

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2021
or
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-39658

ROOT, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
80 E. Rich Street, Suite 500
Columbus, Ohio
(Address of principal executive offices)

84-2717903
(I.R.S. Employer
Identification Number)
43215
(Zip Code)

(866) 980-9431
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|-------------------|---|
| Class A common stock, \$0.0001 par value per share | ROOT | Nasdaq Global Select Market |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of April 28, 2021, the number of outstanding shares of the registrant's Class A common stock, par value \$0.0001 per share, was 86,893,126 and the number of outstanding shares of the registrant's Class B common stock, par value \$0.0001 per share, was 166,034,886.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “will” or “would” or the negative of these words or other similar terms or expressions. These forward-looking statements include, but are not limited to, statements concerning the following:

- our ability to retain existing customers, acquire new customers and expand our customer reach;
 - our expectations regarding our future financial performance, including total revenue, gross profit/(loss), adjusted gross profit/(loss), direct contribution, direct loss ratio, marketing costs, direct loss adjustment expense, or LAE, ratio, quota share levels and expansion of our renewal premium base;
 - the impact of the COVID-19 pandemic on our business and financial performance;
 - our goal to be licensed in all states in the United States and the timing of obtaining additional licenses and launching in new states;
 - the accuracy and efficiency of our telematics and behavioral data, and our ability to gather and leverage additional data;
 - our ability to materially improve retention rates and our ability to realize benefits from retaining customers;
 - our ability to underwrite risks accurately and charge profitable rates;
 - our ability to maintain our business model and improve our capital and marketing efficiency;
 - our ability to drive improved conversion and decrease the cost of customer acquisition;
 - our ability to maintain and enhance our brand and reputation;
 - our ability to effectively manage the growth of our business;
 - our ability to improve our product offerings, introduce new products and expand into additional insurance lines;
 - our ability to cross sell our products and attain greater value from each customer;
 - our lack of operating history and ability to attain profitability;
 - our ability to compete effectively with existing competitors and new market entrants in our industry;
 - future performance of the markets in which we operate;
 - our ability to operate a “capital-light” business and obtain and maintain reinsurance contracts;
 - our ability to realize economies of scale;
 - our ability to expand our distribution channels through additional partnership relationships, digital media and referrals;
 - our ability to protect our intellectual property and any costs associated therewith;
 - our ability to expand domestically and internationally;
 - our ability to raise additional capital;
-

- our ability to meet risk-based capital requirements;
- our ability to stay in compliance with laws and regulation that currently apply or become applicable to our business; and
- the growth rates of the markets in which we compete.

You should not rely on forward-looking statements as predictions of future events. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described under the heading “Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained herein. The results, events and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made and we undertake no obligation to update them to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law.

Unless the context otherwise indicates, references in this report to the terms “Root,” “the Company,” “we,” “our” and “us” refer to Root, Inc. and its subsidiaries.

We may announce material business and financial information to our investors using our investor relations website (ir.joinroot.com). We therefore encourage investors and others interested in Root to review the information that we make available on our website, in addition to following our filings with the Securities and Exchange Commission, webcasts, press releases and conference calls.

Part I. Financial Information

Item 1. Financial Statements

ROOT, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS - UNAUDITED

| | As of | |
|--|-------------------|----------------------|
| | March 31, 2021 | December 31, 2020 |
| (in millions, except par value) | | |
| Assets | | |
| Investments: | | |
| Fixed maturities available-for sale, at fair value (amortized cost: \$134.2 and \$215.4 at March 31, 2021 and December 31, 2020, respectively) | \$ 136.3 | \$ 221.0 |
| Short-term investments (amortized cost: \$3.0 and \$3.0 at March 31, 2021 and December 31, 2020, respectively) | 3.0 | 3.0 |
| Other investments | 0.5 | 0.5 |
| Total investments | 139.8 | 224.5 |
| Cash and cash equivalents | 1,106.3 | 1,112.8 |
| Restricted cash | 1.0 | 1.0 |
| Premiums receivable, net of allowance of \$2.0 and \$3.5 at March 31, 2021 and December 31, 2020, respectively | 161.0 | 130.1 |
| Reinsurance recoverable | 130.0 | 124.8 |
| Prepaid reinsurance premiums | 101.3 | 112.8 |
| Other assets | 64.8 | 56.3 |
| Total assets | \$ 1,704.2 | \$ 1,762.3 |
| Liabilities and Stockholders' Equity | | |
| Liabilities: | | |
| Loss and loss adjustment expense reserves | \$ 240.7 | \$ 237.2 |
| Unearned premiums | 199.4 | 157.1 |
| Long-term debt | 192.2 | 188.2 |
| Reinsurance premiums payable | 65.7 | 89.1 |
| Accounts payable and accrued expenses | 50.5 | 48.0 |
| Other liabilities | 21.4 | 10.3 |
| Total liabilities | 769.9 | 729.9 |
| Commitments and Contingencies (Note 10) | | |
| Stockholders' equity: | | |
| Preferred stock, \$0.0001 par value, 100.0 shares authorized, zero shares issued and outstanding at March 31, 2021 and December 31, 2020, respectively | — | — |
| Class A common stock, \$0.0001 par value, 1,000.0 shares authorized, 86.5 and 59.4 shares issued and outstanding at March 31, 2021 and December 31, 2020, respectively | — | — |
| Class B common stock, \$0.0001 par value, 269.0 shares authorized, 166.4 and 192.2 shares issued and outstanding at March 31, 2021 and December 31, 2020, respectively | — | — |
| Treasury stock, at cost | (0.8) | (0.8) |
| Additional paid-in capital | 1,780.6 | 1,775.6 |
| Accumulated other comprehensive income | 2.1 | 5.6 |
| Accumulated loss | (847.6) | (748.0) |
| Total stockholders' equity | 934.3 | 1,032.4 |
| Total liabilities and stockholders' equity | \$ 1,704.2 | \$ 1,762.3 |

See Notes to the Condensed Consolidated Financial Statements - Unaudited

ROOT, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS - UNAUDITED

| | Three Months Ended March 31, | |
|---|------------------------------|------------|
| | 2021 | 2020 |
| (in millions, except per share data) | | |
| Revenue: | | |
| Net premiums earned | \$ 59.1 | \$ 117.8 |
| Net investment income | 0.9 | 1.9 |
| Net realized gains on investments | 2.4 | — |
| Fee and other income | 6.2 | 4.3 |
| Total revenue | 68.6 | 124.0 |
| Operating expenses: | | |
| Loss and loss adjustment expenses | 59.9 | 129.9 |
| Sales and marketing | 68.4 | 35.8 |
| Other insurance expense | 2.4 | 11.3 |
| Technology and development | 13.8 | 16.0 |
| General and administrative | 18.4 | 30.9 |
| Total operating expenses | 162.9 | 223.9 |
| Operating loss | (94.3) | (99.9) |
| Interest expense | (5.3) | (5.7) |
| Loss before income tax expense | (99.6) | (105.6) |
| Income tax expense | — | — |
| Net loss | (99.6) | (105.6) |
| Other comprehensive loss: | | |
| Changes in net unrealized losses on investments | (3.5) | (1.8) |
| Comprehensive loss | \$ (103.1) | \$ (107.4) |
| Loss per common share: basic and diluted (both Class A and B) | \$ (0.40) | \$ (2.69) |
| Weighted-average common shares outstanding: basic and diluted | 247.1 | 39.3 |

See Notes to the Condensed Consolidated Financial Statements - Unaudited

ROOT, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT) - UNAUDITED

| | Redeemable Convertible Preferred Stock | | Class A and Class B Common Stock | | | Treasury Stock | | Additional Paid-in Capital | Accumulated Other Comprehensive Income (Loss) | Accumulated Loss | Total Stockholders' Equity (Deficit) |
|---|--|----------|----------------------------------|----------------|--------|----------------|----------|----------------------------|---|------------------|--------------------------------------|
| | Shares | Amount | Class A Shares | Class B Shares | Amount | Shares | Amount | | | | |
| | (in millions) | | | | | | | | | | |
| Balance—January 1, 2021 | — | \$ — | 59.4 | 192.2 | \$ — | 4.6 | \$ (0.8) | \$ 1,775.6 | \$ 5.6 | \$ (748.0) | \$ 1,032.4 |
| Net loss | — | — | — | — | — | — | — | — | — | (99.6) | (99.6) |
| Changes in other comprehensive loss | — | — | — | — | — | — | — | — | (3.5) | — | (3.5) |
| Conversion of Class B to Class A | — | — | 26.1 | (26.1) | — | — | — | — | — | — | — |
| Common stock—option exercises and restricted stock units vesting, net of shares withheld for employee taxes | — | — | 1.0 | 0.3 | — | — | — | 2.3 | — | — | 2.3 |
| Reclassification of early-exercised stock option from liabilities | — | — | — | — | — | — | — | 0.4 | — | — | 0.4 |
| Common stock—share-based compensation expense | — | — | — | — | — | — | — | 2.3 | — | — | 2.3 |
| Balance—March 31, 2021 | — | \$ — | 86.5 | 166.4 | \$ — | 4.6 | \$ (0.8) | \$ 1,780.6 | \$ 2.1 | \$ (847.6) | \$ 934.3 |
| Balance—January 1, 2020 | 158.9 | \$ 560.4 | — | 44.4 | \$ — | 4.5 | \$ (0.1) | \$ 10.5 | \$ 0.6 | \$ (385.0) | \$ (374.0) |
| Net loss | — | — | — | — | — | — | — | — | — | (105.6) | (105.6) |
| Changes in other comprehensive loss | — | — | — | — | — | — | — | — | (1.8) | — | (1.8) |
| Tender offer and subsequent conversion | 2.9 | — | — | (2.9) | — | — | — | 25.1 | — | — | 25.1 |
| Common stock—option exercises | — | — | — | 0.4 | — | — | — | 0.3 | — | — | 0.3 |
| Common stock—share-based compensation expense | — | — | — | — | — | — | — | 0.6 | — | — | 0.6 |
| Balance—March 31, 2020 | 161.8 | \$ 560.4 | — | 41.9 | \$ — | 4.5 | \$ (0.1) | \$ 36.5 | \$ (1.2) | \$ (490.6) | \$ (455.4) |

See Notes to the Condensed Consolidated Financial Statements - Unaudited

ROOT, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED

| | Three Months Ended March 31, | |
|---|------------------------------|------------|
| | 2021 | 2020 |
| | (in millions) | |
| Cash flows from operating activities: | | |
| Net loss | \$ (99.6) | \$ (105.6) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Share-based compensation | 2.3 | 0.6 |
| Tender offer | — | 25.1 |
| Depreciation and amortization | 3.5 | 3.7 |
| Bad debt expense | 4.7 | 3.8 |
| Payment-in-kind interest expense | 2.4 | 2.2 |
| Realized gains on investments | (2.4) | — |
| Changes in operating assets and liabilities: | | |
| Premiums receivable | (35.6) | (19.7) |
| Reinsurance recoverable | (5.2) | (12.0) |
| Prepaid reinsurance premiums | 11.5 | (21.6) |
| Other assets | 2.0 | (4.2) |
| Losses and loss adjustment expenses reserves | 3.5 | 34.9 |
| Unearned premiums | 42.3 | 20.3 |
| Reinsurance premiums payable | (23.4) | 31.8 |
| Accounts payable and accrued expenses | 2.5 | (5.4) |
| Other liabilities | 0.6 | (0.1) |
| Net cash used in operating activities | (90.9) | (46.2) |
| Cash flows from investing activities: | | |
| Purchases of investments | — | (100.8) |
| Proceeds from maturities, call and pay downs of investments | 13.1 | 8.2 |
| Sales of investments | 70.2 | — |
| Capitalization of internally developed software | (1.6) | (1.4) |
| Purchases of fixed assets | (0.4) | (1.3) |
| Net cash provided by (used in) investing activities | 81.3 | (95.3) |
| Cash flows from financing activities: | | |
| Proceeds from exercise of stock options and restricted stock units, net of tax proceeds/(withholding) | 3.3 | 0.3 |
| Debt issuance costs | — | (0.1) |
| Repayments of long-term debt | (0.2) | (12.7) |
| Net cash provided by (used in) financing activities | 3.1 | (12.5) |
| Net decrease in cash, cash equivalents and restricted cash | (6.5) | (154.0) |
| Cash, cash equivalents and restricted cash at beginning of period | 1,113.8 | 416.6 |
| Cash, cash equivalents and restricted cash at end of period | \$ 1,107.3 | \$ 262.6 |

See Notes to the Condensed Consolidated Financial Statements - Unaudited

ROOT, INC. AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

1. NATURE OF BUSINESS

Root, Inc. is a holding company which, directly or indirectly, maintains 100% ownership of each of its subsidiaries, including, among others, Root Insurance Company, an Ohio-domiciled insurance company, and Root Property & Casualty, a Delaware-domiciled insurance company (together with Root, Inc. “We,” “us” or “our”). We were formed in 2015 and began writing personal auto insurance in July 2016.

We are a technology company operating a direct-to-consumer model with more than 75% of our personal insurance customers acquired through mobile applications. We offer auto and renters insurance products underwritten by Root Insurance Company.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—In our opinion, all adjustments necessary for a fair presentation of the condensed consolidated financial statements have been included. All such adjustments are of a normal and recurring nature. These condensed consolidated financial statements are unaudited and, accordingly, should be read in conjunction with the consolidated financial statements and notes included in the Annual Report on Form 10-K filed with the SEC on March 4, 2021.

Basis of Consolidation—The unaudited condensed consolidated financial statements include the accounts of Root, Inc. and its subsidiaries, all of which are wholly owned. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States, or GAAP. All intercompany accounts and transactions have been eliminated.

Use of Estimates—The preparation of the unaudited condensed consolidated financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates reflected in our unaudited condensed consolidated financial statements include, but are not limited to, reserves for loss and loss adjustment expense, premium write-offs and valuation allowances for income taxes.

COVID-19—In March 2020, the World Health Organization declared COVID-19 to be a global pandemic. The pandemic and related measures taken to contain the spread of COVID-19, such as government-mandated business closures, orders to “shelter in place” and travel and transportation restrictions, have negatively affected the U.S. and global economies, disrupted global supply chains, and led to unprecedented levels of unemployment. We, and other businesses within the insurance industry, have been impacted by certain individual state bulletins that were issued in 2020 and outlined COVID-19 premium relief efforts, including restrictions on the ability to cancel policies for non-payment, requirements to defer insurance premium payments for up to 60 days and restrictions on increasing policy premiums. The COVID-19 pandemic has impacted and may further impact the broader economic environment, including negatively impacting unemployment levels, economic growth, the proper functioning of financial and capital markets and interest rates. As the COVID-19 pandemic continues to develop, there is uncertainty around the severity and duration of the pandemic and the pandemic’s potential impact on our business and our financial performance. Accordingly, we cannot predict the impact that it may have on our future results of operations and financial condition.

Recently Adopted Financial Accounting Standards—In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. The main provision of ASU 2016-02 requires the recognition of right-of-use lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. The guidance also requires disclosures that meet the objective of enabling financial statement users to assess the amount, timing, and uncertainty of related cash flows. We adopted ASU 2016-02 on January 1, 2021.

We elected various practical expedients which include not applying the amended lease accounting guidance to comparative periods; including the carry forward of our leases without reassessing whether any contracts are leases or contain leases, lease classification and initial direct costs; and excluding leases with a term of 12 months or less from lease liability and right-of-use asset recognition. We did not elect the hindsight practical expedient.

Our lease agreements contain lease components and non-lease components, both of which we have elected to account for as a single lease component for our real estate asset class. Operating lease expense for operating lease right of use assets is recognized on a straight-line basis over the lease term, which may include options to extend or terminate the lease when it is reasonably certain to do so and there is a significant economic incentive to exercise that option.

Upon adoption of ASU 2016-02, we recognized an operating lease liability of \$16.2 million and corresponding right of use asset of \$9.9 million, which includes the effect of \$6.3 million from reclassifying previously recognized deferred rent and lease exit liabilities as an offset, in accordance with the transition guidance. These lease assets and liabilities are recorded as other assets and other liabilities on the condensed consolidated balance sheets. This transition adjustment was reflected as a non-cash transaction in our condensed consolidated statements of cash flows. The transition did not have a material impact on our results of operations, liquidity or debt covenant compliance under our current debt agreements. For additional information refer to Note 6, "Leases."

Upcoming Accounting Pronouncements—We currently qualify as an "emerging growth company" under the Jumpstart Our Business Startups Act of 2012, whereby we have the option to adopt new or revised accounting guidance within the same time periods as private companies. We have elected this option, but may ultimately determine it is preferable to take advantage of early adoption provisions offered within the applicable guidance.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 amends previous guidance on the impairment of financial instruments by adding an impairment model that allows an entity to recognize expected credit losses as an allowance rather than impairing as they are incurred. The new guidance is intended to reduce complexity of credit impairment models and result in a more timely recognition of expected credit losses. The effective date of ASU 2016-13 is for reporting periods beginning after December 15, 2022. We are currently evaluating the impact of ASU 2016-13.

3. INVESTMENTS

The amortized cost and fair value of short-term investments and available-for-sale fixed maturity securities at March 31, 2021 and December 31, 2020 are as follows:

| | March 31, 2021 | | | |
|--|-----------------------|------------------------|-------------------------|------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| | (dollars in millions) | | | |
| Fixed maturities: | | | | |
| U.S. Treasury securities and agencies | \$ 16.0 | \$ 0.1 | \$ (0.1) | \$ 16.0 |
| Municipal securities | 20.0 | 0.5 | — | 20.5 |
| Corporate debt securities | 50.6 | 1.2 | (0.1) | 51.7 |
| Residential mortgage-backed securities | 6.2 | — | (0.1) | 6.1 |
| Commercial mortgage backed securities | 31.4 | 0.5 | — | 31.9 |
| Other debt obligations | 10.0 | 0.1 | — | 10.1 |
| Total fixed maturities | 134.2 | 2.4 | (0.3) | 136.3 |
| Short-term investments | 3.0 | — | — | 3.0 |
| Total | \$ 137.2 | \$ 2.4 | \$ (0.3) | \$ 139.3 |

| | December 31, 2020 | | | |
|--|-----------------------|------------------------|-------------------------|------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| | (dollars in millions) | | | |
| Fixed maturities: | | | | |
| U.S. Treasury securities and agencies | \$ 16.9 | \$ 0.1 | \$ — | \$ 17.0 |
| Municipal securities | 22.6 | 0.8 | — | 23.4 |
| Corporate debt securities | 87.5 | 3.1 | (0.1) | 90.5 |
| Residential mortgage-backed securities | 7.8 | — | — | 7.8 |
| Commercial mortgage backed securities | 57.1 | 1.3 | — | 58.4 |
| Other debt obligations | 23.5 | 0.4 | — | 23.9 |
| Total fixed maturities | 215.4 | 5.7 | (0.1) | 221.0 |
| Short-term investments | 3.0 | — | — | 3.0 |
| Total | \$ 218.4 | \$ 5.7 | \$ (0.1) | \$ 224.0 |

The following tables reflect the gross unrealized losses and fair value of bonds, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at March 31, 2021 and December 31, 2020:

| | March 31, 2021 | | | | | |
|--|---------------------|-----------------|-------------------|-----------------|------------|-----------------|
| | Less than 12 Months | | 12 Months or More | | Total | |
| | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| (dollars in millions) | | | | | | |
| Bonds: | | | | | | |
| U.S. Treasury securities and agencies | \$ 14.0 | \$ (0.1) | \$ — | \$ — | \$ 14.0 | \$ (0.1) |
| Municipal securities | 6.4 | — | — | — | 6.4 | — |
| Corporate debt securities | 8.1 | (0.1) | — | — | 8.1 | (0.1) |
| Residential mortgage-backed securities | 4.3 | (0.1) | 0.3 | — | 4.6 | (0.1) |
| Commercial mortgage-backed securities | 3.1 | — | — | — | 3.1 | — |
| Total bonds | \$ 35.9 | \$ (0.3) | \$ 0.3 | \$ — | \$ 36.2 | \$ (0.3) |

| | December 31, 2020 | | | | | |
|--|---------------------|-----------------|-------------------|-----------------|------------|-----------------|
| | Less than 12 Months | | 12 Months or More | | Total | |
| | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| (dollars in millions) | | | | | | |
| Bonds: | | | | | | |
| U.S. Treasury securities and agencies | \$ 15.7 | \$ — | \$ — | \$ — | \$ 15.7 | \$ — |
| Municipal securities | 2.3 | — | — | — | 2.3 | — |
| Corporate debt securities | 2.9 | (0.1) | — | — | 2.9 | (0.1) |
| Residential mortgage-backed securities | 3.7 | — | — | — | 3.7 | — |
| Commercial mortgage-backed securities | 4.9 | — | — | — | 4.9 | — |
| Other debt obligations | 0.1 | — | — | — | 0.1 | — |
| Total bonds | \$ 29.6 | \$ (0.1) | \$ — | \$ — | \$ 29.6 | \$ (0.1) |

There were no other-than-temporary impairments recognized in the three months ended March 31, 2021 or 2020, respectively.

