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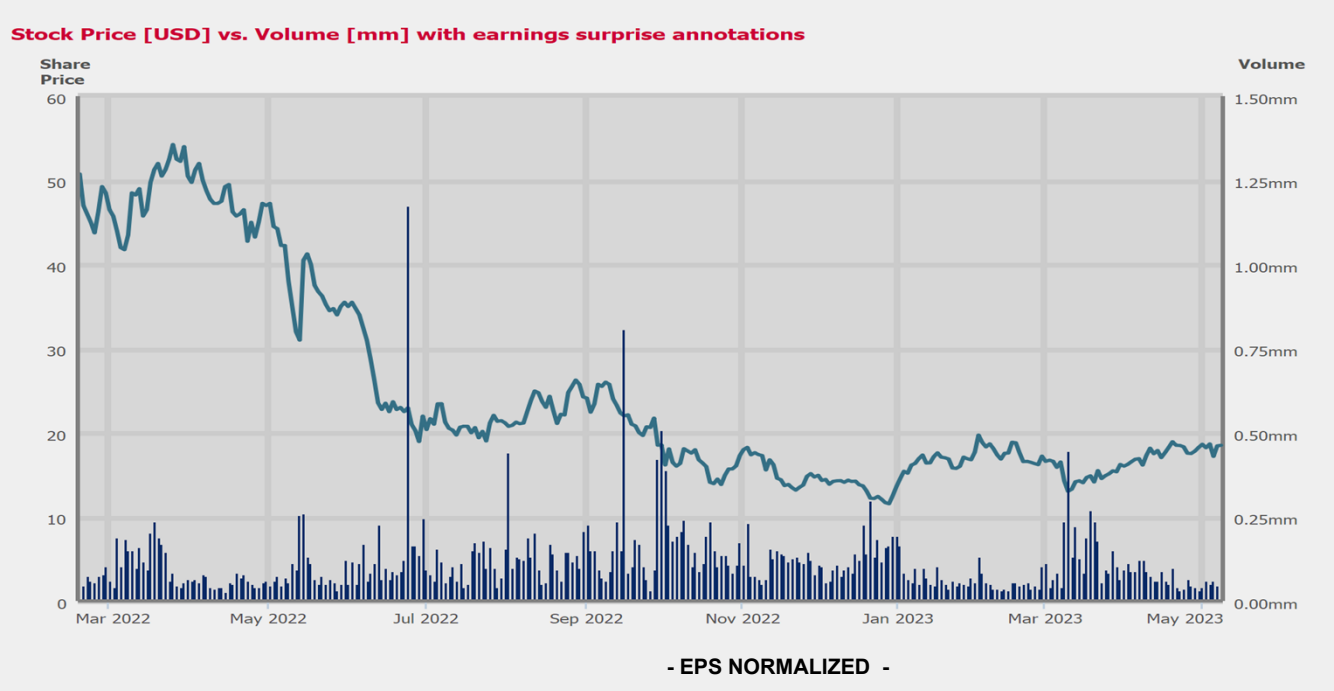
FQ1 2023 Earnings Call Transcripts

Tuesday, May 9, 2023 12:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2022-			-FQ1 2023-	-FY 2022-			-FY 2023-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	(2.63)	NA	NA	(2.32)	(12.93)	NA	NA	(8.20)
Revenue (mm)	34.13	NA	NA	32.27	118.05	NA	NA	178.68

Currency: USD
Consensus as of Apr-18-2023 3:47 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2022	(2.25)	(2.92)	NM
FQ2 2022	(2.75)	(3.28)	NM
FQ3 2022	(2.84)	(3.21)	NM
FQ4 2022	(2.63)	(2.70)	NM

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Presentation

Operator

Hello, everyone, and welcome to the Hippo Q1 2023 Earnings Call. My name is Chach and I'll be the coordinator for this conference. [Operator Instructions] I would now like to hand over to Cliff Gallant to begin. Please go ahead.

Clifford Henry Gallant
Vice President of Investor Relations

Thank you, operator. Good morning, everybody, and thank you for joining Hippo's First Quarter Earnings Conference Call. Earlier, Hippo issued a shareholder letter announcing its results, which is available at investors.hippo.com. Leading today's discussions will be Hippo's Chief Executive Officer and President, Rick McCathron, our 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 are 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 could 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, in particular, in the section entitled Risk Factors.

