



Allay helps small & mid sized employers save up to 40% on health insurance.

Two ways for an employer to fund health insurance

Fully-Insured

vs

Self-Insured

- higher cost to employer

- lower cost to employer

- most common for SMBs

- most common for large employers

Growing demand for self insurance

“Self insurance is surging”

- BenefitsPro Magazine

“More employers expected to use self insured plans”

- CalBroker Magazine

House passes H.R. 1304, the Self-Insurance Protection Act (SIPA) by a vote of 400 to 16

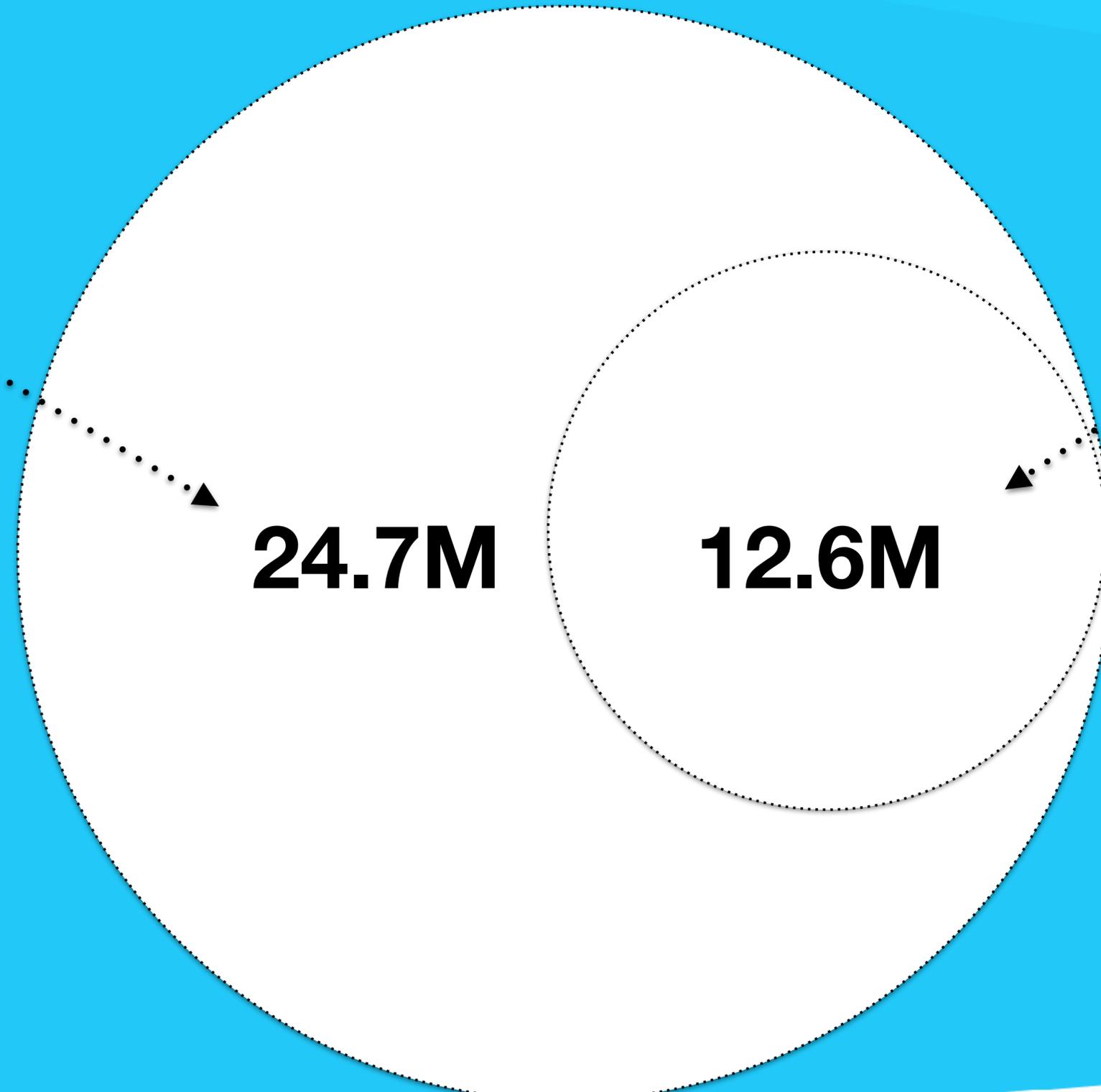
- April 2017

Big advantages for employers to self insure when done properly

- Stop loss insurance removes risk of large claims
- Stop loss insurance can ensure fixed monthly costs (*i.e. level funding*)
- Health data used to underwrite and reduce rates
- Annual refunds in good years
- Access to claims data to implement cost reduction programs
- Removes ACA fees

Many employers who should be self insured today are not

Employees at firms with 5-1000 employees who would benefit from self insurance.



Employees at firms with 5-1000 employees who are currently self insured

Difficult underwriting process blocking self insured growth among SMBs

Each employer and plan requires medical underwriting to purchase stop loss insurance within a given self insured plan.

The process for underwriting + setting up a self insured plan: **(2-3 months)**

- 1) Info collection for soft quote via email chain **(2-7 days)**
- 2) Choose or design a health plan then get soft quote based on actuarial tables **(1 week)**
- 3) Build proposal with soft quotes **(2-4 days)**
- 4) Send health questionnaire PDFs to employees to fill out **(1-4 weeks)**
- 5) Send questionnaire answers to underwriter to create firm quotes with stop loss insurance **(1-4 weeks)**
- 6) Closing documents + binding of stop loss insurance **(1-2 weeks)**

