

LendIt Fintech



Welcome to the Fintech One-on-One Podcast, Episode No. 309. This is your host, Peter Renton, Chairman and Co-Founder of LendIt Fintech.

(music)

Before we start this episode, I want to tell you about a brand new event from LendIt Fintech. Fintech Nexus, the Dealmaker Summit, will be the first major in-person fintech event of the past 18 months, a hand-curated audience of venture capitalists, bankers, fintechs and debt investors will be meeting face-to-face at an event 100% focused on doing deals. It will be happening in Miami on September 1st and 2nd. You can apply to join and find out more at lendit.com

Peter Renton: Today on the show, I'm delighted to welcome Assaf Wand, he is the CEO and Co-Founder of Hippo. Now, Hippo are an insurtech, they're focused on home insurance. They've been around a few years, but they're already at a decent scale which we talk about. What really struck me with Hippo and what's fascinating about this story is their approach to the customer relationship and really not just that. It's the approach to their product which is turn the traditional model on it's head and have really reimagine what's possible for an insurance product and really focusing on having a better experience, but not just one that's incrementally better, it's one that's fundamentally different.

We talk about how they do that, we talk about sort of the proactive steps they take to not just help their customers with their claims, but actually help their customers avoid a claim. We talk a little bit about technology, we talk about what makes home insurance such an important space for them and he ends with talking about, you know, drama and romantic comedy. It was a fascinating interview, I hope you enjoy the show,

Welcome to the podcast, Assaf!

Assaf Wand: Thanks for having me, Peter.

Peter: My pleasure. So, let's get started by giving the listeners a little bit of background. I'd like to sort of focus on what you did before Hippo, you've had a few interesting roles, it looks like, so give us some of the highlights there.

Assaf: That's going to take a while. So, if you have coffee, sit down as I'm going through it.

Peter: (laughs) Okay.

Assaf: What can I say, Israeli, I served in the military, I was a captain in the air force for like five years then started studying law and finance, but because I was 23 when I started my studying and I went to parents and said, listen, I want to live in Tel Aviv and they said, fine, awesome, so live in Tel Aviv. I said, yes, but I need a bit of help with money, I'm like 23 years old, what do you

LendIt Fintech



want from our lives. I started, basically, having a part time job working as a trader in an Israel investment bank, trading at night and studying in the day.

Left that to start, basically, an employee stock option kind of e-trade, for lack of a better word, ran it for a while then joined Intel Capital in Israel as basically an associate on the strategic arm of Intel, did VC work for three years, decided I needed a break. Went to do my MBA in the US then worked with McKinsey in New York, post-graduation in the financial institution group so a lot of insurance companies, asset managers, banks, all of these lovely beasts.

Post that, went back to Israel, started a telecom company which basically built two companies, one of them built a multi-tenant tower business in India so cell towers that we actually....physical cell towers that you lease to other companies that need the space. And the other one, we went around the world and bought the 2.5G spectrum and built wireless IP operations, did that for several years.

Throughout that time, met my wife who was like way smarter and ambitious and of course good looking, and after she got admitted to MIT, I found myself again in the US for my second tour of duty in the US and started a different company called Sabi which basically built branded goods for baby boomers, basically the thought that the world is maturing and moving in different populations, but nobody actually have put out deals to them, everything is geared to like a 27-year old or a 34-year old mother of two kids and stuff like that. Did that for six years, sold it and found myself in insurance so you see there is a linear line that leads from telco to branded goods for boomers to....kind of like a natural progression.

Peter: Right.

Assaf: Exactly.

Peter: Like everybody, everybody goes through that natural progression yes. (laughs) So then, tell us about the founding story of Hippo, what was it you saw that you really felt like needed to be addressed?

Assaf: So, I looked a lot at insurance once I finished McKinsey in 2007 and I did a lot of projects back then and I thought, you know, it's as broken as I've ever seen. You have a bit of a privilege working in consulting because you kind of see the handle of the kimono, you see what's going on, the real thing, you are dealing with it and you are like that's so broken, you have to do something. When I looked at it in 2007, it's basically the same premise which I'll get to in a minute, but I thought, there's nothing you can do because of three things.