All cautionary statements 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 the full reconciliation to GAAP can be found in the first quarter 2023 shareholder letter which has been furnished to the SEC and available on our website. And with that, I'll turn the call over to Rick McCathron, our President and CEO.

Richard Lyn McCathron
President, CEO & Director

Good morning, everyone. 2023 is off to an excellent start for Hippo. We're growing, hitting our goals for operating efficiency, and we continue to have the financial strength to execute on our plans with confidence. We have made significant strides towards profitability and remain on track for achieving adjusted EBITDA profitability by the end of 2024. As I mentioned on our fourth quarter call, Hippo's long-term success comes down to 2 simple things. First, we need to make the experience of being a Hippo customer the best around.

One of our most significant projects in 2023 is building a differentiated consumer agency business. Our aim is to offer the superior Hippo experience to all of our customers, whether they are buying a Hippo home insurance policy or a product from one of our partner carriers. Currently, just over 10% of our customers are buying more than one product through the Hippo agency, and we expect this percentage to grow substantially over time.

Our goal is to delight our customers by exceeding their expectations as their partner in proactively protecting their homes. One tangible example of this strategy is our Hippo Home Care service. I'm happy to report that our new Home Care app is now available for download through both the Apple and Android app stores for all U.S. homeowners even if they are not yet a Hippo customer. Through the app, a homeowner can receive a Hippo Home Care health score, along with maintenance checklist of activities and simple DIY instructions on how to improve their score. You should give it a try.

The second key component of long-term success is continuing to use our technology to execute at a high level, the financial and operational fundamentals of insurance. As we've discussed previously, our top priority is improving the loss ratio for our Hippo home insurance program.

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In the quarter, the U.S. home insurance industry was impacted by high winter weather activity, including 17 atmospheric rivers in California, our second largest state. However, looking beyond the bad weather, our current accident year gross loss ratio, excluding PCS defined cats was 60%, a substantial improvement versus Q1 2022 comparable of 78%. The primary drivers of this improvement were our recent actions in rate and pricing, improved geographical diversification and our continued success in attracting our generation better customers. And this is just the beginning.

In 2023, we've submitted filings impacting 46 of our managed products covering 81% of our premium volume, with 30 of those already receiving regulatory approval, covering half of all of our premiums. And this is just the first quarter. We expect these filings to continue our momentum, further improving our rate segmentation and accuracy. Cumulatively, we have introduced 18 new data-driven rating variables into our rating plans over the last 2 years. These variables continue to move us down our path of creating a differentiated pricing plan that partners with customers on risks to their home and provides the customers a financial incentive to make improvements.

Finally, our technology platform also allows us to benefit from operating leverage as we scale. Operating expenses, excluding loss and loss adjustment expense, were essentially flat versus the prior year quarter, falling as a percentage of TGP from 44% last year to 29% for this quarter. As we've said in the past, much of the heavy development costs of our platform are behind us. and we're rapidly moving towards a period of sustainable, profitable growth. Thank you. Now I'll turn the call over to our CFO, Stewart Ellis.

Stewart Andrew Ellis
CFO & Treasurer

Thank you, Rick, and good morning, everyone. We have continued our execution momentum from last year and are off to a great start in 2023. Top line growth remained strong with TGP and revenue growing at 59% and 62%, respectively, year-over-year. We continue to improve our underlying loss ratios with the Hippo home insurance program core loss ratio coming in at 60%, an 18-percentage point improvement over the comparable figure from a year ago. And we are achieving expected increases in operational efficiency as we scale with operating expenses roughly flat year-over-year while growing TGP and revenue.

Our adjusted EBITDA was negative $52.1 million versus negative $48.5 million in the prior year quarter, driven by excess PCS catastrophic weather losses and higher-than-normal non-cat weather that had a net impact of $7.5 million on our P&L during the quarter. As we discussed last quarter, we're excited to begin reporting our financials in 3 segments to align with how we are managing the business in 2023. In the Hippo home insurance program segment, we continued to expand the size of our policy portfolio while making significant progress on our path to profitability.

TGP and revenue grew quickly in the quarter, up 17% and 48%, respectively, year-over-year. As we said last quarter, we expect the pace of 2023 TGP growth to be restrained in this segment relative to other parts of our business, as we continue to focus on improving our loss ratio. For revenue, we expect strong growth for the remainder of 2023, as our 2023 reinsurance treaty drives higher earned premium volumes as we realized the benefit of higher yields on our investment portfolio. The Hippo home insurance program-specific gross loss ratio was 101%, including 41 percentage points of PCS defined catastrophic weather losses.

