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

2^{nd} 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?
• 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
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.
Going Forward

Communication w. lawmakers
• Conferences
• Circulars
• Phased Implementation and Comment Periods
  • As with CCPA

Consider 2\textsuperscript{nd} Order Impacts
Questions / Responses?
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.
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.
Thank you