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10  
11 **BEFORE THE INSURANCE COMMISSIONER**  
12 **OF THE STATE OF CALIFORNIA**

13 In the Matter of the Rates, Rating Plans, or  
14 Rating Systems of

15 SPINNAKER INSURANCE COMPANY;  
16 HIPPO ANALYTICS, INC.,  
17 Respondents.

18 File No. NC-2024-00008

19 **NOTICE OF NONCOMPLIANCE**

20 [Ins. Code § 1858 *et seq.*]

21 **TO: RESPONDENTS SPINNAKER INSURANCE COMPANY and**  
22 **HIPPO ANALYTICS INC.**

23 **NOTICE OF NONCOMPLIANCE**

24 **PURSUANT TO CALIFORNIA INSURANCE CODE SECTION 1858.1**

25 THE CALIFORNIA DEPARTMENT OF INSURANCE (“Department”) HEREBY  
26 NOTIFIES SPINNAKER INSURANCE COMPANY and its program administrator, HIPPO  
27 ANALYTICS INC. dba Hippo Insurance Services (collectively, “Respondents”), that the  
28 Insurance Commissioner of the State of California (“Commissioner”) has good cause to believe  
that Respondents’ rating plans, rating systems, rates and underwriting guidelines violate various  
provisions of California law, including but not limited to California Insurance Code sections  
38.6(b)(10)(A), 1861.01(c), 1861.05, 678(e), and 10095.7(b), and Title 10 of the California Code  
of Regulations sections 2360.0(b) and 2360.2. Pursuant to Insurance Code section 1858.1, this  
Notice sets forth the manner and extent of noncompliance.

**BACKGROUND FACTS**

The Department is informed and believes and thereupon alleges the following:

1. Respondent Spinnaker Insurance Company (“Spinnaker”) is and was at all relevant times an insurer licensed to transact the business of insurance in the State of California, including but not limited to the classes of insurance as discussed below.

2. The Department has jurisdiction over Respondent Hippo Analytics Inc. (“Hippo”), which is and was at all relevant times acting as a program administrator of Spinnaker, as a licensed agent authorized to transact business on behalf of Spinnaker. Spinnaker and Hippo are affiliates and subsidiaries owned by their parent company, Hippo Holdings Inc.

3. As a program administrator of Spinnaker, Hippo is and was at all relevant times an agent of Spinnaker acting within the course and scope of that agency and with the permission and consent of Spinnaker, such that liability for all acts described herein are imputed collectively to both Hippo and Spinnaker.

4. Respondents transact the business of insurance in California on risks or lines subject to the provisions of the California Insurance Code (“CIC”) and title 10 of the California Code of Regulations (“CCR”).

5. On December 2, 2022, Respondents submitted rate applications for their HO6 Condominium Homeowners Program (HIPO-133477961; File No. 22-2954) and DP3 Landlord Program (HIPO-133477978; File No. 22-2955).

6. During the pendency of the rate filings, the Department received multiple consumer complaints and discovered that Respondents had commenced nonrenewal of at least 3,222 policies in their HO6 and DP3 lines of business on the basis that “[a]pproved rate filings do not charge adequate premium for the risk insured – The rates we are permitted to charge are inadequate to cover this risk, and California Insurance Code section 1861.05(a) prohibits us from issuing policies with inadequate rates.” The Department requires property and casualty insurers to file a rate application for the Commissioner’s review and approval any time they seek to implement changes that may have a rate impact. This includes changes to underwriting and eligibility guidelines that may have a rate impact, even if an insurer maintains that such changes will have no rate impact.

1 Here, in violation of CIC sections 1861.01(c) and 1861.05, Respondents did not provide notice to  
2 the Commissioner and obtain approval prior to instituting a large block nonrenewal in their HO6  
3 and DP3 lines of business, which likely had a measurable impact on their rates.

4 7. Beginning November 2023, the Department received multiple consumer  
5 complaints and discovered that in Respondents' HO3 line of business, Respondents were using  
6 unfiled eligibility and underwriting guidelines to require policyholders to conduct virtual self-  
7 inspections of their property on a mobile device as a condition of renewal in violation of CIC  
8 sections 1861.01(c) and 1861.05(b), and CCR sections 2360.0(b) and 2360.2. Based upon these  
9 eligibility and underwriting guidelines changes, Respondents sent at least 2,925 customers  
10 nonrenewal notices with effective dates of February 26, 2024 and beyond. Instituting eligibility  
11 and underwriting guideline changes that result in such a large block nonrenewal of Respondents'  
12 book of business for the HO3 line would necessarily have an impact on Respondents' rates, yet  
13 Respondents did not provide notice to the Commissioner and obtain prior approval of these  
14 changes in violation of CIC sections 1861.01(c) and 1861.05.

