Insurer Pricing Startups Lag

Companies that made lofty promises find they can't leverage data as freely as hoped

BY ISABELLE BOUSQUETTE

Nearly a decade ago, a generation of startups promised to transform the insurance business with new types of data and algorithms to more accurately assess risk and price policies. So far, that hasn't happened.

Three high-profile insurtechs that have since gone public—**Lemonade**, Root Insurance and **Hippo**—have each lost tens of millions of dollars in their most recent quarters and watched their share prices plummet over the past few years.

At first, the insurance pricing process—heavily reliant on algorithms and mathematical modeling—seemed ripe for upending, thanks to advances in the sheer amount and variety of data digitally-native companies could suddenly collect on customers.

But the Silicon Valley axiom to move fast and break things hasn't been enough to transform an industry built on centuries of observed human behavior, massive marketing budgets and a savvy grasp of the regulatory environment.

Founded in 2015, Lemonade initially aimed to sell renters and homeowners insurance. It was worth $9.87 billion at its peak in 2021; it is now worth $1.23 billion. Root Insurance, also founded in 2015, began with the idea of using telematics—or in-car data—to offer personalized auto insurance based on how people drive. In 2020, it was worth roughly $6.8 billion, and has since swooned to about $67 million. Property and casualty insurance startup Hippo went public at a $5 billion valuation in 2021. It is now worth around $425 million.

So far, the insurtechs have been slow to gather and contextualize enough data to actually build better models. Regulations have restricted the use of some of their data and differentiated pricing. And it has been difficult to chip away market share from established industry giants.

"For those who believed they could build a full-stack insurance company that would become a market-leading, at-scale carrier—I think that thesis has not materialized," said Tanguy Catlin, a senior partner at McKinsey.

All three upstarts say profitability is on the horizon, some blaming their recent poor showings on inflation and a pullback in tech investment over the last year. Their models are becoming increasingly accurate, they say, as they gather more data and learn how to contextualize it, and losses are trending downward. They also said they've had a meaningful impact on the customer experience of buying insurance, which can now be done online.

"We did a fairly shoddy job of pricing and identifying risks. And we knew we would," said Lemonade co-CEO and co-founder Daniel Schreiber of the early days of the company. The problem was that Lemonade, along with other insurtechs, started without access to the historical data sets that incumbents have been gathering, in some cases, over many decades.

New York Times Union Agrees to a Contract

BY ALEXANDRA BRUELL

The **New York Times** and its newsroom union agreed to a tentative collective-bargaining contract after more than two years of negotiations that stoked tensions among members and led staffers to go on a one-day strike late last year.

The tentative agreement, which would be effective until March 2026, includes a salary floor of $65,000 and raises of at least 10.6% for all staff. It also includes a hybrid-work guarantee allowing most members to work remotely at least two days a week until September 2024 and at least one day a week until the end of the contract.

"This deal is a victory for all the union members who fought for a fair contract that rewards our hard work and sacrifice," said Bill Baker, New York Times Guild unit chair, in a statement.

Tensions regarding the negotiations intensified in recent months, as some staffers favored using a mediator to help resolve the contract dispute, while other union members wanted to vote to authorize a strike.

Times union members held a one-day strike in December for the first time in over 40 years.

"From the beginning of this bargaining process, we've been determined to reach a contract that shows how much we value the contributions of NewsGuild members to The Times's success," said New York Times Deputy Managing Editor Cliff Levy in a note to members. "This proposed agreement does just that."

Bank Bets On Carbon Removal

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help Charm raise money and reduce costs. The company has removed about 6,000 tons to date.

JPMorgan is buying nearly 30,000 tons of removal from Charm over five years.

The bank is also committing to match its operational emissions from directly consuming natural gas and other fuels with equivalent carbon removals by 2030, one of the first such pledges by a major company.

JPMorgan is aiming to reduce those emissions 40% by 2030 from 2017 levels. Big companies use a combination of emissions reduction and carbon removal to meet their climate goals.

Carbon-removal companies are attracting billions of dollars in government funding. The U.S. is expected to announce the recipients of $3.5 billion in funding for direct-air capture hubs around the country this summer. Climeworks has three applications in for that funding as part of a recent U.S. expansion, chief marketing officer Julie Gosalvez said.

Last year's Inflation Reduction Act includes tax credits for direct-air capture that Goldman Sachs analysts estimate could cover nearly half the cost of certain projects.

CHARM INDUSTRIAL

JPMorgan-backed Charm Industrial heats up plant waste to turn it into a carbon-rich liquid that can be injected underground.

JPMorgan's commitment to fund about 800,000 tons of removal is the second-largest purchase in the market's history, according to data provider CDR.fyi. It would neutralize the annual emissions of roughly 160,000 passenger cars.

