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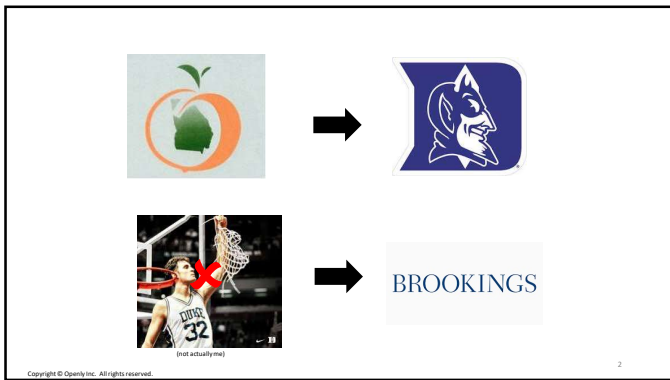
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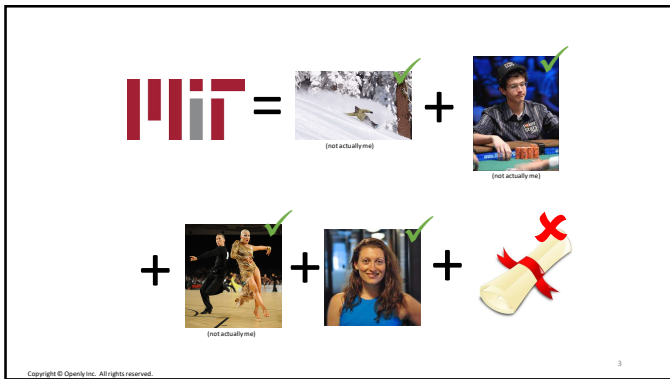
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- ... actuary
- ... catastrophe management
- ... homeowners pricing
- ... auto product manager
- ... head of product / UW for personal lines

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→ *Openly*  
(my insurtech startup)

(not actually me)

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← Now I ask for money from investors

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### Agenda

- Insurtech landscape
- Openly
- Q & A

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### Why attack insurance?

- 1 Too expensive
- 2 Wastes consumer time / attention
- 3 People have the wrong coverage

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### Too expensive

| Category            | Percentage |
|---------------------|------------|
| Claim Payments      | 55%        |
| Operational Expense | 40%        |
| Profit              | 5%         |

Where does each \$1 of premium go?

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Wastes time / attention

- No one stop comparison shopping
- Products not apples to apples
- Complicated exclusions
- Redundant questions / forms
- *And that's just shopping!*

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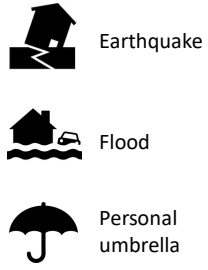
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Wrong coverage

**90% +**

lack critical coverages



- Earthquake
- Flood
- Personal umbrella

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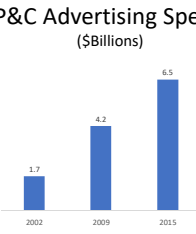
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One answer: investing in direct brands

P&C Advertising Spend (\$Billions)



| Year | Advertising Spend (\$Billions) |
|------|--------------------------------|
| 2002 | 1.7                            |
| 2009 | 4.2                            |
| 2015 | 6.5                            |