The following table reflects the gross and net realized gains and losses on short-term investments and fixed maturities that have been included in the condensed consolidated statements of operations and comprehensive loss for the three months ended March 31, 2021 and 2020:

| | Three Months Ended March 31, | |
|-----------------------------------|------------------------------|-------------|
| | 2021 | 2020 |
| (dollars in millions) | | |
| Realized gains on investments | \$ 2.5 | \$ — |
| Realized losses on investments | (0.1) | — |
| Net realized gains on investments | <u>\$ 2.4</u> | <u>\$ —</u> |

The following table sets forth the amortized cost and fair value of short-term investments and fixed maturity securities by contractual maturity at March 31, 2021:

| | March 31, 2021 | |
|---------------------------------------|-----------------|-----------------|
| | Amortized Cost | Fair Value |
| (dollars in millions) | | |
| Due in one year or less | \$ 9.4 | \$ 9.4 |
| Due after one year through five years | 98.8 | 100.6 |
| Due five years through 10 years | 9.7 | 9.8 |
| Due after 10 years | 19.3 | 19.5 |
| Total | <u>\$ 137.2</u> | <u>\$ 139.3</u> |

The following table sets forth the components of net investment income for the three months ended March 31, 2021 and 2020:

| | Three Months Ended March 31, | |
|---|------------------------------|---------------|
| | 2021 | 2020 |
| (dollars in millions) | | |
| Interest on bonds | \$ 0.8 | \$ 0.9 |
| Interest on deposits and cash equivalents | 0.3 | 1.1 |
| Total | 1.1 | 2.0 |
| Investment expense | (0.2) | (0.1) |
| Net investment income | <u>\$ 0.9</u> | <u>\$ 1.9</u> |

The following tables summarize the credit ratings of investments at March 31, 2021 and December 31, 2020:

| S&P Global rating or equivalent | March 31, 2021 | | % of Total Fair Value |
|---------------------------------|-----------------|-----------------|--------------------------|
| | Amortized Cost | Fair Value | |
| (dollars in millions) | | | |
| AAA | \$ 73.2 | \$ 74.0 | 53.1 % |
| AA+, AA, AA-, A-1 | 17.0 | 17.3 | 12.5 |
| A+, A, A- | 36.4 | 37.1 | 26.6 |
| BBB+, BBB, BBB- | 10.6 | 10.9 | 7.8 |
| Total | <u>\$ 137.2</u> | <u>\$ 139.3</u> | <u>100.0 %</u> |

| S&P Global rating or equivalent | December 31, 2020 | | |
|---------------------------------|-----------------------|-----------------|-----------------------|
| | Amortized Cost | Fair Value | % of Total Fair Value |
| | (dollars in millions) | | |
| AAA | \$ 116.5 | \$ 118.7 | 53.0 % |
| AA+, AA, AA-, A-1 | 22.7 | 23.3 | 10.4 |
| A+, A, A- | 57.5 | 59.4 | 26.5 |
| BBB+, BBB, BBB- | 21.7 | 22.6 | 10.1 |
| Total | <u>\$ 218.4</u> | <u>\$ 224.0</u> | <u>100.0 %</u> |

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following tables provide information about our financial assets measured and reported at fair value as of March 31, 2021 and December 31, 2020:

| | March 31, 2021 | | | |
|--|-----------------------|-----------------|-------------|------------------|
| | Level 1 | Level 2 | Level 3 | Total Fair Value |
| | (dollars in millions) | | | |
| Assets | | | | |
| Fixed maturities: | | | | |
| U.S. Treasury securities and agencies | \$ 16.0 | \$ — | \$ — | \$ 16.0 |
| Municipal securities | — | 20.5 | — | 20.5 |
| Corporate debt securities | — | 51.7 | — | 51.7 |
| Residential mortgage-backed securities | — | 6.1 | — | 6.1 |
| Commercial mortgage-backed securities | — | 31.9 | — | 31.9 |
| Other debt obligations | — | 10.1 | — | 10.1 |
| Total fixed maturities | 16.0 | 120.3 | — | 136.3 |
| Short-term investments | 2.2 | 0.8 | — | 3.0 |
| Cash equivalents | 485.7 | — | — | 485.7 |
| Total assets at fair value | \$ 503.9 | \$ 121.1 | \$ — | \$ 625.0 |

| | December 31, 2020 | | | |
|--|-----------------------|-----------------|-------------|------------------|
| | Level 1 | Level 2 | Level 3 | Total Fair Value |
| | (dollars in millions) | | | |
| Assets | | | | |
| Fixed maturities: | | | | |
| U.S. Treasury securities and agencies | \$ 17.0 | \$ — | \$ — | \$ 17.0 |
| Municipal securities | — | 23.4 | — | 23.4 |
| Corporate debt securities | — | 90.5 | — | 90.5 |
| Residential mortgage-backed securities | — | 7.8 | — | 7.8 |
| Commercial mortgage-backed securities | — | 58.4 | — | 58.4 |
| Other debt obligations | — | 23.9 | — | 23.9 |
| Total fixed maturities | 17.0 | 204.0 | — | 221.0 |
| Short-term investments | 2.2 | 0.8 | — | 3.0 |
| Cash equivalents | 568.4 | — | — | 568.4 |
| Total assets at fair value | \$ 587.6 | \$ 204.8 | \$ — | \$ 792.4 |

We estimate the fair value of all our different classes of Level 2 fixed maturities and short-term investments by using quoted prices from a combination of an independent pricing vendor or broker/dealer, pricing models, quoted prices of securities with similar characteristics or discounted cash flows.

The carrying amount of long-term debt is recorded at historical amounts. The fair value of outstanding long-term debt is classified within Level 2 of the fair value hierarchy. The fair value is based on a model referencing observable interest rates and spreads to project and discount cash flows to present value. As of March 31, 2021 and December 31, 2020 the carrying amounts and fair values of these financial instruments were as follows:

| | Carrying Amount as of March 31, 2021 | Estimated Fair Value as of March 31, 2021 | Carrying Amount as of December 31, 2020 | Estimated Fair Value as of December 31, 2020 |
|----------------|---|--|---|---|
| | (dollars in millions) | | | |
| Long-term debt | \$ 192.2 | \$ 211.5 | \$ 188.2 | \$ 209.0 |

The carrying amounts of other short-term financial instruments approximates their fair value due to their short-term nature.

5. LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

The following provides a reconciliation of the beginning and ending reserve balances for loss and LAE, net of reinsurance:

| | Three Months Ended March 31, | |
|---|------------------------------|----------|
| | 2021 | 2020 |
| | (dollars in millions) | |
| Gross loss and LAE reserves, January 1 | \$ 237.2 | \$ 140.7 |
| Reinsurance recoverable on unpaid losses | (79.6) | (18.9) |
| Net loss and LAE reserves, January 1 | 157.6 | 121.8 |
| Net incurred loss and LAE related to: | | |
| Current year | 69.8 | 122.0 |
| Prior years | (9.9) | 7.9 |
| Total incurred | 59.9 | 129.9 |
| Net paid loss and LAE related to: | | |
| Current year | 25.3 | 44.1 |
| Prior years | 35.3 | 54.2 |
| Total paid | 60.6 | 98.3 |
| Net loss and LAE reserves, March 31 | 156.9 | 153.4 |
| Plus reinsurance recoverable on unpaid losses | 83.8 | 22.2 |
| Gross loss and LAE reserves, March 31 | \$ 240.7 | \$ 175.6 |

Incurred losses and LAE attributable to prior accident years was a decrease of \$9.9 million and an increase of \$7.9 million for the three months ended March 31, 2021 and 2020, respectively. For the three months ended March 31, 2021, the development of incurred losses related to prior periods was primarily related to lower-than-expected reported losses on bodily injury and uninsured motorist bodily injury claims and greater than expected recoveries from subrogation and salvage from 2020. For the three months ended March 31, 2020, the development of incurred losses and related to prior periods was primarily related to higher-than-expected reported losses on bodily injury and collision coverages from 2019.

6. LEASES

We primarily have operating leases for offices that support our corporate, claims and customer service functions. We determine if an arrangement is a lease at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether we obtain substantially all of the economic benefits from and have the

ability to direct the use of the asset. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Operating lease right-of-use assets and corresponding operating lease liabilities are recognized upon the commencement date based primarily on the present value of lease payments over the lease term. We use the implicit rate of the lease, if it is readily determinable, in determining the present value of lease payments. Our leases generally do not provide an implicit rate. Therefore, we use a collateralized incremental borrowing rate that incorporates information available at commencement date, including our company-specific interest rates from recent debt issuances, which we adjust to remove the LIBOR component in order to obtain our company-specific interest rate risk. We also leverage commercial mortgage-backed securities, or CMBS rates, for transactions with similar values, origination dates, geographies and property types as the respective lease, which are adjusted using linear interpolation if the lease term falls between the published CMBS terms. As of March 31, 2021, our leases had a weighted-average discount rate of 10.8%. Our leases have remaining lease terms from less than 1 year up to approximately 7 years with a weighted-average remaining lease term of 5.1 years as of March 31, 2021.

As of March 31, 2021, we recognized an operating lease liability of \$15.8 million and corresponding right-of-use asset of \$9.7 million. Operating lease liabilities are included in other liabilities and operating lease right-of-use assets are included in other assets in our condensed consolidated balance sheets. For the three months ended March 31, 2021, we recognized operating lease costs of \$0.8 million. Variable lease expense and short-term lease expense recognized during the three months ended March 31, 2021 were not material. Moreover, we recognized operating cash flows paid for amounts included in the measurement of operating lease liabilities of \$0.9 million.

We may also sublease portions of our offices, resulting in sublease income. Sublease income and the related assets and cash flows are not material to our condensed consolidated financial statements as of and for the three months ended March 31, 2021.

Future lease payments as of March 31, 2021 were as follows:

| | Operating Leases (dollars in millions) |
|------------------------------------|---|
| Remainder of 2021 | \$ 2.9 |
| 2022 | 4.3 |
| 2023 | 4.4 |
| 2024 | 4.3 |
| 2025 | 1.5 |
| 2026 and thereafter | 3.1 |
| Total future lease payments | 20.5 |
| Less: imputed interest | (4.7) |
| Total lease liabilities | \$ 15.8 |

As previously disclosed in our 2020 Annual Report on Form 10-K under the prior lease accounting guidance, the following table summarizes, by remaining maturity, future commitments related to operating leases and other arrangements as of December 31, 2020:

| | Operating Leases (dollars in millions) |
|---------------------|---|
| 2021 | \$ 3.9 |
| 2022 | 4.4 |
| 2023 | 4.4 |
| 2024 | 4.3 |
| 2025 | 1.5 |
| 2026 and thereafter | 3.1 |
| Total | \$ 21.6 |

7. LONG-TERM DEBT

Term Loan A is a term loan we have outstanding with a group of syndicated financial institutions which matures on October 15, 2021. Interest is paid monthly and is determined on a floating interest rate calculated on the 1-month LIBOR plus an applicable margin of 4%. As a part of the amended Term Loan A, the syndicate committed, pro rata, to a new \$100 million revolving loan. Commitment fees accrue at 0.50% per annum on the daily amount of unused revolver and is paid quarterly. For any amounts drawn on the revolving loan, interest accrues and is paid consistent with Term Loan A. In addition, there is a letter of credit fee of 4% per annum on the average daily amount of issued letters of credit against the revolver and a 0.125% per annum fronting fee based on the average daily amount of letter of credit exposure. We have no letters of credit outstanding or amounts drawn against the revolving loan as of March 31, 2021.

Term Loan B is a note we issued to a private equity investor that matures on November 25, 2024. Interest is determined on a floating interest rate calculated on the 3-month LIBOR plus an applicable margin of 10.5%. We currently pay interest pursuant to the terms of the loan agreements and have the option to pay-in-kind, or PIK, on Term Loan B until October 15, 2021. PIK interest is added to the principal balance every 3 months until we no longer PIK interest, at which point interest is paid quarterly. We have elected to PIK interest on Term Loan B from the original date of closing through March 31, 2021. Deferred PIK interest was \$2.4 million and \$2.2 million for the three months ended March 31, 2021 and 2020, respectively. Deferred PIK interest is recognized as interest expense on the condensed consolidated statements of operations and comprehensive loss.

The following summarizes the carrying value of long-term debt as of March 31, 2021 and December 31, 2020:

| | March 31, 2021 | December 31, 2020 |
|--|-----------------------|-------------------|
| | (dollars in millions) | |
| Term Loan A | \$ 99.3 | \$ 99.5 |
| Term Loan B | 100.0 | 100.0 |
| Total | 199.3 | 199.5 |
| Accrued interest payable | 12.7 | 10.2 |
| Unamortized discount and debt issuance costs | (19.8) | (21.5) |
| Total | \$ 192.2 | \$ 188.2 |

8. INCOME TAXES

The consolidated effective tax rate was 0.0% for both of the three months ended March 31, 2021 and 2020. The difference between these rates and the U.S. federal income tax rate of 21% was primarily due to a full valuation allowance on our U.S. deferred tax assets.

As of March 31, 2021 and December 31, 2020, we did not have any unrecognized tax benefits for uncertain tax positions and had no interest or penalties related to uncertain tax positions.

9. SHARE-BASED COMPENSATION

We maintain an equity incentive plan, the 2020 Equity Incentive Plan, or the 2020 Plan, for the issuance and grant of equity awards (restricted stock, restricted stock units, or RSUs, and incentive and nonqualified stock options) to our officers, directors, employees and certain advisors. As of March 31, 2021, we had 30.0 million common shares authorized and available for issuance under the 2020 Plan.

The following table displays share-based compensation expense recorded in the condensed consolidated statements of operations and comprehensive loss:

| | Three Months Ended March 31, | |
|--|------------------------------|----------------|
| | 2021 | 2020 |
| | (dollars in millions) | |
| Share-based compensation expense: | | |
| Loss and loss adjustment expenses | \$ 0.1 | \$ 0.4 |
| Sales and marketing | — | 1.0 |
| Other insurance expense | 0.1 | 0.9 |
| Technology and development | 0.3 | 5.2 |
| General and administrative | 1.8 | 18.2 |
| Total share-based compensation expense | <u>\$ 2.3</u> | <u>\$ 25.7</u> |

The following table provides total share-based compensation expense by type of award:

| | Three Months Ended March 31, | |
|--|------------------------------|----------------|
| | 2021 | 2020 |
| | (dollars in millions) | |
| Share-based compensation expense: | | |
| Restricted stock unit expense | \$ 0.6 | \$ — |
| Stock option expense | 1.7 | 25.7 |
| Total share-based compensation expense | <u>\$ 2.3</u> | <u>\$ 25.7</u> |

In March 2020, a current investor completed a tender offer for common stock from vested shareholders, many of whom were employees or members of the Board of Directors. To encourage participation, the tender offer was made at a price in excess of the fair value of our common stock. As a result, we recognized \$25.1 million of share-based compensation expense during the three months ended March 31, 2020.

As of March 31, 2021, there was \$7.6 million and \$8.6 million of unrecognized compensation cost related to unvested stocks options and restricted stock units, respectively. The remaining costs are expected to be recognized over a period of six and four years, respectively.

Restricted Stock Units

A summary of RSU activity for the three months ended March 31, 2021 is as follows:

| Restricted Stock Units | March 31, 2021 | | |
|--------------------------------|---|--|---------------------------|
| | Number of Shares | Weighted-Average Grant Date Fair Value per Share | Aggregate Intrinsic Value |
| | (in millions, except exercise price and term amounts) | | |
| Nonvested at January 1, 2021 | 0.4 | \$ 18.41 | \$ 6.2 |
| Granted | 0.1 | 16.02 | |
| Vested | — | 17.27 | 0.3 |
| Forfeited, expired or canceled | — | 21.49 | |
| Nonvested at March 31, 2021 | <u>0.5</u> | <u>\$ 17.75</u> | <u>\$ 6.7</u> |

Stock Options

A summary of option activity for the three months ended March 31, 2021 is as follows:

| Options | March 31, 2021 | | | |
|--|------------------|---------------------------------|--|---------------------------|
| | Number of Shares | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term (in Years) | Aggregate Intrinsic Value |
| Outstanding and exercisable at January 1, 2021 | 10.4 | \$ 2.39 | 7.75 | \$ 137.7 |
| Granted | — | — | — | — |
| Exercised | (1.2) | 2.00 | — | 12.1 |
| Forfeited, expired or canceled | (0.7) | 4.80 | — | — |
| Outstanding and exercisable at March 31, 2021 | <u>8.5</u> | <u>\$ 2.24</u> | <u>7.17</u> | <u>\$ 88.5</u> |

10. COMMITMENTS AND CONTINGENCIES

From time to time, we are party to litigation and legal proceedings relating to our business operations. Except as disclosed below, we do not believe that we are party to any current or pending legal action that could reasonably be expected to have a material adverse effect on our financial condition or results of operations and cash flow.

On March 19, 2021, a purported class action complaint was filed against the Company and certain of its current officers and directors in the U.S. District Court for the Southern District of Ohio (Case No. 2:21-cv-01197) on behalf of certain Root shareholders. The complaint alleges that defendants made false or misleading statements and omissions of purportedly material fact, in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and of Sections 11 and 15 of the Securities Act, in connection with and following the Company's IPO. The complaint seeks unspecified damages. The Company believes that the claims in this lawsuit are without merit and intends to defend against them vigorously. The lawsuit is in the early stages and, at this time, we are unable to predict the outcome and we cannot estimate the likelihood or magnitude of our possible or potential loss contingency.

On March 25, 2021, a purported class action complaint was filed against the Company, certain of its current officers and directors, Goldman Sachs & Co. LLC, Morgan Stanley & Co. LLC, Barclays Capital Inc. and Wells Fargo Securities, LLC, in the U.S. District Court for the Southern District of Ohio (Case No. 2:21-cv-01301) on behalf of certain Root shareholders. The complaint alleges that defendants made false or misleading statements and omissions of purportedly material fact, in violation of Sections 11 and 15 of the Securities Act, in connection with the Company's IPO. The complaint seeks unspecified damages. The Company believes that the claims in this lawsuit are without merit and intends to defend against them vigorously. The lawsuit is in the early stages and, at this time, we are unable to predict the outcome and we cannot estimate the likelihood or magnitude of our possible or potential loss contingency.

We are contingently liable for possible future assessments under regulatory requirements for insolvencies and impairments of unaffiliated insurance companies.

