

CASE STUDY

How Socotra enabled CoverTree to unlock a niche market, achieve 90% straight through processing and 30% lower total cost of ownership while supporting significant growth



Challenges and opportunities

- Market opportunity to provide specialized insurance for an underserved market—manufactured homes- providing quick and competitive pricing for coverage that is often not available to this segment due to geographic location, risk factors, or simply too expensive.
- Seize market opportunity of growing segment of manufactured homes was of high priority. Contract and deploy an open, flexible, and affordable core platform to support innovation, outstanding customer experience and anticipated growth. Required a core platform with open APIs to allow ease of integration and permit CoverTree to automate underwriting and provide digital-first experiences through custom-built and 3rd party applications.

HEADQUARTERS

Detroit, MI

BUSINESS LINE

Manufactured housing insurance

GEOGRAPHICAL PRESENCE

U.S. - AZ, NM, OH, MI, IN, TN, IL
(SC, TX, GA - coming soon)

Employees

14

Socotra Solution

- Pay-as-you-grow pricing, flexibility unprecedented speed-to-market
- Open APIs enabling seamless integrations and straight-through processing
- Cloud-native architecture to get the latest features and upgrades without additional resources, costs, or downtime

Results

- 6-month implementation, compared to 1-2 year industry standard
- 90% of applications are straight-through processing
- 30% lower TCO compared to other core platforms
- 50% fewer technical staff required to maintain technology

CoverTree leverages data to unlock a niche market

Founded in 2020 in Detroit, Michigan, Covertree is a venture capital-backed InsurTech MGA focused solely on the manufactured housing market. Manufactured homes have found their moment as retirees, young professionals, and people looking to lower their carbon footprint buy tiny homes, modular homes, and other forms of manufactured housing. The founders of Covertree saw an opportunity in this trend.

In the past, manufactured homes have been underinsured, as policyholders faced excessive monthly premiums and lower reimbursements. Their plan was to offer low-cost insurance that makes purchasing coverage and submitting claims fast and easy for owners, renters, and landlords of all types of factory-built dwellings including tiny homes, modular homes, and stationary travel.

Getting to market quickly with this offering, however, required the right technology, which would enable them to leverage Artificial Intelligence (AI) and data-based pricing to create a straight-through process for underwriting and claims in their online distribution channel. This type of digital automation would allow CoverTree to improve the customer experience by making applications and claims fast and easy, while also reducing costs that they could pass along to customers in the form of better prices.

“To keep the cost of customer acquisition down, we partner with the community owner of a manufactured home community.. As the owner of the land, they can mandate insurance for their residents. The resident is either uninsured or provides their Dec page allowing us to provide a competitive price option. We have a good price and a good customer rating and we win their business.”

- Divyansh Sharma, Covertree CIO

Finding the right core platform to fit the needs of a high-growth startup

Motivated by their research into their housing trend, and solely focused on this market, Covertree needed to find a reliable and agile core policy solution upon which to build the user experience allowing them to seize the niche opportunity.

Customer experience was top priority, CoverTree wanted to differentiate on user experience with their own customized front end and leverage multiple 3rd party applications. For this approach to be successful, they wanted a system with open APIs that would enable easy integration with the core platform and nurture an ecosystem allowing them to efficiently create, connect and configure to meet their future growth needs.

They evaluated several options including Duck Creek, Guidewire, and INSTANDA. They quickly discovered that Duck Creek’s and Guidewire’s expensive solutions weren’t designed for startups because the immediate and ongoing cost was prohibitive.. And, while INSTANDA offered an end-to-end solution, it was inflexible because it couldn’t be customized or parameterized, offering no opportunity to build a customized user interface (UI).

Socotra offered the best of both worlds with a powerful backend engine that efficiently manages the complex interactions needed throughout the lifecycle of their policies and the ability to build the workflows and UI exactly as CoverTree envisioned — at about a third of the total cost of ownership (TCO) of INSTANDA.

“We’re able to keep our team small with Socotra. Our team would have to be at least 50% larger if we choose one of the larger vendors. And, if we had gone with INSTANDA, our team would have to be about 25% larger.”