One was data, how can you compete with a company that has 10 million households and have been doing it for a hundred years, how can I compete on the data, it's impossible. Second thing is if you wanted back then to build a backend for a company that has to do with insurance or,

LendIt Fintech



you know, a lot of the other financial institutions, it was almost impossible. You had to go and get like a guide where, assuming that they were even alive back then, bringing Accenture, bringing in all the database nine, define upfront how many customers, it's going to take you five years and \$300 Million of project because there is no middle kind of way and that's not very functional for entrepreneurs to do.

And the last component was I just didn't have a trust level that people would basically go for a new brand in insurance because it's all about trust. Then after I sold my company in 2015 and I wasn't ready to retire, I was basically looking at what opportunities I want to look at again and insurance was basically in my old notebook and I looked at insurance and I got to work in insurance and I thought, you know what, we're in a world of abundance of data sources, we're like, I don't have 10 million households, I have 130 million households, I don't have data just on one.....everybody, I don't have one roof, I have every roof, I have aerial imagery and satellite imagery and MLS. The amount of data that you have now is crazy, we're in a world of an abundance of data, but the thing is how do you prevent using data, how do you make sure that the data that you are using is not corrupt and is relevant and rightly priced and all of that kind of stuff. So, that happened and you were like wow, we're actually in an advantage.

Second thing is you can build everything, almost to a scalable model using some components on AWS and using micro services. I don't need to build the payment mechanism, I'm just going to go to Stripe and I don't need to build chats, I am going to go to Intercom, there's so many optionalities to build stuff on scale which is the right thing to do, you also negate a lot of the legacy aspect. You see, if you build upfront everything to a certain scale then by definition, you're going to be a legacy by the time you finish it, but by building it scalable, you negate a lot of the legacy aspect. And, thirdly, I was looking at it and I said, listen, my student loans are from SoFi, my money is with Weathfront, every component of my life has been mitigated or basically done with best of the providers that are easy to onboard on different things so why shouldn't insurance be one of them as well.

So, all of these things were like wow, I should really re-look again at insurance and then the trigger that basically pushed me to what I'm doing was....I usually read a lot because I don't have enough certainty so I meet a lot of people from a certain field and I'm basically asking them, Peter, if you were to start a company now in insurance, what would you have started, one; second thing is, if you were a CEO of a company now, what are the three pain points that you have and have a lot of discussion and read and attend a lot of stuff. And constantly, what popped is a number that I found really mind-boggling was that the average age of an agent was 58.....

Peter: Wow!

Assaf:....and there was less than half of the agents that used to be ten years before and I'm like, maybe it's 58 for forever, no, it's going in one clear direction. Right now, it's north of 61 now

LendIt Fintech



and nobody actually wants to be an agent. There's just this issue and challenge so I thought, okay, fine, let's continue the discussion which is if agents are retiring and there's not enough agents that are actually coming in the funnel then what's the implication of it? I thought, okay let's analyze, what do new agents bring to the table? Usually, what they do is they used to sell auto, home, maybe life insurance, all of the simple stuff.

You would have gotten a call from your Mom and said, Peter, please do me a favor, this and this son, he's just becoming an agent with Allstate, do you mind jumping on the call and see if you give him your auto and....that's how people used to build their book, but there's no more of them coming in. Current insurance people, basically crunch the underwriting capacity and things of that sort. The realization that we have is that the simpler lines in insurance, they'll have to go direct because there's no more people to actually service and there is a crunch on commission, etc.

So, I said, okay, fine, that's an interesting realization, let's look at the four simple lines; there is auto, there is home, there's small/medium business and there's life. Auto is basically direct, GEICO and Progressive are the only ones who capture market share for the last, I don't know, 15 years. Life was less appealing to us because it's a one-time kind of lesser customer interaction which is less of our kind of DNA. And then we look at home and SMB and we thought, SMB, you need to answer a matrix like Peter is a personal trainer and Assaf is a chef and Andrea is a painter and stuff like that, how do I present the right kind of opportunity, the right kind of pricing and products to the right person, less of something that appeals to us. We are a lot more on going deep on data kind of thing and we thought, you know what, home is interesting and we started a company basically.....we're going to build a Geico of home insurance, we're going to build a Progressive of home insurance, that's what we're going to build.

