

FT PARTNERS FINTECH INDUSTRY RESEARCH

July 11, 2018

INSURTECH CEO INTERVIEW:

NEXT
INSURANCE

with CEO Guy Goldstein

Small Business Insurance



Overview of FT Partners

- Financial Technology Partners ("FT Partners") was founded in 2001 and is the only investment banking firm focused exclusively on FinTech
- FT Partners regularly publishes research highlighting the most important transactions, trends and insights impacting the global Financial Technology landscape. Our unique insight into FinTech is a direct result of executing hundreds of transactions in the sector combined with over 15 years of exclusive focus on Financial Technology

FT Partners' Advisory Capabilities



FT Partners' FinTech Industry Research

FINTECH RESEARCH & INSIGHTS

- In-Depth Industry Research Reports
- Proprietary FinTech Infographics
- Monthly FinTech Market Analysis
- FinTech M&A / Financing Transaction Profiles



The Information

Named Silicon Valley's #1 FinTech Banker (2016) and ranked #2 Overall by *The Information*



Ranked #1 Most Influential Person in all of FinTech in *Institutional Investors* "FinTech Finance 40"



Numerous Awards for Transaction Excellence including "Deal of the Decade"

SUBSCRIBE



Next Insurance Overview

Company Overview



CEO: Guy Goldstein

Headquarters: Palo Alto, CA

Founded: 2016

- Next Insurance is the leading digital insurance company for small businesses offering simple, affordable coverage, tailored to the needs of each class of business
- Policies are easy to buy with instant, 24/7, online access to services such as Live Certificates of Insurance, Additional Insured, and more with absolutely no extra fees
- Next Insurance is currently a licensed carrier in Delaware, Oklahoma, Arizona, North Carolina, Texas, New Mexico, Maryland and Utah, and is rapidly expanding to all 50 states

Financing History

Date	Size (\$ mm)	Investor(s)
07/11/18	\$83	Redpoint Ventures; Nationwide; Munich Re; American Express Ventures; Ribbit Capital; TLV Partners; SGVC; Zeev Ventures
05/03/17	35	Nationwide; Munich Re; Markel Corp.; American Express Ventures; Ribbit Capital; Zeev Ventures; TLV Partners
03/15/16	13	Ribbit Capital; TLV Partners; Zeev Ventures

Offering

Small Business Insurance Online

Simple

Buy policy 100% online in minutes

Affordable

Pay monthly – No extra fees

Tailored

Business insurance coverage designed for specific needs

Key Metrics ⁽¹⁾

\$8.7 million

2017 Year End Premium Annual Run Rate

93%

Of customers purchased insurance without interacting with a person

11x

2016 - 2017 growth

34%

Of customers purchased insurance outside of normal working hours

Key Management Team



Guy Goldstein
Co-Founder & CEO



Nissim Tapiro
Co-Founder & VP R&D



Alon Huri
Co-Founder & CTO/Growth Hacker



Sofya Pogreb
COO



Guy Goldstein
Co-Founder & CEO

Prior to founding Next Insurance, Guy led the team at Check Inc, a mobile bill pay provider, to a successful acquisition by Intuit. Beforehand, Guy served in an executive position of Corporate Development at HP software as well as various R&D executive roles at Mercury Interactive. Guy has a BA in Business and Computer Science from Tel- Aviv University.

"We're disrupting everything about that paradigm, offering insurance that's simple, affordable and tailored to the entrepreneur"

What is your background and what motivated you to start Next?

When we started Next, we wanted to solve a big problem with technology in an outdated market. Insurance was a natural fit. I've worked with my cofounders, Alon Huri and Nissim Tapiro, for more than 15 years. Before starting Next Insurance, we started Check together, which we sold to Intuit, and before that, we worked together at Mercury, which was acquired by HP.

What problem does Next solve and for who?

Up until now, getting insurance for a small business has been an expensive, time-consuming process resulting in a generic product which doesn't necessarily offer the coverage a business needs. We're disrupting everything about that paradigm, offering insurance that's simple, affordable and tailored to the entrepreneur. Entrepreneurs don't have enough time or money: we drastically reduce the amount of each required to get small business insurance.

You've emphasized a more customer-centric, verticalized approach to commercial insurance. What does that mean in practice and what types of innovation in the core insurance product has that required?

