



# Investor Presentation

NYSE: HCI | MAY 2023

# Forward-Looking Statement

This presentation includes certain forward-looking statements and information, including statements regarding plans, strategies and expectations of HCI Group, Inc. (“HCI” or the “Company”). When used in this presentation, words such as “believes,” “anticipates,” “expects,” “estimates,” or words of similar meaning are generally intended to identify forward-looking statements. All statements other than statements of historical fact included in this presentation are forward-looking statements. These forward-looking statements are subject to risks, uncertainties, assumptions and other factors, many of which are beyond the control of the Company. Important factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements are described in the Company’s filings it makes from time to time with the Securities and Exchange Commission, including within the “Risk Factors” section of the Annual Report on Form 10-K for the year ended December 31, 2022, filed March 10, 2023.

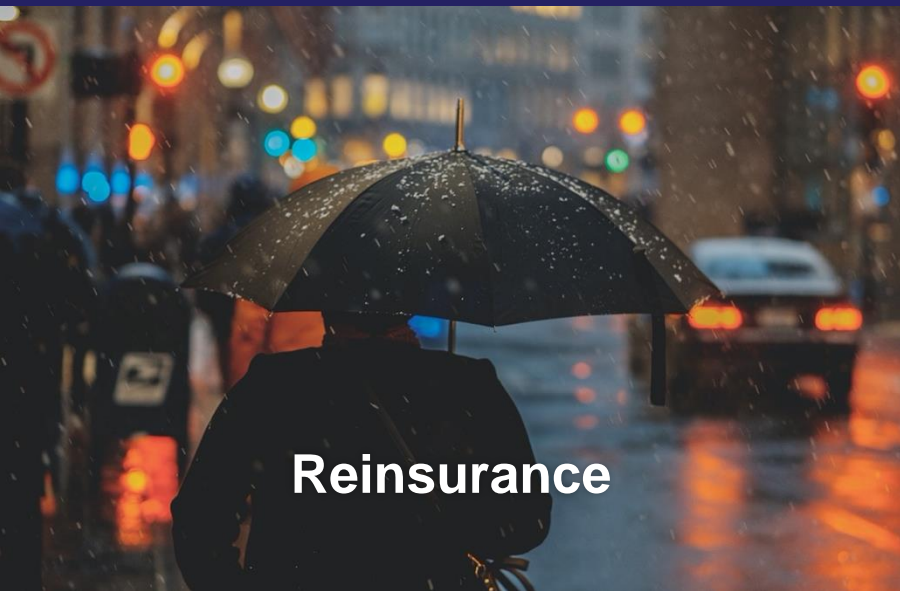


**Property & Casualty  
Insurance**



**Insurance  
Technology**

# HCI at a Glance



**Reinsurance**



**Real Estate**

Stock Price <sup>2</sup>	<b>\$56.68</b>
Est. Market Capitalization <sup>2</sup>	<b>\$487M</b>
Book Value/Share	<b>\$20.97</b>
Dividend Yield <sup>2</sup>	<b>2.8%</b>
In-Force Premium	<b>\$743M</b>
Debt to Capital	<b>52%</b>
Founded/IPO	<b>2006/2008</b>
Management Tenure	<b>13 years</b>
Insider Ownership	<b>21%</b>

(1) All data as of 3/31/2023 except where noted

(2) As of 5/15/23



# Investment Thesis

- ✓ An **insurance holding company** with interests in Homeowners Insurance, Insurtech, Reinsurance, and Real Estate.
- ✓ Combining **technology** and **industry knowledge** to drive profitable growth
- ✓ Allocating capital with **purpose** and **discipline** while managing risk
- ✓ **Creating value** for our shareholders