This is a large opportunity to improve underwriting

Addressable Market

US employers with 5-1000 employees that would qualify for self insurance

\$9.7B

Initial Target Market

US employers with 5-199 employees that would qualify for self insurance

\$6.3B

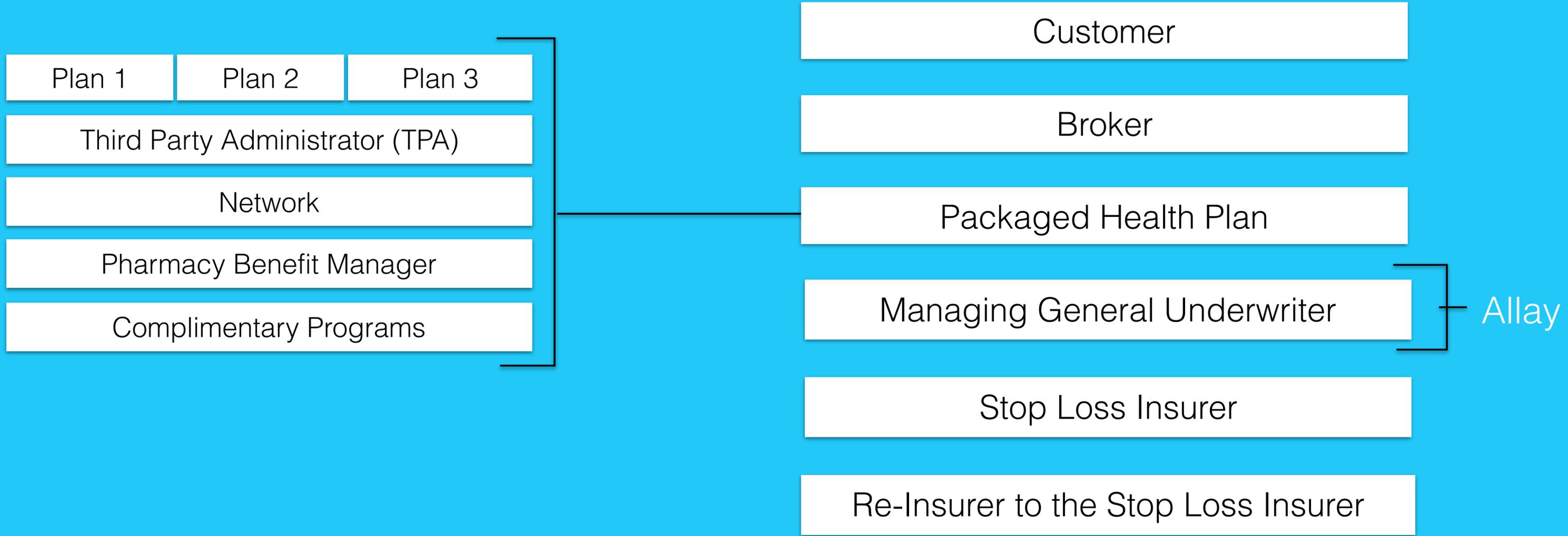
Potential Stop Loss Underwriting Fees

Allay is building an online underwriting platform for self insured health plans.

The benefit of Allay's underwriting:

- Easier and faster underwriting /purchasing process
- Data volume + machine learning can lead to greater underwriting accuracy + speed over time
- Select Allay's pre-packed health plans online that curate + bake in top programs to reduce health care costs (*advanced reference based pricing, direct primary care, concierge medicine*)
- Create custom health plans online that are unique to a customer's needs while ensuring compliance with regulations

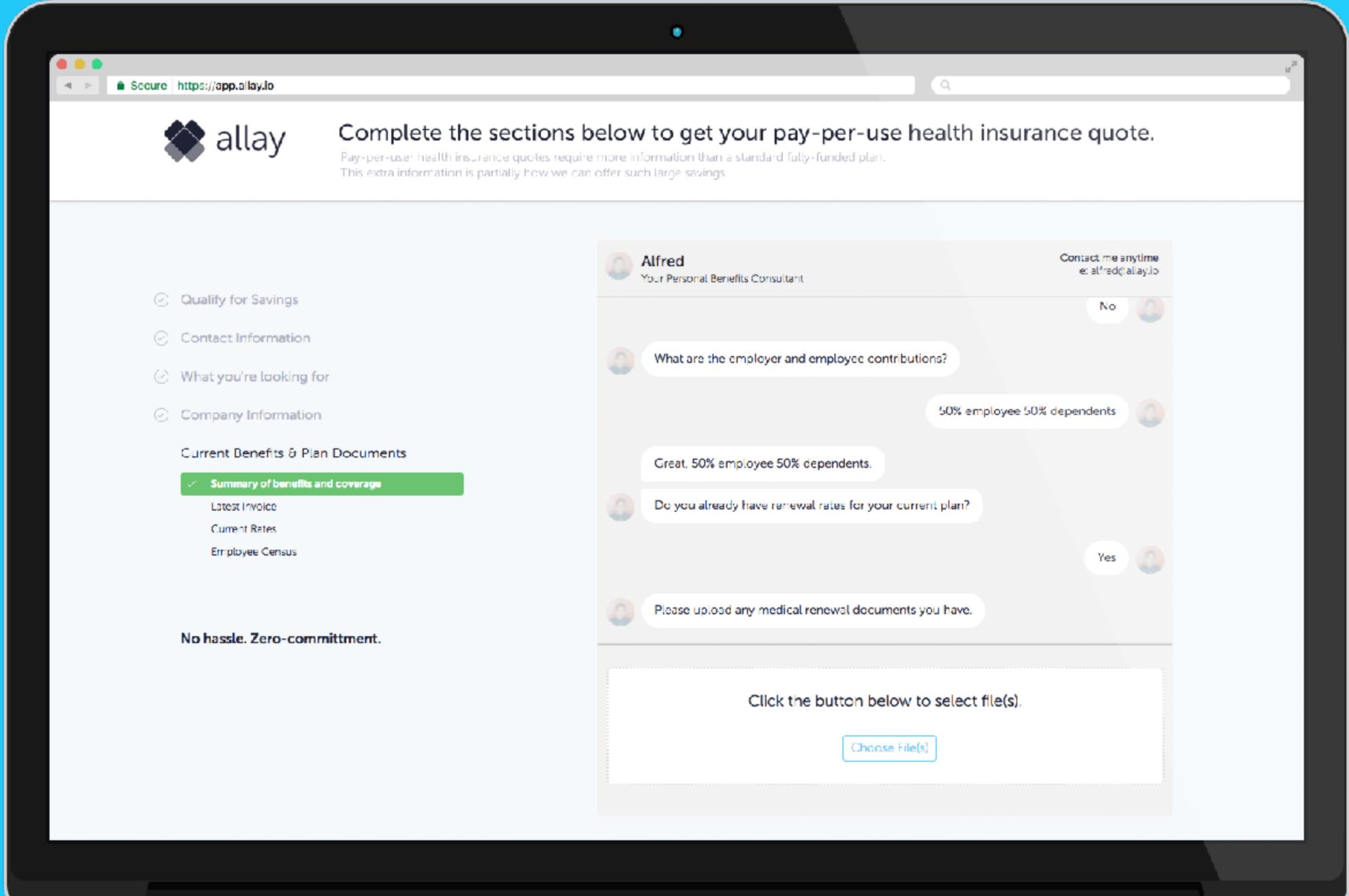
Benefits advisors can use data to choose, design and model custom health plans online



