AgentSync - President & CEO at Hippo Insurance

Interview conducted on November 15, 2022

Topics

Licensing and Compliance, Carriers, Customization, Legal Exposure, Operational Simplification, Agent Management

Summary

In a conversation between a Tegus client and the President & CEO at Hippo Insurance, they discuss the benefits of using AgentSync, a solution used by Hippo Insurance that is native to Salesforce. The CEO explains that AgentSync charges a flat monthly fee on a per-user basis and can verify agents and agencies depending on the state's requirements. They also discuss the potential for larger legacy carriers to adopt AgentSync and the possibility of a deeper integration where agents are automatically turned on and off in certain states based on licensing requirements, which is one of the products they are working on with their First Connect platform.

Expert Details

President & CEO at Hippo Insurance, a customer of AgentSync. The expert was the key decision maker for selecting. AgentSync and can speak to the criteria for selection including cost, ease, flexibility, customization, and additional services. Expert's company does not make up 5% or more of the AgentSync's annual revenue.

President & CEO at Hippo Insurance. The expert is responsible for overseeing all of the company's operations, from go-to-market strategy to sales, finances, and more. The expert has been with Hippo Insurance for 4+ years and can speak about the company, current market trends, and more.

The expert has been involved in the insurance services space for 20+ years and can speak about the industry in-depth.

Q: Please rate familiarity of each from 1-5 with 5 being most familiar.: AgentSync, AppliedEpic, Sircon (Vertafore), Trustlayer, and NIPR. Are you a customer of any of these solutions? (please specify)
A: I have evaluated Agentsync, Vertafore, Sircon, VUE, Trustlayer and Autorabit

Q: Were you the final decision maker to bring on this solution? If not, were you a part of the evaluation process? When was it you made this decision (year)?
A: Yes

Q: Did you evaluate any others during the selection process? Please specify. What criteria made you choose this solution over the others?
A: I evaluated cost, ease, flexibility, customization and additional services.

Tegus Client

Thank you for taking the time to speak with me today about AgentSync. To start off, could you please give me a quick overview of your background and experience with AgentSync?

President & CEO at Hippo Insurance

Okay. So I've spent about 30 years working with agent networks on the carrier side, the wholesale side, the

aggregator side. So, we spent a lot of time in the space of trying to figure out the way to optimize agent management, predominantly related to licensing and compliance because that's the Achilles heel that has historically existed within the carrier space.

Given the fact that every market conduct exam from the regulator includes the agent who solicited the insurance on your behalf, an authorized agent, where they were appointed, where they're licensed, all of those particular areas. So at Hippo, we had an opportunity as we were a start-up that was fast growing.

And we are a tech company with significant type prowess. Should we build an agency licensing management tool or should we buy one? And from a build perspective, the infrastructure that it takes to build this is not overly complex. It's not something where a lot of firms could not choose to build some type of agency licensing and compliance tool because the core of those tools is access to the National Producers Insurance Registry.

And everybody can get paid access to that, so that what you're then is you're building some technology where you layer in your agents or prospective agents, you're getting data from NIPR and then you're making sure that the agent is licensed as well as from a carrier perspective, you also have to do what's called a point or endorse an agent.

So, carriers have to tell the state, all of the individuals that are actually appointed or allowed or authorized rather to sell that particular carrier's product. So not only do you have to prove that they're licensed, you also then have another step where you have to notify the state that this licensed agent is representing me, the insurance company.

So again, the tech for it is not overly complex or sophisticated. The ongoing maintenance of it does cost money and the majority of the cost, it's actually a registry cost from NIPR. So, then we evaluated, given what it would cost to build and maintain the fee we would have to pay NIPR versus hiring a third-party vendor and just buy it where they essentially roll in the NIPR cost. And they have to maintain it, enhance it, add other product features, what would be the appropriate trade-off? And when we did the cost benefit analysis, what we came up with is the cost would be similar of us building it versus buying it.

However, the ongoing maintenance and management of that, the full-time equivalents we would have to have, the fact that the laws change, and it's difficult to keep track of licensing and compliance laws in all 50 states, we felt that there was an opportunity for error. And I cannot have the headache of having to deal with that opportunity for error at a cost similar to what it would cost us to build and maintain, so it's much better to buy. So at a high level, that's why we made the buy versus build decision.

