

# FT PARTNERS FINTECH INDUSTRY RESEARCH

May 1, 2018

## INSURTECH CEO INTERVIEW:

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*with CEO Ryan Kottenstette*

**Property 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*

Tel: 415.992.8880

[steve.mclaughlin@ftpartners.com](mailto:steve.mclaughlin@ftpartners.com)

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## Cape Analytics Overview

### Company Overview



Co-Founder & CEO: Ryan Kottenstette

Headquarters: Mountain View, CA

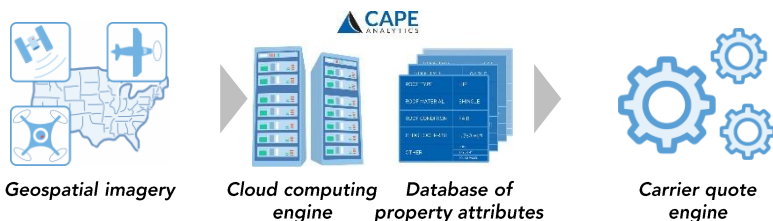
Founded: 2014

- Cape Analytics provides proprietary property data by leveraging geospatial imagery, computer vision and machine learning
  - Enables underwriter to have key data on hand when a homeowner asks for a quote
- Provides near-instant, high-quality property data and analytics that can be used by underwriters or other stakeholders in lieu of a physical inspection

### Selected Financing History

Date	Size (\$ mm)	Selected Investor(s)
11/10/16	\$14	Formation 8; XL Innovate; Data Collective; Lux Capital; Khosla Ventures; Promus Ventures; Montage Ventures

### Products & Services Overview



Data and analytics solutions are delivered via the Cape Analytics API, which offers:

- Instantaneous data feed of comprehensive property attributes
- Access to the most up-to-date property information derived from the latest geospatial imagery
- Availability for properties across the continental United States
- Seamless data integration into existing workflows and multiple environments (underwriting systems, broker portals, insured portals, etc.)

Value proposition for policy underwriting:

- ✓ Improve customer experience
- ✓ Reduce adverse selection
- ✓ Issue accurate quotes

## Interview with Ryan Kottenstette



**Ryan Kottenstette**

Co-Founder & Chief  
Executive Officer

### What is your background and what motivated you to start Cape Analytics?

I have held engineering and leadership roles at large companies and startups before joining Khosla Ventures as an investor. At Khosla Ventures, I was lucky enough to work with a handful of startups that were applying machine learning on imagery to extract data. Meanwhile, we were also investing in imaging companies such as Skybox. To me, there were two very clear technology inflection points happening: (1) rapid advances in extracting data from imagery, and (2) a proliferation of access to geospatial imagery, with greater coverage, resolution and frequency. So, when I decided I wanted to once again build a company, my co-founder and I looked at those inflection points and evaluated whether the nexus of those technologies could solve some clear, well-defined market-driven needs.

### Who does Cape Analytics serve, and what problem do you solve for them?

Today, Cape Analytics extracts property data from geospatial imagery and provides intelligence to insurers and reinsurers across the United States. We reviewed portfolios of nearly 100 insurers and found that, on average, 30 percent of insurer property data is inaccurate on several critical attributes. This is a massive problem for insurers that affects policy quotes, underwriting, claims and marketing efficiency. We help close that gap significantly by providing more accurate property risk information – such as geolocation, roof type, condition, building footprint and overhanging trees – instantly, at time of quote.

### How do you develop your data, and how does it compare to the property data compiled from tax assessor databases that the industry has relied on in the past?

We use geospatial imagery, advanced computer vision algorithms and data science to extract key property attributes. We also leverage cloud compute to do this at massive scale, extracting accurate data for over a million homes per hour, across the United States. Compare this to the data sources insurers relied on previously: tax assessor data can be years - if not decades - old, in-person inspectors are expensive to deploy and data is not available at time of quote. We provide a data source that is instant, accurate and easily scalable.



