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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 **STIPULATION AND CONSENT ORDER**

20 The California Department of Insurance (“Department”) and Respondents SPINNAKER  
21 INSURANCE COMPANY and its program administrator HIPPO ANALYTICS INC. dba Hippo  
22 Insurance Services (collectively, “the Parties”) stipulate as follows:

23 1. The Department has jurisdiction over Respondent Spinnaker Insurance Company  
24 (“Spinnaker”), which is and was at all relevant times an insurer licensed to transact the business  
25 of insurance in California.

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

3. As a program administrator of Respondent Spinnaker, Respondent 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 alleged and

1 obligations described herein are imputed collectively to both Hippo and Spinnaker.

2 4. At all relevant times, Respondents transacted the business of insurance in  
3 California on risks or lines subject to the provisions of the California Insurance Code (“CIC”) and  
4 title 10 of the California Code of Regulations (“CCR”).

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

8 6. During the pendency of the rate filings, the Department received multiple  
9 consumer complaints and discovered that Respondents had commenced nonrenewal of at least  
10 3,222 policies in their HO6 and DP3 lines of business on the basis that “[a]pproved rate filings do  
11 not charge adequate premium for the risk insured – The rates we are permitted to charge are  
12 inadequate to cover this risk, and California Insurance Code section 1861.05(a) prohibits us from  
13 issuing policies with inadequate rates.” The Department requires insurers to file a rate application  
14 for the Commissioner’s review and approval any time they seek to implement changes that may  
15 have a rate impact. This includes changes to underwriting and eligibility guidelines that may have  
16 a rate impact, even if an insurer maintains that such changes will have no rate impact. Here, the  
17 Department alleges Respondents violated CIC sections 1861.01(c) and 1861.05 by not providing  
18 notice to the Commissioner and obtaining his approval prior to instituting a large block  
19 nonrenewal in their HO6 and DP3 lines of business, which likely had a measurable impact on their  
20 rates.

21 7. Beginning November 2023, the Department received multiple consumer  
22 complaints and discovered that in Respondents’ HO3 line of business, Respondents were using  
23 unfiled eligibility and underwriting guidelines to require policyholders to conduct virtual self-  
24 inspections of their property on a mobile device as a condition of renewal. The Department  
25 alleges Respondents violated CIC sections 1861.01(c) and 1861.05(b), and CCR sections  
26 2360.0(b) and 2360.2. Based upon these eligibility and underwriting guidelines changes,  
27 Respondents sent at least 2,925 customers nonrenewal notices with effective dates of February  
28 26, 2024 and beyond. The Department alleges that instituting eligibility and underwriting

1 guideline changes that resulted in such a large block nonrenewal of Respondents' book of  
2 business for the HO3 line would necessarily have an impact on Respondents' rates, yet  
3 Respondents did not provide notice to the Commissioner and obtain prior approval of these  
4 changes in violation of CIC sections 1861.01(c) and 1861.05.

5 8. The Department began discussing these issues with Respondents on or around  
6 March, 2024. While these discussions were ongoing, the Department discovered that beginning  
7 December 2023, Respondents issued additional nonrenewal notices of at least 771 policies in  
8 their HO3 line of business claiming “[l]ack of reinsurance – The rates we are permitted to charge  
9 don’t support the cost that we have to pay for reinsurance for this risk.” The Department alleges  
10 that instituting such a large block nonrenewal of Respondents' book of business for the HO3 line  
11 would necessarily have an impact on Respondents' rates, yet Respondents did not provide notice  
12 to the Commissioner and obtain prior approval for changes that have a rate impact in violation of  
13 CIC sections 1861.01(c) and 1861.05.

14 9. Through its investigation, the Department also discovered that Respondents failed  
15 to provide sufficient notice of nonrenewal to at least one DP3 policyholder in violation of CIC  
16 sections 678(e) and 10095.7(b). The Department alleges Respondents violated CIC section  
17 38.6(b)(10)(A) by not following specific statutory requirements upon receiving information that a  
18 notice of nonrenewal sent by electronic transmission was not received.

19 10. Based upon the foregoing, the Department alleges Respondents' nonrenewal and  
20 electronic transactions practices identified above violate various provisions of California law,  
21 including but not limited to CIC sections 38.6(b)(10)(A), 1861.01(c), 1861.05, 678(e), and  
22 10095.7(b), and CCR sections 2360.0(b) and 2360.2.

