

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 5, 2021

ROOT, INC.

(Exact name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-39658

(Commission File Number)

84-2717903
(IRS Employer
Identification No.)

80 E. Rich Street, Suite 500
Columbus, Ohio
(Address of Principal Executive Offices)

43215
(Zip Code)

(866) 980-9431

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
- 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	ROOT	Nasdaq Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Item 2.02 Results of Operations and Financial Condition.

On May 5, 2021, Root, Inc. (the "Company") announced its financial results for the quarter ended March 31, 2021 by issuing a letter to Shareholders (the "Letter"). A copy of the Letter is furnished as Exhibit 99.1 to this Current Report and incorporated by reference herein.

The information contained in Item 2.02 of this Form 8-K (including Exhibit 99.1 attached hereto) shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly provided by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

The following exhibit relating to Item 2.02 shall be deemed to be furnished:

<u>Exhibit No.</u>	<u>Description</u>
99.1	Letter to Shareholders, dated May 5, 2021

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ROOT, INC.

Dated: May 5, 2021

By: /s/ Alexander Timm
Alexander Timm
Chief Executive Officer and Director



Q1 2021

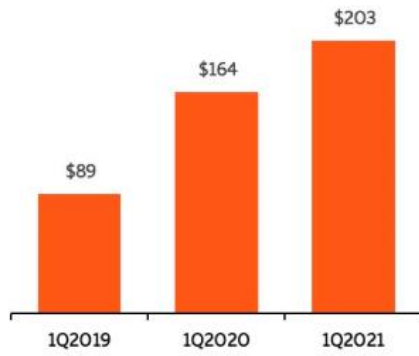
Shareholder

Letter

Root Inc

Key quarterly metrics:

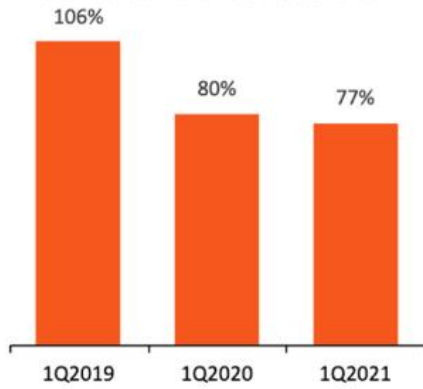
Direct Written Premium (\$M)



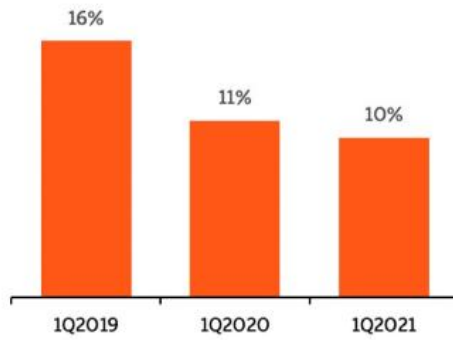
Direct Earned Premium (\$M)



Direct Accident Period Loss Ratio



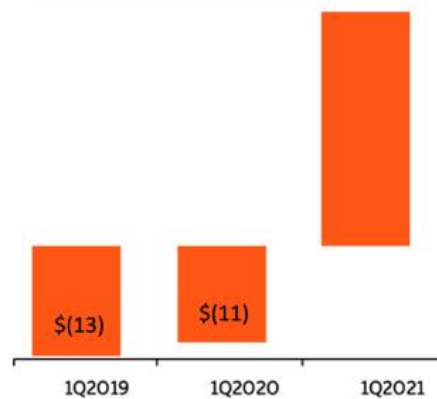
Direct LAE Ratio



Gross Profit (\$M)



Direct Contribution (\$M)

