



## Introducing the HSCM Public InsurTech Index (HPIX)<sup>™</sup>

*The term “InsurTech” was only coined [around 2015](#), but the new wave of tech-enabled insurance-sector companies already represents over \$65 billion of market cap – just among companies who have gone public in the last 10 years.*

*With nearly two dozen such companies having completed or announced public offerings in the past decade, Hudson Structured Capital Management Ltd. (HSCM) has created the HSCM Public InsurTech Index<sup>™</sup> (HPIX) to measure the sector’s performance in public markets.*

*We believe this is the first and only index of its kind available to the public.*

### Methodology and Components

The HSCM Public InsurTech Index (HPIX) intends to track the price movements of a portfolio of common equity securities listed in the last 10 years by companies operating in the United States insurance sector with novel business models differentiated by technology.

The HPIX was created and is administered by HSCM. Solactive AG calculates and publishes the Index [online](#). Bloomberg users can find the index as ticker HPIX INDEX. The Reuters Instrument Code is .HPIX.

The HPIX [components](#), currently 18 companies, describe themselves as having novel business models differentiated by technology. Self-descriptions by companies are taken at face value in constructing the Index. The Index components also meet certain criteria, defined in the [Index Guideline](#), around minimum size, length of public listing, geography, and certain other aspects of the business model. The HPIX should not be seen as a definitive list, nor an endorsement of companies that are included (or not).

The HPIX is weighted by total market capitalization. Each company’s weight is limited to not more than 15% via a capping procedure. Last year when the Index had fewer components, several components were capped. The IPOs and SPAC mergers since the Index’s starting date resulted in several components being added such that the capping procedure is less material today.

The Index is rebalanced quarterly as shown on the next page. New components can be added at the beginning of each quarter, and components can be removed as described in the Guideline. Blank cells typically indicate that the component’s shares were not yet publicly traded.