### Exclusive CEO Interview – Ryan Kottenstette

#### What are the types and sources of imagery you use as inputs, and how readily available is this imagery today?

Most of our imagery is captured by airplanes from partners like Nearmap. We also supplement airplane imagery with satellite imagery (from providers like DigitalGlobe) as well as drones. It's important to clarify that Cape Analytics does not operate any image capture assets – that's a separate business, requiring a different capital structure and core competencies. There are a significant number of good companies focusing on this today which creates an increasingly robust market for geospatial imagery. Over the past 15 years the bottleneck has largely moved from capturing a good picture to making sense of all the available imagery instantly, accurately and at scale -- this perspective was a key driver in how we've formulated the problem we solve at Cape, the team we've built to solve it and the way we've designed our offering for customers.

While some incumbent data providers have previously established their own fleets of aircraft, our network of partners has enabled us to offer better coverage, higher frequency and better quality than anything else available at scale today. Our partners, whose core competence is image capture, are extending their coverage and capabilities much faster than would be possible in a vertically integrated business. In the current ecosystem, we view a private fleet more as a liability than an asset for the business we are in.

#### What can you share about current clients and how they are using Cape's products? And how clearly have you been able to quantify the value they derive relative to how they operated previously?

We are currently working with regional, super-regional and national insurance carriers and reinsurers. Examples include Security First Insurance in Florida, Nephila and XL Catlin, one of the largest reinsurers in the world. Quantifying the value has been straightforward because we have focused, initially, on delivering accurate data at time of quote for data fields they already use in their current workflow – quantifying value is simply a function of measuring data accuracy and lift compared to their current state. As we've engaged with carriers, and they've come to appreciate the value we bring, they have subsequently begun to rethink some of their workflows to take fuller advantage of the benefits we offer, but they are able to realize significant value before taking this step.

## Interview with Ryan Kottenstette (cont.)



### Exclusive CEO Interview – Ryan Kottenstette

**Computer vision is being applied in numerous fields, and Google and Amazon and other tech giants have open sourced many of the tools being used. What have you found about how much custom development and specialized expertise is still required to solve the particular problem you are addressing?**

Computer Vision and Deep Learning have been evolving very rapidly in the past several years. This has included a rapid proliferation of tools ranging from Tensorflow to various tools to leverage AWS, GCP or other cloud computing services. We view this more as an opportunity than a threat. We've built a deep bench of deep learning, computer vision and data science expertise. This expertise, combined with a deep focus on customer needs, remains very unique in our market, and enables us to build the best, focused solutions for our customers. Our team is very much at the forefront of understanding and adopting emerging open source tools, and this allows us to move faster.

**Those same tech giants have also aggressively pursued top talent in all areas of machine learning. How hard is it to attract technical talent into the insurance industry, either into a startup like Cape or into an established insurance company?**

There is extremely high demand for talent in computer vision, deep learning, data science and software development. We have been very successful attracting talent at Cape for several reasons:

- We offer the opportunity to work on a real-world problem that has big, tangible impact – for many of us, helping insurance carriers understand risk is more compelling than, say, the next ad retargeting optimization algorithm.
- At a comparatively small company like Cape, it's possible for an individual to have much larger impact than at a larger organization, and this tends to appeal to high potential, high performing people.
- We are a growing company in a dynamic market, which creates opportunities for learning and growth.

I think established insurance companies can offer compelling problems to work on and a large amount of data. The challenges for these companies are more around:

- Bureaucracy which slows decision making (and hence product velocity and impact).
- Larger companies mean an individual's contribution is a smaller piece of a big picture.
- Many established insurance carriers are not growing quickly, and hence need to be very thoughtful around creating opportunities for learning and career growth.





### Exclusive CEO Interview – Ryan Kottenstette

#### How challenging has it been to develop reliable algorithms to extract property attributes from images of buildings in different landscapes and with imagery from different seasons?

Success on this aspect is a major factor that separates a useful product from a computer vision demo that could be an academic project. Generally, when we deploy an algorithm in production, it meets or exceeds the performance of a human worker. Further, we have deployed & tested production algorithms on the entirety of the continental United States. Some of the most critical, and challenging, technical work is related to ensuring accuracy across the many ways in which imagery can vary: architecture varies by region; shadows vary by time of day and season; snow, leaves and surroundings vary by season; and there are many potential changes in the imagery to which one must also be robust (variance in image capture angle, color balance, etc)

For every attribute, we are continually designing and testing models to find the ones that work best for the taxonomy at hand and are robust for the entire region of interest. We are able to do this because of our incredible in-house talent, large in-house training data set and internal tools we have developed for the automation of these processes at scale.

