

Lemonade taps new revenue stream with car insurance launch

Article

The news: The US-based insurtech's latest coverage, **Lemonade Car**, went live in Illinois before rolling out nationwide in the coming months.

How we got here: The insurtech launched homeowners and renters insurance in 2016, followed by pet insurance in H2 2020 and term life insurance in February. With car insurance, Lemonade positions itself as a one-stop shop for consumer insurance needs.

Why this could succeed: Lemonade's new product has benefits that we've observed make car insurance products popular.

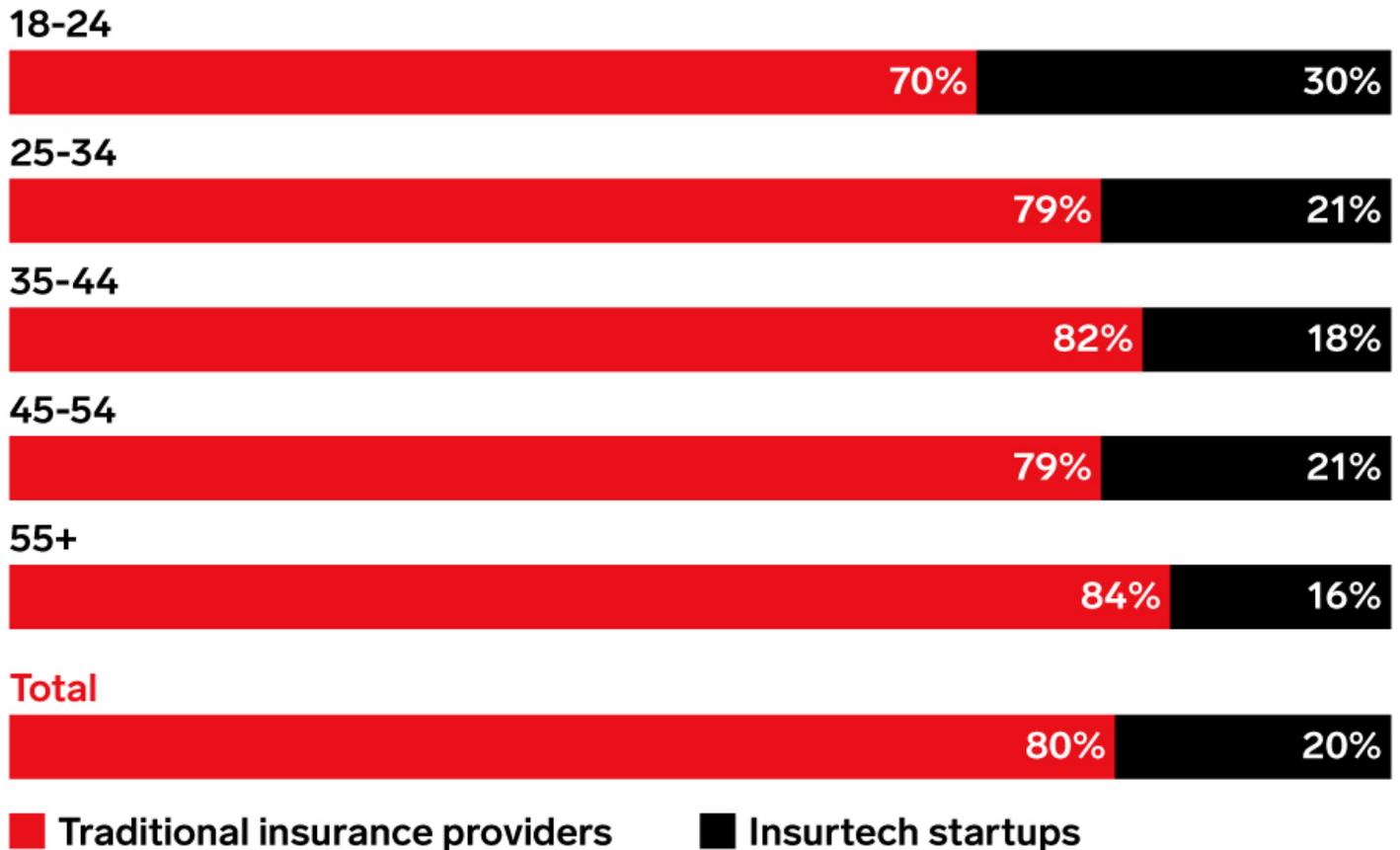
- **Usage-based premiums.** The Lemonade app uses telematics to measure how much and how safely people drive to inform its underwriting, as we predicted when it opened the waitlist in April. This lets market players offer more flexible and tailored pricing, driving premium growth: Our forecast expects **52.5 million US drivers will buy UBI coverage** by 2023, up from 37 million this year.
- **Fast and smooth claims handling.** Users can file claims in minutes, and its proprietary machine-learning algorithm automates aspects of claim handling to issue a decision in less time. The capability meets heightened consumer expectations: **65% of consumers** who adopted digital claims handling during the pandemic intend to stay with them.
- **Pro-environment incentives.** Lemonade offers better rates for electric and hybrid cars, as well as for low-mileage drivers. This is particularly timely—the increasing risks of climate change are top of mind for many consumers, and the federal government is pushing for greener cars.

Looking ahead: Car insurance doesn't just complement Lemonade's existing coverage options—it will be the insurtech's biggest revenue stream yet.

- To drive car policy sales, Lemonade will offer discounts to customers who bundle their auto insurance with its other products, which is both cost-effective and convenient.
- Lemonade estimates that **its customers spend more than \$1 billion a month on car insurance**. If it can grab just a fraction of this, let alone attract new users, it will lead to significant revenue growth.
- Not only does car insurance cost more than Lemonade's current coverage options, but the **US car insurance industry is worth about \$300 billion**—70 times the size of the renters and pet insurance markets combined.

Trust in the Policy Pricing Capabilities* of Traditional Insurance Providers vs. Insurtech Startups According to US Adults, by Age, Aug 2021

% of respondents in each group



Note: *traditional underwriting practices (i.e., medical exam) vs. the use of data (personal/demographic)

Source: Breeze as cited in company blog, Aug 24, 2021

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