Tegus Client
Super helpful. In the cost-benefit analysis, what sort of scale underpinned the work? And what I'm getting at is, I totally appreciate that, particularly like at a smaller scale, it's a slam dunk, you have a third-party vendor. There is a point at which it's cost neutral. And then I'm wondering for very large carriers, I know you guys are certainly very scaled, but like as you move into the behemoths of the market, does that cost-benefit analysis actually tip back towards build?

President & CEO at Hippo Insurance
Yes. Most carriers either use a very manual, human intensive process. or they buy a solution from one of the legacy providers, the Sircons of the world. The cost for the legacy providers is prohibitive generally.

So, a lot of carriers are saying, no, you know what, I can have three or five full-time equivalents to actually handle this. And if you're a carrier handling a more manual process, you're not getting scale benefit. So if I double the amount of agency, I may not have to double the humans, the FTEs that are handling it, but I've got to add 30% more. And so, it does hold up fairly well. One thing that I do think is meaningful is AgentSync's licensing and compliance is their core products, but they have other add-ons that help create revenue. So it's not just an expense quotient. It also is a revenue quotient.

So let me give you a quick example. AgentSync has an agency recruiting module that allows you to say, "look, I want to go and find agents in these particular states that represent Safeco and Progressive because I think I've got a product that's similar to Safeco or Progressive and those particular agents that represent

them tend to do well for me". So, what it does is it gives you a tool on, these are the prospect lists of who you should go after and it creates a revenue opportunity. So I think just looking at the licensing and compliance, you're virtually breakeven at scale, build versus buy, an AgentSync versus a manual process.

You are cheaper on a legacy provider; you're actually cheaper doing it internally. Obviously, I don't know what AgentSync's sales funnel or sales cycle looks like, but I think they probably bifurcated on an agent that uses Sircon as an example or an agent that uses a manual process.

Tegus Client
Right. What exactly are the ramifications if you have an agent who is not licensed and is found to be producing in a certain stage? Or is not authorized or appointed or endorsed as you said? And relatedly, is the endorsement and appointment also to the NIPR, is that the same organization that you report back to?

President & CEO at Hippo Insurance
Correct. In most states, you can also see the appointment or endorsement process back to an IPR. So the ramifications if you have an unlicensed individual representing your company. There's two different levels of ramification. The first is they're not licensed. So now you are facilitating transaction insurance without a license. And regulators take a very firm stance on that. I think the Zenefits example is the best one, where here's a company that had a multibillion-dollar valuation that faced an existential threat and all of that destroyed their company simply because they were not managing agent licensing.

They were having unlicensed individuals represent them. So it's existential. Now technically, the regulator can go all the way from a cease and desist to a standard fee per violation. Most states, that standard fee per violation can be up to $25,000 per incident.

So, let's say, I am an unlicensed person, I sell 10 policies a month for this particular carrier and the regulator realizes I'm unlicensed and they will request how many policies I sold, and we look at 10 policies among for the last three years, it's that number times $25,000 is the potential fine. So it's math.

Tegus Client
Are they enforced at that level?

President & CEO at Hippo Insurance
So that's what they can enforce. And the enforcement action is generally based on the reputation or relationship that particular carrier has with the regulator. So there are times where carriers have an adversarial relationship with the regulator. They will absolutely hammer them with a massive fine.

Sometimes they say, for example, "you know what, instead of counting every policy that he wrote, we're going to say that's one violation and we're going to charge you $25,000 to him". But you probably have 200 to 500 agents that haven't been doing it. So, it creates a pretty sizable exposure even if they don't throw the full $25,000.

Tegus Client
That makes sense. Could you maybe give us a quick overview of your business and clearly what's publicly disclosed? Like how much of your product is distributed to agents? And how do you manage an internal sales force as well as a bunch of external agents? And just could you give us an idea of basically the agent network and then how AgentSync interfaces with that?