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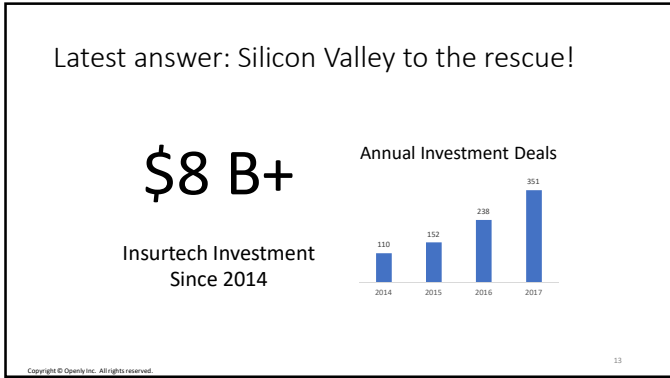
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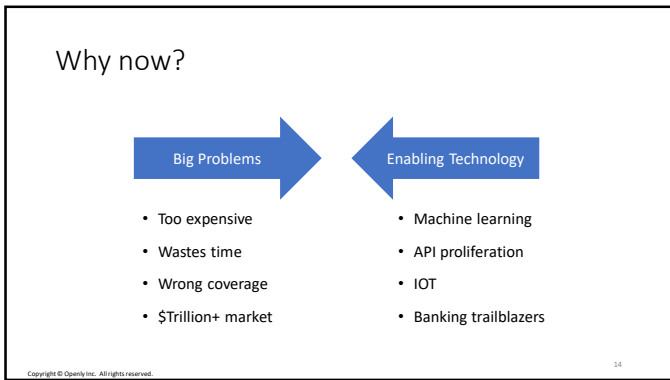
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### What is an insurance company?

#### Marketing & Sales

#### Administration

- Underwriting
- Service
- Billing
- Adjusting
- Technology
- Regulatory

#### Risk capital

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16

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### Disruptors do it all

#### Marketing & Sales ✓

*metromile*  
(Early auto pay by the mile)

#### Administration ✓

- Underwriting
- Service
- Billing
- Adjusting
- Technology
- Regulatory

#### Risk capital ✓

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17

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### Disruptors do it all

#### Marketing & Sales ✓

*Lemonade*  
(Direct, digital renter & home with charity give-back)

#### Administration ✓

- Underwriting
- Service
- Billing
- Adjusting
- Technology
- Regulatory

#### Risk capital ✓

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18

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Disruptors do it all (or almost)

Marketing & Sales ✓



(Direct, digital homeowners)

Administration ✓

- Underwriting
- Service
- Billing
- Adjusting
- Technology
- Regulatory

Risk capital ✗

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How are the disruptors doing?

Warning: my estimates based on publicly available information (NAIC filings and Crunchbase)

|   | Capital Raised Pre-Launch |
|---|---------------------------|
|  Metromile | \$14 M                    |
|  Lemonade  | \$26 M                    |
|  ROOT      | \$5M + Debt               |
|  Hippo     | \$14 M                    |
|  Swift     | \$7.5 M                   |

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Observations / lessons

- Insurance CAC is high
- Sales create unknown, disparate, and sometimes negative value
- Good underwriting is very hard
- You can't scale your way out of a variable cost problem

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## How are the disruptors doing?

Warning: my estimates based on publicly available information (NAIC filings and Crunchbase)

|   | Capital Raised Pre-Launch | First Year Prem Written | Latest Loss Ratio | Capital Raised Post-Launch |
|---|---------------------------|-------------------------|-------------------|----------------------------|
|  | \$14 M                    | ???                     | 87%               | \$300 M +                  |
|  | \$26 M                    | \$4.5 M                 | 103%              | \$200 M +                  |
|  | \$5M + Debt               | \$4 M                   | 113%              | \$170 M +                  |
|  | \$14 M                    | \$8 M (7)               | ???               | \$95 M                     |
|  | \$7.5 M                   | \$93 M                  | 87%               | ???                        |

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## Enablers specialize in one area

Marketing & Sales ✓

Administration

- Underwriting
- Service
- Billing
- Adjusting
- Technology
- Regulatory

Risk capital

policygenius

(Online life agency)

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## Enablers specialize in one area

Marketing & Sales

Administration

- Underwriting ✓
- Service
- Billing
- Adjusting
- Technology
- Regulatory

Risk capital

 CAPE ANALYTICS

(Machine interpreted aerial photos of houses)

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Enablers specialize in one area

**Marketing & Sales**

**Administration**

- Underwriting ✓
- Service
- Billing
- Adjusting
- Technology
- Regulatory

**Risk capital**



(Mobile telematics app)

