

Hippo Holdings Inc. NYSE:HIPO

FQ4 2023 Earnings Call Transcripts

Wednesday, March 6, 2024 1:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2023-			-FQ1 2024-	-FY 2023-			-FY 2024-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	(1.65)	(1.31)	NM	(1.20)	(10.69)	(10.83)	NM	(3.23)
Revenue (mm)	55.32	64.50	▲16.57	70.80	200.50	209.70	▲4.59	359.45

Currency: USD
Consensus as of Mar-07-2024 9:42 AM GMT

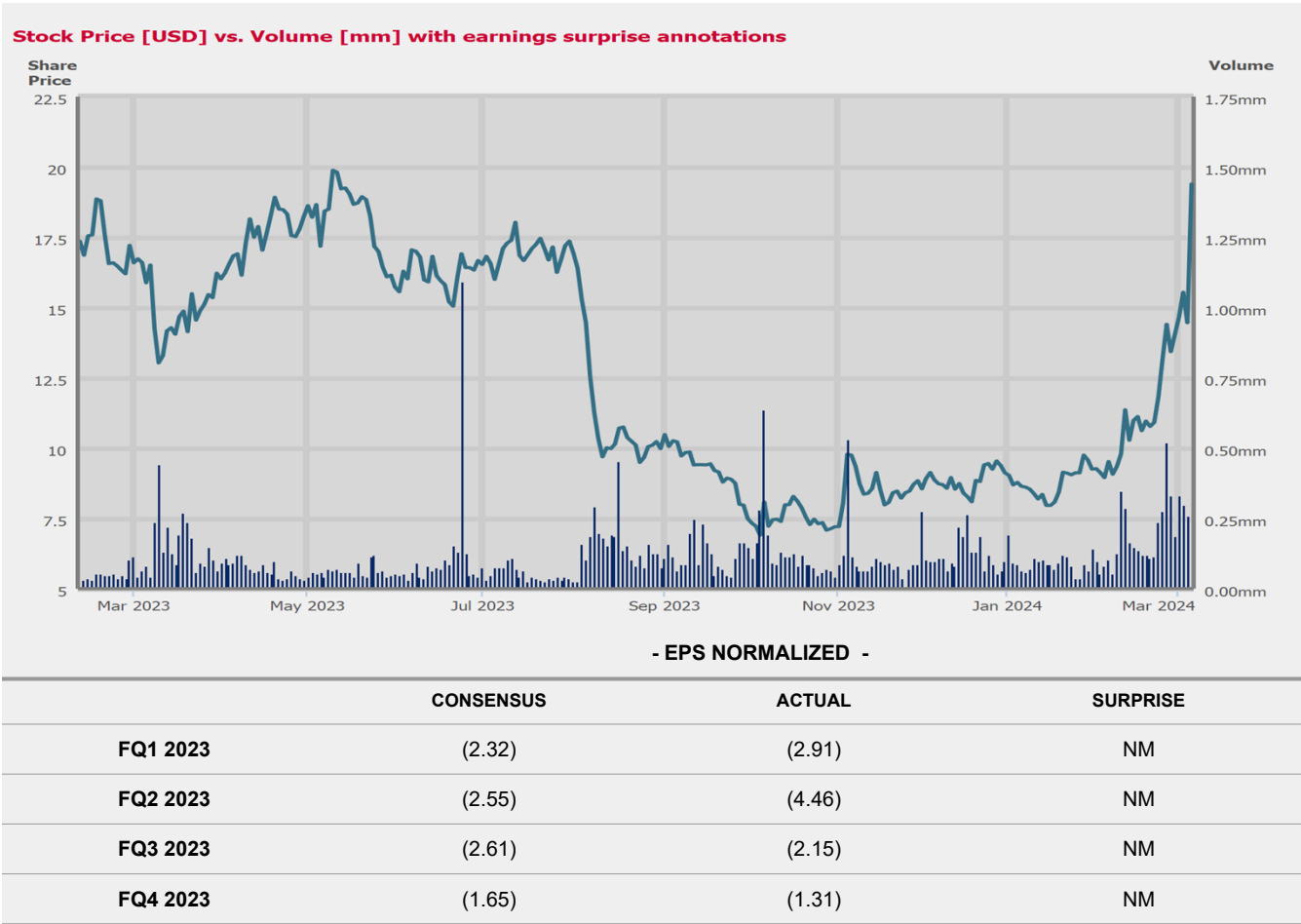


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Call Participants

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Richard Lyn McCathron
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Stewart Andrew Ellis
CFO & Treasurer