President & CEO at Hippo Insurance
Yes. So over the last few quarters, what we've reported to the Street is 25% of our new business comes from independent agents. Prior to that, it was 50%. It's not that we're writing less business from independent agents, it's just some of our other distribution channels have actually increased.

So I just want to be transparent. We manage a combination of internal employee agents and independent agents. And we also have a platform that provides carrier support, service and market access to a large

network of insurance agents. That company is called First Connect, where First Connect has thousands of independent agents, and we also have to manage the licensing. So, we have three different mechanisms by which we're managing licensing. Obviously, the independent agent business that writes Hippo policies.

That business is like any other traditional insurance company selling through independent agents. We also have our own internal direct-to-consumer agents, and that's a much smaller number, but it's one that we have to manage with multiple carriers. So that internal agency that we have, we represent 30 or 40 different carriers. We have to manage the license. Let's say, hypothetically, we had 100 agents. We have to manage the license 100x however many states that agent has licensed then times the member of carriers we have that agent touching.

So, it becomes a pretty significant load. And then finally the independent agent platform that we manage, they have several thousand agencies and each of those agencies has a number of agents. So, it's a meaningful amount when you add all three together.

Tegus Client
Okay. So, how it works with the independent agents, you don't manage their state licensing, you only manage their endorsement and appointment.

President & CEO at Hippo Insurance
No. I first have to verify that they're actually licensed. And then once I verify they're actually licensed, then I have to appoint them with the state representing us, both aspects for independent agents.

Tegus Client
Why doesn't the agency for whom perhaps manage this, the licensing fee?

President & CEO at Hippo Insurance
No. The agency has to manage if you are licensed or not, but they do not manage the appointment process. The carriers manage the appointment process.

Tegus Client
So if you have independent agents, I thought the agency will manage whether they're licensed or not in each state, but then you will manage whether they are pointed of course for you?

President & CEO at Hippo Insurance
No, because I can't trust that the agency has actually done their job. The agency is not the one getting fined. If the agent who is unlicensed sells a Hippo product, that's on me. So, every carrier out there expects the agency to only submit agents that are licensed and every carrier verifies that agent is licensed. It's a whole check and it happens with every carrier. There's not a carrier out there that doesn't verify it.

Tegus Client
And you verify it for every single agent or are you running all this over like a sample?

President & CEO at Hippo Insurance
No. It depends on the state. Some states require us to verify it from every single agent. Some states say, we only need to make sure the agency is licensed. Because remember, agencies are licensed, and agents are licensed. So, it depends on the state, but a state like Texas is about to change their law. Texas historically said, you just need carrier, you just need to make sure the agency is licensed.

They are switching it to say what mostly they say, which is you need to make sure every agent within the agency is licensed. And you have to appoint those individuals with the state because that's how the state creates revenue. The state charges the carrier for every appointment add and every appointment termination.

Tegus Client

Got it. So, if you're AgentSync, you're potentially monetizing one single agent five, six times depending on the number of carriers they produce for.

President & CEO at Hippo Insurance

Not really because at least our agreement with AgentSync, and I think that this is the way that they officially monetize, they charge a flat monthly fee on a per user basis, so to speak. So, whether AgentSync is touching 10 or 15x or they're touching once they come up with some kind of averaging and they say, "I'm going to charge X dollars for each agent that I'm monitoring for you on a monthly basis."

Tegus Client

And do you know generally what that price is that Hippo pays?

President & CEO at Hippo Insurance

That's not something that I can disclose. Just so you get some kind of scale in mind, we're talking about single dollars. We're not talking about 10-plus dollars, it's in single-digit dollars.

Tegus Client

Okay. So flat monthly fee on a per user basis, but in the case of independent agents, if you, hypothetically have some agency selling for Hippo, but he's also selling for Openly or Chubb or anyone else, let's say the amount is $5, Hippo pays $5 for him to produce for them. Is he not then also monetizing for AgentSync $5 from Chubb and $5 from Openly?

President & CEO at Hippo Insurance

You are right, if all of those carriers were asking AgentSync to manage, AgentSync would monetize those multiple times. The question I thought you were asking is every time AgentSync touches that agent for me, if that agent's licensed in multiple states or they are representing multiple carriers, AgentSync only charges me one time for that user, whether they touch it 50 times or one time. but if they're also working with Openly, yes, they could monetize it multiple ways.

