

Participants

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Management Discussion Section

Operator

Hello and welcome to today's Hippo First Quarter 2022 Earnings Call. My name is Bailey, and I will be the moderator for today's call. All lines will be muted during the presentation portion of the call with an opportunity for questions and answers at the end. [Operator Instructions]

I would now like to pass the conference over to Cliff Gallant, Investor Relations. Cliff, please go ahead.

Clifford Gallant

Vice President - Investor Relations, Hippo Holdings, Inc.

Thank you, operator. Good morning, everybody. And thank you for joining Hippo's first quarter earnings conference call. Earlier this morning, Hippo issued a shareholder letter announcing its first quarter results, which is also available at investors.hippo.com. Leading today's discussions will be Hippo Chief Executive Officer, Assaf Wand; President, Rick McCathron; and Chief Financial Officer, Stewart Ellis. Following management's prepared remarks, we will open up the call to questions.

Before we begin, I'd like to remind you that our discussion will contain predictions, expectations, forward-looking statements, and other information about our business that is based on management's current expectations as of the date of this presentation. Forward-looking statements include, but are not limited to Hippo's expectations or predictions of

financial and business performance and conditions and competitive and industry outlook. Forward-looking statements are subject to risks, uncertainties, and other factors that will cause our actual results to differ materially from historical results and/or from our forecast, including those set forth in Hippo's Form 8-K filed today.

For more information, please refer to the risks, uncertainties, and other factors discussed in Hippo's SEC filings. All cautionary statements that we make during this call are applicable to any forward-looking statements we make whenever they appear. You should carefully consider the risks and uncertainties and other factors discussed in Hippo's SEC filings. Do not place undue reliance on forward-looking statements, as Hippo is under no obligation and expressly disclaims any responsibility for updating, altering, or otherwise revising any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

During this conference call, we will also refer to non-GAAP financial measures, such as total generated premium and adjusted EBITDA. Our GAAP results and description of our non-GAAP financial measures with a full reconciliation to GAAP can be found in the first quarter 2022 shareholder letter, which has been furnished to the SEC and available on our website.

And with that, I'll turn the call over to Assaf Wand, Co-Founder and CEO of Hippo.

Assaf Wand

Chief Executive Officer, Co-Founder & Director, Hippo Holdings, Inc.

Thank you, Cliff. We are pleased to report that Hippo has had a successful start to 2022. Continuous improvement is a hallmark of the Hippo culture; and over the past year, the focus of our efforts has been on the gross loss ratio. And for the first quarter, we are reporting our best loss ratio as a public company, while growth remains robust and on track with our full year target.

We also believe the quality of our products and services continues to get better. The outlook is bright. Total generated premium grew 25% over the prior-year quarter. Our state expansion efforts are gaining momentum as recently licensed states begin to produce volume. We launched in New York in late April, and we're expecting other states in coming months.

We believe our customer satisfaction and word-of-mouth reputation remains strong with Hippo Homeowners premium retention at 87%. We continue to expect full year TGP in the \$800 million to \$820 million range.

Our home builder business is our fastest-growing and most profitable channel. When we partner with a home builder, like we did with Lennar in 2019, we have proven our ability to materially increase insurance attachment rates, driving volume, and better customer outcome for our partners.

We did this by deeply integrating into the home-buying process and offering an insurance policy tailored for the needs of new homebuyers. We believe that as the market recognizes that Hippo delivers a better experience for both builders and their customers, our builder network will further expand.

Our gross loss ratio of 76% is our best since we became a public company. While Q1 is traditionally a milder weather quarter, we're very pleased with the progress, particularly compared to last year where we encountered Winter Storm Uri. We remain confident in our previous guidance of significant improvement over our full year 2021 results.

We achieved a loss ratio despite the inclusion of 19 points of catastrophe loss event stemming from winter storms across the US. As we add greater geographic balance and scale to our book of business, the impact of individual events should lessen. The additions of New York and other states will add significantly to this balance.