15 8. On February 26, 2024, the Department sent a letter ("February Letter") demanding  
16 that Respondents immediately stop both nonrenewal practices going forward and rescind all  
17 nonrenewal notices already issued citing rate inadequacy.

18 9. On March 12, 2024, the Department had a virtual meeting with Respondents in  
19 which Respondents represented that as of March 4, 2024, Respondents stopped the nonrenewal  
20 practices in question. During the meeting and in following correspondence, the Department put  
21 Respondents on notice that any further violations would be considered willful.

22 10. On March 28, 2024, Respondents made an offer to HO6 and DP3 customers who  
23 received nonrenewal notices due to rate inadequacy by giving customers an option to continue  
24 their policy. For the HO3 customers nonrenewed for failure to conduct self-inspections,  
25 Respondents made offers to customers limited to policies with effective dates beginning February  
26 26, 2024 and beyond.

27 11. During ongoing discussions to bring Respondents into compliance with California  
28 law, the Department discovered that beginning December 2023, Respondents issued additional

1 nonrenewal notices of at least 771 policies in their HO3 line of business claiming “[l]ack of  
2 reinsurance – The rates we are permitted to charge don’t support the cost that we have to pay for  
3 reinsurance for this risk.” Instituting such a large block nonrenewal of Respondents’ book of  
4 business for the HO3 line would necessarily have an impact on Respondents’ rates, yet  
5 Respondents did not provide notice to the Commissioner and obtain prior approval for changes  
6 that have a rate impact in violation of CIC sections 1861.01(c) and 1861.05.

7 12. On or about April 23, 2024, Respondents began offering renewals to all customers  
8 who were nonrenewed for alleged lack of reinsurance.

9 13. Through its investigation, the Department also discovered that Respondents failed  
10 to provide sufficient notice of nonrenewal to at least one DP3 policyholder in violation of CIC  
11 sections 678(e) and 10095.7(b). It was also discovered that in violation of CIC section  
12 38.6(b)(10)(A), Respondents are not following specific statutory requirements upon receiving  
13 information that a record sent by electronic transmission was not received.

14 14. The Department has concluded that Respondents’ nonrenewal and electronic  
15 transactions practices identified above violate various provisions of California law, including but  
16 not limited to CIC sections 38.6(b)(10)(A), 1861.01(c), 1861.05, 678(e), and 10095.7(b), and CCR  
17 sections 2360.0(b) and 2360.2.

### 18 **SPECIFIC ALLEGATIONS**

#### 19 **ALLEGATION NO. 1: VIOLATION OF INSURANCE CODE SECTIONS** 20 **1861.01(c) AND 1861.05(b)**

21 15. Insurance Code sections 1861.01(c) and 1861.05(b) require that an insurer obtain  
22 the Commissioner’s prior approval before implementing any changes to existing rates. This  
23 includes changes to its underwriting and eligibility guidelines that may have a rate impact, such as  
24 instituting nonrenewals that have a rate impact.

25 16. Respondents failed to obtain the Commissioner’s prior approval before instituting  
26 nonrenewal of at least 3,222 policies in their HO6 and DP3 lines of business. The Department is  
27 informed and believes, and thereon alleges, that this nonrenewal of at least 3,222 policies will  
28 cause a change to Respondents’ rates.

1           17. Respondents also failed to obtain the Commissioner’s prior approval before  
2 instituting nonrenewal of at least 2,925 policyholders in their HO3 line of business for failing to  
3 perform or complete self-inspections.

4           18. Respondents also failed to obtain the Commissioner’s prior approval before  
5 instituting nonrenewal of at least 771 policyholders in their HO3 line of business for lack of  
6 reinsurance, stating that rates Respondents are required to charge does not support the cost of  
7 reinsurance.

8           19. The number of noncompliant acts is unknown and will be determined at hearing.

