

Regulatory Journey of a Parametric InsurTech

Presentation at ISU Symposium, November 15, 2019

Kate Stillwell, CEO of Jumpstart

The logo for Jumpstart, featuring the word "Jumpstart" in a bold, black, sans-serif font. A horizontal line is positioned above the "J", with a red segment on the left and a yellow segment on the right.

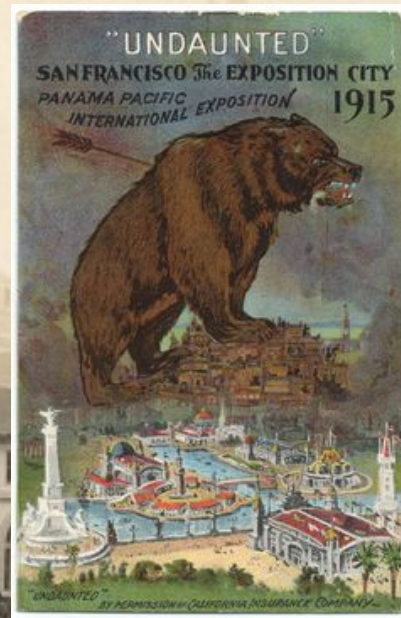
San Francisco, 1906



1915 Pan-Pacific Expo:

\$17M public investment (\$400M in 2017 dollars)

\$33M private investment (\$800M in 2017 dollars)



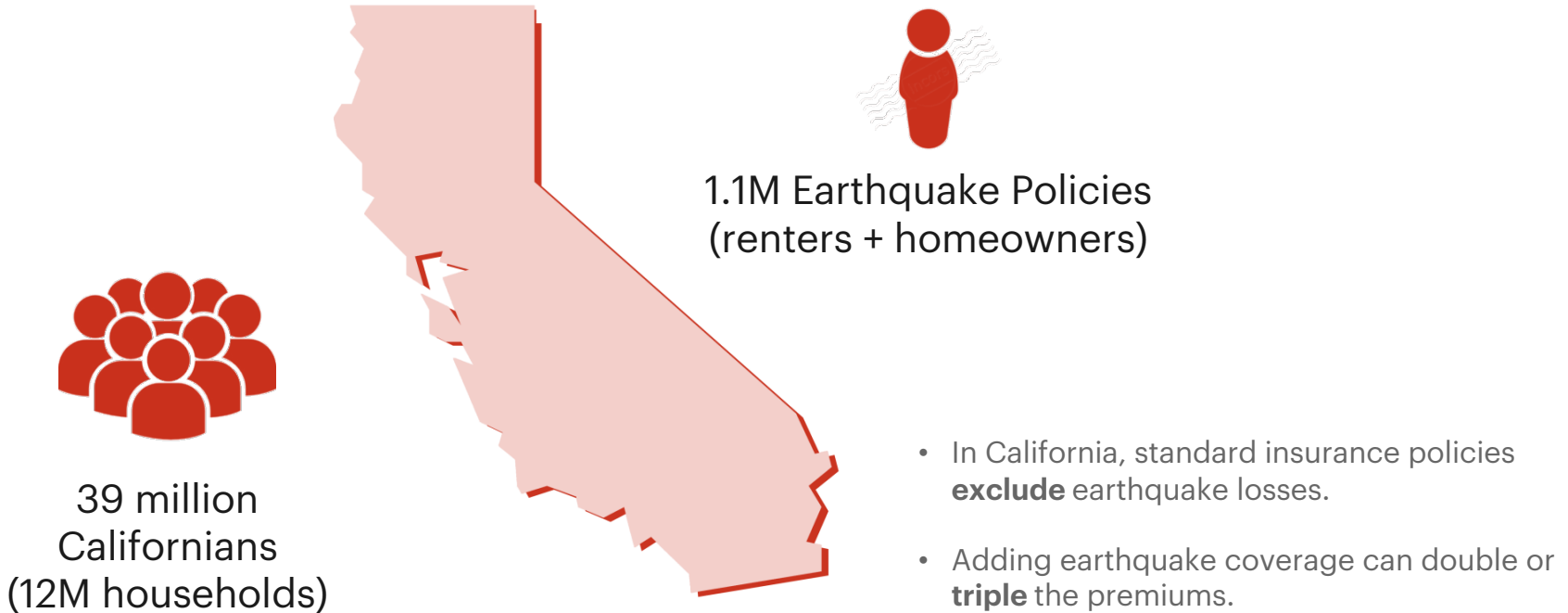
New Orleans after Katrina:
40% of then-residents left and never returned
Average FEMA grant: \$500