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Yaron Joseph Kinar
Jefferies LLC, Research Division

Presentation

Operator

Hello, everyone, and welcome to the Hippo Holdings Fourth Quarter 2023 Earnings Call. My name is Charlie, and I'll be coordinating the call today. You'll have the opportunity to ask questions at the end of the presentation. [Operator Instructions]. I'll now hand over to our host, Mark Olson, Director of Corporate Communications, to begin. Mark, please go ahead.

Mark Olson

Thank you, operator. Good morning, and thank you for joining Hippo's 2023 Fourth Quarter Earnings Call. Earlier today, Hippo issued a shareholder letter announcing its Q4 and full year results, which is available at investors.hippo.com. Leading today's discussion will be Hippo President and Chief Executive Officer, Rick McCathron; and Chief Financial Officer, Stewart Ellis. Following management's prepared remarks, we will open the call for questions. Before we begin, we'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 those 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 those SEC filings.

Do not place undue reliance on forward-looking statements as Hippo is under no obligation and expressly disclaims any responsibility for updating offering or otherwise revising any forward-looking statements, whether as the result of new information, future events or otherwise, except as required by law. During this conference call, we refer to non-GAAP financial measures, such as total generated premiums and adjusted EBITDA. Our GAAP results and description of our non-GAAP financial measures with full reconciliation to GAAP can be found in the fourth quarter 2023 shareholder letter, which has been furnished to the SEC and is available on our website. And with that, I will turn the call over to Rick McCathron, our President and CEO.

Richard Lyn McCathron *President, CEO & Director*

Good morning, everyone. The beginning of the new year always presents an opportunity to reflect on past, and internalize its lessons before moving forward with renewed enthusiasm and focus. In 2 short years, we have nearly doubled our total generated premium from \$606 million to \$1.1 billion, and more than doubled our revenue from \$91 million to \$210 million. All while lowering fixed expenses and improving the gross loss ratio on our HIPPO Home Insurance Program by approximately 40 percentage points. Over the past year, we learned that our customers want the ability to buy not just Hippo Home Insurance policies from us, but other kinds of policies from third-party carriers as well.

We have taken this to heart and refocused our consumer agency on finding the best policy for each customer regardless of the carrier. We believe that for our target customer, generation better customers, especially those who are buying a newly built home, a Hippo homeowners policy will be the best option. But if a customer is a better fit with another carrier, we will work to find the best option from across our 50-plus carrier partners. We also learned that there is a real need in the market for carrier services focused on servicing MGAs, where much of the innovation in the insurance market is happening. Our Spinnaker, Insurance-as-a-Service business has an industry-leading platform and robust underwriting processes that have allowed us to grow at an accelerating rate in 2023, while avoiding many of the pitfalls experienced by our competitors over the past year.

We are especially excited to have achieved this growth while expanding our operating margin in this already profitable portion of our business. Truly, a win-win for both Spinnaker and its MGA customers. And finally, we also learned that there are some risks and some geographies to which we prefer less exposure as we seek to improve the predictability and profitability of our Hippo Home Insurance Program. As discussed in the last quarter earnings call, in the second half of 2023, we launched an aggressive program to raise deductibles for wind and hail in certain geographies, and began non-renewing policies in higher cat areas, where we had excess concentration. These actions are intended to reduce exposure to the kinds of losses we experienced in the second quarter of 2023. A quick thought experiment illustrates how those decisions are paying off.