The quarter included unusually heavy rain and snow in parts of California, our second largest market. The core non-cat gross loss ratio of 60% was an 18-percentage point improvement versus the prior year quarter reflecting the benefits of the pricing and underwriting actions that we took in 2022. We expect significant continued improvement as these actions have more time to earn into our financial results. We are continuing to leverage our nimble technology platform to fine-tune and calibrate our rating plans and have submitted filings already in 2023 that impact 46 of our managed products, covering 81% of our premium volume. As we have previously stated, we expect our gross loss ratio to reach the mid-60% range by the end of 2024.

Our segment operating expenses, excluding losses and loss adjustment expense, have improved materially as a percentage of TGP to 27% versus 40% in the prior year quarter. We are showing a flattening in sales and marketing spend and lower technology and development costs as we continue to focus on expense discipline and expect ongoing improvements as we grow. Our Hippo homeowners insurance program reported an adjusted EBITDA loss in the quarter of $44.3 million versus $39.7 million a year ago, primarily due to the excess catastrophic weather in the quarter.

In our Services segment, which includes our Hippo agency, First Connect, and our Hippo Home Care business, we delivered TGP of $97.9 million, up 29% over the prior year quarter while revenue was up 32% to $9.8 million. Our Services businesses are fast-growing, and fee oriented with high LTV characteristics. We continue to invest aggressively in our platforms to provide differentiated services for our customers across all our businesses. Within the Hippo agency, builder partnerships are driving both new and renewal business, and we're excited about the launch of our program for small homebuilders through our recently launched homebuilder insurance agency.

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At First Connect, we continue to sign up new agencies and insurers to the platform and now support access to over 70 carriers and insurers for thousands of independent agents. As Rick mentioned earlier, Hippo Home Care recently launched our Hippo Home Care app nationwide for all U.S. homeowners. Services also demonstrated favorable operating leverage during the quarter. The adjusted EBITDA loss was $10.8 million in the quarter, reflecting continued investments in brand advertising and technology but an improvement from the $11.4 million adjusted EBITDA loss a year ago as our operating expenses declined by 46 percentage points of revenue.

In our Insurance as a Service segment, we leverage the capital and insurance licenses of our fully owned Spinnaker carrier to provide capacity to third-party MGAs, creating diversified income through fees, underwriting profits and investment income. This segment had a great start to the year with record growth rates and a positive $3.2 million contribution to adjusted EBITDA. Total generated premiums were $104 million, up 156%, driven by both new and existing programs. Revenue growth was also strong at $12.9 million, up 84% versus a year ago.

Turning to our strong balance sheet. Our cash and investments were $620 million at the end of the quarter, down $20 million from the end of December. And Spinnaker statutory surplus was $169 million at the end of the quarter, up $4 million from the end of December. We also announced a $50 million share repurchase program in late March and were able to repurchase a little over 25,000 shares through the end of the quarter. In the month of April, we continued the program repurchasing almost 44,000 additional shares. Finally, I'd like to review our 2023 guidance. With Q1 behind us, we are comfortable increasing our TGP guidance for the year. We now expect to exceed $1 billion of TGP in 2023 and versus our previous statement of nearing $1 billion. We now expect revenues to be up over 45% for the year versus prior guidance of over 40%. And we continue to expect an adjusted EBITDA loss of $147 million for the full year 2023. And finally, I'd like to reiterate our expectation of turning adjusted EBITDA positive which I'll note definitionally excludes our investment income by the end of 2024. Thank you, everyone. Now we'd be happy to take your questions.

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Question and Answer

Operator

[Operator Instructions] Our first question today comes from Thomas McJoynt from KBW.

Thomas Patrick McJoynt-Griffith
Keefe, Bruyette, & Woods, Inc., Research Division

The first one, in terms of the rating actions that you guys have filed and implemented, where do you stand on that progress? If you could sort of distinguish between filed win rate that is meant to just keep pace with whatever your assumptions are for the ongoing inflationary loss trend versus other actions that you think of kind of outside of this inflationary environment, as you get towards that mid-60s goal.