23 11. Respondents acknowledge receipt of the Notice of Non-Compliance (“NNC”) in  
24 this matter, which includes the issues relevant to this Stipulation.

25 12. Respondents deny the allegations contained in the NNC and by entering into this  
26 stipulated agreement, memorialized by this Stipulation, Respondents make no admission of  
27 liability, wrongdoing, or violation of law.

28 13. The Parties believe that it is in the public interest to resolve this matter without the

1 need for a hearing or any further administrative action. Respondents waive their rights to a  
2 hearing and any and all rights to which they may be entitled pursuant to CIC sections 1858.1, *et*  
3 *seq.*

4 14. Except as set forth in this Stipulation, the Parties agree no other allegations, and no  
5 factual findings or legal conclusions, have been made by the Department.

6 15. Respondents have met and conferred with the Department, and will continue to  
7 meet and confer with the Department as necessary, to address concerns arising from the  
8 Department's review of Respondents' insurance practices raised in the NNC.

9 16. To settle the NNC, Respondents have made, and/or agreed to make, the following  
10 changes to their rating and underwriting practices:

- 11 a. Stop all nonrenewal practices raised in the NNC as well as any other nonrenewal  
12 practice not currently authorized under filed and approved underwriting  
13 guidelines, including without limitation, any nonrenewal citing language  
14 referencing rates and/or the Proposition 103 prior rate approval process mandated  
15 by California law;
- 16 b. Offer coverage with the same policy terms and conditions as provided in each of  
17 such policyholder's expiring policy to all 3,222 policyholders in their HO6 and  
18 DP3 lines of business impacted by nonrenewals citing rate inadequacy;
- 19 c. Offer coverage with the same policy terms and conditions as provided in each of  
20 such policyholder's expiring policy to the identified 2,925 policyholders in their  
21 HO3 line of business impacted by nonrenewals for failure to self-inspect;
- 22 d. Offer coverage with the same policy terms and conditions as provided in each of  
23 such policyholder's expiring policy to all 771 policyholders in their HO3 line of  
24 business impacted by nonrenewals citing lack of reinsurance;
- 25 e. Pursuant to CIC section 38.6(b)(10)(A), for policyholders subject to paragraphs b,  
26 c, and d of this Section and for whom an emailed offer of coverage bounced back  
27 to the Respondent, resend the offer of coverage initially provided by electronic  
28 transmission by regular mail to the impacted insureds at the address shown on the

1 policy;

2 f. Implement internal procedures to ensure compliance with CIC section  
3 38.6(b)(10)(A) into the future; and

4 g. On a going forward basis, submit prior approval filings to the Department in  
5 accordance with Proposition 103, before implementing any further changes to  
6 eligibility or underwriting guidelines that may have a rate impact.

7 17. At the present time, the Department agrees that with these modifications,  
8 Respondents have or will have achieved compliance with California insurance laws with respect  
9 to their current insurance programs.

10 18. Respondents also agree to submit to periodic audits of their compliance with  
11 paragraph 16 above, at the Department’s discretion, and to pay all reasonable audit costs. If at any  
12 time during the next three (3) years after the terms of this Stipulation are adopted as an order of  
13 the Commissioner the Department discovers through audit or by any other means that  
14 Respondents have not materially complied with paragraph 16, Respondents agree to pay a lump-  
15 sum penalty of \$250,000.00 plus an additional \$10,000.00 penalty for each noncompliant act as to  
16 each and every policyholder affected by the material noncompliance with the terms of paragraph  
17 16. Such payment will be due within thirty days following the Department’s determination that  
18 Respondents have failed to materially comply with paragraph 16. If at the end of the three-year  
19 period following the Commissioner’s Order adopting the terms of this Stipulation the Department  
20 has not found, by audit or any other means, that Respondents have materially failed to comply  
21 with paragraph 16, then Respondents shall be fully and completely released from making the  
22 penalty payment described herein. For purposes of this paragraph, “material” or “materially”  
23 shall mean with such frequency and/or severity as to demonstrate a disregard for the requirements  
24 of paragraph 16 and shall not include (1) any incidental failure to comply with paragraph 16, or  
25 (2) a failure to comply with paragraph 16 that occurs in isolation, provided Respondents cure  
26 promptly upon discovering an incidental or isolated noncompliance.