When we started researching the market, we saw plumber's insurance that didn't cover water damage, photographer's insurance that didn't cover equipment outside the photographer's home, and more absurd examples of coverage that wasn't created to help businesses thrive. The average cost of small business risk was spread evenly throughout small businesses, even though their degree of risk varied drastically.

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“More than half our customers buy their insurance from their cell phones! We've taken an expensive process that took weeks and turned it into an affordable one that takes minutes--about 8, on average.”

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Our approach is different. Each of the businesses we serve buys policies specifically designed to meet their needs, from personal trainers to general contractors to house cleaners. The coverage is specific, so that a nail technician, who doesn't need coverage for trimming trees, isn't paying extra for coverage they don't need. Each business pays for the type of coverage they need, and get just that coverage. Our team has gone through each of our policies carefully to make sure. The way entrepreneurs buy their policies is different, too. Rather than waiting days for meetings with insurance agents, and losing work time to buy expensive policies, our customers can buy insurance whenever and however it's convenient to them. More than half our customers buy their insurance from their cell phones! We've taken an expensive process that took weeks and turned it into an affordable one that takes minutes--about 8, on average.

What is the profile of typical Next policyholders and how many are first time insurance buyers vs. switching from other insurers?

We initially expected that we would only be selling to businesses that already had insurance, and switched to us. So we were surprised when we did a [survey](#) on this in January, and found that 44% of businesses operating for at least a year had never had insurance. Next Insurance policyholders represent the full spectrum of business owners; there isn't really a profile of a typical policyholder, in part because we serve so many different types of businesses. Part-time yoga teachers are tremendously different than full-time general contractors with several job sites, but we have both types of people as our customers, and policies to suit each one.



"Our partners include some of the biggest names in business and insurance, from American Express and Nationwide to Munich Re and Markel"

You've shared publicly that more than 90% of Next customers have purchased insurance without any human interaction. What have you learned is most important to enable small business owners to be comfortable buying insurance digitally?

There are a few critical components for small business owners to be comfortable buying digitally; we have found that the most important thing is to build trust. No one will buy insurance from a company they don't trust. Here are the key ways we build trust:

- Pixel perfect user interface - We offer a good, solid product, tailored to our customers, with attention to details which helps to create trust.
- Reviews are critical. We publish [all our reviews](#) publicly, so business owners can see what others' experiences have been like. Seeing that other people have had good experiences allows people to believe in us and our products.
- We're certified through the Better Business Bureau, which gives our customers confidence that all our business practices are sound.
- Our partners include some of the biggest names in business and insurance, from American Express and Nationwide to Munich Re and Markel. Knowing that these companies have partnered with us enables customers to feel that buying from us is a safe choice.
- We provide information, and don't just sell products. [Our blog](#) has almost 200 posts to date with information about insurance, building small businesses and more. Seeing that we publish content to help small businesses helps them see us as a partner in their success.

Finally, the process has to be secure, so our site has security certificates from reliable sources, so that our customers know that we don't keep their credit card information on file and that their purchases are secure.



“By not working through an agent model, we have two advantages: greater visibility into customer needs, and the ability to drive down prices”

In your experience so far, what has been the greatest advantage in selling insurance directly to small businesses vs. distributing through agents?

By not working through an agent model, we have two advantages: greater visibility into customer needs, and the ability to drive down prices.

By working directly with customers, we are able to see and meet their needs more quickly and effectively. We realized that customers needed an easier way to share their certificates of insurance with customers, so we created our Live Certificate, which can be shared instantly from any device. Because we collect customer data when we sell them policies, we are able to optimize and use that data to build better models and create more customized policies.

Why are Live Certificates important and what has the reception been so far?

Our Live Certificate was a result of our customers' need to be able to share their proof of insurance quickly and easily. In addition, we realized that there was a significant amount of fraud in certificates of insurance; we saw multiple states pass laws about fraudulent certificates of insurance, but there was no real way to verify a certificate of insurance and be sure that it was valid. With the Live Certificate, we solved both problems: now, individuals or companies working with Next Insurance customers can verify an insurance policy in real-time. At the same time, our customers are able to share their proof of insurance with a few swipes on a smartphone. It's changing the market.

Next has evolved from broker to MGA to full stack insurance carrier. What key learnings along the way have driven you to the full stack approach?

We have learned a tremendous amount from our journey. The most important lesson is that we really want to drive our own policies moving forward, end-to-end. Selling other companies' products limits our ability to sell the policies we want and tailor them to customer needs.