9           20. Each of Respondents’ noncompliant acts is subject to monetary and other penalties  
10 pursuant to Insurance Code sections 1858.07 and 1858.3 in amounts to be determined.

11           **ALLEGATION NO. 2: VIOLATION OF INSURANCE CODE SECTIONS**  
12 **1861.01(c) AND 1861.05(b) AND CCR SECTIONS 2360.0(b) AND 2360.2**

13           21. Insurance Code sections 1861.01(c) and 1861.05(b) require that an insurer obtain  
14 prior approval before implementing any changes to existing rates, including by making changes to  
15 its underwriting and eligibility guidelines that may have a rate impact.

16           22. California Code of Regulations, Title 10, sections 2360.0(b) and 2360.2 require  
17 insurers to maintain eligibility guidelines that are specific, objective factors that have a substantial  
18 relationship to an insured’s loss exposure.

19           23. Whether a homeowner can download an app on their mobile device and complete a  
20 self-inspection of their property is not a specific, objective factor that has any substantial  
21 relationship to the insured’s loss exposure, and it therefore is an impermissible underwriting  
22 requirement to impose upon homeowners as part of obtaining or maintaining insurance coverage.

23           24. The number of noncompliant acts is unknown and will be determined at hearing.

24           25. Each of Respondents’ noncompliant acts is subject to monetary and other penalties  
25 pursuant to Insurance Code sections 1858.07 and 1858.3 in amounts to be determined.

26           **ALLEGATION NO. 3: VIOLATION OF INSURANCE CODE SECTIONS 678(e)**  
27 **AND 10095.7(b)**

28           26. Insurance Code sections 678(e) and 10095.7(b) require that a notice of nonrenewal

1 for residential property insurance contain certain, specific statements regarding the California  
2 Home Insurance Finder, the California Fair Plan, and how the Fair Plan Policy can be  
3 supplemented.

4 27. At least one nonrenewal notice in Respondents' DP3 line of business did not contain  
5 specific statements as required by Insurance Code sections 678(e) and 10095.7(b).

6 28. The number of noncompliant acts is unknown and will be determined at hearing.

7 29. Each of Respondents' noncompliant acts may be subject to monetary and other  
8 penalties pursuant to California Insurance Law, including without limitation, Insurance Code  
9 section 790.035 in amounts to be determined.

10 **ALLEGATION NO. 4: VIOLATION OF INSURANCE CODE SECTION**  
11 **38.6(b)(10)(A)**

12 30. Insurance Code section 38.6(b)(10)(A) specifies steps an insurer must follow upon  
13 receiving information that that a record sent by electronic transmission was not received by the  
14 person who opted to receive records electronically.

15 31. Respondents failed to follow 38.6(b)(10)(A) when receiving information that  
16 electronic mail was undelivered.

17 32. The number of noncompliant acts is unknown and will be determined at hearing.

18 33. Each of Respondents' noncompliant acts may be subject to monetary and other  
19 penalties pursuant to Insurance Code section 38.6(f)(10) in amounts to be determined.

20 **RELIEF REQUESTED**

21 THE DEPARTMENT NOTIFIES RESPONDENT that, to the extent Respondents'  
22 unlawful practices are ongoing at the time of delivery of this Notice, Respondents must correct  
23 their noncompliance within ten (10) days of receipt of this Notice. For each allegation listed  
24 above, Respondents must provide proof of system-wide correction, or other response permitted  
25 by Insurance Code section 1858.1, within ten (10) days of receipt of this notice.

26 THE DEPARTMENT NOTIFIES RESPONDENTS that if Respondents fails to make an  
27 adequate or timely response, the Department will set a public hearing pursuant to Insurance Code  
28 sections 1858.2 and 1858.3. If, at the conclusion of the hearing, the Commissioner finds that the

1 facts are as alleged above and constitute violations of the Insurance Code and/or Code of  
2 Regulations, as set forth herein, the Commissioner may issue an order for payment of money  
3 penalties and any other corrective action as the Commissioner may deem appropriate.

4 THE DEPARTMENT FURTHER NOTIFIES RESPONDENT that if the noncompliance  
5 referred to above is found to constitute willful acts involving the use of rates, rating plans, and/or  
6 rating systems in violation of Chapter 9, Part 2, Division 1 of the Insurance Code, the Department  
7 will seek civil penalties pursuant to Insurance Code section 1858.07 in the amount of \$10,000.00  
8 for each act.