Info collection to generate soft quote

Old way:
Collect employer info via email
to create soft quote **(2-7 days)**

New way:
ChatBot walks employer through
check list of info **(1-2 days)**



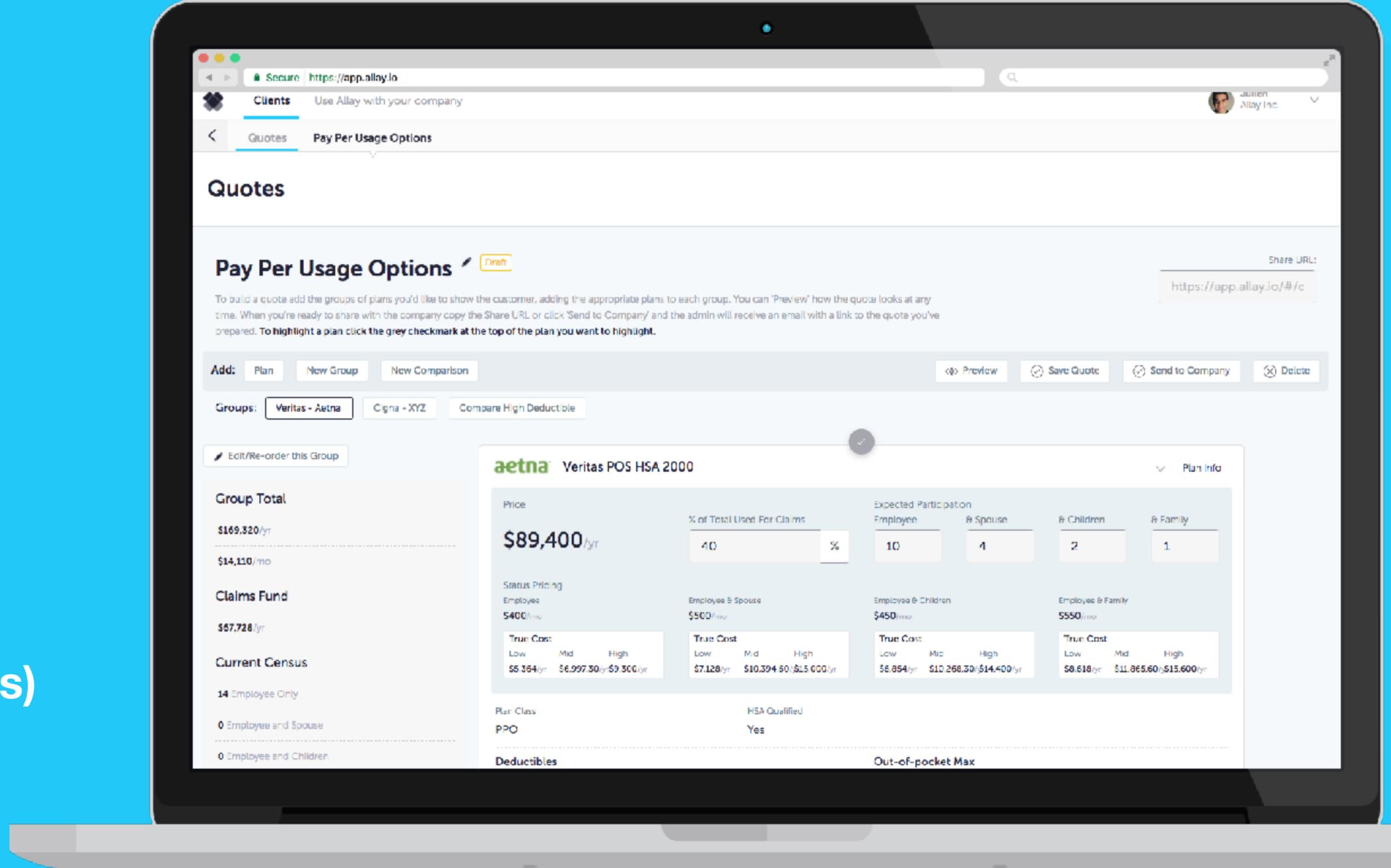
Broker chooses or creates plan designs for soft quoting

Old way:

Create or chose plans and send to underwriter to get soft quote using actuarial model (1 week)

New way:

Actuarial models programmed in to Allay. Select or create custom plans then get automated soft quotes (10s)



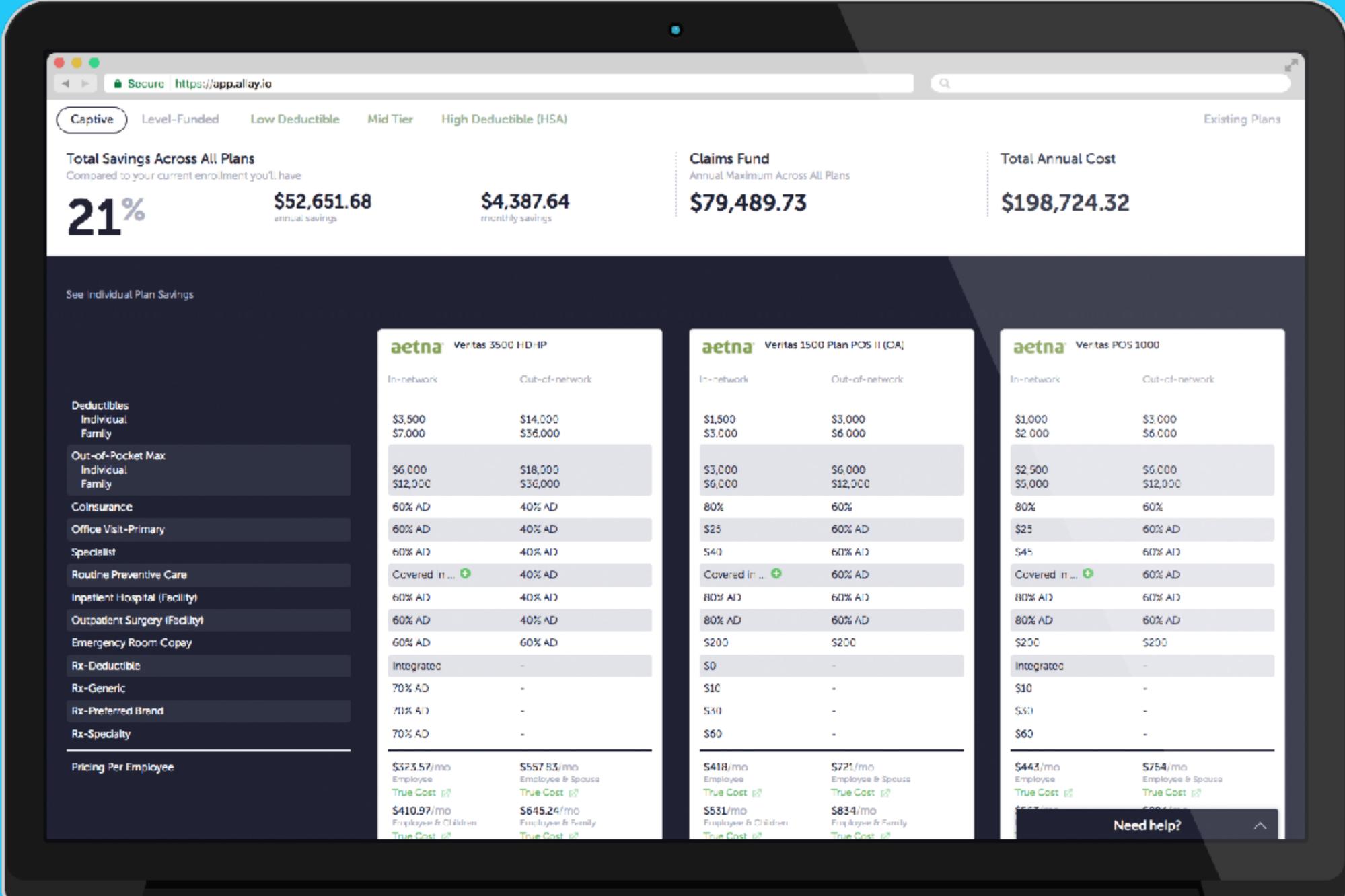
Proposal and comparison view for employer

Old Way:

Create complicated spreadsheets and custom PDFs for employer (2-4 days)

New Way:

Click proposal view and send custom URL to employer (auto created)



Collect employee health data for underwriting

Old Way:

Send PDF health questionnaires to employees to fill out and send in
(2 - 4 weeks)

New Way:

All health questionnaires simplified online
(1-2 weeks)

Secure https://app.eley.io

Powered by alloy

Previous

What is the name of the carrier that covered you?

Have you or any dependent applying for coverage received or been scheduled to have treatment and/or medication(s) for, consulted a physician or other medical professional, or had any test performed for Heart or circulatory (other than high blood pressure or cholesterol)?

