

FT PARTNERS FINTECH INDUSTRY RESEARCH

July 2, 2018

INSURTECH CEO INTERVIEW:



with CEO Kyle Nakatsuji

Auto Insurance

Overview of FT Partners



- Financial Technology Partners ("FT Partners") was founded in 2001 and is the only investment banking firm focused exclusively on FinTech
- FT Partners regularly publishes research highlighting the most important transactions, trends and insights impacting the global Financial Technology landscape. Our unique insight into FinTech is a direct result of executing hundreds of transactions in the sector combined with over 15 years of exclusive focus on Financial Technology

FT Partners' Advisory Capabilities



FT Partners' FinTech Industry Research

- In-Depth Industry Research Reports
- Proprietary FinTech Infographics
- Monthly FinTech Market Analysis
- FinTech M&A / Financing Transaction Profiles



The Information

Named Silicon Valley's #1 FinTech Banker (2016) and ranked #2 Overall by *The Information*



Ranked #1 Most Influential Person in all of FinTech in *Institutional Investors* "FinTech Finance 40"



THE M&A ADVISOR

Numerous Awards for Transaction Excellence including "Deal of the Decade"

Steve McLaughlin: *Founder & CEO*

Tel: 415.992.8880

steve.mclaughlin@ftpartners.com

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Clearcover Overview



Company Overview



CEO:	Kyle Nakatsuji
COO:	Derek Brigham
Headquarters:	Chicago, IL
Founded:	2016

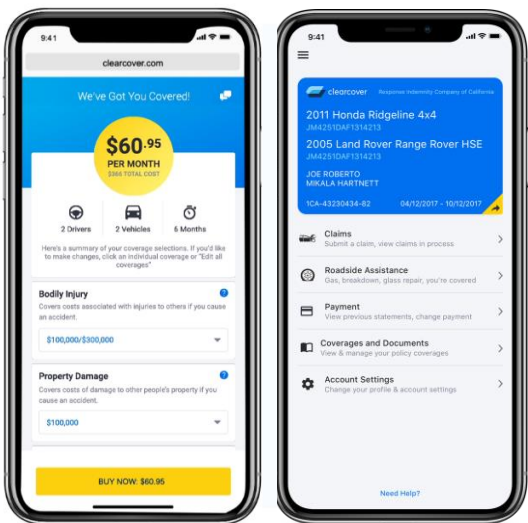
- Clearcover provides the right coverage, when it matters, so millions of drivers can pay less
- By designing a data-driven model to reach consumers in the moments that matter – the moments that they’re actually thinking about insurance – Clearcover minimizes spend in areas like advertising and operations
- Clearcover can save consumers up to 50% off their current policy prices
- Clearcover partners with companies like price comparison, car shopping and personal finance websites and has integrated with over 10 partners since launch

Selected Financing History

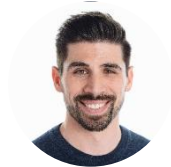
Date	Size (\$ mm)	Selected Investor(s)
09/19/17	\$11.5	Lightbank; American Family Ventures; Greycroft Partners; 500 Startups; Silicon Valley Bank

Products & Services Overview

- **Focused on Property & Casualty Insurance:** Launched personal automobile insurance in California in February 2018
- **Partner-Driven Approach:** Clearcover’s modern technology enables seamless integration with existing systems – in hours
- **Artificial Intelligence-Enabled:** The purchase experience includes an AI-enabled tool for customized coverage recommendations personalized to each customer
- **Mobile-First:** Clearcover’s mobile app provides all the same services as a traditional agent, including real-time assistance with claim filings and coverage overviews



Interview with Kyle Nakatsuji



Kyle Nakatsuji

Co-Founder & Chief
Executive Officer

What is your background and what motivated you to start Clearcover?

I officially co-founded Clearcover with Derek Brigham in November 2016. Derek had been working in insurance operations for many years while I was a startup attorney, then helped start the venture capital group at American Family Insurance - American Family Ventures.

