

Lemonade adds car insurance, parks closer to being a one-stop shop

Article

The US-based insurtech opened the [waitlist](#) for Lemonade Car ahead of its launch later this year, [per](#) its press release. Lemonade has yet to release much detail on the new offering, but it says it will use technology to pay claims quickly and reward safe drivers with better prices and that policies will be especially attractive to drivers of electric and environmentally friendly cars.

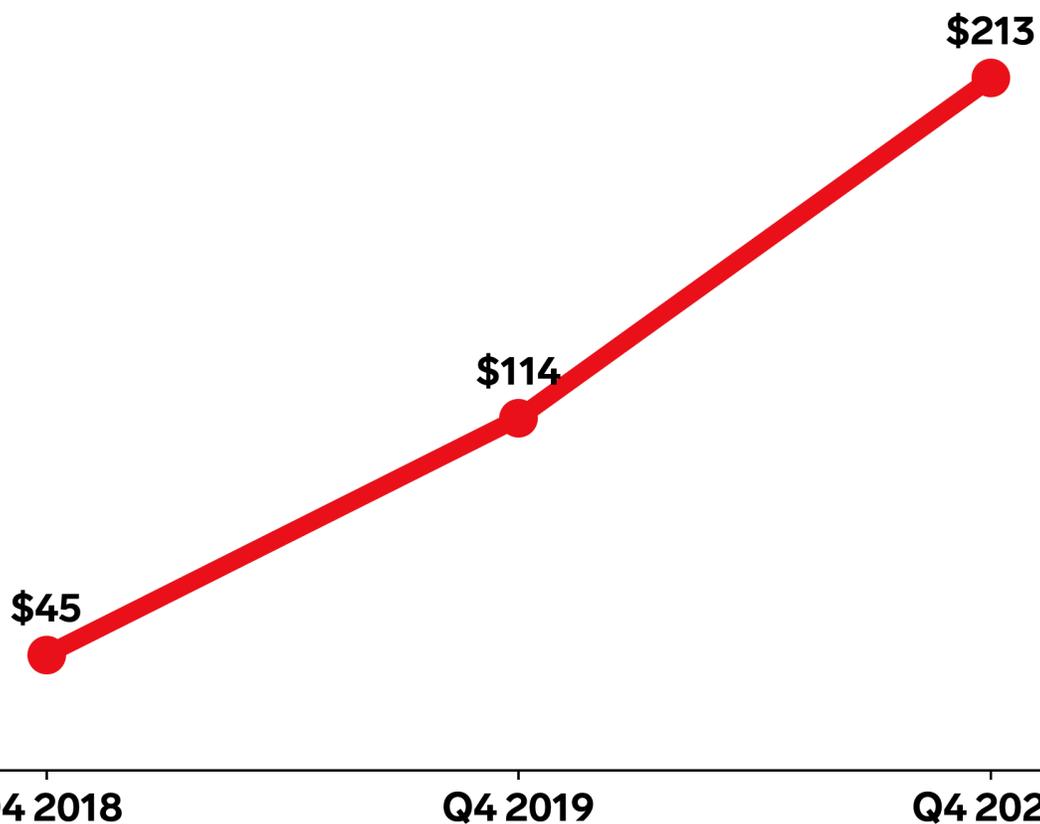
The announcement continues Lemonade's product diversification over the past year, with car insurance further bolstering cross-selling and customer acquisition.

- **Lemonade earns more on each user thanks to bundling different policies together.** The insurtech launched homeowners and renters insurance in 2016, followed by [pet](#) insurance in H2 2020 and [term life](#) insurance in February of this year. Cross-selling its insurance products let Lemonade increase the premium per customer—how much each customer pays divided by the number of customers—by 20% year-over-year to reach \$213 by the end of 2020, [per](#) its full-year financial results. Car insurance should further increase this premium, with Lemonade's customers already spending about \$1 billion on car insurance each year.
- **The launch will also let Lemonade tap a large new market and attract new customers.** The US car insurance industry is worth about \$300 billion—70 times the size of both the renters and the pet insurance markets combined, helping the insurtech bring in new users beyond renters: Non-renters accounted for one-third of total in force premiums in Q4 2020 compared with one-quarter in Q4 2019, per Lemonade's financial results.

Despite Lemonade entering the crowded auto insurtech sector, its wide offering on one platform and use of tech should help it stand out. US consumers have access to a wide range of tech-powered car coverage, like IoT-based [Root](#) and [Metromile](#) or AI-driven [Clearcover](#). In addition, electric [car firms](#) like Tesla and Rivian are launching their own insurance programs. But Lemonade can leverage its vast customer base to secure sales: The insurtech finished 2020 with more than 1 million customers, per its financial results, and many of them will likely be enticed by the convenience of bundling their car coverage with their other Lemonade policies. In addition, Lemonade stating it will offer great prices to safe drivers suggests it may unveil telematics capabilities in addition to processing [claims](#) with AI, creating a comparable tech offering to its competitors but with the added bonus of wider policy options.

Lemonade Average Premium Per Customer

millions



Note: Lemonade, "Shareholder Letter Q4 2020," March 1, 2021

Source: Data is from Lemonade's Q4 2020 earnings letter to shareholders.

Methodology: this is an optional methodology

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