We continue to refine our pricing and underwriting models to appropriately match price to risk and improve our ability to identify and track the type of homeowners who are particularly well-suited to our product. Our best customers are homeowners who embrace proactive home protection and are willing to use technology to make their homes safer and easier to manage.

Looking ahead, we expect that the actions we've already taken, including more advanced pricing and segmentation and better geographic balance, will have a favorable impact on the loss ratio.

In addition, we are beginning to identify and execute upon other areas for further improvement. For example, our new claims leadership is leveraging technology to improve customer experience, while reducing loss expenses and improving operational efficiency.

We're excited to be returning to the office. We've opened and expanded our office locations to include Oakland and a larger space in Austin. Despite a challenging hiring environment, our staff count rose to 645.

We are pleased with the progress we're reporting today, but even more excited by the progress to come. We are planning an Investor Day on September 6 in New York City, and we'd love to have you come by to meet our leadership team in person and learn more about our plans to deliver glowing values to our customers and shareholders.

I'd like now to pass it to Rick, our President.

Richard L. McCathron

President & Director, Hippo Holdings, Inc.

Thanks, Assaf. 2022 has started off well for our business as we begin to show the underlying strengths of our insurance operations. Growth continues to be balanced across geographies and

distribution channels. We grew our homeowners; business across our 37 states with two-thirds of growth outside of Texas and California.

In late April, we launched at the state of New York, and we expect additional states in upcoming quarters. These new states will take time to add meaningful volume, but our results show the states we launched in 2021 are adding meaningfully today. Our builder channel has been particularly strong and we expect to add additional builder partners this year.

We also expect to soon announce new alliances in our mortgage lender channels. As Assaf said, we create real value for our partners. By improving attach rates and delivering a better insurance experience for the customer, our partners see better economics and a stronger relationship with the homeowner.

We're also excited that Spinnaker launched important new programs in the quarter. We now offer excess and surplus lines products like earthquake and flood. These products will be reinsured, but will offer our customers the opportunity to buy additional protections when their homes carry such exposures.

We continue to focus on developing products and services to fit the needs of our Hippo customers.

Our loss ratio has improved, but we still have much more to go. We are pleased by the positive impact from the latest iteration of our underwriting engine introduced in late 2021, which we discussed during our Q4 2021 call.

For new business, our flexible technology platform enables us to implement 22 rate changes across 10 states in quarter one. These changes went live in the quarter and were highly segmented, providing a wide mix of decreases and increases, as we have improved our ability to identify and accurately price our target market of homeowners who are willing to use our technology to protect their homes.

For renewals, these rate changes took effect in California during the quarter and the response has been encouraging with premium retention rates remaining high. For the other states, the changes will take effect over the course of 2022 as policies in these states come up for renewal.

We expect these changes will positively impact our loss ratio as the year progresses. These filing strategies have been extremely deliberate and successful, reflecting Hippo's expertise and experience applied to our unique tech stack.

One advantage Hippo has in the current market relative to carriers who use simple inflation accelerators is that we rerun our underwriting and rebuilding cost models automatically at each renewal, incorporating all the accumulated data since last renewal. This ensures our customers

are properly protected while providing protection to Hippo from current inflationary trends in materials and labor.

We're encouraged by the first quarter results. Our strategy and ability to execute is proving out. But we have much larger goals. We're investing in our business to create a nationwide, consistently profitable homeowners protection company that is the clear leader in customer service.

I'd like now to pass it over to Stewart, our CFO.

Stewart A. Ellis

Chief Financial Officer, Hippo Holdings, Inc.

Thanks, Rick. Hippo had a strong first quarter of 2022. We delivered a substantial improvement in our gross loss ratio versus last year while continuing to grow our book of business. Let me take you through some of the financial highlights.

Total generated premium was \$154 million in Q1, up 25% from \$123 million in the first quarter of last year. We continued to execute against our plan for thoughtful growth with loss ratio goals in mind. For the full year, we continue to expect \$800 million to \$820 million of TGP, implying an accelerating growth rate as the year progresses, reflecting geographic expansion as we roll out new states, growing partnerships, and a step up in marketing.