To enter the market quickly, Covertree needed a reliable core policy solution upon which to build the user experience. They wanted a system with open APIs allowing them the ability to easily connect other apps that would enable them to create a seamless experience for customers and eventually agents as well.

As CoverTree evaluated core systems, upgrades were a big consideration. Guidewire and Duck Creek’s cost estimates to upgrade was prohibitively costly, which would have to be integrated with the present implementation, creating expense and time delay. Upgrading with Socotra, on the other hand, is simple, because Socotra upgrades its platform continuously and automatically with zero downtime or fees. CoverTree estimated the five year TCO of upgrades to cost approximately \$500k.

Building modern customer experiences on a modern core platform

Partnering with Socotra enabled CoverTree to enter the market, offering policies in five states, in six months because Socotra allowed the entire backend system to be deployed in a short period of time.. “Our ratings, document generation, underwriting, policy issuance and invoices – everything is in Socotra. In only 6 months we went live in five states with Socotra earning premium out of the gate... With some other vendors, you just have a team formed in 6 months.” Additionally, the CTO estimates the product team is 50% more productive than they would have been with Guidewire and 25% more productive than they would have been with INSTANDA.

Socotra’s open APIs enabled the company to seamlessly integrate the policy admin system with their CRM, email services, document generation tool, and more allowing them to enhance and expand their offerings with ease.

“Employing Socotra’s ease of API integration and robust partner network we incorporated machine learning and artificial intelligence capabilities, our product is designed for straight-through processing, with only 8% requiring referral to underwriters and an anticipated 2% getting declined. Our business model has eliminated the need for a call center, our employees who are agents love Socotra because the technology is there to support them and make their job easier. We have great UI, interfaces, systems, everything you would normally expect.” - **Divyansh Sharma, Covertree CIO**

Socotra is an InsurTech MGA's ideal partner

For Covertree, Socotra offered everything they were looking for, including:

- an enterprise-grade policy admin system that will grow with the company
- Simple integration to 3rd party apps offered AI and machine learning capabilities which increased automation reducing the need for staff and sped up the application process
- APIs that enable integration flexibility, connecting the customized user interface and other apps created the desired customer experience for the niche market. A customizable UI that supports a modern easy customer experience
- a price that was 30% less than the closest competitor
- expert, reliable, and friendly support

With Socotra's robust policy core platform, CoverTree is able to focus on the customer experience. They've created a fast, painless insurance application and claims administration process that enables customers to purchase insurance or file a claim in three minutes, differentiating the company in the market.

Looking Ahead

Now with CoverTree, manufactured home customers, who previously could not get coverage, can purchase a policy online in less than three minutes and save up to 40% in premiums. CoverTree is now live in Arizona, New Mexico, Ohio, Michigan, Indiana, Tennessee, Illinois with plans to expand.

CoverTree has big plans for the future. Currently, they are expanding the business geographically, with three additional states coming onboard soon — and more to come in the future. They're also building a portal for agents. And they plan to expand their product lines in the future to include boats, RVs, and other recreational vehicles that align with their primary market demographic. Socotra's Policy Core Platform ensures they'll only be limited by their imagination.

KEY RESULTS

Growth and Cost Reduction

- Enabled market entry in one year – with just 6 months needed for Socotra implementation
- Anticipated exponential growth
 - more than 12,000% by year-end from \$40K in GWP to \$5M
 - expected five-year GWP of \$100M
- Staff savings – can work with 25-50% of technical and product staff that would have otherwise been required (25% less than if INSTANDA had been selected, 50% less than if Guidewire or Duck Creek had been selected or a solution had been built from scratch)
- Platform savings
 - 30% reduction in total cost of ownership (TCO) with Socotra than with INSTANDA
 - no physical stack required
 - upgrades are free, quick and automatic requiring no CoverTree effort versus Guidewire and Duck Creek estimated 5 year cost of upgrades at about \$500K

About Socotra

Socotra is the modern, enterprise-grade core system that enables global insurers to accelerate product development, reduce maintenance costs, and improve customer experiences. Socotra is trusted by insurers to provide them with modern technology to rapidly develop products that better serve their customers and manage their existing book of business. Socotra's flexible, radically open, cloud-native solution unifies underwriting, rating, policy management, claims, billing, reporting, and more. To learn more, visit www.socotra.com.