If we experienced the exact same hailstorms this coming year with the same level of severity, the program of deductible changes and selective non-renewals in cat concentrated areas that is currently in progress, would reduce Hippo's direct losses by approximately 55%. Moreover, because these changes that began last October take a full year to work their way through the policy renewal dates. The benefits in 2025 would be even greater. And almost 80% reduction in direct losses if the hailstorms from the second quarter of 2023 were to reoccur. These initiatives, when combined with the actions we took in the second half of 2023, to streamline our operations and reduce our fixed expenses, give us greater confidence that we are on track to achieve our profitability goals ahead of schedule, with a mix that is shifting towards businesses with lower volatility and higher predictability.

As we enter 2024, we believe we are incredibly well-positioned to compete for business in our core markets and our core customer segments. It's time for Hippo to go back on offense. Now, I'd like to turn the call over to our Chief Financial Officer, Stewart Ellis, to walk through the highlights of our full year and Q4 2023 financial results, as well as our expectations for the future.

Stewart Andrew Ellis
CFO & Treasurer

Thanks, Rick, and good morning, everyone. 2023 was a remarkable year for Hippo. We doubled down on meeting the needs of our customers, streamlined our operations, focused on segments of the market where we have a significant competitive advantage, and simplified our reinsurance structure. We exit the year as a business transformed by these efforts, increasingly predictable and with far clearer visibility into both how and when we will achieve profitability. During 2023, we grew TGP from \$811 million to more than \$1.1 billion, an increase of 40%. More important than the growth itself was how we achieved it. The parts of our business that are less exposed to underlying weather and underwriting volatility grew at an accelerating rate, while we significantly reduced our exposure to weather in our primary homeowners insurance program. During Q4, the most profitable and predictable components of our business, Insurance-as-a-Service and services collectively represented 77% of our TGP, up from 59% in the fourth quarter of 2021 and 65% a year ago.

We expect these trends to continue in the coming year, with TGP growing during 2024 to more than \$1.3 billion, with the services and Insurance-as-a-Service segments collectively representing 85% of total TGP by the final quarter of the year. During 2023, we grew revenue significantly faster than TGP, from \$120 million in 2022 to \$210 million in 2023, an increase of 75%. This growth was a result of increases in the scale of our Services and Insurance-as-a-Service segments combined with structural changes we made to our program-specific reinsurance structure at HHIP. In 2022, we retained only 12% of the premium associated with our homeowners policies but approximately 30% of the risk. In 2023, we were able to retain about 40% of the premium, but only 46% of the risk, significantly narrowing the gap between risk retention and premium retention, thereby getting paid more fully for the risk we retained.

By moving away from our past reinsurance structure and bringing premium more in line with the risk that we are retaining, we are able to monetize the insurance risk more effectively, which is a key driver of both revenue growth and profitability. We expect 2024 revenue to continue to grow at an accelerated rate relative to TGP. Rising more than 60% from \$210 million this past year to more than \$340 million in 2024. Importantly, we expect to be able to achieve this while lowering our underlying volatility and exposure to the weather that has driven our historical losses as measured by an almost 60% reduction we expect to achieve in our underlying severe weather exposure. Because of our consistent historical track record of attritional loss ratio improvement, combined with the expected reduction in underlying volatility and exposure to the weather that Rick discussed earlier, we felt comfortable transitioning to a more traditional excess of loss or XOL reinsurance structure. Retaining nearly all the attritional risk and purchasing XOL reinsurance to protect against the major catastrophic weather events.

This transition to XOL reinsurance will better align our net earned premium with risk retention, and will also allow us to further narrow the gap between gross and net loss ratio. Turning now to loss ratio. Our loss and loss adjustment expenses during 2023 were significantly higher than our expectations because of outsized weather losses in the second quarter. The wind and hail losses during that time masked the significant and continued improvement in our non-PCS loss ratio over the course of the year.

With 2023, non-PCS loss ratio improving 13 percentage points to 63% in 2023, versus 76% in 2022. As Rick mentioned earlier, we responded to the excess weather losses during the year with aggressive actions to raise deductibles in wind and hail exposed geographies and selective policy non-renewals in cat-exposed geographies more generally. The combined effects of rate and underwriting actions taken over the past 2 years, which resulted in a 28% written rate increase in Q4, and the actions taken to structurally reduce our exposure to cat-related volatility mean that the expected loss ratio of the business we wrote in Q4 2023 was far better than in Q4 2022.

