Training Materials; for Internal Use Only

Lemonade

Lemonade Business Metrics

Last Updated in April 2019

What are the goals of the Business Metrics Training?

- Share definitions for key, companywide business metrics used to track overall performance
- Provide a high-level overview of a few team-specific metrics

Companywide Metrics

Companywide Metrics

New Users

New users are…

1) first time policyholders with Lemonade OR
2) Users who had a policy before, but cancelled that policy, and did NOT re-purchase within 30 days

Companywide Metrics

Other User Counts

New Users

See previous slide

+

Renewal Users

Users who have had at least one prior policy with Lemonade for a full year

+

Cancelled + Returned Users

A user who cancelled their policy but re-purchased within 30 days of cancelling

= **Total User Count**

(For a particular timeframe, e.g., a given month)

Companywide Metrics

Calculating All-Time Users

All-Time User Count = **Active Users** (Including Renewals) + **Cancelled Users** + **Expired Users**

Churned Users

User who cancelled their policy and *did not re-purchase within 30 days*

“Pending Churn”

User who cancelled their policy *less than 30 days ago* and has not yet repurchased

Companywide Metrics

New Sales

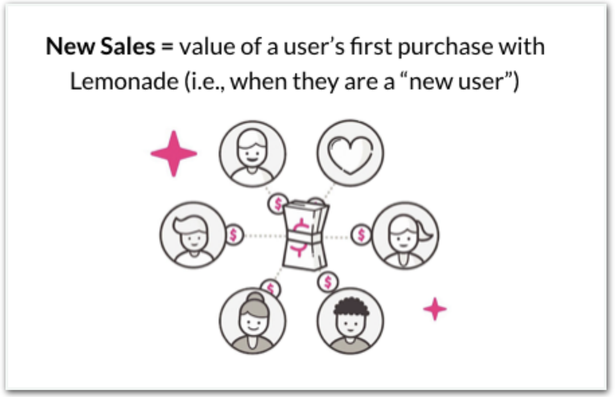
New Sales = value, or annual premium, of a user's first purchase with Lemonade (i.e., when they are a "new user")

OR the annual premium of a re-purchase for a user who cancelled +30 days before returning

Companywide Metrics

Renewal Sales & Upsales / Downsales

New Sales



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Renewal Sales

Annual premium for a user's second, third, etc. policy (i.e., "renewal policy") with Lemonade

+

Upsales / Downsales

Any change in annual premium (prorated)
OR
annual premium associated with a cancelled return user (difference b/t annual premium of new policy minus remaining premium from first)

= **Total Sales**

Companywide Metrics

S2S

$$\text{S2S} = \frac{\text{New Sales}}{\text{Spend}}$$

Example:

- For the month of Dec-18, new sales were $1M
- Total spend (across all Growth platforms) was $900K

$$\text{S2S} = \frac{\$1M}{\$900K} = 1.1$$

Companywide Metrics

New User APV

User purchases!

1/1/19

Policy #1

Version #1

APV = $120

New User APV = $120

Scheduled items removed

1/14/19

Policy #1

Version #2

APV = $105

Additional insured added

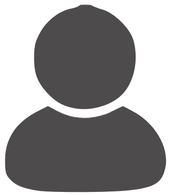
6/1/19

Policy #1

Version #3

APV = $200

Increased personal property coverage



6/2/19

Policy #1

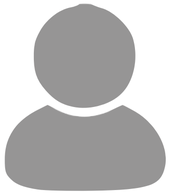
Version #4

APV = $250

Companywide Metrics

Renewal User APV

New purchase!



5/1/17

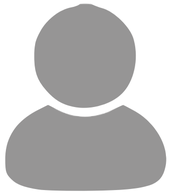
User 10

Policy #1

Version #1

APV = $120

Adds coverage for bike



8/3/17

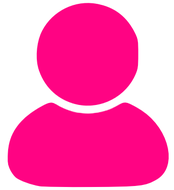
User 10

Policy #1

Version #2

APV = $180

Renewal policy activated



6/1/17

User 10

Policy #2

Version #1

APV = $180

Renewal APV = $180

Companywide Metrics

Portfolio APV





APV = $120 APV = $60 APV = $400 APV = $90 APV = $160

$$\textbf{Portfolio APV} = \frac{(\$120 + \$60 + \$400 + \$90 + \$160)}{5 \text{ active users}} = \textbf{\$166}$$