It's a \$100 Billion market, it's a \$110 now, growing it \$5 Billion a year and it's going to keep on going for basically forever. There's going to be more homes in the US next year than this year, labor and materials always goes up faster than inflation and the complexity of our home is getting more and more complex. Everybody has an en suite now, everybody has an open kitchen, after COVID, everybody's going to have an office training place. It's just that the footprint of our home keeps on increasing and more complex. So, I thought, that's a really interesting kind of market to launch in and the competitive landscape was such that we didn't see a lot of competitors.

Peter: Huh. So, despite the fact that, obviously, there's insurance companies that are very well established in the home insurance business, what was it about the existing traditional players that you felt like there was no competition?

Assaf: It's a really interesting market, it's big, I have never seen such a channel conflict. For a hundred years, they built one channel and that channel was an agent and now, it's a bit difficult

LendIt Fintech



for you to disrupt that and tell the agents, whoa, whoa, we're actually going to go direct, we're not going to go to that and by the way, we're not going to compensate you for that The agents will say, that's not what the deal was, the deal was you are actually going to advertise and send it to Joe Smith who is in this zip code not that you're going to go to farmers.com, it's just not the deal.

And because of that, it's very difficult for them to disrupt plus don't forget that most of the business is not new business, it's a recurring revenue that you have in your current book. So, show me an insurance CEO who was willing to lose all of that and piss off all of the agents that they have so there's a crazy channel conflict. Second thing, it's actually quite complex to do it. You need your own kind of systems to actually control. You need the full stack, the full technology stack, but insurance companies are not technology companies, they're not set up and wired with the same DNA that they have a CTO and a chief product.....they're just different. It's not most of the staff is IT that is basically being developed from the outside and we are implementing, it's kind of like an enterprise company, not different than a retailer like Walmart is not developing all of the systems out, they're buying off-the-shelf point of sales and finetune and implement. You need to build a higher stack internally as a technology company in order to accommodate all of the data sources, the API-ization of the world, digitization, change customer experience, AB test, it's just a different thing.

And lastly is because they have their current book, do you think they don't know every component of them is stuck in the 60's, that they're just selling with customers looking for them. If you'll have the time to open your policy, you'll see that you're covered for things like fur coats, pewter balls, china, silverware, mausoleums and crypts are covered because in 1905, people used to bury their dead on the loft so you're covered for that (Peter laughs) and gold bullions and stamp collections and tapes/cassettes, I can go through the list forever.

But, your home office is not included and the nice room that you're sitting in now and conducting this discussion with me is actually not covered and all of the electronics in it. You know, if you look at your electronics coverage, it's \$2,000, my backpack has more electronics than that. There's just a bunch of stuff that would just not modernize. Do you think they don't know about it? Of course, they do, but they're caring about their current book, they can't really implement that, they can't tweak the rates. They have a certain channel conflict, it's very difficult for them to compete.

On top of all of that, insurance is not a winner-take-all market, home insurance does one carrier that has more than 10% and that's State Farm and then it goes down to slightly less than 10.. like Allstate and you go down the list and you know everybody like Liberty Mutual and Safeco and Triple A and Farmers and Travelers and they have 2%, 3%. You can build a really, really massive company on basically tiny points of the market which is awesome. So, the idea is I'm not coming to kill Allstate and State Farm, I'm coming to give way better service, way better

LendIt Fintech



price for the customers that we want and care about better taking care of their homes and have a different relationship with their insurance company, etc.

Peter: Right, right, interesting. So, you know, you started from scratch, what was it, six years ago or thereabouts, can you tell us sort of how you've ramped up and what scale you're at today?

Assaf: Firstly, it takes around 18 months to even have a product. This is something important for entrepreneurs to know, there is no MVP, there is no.....you need to file, you need to get admitted, if you have one customer, you need to have a claim organization, you need to have a call center because Peter might need to call me five minutes later and say that they have an issue so you need to kind of have everything in place. I think the only feature that we didn't develop initially was renewal because I have a year. Peter, I think I have a year for renewing, but every other thing you need to build and it takes a while and getting admitted in a pool, it just takes a while.

So, we started it state by state, 50 Department of Insurance in the US, we started with California and then we grew from there. Right now, I think we're live in 37 states, it might be 38 and I haven't looked this morning if we got admitted on something. We finished last year with \$405 Million in premiums and this is just the beginning. Rick McCathron was my partner and our President always says, we're not even picking up the low hanging fruits, we're still picking up fruit from the floor and by the way, when we're walking around we're still hitting watermelons. (Peter laughs) There is so much opportunity there, we haven't even started.