Revenues in Q1 were \$24 million, up 44% over the prior-year quarter. Revenues include net premiums earned, growing and steady streams of ceding commission paid to us by reinsurers, MGA and agency commissions paid to us by other carriers, and service and fee income from our customers.

Also, through Spinnaker, we're expanding our third-party program administrator business. We continue to expect 2022 revenue in the range of \$140 million to \$142 million.

Our gross loss ratio in Q1 was 76.1%, marking another quarter of substantial improvement. Given the seasonality of weather exposure, continued sequential improvement isn't fully within our control. But we believe we are on track to achieve our full year guidance of a gross loss ratio of below 100%, which would be a major improvement versus 2021's 138%.

During the quarter, PCS catastrophic losses added 19 percentage points to the loss ratio, driven largely by winter weather across the US. The quarter's results also include a benefit of 19% of favorable loss reserve development from prior periods, with approximately two-thirds of that number from attritional loss activity and one-third from prior-period catastrophic events.

Sales and marketing expenses increased slightly to \$24.9 million from \$24.7 million in the prior-year quarter. We believe we have a unique and compelling value proposition. Our proactive approach to home protection is a persuasive message to homeowners, and is particularly

aligned with those customers who we view as attractive risks. In the coming months, we plan to invest in marketing programs to further grow awareness of the Hippo brand.

Technology and development expenses increased to \$14.7 million from \$6.9 million in the prior-year quarter, primarily driven by an increase in stock-based compensation of \$4.8 million. Further, our spend now includes our acquisition of the SwingDev team in Poland, engineers, designers, product managers, who are boosting the development of our Mobile Apps, our Home-Builders suite of products, and our consumer-facing Web portals. We are glad to have a geographically and culturally diverse set of teams allowing us to tap into innovation and talent pools around the world.

General and administrative expenses increased to \$16.5 million from \$8.3 million in the prior-year quarter, reflecting our growth, including an increase in stock-based compensation of \$2.9 million, the cost of being a public company and new office locations.

Our cash and investments at the end of the quarter were \$772 million. The reduction in cash quarter-over-quarter was amplified by \$12.2 million due to a temporary increase in recoverables from reinsurers.

During the quarter, we shifted \$349 million from cash to US Treasury bills in order to capture the benefit of short-term yields, which is why on the balance sheet you see the shift from cash to investments. We remain well-positioned for an extended period of growth and investment.

Net loss attributable to Hippo was \$67.6 million or \$0.12 per share in Q1, compared to a net loss of \$195.2 million in the prior year quarter. Adjusted EBITDA was a loss of \$48.5 million versus a loss of \$35.6 million in the prior year quarter.

Our guidance for 2022 remains unchanged from when we reported last quarter's results.

To summarize, for the full year 2022, we continue to expect TGP in the range of \$800 million to \$820 million, revenue in the range of \$140 million to \$142 million, and a gross loss ratio below 100% and on track for further material improvement in future years.

Thank you. And I will now turn it back over to Assaf for his closing remarks.

Assaf Wand

Chief Executive Officer, Co-Founder & Director, Hippo Holdings, Inc.

Thank you, Stewart. In a world where volatility appears to have become normal, we at Hippo feel grateful that we're able to focus on a simple challenge to improve the home ownership experience of our customers. This quarter, we made significant progress in our loss ratio and continued our growth. We remain confident that we are on the road to delivering on our mission.

Thank you, everybody. Operator, could we please take questions?

Question And Answer Section

Operator

Thank you. [Operator Instructions] Our first question today comes from Matt Carletti from JMP Securities. Matt, please go ahead. Your line is now open.

Matthew J. Carletti

Analyst, JMP Securities LLC

Hey, thanks. Good morning. First question, I was hoping to ask you a little bit, I saw the commentary in the shareholder letter about building earthquake and flood products on Spinnaker paper, obviously, heavily reinsured. I just wanted to get your perspective on, as you look at that kind of the build versus that you could have partnered, kind of gone the other way with that, just kind of that thought process and why you elected to build a Hippo product versus partner with somebody else.