11. OTHER COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table presents the changes in our accumulated other comprehensive income (loss), or AOCI, for the three months ended March 31, 2021 and 2020:

| | Three Months Ended March 31, | |
|--|------------------------------|-----------------|
| | 2021 | 2020 |
| (dollars in millions) | | |
| Change in net unrealized losses on investments: | | |
| Accumulated other comprehensive income beginning balance | \$ 5.6 | \$ 0.6 |
| Other comprehensive loss before reclassifications | (1.1) | (1.8) |
| Net realized gains on investments reclassified from AOCI to net loss | (2.4) | — |
| Net current period other comprehensive loss | (3.5) | (1.8) |
| Accumulated other comprehensive income (loss) ending balance | \$ 2.1 | \$ (1.2) |

12. LOSS PER SHARE

The following table displays the computation of basic and diluted loss per share of common stock for the three months ended March 31, 2021 and 2020:

| | Three Months Ended March 31, | |
|---|------------------------------|------------|
| | 2021 | 2020 |
| (in millions, except per share amounts) | | |
| Net loss | \$ (99.6) | \$ (105.6) |
| Weighted-average common shares outstanding: basic and diluted | 247.1 | 39.3 |
| Loss per common share: basic and diluted | \$ (0.40) | \$ (2.69) |

We excluded the following potential common shares, presented based on amounts outstanding at each period end, from the computation of diluted net loss per share attributable to common shareholders for the periods indicated because including them would have had an anti-dilutive effect:

| | As of March 31, | |
|--|-----------------|--------------|
| | 2021 | 2020 |
| (in millions) | | |
| Options to purchase common stock | 8.5 | 12.4 |
| Nonvested shares subject to repurchase | 4.6 | 6.6 |
| Restricted stock units | 0.5 | 0.1 |
| Redeemable convertible preferred stock (as converted to common stock) | — | 161.8 |
| Warrants to purchase redeemable convertible preferred stock (as converted to common stock) | — | 0.6 |
| Total | 13.6 | 181.5 |

13. GEOGRAPHICAL BREAKDOWN OF DIRECT WRITTEN PREMIUM

Direct written premium, or DWP, by state is as follows for the three months ended March 31, 2021 and 2020:

| State | Three Months Ended March 31, | | | |
|-------------------|------------------------------|----------------|-----------------|----------------|
| | 2021 | | 2020 | |
| | Amount | % of DWP | Amount | % of DWP |
| | (dollars in millions) | | | |
| Texas | \$ 43.0 | 21.2 % | \$ 34.3 | 20.9 % |
| Georgia | 19.0 | 9.4 | 18.2 | 11.1 |
| Pennsylvania | 10.4 | 5.1 | 8.5 | 5.2 |
| Louisiana | 10.3 | 5.1 | 6.8 | 4.1 |
| Colorado | 8.9 | 4.4 | 4.0 | 2.4 |
| Utah | 8.6 | 4.2 | 6.0 | 3.7 |
| Nevada | 8.3 | 4.1 | 3.4 | 2.1 |
| Missouri | 7.9 | 3.9 | 7.5 | 4.6 |
| Kentucky | 7.5 | 3.7 | 11.5 | 7.0 |
| Arizona | 7.3 | 3.6 | 8.5 | 5.2 |
| All others states | 71.3 | 35.3 | 55.5 | 33.7 |
| Total | \$ 202.5 | 100.0 % | \$ 164.2 | 100.0 % |

Item 2. Management's Discussion And Analysis Of Financial Condition And Results Of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our audited consolidated financial statements and the related notes and the discussion under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" for the fiscal year ended December 31, 2020 included in the Annual Report on Form 10-K filed with the SEC on March 4, 2021, or the 2020 10-K. This discussion, particularly information with respect to our future results of operations or financial condition, business strategy and plans and objectives of management for future operations, includes forward-looking statements that involve risks and uncertainties as described under the heading "Special Note Regarding Forward-Looking Statements" in this Quarterly Report on Form 10-Q. You should review the disclosure under the heading "Risk Factors" in this Quarterly Report on Form 10-Q and in the 2020 10-K for a discussion of important factors that could cause our actual results to differ materially from those anticipated in these forward-looking statements.

Our Business

Root is a technology company revolutionizing personal insurance with a pricing model based upon fairness and a modern customer experience. We operate a direct-to-consumer model in which we acquire the majority of our customers through mobile applications.

We believe the \$260 billion U.S. auto insurance market is ripe for disruption. Auto insurance is required for the vast majority of drivers in the United States and we believe it is typically the first insurance policy purchased by consumers. As a result, our auto-first strategy establishes the foundation for an expansive lifetime relationship with the opportunity to add other personal insurance lines as customer needs evolve. As part of our strategy, we have also established the technological foundation for an enterprise software offering, diversifying our revenue streams over time.

The Root advantage is derived from our unique ability to segment individual risk based on complex behavioral data and proprietary telematics, a customer experience built for ease of use and a product offering made possible with our full-stack insurance structure, all uniquely integrated into a single cloud-based technology platform that captures the entire insurance value chain – from customer acquisition to underwriting to claims and administration to ongoing customer engagement.

Our model benefits from portfolio maturity. As we scale the business rapidly our results are disproportionately weighted towards new customers compared to traditional insurance carriers. As we build an underlying base of recurring customers, we expect the following financial impacts:

- **Improve loss ratio.** Renewal premiums, referring to premiums from a customer's second term and beyond, have lower loss ratios as compared to new premiums in the customer's first term. As we grow our business, we anticipate, consistent with industry norms, that a greater proportion of our premiums will be from customer renewals driving down the total loss ratio across our portfolio.
- **Increase revenue per customer.** Our product expansion provides an opportunity to generate additional premium and fee income per customer without material incremental marketing cost.
- **Reduce marketing as a percentage of premium.** Recurring customer premiums have no associated customer acquisition costs and minimal underwriting costs, driving profitability. As we grow our business, we anticipate, consistent with industry norms, that a greater proportion of our premiums will be from customer renewals without associated marketing costs.
- **Improve retention.** As a young insurance carrier weighted towards new customers, we naturally have a higher percentage of more frequent shoppers. As our business tenures and our flywheel spins allowing us to increase our pricing advantage, we will have the opportunity to acquire more long-standing customers and retain those that might naturally shop frequently. In addition to our pricing advantage, our expanding relationships with customers through product bundling has also demonstrated improvement in retention.

We use technology to drive efficiency across all functions, including distribution, underwriting, policy administration and claims in particular. This allows us to operate with a cost to acquire and cost to serve advantage. We efficiently acquire customers directly through multiple channels, including digital (performance), strategic partnerships, channel media and referrals, and as a result our marketing costs are well below industry averages. Today, we acquire more than 75% of our customers through our mobile app and mobile website. Additionally, we are realizing operating efficiencies as we scale against our fixed expense base. Our claims management expenses, as represented by our LAE are in line with peers within only three years of bringing claims management in-house and will improve as we further embed machine learning into our processes.

We also use our proprietary technology to measure long-term benefits to our business. When a state reaches certain maturation thresholds, we refer to it as a seasoned state. A seasoned state is defined as a state where (1) the regulator has approved our data science-driven telematics and pricing models and (2) we have been writing policies in the state for a minimum of one year with a minimum of two pricing filings.

As a rapidly growing full-stack insurance company, we currently employ a “capital light” model, which utilizes a variety of reinsurance structures at elevated levels of reinsurance. These reinsurance structures deliver three core objectives (1) top-line growth without a commensurate increase in regulatory capital requirements, (2) support of customer acquisition costs and (3) protection from outsized losses or tail events. We expect to maintain an elevated level of third-party quota share reinsurance while rapidly growing our business in order to operate a capital light business model. As our business scales, we expect to have the flexibility to reduce our quota share levels to maximize the return to shareholders.

Given the significant impact of reinsurance on our results of operations, we use certain direct basis key performance indicators to manage and measure our business operations and enhance investor understanding of our business model prior to reinsurance. We believe our long-term success will be determined by the progression of our direct metrics. Results of operations on a direct basis alone are not achievable under our regulatory landscape given our top-line growth and resulting capital requirements, which are relieved, in part, by obtaining reinsurance. The direct basis metrics include direct written premium, direct earned premium, direct contribution, ratio of direct contribution to total revenue, ratio of direct contribution to direct earned premium, direct loss ratio, direct LAE ratio and direct accident period loss ratio. For additional information, including definitions of these metrics, see “— Key Performance Indicators” and for reconciliation of direct contribution to the nearest GAAP metric, see “— Non-GAAP Financial Measures.”

Recent Developments Affecting Comparability

COVID-19 Impact

In March 2020, the World Health Organization declared COVID-19 to be a global pandemic. The pandemic and related measures taken to contain the spread of COVID-19, such as government-mandated business closures, orders to “shelter in place,” or SIPs, and travel and transportation restrictions, have negatively affected the U.S. and global economies, disrupted global supply chains, and led to unprecedented levels of unemployment. We, and other businesses within the insurance industry, have been impacted by certain individual state bulletins that were issued in 2020 and outlined COVID-19 premium relief efforts, including restrictions on the ability to cancel policies for non-payment, requirements to defer insurance premium payments for up to 60 days and restrictions on increasing policy premiums. The COVID-19 pandemic has impacted and may further impact the broader economic environment, including negatively impacting unemployment levels, economic growth, the proper functioning of financial and capital markets and interest rates.

As a result of the SIPs that started to occur toward the end of March 2020, our customers drove less and we had a resulting decline in loss coverages during the first quarter of 2020. We have seen miles driven roughly return to pre-COVID levels during the quarter, although claims frequency has not yet rebounded to historic norms. This primarily impacted our Loss and Loss Adjustment Expenses. As the COVID-19 pandemic continues to develop, there is uncertainty around the severity and duration of the pandemic and the pandemic’s potential impact on our business and our financial performance. See the section titled “Risk Factors” in the 2020 Annual Report on Form 10-K for more details.

Comprehensive Reinsurance

We expect to continue to utilize reinsurance in the future, and our diversified approach to reinsurance allows us to be flexible in response to changes in market conditions or our own business changes, which allows us to strategically fuel growth and technology investment by optimizing the amount of capital required.

Components of Our Results of Operations

Revenue

We generate revenue primarily from the sale of auto insurance policies within the United States and to a lesser extent from the sale of renters insurance policies. We have agency operations that generate commission revenue by selling homeowners insurance policies on behalf of a third-party insurance company. We also generate revenue through fee income from our customers paying on installment and from net investment income earned on our investment portfolio.

Net Premiums Earned

Premiums written are deferred and earned pro rata over the policy period. Net premiums earned represents the earned portion of our gross written premium, less the earned portion that is ceded to third-party reinsurers under our reinsurance agreements.

Net Investment Income

Net investment income represents interest earned from our fixed maturity and short-term investments and cash and cash equivalents less investment expenses. Net investment income is directly correlated with the overall size of our investment portfolio and with the market level of interest rates. Net investment income will vary with both the size of our investment portfolio and the investment strategy.

Net Realized Gains on Investments

Net realized gains on investments represents the net positive difference between the amount received by us on the sale of an investment as compared to the investment's cost-basis.

Fee and Other Income

For those policyholders who pay premiums on an installment basis, we charge a flat fee for each installment related to the additional administrative costs associated with processing more frequent billing. Other income primarily comprises commissions earned for homeowners policies placed with third-party insurance companies where we have no exposure to the insured risk, recognized on the effective date of the associated policy, and sale of enterprise technology products to provide telematics-based data collection and trip tracking, recognized ratably as the service is performed.

Operating Expenses

Our operating expenses consist of loss and loss adjustment expenses, sales and marketing, other insurance expense, technology and development, and general and administrative expenses.

Loss and Loss Adjustment Expenses

Loss and LAE include an amount determined using adjuster determined case-base estimates for reported claims and actuarial determined unpaid claim estimates using past experience and historical emergence patterns for unreported losses and loss adjustment expenses. These reserves are a liability established to cover the estimated ultimate cost to settle insured losses. The unpaid loss estimates consider loss trends, mix of business, and other risk factors impacting claims settlement. The method used to estimate unpaid LAE liability is based on claims transaction data, including the relative cost of adjusting and settling a range of claim types from express material damage claims to more complex injury cases.

Loss and LAE is net of amounts ceded to reinsurers. We enter into reinsurance contracts to limit our exposure to potential losses as well as to provide additional capacity for growth. These expenses are a function of the size and term of the insurance policies we write and the loss experience associated with the underlying risks. Loss and LAE may be paid out over a period of years.

Various other expenses incurred during claims processing are allocated to Loss and LAE. These amounts include claims salaries, health benefits, bonuses, employee retirement plan related expenses and share-based compensation expense, or Personnel Costs; software expense; internally developed software amortization; and overhead allocated based on headcount, or Overhead.

Sales and Marketing

Sales and marketing expense includes spend related to performance and partnership channels, channel media, advertising, branding, public relations, consumer insights and referral fees. These expenses also include related Personnel Costs and Overhead. We incur sales and marketing activities for all product offerings. Sales and marketing are expensed as incurred.

We plan to continue investing in marketing to attract and acquire new customers, increase our brand awareness, and expand our product offerings. We expect that sales and marketing will increase in absolute dollars in future periods and vary from period-to-period as a percentage of revenue in the near-term. We expect that, in the long-term, our sales and marketing will decrease as a percentage of revenue as the proportion of renewals to our total business increases.

Other Insurance Expense

Other insurance expense includes underwriting expenses, credit card and policy processing expenses, premium write-offs, insurance license expenses, and Personnel Costs and Overhead related to actuarial and certain data science activities. Other insurance expense also includes amortization of deferred acquisition costs like premium taxes and report costs related to the successful acquisition of a policy. Other insurance expense is expensed as incurred, except for costs related to deferred acquisition costs that are capitalized and subsequently amortized over the same period in which the related premiums are earned. These expenses are also recognized net of ceding commissions earned.

Technology and Development

Technology and development expense consists of software development costs related to our mobile app and homegrown information technology systems; third-party services related to infrastructure support; Personnel Costs and Overhead for engineering, product, technology, and certain data science activities; and amortization of internally developed software. Technology and development is expensed as incurred, except for development and testing costs related to internally developed software that are capitalized and subsequently amortized over the expected useful life.

We expect technology and development to increase in absolute dollars and as a percentage of total revenue as we continue to devote significant resources to enhance our customer experience and continually improve our integrated technology platform. Over time, we expect technology and development to decrease as a percentage of revenue.

General and Administrative

General and administrative expenses primarily relate to external professional service expenses; Personnel Costs and Overhead for corporate functions; and depreciation expense for computers, furniture and other fixed assets. General and administrative expenses are expensed as incurred.

We expect general and administrative expenses to continue to increase in the near term, both in absolute dollars and as a percentage of total revenue, and then decrease as a percentage of revenue over time.

Interest Expense

Interest expense is not an operating expense; therefore, we include these expenses below operating expenses. Interest expense primarily relates to interest incurred on our long term debt; certain fees that are expensed as incurred; and the amortization of debt issuance costs, and the issuance of warrants. In addition, changes in the fair value of warrant liabilities that are associated with our long term debt are recorded as interest expense.

Key Performance Indicators

We regularly review a number of metrics, including the following key performance indicators, to evaluate our business, measure our performance, identify trends in our business, prepare financial projections and make strategic decisions. We believe these non-GAAP and operational measures are useful in evaluating our performance, in addition to our financial results prepared in accordance with GAAP. See the section titled “— Non-GAAP Financial Measure” for additional information regarding our use of adjusted gross profit/(loss) and direct contribution and their reconciliation to the most comparable GAAP measures.

| | Three Months Ended March 31, | |
|--|---|-----------|
| | 2021 | 2020 |
| | (dollars in millions, except Premiums per Policy) | |
| Policies in Force | | |
| Auto | 360,290 | 334,209 |
| Renters | 8,835 | 3,163 |
| Premiums per Policy | | |
| Auto | \$ 958 | \$ 889 |
| Renters | \$ 140 | \$ 133 |
| Premiums in Force | | |
| Auto | \$ 690.3 | \$ 594.2 |
| Renters | \$ 1.2 | \$ 0.4 |
| Direct Written Premium | \$ 202.5 | \$ 164.2 |
| Direct Earned Premium | \$ 160.2 | \$ 143.9 |
| Gross Profit/(Loss) | \$ 6.3 | \$ (17.2) |
| Gross Margin | 9.2 % | (13.9)% |
| Adjusted Gross Profit/(Loss) | \$ 17.0 | \$ (8.7) |
| Direct Contribution | \$ 26.6 | \$ (11.0) |
| Ratio of Adjusted Gross Profit/(Loss) to Total Revenue | 24.8 % | (7.0)% |
| Ratio of Adjusted Gross Profit/(Loss) to Direct Earned Premium | 10.6 % | (6.0)% |
| Ratio of Direct Contribution to Total Revenue | 38.8 % | (8.9)% |
| Ratio of Direct Contribution to Direct Earned Premium | 16.6 % | (7.6)% |
| Direct Loss Ratio | 70.9 % | 92.8 % |
| Direct LAE Ratio | 9.8 % | 10.8 % |
| Direct Accident Period Loss Ratio | 77.0 % | 80.1 % |

Policies in Force

We define policies in force as the number of current and active policyholders underwritten by us as of the period end date. We view policies in force as an important metric to assess our financial performance because policy growth drives our revenue growth, expands brand awareness, deepens our market penetration, and generates additional data to continue to improve the functioning of our platform.

Premiums per Policy

We define premiums per policy as the ratio of direct written premium on policies in force divided by policies in force. We view premiums per policy as an important metric since the higher the premiums per policy the greater the amount of earned premium we expect from each policy.

Premiums in Force

We define premiums in force for our auto policies as premiums per policy multiplied by policies in force multiplied by two. We view premiums in force as an estimate of annualized run rate of direct written premium as of a given period. Since our auto policies are six month policies, we multiply this figure by two in order to determine an annualized amount of premiums in force. We define premiums in force for our renters policies as premiums per policy multiplied by policies in force. We view this as an important metric because it is an indicator of the size of our portfolio of policies as well as an indicator of expected earned premium over the coming 12 months. Premiums in force is not a forecast of future revenue nor is it a reliable indicator of revenue expected to be earned in any given period. We believe that our calculation of premiums in force is useful to investors and analysts because it captures the impact of growth in customers and premiums per policy at the end of each reported period, without adjusting for known or projected policy updates, cancellations and non-renewals.

Direct Written Premium

We define direct written premium, as the total amount of direct premium on policies that were bound during the period. We view direct written premium as an important metric because it is the metric that most closely correlates with our growth in direct earned premium. We use direct written premium, which excludes the impact of premiums ceded to reinsurers, to manage our business because we believe that it reflects the business volume and direct economic benefit generated by our customer acquisition activities, which along with our underlying underwriting and claims operations (direct loss ratio and direct LAE) are the key drivers of our future profit opportunities. Additionally, premiums ceded to reinsurers can change significantly based on the type and mix of reinsurance structures we use, and as such we have the optionality to fully retain the premiums from customers acquired in the future.

Direct Earned Premium

We define direct earned premium as the amount of direct premium that was earned during the period. Premiums are earned over the period in which insurance protection is provided, which is typically six months. We view direct earned premium as an important metric as it allows us to evaluate our growth prior to the impacts of reinsurance. It is the primary driver of our consolidated GAAP revenues. As with direct written premium, we use direct earned premium, which excludes the impact of premiums ceded to reinsurers to manage our business, because we believe that it reflects the business volume and direct economic benefit generated by our customer acquisition activities, which along with our underlying underwriting and claims operations (direct loss ratio and direct LAE) are the key drivers of our future profit opportunities.

Gross Profit/(Loss)

We define gross profit/(loss) as total revenue minus net loss and LAE expense and other insurance expense inclusive of depreciation and amortization. We view gross profit/(loss) as an important metric because we believe it is informative of the financial performance of our core insurance business.

Gross profit/(loss) margin is equal to gross profit/(loss) divided by revenue.

