**PITCHIT FINTECH STARTUPS PODCAST NO. 66-DEMETRIUS GRAY**

Welcome to PitchIt, the fintech startups podcast, one founder, one startup, one investor at a time. I’m your host, Todd Anderson, Chief Content Officer, Fintech Nexus

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**Todd Anderson:** On Episode 66 I talk with Demetrius Gray, CEO and Founder of Captain. Captain is a new fintech platform that helps homeowners rebuild six times faster in the wake of natural disasters. Captain offers a solution to homeowners so they don’t have to pay their deductible upfront, Captain offers a reprieve which is up to 36 months with no interest to pay it back and so they can take their current available assets and use them for more pressing stuff such as food, temporary housing, clothes. Most people that are in the situation have lost parts or all of their homes, lots of their belongings and this is really helping them get flexibility and flexibility in insurance really don’t go hand-in-hand and so this is where Captain set in.

Demetrius and the team offer homeowners an option and that option is, how do you get back in your home as quickly as possible. Demetrius and I talk about how we became involved in the space, the entrepreneurial bug he got from his father and grandfather, the size and scope of this market, differences between insured, underinsured, non-insured, raising capital, the interesting part between raising equity versus debt, Pickleball and much, much more.

Now, without further ado, I present Demetrius Gray, CEO and Founder of Captain. I hope you all enjoy the episode.

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Welcome to the podcast, Demetrius, how are you?

**Demetrius Gray:** I’m doing well, can’t complain, not even a little bit.

**Todd:** Well, that’s good to hear. So, you know, I always like to start off the episodes if you could tell the audience, tell me a little bit about your background, you know, where have you been professionally and what brought you to the point of starting Captain?

**Demetrius:** Well, you know, my entire career has been basically in finance. I got an accounting degree from the University of Louisville and ended up as a cost accountant and controller in the construction space and really, more specifically, in construction companies that are in insurance-related work so insurance repairs after major natural disasters. That’s how I got embedded and entrenched in this like crazy world of finance and insurance claims.

**Todd:** Have you always wanted to eventually start your own venture or through your work in the space you kind of see wow, there’s a gap here, someone’s not filling the gap, I think me, my co-founders we can potentially fill the gap or did you eventually say, I’m going to be an entrepreneur one day, maybe not today, but eventually.

**Demetrius:** Well, I got the bug naturally from my grandfather and father who were in the oil & gas business. My grandfather had a number of patents in the fracking space and so doing, you know, and thinking through ideas was natural to me, I’ve been trained by some of the best. And so, there was always this sort of moment that I find a thing and see an opportunity and be able to capture it well and so it just happened that it was in this space of insurance and construction and in these legacy businesses where a lot ca be automated and a lot can be fixed.

**Todd:** Tell the audience exactly what Captain does and when answering that, how did you come to the name Captain?

**Demetrius:** Really what Captain does is after a major natural disaster it takes insurance companies a long time to basically issue payment to you, they might approve it, but it takes them a little while to get the money to you and so what we do is we advance the money to your contractor so they can get started right away and so that you can get on with the recovery process. We take a fee from that contractor, we’re advancing those funds and then get paid back by the carrier.

And so, really when you think about that, if you ever lost a home or had a claim, you really need a captain, right, and you need somebody to help guide you through this sort of once in a lifetime experience, but unfortunately, that’s happening far more often. Imagine, think about climate and we’re always seeing these things that are happening, wild fires, hurricanes, tornadoes and you’re really not excluded anywhere in the country at this point. And so, that’s how we got there and frankly, hopefully we’re being a captain to, you know, thousands of policyholders and contractors throughout the country at this point.

**Todd:** Now. is there a limit to the type of damages that you guys would lend towards, like for instance if someone’s home wasn’t covered for catastrophic tornado damage but was covered for water damage, is there a difference in how you handle that and is it working with the insurance company understanding that they would eventually pay a claim so you lend the money. How does some of the mechanics of it work?

**Demetrius:** Well really, the way we think about this is in the concept of a third party payer. The insurance company has made a promise of some sort, whether it be for flood, fire, whatever coverage there might be, and that promise is what we’re underwriting. Is that a good promise, has your insurance company been consistent in paying their bills when they have them and moreover, is it hard to collect from them. And so, that’s what we are normally looking at when your contractor presents your claim to us and then from there what they then say is, okay, is it profitable to this contractor.