✓ Yes ✗ No

Medical Questionnaire 23% Complete

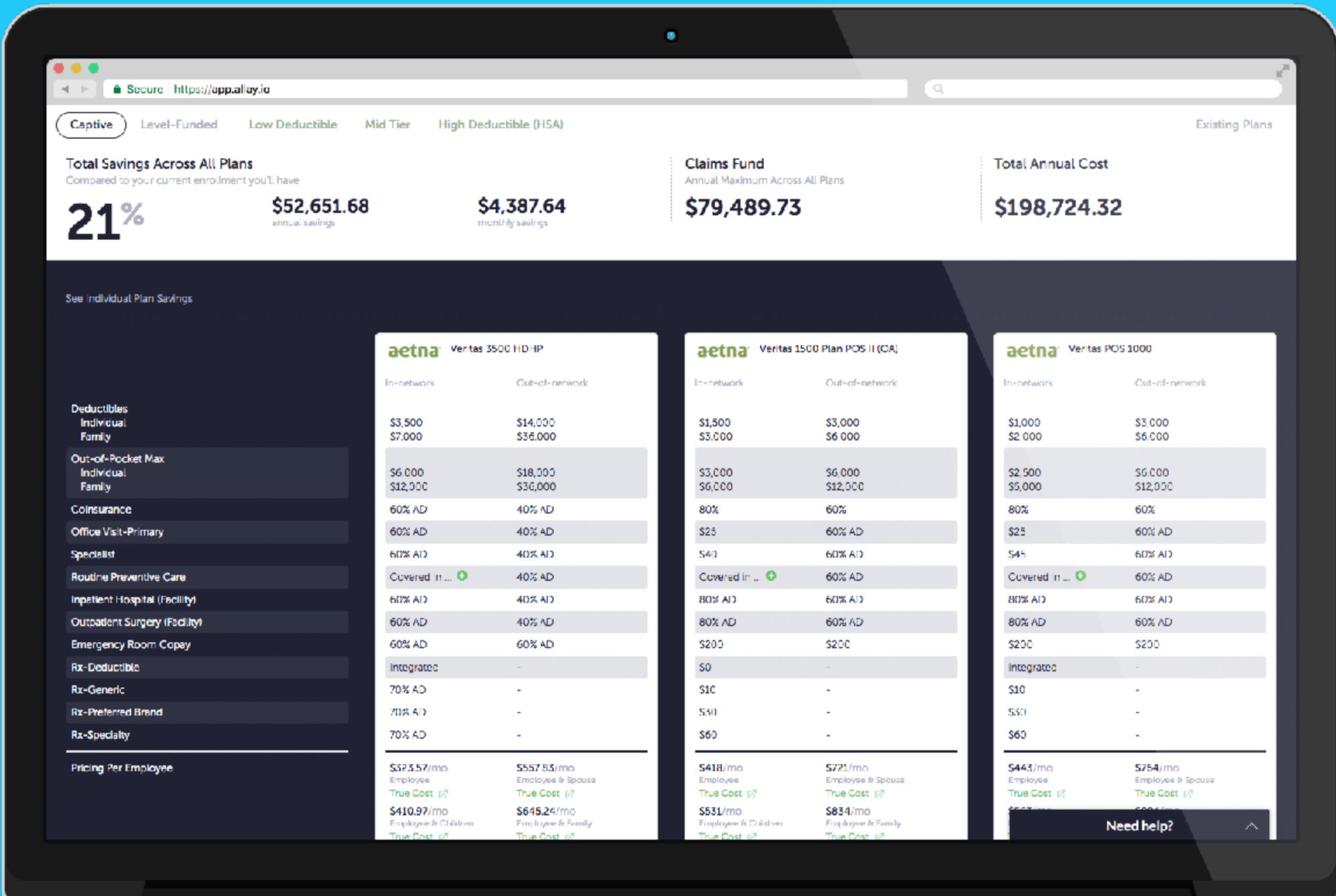
Why am I being asked this?
This information is used to come up with the best price for your company's group health insurance plan.
At the end of each section you'll be able to review and change your answers.

These questions are 100% confidential and no one within (Company) will ever see the completed questionnaire of another employee.
By completing these questions you are not committing to enrolling into any benefit plans—you will be given the option to waive coverage during open enrollment.
If you do not complete these questions prior to underwriting you will **not be eligible to enroll in the plan this year.**

Proposal with firm quotes generated

Old way:
Send to underwriter and wait for quote **(1-4 weeks)**

New Way:
Data collected by Allay (underwriter) online, firm quotes posted online **(1-3 days, target of same day)**



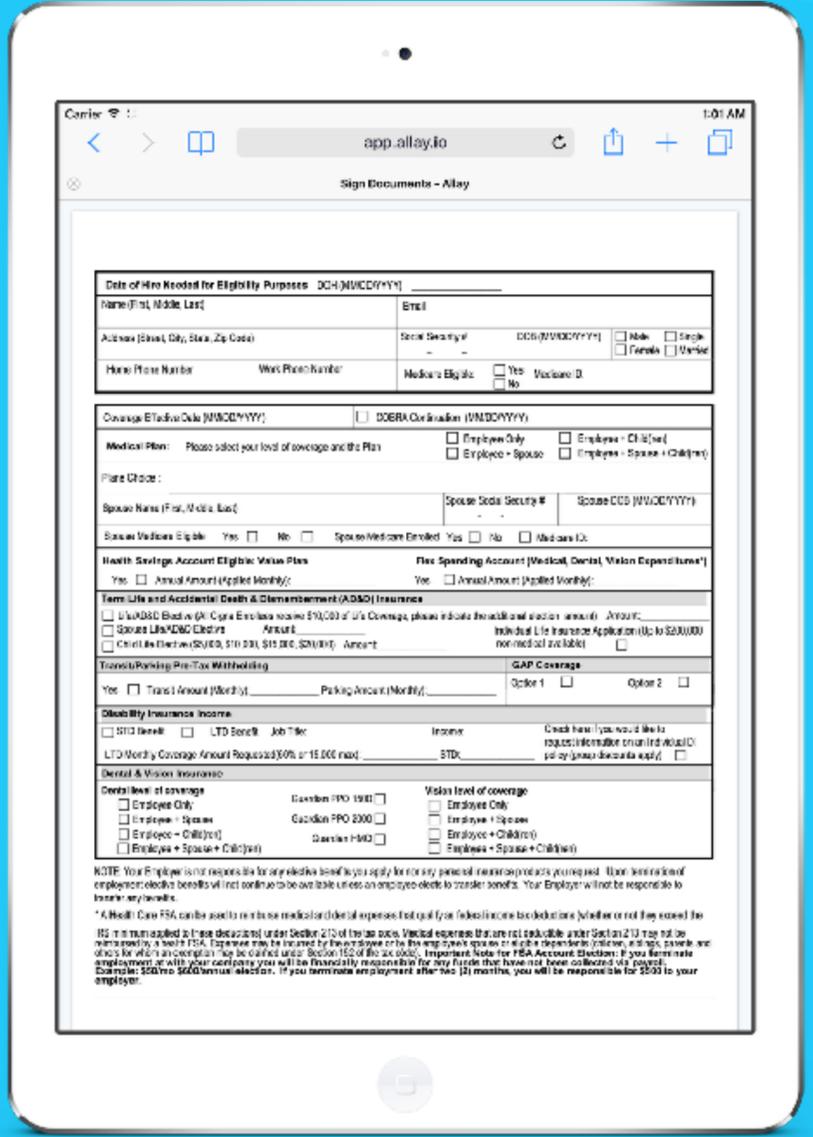
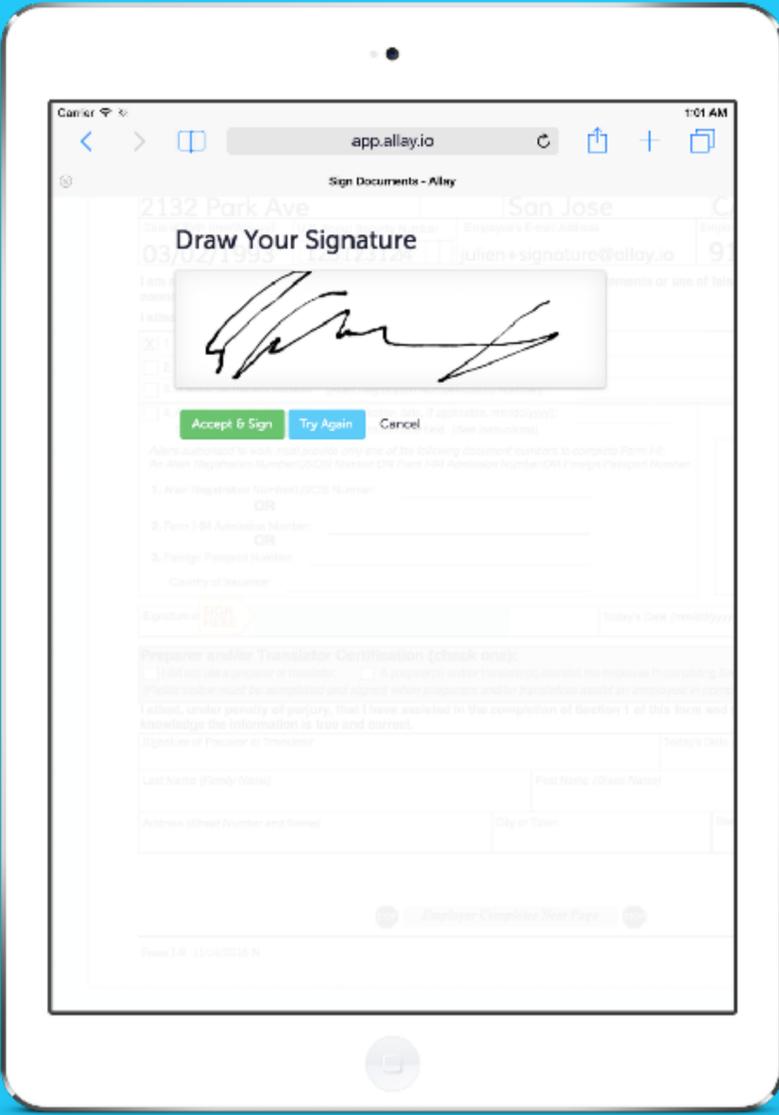
Closing documents + binding stop loss