Tegus Client

Yes, because what I was asking was kind of trying to get to it broadly in terms of like thinking what the market size was, and it sounds like the total market is not just number of agents times the fee per agent. It's number of agents times fee per agent times number of average relationships they hold.

President & CEO at Hippo Insurance

So, I think that's right. Now what would not surprise me, this is similar to running motor vehicle records for an auto insurance carrier, so what most of the data providers have done is they've changed the billing to say, if you're the first person that is asking you need to monitor this, you're going to pay full freight.

But if I'm already monitoring this for somebody else, then you will get a discount. And I'm not saying they've implemented that, but as a client of AgentSync and other sophisticated clients, at some point, they're going to say, "look, you're monetizing these multiple ways". So let's use that $5 as an example.

And you may be getting $25 per month from five different carriers. Ultimately, when AgentSync has more market share, the sophisticated partners are going, no, I'm not going to do that, like you're making a huge windfall on this particular deal. So, I think over time, AgentSync might feel pressure to change the monetization to give a discount if they're already getting a data file for that particular agent.

Tegus Client

And back to our hypothetical agent, who produces for Chubb and for Openly, and he doesn't yet produce for Hippo, is it easier to onboard him as an agent for you guys if he's already in the AgentSync system? Like is there a cross credentialing? And does that make life easier?

President & CEO at Hippo Insurance

Yes, it does. And that's not AgentSync's core product. That's tied to the agency management. So if AgentSync was presenting at InsurTech Connect, the large insurance conference in Vegas, I think at that meeting, they actually displayed a tool in which they said if an agent is already in the AgentSync platform, the goal is to set that agent up in minutes instead of days.

And that's because they're already tracking that agent. They have all the personal information. It's really just an API call and you're good to go. So, I think the answer is yes, that one of the products that they offer as a bolt-on is the speed in which you can get that particular agent writing business.

And it's kind of an opportunity cost. If that agent is going to write policies a month and you take one and a half months, which is not uncommon as a carrier to onboard that agent, what's the loss revenue of that seven and a half policies for those 45 days? So I think that's one of the ways they're going to try to sell it to their existing clients. But that is also why I think if I'm looking at AgentSync as an investment, I'm not just looking at their license and compliance tool. What I'm also looking at is what are other product features that they can get more share of wallet with from their customers by managing other things.

Tegus Client

Yes. And then the example you shared on kind of the LinkedIn for agents or whatever seemed pretty interesting. Are there any other of those kinds of modules, adjacencies, add-ons as you call them, perhaps, that we should be aware of?

President & CEO at Hippo Insurance

Yes. I don't think AgentSync is doing this, but a big missing piece in the management of an agent is you need to make sure that the agent's licensed and you also need to make sure the agent has errors and emissions insurance. That's a requirement. So right now, I don't think anybody has created an automated tool for a carrier to make sure that an agent has errors and emissions insurance, because that's something that you do spot check, by the way. And this is not something that you manage, and you monitor each one as a manual process.

But every year, you're going to want to do some form of a spot check to make sure that the agents have errors and emissions insurance that renews every year. If you could automate that, you can dramatically improve the cost associated with an agent making a mistake and failing to renew their E&O insurance.

And that's a big dollar item. If an agent makes a mistake, let's say, they forgot to add a house to a homeowner's policy, and that house burns down, that's a $1 million claim. And so, if the agent has errors and emissions insurance, the errors and emissions carrier pays the home insurance company for the mistake that the agent made. If the agent doesn't have it, you just paid a $1 million claim without any subrogation.

Tegus Client

I see. And it seems that's something they can implement?

President & CEO at Hippo Insurance

And what I do know about AgentSync and my experience with them is they are very thoughtful on other things that they could do and monetize to add revenue streams to their business. The thing I was most impressed with in their CEO is the fact that he does think about things like this.

Tegus Client

Yes. Going along with this, have you changed the contract size of AgentSync? Have you added on other areas that you're paying for? And would you consider it in the future?