Companywide Metrics

ARR

Active Users x Portfolio APV = ARR

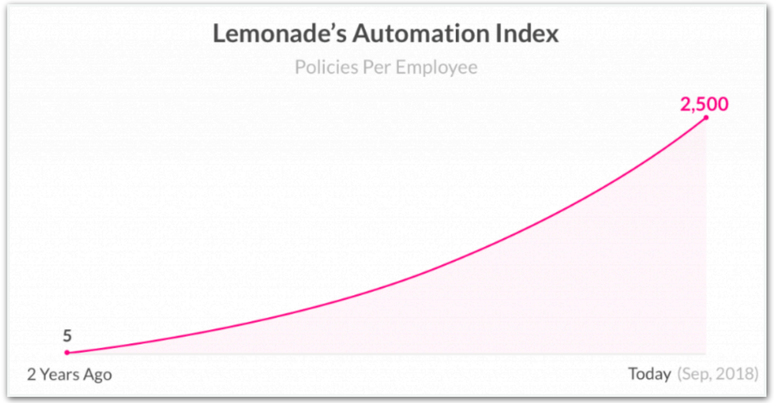
If Lemonade were to stop selling policies today — and no one cancelled — what would our revenue be one year from now?

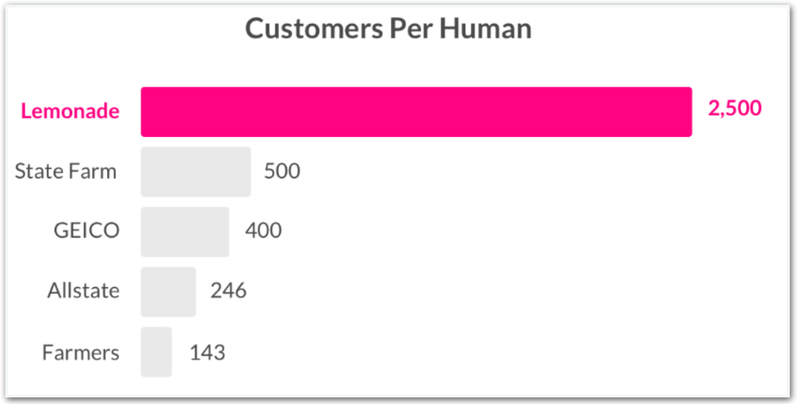
Companywide Metrics

Automation Indices: **Policies Per Human**

$$\textbf{Policies Per Human} = \frac{\text{Active Policies}}{\text{Current Lemonade “Makers”}}$$

Lemonade’s Transparency Chronicles:





Companywide Metrics

Automation Indices: **ARR Per Human**

$$\textbf{ARR Per Human} = \frac{\text{ARR}}{\text{Current Lemonade “Makers”}}$$

Companywide Metrics

Homeowners

Homeowners (“**HOs**”) includes…

HO6

Users who own a condo or co-op

HO3

Homeowners with a standalone house

Companywide Metrics

Risk: Exposure / House Years

1/1/19
Policy Created

1/4/19
Policy Effective

0.0027 0.0027 0.0027 0.0027 0.0027 0.0027 0.0027 0.0027

House Years =
1/365 = 0.0027

Companywide Metrics

Risk: Loss Ratios

$$\textbf{Loss Ratio (\%)} = \frac{\text{“Everything we pay”}}{\text{“Everything we earn”}}$$

What do we “pay”?

Money for claims (e.g., losses and expenses); money we set aside (“reserves”) for what we *may* have to pay for claims; claim fees

See the Finance slides for more on what we “earn”…

Companywide Metrics

Risk: Reported Claim Frequency

$$\textbf{Reported Frequency (\%)} = \frac{\text{\# of Reported Claims}}{\text{\# of House Years}}$$

Example:

- In Q1-19, we had ~4K reported claims (e.g., claims submitted to Lemonade)
- That same quarter, we had a total exposure (i.e., “house years) of ~84K

$$\textbf{Reported Frequency} = \frac{4K}{84K} = \textbf{~4.7\%}$$

Companywide Metrics

Risk: Paid Claim Frequency

$$\textbf{Paid Frequency (\%)} = \frac{\#\text{ of } \textbf{Paid} \text{ Claims}}{\#\text{ of House Years}}$$