Old way:

Complete, sign, and send 8-10 PDF documents + send binder check (1-2 weeks)

New Way:

Digitally auto-complete documents + send binder check (1-3 days)



Landscape for underwriting

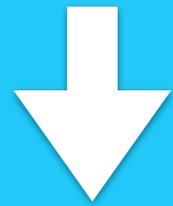
Large Employer Focused

Offline Underwriters	Managing General Underwriters Direct Writing Carriers	Allay Phase 2	Tech First, Online Underwriters
	Managing General Underwriters Direct Writing Carriers	Allay	

Accepts Small Employers

To date testing with Allay as broker:

Employees who started underwriting: **1253**



Employees covered on self funded plan: **224** (75% from 2 broker tests)

Key milestones

Milestone A:

- Launch Allay MGU + plan designs with at least one stop loss insurance partner

Milestone B:

- +\$14.4M in stop loss premium sold
- ~\$1.5M booked in net new annual **MGU revenue alone**
- ~4000 covered employees
- 67 companies w/ avg 60 covered employees / company
- 20 strong broker partners, 200 covered employees each

Key team:

Julien Emery - CEO

- employee 15 @ HootSuite, Stasis Health / HumanAPI

Chris Noble - Head of Engineering

- CS Major U of Waterloo, engineering lead @ HootSuite

Andrew Draper - Product, UX/UI

- Designer & Product Manager @ HootSuite, ManPacks

Ed Cymerys (advisor)

- former Chief Actuary @ Blue Shield of CA, Chief Actuary @ Collective Health

Michael O'Neill (advisor)

- former Product Development & Product Marketing Blue Shield of CA

Natalie Sunderland (advisor)

- former VP Marketing CastLight Health, VP Marketing QVentus

Molly Smith (advisor)

- Health Care Policy @ American Hospital Association



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Appendix

Go to market plan

Direct Channel: Allay = Broker + Managing General Underwriter (MGU)

- Allay is selling direct since in order to master every step in the sales process so that we can better select and educate broker partners.
- Potential Non-Broker Channel Partners
 - Direct primary care vendors,
 - Concierge medicine vendors
 - HR + benefits platform integrations
 - Fully insured quoting product integrations

Partner Channel: Allay = MGU only

- Selective channel partners will be used that understand self insurance + health care cost reduction programs
- Potential partners:
 - Select integrations with online brokers
 - Select offline brokers

Core Business

Allay MGU

- Self funding underwriting software for employer + broker
- Pre-packaged + custom plan designs plans
- Enrollment + eligibility management software for employer + broker

KPIs:

- Stop loss premium volume
- Ease of purchasing + managing self funded plan

Go to Market

User

User + Customer

Allay Brokerage

- Benefits strategy + plan recommendation
- Enrollment and eligibility
- Employer support
- Employer marketing + sales

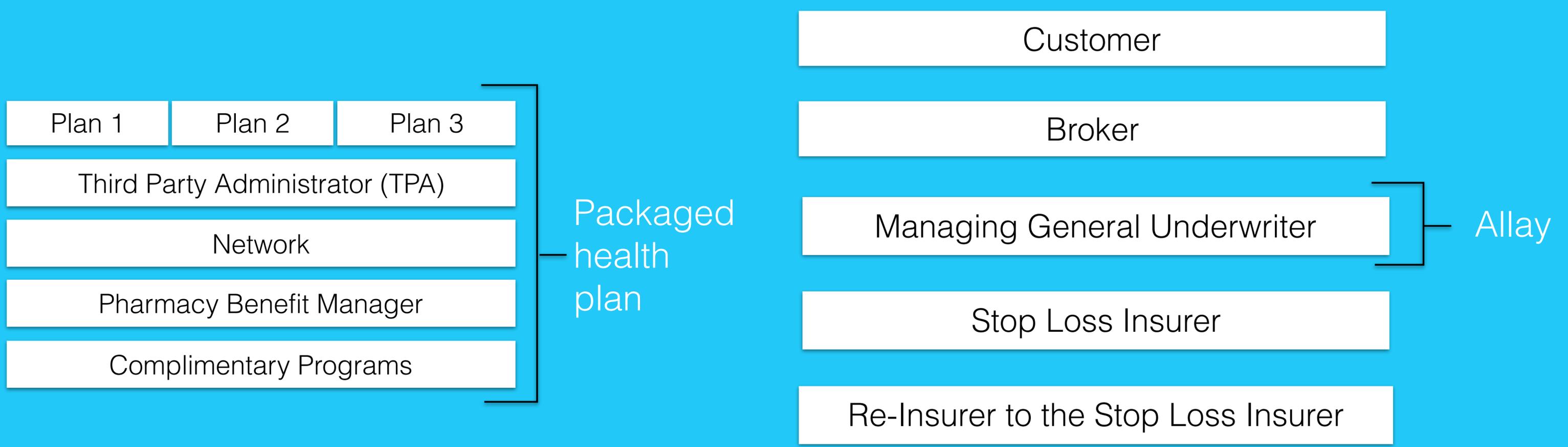
Employer

Partner Brokerage

- Benefits strategy + plan recommendation
- Enrollment and eligibility
- Employer support
- Employer marketing + sales