President & CEO at Hippo Insurance

Yes. It is a lot easier for me trying to manage prioritization and different tech projects to say, here's something that is a high pain point, not a lot of value. If I can hand it off to somebody else, even at breakeven or even if it costs you a little bit, I would much prefer my Palo Alto engineers that I pay a ton of

money to not have to build something like this.

I'd much rather then build some kind of IP that differentiates my core product. So the opportunity cost for my engineers and developers is simply not worth me building it myself. And when we did the RFP, we looked at several vendors, it was not even close in terms of AgentSync's capabilities versus all the other vendors.

Tegus Client
So the valuation process, how did you come to first hear about AgentSync? And what compelled you to begin looking for a solution and how did you overrun that process?

President & CEO at Hippo Insurance
Yes. So I'll start with the second part first. AgentSync's CEO reached out to me, said that they have a license and compliance software package that they've deployed, and he would like the opportunity to pitch it to Hippo. This is when I was the President of Hippo. Before I became CEO.

He showed me what he had deployed. I was impressed with what it looked like and really, what I was most impressed with is the user experience for my internal folks that have managed licensing, it is a lot slicker. It's a customer-grade user experience as opposed to a green screen that some of the others have that aren't very customer-centric.

And so, we piloted a couple of different things with him. I was impressed by their ability to customize things quickly, and I have not been disappointed throughout our entire relationship. We've come up with a couple of contract renewals. We've renewed. We've renegotiated pricing based on our size and scale, based on what add-ons that they've done, and it's been very impressive. And the quality of their tech is very good. So that's how I kind of met AgentSync and why we started going with them.

Since then, they've continued to develop new customized solutions for us that meet our unique needs as an entity that has independent agents, our own agents, and a platform for third-party agents. They've been able to help us with all aspects, all into a single database that we manage across multiple business units. So, I think all of those have been something that company has been very helpful with.

Tegus Client
I see. And how does AgentSync fit like within Salesforce for you or something? Or like how does your team interact with this?

President & CEO at Hippo Insurance
Yes, it does. So Agency has a Salesforce backbone. We also use Salesforce, so it was fairly easy for us. But even if we didn't use Salesforce, my team would still manage the AgentSync's software package on a Salesforce session. We would just be using the Salesforce session that Agency essentially purchases for us or licenses for us. So everything is very Salesforce-centric.

Tegus Client
Do you have any idea what that is? Why do they build a kind of native to Salesforce? And so, are you saying it doesn't preclude you from using it if you don't use Salesforce more broadly?

President & CEO at Hippo Insurance
Correct. So, I've never asked them on this. My assumption is the portion of AgentSync that functions like the CRM, why go build your own CRM when you can license Salesforce that has a pretty good CRM? That's my assumption. It's the same decisions I make. I'm a very much build versus buy kind of guy just generally, but I'm not going to build something that there's no IP there. So my assumption is that they feel the same way. And their view was, let's use an off-the-shelf solution for something that's not IP and then layer all of our IP on that backbone.

Tegus Client
Okay. And so, you do use Salesforce. And so, it's like it fits natively within Salesforce for you guys. It's like

kind of very much embedded and a slick workflow.

President & CEO at Hippo Insurance

Yes, it is a slick workflow. Are we using their Salesforce session? It all kind of looks the same.

Tegus Client

Okay. So you ran an RFP process, and you mentioned Sircon earlier. Interested to get some nuances there, if I could.

President & CEO at Hippo Insurance

Yes. So Sircon had a solution. Vertafore had a solution. And keep in mind, some of these companies have been bought by others. I'm trying to remember, there were some independent companies that handle both a combination of a manual process and supportive insurance services.

Tegus Client

I mean, to be honest, I think Sircon is the Vertafore company.

President & CEO at Hippo Insurance

It is now. It wasn't at the time. Yes, Vertafore bought Sircon because Vertafore wanted an add-on to their offering. At the time, Vertafore actually had their own offering.

Tegus Client

What is it actually that Vertafore does? And why was Sircon kind of complementary as an acquisition?