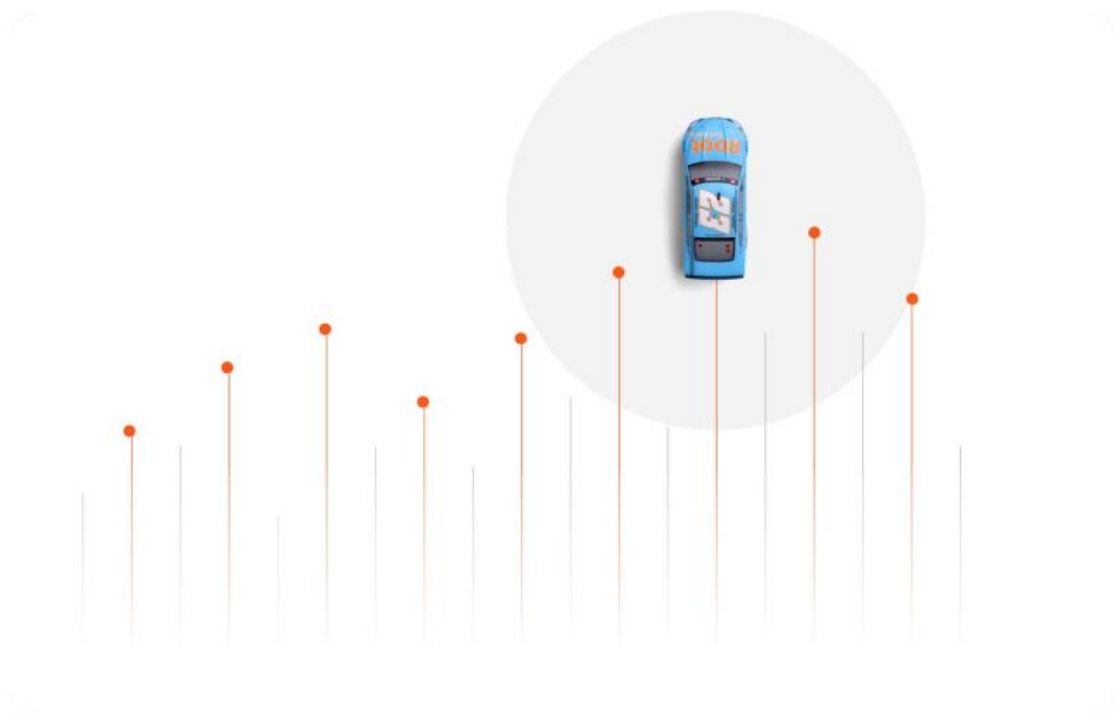


Dear Shareholders:

We are very pleased to report and comment on Root's strong financial and operating performance in Q1 2021.

In Q1, our first full quarter as a public company, Root delivered the first \$200 million-plus quarter of Direct Written Premium in our history. We also delivered \$6 million in Gross Profit and \$27 million in Direct Contribution, principally driven by improvements in loss ratio.

Root's Q1 performance underscores the increasing strength and relevance of Root's business and brand and validates that our model is working. Our performance in the quarter also underscores the success of investments we are making to improve our operations and efficiency—and to deliver groundbreaking tech and insurance innovation—as we continue to grow our share and disrupt the \$260 billion U.S. auto insurance industry. And finally, our Q1 performance demonstrates the success of initiatives underway across the company to drive profitable growth and deliver long-term value to our shareholders.

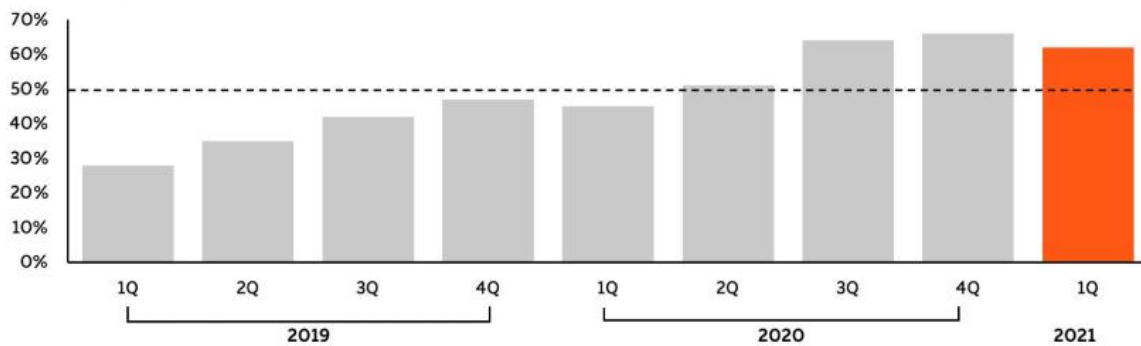


Q1 2021 highlights:

All figures are compared to Q1 2020 unless otherwise stated:

- Direct Written Premium increased 23% to \$203 million
- Direct Earned Premium increased 11% to \$160 million
- Direct Loss Ratio improved 22 points to 71%
- Direct Accident Period Loss Ratio improved 3 points to 77%, representing a 29-point improvement compared to Q1 2019
- Renewal Premium % of Direct Earned Premium increased 17 points to 62%

Renewal premium % of Direct Earned Premium



- Gross Profit increased by \$23 million, to \$6 million
- Direct Contribution increased by \$38 million, to \$27 million (17% of Direct Earned Premium), including \$10 million of favorable direct prior period development

Let's start by highlighting the Q1 performance of each of our key business drivers: Growth, Pricing/Underwriting, and Product/Customer Experience.

Growth

Several factors contributed to the 23% year-over-year increase in Direct Written Premium we reported this quarter:

1. **Better product at a better price**

At the heart of what drives Root's growth is our product. As we continue to build better products for our consumers, we in turn expand our customer base. We do this by meeting consumers where they are, with the products they need, at the price they want. Driving year-over-year results were substantial product improvements including increasing flexibility around payments and coverage, reducing the amount and quality of data needed to produce quick and accurate driving scores, and making it even easier for consumers to join us at key moments through our partner platform.

Our partner platform continues to grow substantially year over year. Our proprietary and fully-integrated APIs allow us to connect with consumers during the most relevant moments—usually when purchasing a vehicle or managing their personal finances. This creates a natural onboarding experience for consumers and speaks to them about insurance when it truly matters to them. This is an important seed we are planting for our future and are excited to tell you more in the quarters to come.

2. **Data science marketing**

Our data science advantage is the bedrock of our entire company and touches everything we do. We are increasingly leveraging proprietary data science to design and implement highly targeted, highly efficient performance marketing programs. This allows us to personalize marketing design, messaging, and costs by customer segment. In Q1, we began expanding this program into additional marketing channels and customer segments, fueling our growth.

Root is in the early innings of leveraging data science in customer acquisition, and we expect large-scale improvements to be made over the coming quarters that will drive further gains in growth and efficiency.

3. **Earned media**

Our investments in brand have delivered significant earned media impressions and increased our awareness metrics. Our timely research in support of Distracted Driving Awareness Month—

specifically how excessive use of video conferencing has increased distracted driving—had 1.3 billion earned media impressions and was featured in over 300 individual news stories. Our sponsorship of NASCAR driver Bubba Wallace in support of his commitment to progress and change continues to earn us significant impressions, both in TV viewership and media recognition. Root's partnership with Bubba Wallace has been mentioned in more than 1,000 news stories with a reach of more than 3.3 billion impressions since launch.

We've seen these campaigns significantly increase consumer brand awareness, with a single, multi-city campaign resulting in brand awareness increasing more than 50%.

4. **Market expansion**

We believe our differentiated telematics carry weight with state regulators, and we made significant progress during Q1 on market expansion. Root is now licensed to write auto insurance in 48 states and the District of Columbia—an increase of 11 new states during the quarter. This is the necessary first step, and we are now in the process of filing our forms and pricing models in several of these states. We are also pursuing licenses in the only two remaining states, Florida and Massachusetts.

5. **Seasonality**

Like most auto insurance providers, Root traditionally experiences outsized growth in Q1 of each year as consumers shop for new policies. This year included similar seasonality, intensified by the government issuance of stimulus checks, with our largest month of Q1 premium coming in March.