Richard Lyn McCathron
President, CEO & Director

Yes. No, thanks, Tommy. It's Rick here. It's a bit of a loaded question, but I'll go ahead and answer it from my perspective. Based on our current view of rate adequacy, we really do think the actions we took last year that continue to work themselves into the book and the actions that we're taking this year. By the way, of our actions this year, more than half has been approved from a regulatory perspective. So we think based on our current view, we think that things are exactly on pace of what we plan to hit our, both guidance and our target to profitability. That said, we also believe that sort of being rate adequate is never really done.

Our view changes as we get additional data sources as we refine our rating algorithms as we get a further view of what's going on with the weather. So we think it's an ongoing process, frankly. And one of the significant advantages that Hippo has versus others is our tech stack and our ability to take that current view and quickly bring it to market gives us a very competitive advantage in an ever-changing world. So we think we're on track for everything that we currently have planned, but our actuarial team continues to bring new underwriting sources, new data sources, new view of rate. I mean, we'll take the actions quickly. It is the combination of both what we're doing for underlying inflation and what we view as things that are changing in the environment.

Thomas Patrick McJoynt-Griffith
Keefe, Bruyette, & Woods, Inc., Research Division

Got it. Thanks. And then looking at the operating expense lines on the income statement. Could you walk through which pieces there are more variable and which pieces are -- should we think of that as more flat line from here?

Stewart Andrew Ellis
CFO & Treasurer

Sure. Thanks, Tommy. This is Stewart. I'll try to take your question and happy to have Rick join in if he has things to add. Obviously, within the expense line, the most variable one will be loss and loss adjustment expense, that's related both to the volume as well as the underlying weather, which as we saw in this quarter was a bit higher than normal for our business due to the weather in California. Insurance-related expenses is also going to be volume related. That reflects some of our distribution and underwriting costs.

The remaining item, second development, sales and marketing and SG&A or -- excuse me, G&A. Those are going to be more fixed. Sales and marketing will grow over time relative to the others, but we've been very focused on expense discipline over the past year or so in sales and marketing. And I think that we'll see efficiencies there as we progress through the rest of the year. We did have a little bit higher G&A expense in the first quarter, but the majority of that was related to a onetime repricing of options, which drove higher stock-based compensation in the quarter. So I wouldn't look at that as an ongoing increase. And it also is not a cash item.

Operator

The next question on the line is from Alex Scott of Goldman Sachs.

Alexander Scott
Goldman Sachs Group, Inc., Research Division

First one I have for you is on the net loss ratio. I know it's not a perfect metric, and there's a lot of issues we're looking at it. But at the same time, it's been high. I think under the new reinsurance program, it's expected to trend down to something that's more aligned with the gross loss ratio. And this quarter -- I think that takes a few quarters or a handful of quarters to earn in. But this quarter seem to go

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the opposite direction. I just wanted to see if you could help us understand like why that happened and if it changes anything about the trajectory of where it will go over the next few quarters?

Stewart Andrew Ellis
CFO & Treasurer

Yes. Happy to take that one. Alex, this is Stewart. So you're exactly right. It did go up a bit year-over-year in the first quarter. That's primarily due to the excess catastrophic weather in California due to the rain and snow. But the broader comment is exactly on point. It is a function of the business model change from 2022 to 2023. And by that, I mean we are ceding off a lot more of the premium in 2022 than we will be in 2023. And so we're just looking at a very small denominator earned premium in 2022 as the new treaty earns in over the course of the year, that problem addresses itself and that number will come down into line with the gross loss ratio as that 3 years in. The way to think about this, I think, when a business is ceding off as much of the risk as we are as an MGA is that if you're really looking at the underlying economics, you've got to look at the commission we're getting from the reinsurers.

Since we participate a bit in the loss and loss adjustment expense on business that we don't retain in the 2022 treaty. You need to look at both of those things together. But that will get easier to understand, and that effect will lessen dramatically over the course of 2023.

Alexander Scott
Goldman Sachs Group, Inc., Research Division

Got it. Okay. I guess that comment on the commissions and so forth. Should we take that to most of what's affected the net loss ratio at the moment has more to do with catastrophe losses from last year as opposed to attritional losses? Or is it some combination? Just trying to think through how to take that with the attritional loss ratio information you've given us to understand what things would look like under the new treaty.