"We have been growing exponentially over the last two years...[and] with our new funding, we will be expanding in several key ways"

You've now raised more than \$130 million in total since founding Next. What should we expect in the wake of the new funding?

With our new funding, we will be expanding in several key ways. Our goals include:

1. Become a one-stop shop for our customers and provide them all the insurance coverage they need
2. Expand to new types of businesses and cover the entire market
3. Become the leading brand in small business insurance

What advice would you offer to other InsurTech entrepreneurs?

There are many ways to build a great company. Each should choose its own path, but the most important element is that once you choose your path, be focused and make it great. Focus on the customer and build a phenomenal service that will wow them.

Selected FT Partners InsurTech Research – *Click to View*



SquareTrade's \$1.4 billion Sale to Allstate



Next Insurance's \$83 million Series B Financing



Goji's \$15 million Financing Round Led by HSCM Bermuda



Q1 2018 InsurTech Quarterly Insights



InsurTech CEO Interview: Clearcover



InsurTech CEO Interview: Cape Analytics



InsurTech CEO Interview: Hippo



InsurTech CEO Interview: Clearcover

[VIEW MORE FT PARTNERS RESEARCH](#)

FT Partners Research – Quarterly InsurTech Insights

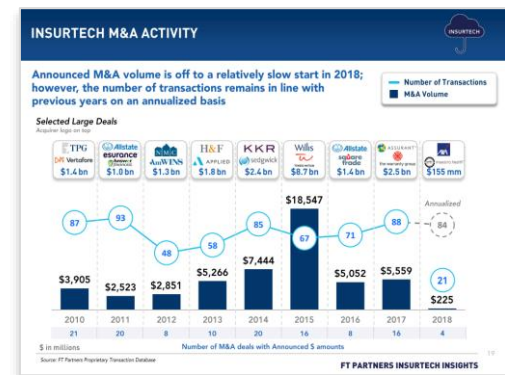
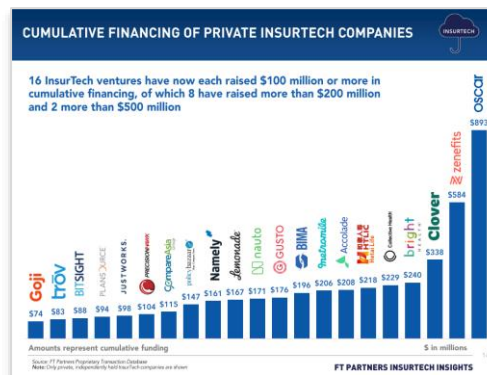
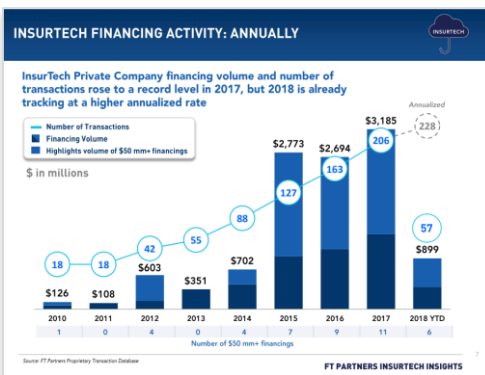
Q1 2018 InsurTech Almanac



Click pictures to view report

Highlights of the report include:

- Q1 2018 and historical InsurTech financing and M&A volume and deal count statistics
- Largest InsurTech financings and M&A transactions so far in 2018
- Most active InsurTech investors
- Corporate VC activity and strategic investor participation
- Other industry, capital raising and M&A trends in InsurTech



FT Partners Research – InsurTech Industry Report

Prepare for the InsurTech Wave: Overview of Key InsurTech Trends



FT Partners' 269-page report provides an in-depth look at the major waves of innovation and disruption that are beginning to radically alter the insurance industry.