President & CEO at Hippo Insurance

Yes. So Vertafore may do a lot of other things, but in this context, Vertafore provides agency management tools. So they have an agency management system, which is essentially how agents run their internal office. They have a comparative rater. So when an agent has a customer in, that customer wants quotes from various carriers. Vertafore has a product called PL Rating. Vertafore has a CRM that they have embedded to manage on leads and lead referrals that has a customized look and feel for insurance agents.

So the one thing that they didn't have is a very good solution, it was a clunky solution, the whole agent licensing system. So, they went out and bought Sircon to put a better experience, licensing system in their portfolio of things they offer and handle by agents.

Tegus Client

Okay. And I totally appreciate there is some sensitivity around your contract terms, but like what's the boilerplate stuff? Are these annual contracts typically with AgentSync? Nothing sensitive.

President & CEO at Hippo Insurance

Yes. They are typically annual contracts that continue until canceled.

Tegus Client

Okay. And in your experience, is there built-in kind of expansion terms? Is the expansion in ACV purely you add more agents, and you pay more for them? I know there's a horizontal product expansion, like maybe you add their LinkedIn product or you add the SSO product you mentioned from ITC. But basically, I'm wondering like for the core product, do you tend to spend more year-over-year because they raise prices basically?

President & CEO at Hippo Insurance

Yes. So, the way that these are generally structured is there is a scale. I'm making the number up. But for zero to 100 agents that are managing, you're going to pay x, 100 to 500, you're going to pay Y per agent. And it goes all the way up way past what your likely maximum charge will be for a contract term.

So like when we first started out, I want to say it went up to like 10,000 agents. And I'm going to give you illustrative examples, not real numbers. But for the first 500 agents, we may have paid $8 per agent. And then it went to $7 and $6 and $5 as it went up. So we got some volume pricing based on the number of agents that they're managing.

So we really didn't have to renegotiate that contract renewal unless we were coming out the top end or we felt like the cost benefit wasn't there. Anything else, any other services that we want from them, they do it as a contract within them with its own terms.

Tegus Client

Okay. And is that also per agent? Like how do the adjacent products work? Like let's say, the LinkedIn product? Is it like if you find a new agency via them, they monetize that as SaaS? Is it transactional?

President & CEO at Hippo Insurance

Yes, on this, on our particular one, we pay for the platform and then it's transactional. So there's a SaaS platform fee and then it's transactional.

Tegus Client

Interesting. How many out of the contracts, like the addendums, what percentage is your own like solutions that have been produced for you? And what percentage are solutions AgentSync just has created?

President & CEO at Hippo Insurance

Yes. Because of our tech prowess and our flexibility as a company, we tend to be the sandbox for lots of different vendors. So oftentimes AgentSync will come to us, and they'll say, "Hey, we were thinking about this. Could you pilot this for us?" And we say yes. Or we go to them and say, it would be great if, and then they would build that for us, and we do that with lots of vendors.

Tegus Client

Got it. Do you mind giving me an example of what those like custom builds might be?

President & CEO at Hippo Insurance

Let's say, managing an agent through different agent distribution channels, so they did not have, when we first started working with them, a module to manage employee agents. They essentially created a module to manage third-party independent contractors.

So we said, look, we need a module that manages internal agents, where I also want to track their continuing education. So that was something that was customized. I actually think they now sell this to others. When you look at the agency platform business that we have, we only need to make sure that they're licensed.

We don't have to appoint or endorse, but we need to make sure that we share this information with dozens of carriers. So the traditional cost structure really didn't make sense because they were managing this in a different way. It was a light version of compliance management. So we created a mechanism where we were comfortable with how much they were managing that agent, and we were comfortable with the price, but it wasn't a loss for you or for them.

Tegus Client

Okay. So we spoke about buy versus build. Hippo's clearly tech forward, a new disruptor in the space. Do you think it's likely that the larger legacy carriers will look for a modern solution like AgentSync? Or it's just an established way of doing business, and it's too deeply entrenched to disrupt? Like can you see Chubb becoming a large customer of AgentSync?

President & CEO at Hippo Insurance

I think that's the million-dollar question. Are they going to be able to get to the large players? Based on the

information, people are looking for ways to reduce legal exposure and to simplify operational components. And when I say things like, well, one way we've been able to reduce expenses and reduce legal exposure is using vendors like this, it's very exciting. Where AgentSync has to be careful is who they're presenting to.

