse a teammate, all teammates are to pay their share for those wallets. There are no set premiums.

If your team is a small one, then it won't be able to reimburse every big claim. But even if there is no team that suits you for this reason, you could probably find or organize a team that can supplement a regular insurance policy by covering the deductible.

## **Business Model**

The website is still in the Beta and Alpha stage meaning that they are not taking any fees but they plan to keep a fee on every transaction made through the website in the future<sup>6</sup>.

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<sup>6</sup> <https://www.cryptocoinsnews.com/now-p2p-insurance-platform-uses-bitcoin-wallets-multisig/>

## **Traffic**

The Alpha version was launched in November 2016 in the US. According to SimilarWeb, 45% of traffic comes from Reddit.

## **About**

Friendsurance has developed a peer-to-peer insurance concept, which rewards small groups of users with a cash-back bonus at the end of each year they remain claimless. More than 90% of those who used Friendsurance's method in 2013 received at least a portion of their premiums back<sup>7</sup>. The average cashback has been 30% of the paid premiums.

## **How it works**

Based on a shareconomy approach, policy owners with the same insurance type form small groups. A part of their premiums is paid into a cashback pool. If no claims are submitted, the members of the group get some of their money back at the end of the year. In case of claims, the cashback decreases for everyone. Small claims are settled with the money in the pool.

In the event of bigger claims, the standard insurance company covers any amount that exceeds the coverage through the group. In case there is insufficient money left in the pool to cover a claim, a stop-loss insurance covers the rest. As a result, policy owners always enjoy full coverage and never pay more than they would without Friendsurance.

## **Business Model**

Friendsurance works as broker between Policy Holders and existing Insurance Partners. As a result, they receive financial support from their insurance partners. Small insurance claims are covered by the social networks of their customers, while big claims are still covered by the insurance companies.

## **Traffic**

Friendsurance now has over 100,000 customers. In 2017 Friendsurance will be expanding its operations to Australia.

According to SimilarWeb<sup>8</sup>, there are 180,000 monthly visits to Friendsurance's website, of which 94% is from Germany. Most of their traffic is direct or comes from search engines.

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<sup>7</sup> <http://www.businessinsider.com/friendsurance-raises-153-million-for-peer-to-peer-insurance-2016-3>

<sup>8</sup> <https://www.similarweb.com/website/friendsurance.de>

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**About**

Besure is a community driven platform that leverages the power of social media to bring family, friends and like-minded people together to collectively protect what matters most to them. Through risk sharing pools, besure provides an alternative to the traditional insurance model by empowering individuals within the rising sharing economy to cover conceivably anything so long as an interest for it exists.

**How it works**

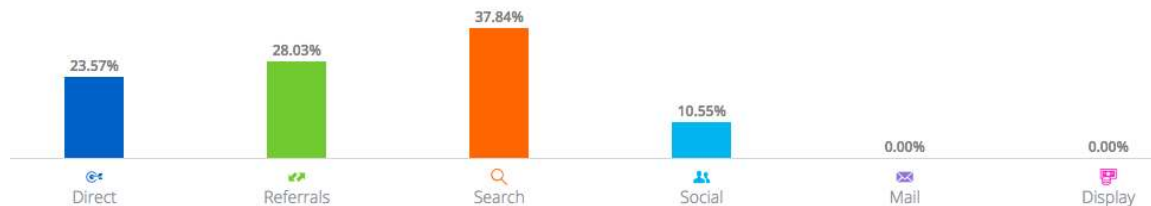
Besure attracts users with common characteristics/objectives in many to many micro-communities ("pools") where members are able to contribute funds into a "virtual communal jar" and distribute the risk of loss or damage. Besure's community is powered with a Virtual Actuary, a system designed to quantify premiums and minimum participation levels to ensure the pool's integrity and protection from implosion.

**Business Model**

Besure requires no paid subscription to use. Only after a pool has been funded and launched, besure holds 10% of that specific pool's funds for administration of the platform. The fee is built into all costs, so a member need not worry about any additional charges from besure.

**Traffic**

Besure is operating in the US. Almost all of Besure's traffic comes from search engines, referrals or direct entrees.