Peter: Right, right, I totally get it. I'm curious about the fact that you recently announced that you're going to go public via SPAC and obviously that's a big stepping stone for any company, but I'd love to sort of get your perspective on how you think that's going to change Hippo becoming a public company?

Assaf: Several things, you know, there's pros and cons to everything. So, it's going to institutionalize Hippo as a company so all of a sudden, you're managing it more by quarterly....forces are tighter, what you can discuss and things of that sort. On the flip side, you can't make crazy, crazy bets all the time as we used to have before so we need to be more thoughtful on what you're doing. On the flip side of it, insurance is a game of trust. When you're purchasing for someone, you want to know that the.....a lot of people, when they don't convert to Hippo is they love everything about the product, they love everything about the experience and someone says, in the live five milliseconds, but who are these guys, are they going to be there if, God forbid, something happens.

By being a public company, you solidify trust, you're building the foundation for a lasting franchise, it's a lot more resilient, it's there, you know, you have access to the public market, people understand the scrutiny that you have to go through in order to be a public company. So,

LendIt Fintech



we believe that in order to build the franchise that we want and to get into and we're certain that we can get into, being a public company is very, very strong and it's a strong signal. It's a strong signal when someone calls my call center and Peter is going to say, yeah, but I've never heard of you guys.

We're actually listed on the New York Stock Exchange, this is our ticker, we have X Million dollars in the bank, we're just starting, we've been doing business in Colorado for several years now, there is gravitas in that which is important. It's important because a lot of our distribution is via partners and they want to know that they are not investing a lot of time into a company that might dissolve or not going to be there and can actually keep on supporting the partnership. So, there's a lot of benefits on these components which for an insurance company we thought it's important.

Peter: Yeah, that makes sense. So, I've read that one of the things you're really focused on is moving away from like a transactional type relationship with the customer which is, I think, what most insurance companies have had for decades. How are you doing that and what are the benefits for your business as well as for the consumer?

Assaf: Yeah. It's a great question and this is something that basically occupies most of my time. Think about today's experience, you usually have a crappy on-boarding experience so purchasing a policy now is not easy. It's going to take you two to three days to get hold of an agent, if it's a good time, not a good time, you go online, you have to answer 70 questions: How far are you from a fire hydrant? What's your inner wall materials? the shape of the....nobody knows how to answer that and then it's not even going to capture it because when you get hold of an agent he's going to ask you all of these questions again. It's a bit of an obsolete and not very friendly kind of experience. Coverage, as we said, is stuck in the 60's, on the fur coats and pewter balls, etc. When you have a claim, it's usually a horrible claim experience. The average net promoter score for the industry is -49.

Peter: Wow, I didn't know it was that low.

Assaf: Try and find a lot of people that love their insurance. It's even worse because since the moment that you purchased the policy, you kind of know that in nine years when you're going to have a claim, the first sentence out of your mouth is going to be, I knew it's going to be like that. I'm not going to add all kinds of other words in it (Peter laughs)I knew it's going to be, you know, I knew that this is what's going to happen, I've been paying you guys for nine years, every month, and I knew that just when I'm going to need it, you guys are going to come up with something. That's what you're carrying with you, is your expectation of the experience and in between, this horrible purchase and this bad claim experience, crickets, zero touch point, there's no touch point like, you know, KPIs for a lot of the insurance companies is how little of touch point they have with the customers.

LendIt Fintech



Hence, when I'm asking people, who are you insured with, usually it's like Allstate, State Farm, Farmers, that's it. People don't know who they're insured with and the second question is okay fine, and what's the difference between these three companies and the answer is not because this one have quarterback one and this one have quarterback two. What's the difference in the product? So, there's no differentiation in the product, there's no touch point with the customers and we thought that's a crappy customer experience. I don't want to have customers because I was able to acquire them in a certain way, I want to have lasting customers with a differentiated offering and something that is different.

And we thought that for us, it's how do we build meaningful touch points with our customers, that's how you build a brand, but we are your insurance company, you want to hear it from me on an ongoing basis. The best alignment of interest of an insurance company where they're insured was avoiding a claim from happening in the first place as opposed to paying fast. The best option for getting paid fast is that Peter had a water leak from his roof and Assaf knocks on your door and says, Peter, here's \$17,000 five minutes later and you're like, wow, that was magic. I had a loss and they paid me immediately, but for three weeks you're probably not going to reside in the home, you need to find a contractor, there's going to be a mess, you lost your family heirloom that is in the attic, the favorite sofa, some favorite clothes and this was like magic.