The motivation to start Clearcover came from a variety of observations we had about insurance customers and companies. We spent years studying behavioral frameworks like "Bounded Rationality" and the "Fogg Behavior Model", developing a new distribution theory we called "incidental insurance", digging into the history of the P&C category's economics and cost structure, and having honest conversations with real customers. In doing all of this, we arrived at a relatively simple conclusion – consumers were paying too much for insurance because the incumbent insurance companies weren't built to help them pay less.

We thought that the insurance landscape had operationally lost track of what most consumers really wanted from insurance – the right coverage, when it really matters, for the lowest possible cost. And we thought we had an opportunity to deliver great experiences at much better prices by rebuilding an insurance company from the ground up with advanced technology, a new distribution strategy and a focus on efficiency.



Exclusive CEO Interview – Kyle Nakatsuji

You've been vocal about your view that there is significant inefficiency and waste in the traditional insurance industry. Where do you see the greatest opportunities for a different approach with Clearcover?

When we say "waste", we're referring to things that we think drive up big insurance company costs that are not required to deliver on that core insurance promise – the right coverage, when it matters, for the lowest possible cost. This mantra will mean something different for every company, and certainly its three goals require balancing, but there's also some stuff going on today that clearly isn't aligned with this ideology.

At Clearcover, we have the benefit of building our company and technology strategies from scratch around doing more with less.

One way we do this is through our 'moment-centric' API platform that integrates insurance into relevant customer journeys. Instead of making insurance a "destination" people need to seek (which comes with a heavy tax in distribution costs) we make it available and seamlessly buyable in places where people might need it. This keeps our costs down, our prices low, and the customer's engagement with insurance limited.

And this is just a start. Our core technology platform is built to use a plethora of data sources to deliver buyable, personalized insurance products in a variety of moments for maximum convenience and sustained affordability. It also can drive coverage recommendation, risk selection, and operational efficiency, all of which allow us to offer the lowest prices to the biggest number of people.



Interview with Kyle Nakatsuji (cont.)



Clearcover

Exclusive CEO Interview – Kyle Nakatsuji

Recent innovation in auto insurance has focused on the application of telematics and the introduction of usage-based insurance. What is your view on telematics, and do you have any plans to introduce a telematics-based insurance product?

We decided to look at telematics pragmatically, but opportunistically. And our worldview on telematics is a little different than most companies.

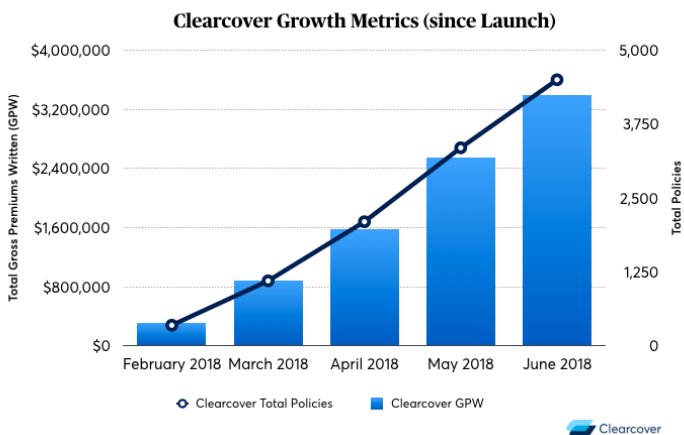
UBI products have existed for years, yet they've penetrated less very little of the market. And while that doesn't mean they're uninteresting, we think it does mean that there's a lot of people they're not helping. So, we wanted to start by building a product for the everyday driver - the other 90% of the market.

That said, our API platform is fully capable of integrating with telematics data partners, which could help us create all kinds of interesting value for drivers who want telematics-based products... and drivers who don't.

What can you share about growth in policy count and premium volume since you started selling insurance in February?

We've seen really encouraging growth since launching California in February of this year. Despite only having launched a handful of distribution partnerships in a single state, we've sold over 4,500 policies and have written over \$3M in premium (all of which are 6 month policies – which means over \$6M written premium, annualized).

Now, growing as fast as possible is not necessarily the right goal for an insurance company, and we've taken steps since day 1 to control growth and promote quality loss experience results. Still, we believe these numbers show our strategy and product really resonate with people.



Interview with Kyle Nakatsuji (cont.)