In 2024, we expect to realize additional benefit to our gross loss ratio as previous rate and underwriting actions earn into our financials, as well as significantly lower losses from cat events due to reduced exposure and higher deductibles. In 2024, we expect HHIP gross non-PCS loss ratio to be between 52% and 58%, with an expected PCS cat load of 20%. In 2024, we expect HHIP net loss

ratio to be between 85% and 90%, down more than 160 percentage points from 2023 due to the improvement in gross loss ratio and more effective use of reinsurance. Similarly, to the trend we experienced in 2023, we expect the net loss ratio improvement to happen gradually over the year with Q4 2024 expected net loss ratio under 75%. We expect additional improvements in 2025 when we expect net loss ratio to be less than 75% for the full year.

During 2023, we complemented our robust top line growth with a disciplined and sustained effort to drive efficiency into our operations. The result has been a year-over-year decline in our fixed expenses from \$166 million in 2022 to \$138 million in 2023. This efficiency improvement is even more impressive when viewed in conjunction with our top line growth, with fixed expenses falling from 138% of 2022 revenue to only 66% of 2023 revenue. And more encouraging, only a small percentage of the benefits of our late 2023 cost reduction measures are reflected in these numbers. For 2024, we expect fixed expenses to continue to decline by more than 20% in absolute dollar terms, and to less than 31% of expected 2024 revenue. During 2023, our top line growth, mix shifts toward more predictable and profitable businesses. More effective use of reinsurance, continued rate and underwriting improvements at HHIP, and efficiency gains across our organization leave us with a clear line of sight to delivering positive adjusted EBITDA earlier than we expected when we entered the year.

We finished Q4 2023 with an adjusted EBITDA loss of \$22 million, down more than 50% from our adjusted EBITDA loss of \$47 million in fourth quarter of 2022. And as mentioned previously, many of the improvements we have made in 2023 are only partially reflected in our Q4 financials. Looking forward, we expect an adjusted EBITDA loss of only \$41 million to \$51 million for the full year 2024, down more than 75% from 2023, with over 90% of this loss coming in the first half of the year. We expect to turn adjusted EBITDA positive during the second half of the year, and for the fourth quarter to be fully adjusted EBITDA positive. We have made significant progress during 2023 along our path to profitability. We entered 2024 with increased confidence that we will achieve it sooner and to a greater extent than previously anticipated.

I'd now like to summarize our updated guidance for 2024. We expect TGP to grow to more than \$1.3 billion, driven by the components of our business that are less exposed to weather and underwriting volatility. We expect revenue to grow to more than \$340 million. We expect the HHIP gross loss ratio to be between 72% and 78%, with 20% related to PCS cat losses, and between 52% and 58% related to non-PCS losses. Because of the seasonality of weather in areas where our policies are distributed, we expect our 2024 cat load to be allocated to 29% to the first quarter, 41% for the second quarter, 19% to the third quarter, and 11% to the fourth quarter. We expect HHIP net loss ratio to be between 85% and 90%, with Q4 2024 HHIP net loss ratio under 75%. We expect an adjusted EBITDA loss of between \$41 million and \$51 million for the full year, with more than 90% of the losses coming in the first 2 quarters, and to be adjusted EBITDA positive in Q4. As a reminder, the definition of adjusted EBITDA that we are using and have used historically excludes interest income from the float on premium that we retain. Finally, we expect minimum cash and investment at the time we turn adjusted EBITDA positive to meet more than \$400 million, up significantly from our previous guidance. And now, we'd be happy to take your questions. Operator?

Question and Answer

Operator

[Operator Instructions]. Our first question comes from Tommy McJoynt of KBW.

Thomas Patrick McJoynt-Griffith

Keefe, Bruyette, & Woods, Inc., Research Division

Thanks for taking our questions. Just from a competitive standpoint, we're still seeing a lot of the largest competing homeowners insurers out there pushing through accelerating the rate increases. Can you just remind us kind of where you guys stand on the rate increases and the adequacy that you have throughout your geographies? And then just how you feel competitively as the competition is -- seems to be accelerating their rate increases?