You had a damage, I came in and paid you for the damage. Wouldn't it be way better if I can actually see that there was a discoloration on the roof beforehand? I'm going to send a roofer to fix it, that's way better, you're going to continue with your life on an ongoing basis and it's going to be good for us because there's going to be less losses. We're also going to build a relationship so for us, that touch point is what we call being a proactive insurance company, we're doing it in three ways.

We'll constantly keep on monitoring the data on their homes that we're insuring so every time we have another aerial imagery pool....I'm checking all of my customers, I'm checking Peter's home in Denver and if I see there's the discoloration, someone's going to call you or if I see that you added a swimming pool, someone's going to say, Peter, as you know, we're monitoring your home from time to time. Our records show that you added a swimming pool, I just wanted to confirm it and 99.9% you're going to say, oh yeah, why is it relevant. And we're going to say, I think we should increase your liability insurance because the next-door neighbor's kid might jump in the pool when you guys are away and it's important that we're going to cover them and it's going to cost you \$2.20 more a month. And by the way, sometimes it works the other way around. I noticed that your roof was replaced, I just wanted to confirm it because both our permits records and our aerial imagery flagged it. Now, you're entitled to whatever, 4% discount because it's a new roof.

The idea is that we're constantly monitoring your home, that you're going to insured for what you should be insured and we can, hopefully, prevent losses from escalating or happening in the

LendIt Fintech



first place, one. Second thing is we're giving everyone of our customers a Smart Home Kit so everyone of our customers is getting a self-installed, self-monitored kit of motion sensors, leak detectors, smoke and fire alarms. The idea is, can we help you better take care of your home on that stuff, you know, so I put it on the backdoor and how many times I had.... when I left the home and then I was like, did I lock the backdoor, I didn't lock the backdoor and I'm just looking at the app, awesome, I locked the backdoor. Or, there's a small leak in the faucet underneath my kid's sink in the bathroom and I just need to come in and look at it and fix it as opposed to wait in the morning when the entire first floor is flooded. So, the idea is if we can help customers take better care of their home, that's positive.

Thirdly, we have a service called Hippo Home Care which is....everyone of our customers can call the call center and ask for help from installing a shelf or if you have a leaky faucet and I don't know what to order from Home Depot or I'm actually thinking of doing a renovation in the bathroom, can you help me fetch some contractors, anything that helps our customers better care for the home. Better cared homes means less losses for us and better relationship with our customers and that's kind of how we look at it.

Peter: Right. I want to just expand that because there was a really interesting use case or a demonstration, shall we say, of this proactive stance you have. You know, we all heard about the Texas cold snap they had and pipes froze and it was just an absolute disaster in February of this year. Tell us what you guys did there, I don't know if it was while it was going on or before it happened, what exactly you guys did to your Texas customers who were experiencing this massive cold freeze?

Assaf: It's a combination of all of the above on timing. So, first there was a point you realized there was going to be a frost in Texas so we sent emails and texts to whoever we can, you know, our customers and said, guys, this is what's going to happen. Probably what's going to happen is going to be freezing pipes, we never assumed that there was going to be freezing pipes and also there was going to be water supply issues and electricity.

That was just, you know....that was significantly more severe than what we expected, but we said, this is what's going to happen. People that have swimming pools...swimming pools are going to be frozen if your equipment is going to be frozen and then there's going to be issues. So, we kind of like thought, we sit down, we brainstorm, what are the issues that's going to happen and then we started sending an email, this is what you should actually do. Then when it did happen, we realized it's going to be bursting pipes and said, guys, this is what you should do, you should close the water shut valve, you should make sure, you know, that you do not open the water until the water starts defrosting and stuff like that.

Now, is it good for Hippo? Yes, it reduces the amount of losses that we have because of bursting pipes, but is it good for the customers, yes, because Peter doesn't want to deal for a month and a half with bursting pipes as well. So, it's not that I did you a favor, it's a mutual thing

LendIt Fintech



of the same alignment and then we realized there were some people that also didn't have electricity, had a problem to cook food because of gas and stuff like that. I probably bought 5,000 lasagnas and handed it over to our customers in that area. We had to put some people, a lot more people in temporary housing, they are people that had....you know, that we got calls, I have a 3-year old daughter at home and my house is freezing. Don't forget it's even worse because it's COVID time so it's not like you have to go to your neighbor or someone's going to host you, this was a different time of COVID and people wanted to be separated and didn't want to have communal kind of aspect.

