

FT PARTNERS FINTECH INDUSTRY RESEARCH

February 2, 2018

INSURTECH CEO INTERVIEW:



with CEO Alex Kubicek

Weather Data & Analytics

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*

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Understory Overview

Company Overview



Founder & CEO: Alex Kubicek

Headquarters: Madison, WI

Founded: 2012

- Understory operates a weather data platform that detects rain, hail, wind and other weather factors
- Understory's patent-pending weather stations collect granular weather data at ground level which is then used to generate actionable business insights
- Understory provides an alternative to radar-enabled weather centers, which collect data based on atmospheric observations
- While currently primarily used by the insurance industry to optimize the claims process, Understory data is also applicable across other industries (agriculture, utilities, broadcast, etc.)

Selected Financing History

Date	Size (\$ mm)	Selected Investor(s)
02/02/16	\$7.5	4490 Ventures; True Ventures; SK Ventures; RRE Ventures; Monsanto Growth Ventures; CSA Partners
04/30/14	1.9	True Ventures; VegasTechFund; SK Ventures; RRE Ventures; Undisclosed Investor(s)

Source: Company website, PitchBook

Products & Services Overview



Ground-Truth Weather Data + Property Damage Analytics

- Continuous monitoring of hail, wind, rain, temperature, pressure and humidity at ground level provides granular and accurate weather data
- Real-time analytics generate industry-specific insights on weather impacts

Insurance

Improve Claims Efficiency

- Save time and money by quickly identifying properties affected by damaging hail
- Reduce fraud by identifying properties not impacted by damaging hail
- Optimize adjuster assignments by matching claim adjustment difficulty with the appropriate adjuster skillset

Improve Underwriting Accuracy

- Identify properties that may have pre-existing damage

Agriculture

Maximize Crop Yields

- Detect weather conditions with hyper-local weather data, improving crop management

Utilities

Improve Outage Responses

- Predict how much energy to buy or sell
- Determine where to deploy outage response teams

Interview with Alex Kubicek



Alex Kubicek

Founder & Chief
Executive Officer

1. What is your background and what motivated you to start Understory?

After aiding in Hurricane Katrina relief, I wanted to reinvent disaster safety through knowledge. I created award-winning research on cloud microphysics and hail formation that was meant to improve short-term storm forecasting, but the observations needed for validation did not exist. We created Understory to fill these gaps and gather weather insights to improve life and property worldwide.

2. What problem do you solve and for whom?

Understory improves property claims adjustment accuracy for P&C insurance carriers across personal and commercial lines. These carriers have seen hail claim frequency and severity dramatically increase over the past 10 years. Through our accuracy improvements, carriers realize savings to their organizations from indemnity and expense, as well as increased customer satisfaction from reaching settlement decisions more swiftly for their policyholders.

3. How do you solve this problem?

Historically, the best weather information carriers could use to inform their adjustment teams was radar and satellite-based, which is approximate at best. When using these technologies, the indicated hail impact is usually wrong. Even when correct, they only show the hail size.

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Exclusive CEO Interview – Alex Kubicek

3. How do you solve this problem? *(cont. from previous page)*

At Understory, we provide ground-truth, accurate data that goes beyond an estimation of hail size. We provide a damage profile at the property-specific level, so insurance professionals are armed with likely damage scenarios before arriving at the loss. This greatly improves their ability to discern between things such as recent vs. old storm damage and storm damage vs. wear and tear, and to accurately assess where a storm was likely to damage a property. This level of granularity allows carriers to properly assign their resources by combining Understory damage analytics with an adjuster's specific skill set.

4. How did you develop your proprietary weather stations and where do you deploy them?

At the heart of Understory analytics platform is the RTi, a solid-state weather sensing device that specializes in detecting hail impacts and captures real-time environmental measurements that transmit wirelessly to Understory's cloud. The RTi is an Industrial Internet of Things (IIoT) device that serves as a node within a network aimed at capturing street by street damage analytics.