Richard Lyn McCathron

President, CEO & Director

Yes. Great. Thanks for the question, Tommy. A couple of different things. As you all know, we've been taking additional rate and underwriting actions for the last couple of years. We did that in a far more aggressive stance after Q2 of 2023. Good news is, all of our rate filings are in. Most of them have gone live. But I will point out that going live takes effect for new business and renewal business on their effective date. So, we're still relatively early in getting the actual portfolio to rate adequacy, which is one of the reasons why these numbers, I think, are very exciting because we still have lots of positive benefit to work ourselves into the P&L. So, I do think others are taking rate. I think there's a lot of rate that was needed in the industry. We feel very good about our current rate level with those things already filed and already in flight, as I mentioned, to get back on offense. So, we feel like we're in good shape competitively to write profitable business.

Thomas Patrick McJoynt-Griffith

Keefe, Bruyette, & Woods, Inc., Research Division

Okay. Got it. And how much of the improvement would you say that you guys have seen in underwriting has come from actual rate, which you can quantify versus the trends and conditions, and the high deductibles that you guys have pushed through. Is there a reasonable way to think about the mix of those contributions?

Richard Lyn McCathron

President, CEO & Director

Yes. It's an interesting question. So there are 3 primary factors that impacts our sort of forward-looking statements. First is in terms of condition changes, predominantly deductibles in high-CAT exposed areas. Second, of course, is the rates. And third is selective non-renewals on business that we are getting out of where we are overly concentrated. I think all of these things are very, very important for us to reduce that volatility in our portfolio, and that's been a singular focus of the company over the last 6 months. I don't think any one of them specifically is driving the positive results. I think they are all collectively driving the positive results.

Stewart Andrew Ellis

CFO & Treasurer

And Tommy, this is Stewart. I'll just add one thing to Rick's point, just to clarify. When we think about our expectations for the future and the confidence we have in the numbers, we look at the expected results and then we look at the spread around the expected results. The changes in the terms and conditions and the selective non-renewals in high-CAT areas are going to be things that are going to affect both of those, but predominantly the spread of the results and the change in the rates are the thing -- is one of the things that's going to be driving the expectations sort of where -- actuarially, where do we think we're going to come out. So it really is a combination of all 3 factors.

Thomas Patrick McJoynt-Griffith

Keefe, Bruyette, & Woods, Inc., Research Division

Okay. Thanks. And then just last one, I'll sneak in here. I guess we're kind of already into March now. So, it would be great to get an update on the first quarter in terms of some of the potential storm activity and losses from that. We've seen some headlines around losses and flooding around Texas, and maybe you guys have a decent exposure there. So, anything you can share with an update on the first quarter?

Stewart Andrew Ellis
CFO & Treasurer

All right. Thanks, Tommy. I think it's a little premature for us to be sharing Q1 results. At this point, I think we'd be happy to talk about Q4 in 2023, but it's a little early for Q1.

Richard Lyn McCathron
President, CEO & Director

Yes. The one thing I would add is that when we give guidance for the year, we take all current information that's available, and we've baked in our expectations on what's been happening with Q1, weather at this point in our current guidance.

Operator

[Operator Instructions]. Our next question comes from Yaron Kinar of Jefferies.

Yaron Joseph Kinar
Jefferies LLC, Research Division

Thank you. I want to start with a couple of questions on the revenue guide. And if we could start maybe with HHIP. You're talking about switching to offense, but I guess I'm looking at 2 different numbers here. One, if I look at TGP, the guide there seems to be to downwards movement there, like 20%, 30% down. Whereas, the revenue number, I think, is up quite significantly in the midpoint of the guidance range. So can you help us maybe sort things out there? How much of the revenue change is driven by change in reinsurance, how much of the playing offense should we expect to see flow through TGP and revenues?