We started putting temporary housing to people and trying to take care of them so the thought is first, let's take care of our customers, that's the mindset. What issue is going to happen, let's take care of them. If we're going to take care of them over time, yes, it's going to be beneficial for us because these are the customers that we want. You build a brand and acknowledgment of the company over a span of like 20/30 years, not over one or if I have X customers or Y customers.

Peter: Right. But, I'm curious about like....that was obviously a dramatic weather event. We're recording this in mid-July where there's now fires raging around the country, there's traumatic heat events happening, I'm curious about...climate change is obviously going to have a major impact on the home insurance business. I mean, what are you doing to address that or how are you viewing sort of the changes that the environment is going through.

Assaf: It's tough, there's no easy solution and I'm still looking for, you know, the IOT device that stops hale or complete fire, it's not an easy thing. I think it's about constantly re-evaluating the data, understanding what's your belief on where losses are going to come from, what catastrophic events are going to come, have a point of view and then just support the customers that you have. There are some areas that we're probably not going to write businesses in because they have a high conviction that these are not areas that would make sense for us and some areas that we're doubling down on.

It's not an easy thing, my expectation is that over time pricing is going to change because insurance companies are not going to be the one to bear all of the cost of climate change, etc. One other thing that I find really very interesting is....I actually think that more than climate change is the fact that....the bigger issue is that people are moving into places that they shouldn't have lived in before.

Peter: Right.

Assaf: So, people are moving to coastal areas that shouldn't be lived in or swampland or a high kind of like fire areas that are in the mountains. There used to be fires there for forever, but nobody lived there, now that people live there, you increase the chance of a fire because someone's going to drop a match or something like that and people were not supposed to live

LendIt Fintech



there so the risk is very, very high and you need to kind of safeguard that. There's a bit of a problem on that front which I think with the growth of population people are starting to move into areas that are not necessarily habitual and then insurance companies ask the question whether you should be the back stop for that stuff or not.

Peter: Right. We're almost out of time, but a couple of more questions I'd like to get to before we finish. I want to talk about underwriting. You mentioned data and how there's so much data available now that wasn't available, you know, 20 years ago. What is your approach to underwriting? How are you kind of using technology and the vast amounts of data to provide an accurate price for your customers?

Assaf: It pulls into two things. Firstly, what questions do we need to ask because in different times we need to ask different questions. And then, what's the best source to fill in the data for that question. So, let me give you a very simplistic example. I can ask you, Peter, what's the square footage of your home and there is let's say a 50/50 chance that you might know exactly what the square footage is or you might not know. Now, I can also probably get the data from your tax records, but then you probably have an incentive to not report if you made all kinds of changes in the home because you don't want to pay more taxes on that. Sometimes, aerial imagery will show some of it, sometimes permits would show what was your footprint of the home, yes or no, but maybe you increased, you built....you turned the garage into a living room without getting a permit for it so I don't know.

And then, there is MLS, if there's been a transaction the last three to five years, usually there's a tendency that the square footage increased not decreased. So, now what I wanted to show you, there is one fact which is Peter, what's your square footage and you plug it in and then there's the other path which is like let's look at all of the data sources that we have and have a certain prioritization of source of truth. If it's a transaction in your home that was two parties, it's probably the most correct and then it goes down to permit records and tax records and all the time I get the source of truth of what do I get in order to infuse the right data.

What I get is two things. One, I get a more accurate number than just asking Peter and the second thing, I actually remove the burden of responsibility from Peter because now, I don't know, 2100, 2200, I'm not sure, what if I'm going to have a loss and then they're going to say, but you wrote the wrong number and that's why we gave you a quote and it's going to happen in nine years and I'm not going to get paid enough, all of that goes in your mind. If we can reduce the stress from the customer and doing a better point, that's how we look at everything in underwriting.