Exclusive CEO Interview – Kyle Nakatsuji

What percent of your policyholders have purchased digitally without any human interaction, and how many people have you needed in service roles for this volume of business to help customers with questions and with binding coverage?

65% of our policies have been sold end-to-end without any human interaction (48% of those being on mobile) and we have a near term target of 75% “no-touch” sales after making a few technology improvements to our funnel. With thousands of policies in force, we currently have a team of five Customer Advocates handling a combination of sales, service and claims needs. We think our ability to write premium efficiently is unmatched in the market – both by incumbents and startups.

Relative to your ambition to provide customers with more affordable insurance, how is your actual pricing comparing to other options in the market?

When we launched in February, we analyzed our rates for three average driver profiles across the five largest carriers in California and saw our pricing was significantly lower. Agency-based carriers tend to be further away from our pricing, and direct-focused carriers a bit closer, but we typically save drivers between 20-50% of what they were paying prior to joining Clearcover.

What has your early experience been on customer acquisition costs and how does that compare to costs for incumbent carriers?

Our theory was that using technology to put insurance directly in relevant moments and leveraging the pre-existing intent of a customer to buy, we’d be able to keep costs down, and this has proven true. We’ve been able to reduce acquisition costs by 50-75% compared the big carriers and are also spending less than many startups focused on direct distribution strategies.

Interview with Kyle Nakatsuji (cont.)



Exclusive CEO Interview – Kyle Nakatsuji

Who is buying insurance from Clearcover and what are you learning about the demographics of customers shopping for and buying insurance online?

Our customer demographics are influenced by our distribution partnerships, so while we study our customer base, we're also aware that it is a limited sampling of who may find Clearcover appealing. Our customers are spread across California, loosely concentrated around populated areas. We skew a bit younger but not by much - 40% of our customers are over 35 years-old and we even welcomed two policyholders over 80 years-old. At the end of the day, saving money on car insurance doesn't seem to be a demographically confined goal.

You have been applying analytics heavily in marketing. What can you share about how you are innovating in this area?

Our platform allows us to do some really interesting things related to customer experience and risk selection. At the end of the day, these strategies allow us to make highly personalized decisions that drive our ability to offer the lowest rates possible to the largest number of people. There's some secret sauce there, though, so that's about all we can share now...

How are you improving the claims experience for your customers?

For us, "moments that matter" isn't just about selling policies, it's about being there when claims happen and the insurance product needs to work. While we have a long way to go, I'm proud of the way our team, and our ecosystem of claims partners, have performed.

We're also making headway promoting high quality, efficient claims experiences. We're getting almost 50% of our claims submissions via our mobile app, which makes that process easier, and faster, for our customers.

Interview with Kyle Nakatsuji (cont.)



Exclusive CEO Interview – Kyle Nakatsuji

Last fall you raised \$11.5mm in funding led by Lightbank. What can you share about your future growth plans?

As a company, there are 3 growth levers we can pull: 1) launching our product in additional states; 2) launching additional distribution partnerships; and 3) growing our existing distribution partnerships. We're actively working on all three, and will continue to invest in those levers with the help of our current investors at American Family and Lightbank, and investors to come.

What advice would you offer to other InsurTech entrepreneurs?

I have lots of advice, but I'm not sure any of it is good advice... yet. In either case, I'd encourage InsurTech entrepreneurs to do two things.

One, think like an insurance customer, not an insurance employee or insider – regular people think about insurance a lot differently than we do, and it's easy to use your own experience as a false proxy for different people's beliefs.

Two, be careful. Insurance is a difficult business, and doesn't always follow the same rules that tech startups do. Make sure you understand how, and why, those differences exist, and can explain that clearly to your teams and investors.