Stewart Andrew Ellis
CFO & Treasurer

Yes, it's a great question. I think as you pointed out, we've had strong improvement in the attritional loss ratio every year, especially in the in the Hippo home insurance program segment, specifically, down 18 points year-over-year or an improvement of 18 points year-over-year. In the first quarter, the reason the net loss ratio went up despite the improvement in the underlying core loss ratio is the weather. And our 2022 treaty, which penalizes us a little bit more than in other treaties in 2021 or 2023 for weather-related losses is the one that is the primary earning treaty in the first quarter of this year.

First quarter of last year is primarily the 2021 treat. So the 2022 treaty became more prominent over the course of 2022. The 2023 treat will become more prominent over the course of the rest of this year. So as I said before, we should see that net loss ratio come down dramatically and be under 100% by the end of the year.

Richard Lyn McCathron
President, CEO & Director

Yes, Alex. One thing that I would add to is fully agree with Stewart, and thanks for identifying it. The core attritional loss ratio really has come down. Weather for the quarter was more than the quarterly forecast, but still in line with our annual forecast. So when we look at what we believe our weather pick and our cat loads will be for the year. We do so in a very detailed way. And then we try to best match whether from historical patterns and time it with what month or what quarter it will impact. Despite the heavy rains in California, we still stand very consistent on our annual pick of weather.

It was a simple fact of the matter that before storms come, they don't check the calendar to see what months they're in or what quarter they're necessarily. But we still feel very good about our annual pit for weather.

Operator

The next question on the line is from Matt Carletti from JMP.

Matthew John Carletti
JMP Securities LLC, Research Division

I was hoping, particularly in a quarter where our top line and loss ratio, both are very good. Maybe you could kind of zoom out a little bit and just talk a bit about how you think about balancing those 2? Balancing the opportunity for growth alongside profitability or loss ratio improvement?

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Stewart Andrew Ellis
CFO & Treasurer

Yes, happy to take that one. I do think that Q1 was a good example of how in our business it isn't really always the case of trying to balance growth and loss ratio. In our case, I don't think excess growth relative to what we were expecting at the beginning of the year or higher growth than what we were expecting compromises loss ratio improvement at all. And I think we see that in the financial results. I think that is because there's a few factors that play. First, there are meaningful pieces of our business where loss ratio is either wholly unrelated to the economics of the business or only loosely related to the economics of the business. In the Services business, we have no exposure to loss ratio at all and then in the Insurance as a Service business, we have loss ratio exposure in the tail, but it's not the primary driver of the economics.

In the Hippo home insurance program segment, our goal is to converge to our long-term expected target loss ratio as quickly as we can. So in that area of the business, we don't make compromises around loss ratio in order to grow more quickly. But one of the advantages we have is that many of the areas where we are growing are actually beneficial to our long-term loss ratio.

So we have strong partnerships with the builder part of the market. And the more builder business we write, the better our loss ratio becomes more quickly. And so we -- I'll reiterate that we feel very confident in our ability to grow while improving the loss ratio. Q1 is a good example of that with the exception of the weather that we've already talked about. But we are committed to bringing the loss ratio down, and we're not going to sacrifice that to grow more quickly. But we do think we can do both.

Richard Lyn McCathron
President, CEO & Director

Yes, Matt, I just want to reiterate that our -- we have 2 primary focuses as a company. The first primary focus is getting our loss ratio as quickly as possible to our long-term goal. Our second commitment is getting to EBITDA profitability by Q4 2024. So neither one of those are we wavering on bit and we're continuing to drive to those with great confidence.

Operator

The next question on the line is from Yaron Kinar from Jefferies.

Andrew E. Andersen
Jefferies LLC, Research Division

This is Andrew on for Yaron. Premium retention has been pretty strong here. But if we think about it on a customer retention level, I assume there's some offset just given the strong pricing in the premium retention from perhaps customer. But can you kind of help us think about some of the initiatives there to keep the customer count and retention pretty strong despite the pricing increases?

Stewart Andrew Ellis
CFO & Treasurer

Yes. Happy to start on that, Andrew, and then Rick can add more. We are -- as we think about customer retention and premium retention, our first priority is to make sure that we offer our customers, whether they are customers of the Hippo program or whether they're customers of the agency, more broadly, a high-quality, differentiated customer experience. The services that we're building in and around the agency customer experience, we think are unlike anyone else in the industry. We're taking a proactive approach to partnering with our customers to help them better maintain and protect their home.