Adjusted Gross Profit/(Loss)

We define adjusted gross profit/(loss), a non-GAAP financial measure, as gross profit/(loss) excluding net investment income, net realized gains (losses) on investments, report costs, Personnel Costs, allocated Overhead, licenses, professional fees and other expenses, which are included in other insurance (benefit) expense. After these adjustments, the resulting calculation is inclusive of only those variable costs of revenue incurred on the successful

acquisition of business. We view adjusted gross profit/(loss) as an important metric because we believe it measures our progress towards profitability for our core insurance business.

The ratio of adjusted gross profit/(loss) to total revenue is equal to adjusted gross profit/(loss) divided by total revenue.

See the section titled “— Non-GAAP Financial Measures” for a reconciliation of total revenue to adjusted gross profit/(loss).

Direct Contribution

We define direct contribution, a non-GAAP financial measure, as adjusted gross profit/(loss) excluding ceded earned premium, ceded loss and LAE, and net ceding commission and other. Net ceding commission and other is comprised of ceding commission received in connection with reinsurance ceded, partially offset by sliding scale commission adjustments and amortization of excess ceding commission, and other impacts of reinsurance which are included in other insurance (benefit) expense. After these adjustments, the resulting calculation is inclusive of only those direct variable costs of revenue incurred on the successful acquisition of business, but exclusive of net ceding commission, ceded loss and LAE and other impacts of reinsurance. We view direct contribution as an important metric because we believe it measures progress towards the profitability of our total policy portfolio prior to the impact of reinsurance.

The ratio of direct contribution to total revenue is equal to direct contribution divided by total revenue.

See the section titled “— Non-GAAP Financial Measures” for a reconciliation of total revenue to direct contribution.

Ratio of Adjusted Gross Profit/(Loss) to Direct Earned Premium

The ratio of adjusted gross profit/(loss) to direct earned premium measures the relationship between the underlying business volume and gross economic benefit generated by our underwriting operations, on the one hand, and our underlying profitability trends, on the other. We rely on this measure, which supplements our gross profit/(loss) ratio as calculated in accordance with GAAP, because it provides management with insight into our underlying profitability trends with respect to our customer base. We use direct earned premium as the denominator in calculating this ratio because it reflects business volume free of elective capital efficiency choices related to our reinsurance programs.

| | Three Months Ended March 31, | |
|--|-------------------------------------|-------------|
| | 2021 | 2020 |
| | (dollars in millions) | |
| Numerator: Adjusted Gross Profit/(Loss) | \$ 17.0 | \$ (8.7) |
| Denominator: Total Direct Earned Premium | 160.2 | 143.9 |
| Ratio of Adjusted Gross Profit/(Loss) to Direct Earned Premium | 10.6 % | (6.0)% |

Ratio of Direct Contribution to Direct Earned Premium

The ratio of direct contribution to direct earned premium measures the relationship between the underlying business volume and gross economic benefit generated by our underwriting operations, on the one hand, and our underlying profitability trends, on the other, without contemplating the impacts of reinsurance. We rely on this measure, which supplements our gross margin as calculated in accordance with GAAP, because it provides management with insight into our underlying profitability trends with respect to our total policy portfolio. We use

direct earned premium as the denominator in calculating this ratio because it reflects business volume free of elective capital efficiency cession or commission structures choices from our reinsurance programs.

| | Three Months Ended March 31, | |
|--|------------------------------|-----------|
| | 2021 | 2020 |
| | (dollars in millions) | |
| Numerator: Direct Contribution | \$ 26.6 | \$ (11.0) |
| Denominator: Total Direct Earned Premium | 160.2 | 143.9 |
| Ratio of Adjusted Gross Profit/(Loss) to Direct Earned Premium | 16.6 % | (7.6)% |

Direct Loss Ratio

We define direct loss ratio expressed as a percentage, as the ratio of direct losses to direct earned premium. Direct loss ratio excludes LAE. We view direct loss ratio as an important metric because it allows us to evaluate incurred losses and LAE separately prior to the impact of reinsurance.

Direct LAE Ratio

We define direct LAE ratio expressed as a percentage, as the ratio of direct LAE to direct earned premium. We view direct LAE ratio as an important metric because it allows us to evaluate incurred losses and LAE separately. Currently, we do not cede any of our LAE to third-party reinsurers; therefore, we actively monitor LAE ratio as it has a direct impact on our results regardless of our reinsurance strategy.

Direct Accident Period Loss Ratio

Direct accident period loss ratio, expressed as a percentage, represents all losses and claims expected to arise from insured events that occurred during the applicable period regardless of when they are reported and finally settled divided by direct earned premiums for the same period. Changes to our loss reserves are the primary driver of the difference between our direct accident period loss ratio and direct loss ratio. We believe that direct accident period loss ratio is useful in evaluating expected losses prior to the impact of reinsurance.

Results of Operations

Comparison of the Three Months Ended March 31, 2021 and 2020

The following table presents our results of operations for the periods indicated:

| | Three Months Ended March 31, | | | |
|---|------------------------------|--------------|---------------|----------------|
| | 2021 | 2020 | \$ Change | % Change |
| | (dollars in millions) | | | |
| Net premiums earned | \$ 59.1 | \$ 117.8 | \$ (58.7) | (49.8)% |
| Net investment income | 0.9 | 1.9 | (1.0) | (52.6)% |
| Net realized gains on investments | 2.4 | — | 2.4 | N.M. |
| Fee and other income | 6.2 | 4.3 | 1.9 | 44.2 % |
| Total revenue | 68.6 | 124.0 | (55.4) | (44.7)% |
| Operating expenses: | | | | |
| Loss and loss adjustment expenses | 59.9 | 129.9 | (70.0) | (53.9)% |
| Sales and marketing | 68.4 | 35.8 | 32.6 | 91.1 % |
| Other insurance expense | 2.4 | 11.3 | (8.9) | (78.8)% |
| Technology and development | 13.8 | 16.0 | (2.2) | (13.8)% |
| General and administrative | 18.4 | 30.9 | (12.5) | (40.5)% |
| Total operating expenses | 162.9 | 223.9 | (61.0) | (27.2)% |
| Operating loss | (94.3) | (99.9) | 5.6 | N.M. |
| Interest expense | (5.3) | (5.7) | 0.4 | (7.0)% |
| Loss before income tax expense | (99.6) | (105.6) | 6.0 | N.M. |
| Income tax expense | — | — | — | — % |
| Net loss | (99.6) | (105.6) | 6.0 | N.M. |
| Other comprehensive loss: | | | | |
| Changes in unrealized losses on investments | (3.5) | (1.8) | (1.7) | 94.4 % |
| Comprehensive loss | \$ (103.1) | \$ (107.4) | \$ 4.3 | N.M. |

N.M. - Percentage change not meaningful

Revenue

Net Premiums Earned

Net premiums earned decreased \$58.7 million, or 49.8%, to \$59.1 million for the three months ended March 31, 2021, compared to the same period ended in 2020. The decrease was primarily due to greater cessions of direct earned premium as a result of a change in reinsurance structure partially offset by growth in direct earned premium between the periods.

During the three months ended March 31, 2021 and 2020, we ceded approximately 63.1% and 18.1% of our direct earned premiums to third-party reinsurers, respectively. The change in ceding percentage between the periods was driven by our evolving approach to our reinsurance structure, in an effort to produce a capital efficient model with reinsurance terms available to us in the market.

The following table presents direct written premium, ceded written premium, net written premium, direct earned premium, ceded earned premium and net earned premium for the three months ended March 31, 2021 and 2020:

| | Three Months Ended March 31, | | | |
|------------------------|------------------------------|----------|-----------|----------|
| | 2021 | 2020 | \$ Change | % Change |
| | (dollars in millions) | | | |
| Direct written premium | \$ 202.5 | \$ 164.2 | \$ 38.3 | 23.3 % |
| Ceded written premium | (89.6) | (47.9) | (41.7) | 87.1 % |
| Net written premium | 112.9 | 116.3 | (3.4) | (2.9)% |
| Direct earned premium | 160.2 | 143.9 | 16.3 | 11.3 % |
| Ceded earned premium | (101.1) | (26.1) | (75.0) | 287.4 % |
| Net earned premium | \$ 59.1 | \$ 117.8 | \$ (58.7) | (49.8)% |

Direct earned premium growth was primarily due to a 23.3% increase in direct written premium from deeper market penetration across our U.S. state footprint. We also saw a 7.8% increase in Premium per Policy for automobile insurance primarily resulting from pricing increases in several U.S. states between the periods.

Fee and Other Income

Fee income increased \$1.9 million, or 44.2%, to \$6.2 million for the three months ended March 31, 2021 compared to the same period ended in 2020. The increase was primarily due to increased customer volumes and an increase in customers paying in installments.

Operating Expenses

Loss and Loss Adjustment Expenses

Loss and LAE decreased \$70.0 million, or 53.9%, to \$59.9 million for the three months ended March 31, 2021 compared to the same period ended in 2020. The decrease was primarily due to greater cession of incurred losses as a result of a change in reinsurance structure for the three months ended March 31, 2021, compared to the prior year, which more than offset the higher claims volume and reserves related to the growth in policies in force during the first quarter of 2021.

Direct accident period loss ratios decreased to 77.0% from 80.1% for the three months ended March 31, 2021 and 2020, respectively. This change corresponds with the decline in our direct loss ratio to 70.9% from 92.8%, for the three months ended March 31, 2021 and 2020, respectively. The changes in these ratios was driven by growth in average premium per policy and a greater proportion of premium from seasoned states for the three months ended March 31, 2021, compared to the same period in 2020. This was partially offset by decreased driving related to the COVID-19 pandemic for the three months ended March 31, 2020 and greater loss costs for the three months ended March 31, 2021 compared to same period in 2020.

In addition, loss and LAE for the three months ended March 31, 2021 includes a decrease in incurred losses and LAE attributable to prior accident periods of \$9.9 million. This decrease relates to lower-than-expected reported losses on bodily injury and uninsured motorist claims bodily injury claims from 2020. In addition, recoveries from subrogation and salvage were higher than expected.

Sales and Marketing

Sales and marketing expense increased \$32.6 million, or 91.1%, to \$68.4 million for the three months ended March 31, 2021 compared to the same period ended in 2020. The increase was primarily due to increased investment in performance marketing of \$17.3 million and greater brand awareness spend of \$10.1 million. These investments have driven profile creation and policy conversion.

Other Insurance Expense

Other insurance expense decreased \$8.9 million, or 78.8%, to \$2.4 million for the three months ended March 31, 2021 compared to the same period ended in 2020. The decrease was primarily driven by greater ceding commission contra-expense due to reinsurance structure changes of \$10.3 million, and lower share-based compensation expense of \$0.8 million from the secondary tender offer completed during the first quarter of 2020. These were partially offset by greater underwriting costs of \$2.1 million due to growth in the core insurance business for the three months ended March 31, 2021 compared to the three months ended March 31, 2020.

Technology and Development

Technology and development expense decreased \$2.2 million, or 13.8%, to \$13.8 million for the three months ended March 31, 2021 compared to the same period ended in 2020. The decrease was primarily driven by lower share-based compensation expense of \$4.9 million related to the secondary tender offer completed during the first quarter of 2020. This was partially offset by incremental investments in personnel and overhead resulting from growth of engineering and product teams of \$2.2 million for the three months ended March 31, 2021 compared to the same period ended in 2020, as we continue to invest in developing and improving our technology platforms and infrastructure.

General and Administrative

General and administrative decreased \$12.5 million, or 40.5%, to \$18.4 million for the three months ended March 31, 2021 compared to the same period ended in 2020. The decrease was primarily driven by a \$16.4 million decrease in share-based compensation expense mainly due to the secondary tender offer completed in the first quarter of 2020. This was partially offset by a \$1.2 million increase in personnel costs across finance, legal, and administrative teams as of result of an increase in headcount.

Non-GAAP Financial Measures

The non-GAAP financial measures below have not been calculated in accordance with generally accepted accounting principles in the United States, or GAAP, and should be considered in addition to results prepared in accordance with GAAP and should not be considered as a substitute for, or superior to, GAAP results. In addition, adjusted gross profit/(loss) and direct contribution should not be construed as indicators of our operating performance, liquidity or cash flows generated by operating, investing and financing activities, as there may be significant factors or trends that they fail to address. We caution investors that non-GAAP financial information, by its nature, departs from traditional accounting conventions. Therefore, its use can make it difficult to compare our current results with our results from other reporting periods and with the results of other companies.

Our management uses these non-GAAP financial measures, in conjunction with GAAP financial measures, as an integral part of managing our business and to, among other things: (1) monitor and evaluate the performance of our business operations and financial performance; (2) facilitate internal comparisons of the historical operating performance of our business operations; (3) facilitate external comparisons of the results of our overall business to the historical operating performance of other companies that may have different capital structures and debt levels; (4) review and assess the operating performance of our management team; (5) analyze and evaluate financial and strategic planning decisions regarding future operating investments; and (6) plan for and prepare future annual operating budgets and determine appropriate levels of operating investments.

Adjusted Gross Profit/(Loss)

For the definition of adjusted gross profit/(loss) and why management believes this measure provides useful information to investors, see “— Key Performance Indicators.”

Direct Contribution

For the definition of direct contribution and why management believes this measure provides useful information to investors, see “— Key Performance Indicators.”

The following table provides a reconciliation of total revenue to adjusted gross profit/(loss) and direct contribution for the three months ended March 31, 2021 and 2020:

| | Three Months Ended March 31, | |
|--|------------------------------|-----------|
| | 2021 | 2020 |
| | (dollars in millions) | |
| Total revenue | \$ 68.6 | \$ 124.0 |
| Loss and loss adjustment expenses | (59.9) | (129.9) |
| Other insurance expense | (2.4) | (11.3) |
| Gross profit/(loss) | 6.3 | (17.2) |
| Gross margin | 9.2 % | (13.9)% |
| Less: | | |
| Net investment income | (0.9) | (1.9) |
| Net realized gains on investments | (2.4) | — |
| Adjustments from other insurance expense ⁽¹⁾ | 14.0 | 10.4 |
| Adjusted gross profit/(loss) | \$ 17.0 | \$ (8.7) |
| Ceded earned premium | 101.1 | 26.1 |
| Ceded loss and LAE | (69.3) | (19.1) |
| Net ceding commission and other ⁽²⁾ | (22.2) | (9.3) |
| Direct contribution | \$ 26.6 | \$ (11.0) |
| Direct earned premium | \$ 160.2 | \$ 143.9 |
| Ratio of adjusted gross profit/(loss) to total revenue | 24.8 % | (7.0)% |
| Ratio of adjusted gross profit/(loss) to direct earned premium | 10.6 % | (6.0)% |
| Ratio of direct contribution to total revenue | 38.8 % | (8.9)% |
| Ratio of direct contribution to direct earned premium | 16.6 % | (7.6)% |

(1) Adjustments from other insurance expense includes report costs, personnel costs, allocated overhead, licenses, professional fees and other.

(2) Net ceding commission and other is comprised of ceding commissions received in connection with reinsurance ceded, partially offset by sliding scale commission adjustments and amortization of excess ceding commission, and other impacts of reinsurance.

Liquidity and Capital Resources

Since inception, we have financed operations primarily through sales of insurance policies and the net proceeds we have received from our issuance of preferred stock, debt, and sales of investments. Cash generated from operations is highly dependent on being able to efficiently acquire and maintain customers while pricing our insurance products appropriately. We are continuously evaluating alternatives for efficiently funding our ongoing operations. We expect, from time to time, to engage in a variety of financing transactions for such purposes, including the issuance of securities. In addition, we expect to meet our current debt obligations as they come due through internally generated funds from operations and cash currently available. As of March 31, 2021, we had \$1,106.3 million in cash and cash equivalents, of which \$1,050.4 million was held outside of regulated insurance entities. As of March 31, 2021, \$139.3 million was held in marketable securities.

Our cash and cash equivalents primarily consist of bank deposits and money market funds. Our marketable securities consist of U.S. treasury securities, municipal securities, corporate debt securities, residential and commercial mortgage-backed securities, and other debt obligations. We believe that our existing cash and cash equivalents, marketable securities and cash flow from operations will be sufficient to support working capital and capital expenditure requirements for at least the next 12 months.

We are organized as a holding company, but our primary operations are conducted by two of our wholly-owned insurance subsidiaries, Root Insurance Company, an Ohio-domiciled insurance company, and Root Property & Casualty Insurance Company, a Delaware-domiciled insurance company. The payment of dividends by our

insurance subsidiaries is subject to restrictions set forth in the insurance laws and regulations of the State of Ohio and Delaware. To date, our insurance subsidiaries have not paid any dividends and as of March 31, 2021, they were not permitted to pay any dividends without approval of the applicable superintendent, commissioner and/or director.

As our insurance subsidiaries' business grows, the amount of capital we are required to maintain to satisfy our risk-based capital requirements may increase significantly. To comply with these regulations, we may be required to maintain capital in the insurance subsidiaries that we would otherwise invest in our growth and operations. As of March 31, 2021, our insurance subsidiaries maintained a risk-based capital level that is in excess of an amount that would require any corrective actions on our part.

Our wholly-owned, Cayman Islands-based reinsurance subsidiary, Root Reinsurance Company, Ltd., or Root Re, maintains a Class B(iii) insurer license under CIMA. At March 31, 2021, Root Re was subject to compliance with certain capital levels and a net earned premium to capital ratio of 8:1, which we maintained.

The following table summarizes our cash flow data for the periods presented:

| | Three Months Ended March 31, | |
|---|------------------------------|-----------|
| | 2021 | 2020 |
| | (in millions) | |
| Net cash used in operating activities | \$ (90.9) | \$ (46.2) |
| Net cash provided by (used in) investing activities | 81.3 | (95.3) |
| Net cash provided by (used in) financing activities | 3.1 | (12.5) |

Net cash used in operating activities for the three months ended March 31, 2021 was \$90.9 million compared to \$46.2 million of net cash used in operating activities for the three months ended March 31, 2020. The increase was primarily due to the volume and timing of premium receipts, claims payments and reinsurance activity as well as the non-cash impact of the tender offer during the first quarter of 2020.

Net cash provided by investing activities for the three months ended March 31, 2021 was \$81.3 million, primarily due to proceeds from the sale, maturities, calls and pay downs of investments. Net cash used in investing activities for the three months ended March 31, 2020 was \$95.3 million primarily due to purchases of corporate debt securities, commercial mortgage-backed securities, residential mortgage-backed securities and other debt obligations, partially offset by maturities, calls and pay downs of investments.

Net cash provided by financing activities for the three months ended March 31, 2021 was \$3.1 million, primarily due to proceeds from employees exercising stock options, net of tax proceeds (withholding), which was offset by a partial repayment of long term debt. Net cash used in financing activities for the three months ended March 31, 2020 was \$12.5 million primarily due to the repayment of long-term debt.

Contractual Obligations

There have been no material changes to our contractual obligations from those described in our Annual Report on Form 10-K for the year ended December 31, 2020.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, results of operations, liquidity or cash flows.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with GAAP. The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires our management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. We evaluate our significant estimates on an

ongoing basis, including, but not limited to, estimates related to reserves for loss and loss adjustment expense, premium write-offs and valuation allowance on our deferred tax asset. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

Our critical accounting policies are described under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates” in our 2020 10-K for the year ended December 31, 2020 and the notes to the unaudited interim condensed consolidated financial statements appearing elsewhere in this Quarterly Report on Form 10-Q. During the three months ended March 31, 2021, there were no material changes to our critical accounting policies from those discussed in our Annual Report on Form 10-K for the year ended December 31, 2020.

New Accounting Pronouncements

See Note 2, Basis of Presentation and Summary of Significant Accounting Policies, in the Notes to the Condensed Consolidated Financial Statements - Unaudited included in this Quarterly Report on Form 10-Q for a discussion of accounting pronouncements recently adopted and recently issued accounting pronouncements not yet adopted and their potential impact to our financial statements.