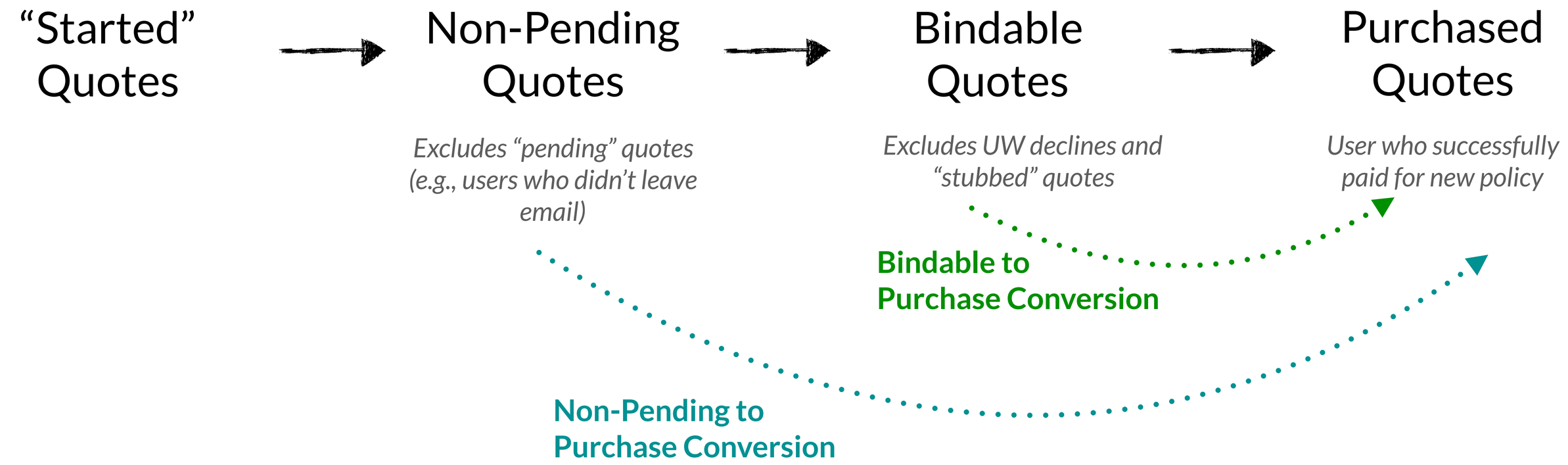
Example:

- In Q1-19, we had ~1.5K paid claims
- Q1-19 exposure was ~84K house years

$$\textbf{Paid Frequency} = \frac{1.5K}{84K} = \textbf{~1.8\%}$$

Companywide Metrics

Quotes & Conversion

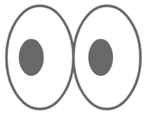


Team-Specific Metrics

Growth Team

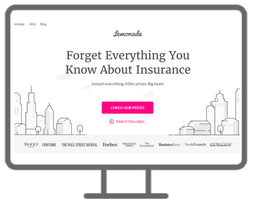
User “Journey” to Lemonade

Impressions

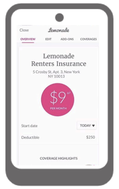


Clicks

Visitors



Leads



Purchases

Growth Team

Key Growth Ratios

CTR (Clickthrough Rate) = Clicks / Impressions

CR (Conversion Rate) = Purchases / Leads

CPA (Cost Per Acquisition) = Purchases / Spend

Finance Team

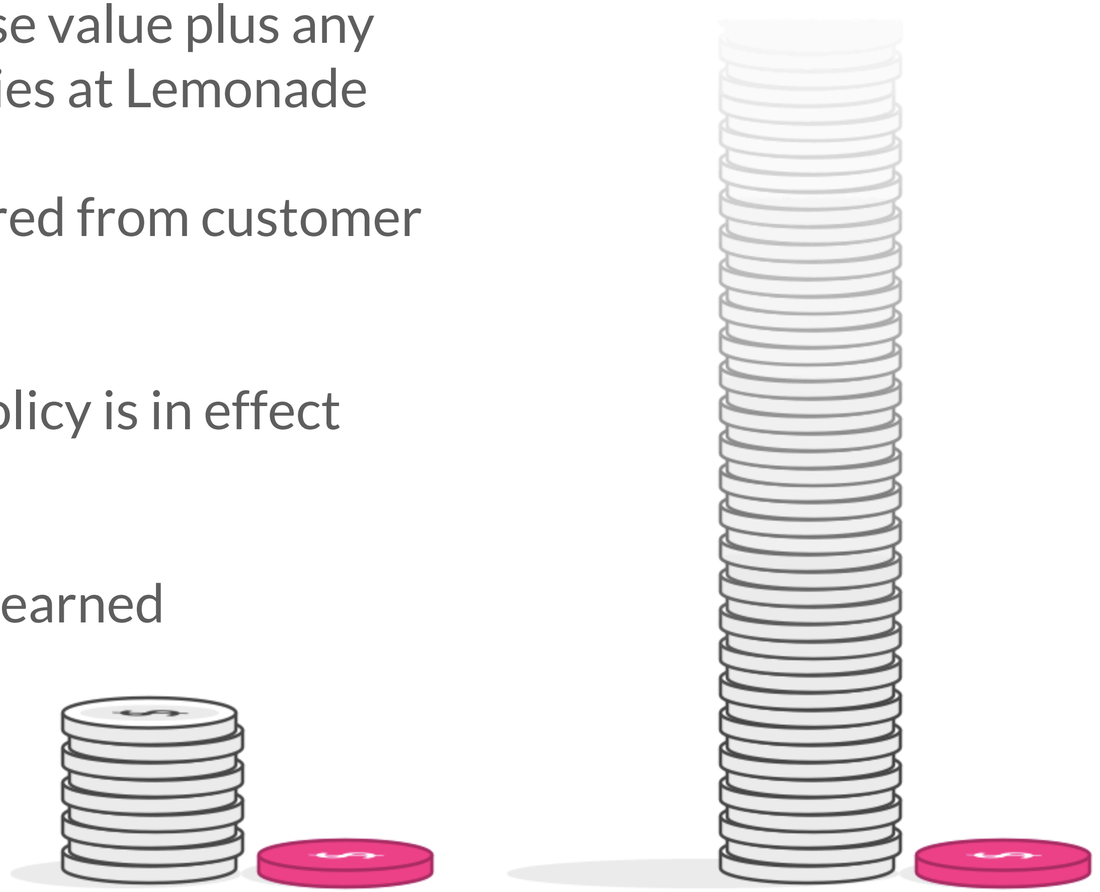
Premium-Related

1) **Written Premium:** sum of premium (initial purchase value plus any policy changes, including cancelations) for all policies at Lemonade

2) **Collected Premium:** sum of actual premium gathered from customer (e.g., monthly or annual premium transactions)

3) **Earned Premium:** dollars earned for every day a policy is in effect (annual premium / 365)

4) **Unearned Premium:** total written premium minus earned



CLX & CX Teams

Customer Satisfaction

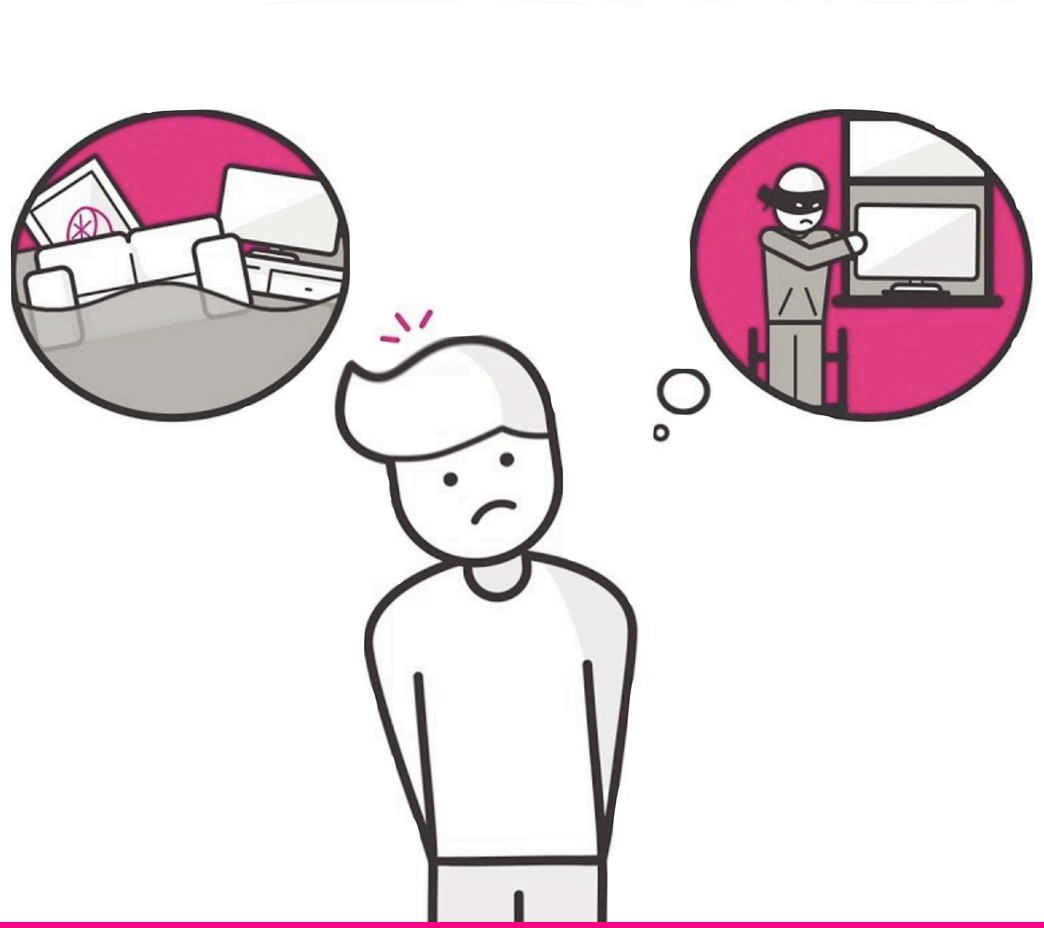
“How likely are you to recommend Lemonade to a colleague or friend?”