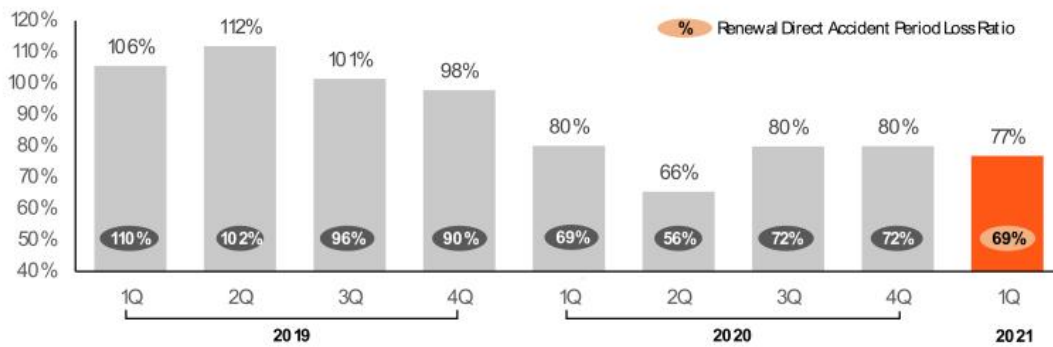
Root demonstrated in Q1 that we are increasingly leveraging our data, technology, and digital engagement advantages to deliver personalized auto insurance products to consumers. At the same time, we are providing an elevated experience to our customers through increased customer flexibility and empowerment, a frictionless claims experience, and soon autonomous claims processing. We believe that the combination of these attributes together with low, fairly and transparently developed personalized pricing will enable us to attract and retain more of our target customers, driving revenues and profitability.

Pricing/underwriting

We are driving better and more accurate pricing by continuing to scale our data sets and improve our pricing algorithms. As we get better at segmenting risk, we are confident we can continue to bring down auto insurance prices for good drivers, create highly satisfied, loyal customers, drive efficiency and growth, and

accelerate the momentum of our business flywheel. The accretive impact of these efforts is reflected in meaningful improvement in several Q1 key performance indicators, most notably Direct Accident Period Loss Ratio:

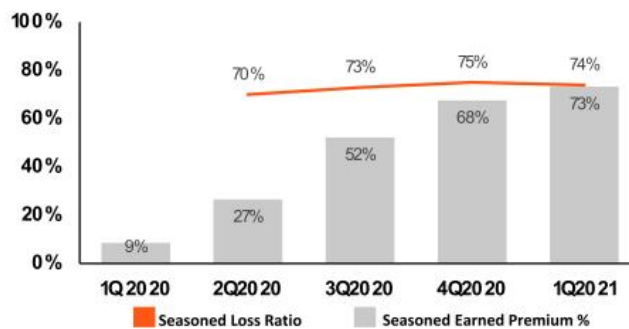
Direct Accident Period Loss Ratio



Our improvement in contribution margin in Q1 2021 compared to Q1 2020 is largely a result of six key drivers: (1) improved underwriting, (2) the increasing value of our targeted state management initiatives, (3) our telematics and pricing models being accepted by more states, which allows us to generate updated models with even greater predictive power, (4) increased renewal and seasoned state premium, (5) better targeted marketing initiatives focused on good driver characteristics, and (6) \$10 million of favorable direct prior period development. These improvements were partially offset due to increased driving in Q1 2021 compared to Q1 2020 as we have seen mileage roughly return to pre-COVID-19 levels.

The proportion of Direct Earned Premium from seasoned business continued to increase in Q1 to 73%, and we will continue driving market share gains in seasoned states where the ROI is highest. Similarly, there continues to be a differentiated loss ratio between seasoned and unseasoned states.

Seasoned Performance



Note: Loss ratio is Direct Accident Period Loss Ratio and excludes Q1 2020 loss ratio due to minimal premium volume in the quarter

QUARTERLY HIGHLIGHT

Distracted Driving Awareness

Each year, Root publishes our Distracted Driving Report to analyze exclusive driving data about focus behind the wheel. In this year's report, we not only shared our latest findings around distracted driving trends, but also explored new driver insights to uncover what causes some people to lose focus on the road. This resulted in significant press coverage.



FST@MPANY

Potentially deadly 'Zoom zombies' are roaming the streets, a new report finds



NEWS

'Zoom zombies' are zoning out behind the wheel after video calls, auto safety experts warn



USA TODAY

Talking Tech: High-tech masks, low-priced smartphones and 'Zoom zombies'

Like all insurance carriers, our model benefits from portfolio maturity. As we invest to bring on new customers and achieve scale, our results are disproportionately weighted towards new customers when compared to legacy carriers. As we build an underlying base of recurring customers going forward, we expect the following financial impact: improved loss ratio, increased revenue per customer via product expansions, reduced acquisition costs as a percentage of premium, and improved retention. Together, we believe these dynamics will drive the evolution and maturity of our portfolio and meaningfully contribute to our future profitability. Quarter-to-quarter differential rates of growth might dampen or even periodically reverse these trends but we are confident the trends will hold over the longer term.

