

# The Most Profitable Digital Insurer

March 2021

wefox

# wefox is the most profitable, full stack digital insurer

We have redesigned and digitised the entire insurance value chain powered by the most advanced tech stack and data analytics capabilities



Lead Generation



Distribution



Pricing + Underwriting



Operations



Claims Management

We control and own every step of the insurance value chain and at every step we create value for our stakeholders

## wefox at a Glance



### FAST GROWING

Gross revenue 2020: €119m  
2018-19: +70% Growth  
2019-20: +152% Growth



>80%

### AUTOMATION RATE

Industry average: 10-15%



### MULTICOUNTRY PRESENCE

Germany, Austria, Switzerland,  
Italy, Poland



### STRONG DISTRIBUTION NETWORK

> 700 digitally enabled advisors and many  
more brokers



### ALREADY PROFITABLE ON THE BACK BOOK

Loss ratio (11)% better than  
market avg



### SUCCESSFUL M&A CONSOLIDATOR

Four successful M&A transactions

## We Have an Almost Infinite TAM to Attack



Source: Sigma Report by Swiss Re

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Currently attacking Motor, Renters & Liability insurance in DACH and Poland

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## Competitive Advantage

# Superior Economics Model Compared To Traditional & Emerging Direct-Only Insurers

## Insurance economics

### 1 GWP / Gross Revenue

'19-'20 Revenue Growth:  
**152%**

### Fast Growth

90% of insurance products are sold through advisors, allowing us to grow substantially faster than if we go only direct

### 2 - Claim costs

wefox '20 loss ratio<sup>1</sup>:  
**70%**  
(11 p.p. lower than market<sup>2</sup>)

### Low Loss Ratios

We keep a low loss ratio through underwriting model supported superior analytics and a constantly growing data pool

### 3 - Admin costs

Automation rate:  
**≈80%**  
(Industry at 10-15%)

### Low Admin Costs

Tech supports high STP ratio across each step of the insurance workflow; future ready to handle large volumes

### 4 - Sales costs

CAC  
(Direct Insurer **≈€200**)

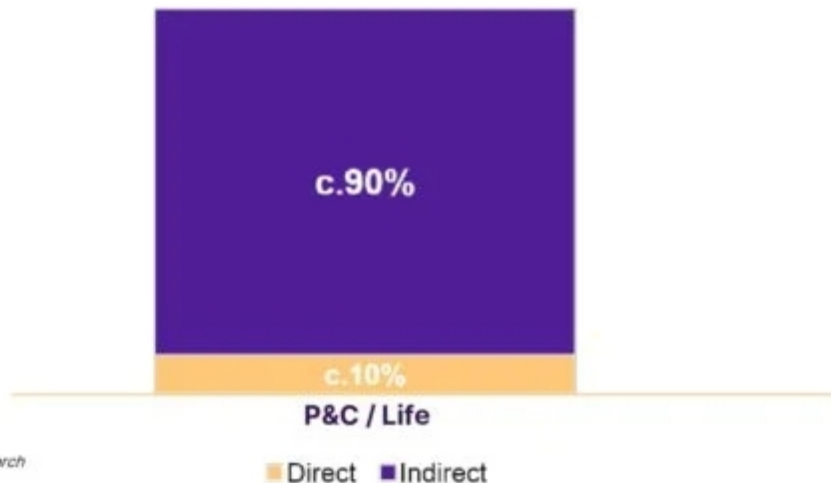
### Low Sales Costs

Lower CAC by focusing on indirect (advisors, brokers), while having tech enabled the human advisor, making them more efficient compared to the market avg

= net income/ loss

# 1 90% of the European Insurance Market is Controlled by Intermediaries

Insurance Distribution – EMEA (Life and P&C) (%)



Source: McKinsey research

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wefox is focused on digitising the 90%, rather than growing the 10%

1

# wefox Focuses On Tech Enabling The Indirect Distribution, Customisable To Local Market Requirements



From Mid 2021

✓ Focus on 90% indirect distribution

✓ Lower Customer Acquisition Costs, lower loss ratios, lower churn

## Other Digital Insurers



⊖ Focus on 10% direct distribution

⊖ Higher Customer Acquisition Costs, higher loss ratios, higher churn



1

## We Deliver Products Based On The Needs Of Our Advisors Faster Than Anyone To Maximise Sales...

### 1. Core Products Today



### Supplementary Health, Pet



### 2. Preparing for Launch

### 3. Future Product Modules to Sit on Platform

### Health & Life



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## ...With An Advisor Base That is More Efficient Than the Market Average...