Because if you're presenting to middle management, they're likely not going to be overly motivated to actually streamline the process because of the way humans interact with one another. If you're a State Farm and you manage a group of 10 people and their whole job is to handle licensing and compliance, and you say, "You know what, I can give you a digital tool that reduces that from 10 to one." The manager of that organization is not going to be very excited about it. So as long as AgentSync can get to the right level of organizations, I think it does make a lot of sense for larger companies to entertain it.

Now depending on the reasons that you're asking, these are very slow, very long sales cycles. These kinds of things take a year or two to develop. So I think AgentSync now is starting to get to scale. They have enough clients that are vocal enough in a positive way that I think they're probably getting the attention of, say, the top 10 carriers. Now they've got to go through the very slow sales cycle.

We've got to compete with all of the homegrown systems that these carriers use that have been cobbled together on acquisition or in states or what have you. But I think over time, the large carriers, some of them will join AgentSync. Once they get two or three of these guys, then I think all the others will follow over time. The insurance industry is an industry of lemmings. Generally, when one person does something that works, everybody will follow this.

Tegus Client
Okay. And does AgentSync contractually assume liability for any mistakes?

President & CEO at Hippo Insurance
I don't remember if they do or not. But I would think that if you are purchasing the product to reduce or remove that expense, my assumption is there are some protections that say like they would pay a fine if they made a mistake.

The reality is I don't know how that would happen because the carrier still has to upload the list of agents and AgentSync sends a nightly exception report. So let's say I'm County Mutual, and I have a contract with AgentSync and I send them a daily list of, these are the agents that I need you to put in the system to make sure they're licensed and to verify the appointments endorsement.

Agency takes that upload. They then scrub it through their system to match the agent on both sides, the upload versus NIPR. And if there's no match, they shoot the exception report back to the client and say, "You sent us 100, these three cannot be identified." So that now is actually back on the carrier to go, "oh, no, I'm sorry, we did a typo, wrong social", whatever it is, because I don't think, with AgentSync properly scrubbing the list, I don't know how they can make a mistake.

Tegus Client
I see. And is there a deeper integration where you automatically turn agents on and off in certain states, given something comes back and says, you're not licensed in Arkansas to sell this?

President & CEO at Hippo Insurance
Yes. That's one of the products they're actually working on with our First Connect platform because our First Connect platform has agents in 40 states, something like it, a huge number of states. And oftentimes, large agencies might have a digital agency. So somebody that says, look, I'm not going to have a brick-and-mortar location in Missouri, I'm going to sell a product in four states, and it's going to be through online advertising, they oftentimes get their agents licensed in multiple states.

So, one of the things that they're actually building for us is the ability to turn on or off that agent access on our First Connect platform to states where they're only licensed in. It's an interesting add-on to carriers or agencies that have national call centers. Because once you get to scale as a carrier, and let's say you have a call center of 100 people, it's very expensive to get those 100 people licensed in all 50 states. So, what most

carriers do is they say, "no, I'm going to bundle our cluster. I'm going to get you 20 agents licensed in these 10 states".

But there's still a large number of licensing for that particular individual in a large number of states. And it's not uncommon for an individual when they're going through their license renewal process to sell to get renewed in a particular state. So that capability for large ones like a Progressive or a GEICO or a carrier that has a large call center like USAA, this is a tool that would be very valuable.

Tegus Client
Would you pay more for it? Or you would expect that into your base rate?

President & CEO at Hippo Insurance
I would. Because if I had some certainty, I could actually get agents licensed in fewer states if I knew there was an automated way. And especially if I link that to my telephony system, because what happens in most sophisticated carriers, somebody calls in, they recognize the phone number for which they're calling.

And I'm going to route into an agency's license in that state, but maybe somebody calls from a cell phone. Or maybe if I could figure out some kind of way to automate it, then I would actually not have those 20 agents licensed in 10 states. I saw 10 agents licensed in 56 because it's a lot cheaper from an appointment of licensing and an endorsement perspective.

Tegus Client
Got it. Thank you again for taking the time to speak with us today. This was very helpful.

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