0	1	2	3	4	5	6	7	8	9	10
			Detractor				Passive		Promoter	

NPS (Net Promoter Score) = (% of Promoters) - (% of Detractors)

CLX Team

Other CLX Metrics



Handling Time

From Submitted to Settle: time (hours or days) from when a claim is submitted to when it is settled

For any claim interaction: (WIP measure!) time it takes a CLX adjuster to respond to any claimant outreach (i.e., email, phone call)

Burn Rate

= (# of Settled Claims) - (# of Reported Claims)

CLX Team

CLX Automation Metrics

Instant Paid Claims Rate (%)

Out of all paid claims:

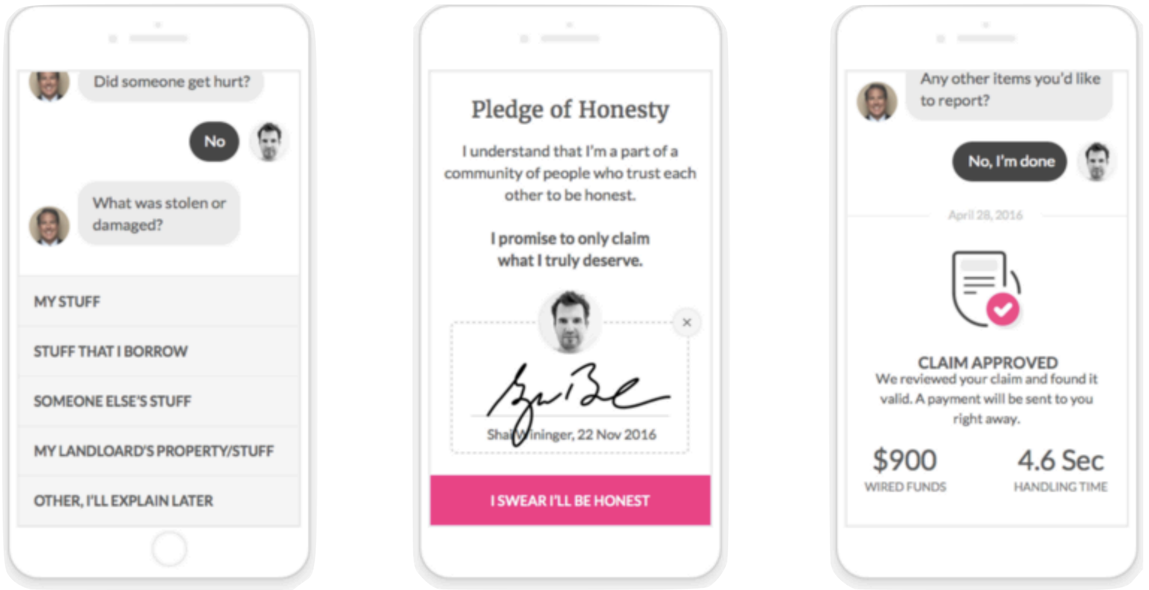
# of instant paid claims / # of paid claims