So, sometimes the insurance companies are paying, but they’re just not paying enough, right, especially in a market where there’s a lot of inflation, right. You know, materials are really expensive at the moment, but they’re starting to come down. And so, those are the sort of things that having a captain and somebody looking at sort of the time will help see so that you know whether or not you’re actually really getting a fair shake in terms of your claim, but also making sure that your contractor can even afford to pay the bill, right, so more materials and labor and fees so that you can get going straightaway. So, it doesn’t really matter what the payroll type is, as long as your insurance company said yes to it, we’re there for it.

**Todd:** How big do you estimate this market to be and was part of the appeal in starting the company and filling this gap was that you’ve seen the climate-related events increase to probably an exceptionally high number from 50 years ago, the last ten years and you thought hey, this problem is going to persist probably more than it ever has before and so that was part of the impetus to say, this is worth the venture that we’re going to start.

**Demetrius:** It really was born out of a mistake that we made at a previous company I founded called WeatherCheck where we were doing storm damage prediction notifications for policyholders on behalf of carriers and what we really rate into is that a lot of policyholders were texting us back saying hey, can you help me now, yeah, my insurance company paid me money, but I don’t know what to do next, I don’t know how to choose a contractor, I didn’t plan on rebuilding my house, all of these sort of things.

And so, that was happening a lot, right, the scale was a little daunting and then we looked across the landscape we said, nobody’s funding this and so that was really the impetus for how we got to okay, this is a big problem we’re solving. When you sort of think of that in terms of dollars and $92 Billion worth of insured losses in the US alone in 2019 and that’s just the insured, it’s time to talk about the uninsured and that’s another $200 Billion of uninsured risk that’s out there. So there’s a big market for helping people through every one of these events.

**Todd:** In here you talk about, it sounds like, have you had an experience along these lines where you’ve lost a property or had damage to a property because, you know, in hearing you talk about it, I can hear the passion in your voice for what you guys are currently filling, the void that you’re filling.

**Demetrius:** Thank God, I have not had from personal experience with one of these events except for the fact that I’ve been very close to them. So, my hometown at Madisonville, Kentucky was hit by a tornado in the late 90’s, Jason Town was hit by the western Kentucky tornadoes just last year and so there’s been very, very close calls with some of these events. But then, you know, I think about the effect that hurricane Katrina had on me seeing it as a young person, right, and thinking like, wow, and even Sandy in your neck of the woods. Wow, are we still dealing with these sort of things, like we’re sending people to Mars, but we can’t quite figure out how to recover a town.

**Todd:** Yeah, it’s crazy.

**Demetrius:** And, you know, sort of like okay, we’ve got to do better, there’s more that we can do here and we think we can bring finance and technology to bear to make it easier.

**Todd:** With all the advances in technology that we’ve had, it seems the space, the insurance space, still is lagging behind, it doesn’t feel as if they’ve either put enough technology into their processes and their systems and it’s still very much the alright, we’ll take a look at the damage, we’ll get back to you at X amount of time. It doesn’t seem like there’s an, you know, impetus for them to change.

**Demetrius:** You know what it is, it’s the nature of how insurance works. iI you’re writing your insurance well, you don’t have losses or you have very few of them and so there really is not the right incentive, the incentives aren’t aligned or your insurer to really get really, really good at what happens during yours claims scenario. And so, that’s why we’ve really said, sometimes insurers need a captain, right, sometimes insurers need somebody to show them okay, here’s how it’s successfully done because we rely on the incentives. For us because we’re lending the money, we basically are saying hey, we don’t want to take any risk either, we want to make sure that this is fully legitimate, we want to make sure that we can support our contractor through the process and support the policyholder. And so, what that does is it basically reduces the risk of fraud for the carrier, right, because we want to get paid back, right…..

**Todd:** Yeah.

**Demetrius:** …and so there’s a lot of incentives from our world to, you know, make the process as seamless as possible. You know, the other really big thing is policyholders have all these rights, they’re the other side of the insurance contract, right, but they just don’t know that they have these rights.

**Todd:** I don’t read my insurance contracts to be….(laughs)

**Demetrius:** Who does, who does, right. (Todd laughs) And, frankly, here’s the thing, is that most state law has recognized that already and they put everything in your favor and so it’s really just a function of you knowing exactly what’s available to you and having a guide through that process. And so, you know, Captain is here, be a marketplace, connect folks to the right resources at the right time and make it (inaudible).