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25


Enablers specialize in one area

**Marketing & Sales**

**Administration**

- Underwriting
- Service
- Billing
- Adjusting ✓
- Technology
- Regulatory

**Risk capital**



(Auto damage assessment from customer photos)

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26


Enablers specialize in one area

**Marketing & Sales**

**Administration**

- Underwriting
- Service
- Billing
- Adjusting
- Technology
- Regulatory

**Risk capital** ✓



(Reinsurance marketplace)

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27


Enablers specialize in one area

Marketing & Sales

Administration

- Underwriting
- Service
- Billing
- Adjusting ✓
- Technology ✓
- Regulatory

Risk capital



(Modern policy admin system)

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28

How are the enablers doing?

- Much harder to track metrics
- Seem to be working with many of the largest carriers
- I love working with them!

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Openly is a hybrid

Marketing & Sales ✗

Administration ✓

- Underwriting
- Service
- Billing
- Adjusting
- Technology
- Regulatory

Risk capital ✗



(Homeowners through independent agents)

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30

Openly enables some players

- Marketing & Sales**
  - We enable independent agencies
- Administration**
  - Underwriting
  - Service
  - Billing
  - Adjusting
  - Technology
  - Regulatory
  - We compete with primary carriers
- Risk capital**
  - We enable reinsurers and some primaries

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31

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Our thesis

- Marketing & Sales**
  - New channels
  - Rise of efficient choice
- Administration**
  - Underwriting
  - Service
  - Billing
  - Adjusting
  - Technology
  - Regulatory
  - Can be made...
    - Faster
    - Cheaper
    - More transparent
    - More model-driven
- Risk capital**
  - Inflow of alternative capital
  - Excess capital trapped in regionals & mutuals
  - Less friction

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32

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Agenda

- Insurtech landscape
- **Openly**
- Q & A

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33

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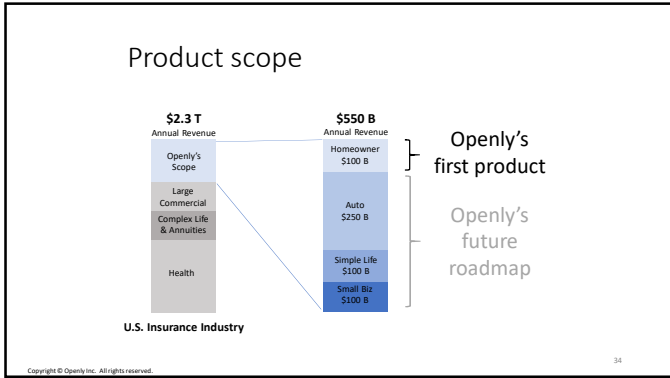
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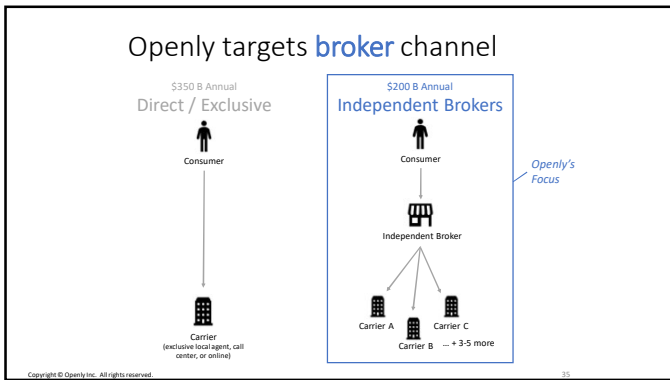
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- ### Agents often have to endure...
- Complex, outdated carrier processes & technology
  - Last to get product innovation
  - High expense carriers
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36

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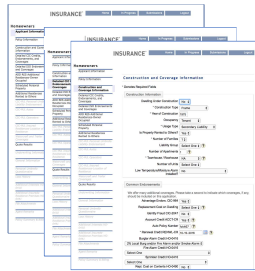
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### Example: 20 screens to a quote



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### Agents have noticed

"We desperately need technology that will make it 10 times faster to do new business and servicing tasks... in order to even remain relevant. NOBODY is building this for us."

