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MARKETS

Insurance Startup Hippo to Go Public in \$5 Billion SPAC Merger

California firm will merge with blank-check company established by LinkedIn, Zynga founders



Hippo's online underwriting technology uses aerial imagery to assess roof conditions and uses building permits to provide details of home features.

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By [Leslie Scism](#)

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Home-insurance technology upstart Hippo Enterprises Inc. is teaming with a special-purpose acquisition company to go public, the latest insuretech business to tap equity markets and challenge traditional insurers head-on.

The six-year-old Hippo, based in Palo Alto, Calif., will go public through a merger with [Reinvent Technology Partners Z](#) [RTPZ -5.94%](#) ▼ in a deal that values the firm at \$5 billion, the companies said. Reinvent Technology Partners Z had an initial public offering of stock in November.

Reinvent's co-directors are LinkedIn co-founder Reid Hoffman and Mark Pincus, founder of mobile-game maker [Zynga Inc.](#)

Hippo's move will provide funding as it continues a transition from being a partner to insurance carriers that provides a digital-sales channel for them to being both a partner and a direct competitor. Last year, the company bought Spinnaker Insurance Co., a property-casualty insurer licensed in 50 states, and it aims to ramp up the number of policies it issues.

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To size up risk in homes, Hippo's online underwriting technology uses aerial imagery to assess roof conditions and uses building permits to provide details of home features, for instance.

The firm seeks to distinguish itself by stressing proactive insurance services that can help homeowners avoid claims, such as free water-sensor devices to detect leaks and discounted burglar-alarm systems.

"Our guiding principle is that the best claim is one that never happens," said Assaf Wand, Hippo's chief executive and co-founder. He said becoming a carrier is the best way for the company to control its own path, including offering policies with expansive coverage for electronic gear and home offices.

Hippo expects to have up to \$1.2 billion in cash as a result of the transaction to fund growth and operations, the companies said. The transaction includes approximately \$550 million in fundraising from investors including Dragoneer Investment Group, [Lennar Corp.](#) and Ribbit Capital, the companies said. Mutual funds also are investing.

In 2020, five property-and-casualty technology startups either formed a carrier or announced the acquisition of one, up from three in 2019 and one in 2018, according to S&P Global Market Intelligence.

Becoming a carrier gives an insurtech company more revenue potential, said Thomas Mason, a senior research analyst at S&P Global Market Intelligence, “since the company will receive the policyholder’s premium payments rather than just a percentage commission on each sale.”

On the flip side, it “is more capital-intensive, inherently riskier and requires additional expertise in areas like reserving and investing,” he said.

The transformations from digital agency to full-fledged insurer are possible partly because ample venture-firm capital is available to help with the costs, analysts and consultants said. The trend “is likely to continue in 2021, which will in turn spur more private-capital raises, M&A activity and new carrier formations,” Mr. Mason said.

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