Election Under the Jumpstart Our Business Startups Act of 2012

We currently qualify as an “emerging growth company” under the JOBS Act. Accordingly, we are provided the option to adopt new or revised accounting guidance either (1) within the same periods as those otherwise applicable to non-emerging growth companies or (2) within the same time periods as private companies.

We have elected to adopt new or revised accounting guidance within the same time period as private companies, unless management determines it is preferable to take advantage of early adoption provisions offered within the applicable guidance. Our utilization of these transition periods may make it difficult to compare our financial statements to those of non-emerging growth companies and other emerging growth companies that have opted out of the transition periods afforded under the JOBS Act.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in the quantitative and qualitative market risk disclosures included in the 2020 10-K.

Item 4. Controls and Procedures

Limitations on Effectiveness of Controls and Procedures

Our management, including our principal executive officer and principal financial officer, do not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Due to inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated, as of the end of the period covered by this Quarterly Report on Form 10-Q, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Based on that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of March 31, 2021.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the quarter ended March 31, 2021 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

From time to time, we are party to litigation and legal proceedings relating to our business operations. Except as disclosed below, we do not believe that we are party to any current or pending legal action that could reasonably be expected to have a material adverse effect on our financial condition or results of operations and cash flow.

On March 19, 2021, a purported class action complaint was filed against the Company and certain of its current officers and directors in the U.S. District Court for the Southern District of Ohio (Case No. 2:21-cv-01197) on behalf of certain Root shareholders. The complaint alleges that defendants made false or misleading statements and omissions of purportedly material fact, in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and of Sections 11 and 15 of the Securities Act, in connection with and following the Company's IPO. The complaint seeks unspecified damages. The Company believes that the claims in this lawsuit are without merit and intends to defend against them vigorously. The lawsuit is in the early stages and, at this time, we are unable to predict the outcome and we cannot estimate the likelihood or magnitude of our possible or potential loss contingency.

On March 25, 2021, a purported class action complaint was filed against the Company, certain of its current officers and directors, Goldman Sachs & Co. LLC, Morgan Stanley & Co. LLC, Barclays Capital Inc. and Wells Fargo Securities, LLC, in the U.S. District Court for the Southern District of Ohio (Case No. 2:21-cv-01301) on behalf of certain Root shareholders. The complaint alleges that defendants made false or misleading statements and omissions of purportedly material fact, in violation of Sections 11 and 15 of the Securities Act, in connection with the Company's IPO. The complaint seeks unspecified damages. The Company believes that the claims in this lawsuit are without merit and intends to defend against them vigorously. The lawsuit is in the early stages and, at this time, we are unable to predict the outcome and we cannot estimate the likelihood or magnitude of our possible or potential loss contingency.

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in the 2020 Annual Report on Form 10-K. In addition to the other information set forth in this quarterly report on Form 10-Q, you should carefully consider the factors discussed in Part I, Item IA, “Risk Factors” in the 2020 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

| Period | Total number of shares purchased | Average price paid per share | Total number of shares purchased as part of publicly announced plans or programs | Maximum number of shares that may yet be purchased under the plans or programs |
|----------------------|----------------------------------|------------------------------|--|--|
| 1/1/2021 - 1/31/2021 | 2,084 | \$2.40 | — | — |
| 2/1/2021 - 2/28/2021 | 3,171 | \$2.40 | — | — |
| 3/1/2021 - 3/31/2021 | — | — | — | — |

All of the shares repurchased, as reflected in the table above, were repurchases of unvested shares of our Class A common stock that had been issued upon early exercise of stock options. Pursuant to the associated option award agreements, upon termination of employment of a person holding unvested shares, we are entitled to repurchase the unvested shares.

Use of Proceeds

On October 30, 2020, we closed our IPO, in which we sold 24,249,330 shares of our Class A common stock at a price of \$27.00 per share. The offer and sale of the shares in the IPO were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-249692), which was declared effective by the SEC on October 27, 2020. We raised approximately \$615.4 million in net proceeds after deducting underwriting discounts and commissions of \$39.3 million and offering expenses. We have used and will continue to use the net proceeds we received from our IPO for general corporate purposes, including working capital, operating expenses and capital expenditures. Additionally, we may use a portion of the net proceeds we received from our IPO for acquisitions and/or strategic investments in complementary businesses, products, services or technologies. The representatives of the underwriters of our IPO were Goldman Sachs & Co. LLC, Morgan Stanley & Co. LLC, Barclays Capital Inc. and Wells Fargo Securities, LLC. No payments were made by us to directors, officers or persons owning ten percent or more of our common stock or to their associates, or to our affiliates, other than payments in the ordinary course of business to officers for salaries and to non-employee directors pursuant to our director compensation policy.

Dividend Policy

We have never declared or paid cash dividends on our stock. We currently intend to retain all available funds and future earnings, if any, to fund the development and expansion of our business, and we do not anticipate paying any cash dividends in the foreseeable future. Any future determination regarding the declaration and payment of dividends, if any, will be at the discretion of our board of directors and will depend on then-existing conditions, including our financial condition, operating results, contractual restrictions, capital requirements, business prospects and other factors our board of directors may deem relevant.

Dividend, Repurchase and Working Capital Restrictions

We are a holding company that transacts a majority of its business through operating subsidiaries. Our regulated insurance subsidiaries are subject to restrictions on the dividends they may pay, which could impact our ability to pay dividends to stockholders dividends to stockholders in the future.

The payment of any extraordinary dividend by one of our regulated insurance subsidiaries requires the prior approval of the superintendent of the supervisory DOI. "Extraordinary dividend" is defined under the Code as: (i) any dividend or distribution of cash or other property whose fair market value, together with that of other dividends or distributions made within the preceding twelve months, exceeds the greater of (a) ten per cent of an insurer's policyholder surplus as of December 31 of the preceding year, or (b) an insurer's net income for the twelve-month period ending December 31 of the preceding year or (ii) any dividend or distribution paid by an insurer from a source other than earned surplus. As of December 31, 2020, neither Root Insurance Company nor Root Property & Casualty were permitted to pay any dividends to us without approval of the superintendent of the supervisory DOI. See the section titled "Risk Factors—Risks Related to Our Business— Failure to maintain our risk-based capital at

the required levels could adversely affect our ability to maintain regulatory authority to conduct our business.” included in the 2020 10-K.

In addition, insurance regulators have broad powers to prevent a reduction of statutory surplus to inadequate levels, and there is no assurance that dividends of the maximum amount calculated under any applicable formula would be permitted. The Ohio DOI and the Delaware DOI may in the future adopt statutory provisions more restrictive than those currently in effect.

Further, both the Term Loan A and Term Loan B include covenants that require us to maintain certain levels of liquidity and restrict us from declaring or making any cash dividend or other distributions and from repurchasing any of our common stock outside of the ordinary course of business or in excess of certain specified limits during the term of the applicable loan agreements.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

On May 4, 2021, the Board of Directors amended and restated the Company's bylaws to remove a bracketed provision in Article III, Section 5(b)(iii), which was no longer applicable as the Company previously announced in its Annual Report on Form 10-K that its first annual meeting has been scheduled for June 8, 2021.

The foregoing summary is qualified in its entirety by reference to the full text of the Amended and Restated Bylaws, filed as Exhibit 3.2 to this Quarterly Report on Form 10-Q and incorporated by reference herein.

Item 6. Exhibits.

(a) Exhibits.

| Exhibit Number | Description of Exhibit | Incorporation by Reference | | | | |
|----------------|---|----------------------------|-----------------|---------|------------------|----------------|
| | | Form | SEC File Number | Exhibit | Filing Date | Filed Herewith |
| 3.1 | Amended and Restated Certificate of Incorporation of Root, Inc. | 8-K | 001-39568 | 3.3 | October 30, 2020 | |
| 3.2 | Amended and Restated Bylaws of Root, Inc. | | | | | X |
| 4.1 | Form of Class A common stock certificate. | S-1/A | 333-249332 | 4.1 | October 20, 2020 | |
| 10.1 | Root, Inc. Non-Employee Director Compensation Policy | | | | | X |
| 10.2 | Form of Root, Inc. 2020 Equity Incentive Plan RSU Award Grant Notice and Award Agreement | | | | | X |
| 31.1 | Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | | X |
| 31.2 | Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | | X |
| 32.1* | Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | | | | | X |
| 101.INS | Inline XBRL Instance Document | | | | | |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document | | | | | |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document | | | | | |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document | | | | | |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document | | | | | |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document | | | | | |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101). | | | | | |

* The certifications furnished in Exhibit 32.1 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates them by reference.

SIGNATURES

Pursuant to the requirements of the Exchange Act of 1934, the registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned.

Root, Inc.

Date: May 6, 2021

By: /s/ Alexander Timm
Alexander Timm
Chief Executive Officer and Director
(Principal Executive Officer)

Root, Inc.

Date: May 6, 2021

By: /s/ Daniel Rosenthal
Daniel Rosenthal
Chief Financial Officer
(Principal Financial Officer)

Root, Inc.

Date: May 6, 2021

By: /s/ Megan Binkley
Megan Binkley
Chief Accounting Officer
(Principal Accounting Officer)

AMENDED AND RESTATED BYLAWS

OF

ROOT, INC.
(A DELAWARE CORPORATION)

ARTICLE I

OFFICES

Section 1. Registered Office. The registered office of the corporation in the State of Delaware shall be as set forth in the Certificate of Incorporation.

Section 2. Other Offices. The corporation shall also have and maintain an office or principal place of business at such place as may be fixed by the Board of Directors, and may also have offices at such other places, both within and without the State of Delaware, as the Board of Directors may from time to time determine or the business of the corporation may require.

ARTICLE II

CORPORATE SEAL

Section 3. Corporate Seal. The Board of Directors may adopt a corporate seal. If adopted, the corporate seal shall consist of a die bearing the name of the corporation and the inscription, "Corporate Seal Delaware." Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

ARTICLE III

STOCKHOLDERS' MEETINGS

Section 4. Place of Meetings. Meetings of the stockholders of the corporation may be held at such place, either within or without the State of Delaware, as may be determined from time to time by the Board of Directors. The Board of Directors may, in its sole discretion, determine that the meeting shall not be held at any place, but may instead be held solely by means of remote communication as provided under the General Corporation Law of the State of Delaware ("**DGCL**").

Section 5. Annual Meeting.

(a) The annual meeting of the stockholders of the corporation, for the purpose of election of directors and for such other business as may properly come before it, shall be held on such date and at such time as may be designated from time to time by the Board of Directors. Nominations of persons for election to the Board of Directors of the corporation and proposals of business to be considered by the stockholders may be made at an annual meeting of stockholders: (i) pursuant to the corporation's notice

of meeting of stockholders; (ii) brought specifically by or at the direction of the Board of Directors or a duly authorized committee thereof; or (iii) by any stockholder of the corporation who was a stockholder of record at the time of giving the stockholder's notice provided for in Section 5(b) below, who is entitled to vote at the meeting and who complied with the notice procedures set forth in Section 5. For the avoidance of doubt, clause (iii) above shall be the exclusive means for a stockholder to make nominations and submit other business (other than matters properly included in the corporation's notice of meeting of stockholders and proxy statement under Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the "**1934 Act**"), and the rules and regulations thereunder before an annual meeting of stockholders).

(b) At an annual meeting of the stockholders, only such business shall be conducted as is a proper matter for stockholder action under Delaware law and as shall have been properly brought before the meeting in accordance with the procedures below.

(i) For nominations for the election to the Board of Directors to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of Section 5(a), the stockholder must deliver written notice to the Secretary at the principal executive offices of the corporation on a timely basis as set forth in Section 5(b)(iii) and must update and supplement such written notice on a timely basis as set forth in Section 5(c). Such stockholder's notice shall set forth: (A) as to each nominee such stockholder proposes to nominate at the meeting: (1) the name, age, business address and residence address of such nominee; (2) the principal occupation or employment of such nominee; (3) the class or series and number of shares of each class or series of capital stock of the corporation that are owned beneficially and of record by such nominee; (4) the date or dates on which such shares were acquired and the investment intent of such acquisition; and (5) such other information concerning such nominee as would be required to be disclosed in a proxy statement soliciting proxies for the election of such nominee as a director in an election contest (even if an election contest is not involved), or that is otherwise required to be disclosed pursuant to Section 14 of the 1934 Act and the rules and regulations promulgated thereunder (including such person's written consent to being named in the corporation's proxy statement and associated proxy card as a nominee of the stockholder and to serving as a director if elected); and (B) the information required by Section 5(b)(iv). The corporation may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve (i) as an independent director (as such term is used in any applicable stock exchange listing requirements or applicable law) of the corporation or (ii) on any committee or sub-committee of the Board of Directors under any applicable stock exchange listing requirements or applicable law, and that could be material to a reasonable stockholder's understanding of the independence, or lack thereof, of such proposed nominee.

(ii) Other than proposals sought to be included in the corporation's proxy materials pursuant to Rule 14a-8 under the 1934 Act, for business other than nominations for the election to the Board of Directors to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of Section 5(a), the stockholder must deliver written notice to the Secretary at the principal executive offices of the corporation on a timely basis as set forth in Section 5(b)(iii), and must update and supplement such written notice on a timely basis as set forth in Section 5(c). Such stockholder's notice shall set forth: (A) as to each matter such stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend these Bylaws, the language of the proposed amendment), the reasons for conducting such business at the meeting, and any material interest (including any anticipated benefit of such business to any Proponent (as defined below) other than solely as a result of its ownership of the

corporation's capital stock, that is material to any Proponent individually, or to the Proponents in the aggregate) in such business of any Proponent; and (B) the information required by Section 5(b)(iv).

(iii) To be timely, the written notice required by Section 5(b)(i) or 5(b)(ii) must be received by the Secretary at the principal executive offices of the corporation not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year's annual meeting; *provided, however*, that, subject to the last sentence of this Section 5(b)(iii), in the event that the date of the annual meeting is advanced more than 30 days prior to or delayed by more than 30 days after the anniversary of the preceding year's annual meeting, notice by the stockholder to be timely must be so received (A) not earlier than the close of business on the 120th day prior to such annual meeting and (B) not later than the close of business on the later of the 90th day prior to such annual meeting or, if later than the 90th day prior to such annual meeting, the 10th day following the day on which public announcement of the date of such meeting is first made. In no event shall an adjournment of an annual meeting for which notice has been given, or the public announcement thereof has been made, commence a new time period for the giving of a stockholder's notice as described above.

(iv) The written notice required by Section 5(b)(i) or 5(b)(ii) shall also set forth, as of the date of the notice and as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (each, a "**Proponent**" and collectively, the "**Proponents**"): (A) the name and address of each Proponent, as they appear on the corporation's books; (B) the class or series and number of shares of each class of capital stock of the corporation that are owned of record and beneficially by each Proponent; (C) a description of any agreement, arrangement or understanding (whether oral or in writing) with respect to such nomination or proposal between or among any Proponent and any of its affiliates or associates, and any others (including their names) acting in concert, or otherwise under the agreement, arrangement or understanding, with any of the foregoing; (D) a representation that the Proponents are holders of record or beneficial owners, as the case may be, of shares of the corporation entitled to vote at the meeting and intend to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice (with respect to a notice under Section 5(b)(i)) or to propose the business that is specified in the notice (with respect to a notice under Section 5(b)(ii)); (E) a representation as to whether the Proponents intend to deliver a proxy statement and form of proxy to holders of a sufficient number of holders of the corporation's voting shares to elect such nominee or nominees (with respect to a notice under Section 5(b)(i)) or to carry such proposal (with respect to a notice under Section 5(b)(ii)); (F) to the extent known by any Proponent, the name and address of any other stockholder supporting the proposal on the date of such stockholder's notice; and (G) a description of all Derivative Transactions (as defined below) by each Proponent during the previous 12-month period, including the date of the transactions and the class, series and number of securities involved in, and the material economic terms of, such Derivative Transactions.

(c) A stockholder providing the written notice required by Section 5(b)(i) or 5(b)(ii) shall update and supplement such notice in writing, if necessary, so that the information provided or required to be provided in such notice is true and correct in all material respects as of (i) the record date for the meeting and (ii) the date that is five Business Days (as defined below) prior to the meeting and, in the event of any adjournment thereof, five Business Days prior to such adjourned meeting. In the case of an update and supplement pursuant to clause (i) of this Section 5(c), such update and supplement shall be received by the Secretary at the principal executive offices of the corporation not later than five Business Days after the record date for the meeting. In the case of an update and supplement pursuant to clause (ii) of this Section 5(c), such update and supplement shall be received by the Secretary at the principal executive offices of the corporation not later than two Business Days prior to the date for the meeting, and, in the event of any adjournment thereof, two Business Days prior to such adjourned meeting.

(d) A person shall not be eligible for election or re-election as a director unless the person is nominated either in accordance with clause (ii) or clause (iii) of Section 5(a). Except as otherwise required by law, the Chairperson of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made, or proposed, as the case may be, in accordance with the procedures set forth in these Bylaws and, if any proposed nomination or business is not in compliance with these Bylaws, or the Proponent does not act in accordance with the representations in Sections 5(b)(iv)(D) and 5(b)(iv)(E), to declare that such proposal or nomination shall not be presented for stockholder action at the meeting and shall be disregarded, notwithstanding that proxies in respect of such nomination or such business may have been solicited or received.

(e) Notwithstanding the foregoing provisions of this Section 5, in order to include information with respect to a stockholder proposal in the proxy statement and form of proxy for a stockholders' meeting, a stockholder must also comply with all applicable requirements of the 1934 Act and the rules and regulations thereunder. Nothing in these Bylaws shall be deemed to affect any rights of stockholders to request inclusion of proposals in the corporation's proxy statement pursuant to Rule 14a-8 under the 1934 Act; *provided, however*, that any references in these Bylaws to the 1934 Act or the rules and regulations thereunder are not intended to and shall not limit the requirements applicable to proposals and/or nominations to be considered pursuant to Section 5(a).

(f) Notwithstanding anything herein to the contrary, in the event that the number of directors to be elected to the Board of Directors of the corporation at the annual meeting is increased effective after the time period for which nominations would otherwise be due under Section 5(b)(iii) and there is no public announcement by the corporation naming the nominees for the additional directorships at least one hundred (100) days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 5 shall also be considered timely, but only with respect to nominees for the additional directorships, if it shall be delivered to the Secretary at the principal executive offices of the corporation not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the corporation.

(g) For purposes of Sections 5 and 6,

(i) "**affiliates**" and "**associates**" shall have the meanings set forth in Rule 405 under the Securities Act of 1933, as amended (the "**1933 Act**");

(ii) "**Business Day**" means any day other than Saturday, Sunday or a day on which banks are closed in New York City, New York.

(iii) "**Derivative Transaction**" means any agreement, arrangement, interest or understanding entered into by, or on behalf or for the benefit of, any Proponent or any of its affiliates or associates, whether record or beneficial: (A) the value of which is derived in whole or in part from the value of any class or series of shares or other securities of the corporation; (B) that otherwise provides any direct or indirect opportunity to gain or share in any gain derived from a change in the value of securities of the corporation; (C) the effect or intent of which is to mitigate loss, manage risk or benefit of security value or price changes; or (D) that provides the right to vote or increase or decrease the voting power of, such Proponent, or any of its affiliates or associates, with respect to any securities of the corporation, which agreement, arrangement, interest or understanding may include, without limitation, any option, warrant, debt position, note, bond, convertible security, swap, stock appreciation right, short position, profit interest, hedge, right to dividends, voting agreement, performance-related fee or arrangement to borrow or lend shares (whether or not subject to payment, settlement, exercise or conversion in any such

class or series), and any proportionate interest of such Proponent in the securities of the corporation held by any general or limited partnership, or any limited liability company, of which such Proponent is, directly or indirectly, a general partner or managing member; and

(iv) “**public announcement**” shall mean disclosure in a press release reported by the Dow Jones Newswires, Associated Press or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the 1934 Act or by such other means reasonably designed to inform the public or security holders in general of such information including, without limitation, posting on the corporation’s investor relations website.