FT Partners – Focused Exclusively on FinTech

FT PARTNERS RESEARCH

Selected FT Partners InsurTech Research – *Click to View*



SquareTrade's \$1.4 billion Sale to Allstate



Automatic's \$115 million Sale to SiriusXM



Goji's \$15 million Financing Round Led by HSCM Bermuda



Q1 2018 InsurTech Quarterly Insights



InsurTech CEO Interview: Clearcover



InsurTech CEO Interview: Cape Analytics



InsurTech CEO Interview: Hippo

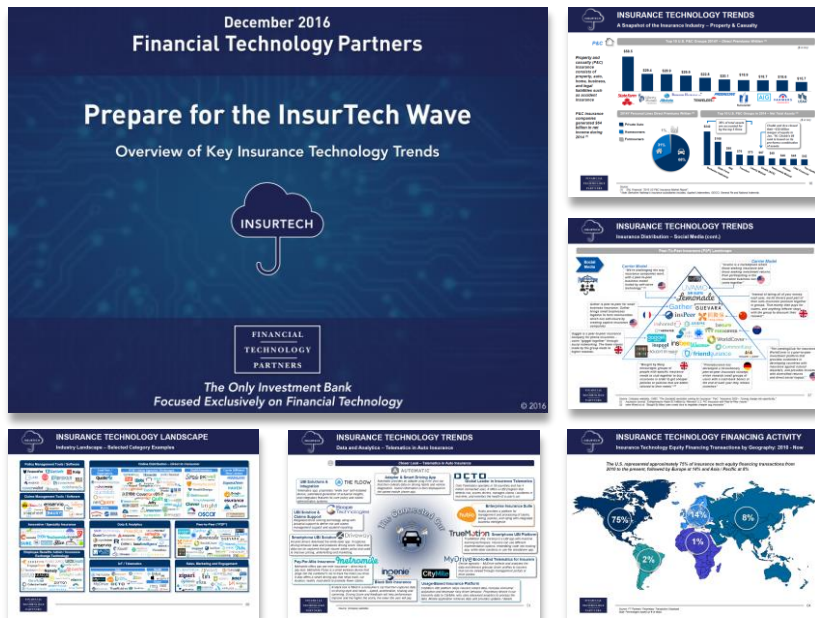


InsurTech CEO Interview: BriteCore

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FT Partners Research – InsurTech Industry Report

Prepare for the InsurTech Wave: Overview of Key InsurTech Trends



FT Partners' 269-page report provides an in-depth look at the major waves of innovation and disruption that are beginning to radically alter the insurance industry.

Additional highlights of the report include:

- An analysis of specific trends across: Insurance Distribution, Sales, Marketing and Engagement, Data and Analytics and Insurance Administration
- The responses of incumbents to date including the innovations, investments, partnerships and acquisitions being made to stay ahead of the game
- Proprietary InsurTech financing and M&A statistics and a comprehensive list of transactions in the space
- A detailed industry landscape of InsurTech providers as well as other innovative, tangential companies and profiles of 54 companies operating in the InsurTech ecosystem

Leading Advisor Across the InsurTech Landscape

Consumer Protection Plans

Financial Technology Partners LP
FTP Securities LLC

is pleased to announce its role as
exclusive strategic and financial advisor to



in its sale to



for total consideration of

\$ 1,400,000,000



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Telematics / Connected Car Solutions

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sole strategic and financial advisor to



AUTOMATIC

in its sale to



for total consideration of approximately

\$ 115,000,000



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Focused Exclusively on Financial Technology

Online Small Business Insurance

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sole strategic and financial advisor to



in its equity capital raise led by



for total consideration of

\$ 31,000,000



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in its growth recapitalization by



NEW MOUNTAIN CAPITAL LLC

valued at approximately

\$ 1,300,000,000



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SAFE-GUARD

on its sale to an Affiliate of



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Zywave Insurance Solutions

to



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iPipeline



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in its financing led by



**HSCM BERMUDA
MANAGEMENT COMPANY**

for total consideration of

\$ 15,000,000



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SaaS / Claims for Property & Contents

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Award-Winning Investment Banking Franchise Focused on Superior Client Results

Institutional Investor
Institutional Investor
Annual Ranking

2017
2015 - 2016
2006 - 2008

- Ranked #1 Most Influential Executive on Institutional Investor's FinTech 40 List
- Steve McLaughlin Ranked Top 5 on Institutional Investor's FinTech 35 List
- Consecutively Ranked (2006, 2007 and 2008) among the Top Bankers on Institutional Investor's "Online Finance 40"

I The Information

2016

- Ranked #2 Top Technology Investment Banker on The Information's "Silicon Valley's Most Popular Dealmakers"