Stewart Andrew Ellis
CFO & Treasurer

Yaron, thank you for the question. This is Stewart. I think I'm happy to start, and then I'm happy to let Rick add. I think you're right. As we think about TGP, the fastest-growing pieces of our business in Q4 anyway, which to the extent that, that influences next year and the trends continue, it's important to understand that our Insurance-as-a-Services segment and our Services segment were the primary drivers of TGP growth in 2024 -- or excuse me, in Q3. Let me start over. Those 2 pieces of our business were the primary drivers of growth in the fourth quarter of 2023. That trend is going to continue in 2024 on the TGP side. And that's important for us because those 2 pieces of the business are the most profitable and least volatile in the portfolio. The HHIP business is improving from a revenue standpoint, both in Q4 and continuing again, in 2024, because of the factors we talked about earlier, the rate improvements and that sort of thing, but also because of the change in the reinsurance structure.

And what we're doing there, as the loss ratio has come down, as the attritional loss ratio has come down, as we expected volatility around that number has come down. We are increasingly comfortable retaining more of the premium associated with the attritional risk within HHIP. And so, we've transitioned almost entirely away from a quota share reinsurance structure to a more traditional excess of loss reinsurance structure, which means that we're getting paid for the risk that we are retaining. In 2022 and 2023, we ended up retaining more of the risk functionally than we retained on the premium, which was a key contributor to some of the losses from the HHIP program. And in 2024, we're correcting that. It won't happen on January 1st, because some of the policies from the 2023 tree year are still under a partial net quota share structure. But in 2024, we're moving -- as I said, we're moving almost entirely from that and retaining premium that is far more in line with the risk that we're retaining.

Richard Lyn McCathron
President, CEO & Director

Yes. Yaron, if I could add -- this is Rick. If I could add a few things to that. I would look at it almost in 2 categories. The current portfolio, or our historical portfolio and growth in the HHIP program in creating our new portfolio and/or expanding the portfolio that we already have that's profitable. So, we continue to take the actions necessary to reduce the volatility in the book. That's efforts for our existing portfolio. When I mentioned going back on the offense, that's our comfort writing business in segments, in demographics, in geographies and products where we believe we have a strong competitive advantage. In these areas, we have a competitive advantage, a distribution competitive advantage and a product competitive advantage. So, with all of these components, that business we're doubling down on and going to grow in an accelerated fashion. And over time, will overtake the reduction in that historical portfolio's TGP. So, we're really excited that we can continue the efforts of Hippo to really write business profitably with these areas that we think are ones that we have a distinct advantage.

Yaron Joseph Kinar

Jefferies LLC, Research Division

Got it. And Rick, maybe to your last comment there. So, how should we think about kind of the inflection point when the pivot to offense starts overtaking the retrenchment in other parts of the business, or other segments and geographies in the HHIP. Mainly, when should we start seeing maybe TGP moving back up again or gross premiums written moving back up again?

Richard Lyn McCathron
President, CEO & Director

Yes, a couple of things. And just as a point of clarification, and I know your question was specific to HHIP. I think, as Stewart mentioned, we've always -- we never shut down for business in our agency segment. So, they continue to sell homeowners policies from third parties, and they continue to sell and cross-sell other products. In the HHIP section, we've already begun opening up in those areas that I mentioned where we have these advantages. And we will accelerate that opening as we continue to get comfort around the success of the portfolio, the existing portfolio. So, I think you're going to start seeing that the traditional business slows down in terms of its decrease, and then you'll start seeing increases in premium for these new segments.

Yaron Joseph Kinar
Jefferies LLC, Research Division

And can you offer a timeline around that or is it too early?

Richard Lyn McCathron
President, CEO & Director

Yes. I would say late '24, early '25 is when you start really seeing this inflection point, but there's growth that's happening all along the way.

Yaron Joseph Kinar
Jefferies LLC, Research Division

Got it. And then if I could, my second question was going to be just around the continued gap between the net loss ratio and gross loss ratio that I think we're going to see -- when I look at your guidance, even into 2025. I would have thought that with the changes in the reinsurance program and really a diminishing quota share and much more XOL, we'd see that gap almost eliminated. Can you talk about that? Are there still loss quarters that we should be thinking of? And how is that playing out?