Protection Gap: 90% Go Without Coverage



The Earthquake that **Killed Insurance** (as we knew it)
1994: 29% take-up



Mexico Cat Bond: Large-scale Parametric

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MARKETS

Mexico to Collect \$150 Million From Catastrophe Bond

Two September earthquakes killed hundreds of people and severely damaged thousands of buildings

By Anthony Harrup

Oct. 10, 2017 9:11 pm ET

MEXICO CITY—Mexico will receive \$150 million from a catastrophe bond taken out in August against earthquakes and will use the money to partly fund reconstruction efforts, the Finance Ministry said Tuesday.

Mexico suffered two deadly earthquakes last month, a 8.1-magnitude quake on Sept. 7 that killed around 100 people in the southern states of Oaxaca and Chiapas and a 7.1-magnitude quake on Sept. 19 that left 369 people dead in Mexico City and central states.



Parametric Builds Financial Resilience

Parametric: Not Just an Industry Buzzword

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Insurers Aim to Fill In the Disaster Gap

As natural disasters increase, homeowners look for more ways to cover mor



Regulatory Considerations of Parametric

- ✓ Is It Insurance? The case in favor
- ✓ Consumer Understanding vis-a-vis Protection

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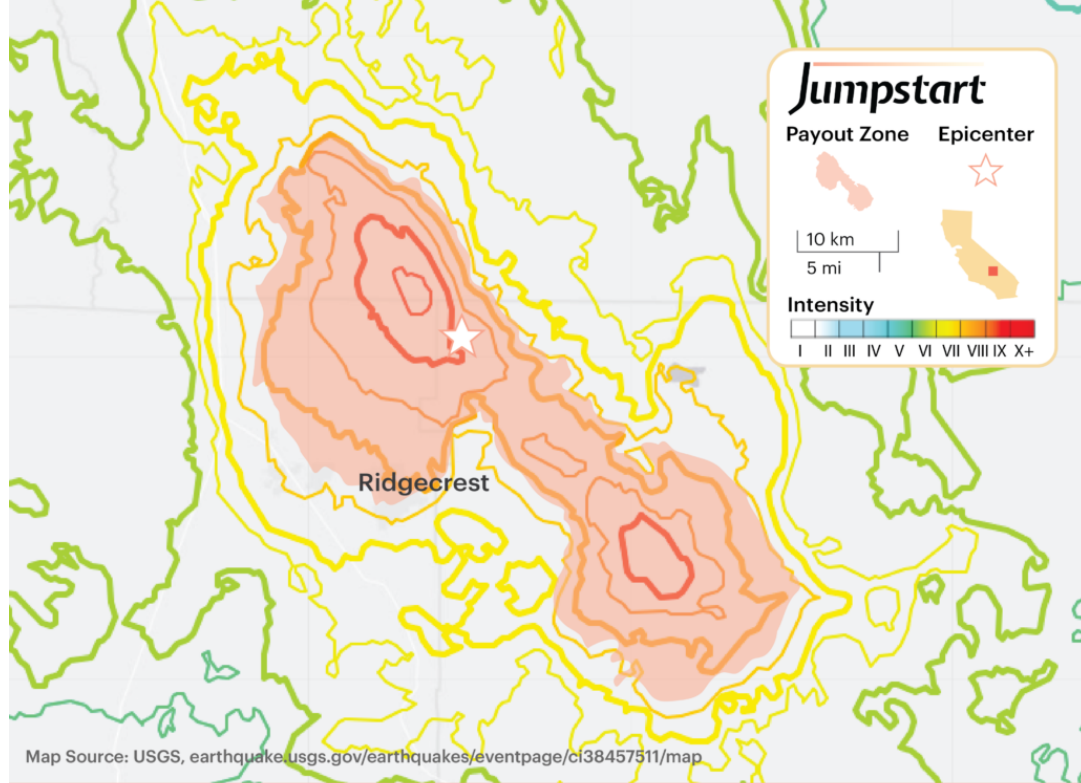
Mutual goals:

- ✓ Bring coverage to more people
- ✓ Reduce reliance on public funding
- ✓ Faster recovery

Jumpstart:

We provide **consumers** a financial jumpstart
after the shock of a **natural disaster**.