In the sector's largest-ever deal, **Microsoft** said last week it would pay for about 2.8 million tons of removal through a wood-chip-fired power station in Denmark operated by energy firm Ørsted. When trees and plants grow, they naturally absorb carbon. Capturing that carbon, then permanently storing it, is one form of carbon removal.

By agreeing to pay years in advance, companies like JPMorgan and Microsoft hope to accelerate the industry's growth. They are willing to pay hundreds of dollars per ton for each removal credit to get the certainty that they are helping fight climate change. They also want to secure the credits they need to hit emissions targets.

Removal credits can cost 100 times more than conventional carbon credits, some of which don't benefit the planet. JPMorgan will still use some traditional credits, DiMarino said.

The bulk of JPMorgan's commitment—about 450,000 tons—is a preliminary 15-year agreement to purchase from CO280, a startup. The company's removal plans are roughly similar to those of Ørsted in that it aims to capture carbon absorbed by plants when biomass is used in industrial processes. If CO280 fails, the bank will pay for removal from other companies, DiMarino said.

PacWest To Sell Homes Unit

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banks that share even passing similarities to those that failed.

Like those, PacWest has unrealized losses on its holdings of bonds and loans. When banks have to sell underwater assets to meet deposit withdrawals, they must record the losses, a prospect that has made investors skittish. Some investors have also grown concerned about PacWest's concentration of commercial-real-estate loans.

On Monday, PacWest said it would sell 74 real-estate construction loans totaling $2.6 billion, helping push up the stock about 20%. On Tuesday, the shares rallied 7.7%. The bank has previously said it was exploring asset sales and refocusing on community banking.

PacWest bought Civic in 2021 to expand its lending and diversify its revenue streams but more recently has been rethinking the business, which extended roughly $3 billion in loans last year. In February, the bank said it would lay off roughly 200 Civic employees, slow down the division's loan growth and trim its product offerings.

Roc360 will take on the company's business operations—its data, intellectual property, brand and workforce but not Civic's previously extended loans or loan-servicing operations.

Closely held Roc360 specializes in lending to real-estate investors and owns related insurance and appraisal-management businesses. Roc360's talks with Civic began in the past few weeks, Stavinsky said, adding that acquiring the operations will help his firm expand geographically.

Roc360 was founded by Arvind Raghunathan, Eric Abramovich and Stavinsky, all former Deutsche Bank proprietary traders. It originated about $3 billion in loans to real-estate investors last year, both directly and by providing capital to smaller lenders.

JPMorgan Says Virgin Islands Failed to Stop Epstein Abuses

BY DAVID BENOIT

JPMorgan Chase, facing allegations it enabled the crimes of Jeffrey Epstein, claimed Tuesday that the U.S. Virgin Islands government protected the convicted sex offender at his private compound.

The bank's filing is the latest twist in a legal fight that has helped reveal Epstein's connections to JPMorgan and how he used cash and accounts to operate.

The U.S. Virgin Islands late last year sued JPMorgan, alleging the bank had failed to monitor him as a client. By allowing him access to the bank accounts he used to pay victims, the government alleged, JPMorgan helped Epstein continue operating.

Epstein, who died in jail in 2019 awaiting trial on charges of a sex-trafficking conspiracy, was a client of JPMorgan until 2013. He also maintained a private residence on an island in the U.S. Virgin Islands.

JPMorgan has said the suits are wrongly aimed, as the bank couldn't have stopped Epstein. On Tuesday it argued hypocrisy.

"In exchange for Epstein's cash and gifts, [U.S. Virgin Islands] made life easy for him," the bank said in the filing. "The government mitigated any burdens from his sex offender status. And it made sure that no one asked too many questions about his transport and keeping of young girls on his island."

In a statement, a spokeswoman for the U.S. Virgin Islands attorney general said: "This is an obvious attempt to shift blame away from JPMorgan Chase, which had a legal responsibility to report the evidence in its possession of Epstein's human trafficking, and failed to do so."

Epstein was first accused in 2006 of sexual assault on a girl as young as 14 and in 2008 pleaded guilty to solicitation of a minor for prostitution. He served about 13 months in a work release program and then had to register as a sex offender.

JPMorgan said Epstein donated funds to political leaders and authorities in the Virgin Islands. The bank says Epstein avoided serious questions about young women he flew in on his private plane and in inspections that authorities were supposed to conduct at his house, given his sex-offender status.

The bank's relationship with Epstein has been spotlighted by the U.S. Virgin Islands suit and a related suit from an unnamed Epstein victim.

Lawyers in both those suits are scheduled to question JPMorgan CEO Jamie Dimon on Friday. The bank has maintained Dimon had no interaction with Epstein.