Employer

Where Allay fits in the distribution stack



Spectrum of funding a health plan

Fully Insured

Self Insured

Fully Insured Traditional Plan

Fully Insured HDHP with HRA/
HSA Plans

Self Insured
Level Funding
(5-500 employees)

Self Insured
Traditional Funding
(100+ employees)

100% fully insured
premiums
(fixed costs)

\$1,000,000

25% claims fund

\$250,000

75% fully insured
premiums
(fixed costs)

\$750,000

50% claims fund

\$500,000

50% stop loss +
plan management
(fixed costs)

\$500,000

75% claims fund

\$750,000

25% stop loss +
plan management
(fixed costs)

\$250,000

Landscape for Insurance Purchasing

Online Automated Purchasing

Only Fully Insured

Gusto
SimplyInsured
Zenefits
Broker +
LimeLight
QuotIt
Other quoting tools

Allay

**Self Insured +
Level Funded**

Offline
Brokers

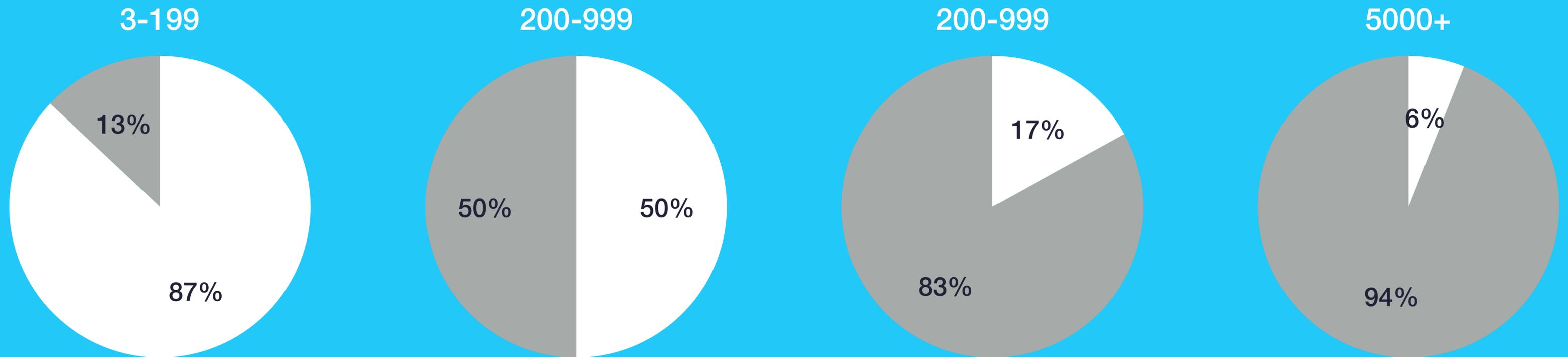
Offline
Brokers

Offline

The cost saving benefits of self insurance can be brought down market with level funding

Current Funding Strategy By Company Size in US (# employees)

● Self Insured ● Fully Insured



Target Raise 1: \$2.0M

Org Chart 11 ppl

CEO
Julien

Product Team

Product / UX/UI (Andrew)

Engineering Lead (Chris)

Engineer (Adrien)

Engineer (Kev)

Engineer (Craig)

Allay MGU Team

MGU Operations Lead
(Spencer)

MGU Operations (Alex)

Broker Channel Sales
(Spencer to start)

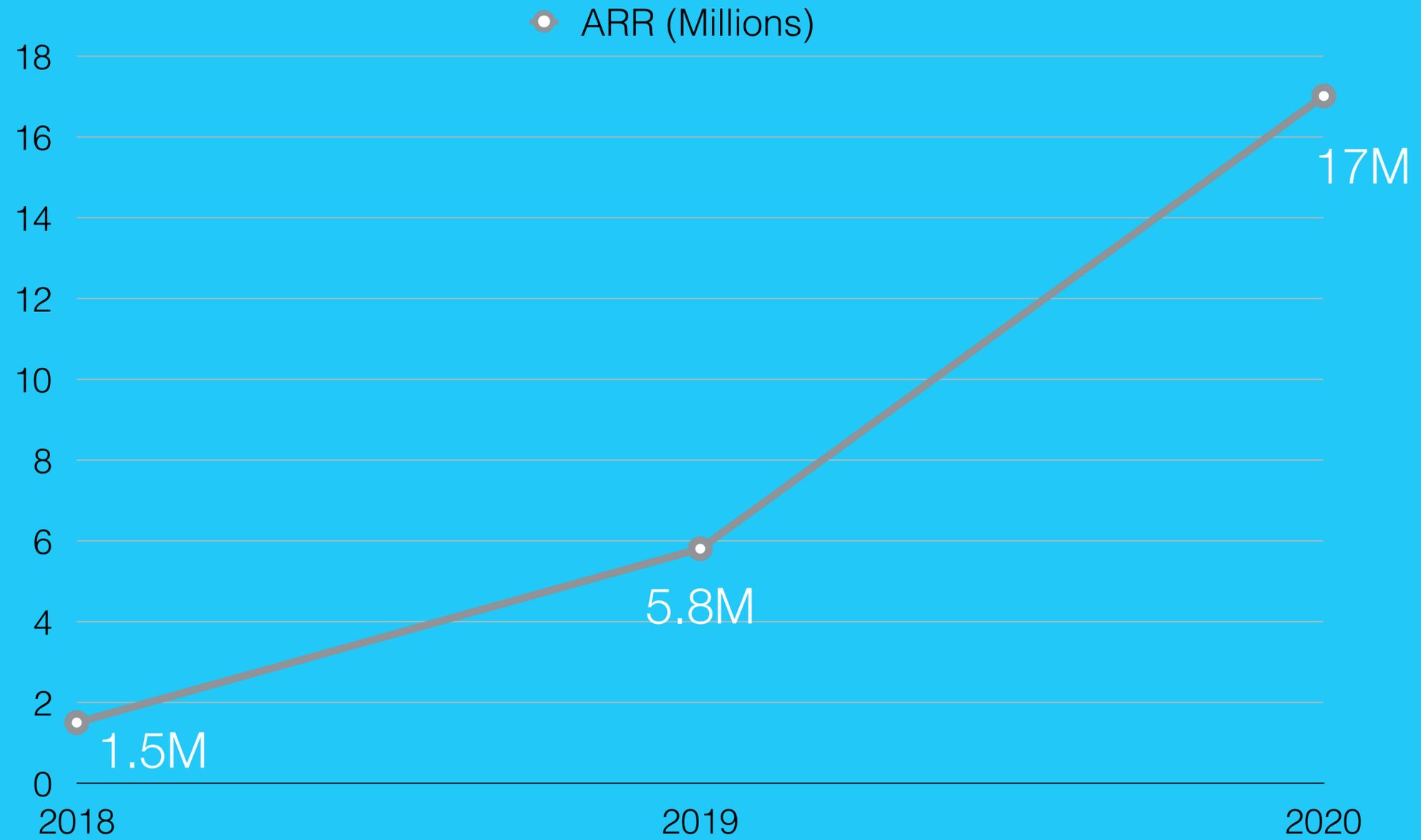
Allay Broker Team

Direct to Employer Sales
(Jake)