Additional highlights of the report include:

- An analysis of specific trends across: Insurance Distribution, Sales, Marketing and Engagement, Data and Analytics and Insurance Administration
- The responses of incumbents to date including the innovations, investments, partnerships and acquisitions being made to stay ahead of the game
- Proprietary InsurTech financing and M&A statistics and a comprehensive list of transactions in the space
- A detailed industry landscape of InsurTech providers as well as other innovative, tangential companies and profiles of 54 companies operating in the InsurTech ecosystem

Leading Advisor Across the InsurTech Landscape

Consumer Protection Plans

Financial Technology Partners LP
FTP Securities LLC

is pleased to announce its role as
exclusive strategic and financial advisor to



in its sale to



for total consideration of

\$ 1,400,000,000



The Only Investment Bank
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Telematics / Connected Car Solutions

Financial Technology Partners LP
FTP Securities LLC

is pleased to announce its exclusive role as
sole strategic and financial advisor to



AUTOMATIC

in its sale to



for total consideration of approximately

\$ 115,000,000



The Only Investment Bank
Focused Exclusively on Financial Technology

Online Small Business Insurance

Financial Technology Partners LP
FTP Securities LLC

is pleased to announce its exclusive role as
sole strategic and financial advisor to



in its equity capital raise led by



for total consideration of

\$ 31,000,000



The Only Investment Bank
Focused Exclusively on Financial Technology

Sales Automation Technology & Platform

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FTP Securities LLC

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sole strategic and financial advisor to



in its sale to

MOELIS CAPITAL PARTNERS



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Focused Exclusively on Financial Technology

Largest Wholesale Brokerage in U.S.

Financial Technology Partners LP
FTP Securities LLC

is pleased to announce its exclusive role as
sole strategic and financial advisor to



in its growth recapitalization by



NEW MOUNTAIN CAPITAL LLC

valued at approximately

\$ 1,300,000,000



The Only Investment Bank
Focused Exclusively on Financial Technology

Online Small Business Insurance

Financial Technology Partners LP
FTP Securities LLC

is pleased to announce its role as
exclusive strategic and financial advisor to



in its Series B financing led by



for total consideration of

\$ 83,000,000



The Only Investment Bank
Focused Exclusively on Financial Technology

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Financial Technology Partners LP
FTP Securities LLC

is pleased to announce its exclusive role as
sole strategic and financial advisor to



on its sale to an Affiliate of



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Agency Management / Marketing Technology

Financial Technology Partners LP
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in its sale of

Zywave Insurance Solutions

to



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Online Personal Lines Insurance Agency

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in its financing led by



for total consideration of

\$ 15,000,000



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SaaS / Claims for Property & Contents

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Next Insurance's \$83 million Series B Financing

Transaction Overview

- On July 11, 2018, Next Insurance announced an \$83 million Series B financing round led by Redpoint Ventures
 - Other investors that participated in the round include Nationwide, Munich Re, American Express Ventures, Ribbit Capital, TLV Partners, SGVC and Zeev Ventures
 - Elliot Geidt, Partner at Redpoint Ventures, will join the board of Next Insurance
- Founded in 2016 and headquartered in Palo Alto, CA, Next Insurance is the leading digital insurance company for small businesses
 - Next Insurance champions technological innovation and sophisticated uses of AI and machine learning to improve customer experience and streamline the insurance purchasing process
- In May 2018, Next announced its new status as a licensed insurance carrier, allowing the Company to write policies independently, as well as to have more freedom over underwriting, setting of prices, and configuring of policies

Significance of Transaction

- The funding will enable Next Insurance to continue its expansion throughout the US as a full service insurance carrier, further innovate claims handling, offer coverage to many more classes of business, and significantly grow internal operations in both the US and Israel
- The Series B round brings Next Insurance's total funding to \$131 million in just two years

FT Partners' Role

- FT Partners served as exclusive strategic and financial advisor to Next Insurance and its Board of Directors
- This transaction underscores FT Partners' successful track record generating highly favorable outcomes for leading InsurTech companies

Financial Technology Partners LP FTP Securities LLC

*is pleased to announce its role as
exclusive strategic and financial advisor to*

NEXT
INSURANCE

in its Series B financing led by

 **Redpoint**

for total consideration of

\$83,000,000

FINANCIAL
TECHNOLOGY
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Award-Winning Investment Banking Franchise Focused on Superior Client Results



2018

- 2018 Top Investment Bank in FinTech



Institutional Investor
Annual Ranking

2017

2015 - 2016

2006 - 2008

- Ranked #1 Most Influential Executive on Institutional Investor's FinTech 35 List
- Steve McLaughlin Ranked Top 5 on Institutional Investor's FinTech 35 List
- Consecutively Ranked (2006, 2007 and 2008) among the Top Bankers on Institutional Investor's "Online Finance 40"