Richard L. McCathron

President & Director, Hippo Holdings, Inc.

Yeah, Matt, how are you doing? This is Rick. So, a couple things to consider. One, remember, our vision is to protect the joy of homeownership. And to do that, you need to make sure you're providing proper coverages for customers that need that specific type of coverage. Yet there are some areas where we don't have as much expertise, so we choose to partner instead of build.

Now, keep in mind also, when we acquired Spinnaker, Spinnaker was a fronting carrier that had other programs in it. We continue to add other programs as a fronting carrier, taking minimal exposure, if any, but to provide that platform for other MGAs that have products that we think are additive to the total gross loss ratio. So, we also utilize our distribution channels to sell some of those products, creating sort of a win-win for customer, for the product manager, and for us.

Matthew J. Carletti

Analyst, JMP Securities LLC

All right. Great. Very helpful. And then, just a numbers question I'm guessing for Stewart. Really good growth in the quarter, net earned premiums were flat sequentially and year-over-year. Can you just help us a little bit with kind of the cadence there and what's going on?

Stewart A. Ellis

Chief Financial Officer, Hippo Holdings, Inc.

Yeah. Hi, Matt. This is Stewart. I'm happy to take that. I think, first I'll say, some of this is a bit of a quirk of how the accounting for cat allowances that we get from our reinsurers as part of our reinsurance treaty and the accounting for our actual purchases, and then amortization of the cat XOL that would reduce our earned premium.

In 2022, our reinsurance treaty, some pieces of it moved from a gross quota share to a net quota share, which means that the reinsurers themselves are giving us an allowance to purchase reinsurance rather than having it baked into the treaty. And those allowances are going to be tied to the policies that are written during the treaty.

And so, it's more of a kind of a treaty dynamic, which means that can spread out over a couple of years, whereas the cat XOL purchases are amortized over the calendar year that we're buying them in. And so, there is a bit of a timing difference that is reducing our net earned premium because of that effect more than it did last year, which didn't have this effect in it, but just in general more than I think the sort of substantive economics would indicate.

That also filters down into other parts of our P&L. So, if you're looking at EBITDA or you're looking at the net loss ratio, which is going to be based on net earned premium, that impact will – tends to lower our earnings a bit on an accounting basis and it will tend to raise our net loss ratio as well.

Matthew J. Carletti

Analyst, JMP Securities LLC

Okay, great. Very helpful. Thank you for the answers.

Operator

Thank you. The next question today comes from young Yaron Kinar from Jefferies. Please go ahead.

Yaron Kinar

Analyst, Jefferies LLC

Thank you and good morning. So, you have nice momentum on the gross loss ratio. Maybe you can help us think about the expected underlying gross loss ratio for 2022. Do you see improvement there year-over-year or is it more on just an overall loss ratio that you're thinking of the below 100%?

Richard L. McCathron

President & Director, Hippo Holdings, Inc.

Yeah. Hey, Yaron. It's Rick. Yeah. We are seeing meaningful improvements in the underlying loss ratio results. Keep in mind, when you're making pretty material changes in geographical diversification and underwriting model and rate changes, rate filings, it takes time, one, to determine what you want to do.

Then you have to file the change, and then you have to wait for regulatory approval. And then the change for your existing book starts at the renewal of those existing policies. So, that entire process ranges between 12 and 24 months.

So, in the first quarter, we actually had 10 rate filings go live for 22 different products, but we're just beginning to see the improvement of those particular rate filings going live. So, the improvement that you see for this particular quarter were efforts that we took six to nine months ago, and I would say you should continue to see meaningful improvement subject to quarter volatility due to weather.

As you know, second quarter for our footprint is typically a pretty high weather quarter, but you should see that continued improvement. We have strong conviction and clear line of sight that our loss ratio continues to trend down by the actions we've taken that haven't worked themselves into the book of business.

Yaron Kinar

Analyst, Jefferies LLC

And just to be clear here, you expect continued improvement on the underlying loss ratio as well as the total loss ratio, right?