SDR
(Tiffany)

Broker Operations (Robin)

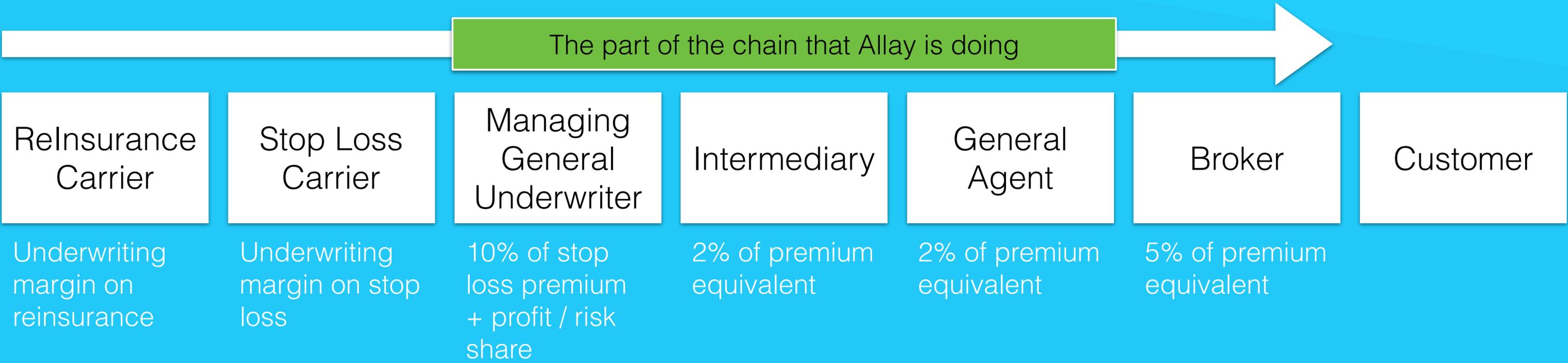
Revenue Pro Forma





Overview of the stop loss insurance distribution value chain.

Stop Loss Insurance Distribution Value Chain



Let's use an example sale of a self funded medical plan:

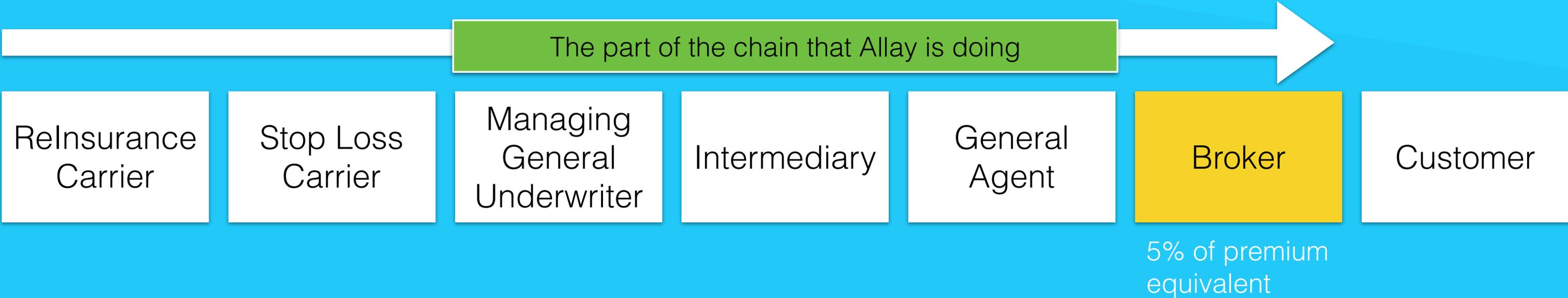
(ancillary products would be additional)

- 30 person employer
- 25 employees enroll in medical plan
- Total premium equivalent (total cost) = \$187,500
- Lets assume stop loss insurance ~ 40% of premium equivalent cost: \$75,000
- Total distribution related payout in this example: \$24,375 (13% of premium equivalent)

Note: the above compensation numbers are not written in stone, just illustrative of ranges we have seen in the market



Stop Loss Insurance Distribution Value Chain



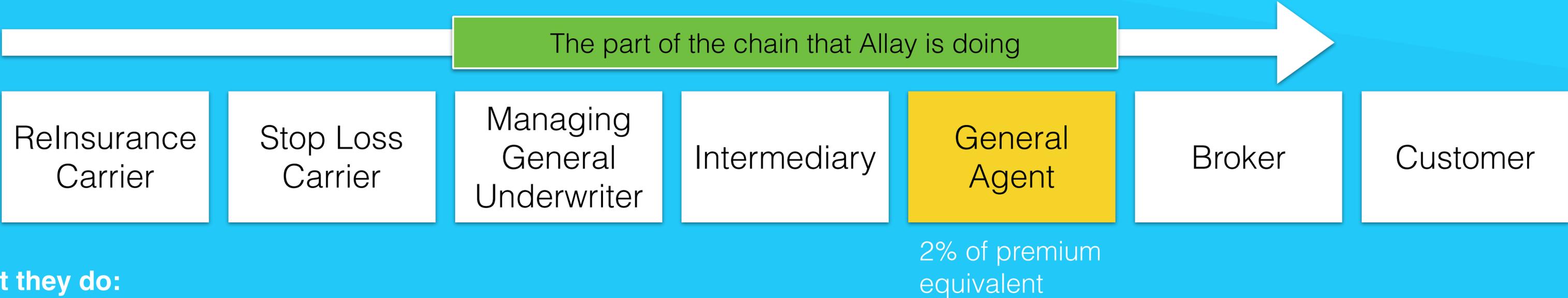
What they do:

- Trusted advisor to the customer
- Advises employer on what benefits strategy to take (fully insured, self insured, don't offer benefits and just pay the ACA penalty, dump people to individual plans etc)
- Advises on what carriers, TPAs, networks, plan designs, cost reduction programs, etc will meet the needs of employees and the business
- Is under increasing pressure to help customer control the rising cost of health insurance. Is turning increasingly to self insurance to accomplish this since they can further customize and control the variables that make up a health plan.

What they earn:

- 4%-7% of premium equivalent
- In this example: \$9,375 / yr
- Can technically charge customer whatever "fee" they want for consulting on benefits strategy if the plan is self insured

Stop Loss Insurance Distribution Value Chain



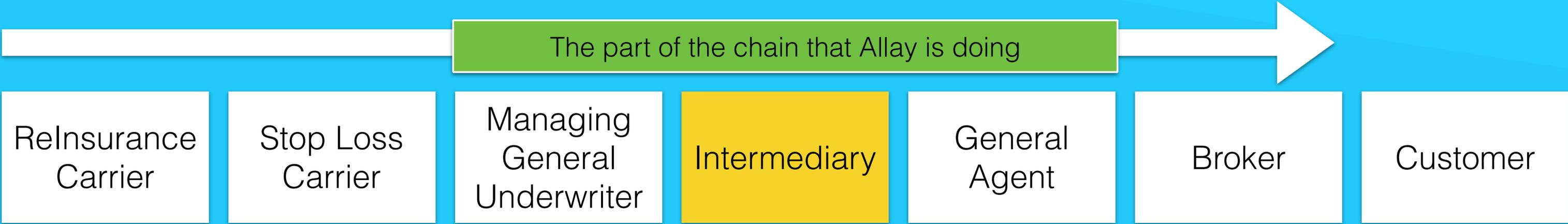
What they do:

- Has relationships with many brokers and can reach (and theoretically influence) them quickly and bring new insurance products to market on behalf of medical and ancillary insurance carriers through these relationships.
- Helps brokers stay up to speed on market changes, new products, new regulations, etc.
- Does admin work for broker and carrier (i.e handling insurance carrier paperwork, such as group and employee application and change forms)
- More common in SMB market, rare with large brokers who work mostly with larger employers
- Example GAs
 - <http://dickerson-group.com/>
 - <http://www.benefitmall.com/> (these guys are largest GA in the country, we've worked with them a lot)

What they earn:

- 1%-3% of premium equivalent
- In this example: \$3,750 / yr
- Often distributes multiple insurance and non-insurance products beyond just medical through their broker channel

Stop Loss Insurance Distribution Value Chain



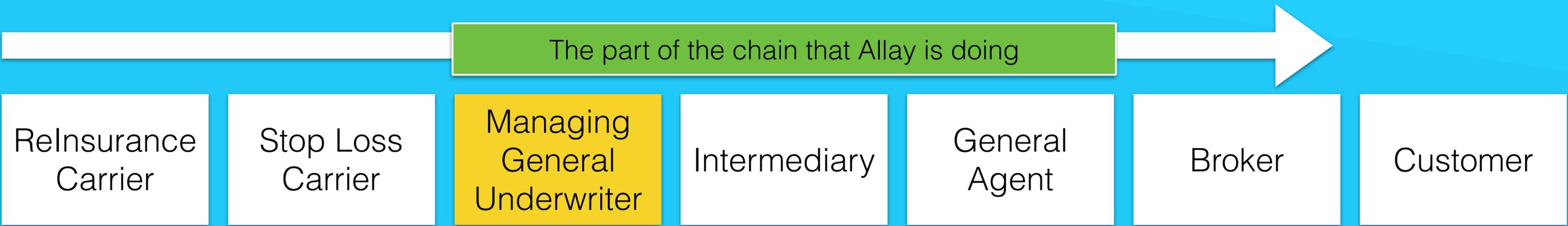
What they do:

- Has relationships with TPAs, and multiple MGUs / Stop Loss carriers.
- Brokers or GAs use them to help model out and soft quote health plan designs and “shop” for a few different stop loss quotes.
- Usually not used by larger brokers (with in house actuaries). They go direct to MGUs / stop loss carriers
- They can provide pre-packaged plans with a few stop loss options for brokers to sell.
- TPAs will often play this role for an added revenue stream and to help drive customers to their own TPA services
- Example intermediary that has pre-packaged plans:
 - <http://protectplans.info/> (we’ve worked with this company)
 - some Third Party Administrators (TPAs)

What they earn:

- 1%-3% of premium equivalent
- In this example: \$3,750 / yr
- They may also be compensated based on stop loss volume instead of as a percentage of premium equivalent

Stop Loss Insurance Distribution Value Chain



10% of stop loss premium + profit / risk share

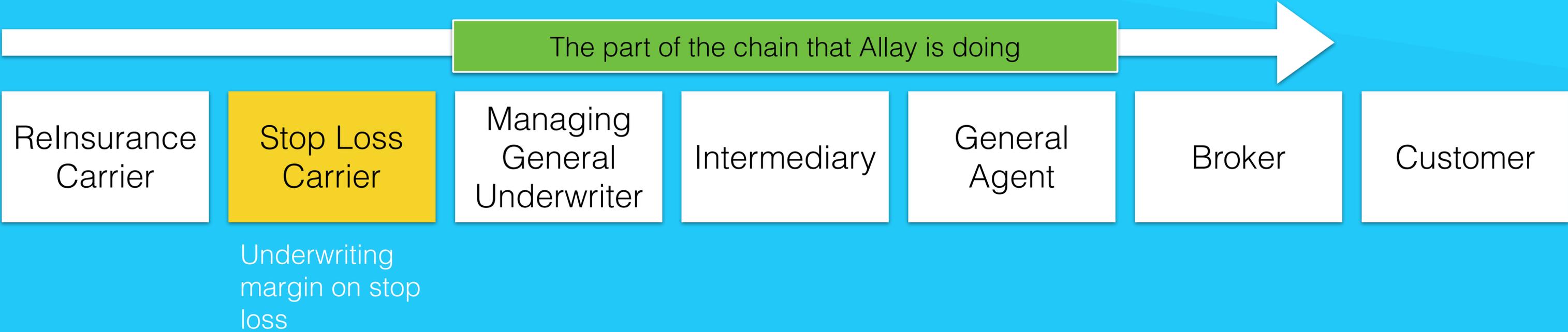
What they do:

- Distributes and manages stop loss insurance policies
- Underwrites risk, pays health care claims that are above a specific threshold, manages profitability of a “book of business” aka premiums coming in across several customers
- MGUs are an extension of the stop loss carrier. Often share risk and profit on a book of business with the carrier.
- Direct writing carriers might have more experience and not desire to outsource this, some carriers do both, some carriers only use MGUs. If the carrier does not use MGUs the cost just moves in house.
- Example MGU:
 - <http://www.stratuw.com/> (we've used them)
 - <http://www.ecumgu.com/> (tried using them)

What they earn:

- 10% of stop loss premium volume
- In this example: \$7,500 / yr
- Can also profit share and risk share with the stop loss carrier

Stop Loss Insurance Distribution Value Chain



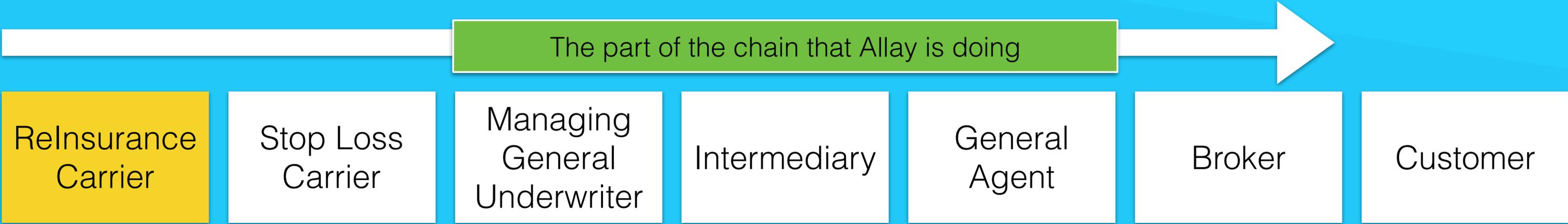
What they do:

- Has same or similar incentives as the MGU but sometimes underwrites directly instead of using MGU
- Targets 33% minimum underwriting margin
- Sees growing stop loss market in SMB space
- Example Stop Loss carriers:
 - Nationwide
 - Sunlife Financial
 - Guardian Life

What they earn:

- Underwriting margin
- In this example: \$24,750+

Stop Loss Insurance Distribution Value Chain



Underwriting margin on reinsurance

What they do:

- Caps the risk of the stop loss carrier
- Sees growing stop loss and reinsurance market in SMB space
- Example Stop Loss carriers:
 - Axis
 - Munich Re
 - AIG

What they make:

- Underwriting margin
- Depends on amount of risk transfer from stop loss carrier to re-insurer