The RTi is extensively calibrated using in-house testing equipment, such as our four-axis hail cannon that fires hail ranging from a half inch to three inches 100 times a minute. We also perform field calibration, which includes deploying sensor arrays in the path of hail cores, gathering home and commercial damage information, and having trained storm spotters document hail behavior.

Due to its low maintenance needs and cost-effective construction, a network of RTis can be deployed to capture hyperlocal weather phenomena like never before. By making it easy for any organization to host an RTi on their rooftop, we have enabled a community – from municipalities, school districts and private building owners – to create a robust network that is interested in learning more about the weather impacting their communities.

Understory can deploy a network in a city in a matter of months. Currently, Understory has more than 400 weather stations deployed in Dallas-Ft Worth, Kansas City, St. Louis, Denver and Houston.



Exclusive CEO Interview – Alex Kubicek

5. How significant are the challenges insurers face in dealing with hail and other severe weather claims?

Annually, the industry experiences more than \$12bn in hail and wind claims, which constitutes more than 40% of average annual losses for U.S. P&C insurers. The average cost of a hail claim has risen 75% since 2000 adjusting for inflation. This extreme rise in cost, which has been widely attributed to social factors consisting of both hard and soft fraud, has caused insurance carriers to reevaluate where they underwrite homeowners policies. Understory works with insurers to make existing markets more profitable while also enabling these carriers to write business in new markets.

6. There are already multiple sources of hail data today. What is differentiated about the weather data you are now able to provide?

Understory provides unique data. Unlike any other solution provider, Understory measures the momentum, force and angle of impact of hail stones impacting properties at the ground level. We condense this data into actionable information, allowing carriers to make transformational changes to their business processes.

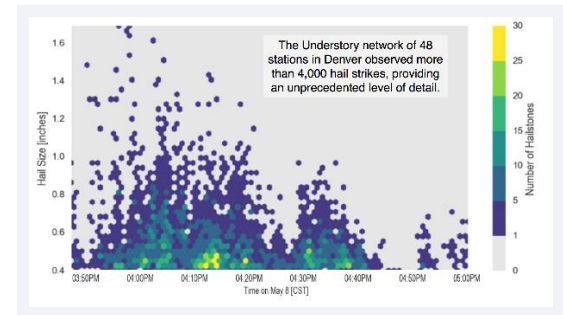
Furthermore, our unique ability to determine where hail did not fall is as important as our ability to report detailed information about the hail that did fall. No other solution can confidently assess a property and determine that hail did not occur on the date in question. This allows the carrier to reassign the date of loss to accurately reflect when storm damage occurred, or conclude that the home was not damaged by a storm.



Exclusive CEO Interview – Alex Kubicek

7. **The Denver hailstorm in May of 2017 was a critical validation opportunity for Understory. What were you able to demonstrate about the ways in which Understory can help insurers respond to such an event?**

We were able to help insurers manage event response by immediately understanding their exposure just minutes after the event, which had caused more than \$1.4bn in property damage. In case of such events, we can help our clients plan personnel deployment, manage financial resources and quickly and accurately triage their claims as they start to come in.



8. **How clearly have you been able to quantify the value that Understory can provide to insurers?**

In our work with a top 5, top 10, top 25 and a regional carrier, we have achieved at least a 16% cost take out in claims operations from both major storm events and non-major storms. This has resulted in an average accuracy improvement of \$1,500 per claim. These savings have been generated by three major areas - reducing the tail end of the claims cycle, rejecting highly unlikely claims and optimizing adjuster assignments.

9. **How many insurers are now licensing Understory Weather solutions?**

To date, we have been operationally deployed with several carriers where our analytics have become integral to their storm response efforts. In order to help our newer clients fully realize the value of our analytics in their organization, we have launched our on-site claims analysis program. We started with four carriers ranging in size from top 5 to regional, where we have analyzed over 200,000 policyholders and 8,000 claims. Property and casualty insurance carriers have already seen pathways to over \$16 million in savings.