## **About**

Lemonade is an American property and casualty insurance company offering renters and home insurance policies for homes, apartments, co-ops and condos. The company uses artificial intelligence and chatbots to deliver insurance policies and handle claims for its users on desktop and mobile without employing the use of insurance brokers.

Lemonade Inc. is backed by investors including Aleph, General Catalyst, GV (formerly Google Ventures), Sequoia Capital, Thrive Capital, and XL, having raised \$60 million as of August 2017

## **How it works**

Lemonade takes a fixed fee out of your monthly payments, pay reinsurance (and some unavoidable expenses) and use the rest for paying out claims. In essence, we treat premiums as if they were still your money and return unclaimed remainders in our annual 'Giveback'. Giveback is a unique feature of Lemonade, where each year leftover money is donated to causes our policyholders care about.

## **Business Model**

Lemonade keeps a flat 20% fee of a customer's premium while setting aside the remaining 80% to pay claims and purchase reinsurance. Unclaimed premiums go to a nonprofit of the user's choosing in an annual "Giveback."

## **Traffic**

Lemonade was created in September 2016. By June 2017, 14,315 customers signed up for a Lemonade insurance policy<sup>9</sup>. They currently offer renters, condo and homeowners insurance in New York, California, and New Jersey, and renters insurance in Illinois (homeowners and condo coming soon). Lemonade plans to expand to additional states in the coming year.

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<sup>9</sup> <https://www.crowdfundinsider.com/2017/06/101283-lemonade-updates-platform-growth-adds-14300-customers-8-months/>

# COMPETITIVE EDGE



	Teambrella	Friendsurance	besure	Lemonade
<b>P2P</b>	✓	✗	✓	✓
<b>Auto Insurance</b>	✗	✓	✗	✗
<b>1 Group / Mini Groups</b>	1 Group	Mini Groups	Mini Groups	1 Group
<b>Business Model</b>	Commissions	Brokerage	10%	20%
<b>Total Insurees</b>	N/A	+100,000	N/A	N/A

# MARKET ANALYSIS

In order to evaluate NO NAME 's market potential, the following aspects will be examined:

- Peer-to-Peer Insurance Market
- Auto Insurance Market

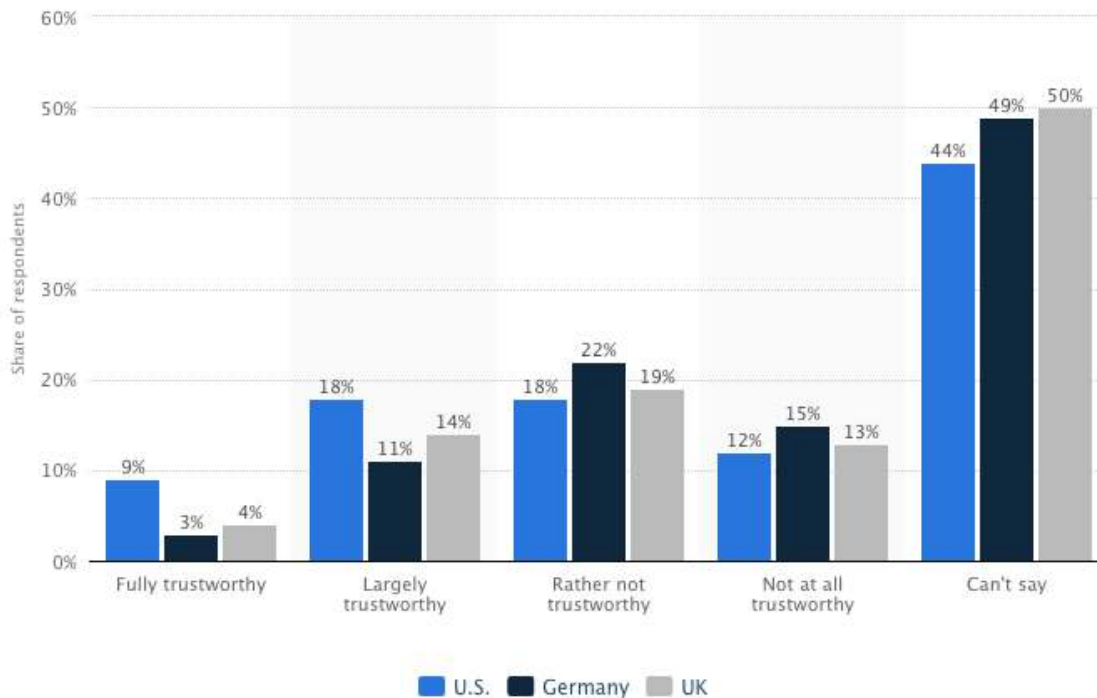
## **PEER-TO-PEER INSURANCE MARKET**

Peer-to-peer insurance (P2PI) firms can be roughly split into two camps - **brokers** and **carriers**. The majority act as brokers and aim to lower the cost of insurance for their consumers by pooling policyholders together online and leveraging their buying power. Policyholders pay a portion of their premiums into a mutual pool and the remainder goes to a standard insurance firm. The mutual pool covers minor losses and if a smaller-than-expected amount of claims are filed over the course of a year, the remaining funds are returned to the group in the form of cash or lower policy renewal rates for the following year. If claims exceed the coverage provided by the group, a traditional insurance company covers the difference.

Unlike P2PI brokers, P2PI carriers do the actual underwriting and offer their policies directly to consumers online. The business model allows investors to participate in the process and contribute money toward the capital reserves for the various insurance pools. Once the required period of time has elapsed, and after all claims have been paid, the investors and the carrier firm divide the outstanding balance remaining in the premium pool. U.S.-based Lemonade and Uvamo are two examples of online P2PI carriers. Lemonade, which focuses on property and casualty insurance, is the first company to formally announce its plans to operate as a P2P insurance carrier.

**9%**  
Find P2P Insurance  
Trustworthy

The following statistic shows the consumer perception of trustworthiness of direct car insurance start-ups.



9% of the respondents from the U.S. said they found peer-to-peer car insurance very trustworthy. Compared to Germans and British people, Americans seem to have a good perception of P2P car insurance.

## Regulations

Companies that are involved in the sharing economy like AirBnb and Uber have fiercely and publically fought back against local regulations. As a result, we cannot help but wonder if the same will happen to P2P insurances. Lemonade's cofounder contends that they have been working directly with the regulators to find a common ground. In New York, Lemonade is licensed as an insurance company rather than a broker.

One of the main obstacles for Lemonade was regulations, according to its co-founder. "When you're a new kind of insurance carrier, launching a new state is tough. Even when the regulators are willing, as was the case in Florida, the law doesn't always oblige. Insurance laws were written for the old insurance industry, creating barriers for disruptive companies. So when we hit a wall with Florida's law, we worked with the Florida Senate to change it, and it worked!"<sup>10</sup>

<sup>10</sup> [https://medium.com/@shai\\_wininger/lemonade-exposed-eight-months-in-9d55c3e4999c](https://medium.com/@shai_wininger/lemonade-exposed-eight-months-in-9d55c3e4999c)



However, other companies like Teambrella are having issues to comply with the law. For now, Teambrella is not suitable in cases where a regular insurance policy is required by a law or regulation, e.g., it won't work for liability car insurance in most countries.

**CAR INSURANCE MARKET**

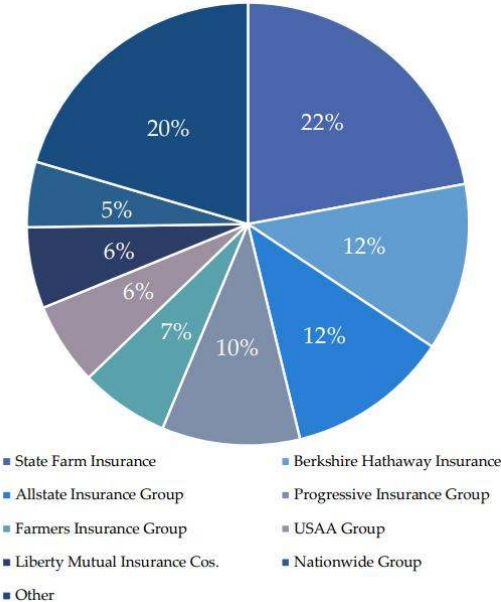
**Profitability**

The US Auto Insurance market generates approximately \$220 billion every year with \$22 billion net profit, according to Cornell<sup>11</sup>.