**Todd:** How aware are people of those rights that the state has cemented and how many people are just aware of the potential help they can get because most people, as far as I see it, like they see this daunting insurance contract and it’s like I don’t think I can do this or I don’t know where to start and it feels like there’s just a huge education gap.

**Demetrius**: It’s enormous and frankly, some of the challenges that on one side benefits more than the other, right, the less you know, the less likely you are to use the coverage. It really is about sort of having someone to partner with you in that process and using tools to empower it all the way through, but, you know, unless…..now, you can talk about benefit. Construction is a hard thing, right, picking a contractor is a hard thing, right, and so really having some tool that sort of helps validate and authenticate the decisions that you’re making starts to really, really matter up against the daunting nature of the insurance contract and picking a contractor, basically two impossible things.

**Todd:** What’s the biggest lesson that you’ve learned since you’ve launched Captain about kind of what you’re doing, you know, either your team, what’s the biggest lesson, thus far?

**Demetrius:** I was shocked to have seen insurers treat their policyholders. It has been one of those things where we as consumers really think okay, I’ve got this great company that I’ve been paying my premiums to and, you know, your insurance isn’t really tested until you have a claim and so you start to see what happens when you actually get into something serious and act a little disappointed, really, okay like you should be treating your customer better that this. I’ve been really encouraged by the role that we’ve been able to play and helping move process along, making policyholders move faster, making sure that contractors are being paid because of the tools that we’ve built.

**Todd:** What’s the best piece of advice you’ve received, thus far?

**Demetrius:** The best piece of advice came from our teammate in Captain and she says, it’s better to be strong and right than strong and wrong and so much of what you see happen in a lot of these processes, especially in finance and insurances, finance can be really strong and wrong, right. And so, we’ve been highly intentional about going slower, but also making sure that we’re right in every single instance so that we can deliver the highest agreed value in the form of our products back to our contractors and our policyholders.

**Todd:** You know, as someone that knows the space quite well, something you said earlier sticks in my mind which is, you mentioned the $92 Billion are the insured, but the $200 Billion are the uninsured. As someone that’s as knowledgeable in the space as you are, what more can be done to help the uninsured because to me it seems there is a huge gap there as well and not that Captain needs to solve every equation related to this, but, you know, you know the space well, just kind of curious to hear your thoughts on it.

**Demetrius:** You know, our general view is it’s not just uninsured folks, it’s also under insured so one of the things that we started to see and started seeing this in the context of a market that we’re working aggressively, the Marshall Fire in Boulder Country, Colorado, is that we really do need to be looking at our policy coverages more often, especially in markets where you’ve seen hyper growth and hyper appreciation. So, if your market is selling real estate like Gangbusters then you need to be looking at your policy typically every six months to make sure that those limits are in line because that replacement cost is sometimes nearly double and those are the sort of things that would really help us tackle the underinsured gap and the uninsured gap.

**Todd:** Tell us a little bit more about those around you in terms of the team, how big is the team, what does the team look like in terms of types of roles and types of people you have on the team.

**Demetrius:** We’ve been incredibly fortunate first of all that we’ve been able to build first in Louisville, Kentucky, our operation center is here has been, I spend my time between Louisville and San Francisco. You know, the team is comprised of underwriters, servicers, folks who are looking at claims and operationalizing much of our work in deploying the capital that we have at our disposal. There’s lawyers, compliance teams and there’s obviously a significant product design and engineering team that’s sitting here, team of 15 today and we fully expect to move that to 30 by the end of the year, given just so much volatility throughout the United States and so, you know, really excited to keep adding folks and really burning people to bear.

Louisville is a great place to come home and a market where everything’s super expensive and so we’ve been incredibly fortunate that we’ve had people move here, not at our request, but just because they found the home of bourbon to be ….so we’re really, really encouraged and frankly, can’t do any of these without a really, really great team of people who aren’t just focused on technology or finance, but also are focused on really helping people. There are a lot of companies out there that are great and are doing really cool things, but here at Captain you actually get to affect a very real thing which is somebody being put back in their house faster after they’ve really lost everything.

**Todd:** Do you think the success that you’ve had, thus far, and hopefully that continues obviously, that at some point it might help to change the way insurance companies either treat or work with homeowners because without the pressure of firms like you, insurers have very little reason to change, but if you come in, you begin to fill a gap and the equation starts to be flipped, do you see that as a potentially really beneficial by-product?