Section 6. Special Meetings.

(a) Special meetings of the stockholders of the corporation may be called, for any purpose as is a proper matter for stockholder action under Delaware law, by (i) the Chairperson of the Board of Directors, (ii) the Chief Executive Officer, or (iii) the Board of Directors pursuant to a resolution adopted by the Board of Directors.

(b) For a special meeting called pursuant to Section 6(a), the person(s) calling the meeting shall determine the time and place, if any, of the meeting; provided, however, that only the Board of Directors or a duly authorized committee thereof may authorize a meeting solely by means of remote communication. Upon determination of the time and place, if any, of the meeting, the Secretary shall cause a notice of meeting to be given to the stockholders entitled to vote, in accordance with the provisions of Section 7. No business may be transacted at a special meeting otherwise than as specified in the notice of meeting.

(c) Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected (i) by or at the direction of the Board of Directors or a duly authorized committee thereof or (ii) by any stockholder of the corporation who is a stockholder of record at the time of giving notice provided for in this paragraph, who is entitled to vote at the meeting and who delivers written notice to the Secretary of the corporation setting forth the information required by Section 5(b)(i) and the information required by Section 5(b)(iv). In the event the corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder of record may nominate a person or persons (as the case may be), for election to such position(s) as specified in the corporation’s notice of meeting, if written notice setting forth the information required by Section 5(b)(i) and the information required by Section 5(b)(iv) shall be received by the Secretary at the principal executive offices of the corporation not later than the close of business on the later of the 90th day prior to such meeting or the 10th day following the day on which the corporation first makes a public announcement of the date of the special meeting at which directors are to be elected. The stockholder shall also update and supplement such information as required under Section 5(c). In no event shall an adjournment of a special meeting for which notice has been given, or the public announcement thereof has been made, commence a new time period for the giving of a stockholder’s notice as described above.

(d) A person shall not be eligible for election or re-election as a director unless the person is nominated either in accordance with clause (ii) or clause (iii) of Section 5(a). Except as otherwise required by law, the Chairperson of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in these Bylaws and, if any nomination or business is not in compliance with these Bylaws, to declare that such nomination shall not be presented

for stockholder action at the meeting and shall be disregarded, notwithstanding that proxies in respect of such nomination may have been solicited or received.

(e) Notwithstanding the foregoing provisions of this Section 6, a stockholder must also comply with all applicable requirements of the 1934 Act and the rules and regulations thereunder with respect to matters set forth in this Section 6. Nothing in these Bylaws shall be deemed to affect any rights of stockholders to request inclusion of proposals in the corporation's proxy statement pursuant to Rule 14a-8 under the 1934 Act; *provided, however*, that any references in these Bylaws to the 1934 Act or the rules and regulations thereunder are not intended to and shall not limit the requirements applicable to nominations for the election to the Board of Directors or proposals of other businesses to be considered pursuant to Section 6(c).

Section 7. Notice of Meetings. Except as otherwise provided by law, notice, given in writing or by electronic transmission, of each meeting of stockholders shall be given not fewer than 10 nor more than 60 days before the date of the meeting to each stockholder entitled to vote at such meeting, such notice to specify the place, if any, date and hour, in the case of special meetings, the purpose or purposes of the meeting, and the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at any such meeting. If mailed, notice is given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the corporation. If sent via electronic transmission, notice is given when directed to such stockholder's electronic mail address. Notice of the time, place, if any, and purpose of any meeting of stockholders (to the extent required) may be waived in writing, signed by the person entitled to notice thereof or by electronic transmission by such person, either before or after such meeting, and will be waived by any stockholder by his or her attendance thereat in person, by remote communication, if applicable, or by proxy, except when the stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Any stockholder so waiving notice of such meeting shall be bound by the proceedings of any such meeting in all respects as if due notice thereof had been given.

Section 8. Quorum. At all meetings of stockholders, except where otherwise provided by statute or by the Certificate of Incorporation, or by these Bylaws, the presence, in person, by remote communication, if applicable, or by proxy duly authorized, of the holders of a majority of the voting power of the outstanding shares of stock entitled to vote at the meeting shall constitute a quorum for the transaction of business. In the absence of a quorum, any meeting of stockholders may be adjourned, from time to time, either by the Chairperson of the meeting or by vote of the holders of a majority of the voting power of the shares represented thereat and entitled to vote thereon, but no other business shall be transacted at such meeting. The stockholders present at a duly called or convened meeting, at which a quorum is present, may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. Except as otherwise provided by statute or by applicable stock exchange rules, or by the Certificate of Incorporation or these Bylaws, in all matters other than the election of directors, the affirmative vote of the holders of a majority of the voting power of the shares present in person, by remote communication, if applicable, or represented by proxy duly authorized at the meeting and entitled to vote generally on the subject matter shall be the act of the stockholders. Except as otherwise provided by statute, the Certificate of Incorporation or these Bylaws, directors shall be elected by a plurality of the votes of the shares present in person, by remote communication, if applicable, or represented by proxy duly authorized at the meeting and entitled to vote generally on the election of directors. Where a separate vote by a class or classes or series is required, except where otherwise provided by statute, by applicable stock exchange rules or by the Certificate of Incorporation or these Bylaws, a majority of the voting power of the outstanding shares of such class or

classes or series, present in person, by remote communication, if applicable, or represented by proxy duly authorized, shall constitute a quorum entitled to take action with respect to that vote on that matter. Except where otherwise provided by statute, by applicable stock exchange rules or by the Certificate of Incorporation or these Bylaws, the affirmative vote of the holders of a majority (plurality, in the case of the election of directors) of voting power of such class or classes or series present in person, by remote communication, if applicable, or represented by proxy at the meeting shall be the act of such class or classes or series.

Section 9. Adjournment and Notice of Adjourned Meetings. Any meeting of stockholders, whether annual or special, may be adjourned from time to time either by the person(s) who called the meeting or the Chairperson of the meeting, or by the vote of the holders of a majority of the voting power of the shares present in person, by remote communication, if applicable, or represented by proxy duly authorized at the meeting and entitled to vote thereon. When a meeting is adjourned to another time or place, if any, notice need not be given of the adjourned meeting if the time and place, if any, thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the corporation may transact any business that might have been transacted at the original meeting. If the adjournment is for more than 30 days, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. If after the adjournment a new record date for determination of stockholders entitled to vote is fixed for the adjourned meeting, the Board of Directors shall fix as the record date for determining stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote at the adjourned meeting, and shall give notice of the adjourned meeting to each stockholder of record as of the record date so fixed for notice of such adjourned meeting.

Section 10. Voting Rights. For the purpose of determining those stockholders entitled to vote at any meeting of the stockholders, except as otherwise provided by law, only persons in whose names shares stand on the stock records of the corporation on the record date shall be entitled to vote at any meeting of stockholders. Every person entitled to vote shall have the right to do so either in person, by remote communication, if applicable, or by an agent or agents authorized by a proxy granted in accordance with Delaware law. An agent so appointed need not be a stockholder. No proxy shall be voted after three years from its date of creation unless the proxy provides for a longer period. A proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by delivering to the Secretary of the corporation a revocation of the proxy or a new proxy bearing a later date. Voting at meetings of stockholders need not be by written ballot.

Section 11. Joint Owners of Stock. If shares or other securities having voting power stand of record in the names of two or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety, or otherwise, or if two or more persons have the same fiduciary relationship respecting the same shares, unless the Secretary is given written notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect: (a) if only one votes, his or her act binds all; (b) if more than one votes, the act of the majority so voting binds all; (c) if more than one votes, but the vote is evenly split on any particular matter, each faction may vote the securities in question proportionally, or may apply to the Delaware Court of Chancery for relief as provided in DGCL Section 217(b). If the instrument filed with the Secretary shows that any such tenancy is held in unequal interests, a majority or even-split for the purpose of subsection (c) shall be a majority or even-split in interest.

Section 12. List of Stockholders. The corporation shall prepare, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at said meeting, arranged in alphabetical order, showing the address of each stockholder and the number and class of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, (a) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (b) during ordinary business hours, at the principal place of business of the corporation. In the event that the corporation determines to make the list available on an electronic network, the corporation may take reasonable steps to ensure that such information is available only to stockholders of the corporation. The list shall be open to examination of any stockholder during the time of the meeting as provided by law.

Section 13. Action without Meeting. Any action required or permitted to be taken at any annual or special meeting of stockholders of the corporation may be taken without a meeting, without prior notice and without a vote only to the extent permitted by and in the manner provided in the Certificate of Incorporation and in accordance with applicable law.

Section 14. Organization.

(a) At every meeting of stockholders, the Chairperson of the Board of Directors, or, if a Chairperson has not been appointed, is absent or refuses to act, the Chief Executive Officer, or, if no Chief Executive Officer is then serving, is absent or refuses to act, the President, or, if the President is absent or refuses to act, a Chairperson of the meeting designated by the Board of Directors, or, if the Board of Directors does not designate such Chairperson, a Chairperson chosen by a majority of the voting power of the stockholders entitled to vote, present in person or by proxy duly authorized, shall act as Chairperson. The Chairperson of the Board may appoint the Chief Executive Officer as Chairperson of the meeting. The Secretary, or, in his or her absence, an Assistant Secretary directed to do so by the Chairperson of the meeting, shall act as secretary of the meeting.

(b) The Board of Directors of the corporation shall be entitled to make such rules or regulations for the conduct of meetings of stockholders as it shall deem necessary, appropriate or convenient. Subject to such rules and regulations of the Board of Directors, if any, the Chairperson of the meeting shall have the right and authority to convene and (for any or no reason) to recess and/or adjourn the meeting, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such Chairperson, are necessary, appropriate or convenient for the proper conduct of the meeting, including, without limitation, establishing an agenda or order of business for the meeting, rules and procedures for maintaining order at the meeting and the safety of those present, limitations on participation in such meeting to stockholders of record of the corporation and their duly authorized and constituted proxies and such other persons as the Chairperson shall permit, restrictions on entry to the meeting after the time fixed for the commencement thereof, limitations on the time allotted to questions or comments by participants and regulation of the opening and closing of the polls for balloting on matters which are to be voted on by ballot. The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the meeting. Unless and to the extent determined by the Board of Directors or the Chairperson of the meeting, meetings of stockholders shall not be required to be held in accordance with rules of parliamentary procedure.

ARTICLE IV

DIRECTORS

Section 15. Number and Term of Office. The authorized number of directors of the corporation shall be fixed in accordance with the Certificate of Incorporation. Directors need not be stockholders.

Section 16. Powers. Except as otherwise provided in the Certificate of Incorporation or the DGCL, the business and affairs of the corporation shall be managed by or under the direction of the Board of Directors.

Section 17. Classes of Directors. The directors shall be divided into classes as and to the extent provided in the Certificate of Incorporation, except as otherwise required by applicable law.

Section 18. Vacancies. Vacancies on the Board of Directors shall be filled as provided in the Certificate of Incorporation, except as otherwise required by applicable law.

Section 19. Resignation. Any director may resign at any time by delivering his or her notice in writing or by electronic transmission to the Secretary, such resignation to specify whether it will be effective at a particular time. If no such specification is made, the resignation shall be effective at the time of delivery of the resignation to the Secretary.

Section 20. Removal. Subject to the rights of holders of any series of Preferred Stock to elect additional directors under specified circumstances, neither the Board of Directors nor any individual director may be removed except in the manner specified in Section 141 of the DGCL.

Section 21. Meetings.

(a) Regular Meetings. Unless otherwise restricted by the Certificate of Incorporation, regular meetings of the Board of Directors may be held at any time or date and at any place within or without the State of Delaware which has been designated by the Board of Directors and publicized among all directors, either orally or in writing, by telephone, including a voice-messaging system or other system designed to record and communicate messages, facsimile, telegraph or telex, or by electronic mail or other electronic means. No further notice shall be required for regular meetings of the Board of Directors.

(b) Special Meetings. Unless otherwise restricted by the Certificate of Incorporation, special meetings of the Board of Directors may be held at any time and place within or without the State of Delaware whenever called by the Chairperson of the Board, the Chief Executive Officer or the Board of Directors.

(c) Meetings by Electronic Communications Equipment. Any member of the Board of Directors, or of any committee thereof, may participate in a meeting by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting.

(d) Notice of Special Meetings. Notice of the time and place of all special meetings of the Board of Directors shall be given orally or in writing, by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, facsimile, telegraph or telex, or by electronic mail or other electronic means, during normal business hours, at least twenty-four

(24) hours before the date and time of the meeting. If notice is sent by U.S. mail, it shall be sent by first class mail, postage prepaid at least three days before the date of the meeting. Notice of any special meeting may be waived in writing or by electronic transmission at any time before or after the meeting and will be waived by any director by attendance thereat, except when the director attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

(e) Waiver of Notice. The transaction of all business at any meeting of the Board of Directors, or any committee thereof, however called or noticed, or wherever held, shall be as valid as though it had been transacted at a meeting duly held after regular call and notice, if a quorum be present and if, either before or after the meeting, each of the directors not present who did not receive notice shall sign a written waiver of notice or shall waive notice by electronic transmission. All such waivers shall be filed with the corporate records or made a part of the minutes of the meeting. Notice of any meeting will be waived by any director by attendance thereat, except when the director attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

Section 22. Quorum and Voting.

(a) Unless the Certificate of Incorporation requires a greater number, a quorum of the Board of Directors shall consist of a majority of the directors currently serving on the Board of Directors in accordance with the Certificate of Incorporation (but in no event less than one third of the total authorized number of directors); *provided, however*, at any meeting whether a quorum be present or otherwise, a majority of the directors present may adjourn from time to time until the time fixed for the next regular meeting of the Board of Directors, without notice other than by announcement at the meeting.

(b) At each meeting of the Board of Directors at which a quorum is present, all questions and business shall be determined by the affirmative vote of a majority of the directors present, unless a different vote be required by law, the Certificate of Incorporation or these Bylaws.

Section 23. Action without Meeting. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board of Directors or committee, as the case may be, consent thereto in writing or by electronic transmission. The consent or consents shall be filed with the minutes of proceedings of the Board of Directors or committee.

Section 24. Fees and Compensation. Directors shall be entitled to such compensation for their services as may be approved by the Board of Directors or a committee thereof to which the Board of Directors has delegated such responsibility and authority, including, if so approved, by resolution of the Board of Directors or a committee thereof to which the Board of Directors has delegated such responsibility and authority, a fixed sum and expenses of attendance, if any, for attendance at each regular or special meeting of the Board of Directors and at any meeting of a committee of the Board of Directors. Nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity as an officer, agent, employee, or otherwise and receiving compensation therefor.

Section 25. Committees.

(a) Executive Committee. The Board of Directors may appoint an Executive Committee to consist of one or more members of the Board of Directors. The Executive Committee, to the extent permitted by law and provided in the resolution of the Board of Directors, shall have and may exercise all

the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to (i) approving or adopting, or recommending to the stockholders, any action or matter (other than the election or removal of directors) expressly required by the DGCL to be submitted to stockholders for approval, or (ii) adopting, amending or repealing any Bylaw of the corporation.

(b) Other Committees. The Board of Directors may, from time to time, appoint such other committees as may be permitted by law. Such other committees appointed by the Board of Directors shall consist of one or more members of the Board of Directors and shall have such powers and perform such duties as may be prescribed by the resolution or resolutions creating such committees, but in no event shall any such committee have the powers denied to the Executive Committee in these Bylaws.

(c) Term. The Board of Directors, subject to any requirements of any outstanding series of Preferred Stock and the provisions of subsections (a) or (b) of this Section 25, may at any time increase or decrease the number of members of a committee or terminate the existence of a committee. The membership of a committee member shall terminate on the date of his or her death or voluntary resignation from the committee or from the Board of Directors. The Board of Directors may at any time for any reason remove any individual committee member and the Board of Directors may fill any committee vacancy created by death, resignation, removal or increase in the number of members of the committee. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee, and, in addition, in the absence or disqualification of any member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

(d) Meetings. Unless the Board of Directors shall otherwise provide, regular meetings of the Executive Committee or any other committee appointed pursuant to this Section 25 shall be held at such times and places as are determined by the Board of Directors, or by any such committee, and when notice thereof has been given to each member of such committee, no further notice of such regular meetings need be given thereafter. Special meetings of any such committee may be held at any place which has been determined from time to time by such committee, and may be called by any director who is a member of such committee, upon notice to the members of such committee of the time and place of such special meeting given in the manner provided for the giving of notice to members of the Board of Directors of the time and place of special meetings of the Board of Directors. Notice of any regular or special meeting of any committee may be waived in writing or by electronic transmission at any time before or after the meeting and will be waived by any director by attendance thereat, except when the director attends such regular or special meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Unless otherwise provided by the Board of Directors in the resolutions authorizing the creation of the committee, a majority of the authorized number of members of any such committee shall constitute a quorum for the transaction of business, and the act of a majority of those present at any meeting at which a quorum is present shall be the act of such committee.

Section 26. Duties of Chairperson of the Board of Directors. The Chairperson of the Board of Directors, if appointed and when present, shall preside at all meetings of the stockholders and the Board of Directors. The Chairperson of the Board of Directors shall perform other duties commonly incident to

the office and shall also perform such other duties and have such other powers, as the Board of Directors shall designate from time to time.

Section 27. Lead Independent Director. The Chairperson of the Board of Directors, or if the Chairperson is not an independent director, one of the independent directors, may be designated by the Board of Directors as lead independent director to serve until replaced by the Board of Directors (“**Lead Independent Director**”). If appointed, the Lead Independent Director will: with the Chairperson of the Board of Directors, establish the agenda for regular Board meetings and serve as chairperson of Board of Directors meetings in the absence of the Chairperson of the Board of Directors; establish the agenda for meetings of the independent directors; coordinate with the committee chairs regarding meeting agendas and informational requirements; preside over meetings of the independent directors; preside over any portions of meetings of the Board of Directors at which the evaluation or compensation of the Chief Executive Officer is presented or discussed; preside over any portions of meetings of the Board of Directors at which the performance of the Board of Directors is presented or discussed; and perform such other duties as may be established or delegated by the Chairperson of the Board of Directors.

Section 28. Organization. At every meeting of the directors, the Chairperson of the Board of Directors, or, if a Chairperson has not been appointed or is absent, the Chief Executive Officer (if a director), or, if a Chief Executive Officer is absent, the President (if a director), or if the President is absent, the most senior Vice President (if a director), or, in the absence of any such person, a Chairperson of the meeting chosen by a majority of the directors present, shall preside over the meeting. The Secretary, or in his absence, any Assistant Secretary or other officer, director or other person directed to do so by the person presiding over the meeting, shall act as secretary of the meeting.

ARTICLE V

OFFICERS

Section 29. Officers Designated. The officers of the corporation shall include, if and when designated by the Board of Directors, the Chief Executive Officer, the President, one or more Vice Presidents, the Secretary, the Chief Financial Officer and the Treasurer. The Board of Directors may also appoint one or more Assistant Secretaries and Assistant Treasurers and such other officers and agents with such powers and duties as it shall deem necessary. The Board of Directors may assign such additional titles to one or more of the officers as it shall deem appropriate. Any one person may hold any number of offices of the corporation at any one time unless specifically prohibited therefrom by law. The salaries and other compensation of the officers of the corporation shall be fixed by or in the manner designated by the Board of Directors or a committee thereof to which the Board of Directors has delegated such responsibility.

Section 30. Tenure and Duties of Officers.

(a) **General.** All officers shall hold office at the pleasure of the Board of Directors and until their successors shall have been duly elected and qualified, unless sooner removed. If the office of any officer becomes vacant for any reason, the vacancy may be filled by the Board of Directors.