The Information

2016

- Ranked #2 Top Technology Investment Banker on The Information's "Silicon Valley's Most Popular Dealmakers"



M&A Advisor
Awards

2015 - 2017

2010 - 2014

2004 - 2007

- Investment Banker of the Year – 2017
- Investment Banking Firm of the Year – 2016
- Cross Border Deal of the Year - 2016
- Dealmaker of the Year – 2015
- Technology Deal of the Year – 2015
- Equity Financing Deal of the Year - 2014
- Professional Services Deal of the Year, Above \$100 mm – 2014
- Dealmaker of the Year – 2012
- Professional Services Deal of the Year, Above \$100 mm – 2012
- Boutique Investment Bank of the Year – 2011
- Deal of the Decade – 2011
- Upper Middle Market Deal of the Year, Above \$500 mm – 2010
- IT Services Deal of the Year, Below \$500 mm – 2010
- Cross-Border Deal of the Year, Below \$500 mm – 2010
- Dealmaker of the Year – Steve McLaughlin – 2007
- Business to Business Services Deal of the Year - 2007
- Computer and Information Technology Deal of the Year, Above \$100 mm – 2007
- Financial Services Deal of the Year, Above \$100 mm – 2007
- Investment Bank of the Year – 2004



Middle Market
Financing Awards

2006 - 2008

- Equity Financing Dealmaker of the Year – Steve McLaughlin – 2008
- Information Technology Deal of the Year – 2008
- Financial Services Deal of the Year – 2008
- Financing Professional of the Year – Steve McLaughlin – 2006

The FT Partners Senior Banker Team

Name / Position	Prior Background	Experience / Education	Years of Experience
Steve McLaughlin <i>Founder, CEO and Managing Partner</i>		<ul style="list-style-type: none"> Formerly with Goldman, Sachs & Co. in New York and San Francisco from 1995-2002 Former Co-Head of Goldman Sachs' Financial Technology Group (#1 market share) Wharton M.B.A. 	23
Paul VanderMarck <i>Managing Director</i>		<ul style="list-style-type: none"> Former Chief Product Officer at Risk Management Solutions, a global technology business in the catastrophic risk space 25+ years of experience as an InsurTech operating executive Experienced advisor and investor in the InsurTech space 	26
Larry Furlong <i>Managing Director</i>		<ul style="list-style-type: none"> Formerly with Goldman, Sachs & Co. in New York, London and Los Angeles beginning in 1995 Wharton M.B.A. 	22
Greg Smith <i>Managing Director</i>		<ul style="list-style-type: none"> Formerly award winning Equity Research Analyst at Merrill Lynch / J.P. Morgan / Hambrecht & Quist 20+ years of experience covering FinTech as both an Analyst and Investment Banker 	22
Osman Khan <i>Managing Director</i>		<ul style="list-style-type: none"> Former Managing Director / Head of FIG M&A at Alvarez & Marsal 15+ years FIG deal, consulting and assurance experience at PwC 40 Under 40 M&A Advisor Award Winner in 2013 LSE (BSc w/Honors), MBS (MBA w/Distinction), ICAEW (FCA) 	21
Steve Stout <i>Managing Director</i>		<ul style="list-style-type: none"> Former Global Head of Strategy at First Data Formerly Led J.P. Morgan Payments Investment Banking Former Equity Research Analyst on #1 ranked team at UBS and Economist at the Federal Reserve Bank 	20
Tim Wolfe <i>Managing Director</i>		<ul style="list-style-type: none"> Formerly with Goldman, Sachs & Co. beginning in 2000 Started at FT Partners in 2002 40 Under 40 M&A Advisor Award Winner 2013 Harvard M.B.A. 	16
Kate Crespo <i>Managing Director</i>		<ul style="list-style-type: none"> Formerly with Raymond James' Technology & Services investment banking 12+ years of FinTech transaction execution experience Dartmouth M.B.A. 	16
Timm Schipporeit <i>Managing Director</i>		<ul style="list-style-type: none"> 11+ years with Morgan Stanley, Senior Executive Director of European Technology Investment Banking Team in London Formerly a Venture and Growth Investor focused on FinTech at Index Ventures 	15
Andrew McLaughlin <i>Managing Director</i>		<ul style="list-style-type: none"> 20+ years experience executing / implementing financial and operational strategy Formerly with Deloitte Consulting 	12