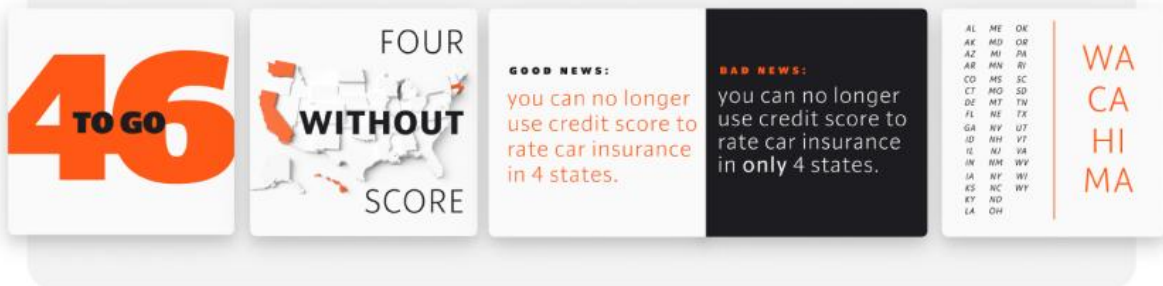
As such, our total loss ratio will likely be adversely impacted over the next few quarters as we accelerate new writings and enter new states. We expect the impact to be greatest in our seasoned states, where we anticipate writing a majority of our premium. In addition, while miles driven returned to pre-COVID-19 levels during the quarter, claims frequency has not yet rebounded to historic norms. That said, we have confidence in our underwriting changes and have line of sight on additional pricing and underwriting actions that we believe will offset these tailwinds and allow us to achieve our target 2021 loss ratio.

Accurate pricing based on individual risk has always been at the core of Root's mission. We are getting better at pricing every day by drawing upon constantly updated, proprietary, data science-driven telematics and pricing algorithms that are integrated with proprietary claims data. Our predictive power will further improve with the rollout of our new telematics and pricing models in the second half of 2021.

QUARTERLY HIGHLIGHT

Drop the Score

We continued our efforts to highlight the bias of using credit score as a rating variable within car insurance. This campaign, aptly named Drop The Score, gained momentum this quarter with press coverage around the issue, alignment with advocacy groups, and the start of grassroots campaign aimed at educating consumers.

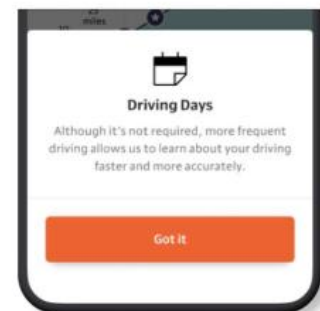
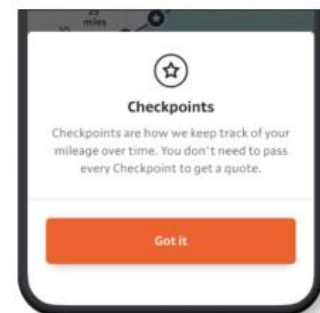


Product/Customer Experience

Root is dedicated to delivering a differentiated and elevated insurance experience for our customers, informed by a technology platform that enables constant improvements in customer interaction and engagement. We will continue to empower our customers by providing them with transparency, increased flexibility, and streamlined processes that allow our customers to make decisions that best suit their unique needs and preferences. Root listens to our customers and delivers products and features that fulfill their needs and desires.

Providing customers with context around our technology

In Q1, we increased customer engagement during the onboarding process through the introduction of a new feature called Checkpoints. Technology continues to be central to our product experience and we prioritize making it approachable for our customers. Checkpoints, an in-app visualization showing mileage accrual during the Root test drive, aligns customer expectations throughout the experience and has resulted in a 28% lift in engagement.



Streamlining the claims process

Among the most gratifying aspects of working at Root is supporting a customer who has sustained property damage in an accident. And in Q1, we made meaningful improvements to our customer claims experience and processes. In fact, we believe we are on the cusp of delivering an autonomous claims experience to our policyholders for a meaningful portion of our claims volume.

