

Rockets to our rescue? New insurer uses physics to sell (not drop) home policies

NBC Bay Area

Insurance is complicated, with long lawyerly contracts and jargon by the ream. To the average policyholder, it's as complex as rocket science. And that's exactly what a new insurance company is bringing to California's insurance crisis: some rocket science.

"This will be a new way of buying insurance," said Dan Preston, who just co-founded Stand insurance in San Francisco. "One half of the company is all really experienced talent from the biggest insurance companies that you know. The other side of the company is built from scientists from SpaceX and Boeing."

Why rocket science? Preston says the insurance industry often sets rates and adds or drops policies in bulk, by ZIP code. Instead, Preston says Stand is focusing on individual houses. It will build a digital twin of your home, then use physics to simulate how it would withstand extreme weather and disasters.

"We're basically borrowing from how you would build an aircraft or spacecraft," Preston said. "If we are successful — and we expect to be— we will demonstrate the reduction in risk actually leads to a lower cost for us and, thus, for our customers."

Because it's only day one, we can't immediately compare Stand's rates to other carriers. Preston says Stand will be competitive and has enough financial backing to insure at least \$2 billion worth of property. Stand says it can "offer policies in areas others can't or won't serve."

It's a much-needed option in California's ongoing insurance crisis. And yet, consumer advocate Amy Bach expressed concern. "I don't love it," she said.

Bach leads United Policyholders, a San Francisco non-profit that helps consumers navigate insurance

issues. Bach agrees that homeowners desperately need more insurance choices. But some companies, like Stand, that are picking up dropped policies are actually partnered with an out-of-state or “non-admitted” insurance company.

“The ‘non-admitteds’ have been a safety valve,” Bach said. “But they should not be allowed to replace the admitted carriers. it’s not healthy for the consumer.”

Bach noted that if an “admitted” California carrier goes belly up, a state fund will cover you up to \$1 million. But she said you get zero from that fund if you’re insured by a “non-admitted” out-of-state carrier that fails.

If successful, Stand could apply to become “admitted” here. For now, it has a partner in Montana. With Bay Area data science, plus \$30 million in backing, Preston said the Stand team has designs on sending the insurance industry back to the drawing board.

“Fundamental changes like this require starting from scratch,” he said.

If you are shopping for insurance and come across a “non-admitted” (aka “surplus lines”), Bach suggests asking for their financial rating. She recommends only doing business with companies that are B+ or better. Stand says it has an A- rating.

We’ve been asking you to share your experience in this insurance crisis. It’s easy. Just fill out our consumer complaint form online.