

Strategic Partnership with “Hippo”, a U.S. Insurtech company

A subsidiary of MS&AD Insurance Group Holdings, Inc. (“MS&AD Holdings”, President: Noriyuki Hara), Mitsui Sumitomo Insurance Company, Limited (“MSI”, President: Noriyuki Hara), today announces it has reached an agreement with Hippo Enterprises Inc. (“Hippo”), a U.S. based insurtech group that is transforming homeowners insurance, to enter into a strategic partnership via a capital investment by MSI into Hippo and a reinsurance agreement with Hippo’s insurance carrier.

1. Background

Under the medium-term management plan, “Vision 2021”, given the acceleration of digitalization and more frequent and severe natural catastrophes, MS&AD Holdings and MSI are aiming to promote digitalization that will contribute to improving the customer experience.

Hippo is providing modern insurance to homeowners, with efficient online purchase experience using trusted data sources, a smart home device kit included with eligible policies and more available coverage for possessions like appliances, electronics and home offices.

Since “MS&AD Ventures”, the corporate venture capital fund of MS&AD Holdings made an investment in Hippo in July 2020, we have been considering entering into a friendly strategic partnership.

This strategic partnership has been achieved based on the matching needs of MSI, which aims to solve social issues on a global basis by leveraging advanced digital technologies as well as to realize Creating Shared Value (“CSV”), and those of Hippo, which seeks a strategic partner to support its long-term growth in the U.S. insurance business.

Through this partnership, MSI will provide relief and safety to its customers and support the vigorous development of the society and healthy future of the earth, by enhancing how we address natural disaster risks on a global basis and providing advanced services for disaster prevention and mitigation, leveraging our network inside and outside Japan.

2. Purpose of Strategic Partnership

(1) Formation of advanced business model

MSI aims to realize a new business model, leveraging Hippo’s strengths in data and technology, such as providing services for risk mitigation and natural disaster protection, based on methods for risk sub-divided underwriting, smart home devices, and meteorological data.

Under this current environment with more frequent and severe natural disasters globally, the sophistication of how we address natural disaster risk and the optimization of earnings and expenses are especially important matters, which affect MSI’s competitiveness and our reason for existence. We will realize a global CSV by creating a business model that layers in a sub-division of catastrophe risk, appropriate rate settings and advanced services for disaster prevention and mitigation, which can be deployed inside and outside of Japan, including Asia where we have a strong presence. Learning from Hippo’s data analysis technologies, which utilizes AI, (geographical information, aerial photo images and satellite images, weather information, real estate information, etc.) as well as Hippo’s know-how of underwriting decision-making and loss prevention will help us realize our CSV goals.

(2) Expansion of business

Insurtech is a growing sector in the U.S. insurance market, known for its innovative products, services, and distribution channels. Strategic partnerships with insurtechs, which have grown based on the unique underwriting know-how and ability to offer customers high-satisfaction-level user experience (UX) and user interfaces (UI) with their technologies, would be an effective option for our “digital globalization”, which is one of our important initiatives described in our medium term management plan. Through the partnership with Hippo, a fast growing insurtech that provides products to homeowners through its blended MGA* and carrier model, MSI will aim to realize its non-life insurance business expansion potential and grow its knowledge, accumulate its understanding, and build its network in the U.S. insurtech market.

* A managing general agent (MGA) is a specialized type of insurance agent or broker that has been granted underwriting authority by an insurer, and can manufacture products, process claims, investigate damages, administer programs and negotiate contracts for an insurer.

3. Overview of Partnership

(1) Purchase of Convertible Notes

Aggregate Principal Amount	USD350m (approx. JPY36.6bn based on November 2020 rate of 104.6 yen per U.S. dollar)
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(2) Reinsurance Agreement

Underwriting Agreement	U.S. Homeowners Insurance
Underwriting Form	QS reinsurance contract with Spinnaker, a primary insurer of Hippo

(3) Personnel Secondment

One observer to Hippo's Board of Directors and some employees to other sections.

4. Summary of Hippo

(1) Company Overview

Company name	Hippo Enterprises Inc.
Headquarters	150 Forest Avenue, Palo Alto, California 94301
Representative	Assaf Wand (CEO)
Year established	2015 (Insurance sales started in 2017)
Main business	Insurtech Group, which provides home and contents insurance (Homeowner's Insurance)
Agency	Joint venture agencies with channel partners
Number of employees	375
Primary Insurance Company	Spinnaker Insurance Company
Captive	RH Solutions Insurance (Cayman) Ltd. holds some of the risk in-house

(2) Features & Strengths

Data Analysis Technology	Diverse datasets and partnerships	In addition to IoT device companies, Hippo partners with dozens of successful organizations across industry sectors that include real estate, loan servicers, financial agencies, and geospatial data & analytics firms.
	Proprietary UW method using AI / ML	Using multiple variables (data) and their correlations, Hippo developed a UW model to calculate risk scores. These variables include a variety of items such as the age of the house, the condition of the roof, the presence or absence of a pool, the structure of the house, etc.
	Advanced Proactive Loss Prevention using data	A variety of data is obtained in real time to monitor risk exposure, even after the initial underwriting period. Proactive accident prevention is achieved in some ways, such as monitoring the roof from the sky and reporting the information to the homeowner if there are any changes needed, and by detecting anomalies with sensors to prevent accidents.

	Insurance platform for a variety of products and services	It is a rare business model in which the source of competitiveness is an insurance platform with various products and services such as advanced underwriting decision-making based on AI / ML using sensors / satellite images / map data, accurate loss prevention and maintenance, application and claims handling through superior UX / UI, and an extensive sales channel network.
Sales and Underwriting Capacity	Excellent UX / UI and high customer loyalty	Hippo can provide a quote of premium online in 60 seconds (policy binding in 4 minutes). Through constant risk monitoring and responses to accidents through claims concierges, Hippo has an average NPS (Net Promoter Score: a metric which measures customers' satisfaction and appetite for continued use) score of 76, which is three times the average of other major competitive companies.
	Securing stable direct writing capacity	Hippo owns an insurance carrier, Spinnaker Insurance Company. By owning an insurance company, Hippo can secure stable direct writing capacity, which will not be affected by other non-affiliated direct writing companies.

5. Our Advisors

Financial advisor: J.P. Morgan Securities LLC

Legal advisor: Baker & McKenzie (Gaikokuho Joint Enterprise)

Accounting / Tax advisor: Deloitte Tohmatsu Financial Advisory LLC

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