Key Statistics	
Revenue (2015)	\$220.4 Billion
Profit (2015)	\$22.0 Billion
Annual Growth (2010-2015)	1.9%
Annual Growth (Projected 2015-2020)	2.9%
Number of Businesses	1,958

**Segmentation**

Several key players dominate this industry, followed by many other smaller firms. The top 4 holds nearly half of the market as can be seen in the graph below:

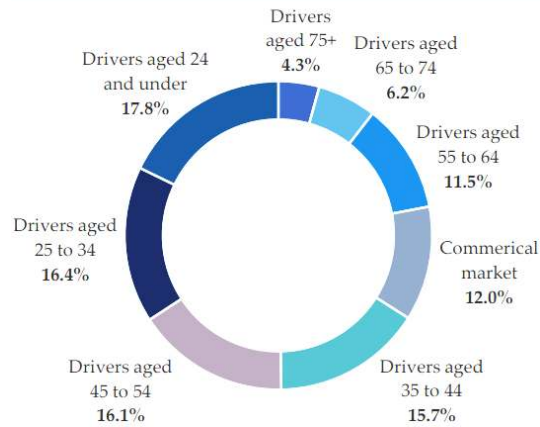


<sup>11</sup> <https://courses.cit.cornell.edu/jl2545/4550/submitted%20presentations/insurance.pdf>

## Statistics

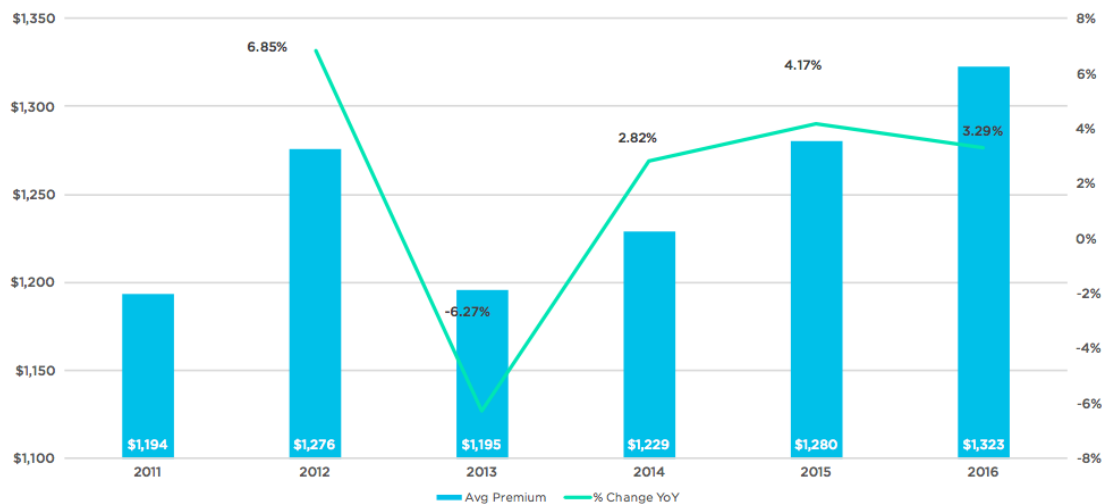
- As of 2015 there were over 263 million registered vehicles on the roads in the US
- Drivers up to age 34 pose the most risk for firms, and therefore pay the highest premiums

### Major market segmentation by revenue (2015)



- The average annual Auto insurance premium in 2016 was \$1,323, a **10%** increase from 2013

### National Average Annual Auto Insurance Premiums 2011-2016



## SWOT ANALYSIS

### S

#### Strengths

- Strong value proposition compare to traditional insurance companies
- Solid business model with recurring monthly revenue
- The first company that focuses on peer to peer Auto insurance, giving it an edge in a very large and profitable industry

### W

#### Weaknesses

- Requires a massive capital investment in order to comply with regulatory demands
- Requires critical mass of users in order to launch