#### You recently achieved a major milestone of nationwide data coverage. What has the industry reception been to this progress and what can you share about your product roadmap?

The response has been incredible so far – our nationwide coverage makes our offering extremely attractive to national insurers, who are looking to serve their entire footprint. We started and have had a successful product in market for over a year in Florida and the Southeastern seaboard, allowing us to sell, deploy and renew happy customers (both carriers and reinsurers) in that region. We now have a strong pipeline of regional, super-regional and national insurers and reinsurers with whom we're conducting proof of concepts & pilots. Meanwhile, our early customers are re-upping with us and doubling down on how much data they are asking for. The combination of nationwide footprint, as well as a proven track record of product and customer success is giving us a lot of momentum right now.

*(cont. on next page)*

## Interview with Ryan Kottenstette (cont.)



### Exclusive CEO Interview – Ryan Kottenstette

**You recently achieved a major milestone of nationwide data coverage. What has the industry reception been to this progress and what can you share about your product roadmap? (cont.)**

Post-nationwide launch, we're focused on continually expanding our feature set, meaning the types of data attributes we offer. We currently offer data related to general underwriting and wind risk, and in the lab we are looking at more data elements relevant to these issues, but also some interesting things related to fire & flood risk in particular. Our customers are also pulling us to consider adjacent areas including certain marketing and claims applications. Finally, we are thinking about global coverage and extending our offering to commercial buildings.

**There are obvious applications for Cape's technology in property insurance claims. Have you done any work in that area yet?**

Right now we are hyper-focused on the underwriting use case. However, we see lots of adjacent opportunities, and work closely with our customers as partners to understand & test new products & applications. In one of these tests, for example, we have done some post-disaster work in Texas and Florida, particularly after the devastating hurricanes last year. We were able to help insurers understand how their customers have been affected much faster than they could before, which allow them to respond appropriately and help get their customers back on their feet as quickly as possible.

**Who are your investors and how much funding have you raised?**

We have announced \$14M in funding thus far from some of the top investors in Silicon Valley, including Formation 8, Data Collective, XL Innovate, Khosla Ventures and others. Stay tuned for more news on this.



## Interview with Ryan Kottenstette (cont.)



### Exclusive CEO Interview – Ryan Kottenstette

**InsurTech entrepreneurs often talk about the challenges they encounter in trying to get insurers to embrace and adopt new technology. What advice would you offer other entrepreneurs from your experience at Cape?**

It's all about understanding the problems insurers are facing and being laser-focused on solving one of those, really well. We have found it very important that our solution is turn-key insofar as carriers can get initial value immediately without changing their workflow. It's much easier to convince a customer to purchase a solution that answers a question they're already asking, than convince them to they need to ask a different question. Of course, with our solution, as with many new technologies, there are opportunities to benefit even more expansively down the road by streamlining or changing certain business processes.

Data-driven demonstration of value, and low integration overhead are also important. We start with a lightweight proof-of-concept that uses the insurers own data to prove our value. Then once they've signed on, integration can be done in a matter of days, so in many cases we can avoid a long IT queue before a customer can begin using our product and see a return on their investment.

We are also beginning to deliver our solutions via other platforms where insurers already have integrations today, to further remove any barrier of IT integration. For example, we recently announced a partnership with Duck Creek Technologies, a leading comprehensive P&C insurance software and services provider. Underwriters are able to make faster, more accurate underwriting and rating decisions and our data can be delivered into a Duck Creek application without further integration on behalf of the carrier.