We are in the middle of scheduling twenty more on-site claims analyses where carriers can see how they can operationalize Understory's data to realize savings.

Interview with Alex Kubicek (cont.)



Exclusive CEO Interview – Alex Kubicek

10. InsurTech entrepreneurs often talk about the challenges they encounter in working with insurance companies to demonstrate the value of new technology and to try to achieve adoption. What have you found to be most effective in your journey so far?

To accelerate adoption, Understory performs an onsite forensic claims assessment to demonstrate the potential for accuracy improvement and the forecasted return on investment. This process negates the need for a traditional prolonged proof of concept and is generally completed in less than 48 hours.

By having well defined pathways to access a strong value proposition, we are able to cut through the challenges that often plague the sales process of InsurTech start-ups. We are only able to have these pathways through building relationships with internal champions who are the heads of claims, property or underwriting and who are leading the way to bring innovation into their organizations.

11. What are the backgrounds of the team you've assembled?

We've built a very diverse team to address the complexities of a business that spans proprietary IIoT hardware infrastructure, a real-time cloud-based analytics platform and operational deployment in the insurance industry. Our team's backgrounds include meteorology, data science, physics, business intelligence, mechanical engineering, electrical engineering, software engineering, manufacturing, real estate, sales, marketing and finance.

12. How much funding have you raised and from what investors?

Understory has participated in an accelerator program, a hardware seed stage, an institutional seed financing of \$2mm led by True Ventures and a Series A financing of \$7.5mm led by 4490 Ventures with strategic participation by Monsanto.

Our strategic partnership with Monsanto shows the impact of our technology beyond improving the operating efficiency of insurers. The same technology that we use to detect weather impacts in metropolitan regions can track variables critical to growers. We use our rainfall and evapotranspiration measurements to provide guidance around irrigation, planting and harvesting.



Exclusive CEO Interview – Alex Kubicek

13. As a relative newcomer to insurance, what are your broader observations so far about the greatest opportunities for innovation in insurance?

In recent years this industry has shown an immense appetite for innovation, perhaps more so than any other. This stems from the emergence of InsurTech, which has put pressure on insurers to innovate. While many insurance carriers have developed innovation teams, the real challenge is adopting new and transformative technologies that change their business. For traditional insurers to thrive and compete within this competitive landscape, they must be willing to migrate from historical processes to new ways of conducting business. The focus of innovation across the industry is broad and encompasses the entire enterprise, from customer-facing applications to back office claims processes to managing risk.

14. What can you share about your future growth plans?

During recent severe weather events, Understory provided reliable, ground-truth weather data previously unavailable to insurers. Seventy stations, taking 50,000 measurements per second, captured incredibly granular data during Hurricane Harvey's historic rainfall in Houston – not a single measurement was missed. In the Denver hail storm that caused more than \$1.4 billion in damage, we captured more data than any other academic, government or research institution.

Through our successes, we plan to increase our sensor network to 5,000 sensors and to cover 75 cities by the end of 2019. Understory networks will cover regions responsible for over 50 percent of the average annual storm loss and over 90 percent of all weather-related catastrophes. Our infrastructure has proven to perform in even the harshest weather conditions, to be incredibly cost-effective to deploy and to create immense value for our customers. Now is the time to aggressively expand our technology across the U.S.

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



PrecisionHawk Raises \$75 million in Financing



BIMA Raises \$107 million in Financing



Lemonade Raises \$120 million in Series C Financing



Health IQ Raises \$35 million in Series C Financing



InsurTech CEO Interview: Coalition

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FT Partners Research – 2017 InsurTech Almanac