Richard L. McCathron

President & Director, Hippo Holdings, Inc.

Correct. Yeah, correct, correct.

Yaron Kinar

Analyst, Jefferies LLC

Okay. Perfect. And then, you gave – you spelled out the impact of catastrophes in prior year development on the gross loss ratio. Do you have those numbers on a net basis too?

Stewart A. Ellis

Chief Financial Officer, Hippo Holdings, Inc.

Yeah. Yaron, this is Stewart. On a net basis, I think the net reserve release was \$2.8 million in 2022 and we didn't have a reserve release in 2021.

Yaron Kinar

Analyst, Jefferies LLC

Okay. And on a cat – for the cat owed on a net basis?

Stewart A. Ellis

Chief Financial Officer, Hippo Holdings, Inc.

It's – on a PCS basis, it was of that \$2.8 million, \$600,000 roughly. And ex=PCS it was \$2.1 million. So...

Yaron Kinar

Analyst, Jefferies LLC

Okay. Got it. And then so, Stewart, I think in the previous question you had addressed the net loss ratio, which actually came in a bit higher year-over-year. And it sounds like a lot of it has to

do with just the shift in treaties and the impact on net premiums earned. Are there any other drivers there that would have led to deterioration year-over-year despite a very significant improvement into growth?

Stewart A. Ellis

Chief Financial Officer, Hippo Holdings, Inc.

Yeah, it's a great question, Yaron. I think before I dive into the details here, I think it makes sense for us to just remind everybody that we do think that gross loss ratio is the best measure of our underwriting actuarial performance, our operational performance. It's the measure of the actual performance of the risk that is being assumed regardless of who is assuming the risk.

As we reduce our risk retention – so if we were maintaining all of the risk, our net and our gross loss ratio would be the same. As we reduce the risk retention and we look only at the pieces of the risk that we retain, we are going to get – the number is representing a smaller and smaller piece of our overall economics, to the point where once the risk retention gets below a certain amount, then the number starts to become increasingly irrelevant to the overall economics of the business.

Because we are a program business and an MGA, we are performing services on behalf of the people who are bearing the risk of the bulk of the policies that we write. So, for example, unallocated loss from loss adjustment expense, which we're incurring on behalf of the entire portfolio, is hitting – all of that cost is hitting our net loss ratio, even though only – we're only retaining a small percentage of the premium.

And so, just – just to give you an example of how big some of these numbers can get when you get a small earned premium number. Just ULAE represents 51 percentage points of our net loss ratio. And I think the problem with the net loss ratio for a business like Hippo is that it's essentially the economics on a small piece of our business and it excludes all of the commissions that we get from the reinsurers.

And so, the change in cat XOL, like the cat XOL purchased by itself is 113 percentage point of net loss ratio in this quarter. It was 71 percentage points in the prior year quarter. Those sorts of things have a big impact on net loss ratio when – and so movements in them can move that number around independent of the performance of the overall underlying portfolio. Does that make sense?

Yaron Kinar

Analyst, Jefferies LLC

Yeah. Yeah. Very much so and I appreciate that color.

Stewart A. Ellis

Chief Financial Officer, Hippo Holdings, Inc.

All right. Thanks.

Yaron Kinar
Analyst, Jefferies LLC

Thank you.

Operator

Thank you. The next question today comes from Michael Phillips from Morgan Stanley. Michael, please go ahead. Your line is now open.

Michael W. Phillips
Analyst, Morgan Stanley & Co. LLC

Okay. Thanks. Good morning, everybody. You've talked in the past – last quarter and in quarters before that about certain areas of taking rate decreases and more refined pricing has allowed you to do that. When you couple that with another quarter of PYD favorable on not the cat piece, but on the attritional piece, those two things combined kind of imply that some of your prior pricing may have been too high.

I guess, hoping you can just add some color on – any more color on that of what's driving the ability to take rate cuts. Again, I think I've heard you say before that you just got more refined pricing that allows you to do that. But couple that with PYD, it looks like prior stuff was kind of high and bringing it back down. So, just anymore color you could provide there would be appreciated.