Providing an autonomous claims experience for our customers has been one of Root's highest priorities from the outset. In addition to automated workflows that speed up the auto-damage handling process, we leverage Root's in-app experience to complete the vast majority of our estimates using uploaded photos. We have reduced the time between first notice of loss to estimate work beginning from 1.7 days to a handful of seconds. We are resolving policyholder auto damage claims in approximately half the time of the industry average. This results in a better customer experience while reducing claims expense.

QUARTERLY HIGHLIGHT

Progress started here

In May, our sponsorship of NASCAR driver Bubba Wallace honors Wendell Scott, one of the first African-American drivers in NASCAR. To celebrate the impact Scott had on the sport, we transformed the Root car to a replica of Scott's car from 60 years ago. The partnership drew strong support from racing fans and media coverage.



Looking ahead

Root emerged from Q1 stronger and better positioned to achieve our ambitions of profitably growing our business and continuing to lead the disruption of the traditional insurance industry through a superior customer experience and the development and integration of advanced, proprietary telematics—all of which will enable us to deliver consistent, long-term value creation for our shareholders.

We remain humble and steadfast in our mission to disrupt the auto insurance industry while delivering fairness, transparency, and a better experience to our customers.

Thank you for your continued support.



Alex Timm
Co-Founder & CEO



Daniel Rosenthal
CFO

Non-GAAP financial measures

This letter and statements made during the above referenced webcast may include information relating to Adjusted Gross Profit (Loss) and Direct Contribution, which are "non-GAAP financial measures." These non-GAAP financial measures 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, GAAP Gross Profit (Loss), 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 level, (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.

We have not reconciled Adjusted Gross Profit (Loss) and Direct Contribution outlook to GAAP Gross Profit (Loss) because we do not provide an outlook for GAAP Gross Profit (Loss) due to the uncertainty and potential variability of factors used to calculate GAAP Gross Profit (Loss). Because we cannot reasonably predict such items, a reconciliation of the non-GAAP financial measure outlook to the corresponding GAAP measure is not available without unreasonable effort. We caution, however, that such items could have a significant impact on the calculation of GAAP Gross Profit (Loss).

For more information regarding the non-GAAP financial measures discussed in this release, please see "Non-GAAP financial measures" and "Reconciliation of GAAP to non-GAAP financial measures" below.

Forward-looking statements

This letter contains—and statements made during the above-referenced webcast will contain—forward-looking statements relating to, among other things, the future performance of Root and its consolidated subsidiaries that are based on Root’s current expectations, forecasts, and assumptions and involve risks and uncertainties. These include, but are not limited to, statements regarding:

- Our expected financial results for 2021
- Our ability to retain existing customers, acquire new customers and expand our customer reach
- Our ability (and anticipated timing) to remove the use of credit score from our rating variables
- Our expectations regarding our future financial performance, including Total Revenue, Gross Profit (Loss), Adjusted Gross Profit (Loss), Direct Contribution, Direct Loss Ratio, marketing costs and costs of customer acquisition, direct 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 release new products and features and the timing of those releases, including our new Algorithm Version 4.0 and our ability to deliver a fully autonomous claims experience to our customers for a meaningful portion of our claims volume
- Our ability to underwrite risks accurately and charge profitable rates
- Our ability to drive improved conversion and decrease the costs of customer acquisition
- Our ability to optimize for LTV within each of our channels
- Our ability to operate a “capital-light” business and obtain and maintain reinsurance contracts
- Our ability to realize economies of scale and grow margins
- 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

Root's actual results could differ materially from those predicted or implied by such forward-looking statements, and reported results should not be considered as an indication of future performance.

Factors that could cause or contribute to such differences also include, but are not limited to, those factors that could affect Root's business, operating results, and stock price included under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Root's Annual Report on Form 10-K for the year ended December 31, 2020, our Quarterly Reports on Form 10-Q, and other filings filed with the SEC at <http://ir.joinroot.com> or the SEC's website at www.sec.gov.

Undue reliance should not be placed on the forward-looking statements in this letter or the above-referenced webcast, which are based on information available to Root on the date hereof. Such forward-looking statements do not include the potential impact of any acquisitions or divestitures that may be announced and/or completed after the date hereof. We assume no obligation to update such statements.