**Demetrius:** Well, I’ll start by saying that there are companies that are already starting, right.

**Todd:** That’s good to hear.

**Demetrius:** They’re already sort of saying, hey Captain, we understand what you’re doing, we know what it looks like and we know how it can help us get better and so there are firms like IRI Insurance and Slide who are actively engaging so that they can improve for their policyholders and that’s what we’re most interested in and having those conversations.

**Todd:** In terms of where you’ve seen or where you’ve helped the most, thus far, is it more the middle of the country, the coasts, north, south, where has kind of been the…. you’ve seen the biggest impact to date?

**Demetrius:** We are funding clients in 20 states today.

**Todd:** Okay.

**Demetrius:** Right now, it has been pretty cyclical based on like what’s happened, right, so Holmsville, Louisiana following a hurricane that happened there last year, Western Kentucky tornadoes, the tornado they’ve had in December, the Marshall Fires also in December in Colorado and then we have a pretty large presence in Minneapolis, Minnesota where there’s been major hailstorms. And so, you sort of think about everything that you see on the Seven O’ Clock News, I’m sure that in the next two to three months Puerto Rico will be a major place that we’ll spend some time and deploy capital. So, anywhere where insurance companies are paying is where we are.

**Todd:** It sounds and maybe I’m wrong here, it sounds like in part do you follow the weather really closely like it’s the news and hey, there’s a storm that’s brewing in the Gulf, intends to go up and hey, this could be something that we really need to pour resources into.

**Demetrius:** Well, we’re absolutely looking at Eye98 which is an invest system that’s in the Gulf of Mexico at the moment which looks like it’s going to be our strongest storm this season of 2022. The way we think about it is that there’s a long tail of damage, right, a lot of times it takes people years. In case of Sandy, there are still people who have not rebuilt their homes, they are still trying and that’s I guess six years later.

**Todd:** Ten years later.

**Demetrius:** Ten years later.

**Todd:** Yeah, it’s crazy.

**Demetrius**: Yeah. I'm trying to give them some grace in terms of how long....

**Todd:** Oh, yeah, yeah.

**Demetrius:** ....an organized war, I mean, you'd sort of think about like what happened there post-Katrina so we're always working from a very long tail of events that have happened years and years worth of advanced work where we're stepping into the equation. So, the problem is that there's more and more events, right, .....

**Todd:** Unfortunately.

**Demetrius:** .....and they're apparently getting more and more severe and so we're really sort of mindful of each one as a bear (?), but also understanding that, you know, we're going to have to bring in considerably more capital to bear up against the opportunity that's before us.

**Todd:** Question that just came to mind, so each day obviously is run by different parties, politically and what not. I'm not trying to dovetail us into a political conversation, but, you know, there is the way in which different parties look at climate-related events, does that potentially impact how homeowners can rebuild the options available to them if a state, for example, does not recognize that an event is climate-related or they downplay certain aspects of it, does some of that come into play for certain areas of the country and put them at a disadvantage?

**Demetrius:** We haven't seen that, not yet. I would say that the general political view of most governments who have a big role to play in disaster recovery efforts is that re-election campaigns are wanting laws on how governors respond to disasters in their state. And so, you know, the National Association of Governors of which we’ve engaged have been absolutely wonderful to work with and now you've got guys like Andy Beshear here in Kentucky, they've been incredibly responsive and have been really innovators in how they think about the recovery effort and things like that are going to take a long time. I think to your point though, there are major opportunities for us on the ESG side of things to continue to build so like hey, how do we turn, notice that I said opportunities. So, yes, this is a bad moment, but how do we turn it into something that puts somebody back in a better state.

**Todd:** Yeah.

**Demetrius:** Can we build back with more renewable materials, can we build back with solar, can we make homes more efficient, can we do things differently from something that was ...and, frankly, the folks at Boulder County are doing that in a really, really wonderful way, currently the best I've seen in my career.

**Todd:** Interesting.

**Demetrius:** Those are the ones which I think there's a real big opportunity for us to deploy ESG-related capital to these events.

**Todd:** I saw that you guys raised some outside capital. How was investor appetite, how was the investment process? If another founder picked up this episode, you know, what were some of the things that you learned in talking to investors and kind of going through the pitching process that, you know, that you can tell them that they might learn if they're just about to embark on that.

**Demetrius:** I'm reminded of Ben Horowitz, the hard things about hard things, (both laugh) which is that, you know, at the end of the day there are certain types of businesses that you have a larger education burden. Captain happens to be one of those where we have to spend a lot of time because people don't think about it, right. They see the headline, hey, this big event happened, but they are never going to think about okay, what happens in the aftermath and so really bringing that to a forefront of investors and start saying hey, this is a really big opportunity so needs a lot of education.