### O

#### Opportunities

- An innovative insurance model with the potential to become the leading model in the future
- Virgin market with very few competitors that offer peer to peer insurance model

### T

#### Threats

- Requires regulatory approval in every state or country that it operates
- A very competitive market
- Requires market education since peer 2 peer insurance is relative new to the market

# BUSINESS MODEL

## TARGET MARKET

NO NAME will target the Auto Insurance industry in the US, specifically states with the highest number of cars per capita:

State	Vehicles per 1000 People
Montana	1594
Wyoming	1389
South Dakota	1262
North Dakota	1177
Iowa	1165
Idaho	1122

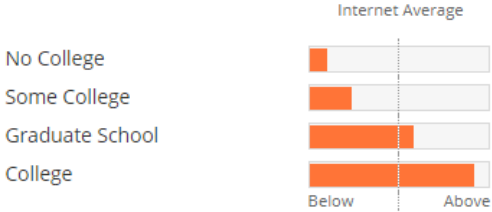
The top 5 states with the highest number of cars per capita are all in the same area in the US and have mutual borders which benefits NO NAME greatly since it operates geographically.

The US will be targeted for the following reasons:

- The largest market for Auto insurance and is also the most adaptive market for new innovations and models
- Although states have different insurance legislations and regulations, there are many similarities which will ease the process of penetrating to additional states after the initial launch

## TARGET AUDIENCE

- Being a new and innovative insurance model, it is more likely that millennia's and younger generations will be willing to adopt NO NAME 's solution
- College graduates are the main audience for P2P insurance firms, according to the competitors'



analysis

- Younger generations have more online presence than older ones
- Based on a study<sup>12</sup> that examined the top insurance companies' marketing strategies, acquiring older customers, especially through online channels is much less cost-effective than acquiring younger customers

## REVENUE MODEL

NO NAME 's model requires a critical mass of insurees in order to obtain enough working capital to cover its operating expenses and have enough cash to indemnify insurees when damages exceed the insurance fund. The critical mass of insurees ranges between a few tens of thousands to several tens of thousands of insurees.

To cover its expenses and maintain healthy profit margins of at least 7-10%, NO NAME will charge a monthly fee of **\$15** from each insuree.

In addition, insurees will be required to pay a fixed fee of deductible. This deductible will be part of the company's revenues and will be used to cover claims if the damages exceed the maximum exposure amount.

## MARKETING PLAN

The following strategy is based on the conclusions from the market and competitors' analysis, as well as on strategies executed by leading insurance companies in the US.



### Public Relations

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Articles on tech-news platforms are one of the main sources of traffic to the competitors' websites. NO NAME will use the services of a third party PR agency that will promote articles, interviews, reviews and debriefings on NO NAME in order to create a buzz and build a strong brand name.



### Social Media

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<sup>12</sup> <https://courses.cit.cornell.edu/jl2545/4550/submitted%20presentations/insurance.pdf>

Large scale online campaigns will be focused on social media platforms such as Facebook, YouTube and Twitter. Most of NO NAME 's target audience has strong presence on social media and consumes media and ads on a daily basis. As can be seen below, social media is used by many insurance agencies as an advertising channel.

**GEICO**  
April 17 at 3:57pm · 🌐

Passion, creativity, and GEICO is a pretty fantastic package. Good luck, Tabitha and David! Help get them to Portland!

**PORTLAND OR BUST**

A college couple dreams of making it to Portland. Follow along the journey from the desert to the Pacific Northwest in this webseries!

**Jennifer Lopez** ✓  
@JLo

That was fun!!! Thx for watching #NeighborhoodSessions by @StateFarm on @tntdrama w/ me tonight... #ImStill #JennyFromTheBlock #BX

12:23 AM - 15 Feb 2015

576 RETWEETS 1,494 FAVORITES

## SEO & Adwords

“Insurance” is among the top 10 most expensive keyword on Google (\$48 CPC) due to fierce competition. While promoting keywords related to insurance will be money-consuming and ineffective, keywords such as "peer to peer insurance" or "Lemonade Insurance" are much more targeted, cost significantly less and has tens of thousands of searches every month (30% of Lemonade traffic comes from AdWords).