\$10k Right Away after a Quake

Automated Payouts
No Deductible

Based on USGS Data

Payout Zone: Ridgecrest Earthquake

Magnitude 7.1 • July 6, 2019

Payout zone boundary is defined by Peak Ground Velocity (PGV)
of 30 cm/sec as reported by the US Geological Survey.



Get instant quote.
Apply in 5 minutes.



Jumpstart





In a quake? We'll text you to confirm.



Jumpstart





Fast payment
as soon as next day.

Jumpstart



Startup Innovation + Institutional Credibility

Jumpstart

- ✓ 2018 Launch: Parametric Earthquake in CA
 - Future: other states, more types of hazards

LLOYD'S

- ✓ 100% of risk currently ceded to Lloyd's
 - A+ AM Best Rating



- ✓ Ongoing regulatory collaboration
 - Increase the number of Californians with protection

Is it Insurance? Yes!

- ✓ Risk is being transferred.
- ✓ Risk is being pooled/shared.
- ✓ Losses are unforeseen/occur by chance.
- ✓ Presence of insurable interest.
- ✓ Occurrence of a loss.
- ✓ Cause of loss.

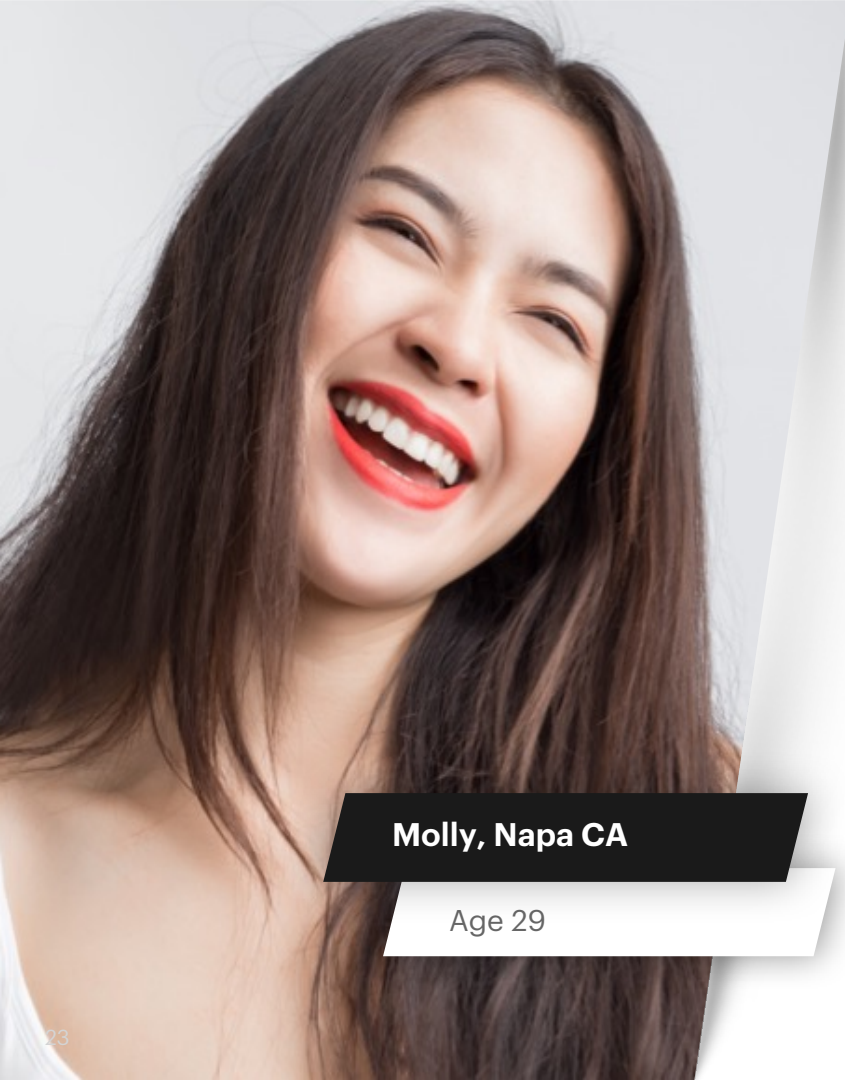
Consumer Understanding *By Design*

- ✓ Not a Substitute for Conventional Insurance
- ✓ Basis Risk – 2 possible outcomes
 - ✓ Mitigation of Shortfall:
 1. Transparent, public data
 2. Plain-language (both policy and sign-up process)
 3. Simplicity (one-size-fits-all, binary trigger, simple payouts)
 4. Education (FAQs, videos, customer support)
 - ✓ Mitigation of Windfall:
 1. Low payouts
 2. High-severity trigger