Out of all reported claims:

# of instant paid claims / # of reported claims

Auto-Decline %

# of auto-declined claims / # of reported claims

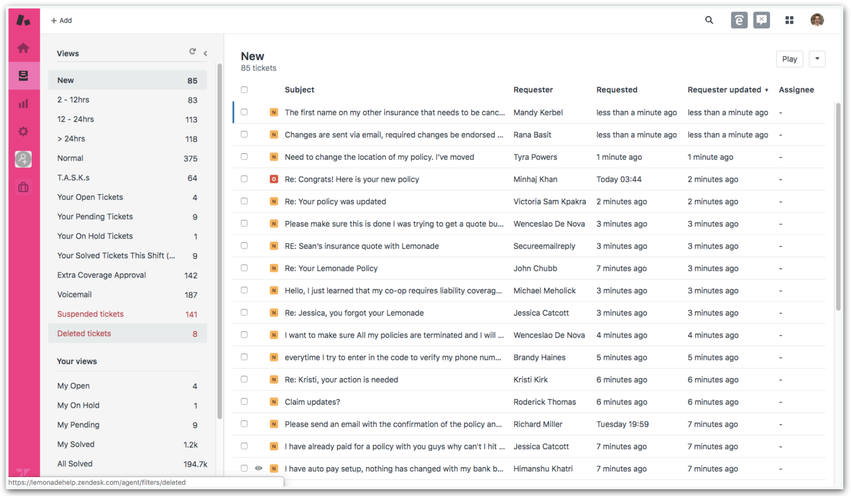


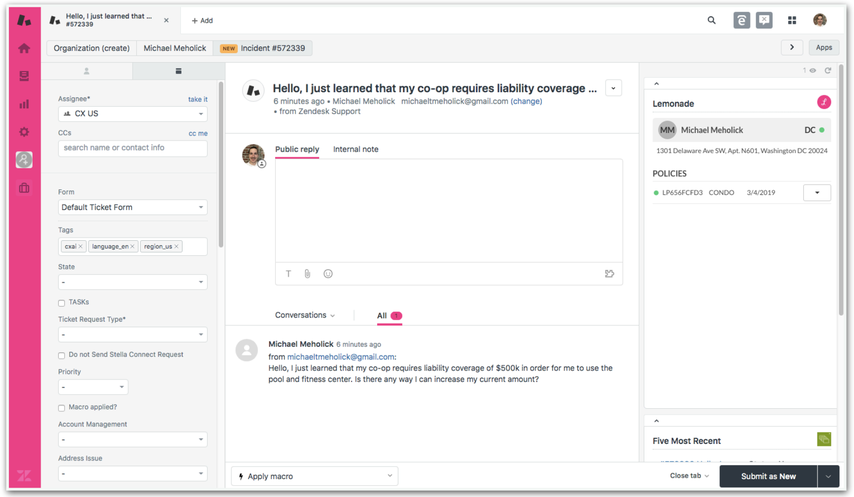
CX Team

CX Operational Metrics

Ticket Burn Rate

= (# of Solved Tickets) - (# of Submitted Tickets)





Questions?

Additional Examples

Key Companywide Metrics

Ex. 1: User Counts & Sales

1/1/18: User purchase his or her first renters policy with Lemonade for an annual premium of $120

__New user__ counted on Jan 1 and __new sales of $120__

4/1/18: Adds extra coverage (scheduled item) for a bicycle for $80 annually

__Upsale of $60__ (~75% of the policy lifetime remains, given expiration on 1/1/19, so $80 x 75% = $60)

8/1/18: User cancels

9/1/18: …user has not repurchased

__Churned user__ counted on 9/1/18

Key Companywide Metrics

Ex. 2: User Counts & Sales

10/15/16: User purchase his or her first renters policy with Lemonade for an annual premium of $60

__New user__ counted on 10/15/16 and __new sales of $80__

10/15/17: Renewal policy goes into effect

__Renewal user__ counted on 10/15/17 and __renewal sales of $80__

5/15/18: User cancels renters policy and purchases a new homeowners policy for $500

__Upsales of ~$467__ ($500 minus prorated amount remaining from cancelled policy, which is $80 x (5/12) = $33)