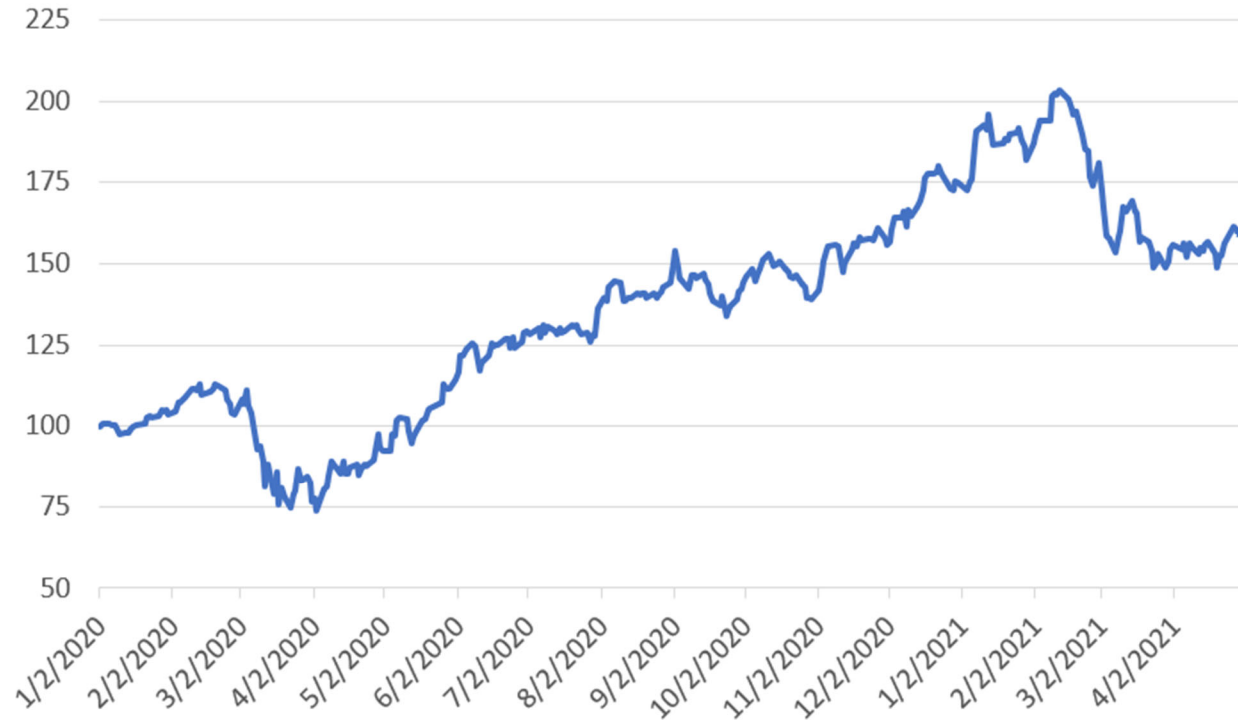
Component	Ticker	Total Market Cap		Weights					
		4/1/2021 \$M	1/1/2020	4/1/2020	7/1/2020	10/1/2020	1/1/2021	4/1/2021	
<b>Carriers</b>		\$ 31,468	53%	53%	45%	38%	44%	48%	
Clover Health Inv. Corp	CLOV	\$ 1,073						1.6%	
Essent Group Ltd	ESNT	\$ 5,262	15.0%	15.0%	15.0%	9.6%	7.9%	8.0%	
Kinsale Capital Group Inc	KNSL	\$ 3,818	15.0%	15.0%	14.3%	9.7%	7.3%	5.8%	
Lemonade Inc	LMND	\$ 5,857				6.6%	11.2%	8.9%	
Metromile Inc	MILE	\$ 1,331						2.0%	
Oscar Health Inc	OSCR	\$ 6,211						9.5%	
Palomar Holdings Inc	PLMR	\$ 1,752	11.1%	14.1%	9.1%	6.0%	3.7%	2.7%	
Root Inc	ROOT	\$ 3,070					6.4%	4.7%	
Trupanion Inc	TRUP	\$ 3,094	12.3%	9.1%	6.5%	6.5%	7.6%	4.7%	
<b>Distribution</b>		\$ 19,700	32%	32%	40%	34%	32%	30%	
BRP Group Inc	BRP	\$ 2,684	9.3%	6.2%	5.2%	4.8%	4.5%	4.1%	
EverQuote Inc	EVER	\$ 1,097	7.9%	6.6%	6.7%	2.5%	1.7%	1.7%	
GoHealth Inc	GOCO	\$ 3,687				10.0%	7.1%	5.6%	
Goosehead Insurance Inc	GSHD	\$ 4,095	14.4%	15.0%	11.0%	6.8%	7.4%	6.2%	
MediaAlpha Inc	MAX	\$ 2,139					3.7%	3.3%	
QuinStreet Inc	QNST	\$ 1,103		3.9%	2.2%	2.0%	1.8%	1.7%	
SelectQuote Inc	SLQT	\$ 4,895		0.0%	15.0%	7.6%	5.5%	7.5%	
<b>Software</b>		\$ 14,471	15%	15%	15%	28%	24%	22%	
Duck Creek Tech. Inc	DCT	\$ 5,891				13.0%	9.2%	9.0%	
Guidewire Software Inc	GWRE	\$ 8,580	15.0%	15.0%	15.0%	15.0%	15.0%	13.1%	
<b>TOTAL</b>		\$ 65,639	100%	100%	100%	100%	100%	100%	

The index composition can also be found [here](#).