And we are also offering them third-party products like auto and other lines as an agency in order to better meet their broader spectrum of insurance needs. Generally, we hope that insurance is a product that we'll never have to use. But when we do need the insurance to come into play, we want to be there for our customers and their times of need. And so I think the broader strategy here is to continue to build a relationship with our customer through the noninsurance services that we're offering, while offering third-party products where it's appropriate.

Richard Lyn McCathron
President, CEO & Director

Yes, Andrew, the few things I would add to that is, historically, sort of the atomic unit of a Hippo customer was a Hippo policy. And that is changing. We're taking much more of a view around the particular customer, the cross-sell components of other products we're adding and the addition of Hippo Home Care. So as Stewart said, our view is very simple. We want to maximize the needs for those customers and really starting to shift more of a sort of a revenue per user kind of mindset as opposed to how much revenue

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we're getting from a particular Hippo policy with a particular customer. We have just started to scratch the surface on these cross-sell components, and we're gaining real traction, and we think that, that will continue over time.

Andrew E. Andersen
Jefferies LLC, Research Division

Great. And it sounds like there's a lot of progress, and we're seeing it in the expense control, but we're not really seeing it materialize yet in adjusted EBITDA. Can you help us think about why we're not seeing that yet in the bottom line and perhaps I could look for the next -- for the rest of the year?

Stewart Andrew Ellis
CFO & Treasurer

Yes, Andrew. Happy to take that. I think the first component we talked about this already absent the weather, we would have the excess weather over kind of what we've built into the rate plan, adjusted EBITDA would have improved quarter-over-quarter and year-over-year. The other factors at play, though, are the way our individual reinsurance treaties earn out over the course of the year. And so as we said, when we did the annual guidance, the improvement in EBITDA is going to be back-end loaded, and that's driven by 2 factors.

It's driven by the fact that a lot of the rate action that we took last year and certainly, the rate action that we've taken this year so far has not yet had a chance to earn its way into the financials.

And secondly, the 2022 reinsurance treaty, which is the one that has economics that are worse than the 2023 reinsurance treaty, hasn't had time to fully earn out of the financials. And so what you're going to see over the course of the rest of the year is improving loss ratio due to the rate and pricing actions we've taken earn into the books. While at the same time, the underlying reinsurance economics improve over the course of the year as the 2023 treaty becomes the more dominant earning treaty. Those two things will work together to show meaningful improvements in adjusted EBITDA loss into the -- as we get into the second half of the year. So you can see it step down dramatically in the second half.

Andrew E. Andersen
Jefferies LLC, Research Division

Great. And did you share the level of rate taken for those 46 products and 81% of premium year-to-date?

Stewart Andrew Ellis
CFO & Treasurer

Yes. I think we've said publicly before that we're planning for a kind of high teens level of rate this year. And that would be independent of the underlying increases in coverage that we talked about earlier or increases in rebuilding costs and other things. One of the advantages we have is the way our filings work. Those are automatically factored in as we rerun the rebuilding cost estimate, every time we renew a policy. And so we should be more current than most on inflation-related items, but beyond that is the rate that we're taking.

Richard Lyn McCathron
President, CEO & Director

Yes, sort of back to Tommy's question earlier that high teens that Stewart quoted is a combination of our view of inflationary trends and what we need to take to continue to improve the underlying results.

Operator

[Operator Instructions] The next question is from Pablo Singzon from JPMorgan.

Pablo Augusto Serrano Singzon
JPMorgan Chase & Co, Research Division

Stewart, just wanted to follow up on your comment about incorporating ceding commissions and evaluating Hippo net loss ratio. I think you disclosed that number annually. And if you compare that again ceded earned, that's about a 7% ratio, pieces I'm looking at '21 and '22. Is that a fair number to you this quarter and in subsequent periods?

Stewart Andrew Ellis
CFO & Treasurer

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Pablo, I'm sorry, I had a little trouble hearing the beginning of your question. Could you repeat it for me?

Pablo Augusto Serrano Singzon
JPMorgan Chase & Co, Research Division

Yes. Sorry about that. So I'm just following up on your comment regarding incorporating ceding commissions and evaluating Hippo net loss ratio. And I think you disclosed ceding commissions annually in the K. And if you compare those commissions, they're going to see that earned premiums, that's about a 7% ratio, if I'm doing my math correct. So I guess the question is, is that a fair number to ease this quarter and in subsequent periods?