9 The Department may amend this Notice to set forth additional willful noncompliant acts  
10 in violation of Chapter 9, Part 2, Division 1, of the Insurance Code and to seek additional penalties  
11 in the amount of \$10,000.00 for each act.

12 THE DEPARTMENT FURTHER NOTIFIES RESPONDENT that, in the alternative, if  
13 the Commissioner does not find those acts involving the use of rates, rating plans, and/or rating  
14 systems in violation of Chapter 9, Part 2, Division 1 of the Insurance Code to be willful violations  
15 of that chapter, the Department will seek civil penalties in the amount of \$5,000.00 for each act  
16 pursuant to Insurance Code section 1858.07.

17 The Department may amend this Notice to set forth additional non-willful noncompliant  
18 acts in violation of Chapter 9, Part 2, Division 1, of the Insurance Code and seek additional  
19 penalties in the amount of \$5,000.00 for each act.

20 THE DEPARTMENT FURTHER NOTIFIES RESPONDENTS that if the  
21 noncompliance referred to above is found to constitute willful unfair or deceptive acts as defined  
22 in Insurance Code Section 790.03, the Department will seek civil penalties pursuant to Insurance  
23 Code section 790.035 in the amount of \$10,000.00 for each act.

24 The Department may amend this Notice to set forth additional willful noncompliant acts  
25 in violation of Insurance Code section 790.03 and to seek additional penalties in the amount of  
26 \$10,000.00 for each act.

27 THE DEPARTMENT FURTHER NOTIFIES RESPONDENTS that, in the alternative, if  
28 the Commissioner does not find those acts involving unfair or deceptive acts as defined in

1 Insurance Code Section 790.03 to be willful, the Department will seek civil penalties in the  
2 amount of \$5,000.00 for each act pursuant to Insurance Code section 790.035.

3 The Department may amend this Notice to set forth additional non-willful noncompliant  
4 acts in violation of Insurance Code section 790.03 and seek additional penalties in the amount of  
5 \$5,000.00 for each act.

6 THE DEPARTMENT FURTHER NOTIFIES RESPONDENTS that if the  
7 noncompliance referred to above constitutes a willful failure to comply with a final order of the  
8 Commissioner under Chapter 9, Part 2, Division 1 of the Insurance Code, the Department will  
9 seek civil penalties pursuant to Insurance Code section 1859.1 in the amount of \$250,000.00 for  
10 each act.

11 The Department may amend this Notice to set forth additional willful noncompliant acts  
12 in violation of Chapter 9, Part 2, Division 1, of the Insurance Code and to seek additional penalties  
13 in the amount of \$250,000.00 for each act.

14 THE DEPARTMENT FURTHER NOTIFIES RESPONDENTS that, in the alternative, if  
15 the Commissioner does not find the noncompliance referred to above to constitute a willful failure  
16 to comply with a final order of the Commissioner under Chapter 9, Part 2, Division 1 of the  
17 Insurance Code, the Department will seek civil penalties pursuant to Insurance Code section  
18 1859.1 in the amount of \$50,000.00 for each act.

19 The Department may amend this Notice to set forth additional noncompliant acts that do  
20 not constitute as willful acts in violation of Chapter 9, Part 2, Division 1, of the Insurance Code  
21 and to seek additional penalties in the amount of \$50,000.00 for each act.

22 THE DEPARTMENT FURTHER NOTIFIES RESPONDENTS that if the  
23 noncompliance referred to above constitutes a violation of a cease and desist order of the  
24 Commissioner under Insurance Code section 38.6, the Department will seek civil penalties  
25 pursuant to Insurance Code section 38.6(f)(10) in the amount of \$10,000.00 for each act, not to  
26 exceed \$250,000.00.

27 The Department may amend this Notice to set forth additional noncompliant acts to seek  
28 additional penalties in the amount of \$10,000.00 for each act.



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THE DEPARTMENT FURTHER NOTIFIES RESPONDENTS that, in the alternative, if the Commissioner finds that noncompliance with Insurance Code section 38.6 occurred with such frequency as to constitute a general business practice, the Department will seek civil penalties up to \$250,000.00.

Dated: 09-25-2024

CALIFORNIA DEPARTMENT OF INSURANCE

By   
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