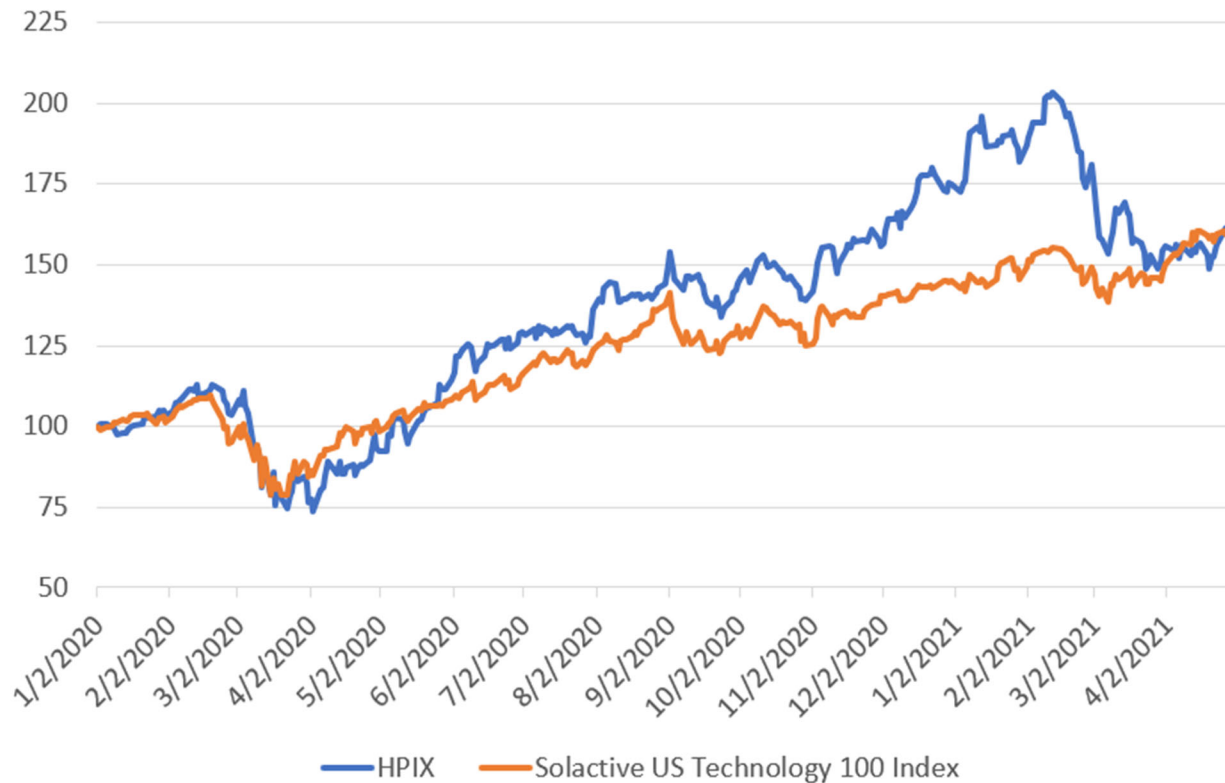
### HSCM Public InsurTech Index values

The HPIX as of market close on April 29, 2021 is shown here, with an index value of 159. (For the latest, see [here](#).) The HPIX started with an initial value of 100 on the first trading day of 2020, meaning that the Index is up 59% since the start of 2020. (Note that the chart below is partially based on a backtest – see the Disclaimer for detail.)



The Index values rose nearly 75% in 2020 with a Sharpe Ratio of nearly 172%, reflecting a strong year for InsurTech. The Index peaked this year on February 12<sup>th</sup> at 203. A [conventional definition](#) of a “bear market” is a sustained 20% decline from the peak. A 20% decline from the peak is an Index value of 163. The HPIX has been mostly below 163 since March 4<sup>th</sup>. The declines in late February and March of this year followed last year’s 75% increase in the Index value. (Of course, past performance is not a guarantee nor predictive of future results.)

For context, the next chart compares the HPIX against the Solactive United States Technology 100 Index (“Tech 100”) ([Index guideline here](#)), which tracks the performance of the 100 largest companies traded on Nasdaq. The HPIX has shown greater swings in value than the Tech 100. Share prices of smaller and younger companies can be more volatile than share prices of larger companies in the same sector. However, the HPIX and the Tech 100 have ended up recently in about the same place in terms of cumulative change since the start of 2020.



### Are InsurTechs insurance stocks or tech stocks?

One of the most common questions in InsurTech is whether such companies are insurance companies or technology companies. The HPIX may help illustrate how InsurTech stocks have traded.

- After last year’s 75% rise in the HPIX, in 2021 year-to-date, the HPIX is down 9%. Many “traditional” insurance stocks have risen this year. See [here](#) for an example to contrast.
- Larger tech stocks have outperformed the HPIX this year. Year to date, the HPIX is down 9% while the Tech 100 is up 10%.
- The components of the HPIX may recently have performed similarly to other relatively young tech companies ([for example](#)) rather than large tech shares represented by the Tech 100.

As always, past performance is not a guarantee nor predictive of future results.

### Future of the Index

The Index is automatically updated during normal market trading hours by the calculation agent. It can be accessed in several ways including on Bloomberg (HPIX) and [online](#). (Note that the online version intraday is displayed in Central European Time – the time zone of the calculation agent.) We intend to write more about the Index as it matures. In the meantime, we hope that you find the Index useful for understanding the performance of InsurTech in the public markets.



## Disclaimer

Unless noted, all data in this article are as of US market close on April 29, 2021. Figures may be rounded to the nearest whole number.

The HSCM Public InsurTech Index™ (the “Index”, “HPIX”) is provided for informational purposes only and is based on the analysis of certain data provided to Hudson Structured Capital Management Ltd. (“HSCM”) from third-party sources believed to be accurate and reliable -- any of which may be erroneous or change without notice. The Information and the Index may be subject to change without notice. The Index is not exhaustive nor definitive.

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