Richard L. McCathron
President & Director, Hippo Holdings, Inc.

Yeah, Michael, hey, it's Rick. No, really good question. I think a better way of explaining this is that historically the prices we were charging weren't segmented enough to match rate with exposure. So, we've gone through an entire re-underwriting process at the company and making sure that we have appropriate segmentation.

This is one of the reasons why we partnered with Incline and Ally to bring multiple underwriting companies to bear so we can have greater segmentation and granularity in the pricing.

What we found is we were not charging enough premium for what we would consider average clients, and we were charging too much premium for what we consider our best clients. So, we were getting disproportionately poor clients versus the better clients that we want.

So, our new leadership team on the insurance organization, we've spent the last nine months continuing to focus and re-underwrite the policy, make sure pricing matches each individual exposure specifically towards those customers we want. We call them our generation-better customers, customers that resonate strongly with our total home protection mindset. And that's why you're seeing some go down and others go up.

The portfolio as a whole is experiencing pretty significant rate increases just as the industry as a whole is seeing significant rate increases. But it's really that segmentation that we're refining. Much of the work is done. It just needs to work its way into the book over future quarters.

Michael W. Phillips

Analyst, Morgan Stanley & Co. LLC

Okay. Thank you, Rick. That's helpful. I guess second question on the PYD piece as well. It was – you said two-thirds of it was attritional. Can you talk a little bit more about what you mean by that and specifically areas where that was coming from on the attritional side?

Richard L. McCathron

President & Director, Hippo Holdings, Inc.

Yeah, Michael, the phone dropped a little bit. Can you repeat that, please?

Michael W. Phillips

Analyst, Morgan Stanley & Co. LLC

Oh, sorry. Yeah. Two-thirds of your PYD (19 points was from attritional. I was just hoping you can add a little more color on what you mean by that, where you're seeing that on the attritional side. Another quarter of favorable development there.

Richard L. McCathron

President & Director, Hippo Holdings, Inc.

Yeah. This is also – we got it. I understand your question now. This is also complex when you have a shifting portfolio geographically, because in states where we've been heavily exposed to catastrophe, like Texas and California, those states have particularly high weather or PCS-type loss ratio.

As we start diversified into states that have almost all their loss ratio is attritional, we'll use Arizona as an example, then you actually see, while you're balancing the portfolio, attritional losses going up as you write more business in those areas that sometimes masks the effect of attritional going down overall in your portfolio because of mix shift.

So, those are things that are, I think, relevant and it's difficult to judge it when you're in a period of correction as we have been. So, sometimes the numbers look a little wonky. Stewart, do you want to add anything? All right. There you go, Michael.

Michael W. Phillips

Analyst, Morgan Stanley & Co. LLC

Okay. No, thank you, Rick. One more for me, just kind of, you know, your thoughts on the inflation we're seeing on the property side for homeowners. I assume you're feeling it like everybody else is, and you're seeing that and reacting to all of your rate increases that you're taking.

But the question is, do you feel like because you're – a portion on that big or small portion of your business is from the homebuilder, therefore pretty new homes, does that insulate you more than competitors on inflation pressures, or does that actually make it worse?

Richard L. McCathron

President & Director, Hippo Holdings, Inc.

Yeah. Also great question, Michael. I'm going to tackle this two different ways. So, let's just talk about inflation generally. So, I mean, one word, it's volatile. The inflation increases and rebuilding costs, labor materials are going up dramatically. We actually have, I think, a competitive advantage over some of the incumbents, because what many incumbents do is they put an inflation guard that arbitrarily increases coverage A amounts at each renewal. We don't have that.

We re-underwrite every policy using all the data sources we have on that policy at each and every renewal. So, we are picking up significant increases in inflationary pressure each renewal. So, if severity, because of inflation, goes up 20%, when we re-underwrite that policy at renewal, the coverage A is going up 20%. So, we're able to stay ahead of it, I think, better than most. So, that's the first aspect of it.