The reasons companies like GEICO crush independent insurance agents isn't just about the price. "It's ease of use," he said.

"All of the fintech is aimed at replacing agents or selling direct by the carriers."

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David B. and Anonymous agents, quoted in Insurance Journal 2017 Young Agents Survey

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### They're right that they're often ignored

Direct Carrier Models

Through Agents



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But aren't brokers going away ?!?



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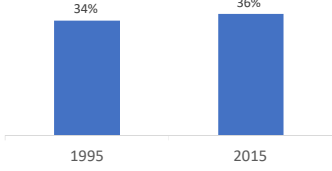
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Not yet at least

What % of P&C insurance is sold by independent brokers?



| Year | Percentage |
|------|------------|
| 1995 | 34%        |
| 2015 | 36%        |

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41

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Why not?

Let's back up...

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Ideal insurance shopping experience

- **Efficiency.** Don't waste my money or time.
- **Objectivity.** Transparent choice and advice.

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Historically, no model meets consumer needs

**Efficiency**

**Objectivity**

**Direct**

**Captive Agents**

**Traditional Brokers**

**Who ???**

**Choice → higher...**

- Conversion
- Retention
- Revenue per customer

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44

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Where is insurance distribution headed?

**Last**  
20 Years

▶ **Direct**  
Rise of large **direct brands** that sell only their own products

**Next**  
20 Years

▶ **Efficient Choice**  
De-coupling of distribution & product through rise of **large, efficient digital retailers**

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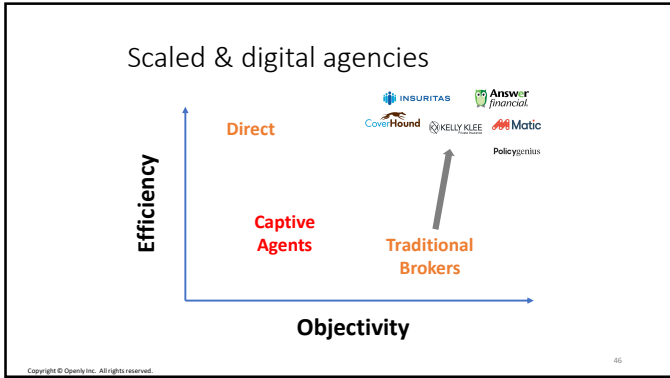
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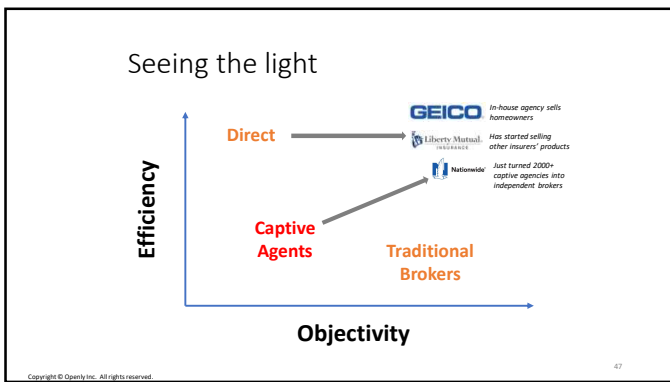
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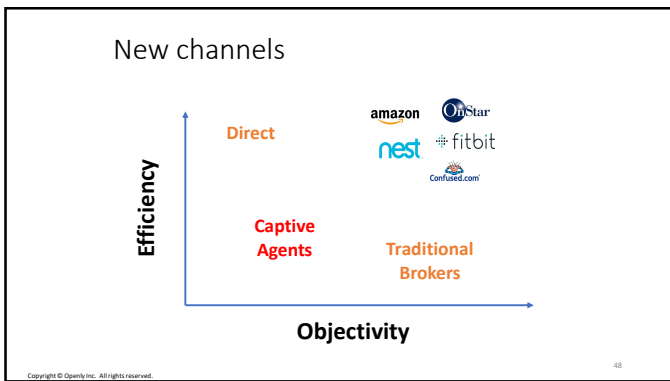
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New *retailers* demand new *carriers*

