

ETHOS

Notes from the Field

NCOIL

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*The views expressed herein are those of the speaker and not necessarily those of the company.

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Challenges

Internal

- Build team, create product, scale, etc.

External

- Legacy Players have size, institutional knowledge, capital, networks, brand

Legal / Regulatory Landscape

Licensing

Time Restrictions – e.g., 2 years of audited financials

- Creates (i) delay and (ii) chicken and egg problem

Capitalization – Show two years of consecutive positive net worth or minimum cap requirements.

- More appropriate for carriers for purposes of consumer protection purposes?

Insurtechs: Federal system incongruous with tech companies.

- Efforts at harmonization / consistency:
 - NAIC Model Regs
 - Compact
 - Licensing?

Subcontracting

“An administrator may act only if there is a written agreement between the administrator and an insurer.”

- Adopted in some form in several statutes.
- Interpreted to mean that a TPA cannot then subcontract a portion of its work to another licensed TPA.
- No strict statutory prohibitions saying a TPA cannot subcontract a portion of its work--either to a licensed or unlicensed third party. Perhaps above interpretation is inconsistent with legislative intent?

2nd Order Effects:

- TPA can subcontract work to an unlicensed party but not to a more qualified licensed TPA. Hurts consumer?
- “Primary” TPA no longer responsible to oversee other TPA, as no privity. Hurts consumer?

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MARKETING

- NAIC model rules for Advertising
 - Section 5 (V.) *An advertisement shall not disparage other insurers, insurance producers, policies, services or methods of marketing.*
 - Vague use of “disparage” results in wide regulatory latitude and disparate enforcement
- Ostensible purpose: Maintain the public’s confidence in the industry.
 - Coke v. Pepsi undermine public faith in soda?
 - Healthy competition may draw necessary attention to Life Insurance, resulting in more knowledge and demand
- Section 4(A) *Advertisements shall be truthful and not misleading in fact or by implication.*
- 2nd Order Effect: chilling effect on commercial speech.
 - Impairs new players ability to distinguish themselves from historical industry practices
 - Under review with NAIC EX Task Force
 - Consistency reduces marketing costs, as you don’t need to tailor ads for each state

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MARKETING

Examples

- “Traditional life insurance companies are slow to innovate.”
- “Commissioned agents may not have the customer’s best interests in mind.”
- Would those violate the rule? Reasonable regulators may disagree!

Option 1: Roll the dice!

- Costly and time-consuming for young companies to defend

Option 2: Conservative approach.

- Stifles innovation - Unable to demonstrate new value propositions
- Customer benefit?

Result: Comply with strictest interpretation.

- Consistency and specificity in legislative drafting is critical.
- Considerable legal and compliance costs/barrier to entry.

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Going Forward

Communication w. lawmakers

- Conferences
- Circulars
- Phased Implementation and Comment Periods
 - As with CCPA

Consider 2nd Order Impacts

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Questions /
Responses?



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About Ethos

What problems are we trying to solve?

Founder's experience:

- Pushy salesperson using assertive tactics,
- Complicated policy options,
- Long and invasive process
- Too much coverage.

Company was then formed to address three problems:

- **Timeline.** From weeks to minutes.
 - Automation of customer education, to application, to underwriting, to policy issuance. A full-stack solution bringing these functions under one roof using proprietary solutions, automated data pulls, and predictive analytics
 - Reduce time-consuming and costly steps like med exams
 - Available from a desktop or mobile device.
- **Customer Experience.** Non-commissioned licensed agents. Job is to educate.
- **Access.** Tremendous market demand, but older models have limited reach.

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About Ethos

- Producer and TPA
 - Term Life
- Formed in 2016 and “Live” in 2017
- Our purpose and message attracted investors
 - VC: Sequoia, Accel, Google Ventures
 - IVs of Robert Downey Jr., Kevin Durant, Will Smith, and Jay-Z
- Headcount: 100+
- Locations: San Francisco (HQ), Austin, and Singapore.

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Thank you

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