27 19. This Stipulation represents a full and final settlement of all issues raised in the  
28 NNC between the Department and Respondent.

1           20.     Respondents acknowledge that this Stipulation is a public record as required by  
2 Government Code section 11517(d) and that this Stipulation will be accessible to the public  
3 pursuant to the Public Records Act, Government Code sections 7920.000 *et seq.* The Stipulation  
4 will be posted on the Department’s Internet website pursuant to CIC section 12968.

5           21.     Respondents acknowledge that CIC section 12921(a)(1) requires the  
6 Commissioner to approve the final settlement of this matter. Both the settlement terms and  
7 conditions in this Stipulation and the acceptance of those terms and conditions are contingent  
8 upon the Commissioner’s approval. Respondents understand and agree that counsel for the  
9 Department and Department staff may communicate directly with the Commissioner regarding  
10 the Stipulation and the Order, without notice to or participation by Respondents or their counsel.

11           22.     By signing the Stipulation, Respondents understand and agree that they may not  
12 withdraw their agreement or seek to rescind the Stipulation prior to the time the Commissioner  
13 considers and acts upon the Stipulation and Order. If the Commissioner rejects the Stipulation and  
14 Order, the Stipulation shall be of no force or effect except for this paragraph, it shall be  
15 inadmissible in any legal action between the parties, and the Commissioner shall not be  
16 disqualified from further action by having considered this matter.

17           23.     This Stipulation will become final and effective when it is approved by the  
18 Commissioner as evidenced by the execution of the Order provided below, expressly adopting  
19 this Stipulation.

20           24.     Respondents acknowledge that they freely and voluntarily executed this  
21 Stipulation with full realization of their legal rights.

22           25.     This Stipulation and Consent Order includes all acts covered in the NNC up to the  
23 date of this Stipulation and Consent Order. Nothing in this Stipulation precludes the Department  
24 from pursuing further action against Respondents for failure to correct the actions which are the  
25 subject of this Stipulation and Consent Order by taking the actions set forth in Paragraph 16, or  
26 by otherwise violating California law with respect to their rating and underwriting practices.

27           26.     Nothing contained in this Stipulation constitutes a limitation upon, or a waiver of  
28 the rights and powers of the Commissioner to enforce any California law, to examine the rating,

1 underwriting and any other business practices of Respondents, to take corrective or disciplinary  
2 action, to assess penalties against Respondents as provided for by law, or to take such other action  
3 as necessary to protect the public; however, the Department shall not seek any penalty not  
4 provided in this Stipulation against Respondents based on any of the allegations contained in the  
5 NNC arising from acts occurring before the issuance of the Insurance Commissioner's final order  
6 settling this matter.


7 27. The Commissioner retains jurisdiction to ensure that the Parties comply with the  
8 provisions and terms of this Stipulation and the Order requested thereon.


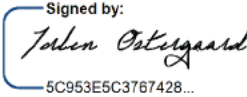
9 28. This Stipulation may be executed in counterparts.

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11 Dated: 09-25-2024.

CALIFORNIA DEPARTMENT OF INSURANCE

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By   
Sara Ahn  
*Attorneys for the California Department of Insurance*

Signed by:  
  
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On behalf of Respondent,  
*Spinnaker Insurance Company*

DocuSigned by:  
  
By   
On behalf of Respondent,  
*Hippo Analytics Inc.*

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**BEFORE THE INSURANCE COMMISSIONER  
OF THE STATE OF CALIFORNIA**

In the Matter of the Rating and Underwriting Practices and Procedures of  
SPINNAKER INSURANCE COMPANY;  
HIPPO ANALYTICS, INC.,  
Respondents.

File No. NC-2024-00008  
ORDER ADOPTING STIPULATION AND  
CONSENT ORDER

**ORDER**

Having reviewed the parties' Stipulation and good cause appearing, I approve the terms of the Stipulation and adopt those terms as the Order of the Insurance Commissioner of the State of California in this matter.

Dated: October 1, 2024

RICARDO LARA  
Insurance Commissioner  