So, first, ask the right questions, fill in the right data and constantly monitoring, again, and closing the loop with better data sources that we can pre-fill and if the questions we are asking are the right questions for the risk that we are trying to avoid. It's an iterative process that's going on all the time, but that's how we look at it. The better data that we have, the better

LendIt Fintech



answers we're going to get, the right questions we ask, the better kind of outcome we're going to have in reducing the burden of responsibility from our customers.

Peter: So, last question then. I mean, you've really gone all in on the home insurance industry and, obviously, the traditional players are in multiple verticals, I'd love to get your sense on the vision for Hippo. Are you really completely focused on home insurance and are you going to stay there, what's the vision for Hippo?

Assaf: You know, our official vision is we call it "protecting the joy of home ownership." We want to move vertically in this home and basically be the caregiver of your home. Think about what's going on today, there are two movies that are going on in parallel. My wife and I went to look for a place, it's a rom-com, we looked at places, it was a horror story, we couldn't find anything and then we found something. The way that people usually explain it, it's like a love, it's like a love event, it's a love story and I knew immediately that this is our place and I felt right and I fell in love with the place, you know, it's a very loving kind of thing.

So, you start with the romance, but three to six months later when you bought your house, you're having like a moment of anxiety attack and it can be from a drama to a horror story. It's like the back door doesn't lock or I keep having, you know, leakage from this window and there's random noises from the window over there and the electricity is not working and the plumbing is not working well and you're like this is not what we thought and you basically become a part time employee of your home to take care of it and you're never content. So, the idea is how do we bring you back to this romance?

The thought is that Hippo wants to help you basically be the 1-800 number to everything that you need in the home. You're locked out of your home, you need a locksmith, call us; you have a problem with the fridge, call us, we're going to take care of it; you need some help with renovation, call us or God forbid, there is a catastrophic event or any losses in the home, we're going to help you take care of your home. Now, I think that nobody's actually owning that category and we're making awesome strides, that's what I told you about you the proactive and having a proper relationship with our customers to help them take care of their homes.

On the other verticals of auto and pet and life and stuff like that, we don't have enough conviction that we can use data and customer experience to build a differentiated product that are better than some of the other, you know, better than Travelers, better than Farmers, better than Progressive, etc. on the auto. There's also very, very limited synergies. One of them is a high frequency low severity event, the other one is low frequency and high severity.

A call center or claim organization that know how to serve auto doesn't necessarily know how to serve home so what we do is we partner with the best friends in the street and we offer you.....when Peter wants to have auto insurance, we're happy to sell you Progressive and

LendIt Fintech



Safeco and whatever, It's like we're going to try and give you the best product out there, it's not necessarily going to be Hippo.

Now, there is a tendency to think that bundling is really very important, but what you see is that people are having too many other products and connecting them together. We have a saying that if you tie two logs together, they don't float. It's better to have a better product there and a better product there and connect them and give something which is the best product for the customer and that's our view, "protecting the joy of home ownership" and offering best products that are not necessarily manufactured by us for our customers.

Peter: Right. Well, that is a great view and I think it's very refreshing to really talk to you, Assaf. It's really such a different type of approach, what you've done here. So, congratulations on all your progress, so far, I know you're just getting started, but, anyway, thanks for coming on the show today.

Assaf: Thanks for having me.

Peter: Okay, see you.

Well, I hope you found that as engaging and informative as I did and entertaining, it was just such a fascinating discussion. I think it points to the way that fintech and technology companies are approaching these traditional industries and really just turning them on their head. There's a lot of lessons here to be had for any fintech company or technology company and that is really looking at the customer experience and trying to sort of do it in a way that is exactly what the customer would want.

There's many fintechs that are doing this, I think we can even do better and I think what Hippo is doing really just demonstrates what is possible. I think we are in a world with tremendous amounts of data, I don't know if everyone's using the data that's available today in the best ways possible to really dramatically improve the customer experience. That, to me, is what Hippo has done.

Anyway on that note, I will sign off. I very much appreciate your listening and I'll catch you next time. Bye.

Before we go, I want to tell you about a brand new event from LendIt Fintech. Fintech Nexus, the DealMaker Summit, will be the first major in-person fintech event of the past 18 months, a hand-curated audience of venture capitalists, bankers, fintechs and debt investors will be meeting face-to-face at an event 100% focused on doing deals. It will be happening in Miami on September 1st and 2nd. You can apply to join and find out more at lendit.com

(music)

LendIt **Fintech**