The builder aspect of it is, obviously, the builder business performs very, very well. They are new construction homes. There's – you have fewer attritional losses in new construction homes. And therefore, since you have fewer attritional losses, those homes are not subject as much as homes that have higher attritional losses. The frequency in new construction is less than existing homes.

So, I think it helps not necessarily to a meaningful amount as it relates to inflation and severity. I think the first aspect I mentioned has a far greater impact.

Michael W. Phillips

Analyst, Morgan Stanley & Co. LLC

Okay. Thanks, Rick. That makes sense and congrats on the quarter.

Richard L. McCathron

President & Director, Hippo Holdings, Inc.

Thanks, Michael.

Operator

Thank you. The next question today comes from Alex Scott from Goldman Sachs. Alex, please go ahead. Your line is now open.

Alex Scott

Analyst, Goldman Sachs

Hey, good morning. First one I had is on the MGAs. I just was interested if you can provide an update on how those are going in terms of coming online. And could you also talk about what that may allow you to do as we think through the back half of the year? Is it just more capacity or does it actually allow you to underwrite risk that you weren't underwriting before? Does it allow you different geographies, etcetera?

Richard L. McCathron

President & Director, Hippo Holdings, Inc.

Yeah. No, Alex, good question. By MGAs, I assume you're talking about the partnerships we have with Incline and Ally.

Alex Scott

Analyst, Goldman Sachs

Yes.

Richard L. McCathron

President & Director, Hippo Holdings, Inc.

Okay. Perfect. There's really two benefits that we have with those partnerships. The first benefit is it helps us with our capital-light structure. We utilize their balance sheet to grow the business instead of infusing additional capital into our own balance sheet, which is Spinnaker. So, that's one aspect.

That's important, but not the most important aspect. The most important aspect is what I mentioned earlier, our ability to have multiple programs, multiple rate filings, and further granular segmentation in each and every state really allows us to better match price and risk.

Now, historically, we've essentially had one underwriting company that was Spinnaker. Yes, it's a fairly sophisticated rating algorithm. It's by peril. We have lots of granularity. But you can never get the level of granularity that you would get if you have multiple carriers and underwriting companies.

Finally, as we launch new companies in the States, the time for those products to go live is usually compressed because the regulator is not as concerned about dislocation of current customers, because those new underwriting companies have no current customers. So, all of that accelerates the timeline in which we can take on rate. It gives us granular segmentation. And it does support our capital-light structure.

Alex Scott

Analyst, Goldman Sachs

Got it. Thank you. And second one I had for you, I guess just in light of the droughts going on in California and some concerns the wildfire season is going to be pretty bad this year, could you talk about sort of where you are geographically in California? And any nuances to maybe your exposures relative to the areas that get hit by wildfires?

Richard L. McCathron

President & Director, Hippo Holdings, Inc.

Yeah. It's also a great question. We are not overly exposed to wildfire concentration. So, we historically have used fire line as our risk meter for that. Fire line goes from 0, which is the least exposed; all the way up to 30, which is the most exposed.

In places like California, we only do fire line 0 and 1, so not overly exposed. We've actually switched or in the process of switching to a better metric. But our appetite for brush fire/wildfire exposure has not changed. We are very conservative related to that.

Alex Scott

Analyst, Goldman Sachs

Got it. All right. Maybe if I could sneak one last one in. I mean, just looking at where your stock's trading, obviously, there's been a lot going on with what's happened with growth stocks and so forth. But with where it's trading, I mean, do you think about anything differently? Is there anything strategic that you can do to do something about where your stock is traded down to? I mean, even just looking at it relative to book value per share at this point.

Assaf Wand

Chief Executive Officer, Co-Founder & Director, Hippo Holdings, Inc.

Hi, Alex, it's Assaf. In short, we basically believe that we're building a valuable company. We keep on managing the company. We keep on improving on an ongoing rate. Basically, we live our life in a very simple way, which we say what we do and we do what we say. And this is what we're doing in all of this quarterly call. We said we're going to keep on reducing the loss ratio, and this is what we're focused on. We basically reiterate the growth and where we're going to end our year.