### TRADITIONAL

*Key issues faced by insurance advisors today*

- ⊖ No new lead generation
- ⊖ Lack of analytics for smart cross-sell
- ⊖ Offline sales channel
- ⊖ Increasing bureaucracy & regulations
- ⊖ Low value client interactions

### wefox ADVISORS

- ✓ Digital lead generation
- ✓ AI-driven cross-selling
- ✓ 100% digital customer journey
- ✓ Process automation
- ✓ Customer self-service technology

wefox advisors are more efficient compared to market

## 2 Underwriting Playbook: Relentless Use of Technology and Data Analytics Drive Down Our Loss Ratio While Allowing for Fast Growth



### A. Distribution Selection

We analyse distribution channels for each country and choose only distribution channels **with lowest loss ratios**

### B. Product Selection

We analyse product performance and only launch products in which **LTV of premia is higher than sales commission**

### C. Underwriting Selection

We analyse customer segment performance and **exclude all unprofitable / too risky customer segments**

### D. Pricing

We **analyse competitive pricing** and are able to undercut market due to A-C

## 2 ...Which Translates Into Decreasing Loss Ratios: In 2021 We Expect To Be 13 p.p. Below The Market



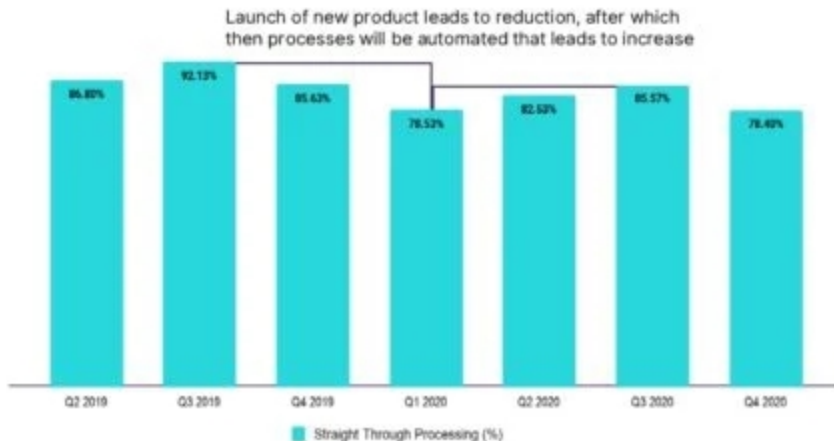
- ✓ Significantly improving loss ratio as underwriting model is refined
- ✓ Loss ratio >100% only in 2018 and when premiums were only €1m
- ✓ Reinsurance framework agreement with MunichRe provide further protection to our economics and risk exposure

Note: <sup>1</sup> Actual loss ratio of 46% adjusted to exclude discontinued business lines (i.e. Expatriate/topline business) and non-switch motor business. <sup>2</sup> Based on market weighted average based on wefox product mix.

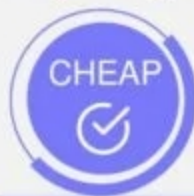
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## wefox Has Digitised The Entire Insurance Workflows Which Caters For Fast And Efficient New Product / Country Launch

>80% STP ratio vs. 10-15% industry average



Time to market of 3 months vs. 12-18 months industry average



Product / country development based on central platform with cross-functional teams



Motor insurance market launched in 3 months

## 4 Has A Proven Model To Make The Customer Profitable On The First Sale That Can Now Be Leveraged For Upselling

### wefox Model

#### Day 1 Sales

- ✓ Generate leads for our advisors with high conversion and low CAC
- ✓ Generally first sale is a large policy where day 1 profit greater than CAC

#### Ability to Cross Sell

- ✓ Advisors are better equipped to sell other products to the customer base increasing further CLTV while CAC is flat

### Direct Model



- ? Spend a lot of money to attract customers on website / app
- ? Low conversion rate as leads are not qualified
- ? Spend more money to re-bring customers to website / app for further sale



# We Have A Well Oiled Machine To Unlock An Unparalleled Growth Flywheel