M&A Advisor
Awards

2015 - 2017

2010 - 2014

2004 - 2007

- Investment Banker of the Year – 2017
- Investment Banking Firm of the Year – 2016
- Cross Border Deal of the Year - 2016
- Dealmaker of the Year – 2015
- Technology Deal of the Year – 2015
- Equity Financing Deal of the Year - 2014
- Professional Services Deal of the Year, Above \$100 mm – 2014
- Dealmaker of the Year – 2012
- Professional Services Deal of the Year, Above \$100 mm – 2012
- Boutique Investment Bank of the Year – 2011
- Deal of the Decade – 2011
- Upper Middle Market Deal of the Year, Above \$500 mm – 2010
- IT Services Deal of the Year, Below \$500 mm – 2010
- Cross-Border Deal of the Year, Below \$500 mm – 2010
- Dealmaker of the Year – Steve McLaughlin – 2007
- Business to Business Services Deal of the Year - 2007
- Computer and Information Technology Deal of the Year, Above \$100 mm – 2007
- Financial Services Deal of the Year, Above \$100 mm – 2007
- Investment Bank of the Year – 2004



Middle Market
Financing Awards

2006 - 2008

- Equity Financing Dealmaker of the Year – Steve McLaughlin – 2008
- Information Technology Deal of the Year – 2008
- Financial Services Deal of the Year – 2008
- Financing Professional of the Year – Steve McLaughlin – 2006

The FT Partners Senior Banker Team

Name / Position	Prior Background	Experience / Education	Years of Experience
Steve McLaughlin <i>Founder, CEO and Managing Partner</i>		<ul style="list-style-type: none"> Formerly with Goldman, Sachs & Co. in New York and San Francisco from 1995-2002 Former Co-Head of Goldman Sachs' Financial Technology Group (#1 market share) Wharton M.B.A. 	23
Paul VanderMarck <i>Managing Director</i>		<ul style="list-style-type: none"> Former Chief Product Officer at Risk Management Solutions, a global technology business in the catastrophic risk space 25+ years of experience as an InsurTech operating executive Experienced advisor and investor in the InsurTech space 	26
Larry Furlong <i>Managing Director</i>		<ul style="list-style-type: none"> Formerly with Goldman, Sachs & Co. in New York, London and Los Angeles beginning in 1995 Wharton M.B.A. 	22
Greg Smith <i>Managing Director</i>		<ul style="list-style-type: none"> Formerly award winning Equity Research Analyst at Merrill Lynch / J.P. Morgan / Hambrecht & Quist 20+ years of experience covering FinTech as both an Analyst and Investment Banker 	22
Osman Khan <i>Managing Director</i>		<ul style="list-style-type: none"> Former Managing Director / Head of FIG M&A at Alvarez & Marsal 15+ years FIG deal, consulting and assurance experience at PwC 40 Under 40 M&A Advisor Award Winner in 2013 LSE (BSc w/Honors), MBS (MBA w/Distinction), ICAEW (FCA) 	21
Steve Stout <i>Managing Director</i>		<ul style="list-style-type: none"> Former Global Head of Strategy at First Data Formerly Led J.P. Morgan Payments Investment Banking Former Equity Research Analyst on #1 ranked team at UBS and Economist at the Federal Reserve Bank 	20
Tim Wolfe <i>Managing Director</i>		<ul style="list-style-type: none"> Formerly with Goldman, Sachs & Co. beginning in 2000 Started at FT Partners in 2002 40 Under 40 M&A Advisor Award Winner 2013 Harvard M.B.A. 	16
Kate Crespo <i>Managing Director</i>		<ul style="list-style-type: none"> Formerly with Raymond James' Technology & Services investment banking 12+ years of FinTech transaction execution experience Dartmouth M.B.A. 	16
Timm Schipporeit <i>Managing Director</i>		<ul style="list-style-type: none"> 11+ years with Morgan Stanley, Senior Executive Director of European Technology Investment Banking Team in London Formerly a Venture and Growth Investor focused on FinTech at Index Ventures 	15
Andrew McLaughlin <i>Managing Director</i>		<ul style="list-style-type: none"> 20+ years experience executing / implementing financial and operational strategy Formerly with Deloitte Consulting 	12