And this is what we're doing. The market – we can't control the market. We don't like where it is. We think it's – the stock is not where it should be, but we're focused on growth. And we're actually very optimistic and have more conviction than ever in the company and the future. So, this is what we're focused on. And I think this quarter is a good testament for that.

Alex Scott

Analyst, Goldman Sachs

Okay. Thank you.

Operator

Thank you. [Operator Instructions] The next question today is a follow-up from Yaron Kinar from Jefferies. Please go ahead. Your line is now open.

Yaron Kinar

Analyst, Jefferies LLC

Hey. Thank you. I'm curious, given the REIT underwriting and the amount of actions you've taken year-over-year, have you tried to kind of model where 1Q 2021 would have come in based on the current portfolio from a loss ratio perspective?

Richard L. McCathron

President & Director, Hippo Holdings, Inc.

We have. I don't know if we could share that. I'm going to punt over to Stewart. But, of course, we have. But I'm not sure that's something that we would share.

Stewart A. Ellis

Chief Financial Officer, Hippo Holdings, Inc.

Yeah. I think what we can say, which is probably obvious, is that given the increased diversity in our book today versus last year, the impact of the Winter Storm Uri and other PCS cat events that we had last year, they would be smaller obviously than they were in 2021.

And part of – I don't think we've quantified that publicly. But it's part of the overall growth strategy and the diversification strategy that we have. So, those pieces of Texas represent a smaller piece of our overall book today than they did a year ago. And mathematically, the book is more diverse and each of those would have a smaller impact.

Richard L. McCathron

President & Director, Hippo Holdings, Inc.

Yeah. Yaron, suffice it to say, if we hadn't been taking the actions that we've been working hard to take, the loss ratio would look very, very differently.

Yaron Kinar

Analyst, Jefferies LLC

Yeah. No doubt. Okay. And then second follow-up if I could. So, you talk about the homebuilder customers being of the highest quality, I guess, or the best performers in the book. Could you maybe give us a sense of what portion of those customers remain with the company after year one, after year two, or maybe how that compares to the rest of the book?

Richard L. McCathron

President & Director, Hippo Holdings, Inc.

Yeah. Hi, Yaron. This is Rick. I don't think we've broken out the retention by channel, but in general in the homeowner space and I think in particular with Hippo, given the high levels of customer satisfaction, like we do feel like the book that we are building has enduring value.

I think you can see in the numbers, our marketing expense was pretty similar to last year, but our book is still continuing to grow. It's not that we're having to replace a large number of people who churn out every year. We feel really good about the premium retention across all of our channels. And so, we're excited about our ability to continue to invest in that piece of the business.

Stewart A. Ellis

Chief Financial Officer, Hippo Holdings, Inc.

Yeah, Yaron. One thing I would add too, because a question people would probably start thinking about is, as those homes age, what happens to the loss ratio of those particular business? And suffice it to say, we have a strategy both on retention and pricing that as the home ages, to create more of a standard type rating methodology that we would have at a similar home at similar age.

So, I think that's something that others that have been in the space have not done a great job with. And we have a very strong strategy to support those homes as they age to help both retention and underwriting.

Yaron Kinar

Analyst, Jefferies LLC

Thanks, and thanks for preempting my next question. Thanks so much and good luck.

Richard L. McCathron

President & Director, Hippo Holdings, Inc.

Thanks, Yaron.

Operator

Thank you. There are no additional questions waiting at this time, so I'd like to pass the conference over to Assaf Wand for closing remarks.

Assaf Wand

Chief Executive Officer, Co-Founder & Director, Hippo Holdings, Inc.

Thank you. I just want to reiterate that this was a very strong quarter for Hippo and we continued making progress on all fronts. We're actually very optimistic for the future and wanted to thank everybody for joining our call. Thank you.

Operator

That concludes the Hippo first quarter 2022 earnings call. Thank you for your participation. You may now disconnect your line.