(b) **Duties of Chief Executive Officer.** The Chief Executive Officer shall preside at all meetings of the stockholders and at all meetings of the Board of Directors (if a director), unless the Chairperson of the Board of Directors has been appointed and is present. Unless an officer has been appointed Chief Executive Officer of the corporation, the President shall be the chief executive officer of

the corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and officers of the corporation. To the extent that a Chief Executive Officer has been appointed and no President has been appointed, all references in these Bylaws to the President shall be deemed references to the Chief Executive Officer. The Chief Executive Officer shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers, as the Board of Directors shall designate from time to time.

(c) Duties of President. The President shall preside at all meetings of the stockholders and at all meetings of the Board of Directors (if a director), unless the Chairperson of the Board of Directors, or the Chief Executive Officer has been appointed and is present. Unless another officer has been appointed Chief Executive Officer of the corporation, the President shall be the chief executive officer of the corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and officers of the corporation. The President shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers, as the Board of Directors (or the Chief Executive Officer, if the Chief Executive Officer and President are not the same person and the Board of Directors has delegated the designation of the President's duties to the Chief Executive Officer) shall designate from time to time.

(d) Duties of Vice Presidents. A Vice President may assume and perform the duties of the President in the absence or disability of the President or whenever the office of President is vacant (unless the duties of the President are being filled by the Chief Executive Officer). A Vice President shall perform other duties commonly incident to their office and shall also perform such other duties and have such other powers as the Board of Directors or the Chief Executive Officer, or, if the Chief Executive Officer has not been appointed or is absent, the President shall designate from time to time.

(e) Duties of Secretary. The Secretary shall attend all meetings of the stockholders and of the Board of Directors and shall record all acts and proceedings thereof in the minute book of the corporation. The Secretary shall give notice in conformity with these Bylaws of all meetings of the stockholders and of all meetings of the Board of Directors and any committee thereof requiring notice. The Secretary shall perform all other duties provided for in these Bylaws and other duties commonly incident to the office and shall also perform such other duties and have such other powers, as the Board of Directors shall designate from time to time. The Chief Executive Officer, or if no Chief Executive Officer is then serving, the President may direct any Assistant Secretary or other officer to assume and perform the duties of the Secretary in the absence or disability of the Secretary, and each Assistant Secretary shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers as the Board of Directors or the Chief Executive Officer, or if no Chief Executive Officer is then serving, the President shall designate from time to time.

(f) Duties of Chief Financial Officer. The Chief Financial Officer shall keep or cause to be kept the books of account of the corporation in a thorough and proper manner and shall render statements of the financial affairs of the corporation in such form and as often as required by the Board of Directors or the Chief Executive Officer, or if no Chief Executive Officer is then serving, the President. The Chief Financial Officer, subject to the order of the Board of Directors, shall have the custody of all funds and securities of the corporation. The Chief Financial Officer shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers as the Board of Directors or the Chief Executive Officer, or if no Chief Executive Officer is then serving, the President shall designate from time to time. To the extent that a Chief Financial Officer has been appointed and no Treasurer has been appointed, all references in these Bylaws to the Treasurer shall be deemed references to the Chief Financial Officer. The President may direct the Treasurer, if any, or any Assistant Treasurer,

or the controller or any assistant controller to assume and perform the duties of the Chief Financial Officer in the absence or disability of the Chief Financial Officer, and each Treasurer and Assistant Treasurer and each controller and assistant controller shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers as the Board of Directors or the Chief Executive Officer, or if no Chief Executive Officer is then serving, the President shall designate from time to time.

(g) Duties of Treasurer. Unless another officer has been appointed Chief Financial Officer of the corporation, the Treasurer shall be the chief financial officer of the corporation and shall keep or cause to be kept the books of account of the corporation in a thorough and proper manner and shall render statements of the financial affairs of the corporation in such form and as often as required by the Board of Directors or the Chief Executive Officer, or if no Chief Executive Officer is then serving, the President, and, subject to the order of the Board of Directors, shall have the custody of all funds and securities of the corporation. The Treasurer shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers as the Board of Directors or the Chief Executive Officer, or if no Chief Executive Officer is then serving, the President and Chief Financial Officer (if not Treasurer) shall designate from time to time.

Section 31. Delegation of Authority. The Board of Directors may from time to time delegate the powers or duties of any officer to any other officer or agent, notwithstanding any provision hereof.

Section 32. Resignations. Any officer may resign at any time by giving notice in writing or by electronic transmission to the Board of Directors or to the Chief Executive Officer, or if no Chief Executive Officer is then serving, to the President or to the Secretary. Any such resignation shall be effective when received by the person or persons to whom such notice is given, unless a later time is specified therein, in which event the resignation shall become effective at such later time. Unless otherwise specified in such notice, the acceptance of any such resignation shall not be necessary to make it effective. Any resignation shall be without prejudice to the rights, if any, of the corporation under any contract with the resigning officer.

Section 33. Removal. Any officer may be removed from office at any time, either with or without cause, by the Board of Directors, or by any committee or superior officer upon whom such power of removal may have been conferred by the Board of Directors.

ARTICLE VI

EXECUTION OF CORPORATE INSTRUMENTS AND VOTING OF SECURITIES OWNED BY THE CORPORATION

Section 34. Execution of Corporate Instruments. The Board of Directors may, in its discretion, determine the method and designate the signatory officer or officers, or other person or persons, to execute on behalf of the corporation any corporate instrument or document, or to sign on behalf of the corporation the corporate name without limitation, or to enter into contracts on behalf of the corporation, except where otherwise provided by applicable law or these Bylaws, and such execution or signature shall be binding upon the corporation. All checks and drafts drawn on banks or other depositories on funds to the credit of the corporation or in special accounts of the corporation shall be signed by such person or persons as the Board of Directors shall authorize so to do. Unless authorized or ratified by the Board of Directors or within the agency power of an officer, no officer, agent or employee shall have any power or

authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

Section 35. Voting of Securities Owned by the Corporation. All stock and other securities and interests of other corporations and entities owned or held by the corporation for itself, or for other parties in any capacity, shall be voted, and all proxies with respect thereto shall be executed, by the person authorized so to do by resolution of the Board of Directors, or, in the absence of such authorization, by the Chairperson of the Board of Directors, the Chief Executive Officer, the President, or any Vice President.

ARTICLE VII

SHARES OF STOCK

Section 36. Form and Execution of Certificates. The shares of the corporation shall be represented by certificates, or shall be uncertificated if so provided by resolution or resolutions of the Board of Directors. Certificates for the shares of stock, if any, shall be in such form as is consistent with the Certificate of Incorporation and applicable law. Every holder of stock in the corporation represented by certificates shall be entitled to have a certificate signed by, or in the name of, the corporation by any two authorized officers of the corporation, certifying the number of shares owned by such holder in the corporation. Any or all of the signatures on the certificate may be facsimiles. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued with the same effect as if he were such officer, transfer agent, or registrar at the date of issue.

Section 37. Lost Certificates. A new certificate or certificates shall be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen, or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen, or destroyed. The corporation may require, as a condition precedent to the issuance of a new certificate or certificates, the owner of such lost, stolen, or destroyed certificate or certificates, or the owner's legal representative, to agree to indemnify the corporation in such manner as it shall require or to give the corporation a surety bond in such form and amount as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen, or destroyed.

Section 38. Transfers.

(a) Transfers of record of shares of stock of the corporation shall be made only upon its books by the holders thereof, in person or by attorney duly authorized, and, in the case of stock represented by certificate, upon the surrender of a properly endorsed certificate or certificates for a like number of shares.

(b) The corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the corporation to restrict the transfer of shares of stock of the corporation of any one or more classes owned by such stockholders in any manner not prohibited by the DGCL.

Section 39. Fixing Record Dates.

(a) In order that the corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall, subject to applicable law, not be more than 60 nor fewer than ten days before the date of such meeting. If the Board of Directors so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board of Directors determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; *provided, however*, that the Board of Directors may fix a new record date for the adjourned meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance herewith at the adjourned meeting.

(b) In order that the corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than 60 days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 40. Registered Stockholders. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE VIII

OTHER SECURITIES OF THE CORPORATION

Section 41. Execution of Other Securities. All bonds, debentures and other corporate securities of the corporation, other than stock certificates (covered in Section 36), may be signed by any executive officer (as defined in Article XI) or any other officer or person as may be authorized by the Board of Directors; *provided, however*, that where any such bond, debenture or other corporate security shall be authenticated by the manual signature, or where permissible facsimile signature, of a trustee under an indenture pursuant to which such bond, debenture or other corporate security shall be issued, the signatures of the persons signing and attesting the corporate seal on such bond, debenture or other corporate security may be the imprinted facsimile of the signatures of such persons. Interest coupons appertaining to any such bond, debenture or other corporate security, authenticated by a trustee as aforesaid, shall be signed by an executive officer of the corporation or such other officer or person as may

be authorized by the Board of Directors, or bear imprinted thereon the facsimile signature of such person. In case any officer who shall have signed or attested any bond, debenture or other corporate security, or whose facsimile signature shall appear thereon or on any such interest coupon, shall have ceased to be such officer before the bond, debenture or other corporate security so signed or attested shall have been delivered, such bond, debenture or other corporate security nevertheless may be adopted by the corporation and issued and delivered as though the person who signed the same or whose facsimile signature shall have been used thereon had not ceased to be such officer of the corporation.

ARTICLE IX

DIVIDENDS

Section 42. Declaration of Dividends. Dividends upon the capital stock of the corporation, subject to the provisions of the Certificate of Incorporation and applicable law, if any, may be declared by the Board of Directors. Dividends may be paid in cash, in property, or in shares of the corporation's capital stock, subject to the provisions of the Certificate of Incorporation and applicable law.

Section 43. Dividend Reserve. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, thinks proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the Board of Directors shall think conducive to the interests of the corporation, and the Board of Directors may modify or abolish any such reserve in the manner in which it was created.

ARTICLE X

FISCAL YEAR

Section 44. Fiscal Year. The fiscal year of the corporation shall end on December 31 or on such other date as may otherwise be fixed by resolution of the Board of Directors.

ARTICLE XI

INDEMNIFICATION

Section 45. Indemnification of Directors, Executive Officers, Employees and Other Agents.

(a) **Directors and Executive Officers.** The corporation shall indemnify its directors and executive officers (for the purposes of this Article XI, "*executive officers*" shall have the meaning defined in Rule 3b-7 promulgated under the 1934 Act) to the fullest extent permitted by the DGCL or any other applicable law as it presently exists or may hereafter be amended, who was or is made or is threatened to be made a party or is otherwise involved in proceeding, by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was a director or officer of the corporation, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by person; *provided, however*, that the corporation may modify the extent of such indemnification by individual contracts with its directors and executive officers, in which case such contract shall supersede and replace the provisions hereof; and, *provided, further*, that the corporation shall not be required to indemnify any director or executive officer in connection with any proceeding (or part thereof) initiated by such person unless (i) such indemnification is expressly required to be made by law, (ii) the proceeding was authorized by the Board of Directors of the corporation, (iii) such indemnification is provided by the

corporation, in its sole discretion, pursuant to the powers vested in the corporation under the DGCL or any other applicable law or (iv) such indemnification is required to be made under subsection (d) of this Section 45.

(b) Other Officers, Employees and Other Agents. The corporation shall have the power to indemnify (including the power to advance expenses in a manner consistent with subsection (c) of this Section 45) its other officers, employees and other agents as set forth in the DGCL or any other applicable law. The Board of Directors shall have the power to delegate the determination of whether indemnification shall be given to any such person except executive officers to such officers or other persons as the Board of Directors shall determine.

(c) Expenses. The corporation shall advance to any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director or executive officer of the corporation, or is or was serving at the request of the corporation as a director or executive officer of another corporation, partnership, joint venture, trust or other enterprise, prior to the final disposition of the proceeding, promptly following request therefor, all expenses incurred by any director or executive officer in connection with such proceeding provided, however, that if the DGCL requires, an advancement of expenses incurred by a director or executive officer in his or her capacity as a director or executive officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the corporation of an undertaking (hereinafter an “*undertaking*”), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a “*final adjudication*”) that such indemnitee is not entitled to be indemnified for such expenses under this section or otherwise.

Notwithstanding the foregoing, unless otherwise determined pursuant to paragraph (d) of this Section 45, no advance shall be made by the corporation to an executive officer of the corporation (except by reason of the fact that such executive officer is or was a director of the corporation in which event this paragraph shall not apply) in any action, suit or proceeding, whether civil, criminal, administrative or investigative, if a determination is reasonably and promptly made (i) by a majority vote of directors who were not parties to the proceeding, even if not a quorum, or (ii) by a committee of such directors designated by a majority vote of such directors, even though less than a quorum, or (iii) if there are no such directors, or such directors so direct, by independent legal counsel in a written opinion, that the facts known to the decision-making party at the time such determination is made demonstrate clearly and convincingly that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the corporation.

(d) Enforcement. Without the necessity of entering into an express contract, all rights to indemnification and advances to directors and executive officers under this Bylaw shall be deemed to be contractual rights and be effective to the same extent and as if provided for in a contract between the corporation and the director or executive officer. Any right to indemnification or advances granted by this section to a director or executive officer shall be enforceable by or on behalf of the person holding such right in any court of competent jurisdiction if (i) the claim for indemnification or advances is denied, in whole or in part, or (ii) no disposition of such claim is made within 90 days of request therefor. To the extent permitted by law, the claimant in such enforcement action, if successful in whole or in part, shall be entitled to be paid also the expense of prosecuting the claim to the fullest extent permitted by law. In connection with any claim for indemnification, the corporation shall be entitled to raise as a defense to any such action that the claimant has not met the standards of conduct that make it permissible under the

DGCL or any other applicable law for the corporation to indemnify the claimant for the amount claimed. In connection with any claim by an executive officer of the corporation (except in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such executive officer is or was a director of the corporation) for advances, the corporation shall be entitled to raise a defense as to any such action clear and convincing evidence that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the corporation, or with respect to any criminal action or proceeding that such person acted without reasonable cause to believe that his or her conduct was lawful. Neither the failure of the corporation (including its Board of Directors, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in the DGCL or any other applicable law, nor an actual determination by the corporation (including its Board of Directors, independent legal counsel or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant has not met the applicable standard of conduct. In any suit brought by a director or executive officer to enforce a right to indemnification or to an advancement of expenses hereunder, the burden of proving that the director or executive officer is not entitled to be indemnified, or to such advancement of expenses, under this section or otherwise shall be on the corporation.

(e) Non-Exclusivity of Rights. The rights conferred on any person by this Bylaw shall not be exclusive of any other right which such person may have or hereafter acquire under any applicable statute, provision of the Certificate of Incorporation, Bylaws, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding office. The corporation is specifically authorized to enter into individual contracts with any or all of its directors, officers, employees or agents respecting indemnification and advances, to the fullest extent not prohibited by the DGCL, or by any other applicable law.

(f) Survival of Rights. The rights conferred on any person by this Bylaw shall continue as to a person who has ceased to be a director or executive officer or officer, employee or other agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(g) Insurance. To the fullest extent permitted by the DGCL or any other applicable law, the corporation, upon approval by the Board of Directors, may purchase insurance on behalf of any person required or permitted to be indemnified pursuant to this section.

(h) Amendments. Any repeal or modification of this section shall only be prospective and shall not affect the rights under this Bylaw in effect at the time of the alleged occurrence of any action or omission to act that is the cause of any proceeding against any agent of the corporation.

(i) Saving Clause. If this Bylaw or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the corporation shall nevertheless indemnify each director and executive officer to the full extent not prohibited by any applicable portion of this section that shall not have been invalidated, or by any other applicable law. If this section shall be invalid due to the application of the indemnification provisions of another jurisdiction, then the corporation shall indemnify each director and executive officer to the full extent under any other applicable law.

(j) **Certain Definitions.** For the purposes of this Bylaw, the following definitions shall apply:

(i) The term “**proceeding**” shall be broadly construed and shall include, without limitation, the investigation, preparation, prosecution, defense, settlement, arbitration and appeal of, and the giving of testimony in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative.

(ii) The term “**expenses**” shall be broadly construed and shall include, without limitation, court costs, attorneys’ fees, witness fees, fines, amounts paid in settlement or judgment and any other costs and expenses of any nature or kind incurred in connection with any proceeding.

(iii) The term the “**corporation**” shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this section with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

(iv) References to a “**director,**” “**executive officer,**” “**officer,**” “**employee,**” or “**agent**” of the corporation shall include, without limitation, situations where such person is serving at the request of the corporation as, respectively, a director, executive officer, officer, employee, trustee or agent of another corporation, partnership, joint venture, trust or other enterprise.

(v) References to “**other enterprises**” shall include employee benefit plans; references to “**fines**” shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to “**servicing at the request of the corporation**” shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner “**not opposed to the best interests of the corporation**” as referred to in this section.

ARTICLE XII

NOTICES

Section 46. Notices.

(a) **Notice to Stockholders.** Notice to stockholders of stockholder meetings shall be given as provided in Section 7 herein. Without limiting the manner by which notice may otherwise be given effectively to stockholders under any agreement or contract with such stockholder, and except as otherwise required by law, written notice to stockholders for purposes other than stockholder meetings may be sent by U.S. mail or nationally recognized overnight courier, or by facsimile, telegraph or telex or by electronic mail or other electronic means.

(b) **Notice to Directors.** Any notice required to be given to any director may be given by the method stated in subsection (a) or as otherwise provided in these Bylaws, with notice other than one

which is delivered personally to be sent to such address as such director shall have filed in writing with the Secretary, or, in the absence of such filing, to the last known address of such director.

(c) Affidavit of Mailing. An affidavit of mailing, executed by a duly authorized and competent employee of the corporation or its transfer agent appointed with respect to the class of stock affected or other agent, specifying the name and address or the names and addresses of the stockholder or stockholders, or director or directors, to whom any such notice or notices was or were given, and the time and method of giving the same, shall in the absence of fraud, be prima facie evidence of the facts therein contained.

(d) Methods of Notice. It shall not be necessary that the same method of giving notice be employed in respect of all recipients of notice, but one permissible method may be employed in respect of any one or more, and any other permissible method or methods may be employed in respect of any other or others.

(e) Notice to Person with Whom Communication is Unlawful. Whenever notice is required to be given, under any provision of law or of the Certificate of Incorporation or Bylaws of the corporation, to any person with whom communication is unlawful, the giving of such notice to such person shall not be required and there shall be no duty to apply to any governmental authority or agency for a license or permit to give such notice to such person. Any action or meeting which shall be taken or held without notice to any such person with whom communication is unlawful shall have the same force and effect as if such notice had been duly given. In the event that the action taken by the corporation is such as to require the filing of a certificate under any provision of the DGCL, the certificate shall state, if such is the fact and if notice is required, that notice was given to all persons entitled to receive notice except such persons with whom communication is unlawful.

(f) Notice to Stockholders Sharing an Address. Except as otherwise prohibited under the DGCL, any notice given under the provisions of the DGCL, the Certificate of Incorporation or the Bylaws shall be effective if given by a single written notice to stockholders who share an address if consented to by the stockholders at that address to whom such notice is given. Such consent shall have been deemed to have been given if such stockholder fails to object in writing to the corporation within 60 days of having been given notice by the corporation of its intention to send the single notice. Any consent shall be revocable by the stockholder by written notice to the corporation.

ARTICLE XIII

AMENDMENTS

Section 47. Amendments. Subject to the limitations set forth in Section 45(h) of these Bylaws or the provisions of the Certificate of Incorporation, the Board of Directors is expressly empowered to adopt, amend or repeal the Bylaws of the corporation. The stockholders also shall have power to adopt, amend or repeal the Bylaws of the corporation; provided, however, that, in addition to any vote of the holders of any class or series of stock of the corporation required by law or by the Certificate of Incorporation, such action by stockholders shall require the affirmative vote of the holders of at least 66 2/3% of the voting power of all of the then-outstanding shares of the capital stock of the corporation entitled to vote generally in the election of directors, voting together as a single class.