Stewart Andrew Ellis
CFO & Treasurer

Yes. Thanks, Yaron. I think as the 2023 treaty runs off, there will be small effects there, but I don't believe those are meaningful and significant. I think the major driver between -- the difference between the gross and the net loss ratio as we get into 2024 and certainly beyond, it's just going to be the premium that we're seeding off for XOL reinsurance. But I think that's a pretty standard gap between gross and net. We do have a little bit of 23 quota share that's kind of running down at this point. But again, that shouldn't be a factor for 2025.

Operator

[Operator Instructions]. Our next question comes from Matt Carletti of JMP.

Matthew John Carletti
JMP Securities LLC, Research Division

Thanks. It's come to pretty loud and clear that kind of the increased confidence you guys have and the path to EBITDA positivity. Can you talk a bit about kind of the exact drivers that got you to that increased confidence? And we've talked a lot about pricing in terms of conditions, and maybe that's the answer. But are there other factors that play in store? You obviously highlighted some of the kind of more structural expense changes that have taken place. I'm just trying to understand kind of what's changed over the past few quarters that kind of you get better line of sight now.

Stewart Andrew Ellis
CFO & Treasurer

Yes. Matt, thanks for the question. I think it breaks down into a few categories of things, all of which are moving in the right direction. I think on a written basis, we're achieving slightly more rate than we expected in the fourth quarter, and we expect that to continue. I

think we also made more progress reducing losses in the fourth quarter than we had expected previously. Both of those things, along with the structural changes that you mentioned in your question, mean a better expected loss ratio in 2024 with lower volatility around that expectation than we had anticipated previously. I think beyond that, we just came through our 2024 reinsurance placement. And I think that maybe the market was a little bit better than we expected. And I think maybe our story was a little bit more well-received by the reinsurance market than we had expected. So, I think we have slightly improved reinsurance economics and structure compared to where we were a quarter or 2 ago.

And then finally, we talked a lot about the cost-saving initiatives, both people and vendor-related in Q3. I think we were able to achieve slightly more benefit from the cost reduction initiatives in the fourth quarter than we had previously expected. And so, you'll see those work their way into our 2024 P&L progressively over the course of the year. So, I think really all the drivers are moving in the right direction, and we're feeling increasingly confident as we move into '24.

Matthew John Carletti
JMP Securities LLC, Research Division

Okay. Great. And then one follow-up, if I could. Rick, you talked about the competitive environment a little bit and leaning in where you have an advantage, right? Whether it's geography, technology, demographic, whatever it might be. I think as we think about the market broadly, we still think of a lot of your competitors is kind of being on their heels, pushing a lot of rate, not looking to grow new business. In those areas that you're looking to grow, is that a similar picture? Or are these pockets of the market that maybe others view is less cat exposed and other things as well. And there is more competition in those markets. Just trying to get a feel for the competitive environment kind of in the spots where Hippo is going to look to grow?

Richard Lyn McCathron
President, CEO & Director

Yes. No, it's a really good question. And so, a couple of things. One, we were actually, I think, ahead of the curve from most of our competitors on changing, given the hardening of the market. The main reason we were ahead of the curve is our technology actually allows us to put changes in quicker and get them to market quicker. So, I would say we had a 6- to 12-month advantage in terms of timing to our competitors. That's one aspect of it. The second aspect of it, which we've talked about before, and this is one example, we do have comparative and competitive advantages in certain channels. So, we've talked about our builder channel as an example. We have a tech advantage because quoting a property that doesn't even have a street number or a street name requires significant ingestion of data from builder partners.

We have a distribution advantage, because we are getting those leads directly from the builder partners. And we have a product advantage. We have constructed a specific homeowners policy for new home builds. All of those are areas. And although what some may think is a niche, there's between 1 million and 1.5 million new homes being built every year. So, if that's a niche, it's a massive one where we have 4 years of building and competitive advantage that we're doubling down on.

Operator

Thank you. We have a follow-up question from Yaron Kinar of Jefferies.