Stewart Andrew Ellis
CFO & Treasurer

Yes. So I think your question is about the relationship between the ceded written premium and the ceded earned premium more generally because that will be the similar relationship to the ceding commission. So in the 2022 treaty, we seated off about 90%, I think we retained around 11% of the risk prior to the cat XOL structure being on top of the program. In the 2023 treaty, that's closer to 40% and so the best way to think about this is what percentage of the policies are on each of the treaties over the course of the year. So on January 1, no -- 0% of the policies would be on the 2023 treaty. As you get into -- by the end of the quarter, something like an 8% because not all policies are written on January 1.

And so you should see it progressively transition to that higher level of retained premium over the course of the year. And if we need more detail, I think we can probably take that off-line. But if you just look at the written premium in 2022 and balance that with the renewal book that we have in 2023 plus the new business you should see it converge by the end of the year to the higher level.

Pablo Augusto Serrano Singzon
JPMorgan Chase & Co, Research Division

Okay. And then my second question was about your new disclosure on the loss ratios for consolidated Hippo and the Hippo home insurance program. I presume the gap there is explained by other programs in Spinnaker. I was just wondering if you can just talk through that other non-Hippo home insurance program and Spinnaker or is that gap from other types of programs? And if yes, what are the 2 or 3 major programs that you can call out?

Stewart Andrew Ellis
CFO & Treasurer

Yes, happy to take that. I think you're right. The delta between the Hippo home insurance program loss ratio and the consolidated gross to loss ratio relates to a business that is written on Spinnaker by non-Hippo programs. As we said in the past, the actual economics of those programs as they flow into our financial results are really more fronting fee-based economics because we don't -- in some cases, we retain 0% to the risk in other cases, it's a little bit higher than that.

But we do buy robust catastrophic corporate cat on top -- excuse me, corporate cat reinsurance on top of that to buy the volatility out of the results.

So we target a net fronting fee at the insurance as a service level. So while you'll see the loss ratio move around based on things that are going on at those individual programs, we're underwriting the program and not the individual policies associated with that, which is why we retain so little of a risk. And so I'm not sure that's a meaningful driver of our segment level economics at Insurance as a Service or as of the consolidated financial results. But we're happy to go through. I'm sure Rick can talk a little bit about the kinds of programs that we write on that platform.

Richard Lyn McCathron
President, CEO & Director

Yes. One thing I would add to is -- and we've talked a little bit about this, but just to make sure everybody understands, when we talk about Insurance as a Service, and we talk about we're really not overly exposed to underlying risk there. We have some [tel] exposure as a carrier, but not exposed to underlying risk. I think you have to understand sort of how that transpires. So first of all, many of the programs, as Stewart said, we take no risk. It's -- we're merely a fronting carrier. Some of the programs, we take some risk, but each program also has its own reinsurance panel, program-to-program to handle it.

In addition to that, if we do get into a situation where it impacts for the spin occur loss ratio from a net basis, we also have corporate cat as an umbrella over all the programs, inclusive of the Hippo program over all of the various Spinnaker programs. So when we decide to take a particular program, we generally look at, does it create a mechanism by which we can diversify the overall portfolio

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from a cat purchase perspective. So many of the programs are not property-related programs. We -- I don't know that we've disclosed the program specifically and I'd be hesitant to do so without permission of those individual programs. But again, the Insurance as a Service is not overly impacted or very minimally impacted, I should say, to individual loss performance.

Stewart Andrew Ellis
CFO & Treasurer

Yes. Just as it relates to the programs that we support, and I think what we can say is, generally, it's larger MGAs that can operate at scale that have great track records. We support some E&S programs where they can quickly raise rates to respond to market conditions as they're changing. We have some non-correlated programs that are not property exposure on the book. And then we also try our best to support some insurtech startups and other partners that have some strategic alignment with Hippo.

So when you think about it, it's -- for us, it's an additional way to monetize the balance sheet that we have today. But I'd say the primary drivers there, the economics are the earned -- excuse me, the written premium, the fee income that we get from that and then to a limited extent in the risk that we retain.

Operator

We have no further questions. I'd like to hand back to the management team to conclude.

Richard Lyn McCathron
President, CEO & Director

Well, we appreciate each of you joining us in the -- this morning, and we could not be more thrilled with the progress that we've made in such a short period of time, and we expect that progress to continue. So we're looking forward to sharing our Q2 results in the coming months. Thank you, everybody.

Operator
This concludes today's call. You may now disconnect your lines, and enjoy the rest of your day. Thank you.

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