**12%**  
TEN-YEAR ROE<sup>1</sup>

**21%**  
INSIDER OWNERSHIP



**2006** founded

**57/62** profitable quarters

**50** consecutive quarters of dividends

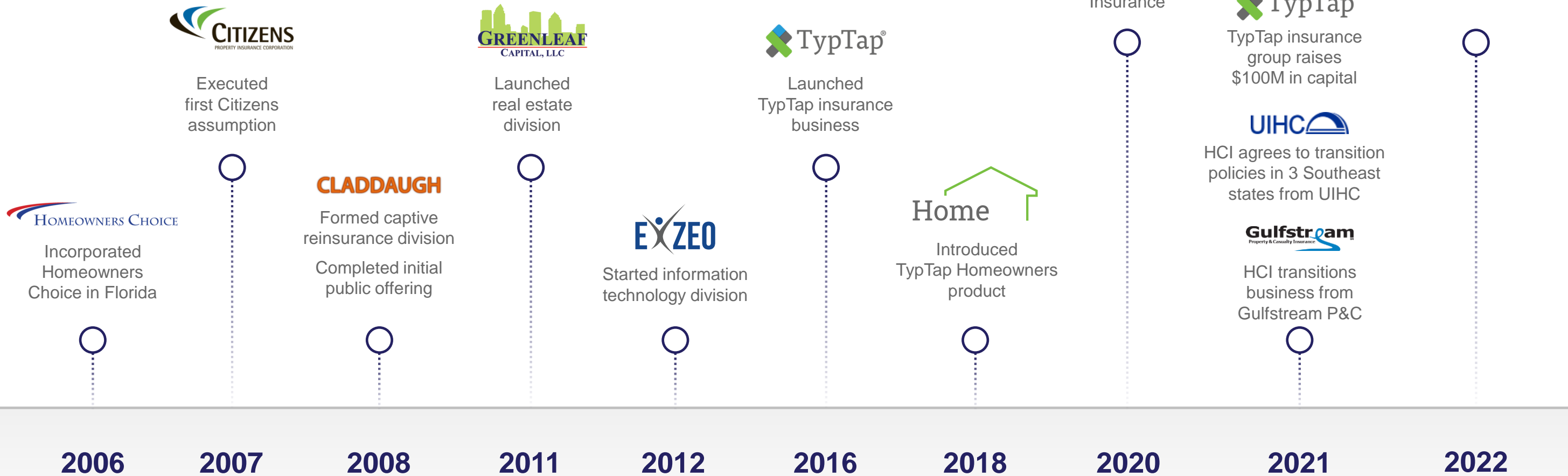
**90%** of market cap returned to shareholders<sup>2</sup>

(1) As of 12/31/2022

(2) Based on market capitalization on 3/31/2023. Includes 269M buybacks and 148M dividends



# Growing Through Investment & Innovation



# Overview of HCI Business Divisions



## PROPERTY & CASUALTY

Homeowners and condominium insurance primarily in Florida

Track record of consistent underwriting profitability

Strong cash flow helps to fund growth initiatives

Growth fueled by opportunistic acquisitions

**\$388M of In-Force Premiums<sup>(1)</sup>**



## INSURANCE TECHNOLOGY

Technology-driven homeowners and flood insurance

Nationwide expansion announced in 2020

Differentiated technology yields best-in-class loss ratio

**\$354M of In-Force Premiums<sup>(1)</sup>**



## REINSURANCE

Reinsurance captive that participates in the placement of reinsurance for HCI's insurance divisions

Licensed Class 3 Bermuda reinsurer

Selectively retain margin from our reinsurance tower

**Provides Reinsurance Flexibility**



## REAL ESTATE

Real estate company with significant investments in Florida

Opportunistic strategy focused on maximizing long-term value

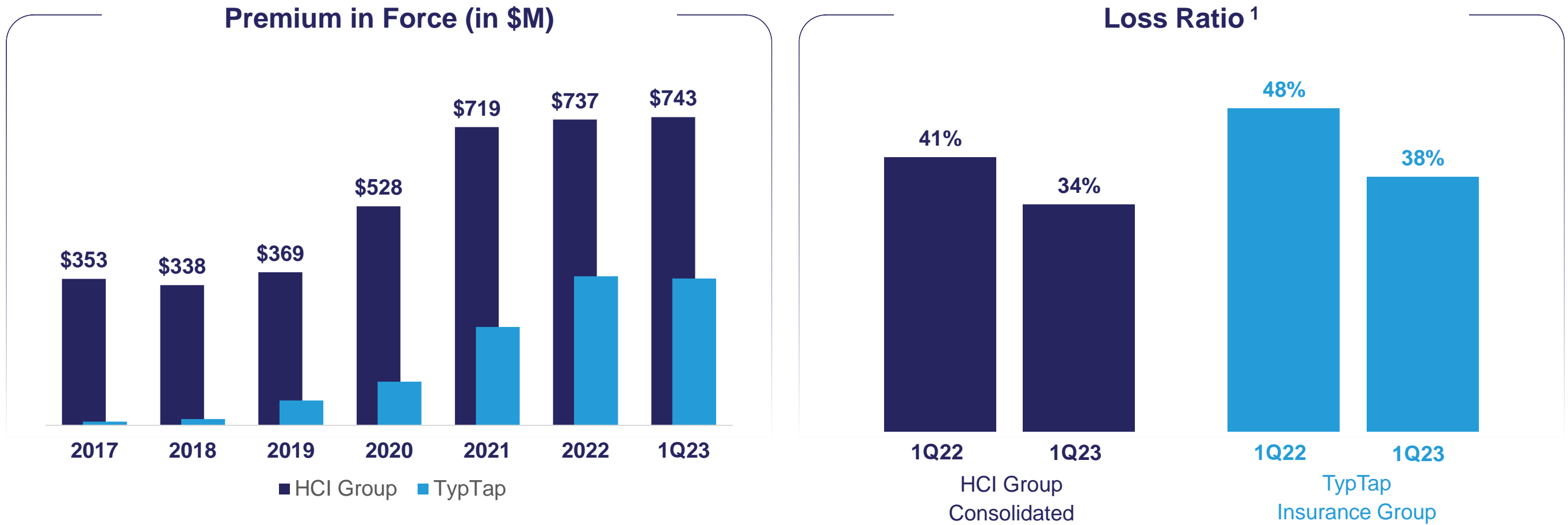
Returns enhanced by efficient capital allocation and in-house expertise