|   |   |   |
|---|---|---|
| <p><b>Modernizing Retailers Need</b></p> <ul style="list-style-type: none"> <li>• Speed</li> <li>• Easy to navigate / train staff</li> <li>• Lower pricing</li> <li>• Programmatic accessibility</li> </ul> |  | <p><b>Carriers Must Build</b></p> <ul style="list-style-type: none"> <li>• Automated UW data retrieval</li> <li>• Simplified products / processes</li> <li>• Efficient back offices</li> <li>• APIs</li> <li>• Data science to avoid adverse selection</li> </ul> |
|---|---|---|

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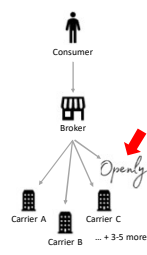
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Enter **Openly**



- Full stack insurance operation
- Re-invented from the ground up
- Tailored to win in the broker channel
- Beautifully simple

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Why brokers are lining up to sell Openly

|  |  |
|--|--|
| <p>Re-designed products, modern technology, next gen underwriting algorithms</p> <p>Insurtech for them</p> | <ul style="list-style-type: none"> <li>• Lightning fast</li> <li>• Zero-gotcha coverage</li> <li>• Lower admin expense</li> <li>• Modern accessibility</li> <li>• Selects most profitable clients</li> </ul> |
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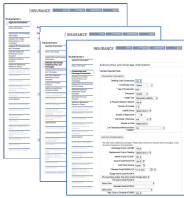
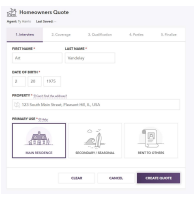
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### Lightning fast

| Others        | Openly      |
|---------------|-------------|
| 40+ questions | 3 questions |

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52

### Simpler, superior coverage

| Others                                       | Openly  |
|--|---|
| Not offered or separate policies & processes | Seamlessly integrated, activated with one click |

- ✗ Earthquake
- ✗ Flood
- ✗ Umbrella liability
- ✗ Guaranteed home replacement



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53

### Lower administrative expense

| Others | Openly |
|--------|--------|
| 40%    | 30%    |

... of annual premium dollars pay for administrative expense

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### Modern accessibility

Others    Openly

- |   |   |                                  |
|---|---|----------------------------------|
| ✓ | ✗ | Clunky human portal              |
| ✗ | ✓ | Sleek human portal               |
| ✗ | ✓ | Firm quote on third party raters |
| ✗ | ✓ | API quote / sell / service       |
| ✗ | ✓ | White labeled consumer interface |

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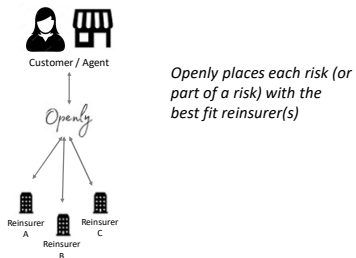
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### Openly as a (re)insurance marketplace