(P.S. windfall already occurs with other insurance)

Unlike Conventional Disaster Coverage

	Jumpstart	Conventional EQ Insurance
Purpose	✔ Any Extra Expense	✔ Replace Damaged Property
Payment Speed	✔ Days	✔ Weeks to Months
Process	✔ Automated Deposits	✔ Claims Adjuster, Paperwork
Payment Amount	✔ \$10,000	✔ Damage less Deductible
Deductible	✔ \$0	✔ tens to hundreds of thousands
Typical Price	✔ \$20/month	✔ \$2,000 to \$3,000/year



Molly, Napa CA

Age 29

Molly buys Jumpstart: “It’s a no-brainer”

- ✓ Renter, Napa CA
- ✓ Works in the service industry
- ✓ No significant savings

“Where has this been all my life? Growing up in the Bay Area, I’ve felt lots of earthquakes, and Napa got hit pretty bad in 2014, before I moved there. All insurance should be this simple.”

Other Regulatory Questions

- ✓ How to establish Insurable Interest?
- ✓ Magnitude of Payouts vs. Severity of Trigger
- ✓ Potential for Overlap in Coverage
- ✓ What qualifies as First Notice of Loss?
- ✓ Surplus Lines or Admitted?
 - Advertising Limitations
 - Disclosures
 - Declinations / Export List
 - Filings

Product Development Cycle

- ✓ Regulatory Collaboration
- ✓ Product Design + Pricing
- ✓ Policy Language + Post-event Procedures
- ✓ Obtain Capacity
- ✓ Develop Technology
- ✓ Distribution & Sales

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Regulatory Risks for Capacity Providers





Parametric for Consumers: Best Practices

- ✓ Get More People Covered !
- ✓ Education that Builds Trust
- ✓ Data: Reliable, Public, Transparent

Parametric Builds Financial Resilience

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Jumpstart



Details of Jumpstart Claims Process

- ✔ Payouts are triggered for locations where USGS shaking intensity data exceeds PGV of 30 cm/sec, roughly equivalent to the “red zone” of the USGS ShakeMap for that earthquake.
- ✔ Customers in the payout zone are notified the day after the earthquake.
- ✔ Customer responds with a simple text or any other form of communication
- ✔ Payment is authorized the same day as customer responds.
- ✔ No traditional claims adjustment process.
- ✔ No receipts required

Use the Money However You Need

- ✓ Damage to Structure, Contents, or Landscape
- ✓ Additional Child Care or Elder Care expenses
- ✓ Deductible of Conventional Policy
- ✓ Relocation Expenses or Temporary Housing
- ✓ Disrupted Services (utilities, transportation, etc.)
- ✓ Emergency Supplies or Clean-Up Costs
- ✓ Legal or Administrative Expenses including Data Loss



STOP



ATM

VELO
PIZZERIA



**AUTOMATIC
CAUTION
DOOR**



VELO PIZZERIA

FAGIANI'S

VELO PIZZERIA

photo credit: Conner Jay / Press Democrat



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CITY of NAPA **INSPECTED** **CITY of NAPA**
LAWFUL OCCUPANCY PERMITTED

The structure has been inspected on _____
 (structure name) and is approved for use:

Inspected Exterior Only

Inspected Exterior and Interior

Case No. _____
 Date _____

Location: _____ (may increase damage and risk.)

This facility was inspected under emergency conditions for: _____

UNSAFE
DO NOT ENTER OR OCCUPY
(THIS PLACARD IS NOT A DEMOLITION ORDER)

This facility has been inspected for _____
 as an emergency structure and is not to be occupied or used for _____

Do not enter, occupy or specifically authorized use until the _____
 Every day report in death or injury

Facility Name and Address: _____

Do Not Remove, Alter, or Cover This Placard
 until Authorized by Governing Authority

CAUTION - Abbracks show inspection may increase damage and risk.

This facility was inspected under emergency conditions for: _____

Inspector ID / Agency: _____

Facility Name and Address: _____

Do Not Remove, Alter, or Cover This Placard
 until Authorized by Governing Authority

Hi!
 Our building is safe,
 the retrofit worked. We
 are closed only because
 of the building behind
 us. We'll see you soon.
 Thanks for your support!
 You have our support!
 -Daci Vela

photo credit: Conner Jay / Press Democrat

Earthquakes in CA are Only the Beginning