ARTICLE XIV

LOANS TO OFFICERS

Section 48. Loans to Officers. Except as otherwise prohibited by applicable law, the corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the corporation or of its subsidiaries, including any officer or employee who is a director of the corporation or its subsidiaries, whenever, in the judgment of the Board of Directors, such loan, guarantee or assistance may reasonably be expected to benefit the corporation. The loan, guarantee or other assistance may be with or without interest and may be unsecured, or secured in such manner as the Board of Directors shall approve, including, without limitation, a pledge of shares of stock of the corporation. Nothing in these Bylaws shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the corporation at common law or under any statute.

Adopted May 6, 2021

Root, Inc.
Non-Employee Director Compensation Policy

Adopted: March 6, 2021

Each member of the Board of Directors (the “**Board**”) of Root, Inc. (the “**Company**”) who is not an employee of the Company (each, a “**Non-Employee Director**”) will receive the compensation described in this Non-Employee Director Compensation Policy (this “**Director Compensation Policy**”) for his or her Board service, subject to the terms and conditions set forth herein.

This Director Compensation Policy may be amended or modified, or any provision of it waived, at any time in the sole discretion of the Board or the Compensation Committee of the Board (the “**Compensation Committee**”).

Notwithstanding the foregoing, the Board or Compensation Committee may make supplemental grants in 2021 to Non-Employee Directors in its discretion.

Annual Retainers

This Director Compensation Policy will be effective as of the date of its adoption, as set forth above (the “**Effective Date**”), except that the rates of the retainers set forth below shall be effective as of January 1, 2021. The annual cash compensation amounts will be payable in equal quarterly installments in arrears on the last day of each fiscal quarter in which the service occurs, prorated for any partial months of service.

Commencing on the Effective Date, each Non-Employee Director will be eligible to receive the following annual cash retainers (the “**Retainers**”) for service on the Board (as applicable):

- (a) **Annual Board Service Retainer.**
 - (i) All Eligible Directors: \$50,000
 - (ii) Chair of the Board: \$20,000 (in addition to regular Annual Board Service Retainer)
 - (iii) Lead Independent Director: \$20,000 (in addition to regular Annual Board Service Retainer)
- (b) **Annual Committee Member Service Retainer.**
 - (i) Member of the Audit Committee: \$10,000
 - (ii) Member of Compensation Committee: \$7,500
 - (iii) Member of the Nominating and Governance Committee: \$5,000
 - (iv) Member of the Strategy Committee: \$5,000
- (c) **Annual Committee Chair Service Retainer** (in lieu of Annual Committee Member Service Retainer).
 - (i) Chair of the Audit Committee: \$20,000

- (ii) Chair of Compensation Committee: \$15,000
- (iii) Chair of the Nominating and Governance Committee: \$10,000
- (iv) Chair of the Strategy Committee: \$10,000

Prior to December 31 of each year, each Non-Employee Director shall be given the opportunity to elect to receive 50% or 100% of his or her Retainers with respect to the following calendar year in the form of common stock of the Company (“**Common Stock**”) rather than cash, which Common Stock shall be granted in the form of fully-vested restricted stock units (“**RSUs**”). If the Non-Employee Director elects to receive 50% of his or her Retainers in the form of Common Stock, the value of such Common Stock on the date of grant shall equal 110% of the cash value of the related Retainers. If the Non-Employee Director elects to receive 100% of his or her Retainers in the form of Common Stock, the value of such Common Stock on the date of grant shall equal 120% of the cash value of the related Retainers. Each such grant shall take place without any further action of the Board or Compensation Committee, and shall be made at the close of business on the same date that the corresponding Retainer would have been paid. The number of shares of Common Stock granted to the Non-Employee Director shall be determined in a manner consistent with the section below entitled “Calculation of Value of an RSU Award.” The grant shall be made under the Company’s 2020 Equity Incentive Plan (the “**Plan**”) and the Company’s Restricted Stock Unit Award Notice and Agreement, in the form adopted from time to time by the Board or Compensation Committee (the “**Form of RSU Agreement**”).

Equity Compensation

Commencing on the Effective Date, each eligible Non-Employee Director will be eligible to receive the equity compensation set forth below. Equity awards will be granted under the Plan and Form of RSU Agreement.

(a) **Initial Equity Grant.** Upon appointment to the Board, and without any further action of the Board or Compensation Committee, at the close of business on the day of such appointment, a Non-Employee Director will automatically receive a restricted stock unit (“**RSU**”) award having a value of \$150,000 (the “**Initial RSU**”). Each Initial RSU will vest over three years, with one-third of the Initial RSU vesting on the first, second, and third anniversaries of the date of grant.

(b) **Annual Equity Grants.** Without any further action of the Board or Compensation Committee, at the close of business on the date of each Annual Meeting of the Company’s Stockholders following the Effective Date (the “**Annual Meeting**”), each person who is then a Non-Employee Director, and who is not as of such date the holder of a stock option award, restricted stock unit award or other equity award with respect to Common Stock, in each case that is unvested in whole or in part as of the date of such Annual Meeting, will automatically receive an RSU having a value of \$150,000 (the “**Annual RSU**”). Each Annual RSU will vest on the date of the following year’s Annual Meeting (or the date immediately preceding the date of the following year’s Annual Meeting if the Non-Employee Director’s service as a director ends at such meeting as a result of the director’s failure to be re-elected or the director not standing for re-election).

(c) **Vesting; Change of Control.** The vesting of each Annual RSU is subject to the Non-Employee Director’s Continuous Service (as defined in the Plan) on the applicable vesting date of each such award. Notwithstanding the foregoing, for each Non-Employee Director who remains in Continuous Service with the Company until immediately prior to the closing of a Change in Control (as defined in the Plan), such Non-Employee Director’s then-outstanding Annual RSU will become fully vested immediately prior to the closing of such Change in Control.

(d) **Calculation of Value of an RSU Award.** The value of an RSU award to be granted under this Director Compensation Policy will be determined based on the unweighted average closing price of a share of Common Stock over the thirty (30) consecutive trading day period immediately preceding the date that is five (5) trading days prior to the date of grant of such award.

Non-Employee Director Compensation Limit

Notwithstanding anything herein to the contrary, the cash compensation and equity compensation that each Non-Employee Director is eligible to receive under this Director Compensation Policy shall be subject to the limits set forth in Section 3(d) of the Plan.

Ability to Decline Compensation

A Non-Employee Director may decline all or any portion of his or her compensation under this Director Compensation Policy by giving notice to the Company prior to the date cash is to be paid or equity awards are to be granted, as the case may be.

Expenses

The Company will reimburse each Non-Employee Director for any ordinary and reasonable out-of-pocket expenses actually incurred by such director in connection with in-person attendance at and participation in Board and committee meetings; provided, that such director timely submits to the Company appropriate documentation substantiating such expenses in accordance with the Company's travel and expense policy as in effect from time to time.

* * * * *

Root, Inc.
RSU Award Grant Notice
(2020 Equity Incentive Plan)

Root, Inc. (the “**Company**”) has awarded to you (the “**Participant**”) the number of restricted stock units specified and on the terms set forth below in consideration of your services (the “**RSU Award**”). Your RSU Award is subject to all of the terms and conditions as set forth herein and in the Company’s 2020 Equity Incentive Plan (the “**Plan**”) and the Award Agreement (the “**Agreement**”), which are incorporated herein in their entirety. Capitalized terms not explicitly defined herein but defined in the Plan or the Agreement shall have the meanings set forth in the Plan or the Agreement.

Participant: _____
Date of Grant: _____
Vesting Commencement Date: _____
Number of Restricted Stock Units: _____

Vesting Schedule: [_____]. Notwithstanding the foregoing, vesting shall terminate upon the Participant’s termination of Continuous Service.

Issuance Schedule: One share of Common Stock will be issued for each restricted stock unit which vests at the time set forth in Section 5 of the Agreement.

Participant Acknowledgements: By your signature below or by electronic acceptance or authentication in a form authorized by the Company, you understand and agree that:

- The RSU Award is governed by this RSU Award Grant Notice (the “**Grant Notice**”), and the provisions of the Plan and the Agreement, all of which are made a part of this document. Unless otherwise provided in the Plan, this Grant Notice and the Agreement (together, the “**RSU Award Agreement**”) may not be modified, amended or revised except in a writing signed by you and a duly authorized officer of the Company.
- You have read and are familiar with the provisions of the Plan, the RSU Award Agreement and the Prospectus. In the event of any conflict between the provisions in the RSU Award Agreement, or the Prospectus and the terms of the Plan, the terms of the Plan shall control.
- The RSU Award Agreement sets forth the entire understanding between you and the Company regarding the acquisition of Common Stock and supersedes all prior oral and written agreements, promises and/or representations on that subject with the exception of: (i) other equity awards previously granted to you, and (ii) any written employment agreement, offer letter, severance agreement, written severance plan or policy, or other written agreement between the Company and you in each case that specifies the terms that should govern this RSU Award.

Root, Inc. Participant:

By: _____ By: _____
Signature Signature

Title: _____ Date: _____

Date: _____

Root, Inc.
2020 Equity Incentive Plan
Award Agreement (RSU Award)

As reflected by your Restricted Stock Unit Grant Notice (“**Grant Notice**”), Root, Inc. (the “**Company**”) has granted you a RSU Award under its 2020 Equity Incentive Plan (the “**Plan**”) for the number of restricted stock units as indicated in your Grant Notice (the “**RSU Award**”). The terms of your RSU Award as specified in this Award Agreement for your RSU Award (the “**Agreement**”) and the Grant Notice constitute your “**RSU Award Agreement**”. Defined terms not explicitly defined in this Agreement but defined in the Grant Notice or the Plan shall have the same definitions as in the Grant Notice or Plan, as applicable.

The general terms applicable to your RSU Award are as follows:

1. Governing Plan Document. Your RSU Award is subject to all the provisions of the Plan. Your RSU Award is further subject to all interpretations, amendments, rules and regulations, which may from time to time be promulgated and adopted pursuant to the Plan. In the event of any conflict between the RSU Award Agreement and the provisions of the Plan, the provisions of the Plan shall control.

2. Grant of the RSU Award. This RSU Award represents your right to be issued on a future date the number of shares of the Company’s Common Stock that is equal to the number of restricted stock units indicated in the Grant Notice subject to your satisfaction of the vesting conditions set forth therein (the “**Restricted Stock Units**”). Any additional Restricted Stock Units that become subject to the RSU Award pursuant to Capitalization Adjustments as set forth in the Plan and the provisions of Section 3 below, if any, shall be subject, in a manner determined by the Board, to the same forfeiture restrictions, restrictions on transferability, and time and manner of delivery as applicable to the other Restricted Stock Units covered by your RSU Award.

3. Dividends. You shall receive no benefit or adjustment to your RSU Award with respect to any cash dividend, stock dividend or other distribution that does not result from a Capitalization Adjustment as provided in the Plan; provided, however, that this sentence shall not apply with respect to any shares of Common Stock that are delivered to you in connection with your RSU Award after such shares have been delivered to you.

4. Withholding Obligations.

(a) Regardless of any action taken by the Company or, if different, the Affiliate to which you provide Continuous Service (the “**Service Recipient**”) with respect to any income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items associated with the grant or vesting of the RSU Award or sale of the underlying Common Stock or other tax-related items related to your participation in the Plan and legally applicable to you (the “**Tax Liability**”), you hereby acknowledge and agree that the Tax Liability

is your ultimate responsibility and may exceed the amount, if any, actually withheld by the Company or the Service Recipient. You further acknowledge that the Company and the Service Recipient (i) make no representations or undertakings regarding any Tax Liability in connection with any aspect of this RSU Award, including, but not limited to, the grant or vesting of the RSU Award, the issuance of Common Stock pursuant to such vesting, the subsequent sale of shares of Common Stock, and the payment of any dividends on the Common Stock; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the RSU Award to reduce or eliminate your Tax Liability or achieve a particular tax result. Further, if you are subject to Tax Liability in more than one jurisdiction, you acknowledge that the Company and/or the Service Recipient (or former service recipient, as applicable) may be required to withhold or account for Tax Liability in more than one jurisdiction.

(b) Prior to any relevant taxable or tax withholding event, as applicable, you agree to make adequate arrangements satisfactory to the Company and/or the Service Recipient to satisfy all Tax Liability. As further provided in Section 8 of the Plan, you hereby authorize the Company and any applicable Service Recipient to satisfy any applicable withholding obligations with regard to the Tax Liability by any of the following means or by a combination of such means: (i) causing you to pay any portion of the Tax Liability in cash or cash equivalent in a form acceptable to the Company; (ii) withholding from any compensation otherwise payable to you by the Company or the Service Recipient; (iii) withholding shares of Common Stock from the shares of Common Stock issued or otherwise issuable to you in connection with the Award; *provided*, however, that to the extent necessary to qualify for an exemption from application of Section 16(b) of the Exchange Act, if applicable, such share withholding procedure will be subject to the express prior approval of the Board or the Company's Compensation Committee; (iv) permitting or requiring you to enter into a "same day sale" commitment, if applicable, with a broker-dealer that is a member of the Financial Industry Regulatory Authority (a "**FINRA Dealer**"), pursuant to this authorization and without further consent, whereby you irrevocably elect to sell a portion of the shares of Common Stock to be delivered in connection with your Restricted Stock Units to satisfy the Tax Liability and whereby the FINRA Dealer irrevocably commits to forward the proceeds necessary to satisfy the Tax Liability directly to the Company or the Service Recipient; and/or (v) any other method determined by the Company to be in compliance with Applicable Law. Furthermore, you agree to pay the Company or the Service Recipient any amount the Company or the Service Recipient may be required to withhold, collect, or pay as a result of your participation in the Plan or that cannot be satisfied by the means previously described. In the event it is determined that the amount of the Tax Liability was greater than the amount withheld by the Company and/or the Service Recipient (as applicable), you agree to indemnify and hold the Company and/or the Service Recipient (as applicable) harmless from any failure by the Company or the applicable Service Recipient to withhold the proper amount.

(c) The Company may withhold or account for your Tax Liability by considering statutory withholding amounts or other withholding rates applicable in your jurisdiction(s), including (i) maximum applicable rates in your jurisdiction(s), in which case you may receive a refund of any over-withheld amount in cash (whether from applicable tax authorities or the Company) and you will have no entitlement to the equivalent amount in

Common Stock or (ii) minimum or such other applicable rates in your jurisdiction(s), in which case you may be solely responsible for paying any additional Tax Liability to the applicable tax authorities or to the Company and/or the Service Recipient. If the Tax Liability withholding obligation is satisfied by withholding shares of Common Stock, for tax purposes, you are deemed to have been issued the full number of shares of Common Stock subject to the vested portion of the RSU Award, notwithstanding that a number of the shares of Common Stock is held back solely for the purpose of paying such Tax Liability.

(d) You acknowledge that you may not participate in the Plan and the Company shall have no obligation to deliver shares of Common Stock until you have fully satisfied the Tax Liability, as determined by the Company. Unless any withholding obligation for the Tax Liability is satisfied, the Company shall have no obligation to deliver to you any Common Stock in respect of the RSU Award.

5. Date of Issuance.

(a) The issuance of shares in respect of the Restricted Stock Units is intended to comply with U.S. Treasury Regulations Section 1.409A-3(a) and will be construed and administered in such a manner. Subject to the satisfaction of the Tax Liability withholding obligation, if any, in the event one or more Restricted Stock Units vests, the Company shall issue to you one (1) share of Common Stock for each vested Restricted Stock Unit. Each issuance date determined by this paragraph is referred to as an “**Original Issuance Date.**”

(b) If the Original Issuance Date falls on a date that is not a business day, delivery shall instead occur on the next following business day. In addition, if:

(i) the Original Issuance Date does not occur (1) during an “open window period” applicable to you, as determined by the Company in accordance with the Company’s then-effective policy on trading in Company securities, or (2) on a date when you are otherwise permitted to sell shares of Common Stock on an established stock exchange or stock market (including but not limited to under a previously established written trading plan that meets the requirements of Rule 10b5-1 under the Exchange Act and was entered into in compliance with the Company’s policies (a “**10b5-1 Arrangement**)), and

(ii) either (1) a Tax Liability withholding obligation does not apply, or (2) the Company decides, prior to the Original Issuance Date, (A) not to satisfy the Tax Liability withholding obligation by withholding shares of Common Stock from the shares otherwise due, on the Original Issuance Date, to you under this Award, and (B) not to permit you to enter into a “same day sale” commitment with a broker-dealer (including but not limited to a commitment under a 10b5-1 Arrangement) and (C) not to permit you to pay your Tax Liability in cash, then the shares that would otherwise be issued to you on the Original Issuance Date will not be delivered on such Original Issuance Date and will instead be delivered on the first business day when you are not prohibited from selling shares of the Common Stock in the open public market, but in no event later than December 31 of the calendar year in which the Original Issuance Date occurs (that is, the last day of your taxable year in which the Original Issuance Date occurs), or, if and only if permitted in a manner that complies with U.S. Treasury Regulations Section

1.409A-1(b)(4), no later than the date that is the 15th day of the third calendar month of the applicable year following the year in which the shares of Common Stock under this Award are no longer subject to a “substantial risk of forfeiture” within the meaning of U.S. Treasury Regulations Section 1.409A-1(d).

6. Transferability. Except as otherwise provided in the Plan, your RSU Award is not transferable, except by will or by the applicable laws of descent and distribution

7. Corporate Transaction. Your RSU Award is subject to the terms of any agreement governing a Corporate Transaction involving the Company, including, without limitation, a provision for the appointment of a stockholder representative that is authorized to act on your behalf with respect to any escrow, indemnities and any contingent consideration.

8. No Liability for Taxes. As a condition to accepting the RSU Award, you hereby (a) agree to not make any claim against the Company, or any of its Officers, Directors, Employees or Affiliates related to tax liabilities arising from the RSU Award or other Company compensation and (b) acknowledge that you were advised to consult with your own personal tax, financial and other legal advisors regarding the tax consequences of the RSU Award and have either done so or knowingly and voluntarily declined to do so.

9. Severability. If any part of this Agreement or the Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity will not invalidate any portion of this Agreement or the Plan not declared to be unlawful or invalid. Any Section of this Agreement (or part of such a Section) so declared to be unlawful or invalid will, if possible, be construed in a manner which will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.

10. Other Documents. You hereby acknowledge receipt of or the right to receive a document providing the information required by Rule 428(b)(1) promulgated under the Securities Act, which includes the Prospectus. In addition, you acknowledge receipt of the Company’s Trading Policy.

11. Questions. If you have questions regarding these or any other terms and conditions applicable to your RSU Award, including a summary of the applicable federal income tax consequences please see the Prospectus.

**Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Alexander Timm, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Root, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) [Intentionally omitted];
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2021

/s/ Alexander Timm

Alexander Timm

Chief Executive Officer and Director
(Principal Executive Officer)

**Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Daniel Rosenthal, certify that:

- 1 I have reviewed this quarterly report on Form 10-Q of Root, Inc.;
- 2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4 The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) [Intentionally omitted];
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5 The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2021

/s/ Daniel Rosenthal

Daniel Rosenthal

Chief Financial Officer

(Principal Financial Officer)

**Certification of Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to the requirements set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code ("18 U.S.C. 1350"), Alexander Timm, Chief Executive Officer of Root, Inc. (the "Company") and Daniel Rosenthal, Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

- 1 The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2020 to which this certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and
- 2 The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 6, 2021

/s/ Alexander Timm

Alexander Timm

Chief Executive Officer and Director
(Principal Executive Officer)

/s/ Daniel Rosenthal

Daniel Rosenthal

Chief Financial Officer
(Principal Financial Officer)

This certification accompanies this Quarterly Report on Form 10-Q. The certification is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Root, Inc. under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in any such filing.