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*Simple is easy*

*Simple and profitable is hard*

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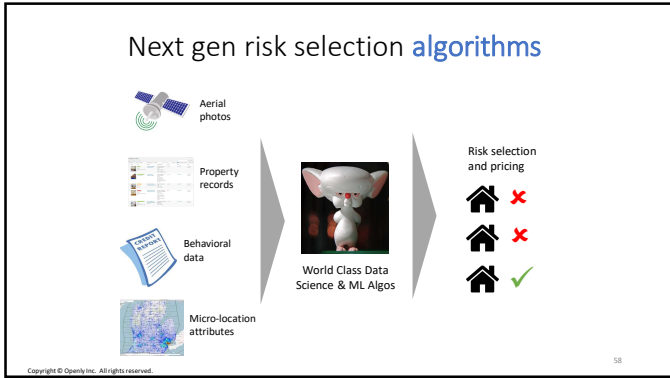
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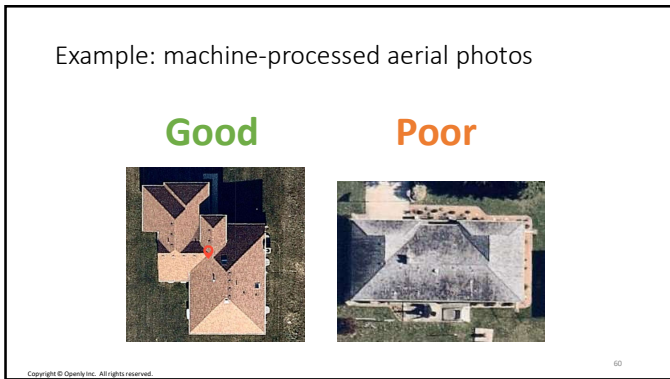
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### Strong pricing model & structure

- Next generation granular structure
- More & new predictors
- Superior statistical techniques
- Highly fixable

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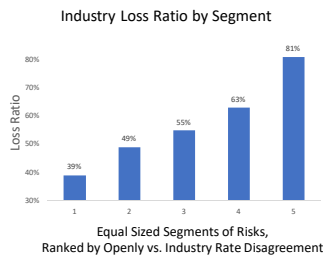
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### Example result: model back-testing



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### Key capabilities going forward

- Rapidly evaluate & integrate [new data sources](#)
- Algos to clean & triage [messy data](#) real-time
- [Models](#) aren't just for pricing
- Mixing prediction and [optimization](#)
- "Real" [coding](#) for research

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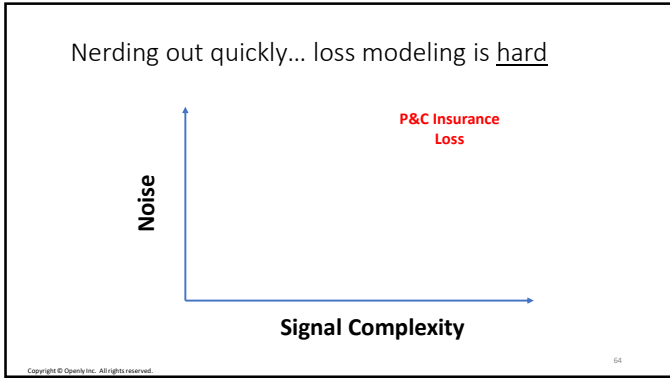
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- Emerging trends / techniques / needs
- Seamlessly mixing "true" ML (e.g., photo recognition) with more traditional statistical (e.g., records based)
  - Ensemble meta models
  - Better treatment of high dimensional data
  - Actual big data (sensor output)
  - Cross-product underwriting
  - Full comfort with Bayesian / mixed effects type techniques
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- Where are we with all this?
- 7 person team
  - Spent a ton of time with agents
  - Built initial product
  - Lined up all the pieces (funding, reinsurance, etc.)
  - Lots of agents on wait list
  - Will sell our first policy soon
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Biggest tail- and head-winds when you start your own insurance company

|   |   |
|---|---|
| <p><b>Tailwind</b></p> <p>A startup's <b>internal speed</b> and efficiency of development can be literally tens (hundreds?) of times better than an incumbent's</p> | <p><b>Headwind</b></p> <p>You spend so much time convincing the <b>external world</b> (investors, vendors, reinsurers, regulators...) to work with you that you give back much of the advantage</p> |
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67

Questions?

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68

Openly

Beautifully Simple Insurance,  
Sold Through Trusted Advisors



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69