2017 InsurTech Almanac

JANUARY 2018

FT PARTNERS FINTECH INDUSTRY RESEARCH



2017 InsurTech Almanac

FINANCIAL
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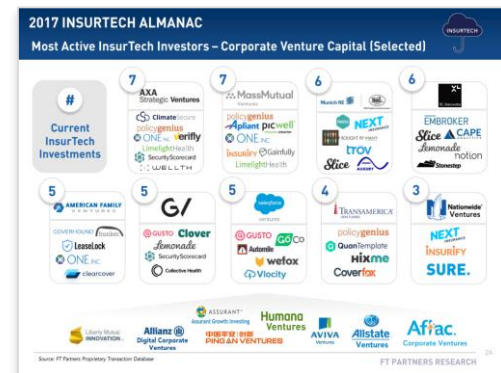
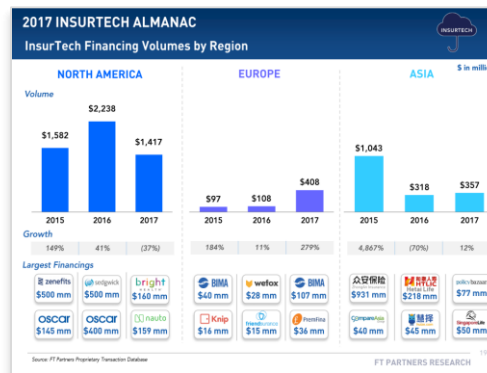
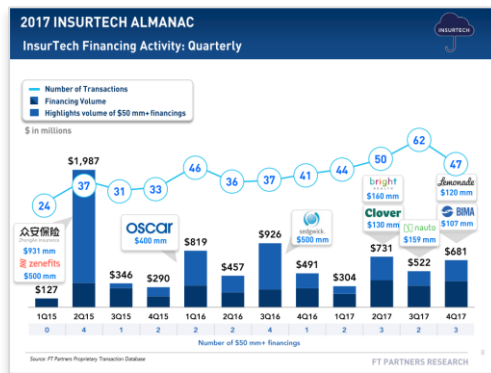
The Only Investment Bank
Focused Exclusively on Financial Technology

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Click pictures to view report

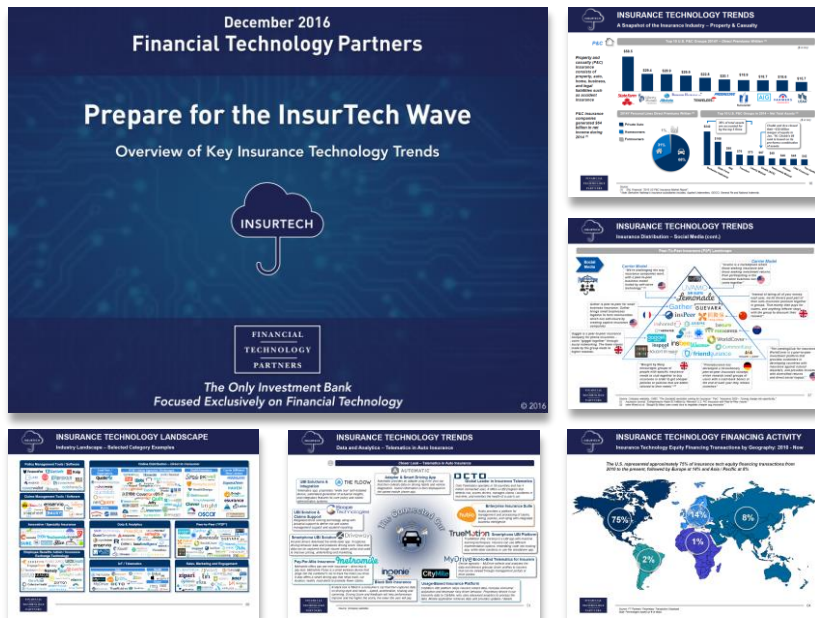
Highlights of the report include:

- 2017 and historical InsurTech financing and M&A volume and deal count statistics
- Largest InsurTech financings and M&A transactions in 2017
- Most active InsurTech investors
- Corporate VC activity and strategic investor participation
- Other industry, capital raising and M&A trends in InsurTech



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
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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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for total consideration of

\$ 31,000,000



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valued at approximately

\$ 1,300,000,000



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sole strategic and financial advisor to



on its sale to an Affiliate of



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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
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
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