

Embedded Strategy Spotlight: **Bridging the Gaps in Insurance Coverage**

Providing supportive essential recovery loans in disaster-affected regions



Our world continues to grapple with the escalating severity of natural disasters. These realities have spurred significant changes in the home insurance landscape, including rising rates and diminishing coverage for homeowners in high-risk areas. Some customers are choosing to forgo insurance altogether, while others are pursuing loans to fill the holes in their coverage.

Community-focused lenders can fill the widening insurance divide through **supportive, customer-friendly lending programs** that make disaster recovery accessible for affected regions. In addition to their reliability and powerful ability to support the community, these loans provide an incredible opportunity for lenders to **forge bonds of loyalty and trust** with customers. Read on to learn more about this embedded lending strategy.

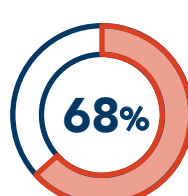
The need, by the numbers

10x

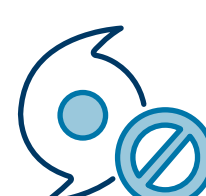
Natural disasters have increased 10x since 1960.²



Home insurance costs have risen 21% in the past year.¹

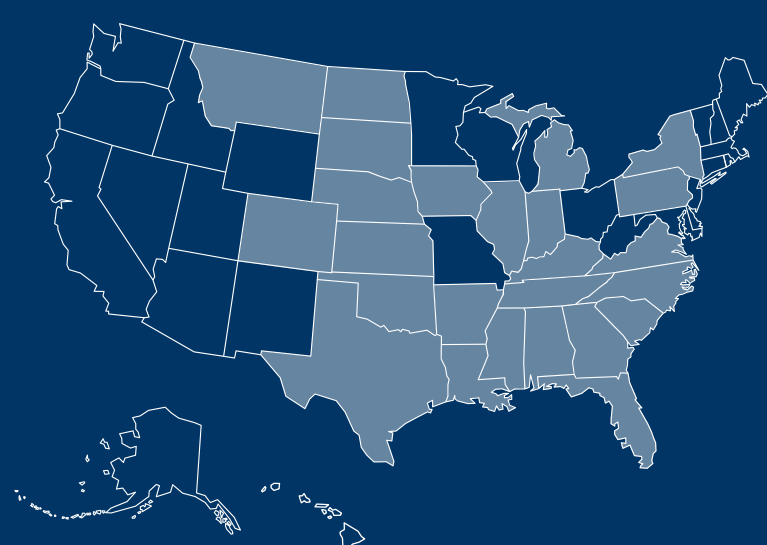


Florida home insurance costs have risen 68% in the past 2 years.⁵



Major U.S. insurers are excluding hurricane damages from coverage plans.³

Who should enter this category?



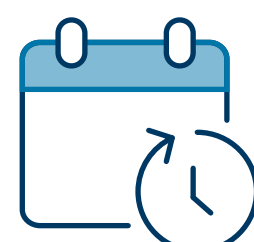
Highlighted above are the top 25 states historically impacted by natural disasters—the top 5 being Mississippi, Louisiana, Texas, Florida, and Iowa.⁴ Lenders situated in these states are uniquely positioned to make a significant impact in their communities by offering supportive insurance coverage solutions. Known for their higher frequency of natural disasters, these regions present an **opportunity for lenders to fill a distinct market need and make a powerful impact on their local communities.**

In addition, institutions that prioritize financial accessibility and flexibility in their products will find this venture especially rewarding. The ability to offer various loan options, including low-interest or deferred payment plans, can make a significant difference for homeowners in disaster-prone areas.

Why is this beneficial for lenders?

Predictable Seasonality

The seasonal nature of certain natural disasters allows lenders to plan resources and design targeted loan products accordingly. This foresight leads to better risk management and more effective product-market fit.



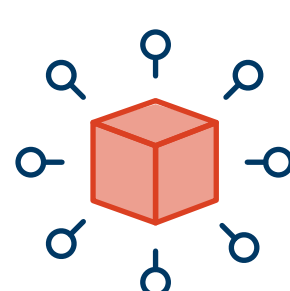
Customer Trust

Community-focused and mission-driven lenders who show a genuine commitment to helping their customers through tough times can transform the lender-customer relationship into a partnership based on mutual support and trust.



Portfolio Diversification

Offering loans in disaster-affected regions helps lenders diversify their loan portfolio, open up new customer segments, and balance against other types of financial products.



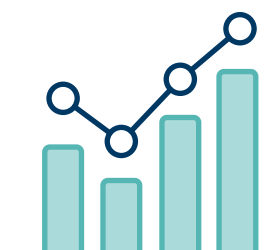
Public Sector Programs

Engaging in disaster relief may align with government programs, leading to potential regulatory incentives, grants, or partnerships, and enhancing opportunities for lenders to provide comprehensive solutions.



Economic Stability

By supporting disaster recovery, lenders can contribute to the economic resilience of affected regions. This helps stabilize the local economy, preserve property values, and maintain the tax base, benefiting the community and local lenders.



How do essential loans work with LoanStar?

Embedded lending empowers local lenders to support community needs by offering a variety of loan categories for disaster recovery. Our flexible MerchantLinQ platform empowers local lenders to work directly with local merchants to provide **fair loan terms and rates directly at the point of sale**, streamlining and simplifying the financing process for homeowners in need.

With low-interest options and deferred payment plans, our solutions cater to the unique needs of disaster-affected communities. **Our platform simplifies the application process, ensuring quick and efficient access to funds.**

Finally, LoanStar actively assists lenders in crafting effective seasonal programs, providing expert guidance on risk assessment and product development. This support empowers lenders to **swiftly and effectively meet local needs while advancing their own institutional goals.**

For more information, contact us at lenders@loanstartech.com.

1. <https://money.com/home-insurance-prices-soaring-states/#:~:text=Home%20insurance%20prices%20are%20soaring%20in%202023%2C%20and%20homeowners%20in,from%20Policygenius%2C%20an%20insurance%20marketplace>
 2. https://www.visionofhumanity.org/wp-content/uploads/2020/10/ETR_2020_web-1.pdf
 3. <https://www.washingtonpost.com/business/2023/09/03/natural-disaster-climate-insurance/>
 4. <https://wallethub.com/edu/states-most-impacted-by-natural-disasters/111223>
 5. <https://money.com/home-insurance-prices-soaring-states/#:~:text=Home%20insurance%20prices%20are%20soaring%20in%202023%2C%20and%20homeowners%20in,from%20Policygenius%2C%20an%20insurance%20marketplace>