Financial statements

ROOT, INC. AND SUBSIDIARIES 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		
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

ROOT, INC. AND SUBSIDIARIES

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

ROOT, INC. AND SUBSIDIARIES
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

Supplemental financial information

ROOT, INC. AND SUBSIDIARIES KEY PERFORMANCE INDICATORS - UNAUDITED

	Three Months Ended March 31,		
	2021	2020	2019
(dollars in millions, except Premiums per Policy)			
Policies in Force			
Auto	360,290	334,209	176,179
Renters	8,835	3,163	—
Premiums per Policy			
Auto	\$ 958	\$ 889	\$ 770
Renters	\$ 140	\$ 133	\$ —
Premiums in Force			
Auto	\$ 690.3	\$ 594.2	\$ 271.3
Renters	\$ 1.2	\$ 0.4	\$ —
Direct Written Premium	\$ 202.5	\$ 164.2	\$ 88.7
Direct Earned Premium	\$ 160.2	\$ 143.9	\$ 53.4
Gross Profit/(Loss)	\$ 6.3	\$ (17.2)	\$ (16.8)
Gross Margin	9.2 %	(13.9)%	(40.6)%
Adjusted Gross Profit/(Loss)	\$ 17.0	\$ (8.7)	\$ (11.7)
Direct Contribution	\$ 26.6	\$ (11.0)	\$ (12.5)
Ratio of Adjusted Gross Profit/(Loss) to Total Revenue	24.8 %	(7.0)%	(28.3)%
Ratio of Adjusted Gross Profit/(Loss) to Direct Earned Premium	10.6 %	(6.0)%	(21.9)%
Ratio of Direct Contribution to Total Revenue	38.8 %	(8.9)%	(30.2)%
Ratio of Direct Contribution to Direct Earned Premium	16.6 %	(7.6)%	(23.4)%
Direct Loss Ratio	70.9 %	92.8 %	104.8 %
Direct LAE Ratio	9.8 %	10.8 %	15.7 %
Direct Accident Period Loss Ratio	77.0 %	80.1 %	105.6 %

ROOT, INC. AND SUBSIDIARIES
RECONCILIATION OF TOTAL REVENUE TO GROSS PROFIT/(LOSS), ADJUSTED GROSS PROFIT/
(LOSS) AND DIRECT CONTRIBUTION - UNAUDITED

	Three Months Ended March 31,		
	2021	2020	2019
	(dollars in millions)		
Total revenue	\$ 68.6	\$ 124.0	\$ 41.4
Loss and loss adjustment expenses	(59.9)	(129.9)	(50.0)
Other insurance expense	(2.4)	(11.3)	(8.2)
Gross profit/(loss)	6.3	(17.2)	(16.8)
Gross margin	9.2 %	(13.9)%	(40.6)%
Less:			
Net investment income	(0.9)	(1.9)	(0.7)
Net realized gains on investments	(2.4)	—	—
Adjustments from other insurance expense ⁽¹⁾	14.0	10.4	5.8
Adjusted gross profit/(loss)	\$ 17.0	\$ (8.7)	\$ (11.7)
Ceded earned premium	101.1	26.1	14.3
Ceded loss and LAE	(69.3)	(19.1)	(14.4)
Net ceding commission and other ⁽²⁾	(22.2)	(9.3)	(0.7)
Direct contribution	\$ 26.6	\$ (11.0)	\$ (12.5)
Direct earned premium	\$ 160.2	\$ 143.9	\$ 53.4
Ratio of adjusted gross profit/(loss) to total revenue	24.8 %	(7.0)%	(28.3)%
Ratio of adjusted gross profit/(loss) to direct earned premium	10.6 %	(6.0)%	(21.9)%
Ratio of direct contribution to total revenue	38.8 %	(8.9)%	(30.2)%
Ratio of direct contribution to direct earned premium	16.6 %	(7.6)%	(23.4)%

(1) Adjustments from other insurance benefit (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.

ROOT, INC. AND SUBSIDIARIES
WRITTEN AND EARNED PREMIUM - UNAUDITED

	Three Months Ended March 31,	
	2021	2020
	(dollars in millions)	
Direct written premium	\$ 202.5	\$ 164.2
Ceded written premium	(89.6)	(47.9)
Net written premium	112.9	116.3
Direct earned premium	160.2	143.9
Ceded earned premium	(101.1)	(26.1)
Net earned premium	\$ 59.1	\$ 117.8