## 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 Led by Allianz X



InsurTech CEO Interview:  
BriteCore



InsurTech CEO Interview:  
Understory



InsurTech CEO Interview:  
Coalition

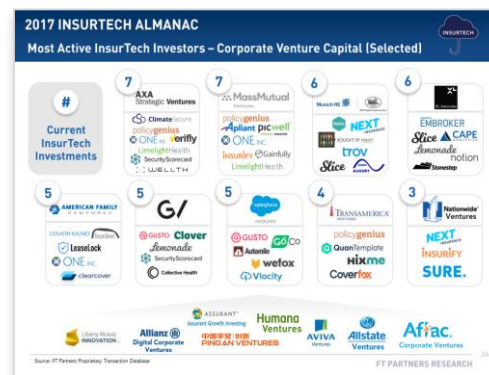
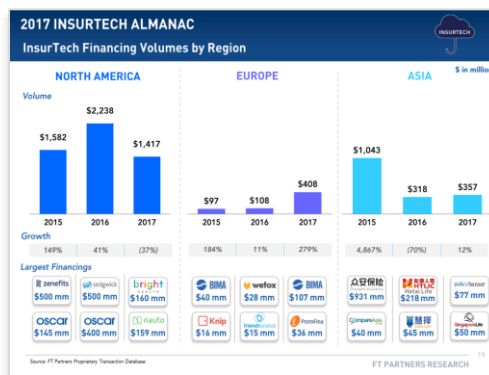
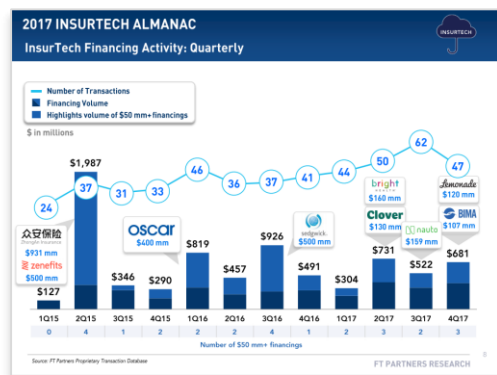
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## FT Partners Research – 2017 InsurTech Almanac



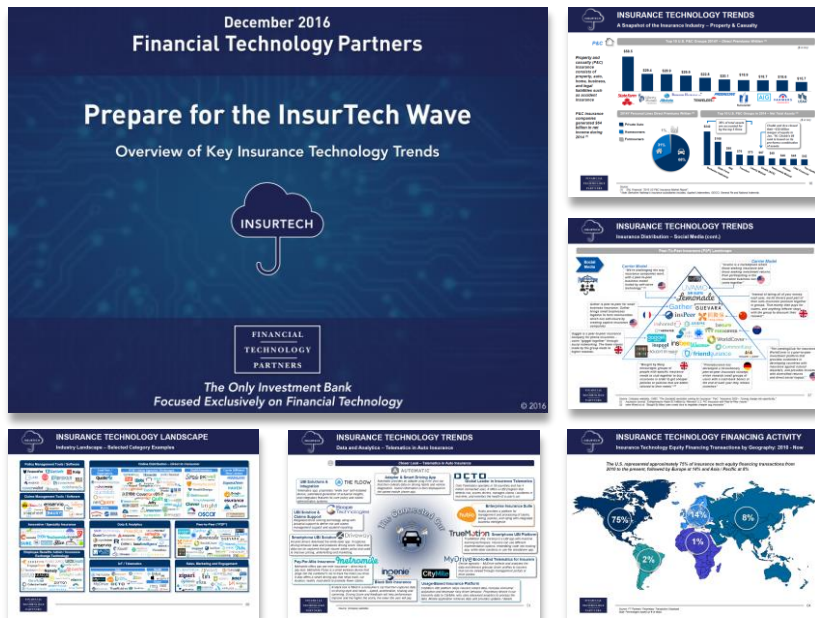
### Highlights of the report include:

- 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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Focused Exclusively on Financial Technology

### Telematics / Connected Car Solutions

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**AUTOMATIC**

in its sale to



for total consideration of approximately

**\$ 115,000,000**



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in its equity capital raise led by



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**\$ 31,000,000**



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**INSURANCE  
TECHNOLOGIES**

in its sale to

**MOELIS CAPITAL PARTNERS**



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### Largest Wholesale Brokerage in U.S.

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FTP Securities LLC

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sole strategic and financial advisor to



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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### Agency Management / Marketing Technology

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FTP Securities LLC

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sole strategic and financial advisor to

**ZYWAVE**

in its sale of

**Zywave Insurance Solutions**

to



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### Life & Annuity Technology Solutions

Financial Technology Partners LP  
FTP Securities LLC

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sole strategic and financial advisor to



We Simplify Selling Insurance

in its sale to

**iPipeline**



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### Online Personal Lines Insurance Agency

Financial Technology Partners LP  
FTP Securities LLC

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

**Goji**

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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FTP Securities LLC

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sole strategic and financial advisor to

**enservio**

in its sale to



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