Keyword	Monthly Searches
Social Insurance	1k-10K
Peer to Peer Insurance	1k-10K
Lemonade Insurance	10K-100K

In addition to AdWords, NO NAME will execute an aggressive SEO strategy that will promote its website to the first page of the search result. This strategy is not doable on the short run since SEO takes time but on the long run, high ranking on Google's search results will yield high quality organic traffic.



## Offline Channels

While advertising on television, radio and newspaper is considered expensive and untargeted advertising, NO NAME 's audience is wide enough to justify the use of OOH and DOOH media. As NO NAME 's launch will focus on a few states, as described above, it will buy media space around urban areas on billboards, kiosks, etc..



### TV Ads

Geico, State Farm, Liberty Mutual, Nationwide and other leading insurance companies are using TV shows to strengthen their brand name and reach more customers. As can be seen in the picture below, each of these companies airs their commercial during shows that are viewed by their specific audience.

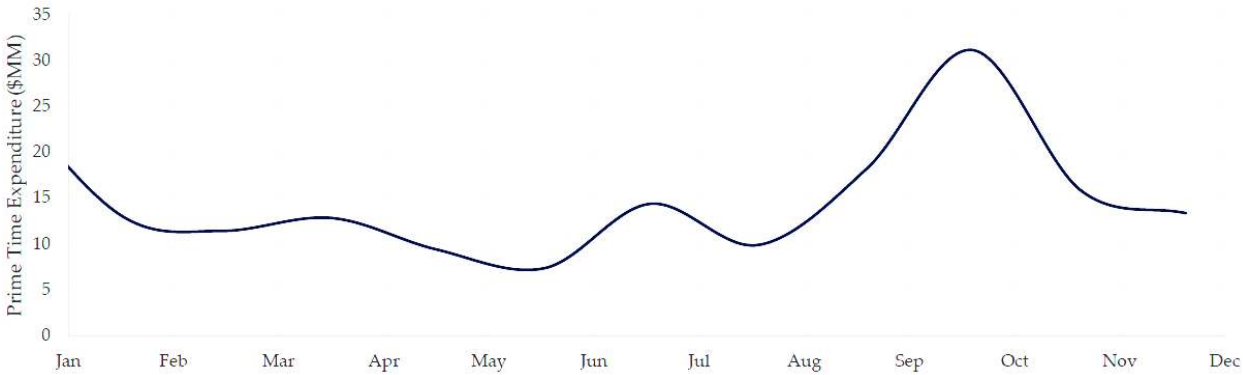
Brands and most advertised programs		

### TIMING

According to the graph below, the insurance industry spends the highest amount of advertisement expenditure in January and between September and October. According to the research, high expenditure may be caused by the release of new shows in the fall and a resurgence of viewers after the holidays. Low expenditures in summer may be due to airing of content that is less appealing (re-runs).

This data indicates the importance of TV advertising for reaching insurees.

**Prime Time Advertising Expenditure By Month (Industry)**





# FINANCIAL PLAN

NO NAME is looking to raise a total of **\$900K** in order to complete the development of the platform. After the completion of the platform, which is estimated to take up to 12 months, NO NAME will seek Seed funding of **\$6.7M** that will be used for:

- ✓ Launching NO NAME in Northern part of the US
- ✓ Gaining critical mass of insurees
- ✓ Marketing & operational expenses for 12 months

The following financial plan represents the future prediction of the company's operations. The assumptions and projections are supported by the figures and strategies described in the business plan. For the full financial plan, see [Exhibit A](#).

Cash Flow	Total	Total	Total	Total
Revenues	-	5,461,558	22,369,291	72,667,652
<b>Operating Activities</b>				
OPEX	212,750	1,406,944	3,468,369	10,735,609
Personnel	663,000	1,823,328	3,381,665	6,870,683
Marketing	-	3,000,000	15,000,000	25,000,000
Total Operating Expenses	875,750	6,230,272	21,850,033	42,606,291
EBIDTA	-875,750	-768,715	519,258	30,061,360
Tax (20%)	-	-	-	5,962,381
Net Profit	-875,750	-768,715	519,258	24,098,980

