Assured Comment: Another day, Another SPAC Deal

Tech-oriented homeowners insurer - Hippo - agrees to go public via a SPAC merger

Hippo Enterprises, the tech-oriented homeowners writer, has agreed merge with Reinvent Technology Partners Z; a SPAC that went public in November. What is interesting about this deal is that **the principals** of Reinvent have a history of being involved in successful technology startups and they **are looking at this transaction simply as a pathway to disrupt what they see as a long-established and tradition-bound industry**.

> *When we wrote in our March Assured Briefing note on SPACs that insurance executives should expect more deals, we meant it.*
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> *Now after the Hippo deal has been announced we have a further message: **Insurance executives should be concerned; disruptive innovation is upon us!***

The quote in the box below from Reid Hoffman, a cofounder of LinkedIn and a partner of Reinvent, makes it clear that they see insurance purely as a technology play. Later in the call, another Reinvent principal goes on to note that they consider homeowners insurance to be a large, fragmented business that is ripe for disruption. **While technology entrants have been a looming threat to the industry for some time, with SPACs they have cash and a public stock to finance their moves.**

> *…we have been looking for companies where their technology is redefining the platforms of their industry. The cycles of reinvention-reinventing how you reach customers, reinventing how you engage customers, reinventing business models-innovations that create progress at scale. These reinventions can create massive value for society and for customers and consumers. [Reid Hoffman]*

Hippo expects to grow!

Hippo was organized in 2015 and uses a myriad of database information to assist in underwriting and to make policy issuance easier for customers. To data **they have had the usual experience of startups meaning large underwriting losses. And**, as with most new companies, **their underwriting strategy is heavily dependent on reinsurance as they currently retain only 10% of their risks**.

One difference between SPAC deals and traditional IPOs is that the acquired company can disclose detailed future projections, which as you would expect usually resemble a standard investment banker pitchbook. **Hippo projects gross written premiums will expand from about $400 million in 2020 to $2.3 billion in 2025, which would be about 2% of the homeowners market. Over the same period, they expect the loss ratio to improve from an adjusted (ex-cats) 83% to 60%, at which point the company would become profitable**.

Please contact us If you would like to see the financial details of the transaction.