Yaron Joseph Kinar
Jefferies LLC, Research Division

Thanks. Actually, two follow-up questions, if I could. One, when you say that the actions you've taken out would reduce direct losses from hail events by 55% and if the same hail events occurred in '24 as they did in '23, is that on a dollar basis?

Stewart Andrew Ellis
CFO & Treasurer

Yes, Yaron. That's on a dollar basis. So basically, if you just apply the exact same storms, the exact same severity in the vaccine geographies and you roll our changes in wind and hail deductibles, and selected non-renewals through the portfolio, progressively over the course of the year with their renewal dates. We'll achieve a 55% reduction relative to 2023 and 2024, and then it rises to nearly 80%. If you allow those changes to work their way all the way through the book. The reason for the difference is because the storms happened, we didn't really start the process of rolling these changes out until the fall of 2024. So, not all of our portfolio policies will have had a chance to come up for renewal by the time we get to hail season this year. So we'll still have some of that exposure, but it will be dramatically reduced in '24 and then even further reduced in '25.

Richard Lyn McCathron

President, CEO & Director

Yes. Yaron, this is Rick. Just to add to that and really with one of the previous questions. If you really think about when we started the work on reducing volatility in the portfolio, we actually started that work in 2022. And so, we significantly reduced the volatility in 2020 -- from 2022 to 2023, just 2023 was a horrible first half and a horrible hail season. So, we hadn't benefited from all of the actions that we had already been taken. So, now as we look forward to 2024, we have all of the 2022 actions already in the portfolio. We have a portion of the 2023 actions that Stewart mentioned that we started in October as a result of our Q2, partially in and then they'll be fully into the portfolio by the end of 2024. So, we've got a stacking effect of 2 different years' worth of efforts to get us highly confident in our projections.

Yaron Joseph Kinar
Jefferies LLC, Research Division

And the loss ratio impact should be even more pronounced, right, because the premiums earned components continue to grow.

Stewart Andrew Ellis
CFO & Treasurer

I think, yes, that's right. Because we'll be retaining more of the attritional -- or the premium associated with the attritional losses.

Yaron Joseph Kinar
Jefferies LLC, Research Division

Okay. And then, I guess, going back to revenue for a second. So, in the Services segment, the guide there is for a bit of a reduction in growth relative to where you were in 2023. And I understand it's still a very young business that you're still ramping up. So I guess, on the one hand, I could say maybe you have a larger base and growing off of that base is more challenging. On the other hand, it's still young and sold in ramp-up mode. So why should we see the same level of growth as we saw in '23, if not better, when we look at 24?

Stewart Andrew Ellis
CFO & Treasurer

Yes. Yaron, that's a great question, and I think it gives us an opportunity to clarify maybe one of the drivers that's going on that it should be clear to everybody, but because we have some eliminations in the numbers between segments may be a bit confusing. So, one of the headwinds for our Services segment is the pullback in the pause in underwriting that we've had at HHIP. So, our service business sells policies that are third-party carrier policies, and it also sells Hippo home insurance policies.

And so, the third-party business is the primary driver of growth in the fourth quarter of 2023. It will continue to be the primary driver of growth as we move into 2024 in the beginning of the year. When we start to reopen some of the segments of our Hippo home insurance policies that Rick mentioned, then you'll start to get a tailwind effect from that. But the services business grew 20% TGP year-over-year in the fourth quarter despite the fact that we had paused most of the Hippo premium. So, I actually look at the services business and the growth that we're seeing there as a bright spot. When you understand that there was a headwind associated with the Hippo Home Insurance Program.

Yaron Joseph Kinar
Jefferies LLC, Research Division

Makes sense. Thanks for the clarification.

Stewart Andrew Ellis
CFO & Treasurer

Absolutely.

Operator

Thank you. At this stage, we currently have no further questions. I'll hand back over to Rick, CEO, for any closing remarks.

Richard Lyn McCathron
President, CEO & Director

Great. Well, thank you very much for your attention. We look forward to chatting with you next quarter. Have a good day.

Operator

Ladies and gentlemen, this concludes today's call. Thank you for joining. You may now disconnect your lines.

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