We were fortunate to find great super founders who were already supporting us, like Zuhair Bakor from Keep Safe and Philip Burnham and a bunch of others that were really instrumental in the early days of like getting behind us and sort of saying, this is really important. Then it was finding guys like Pete Flint and Hans Tung over at GGV and NFX to really come in and push their weight and muscle around a bit to help it around come together and we’ve since added Promise Phelon from Growth Warrior Capital which is, frankly, my first black investor ever.

So now, having done two startups have been incredibly thrilled and I think first female and so really having a great hybrid of investors, (inaudible) Ventures as well at Roston and so it's gone well. The debt was interesting, COVID survived our debt facility, they were incredibly flexible to work with, but it was one investing area about getting comfortable, like what are we really talking about, what do we think it looks like over the long run and we continue to work with them to this day.

**Todd:** We have just a few minutes left and I usually like to end a bit lighter with some fun questions. So, first one is do you have a favorite book and the last book that you read.

**Demetrius**: I do not have a favorite book, but I have a book that I'm actively reading right now which is one of our investor's books, “Burn Rate” by Andy Dunn and so I'm really excited to get into like just, you know, as I've grown as an entrepreneur and founder, the mental health part of this. I've been praying and meditating for almost 15 years for two hours a week with a coach and it's been one of those things.

**Todd:** Wow!

**Demetrius:** It's been really top of mind for me now having two kids and a wife and, you know, balancing it all. I think it's incredibly important that we do that and spend more time focusing on like okay, how do we keep it all sane, you know, when you're sort of dealing with the type of events that we're dealing with, we deal with people's biggest problems and so how we keep it all together. I think Burn Rate’s got something really good.

**Todd:** It sounds like you answered my next question which is what do you do to unwind. It sounds like mediation is the key piece there.

**Demetrius:** I have learned and this is from my grandfather, right, to never take it on, people say, why are you stressed. I sleep like a baby every night because this corporation should run on its own, it should be its own thing and so we are intentional about making sure that’s the case and frankly, being a mid-western startup, we make money, right. So, at the end of the day, what we do is not sharing, it's not free.

**Todd:** Yeah.

**Demetrius:** We get a fee for the utilization of our cash and so that's how we're moving forward and I'm taking up golf lessons and stuff like that trying to get better, but I'm deep in calling me Tiger Weeds at this point. (Todd laughs)

**Todd:** Do you have a favorite sport or sports teams that you root for? Is it Louisville basketball?

**Demetrius:** It's not Louisville basketball, unfortunately, I go to a lot of Louisville games, but I've become a really big Raiders fan..........

**Todd:** Interesting.

**Demetrius:** .......which I think has made me a little bandwagon and then I like Pickleball.

**Todd:** I've heard more and more about Pickleball recently too, very strange.

**Demetrius**: (laughs) Yeah, so that's about it.

**Todd:** Favorite vacation spot?

**Demetrius:** I don't get to take many vacations so the folks at our PR firm are nice enough to let us use the place that they have in Hawaii which was wonderful and delightful and frankly, one of the first vacations I've taken in probably ten years so I'm not really a big vacation man.

**Todd:** Final question, biggest inspiration in life?

**Demetrius:** You know, other business leaders are really, really inspiring to me. You know, I think about, and there's not just one, I'm a mama's boy and so black women are probably one of the biggest inspirations for me, like I was rattling it off of my head like Mellody Hobson from Maryland Investments, now the new owner of the Denver Broncos, Oprah Winfrey, my Mama. Those people are sort of the ones in my head that I……Dana Cosby who’s our general counsel here, just their ability to move the needle is so impressive, Promise Phelon, like these folks are just as, inspite of adversity, just machines (laughs) and also people and so black women are kind of killing it in the game for me.

**Todd:** Well, Demetrius, I appreciate your taking a few minutes and coming on the show. If someone on the show wanted to reach out either to you or to Captain, how can they do that, how can they find you guys?

**Demetrius:** Yeah, captainhq.com is where you can find us and reach out. You know a contractor who you think needs a little bit of cash liquidity or is in the insurance business or you’ve got claim and we're always happy to talk to our policyholders and we'll match you with a contractor who's already approved by us.

**Todd:** Sounds good, thanks so much, Demetrius, I appreciate the few minutes, continued success to you and the team,

**Demetrius:** Thank you so much, Todd.

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