**>\$100M Real Estate Portfolio<sup>(1)</sup>**

(1) As of 3/31/2023

# A Growing Homeowners Business

Two Carriers in 13 States With Over \$725M in Annual Premium



Premium growth... ...with profitability



(1) Losses and loss adjustment expenses divided by gross premiums earned

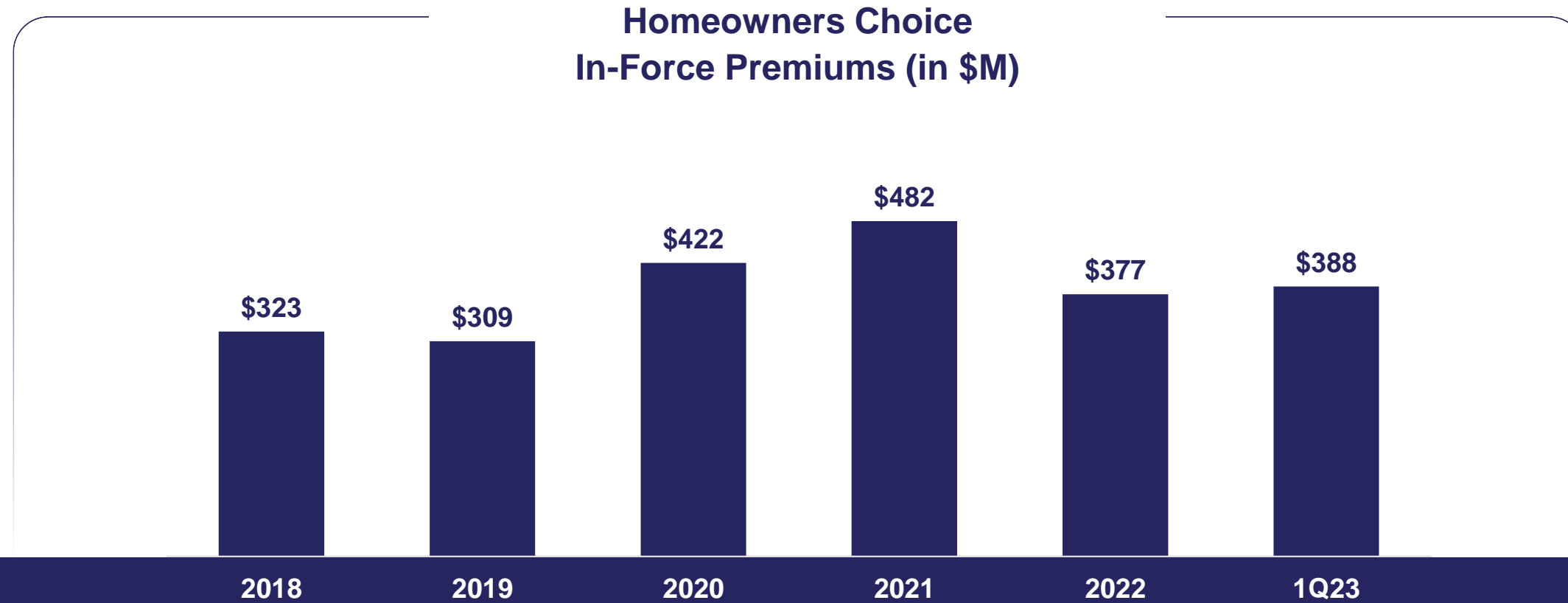


HOMEOWNERS CHOICE

# Property & Casualty Insurance



# Florida Focused Insurance Business with Strong Operating Performance



✓ **Best-in-class Underwriter in the Florida Market**

✓ **Opportunistically Acquiring Profitable Books of Business**

✓ **Proactively Managing Risk and Loss Costs**

✓ **Deploying Excess Capital Into Investments & Growth Initiatives**

(1) The decline in in-force premium from 2021 to 2022 reflects the transition of business assumed from United Property & Casualty Insurance Company to TypTap Insurance Company.

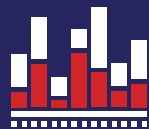
# Customer Centric Model Delivers High Customer Retention



Strict underwriting, exposure management, and industry-leading claims technology support risk selection, customer retention and loss control

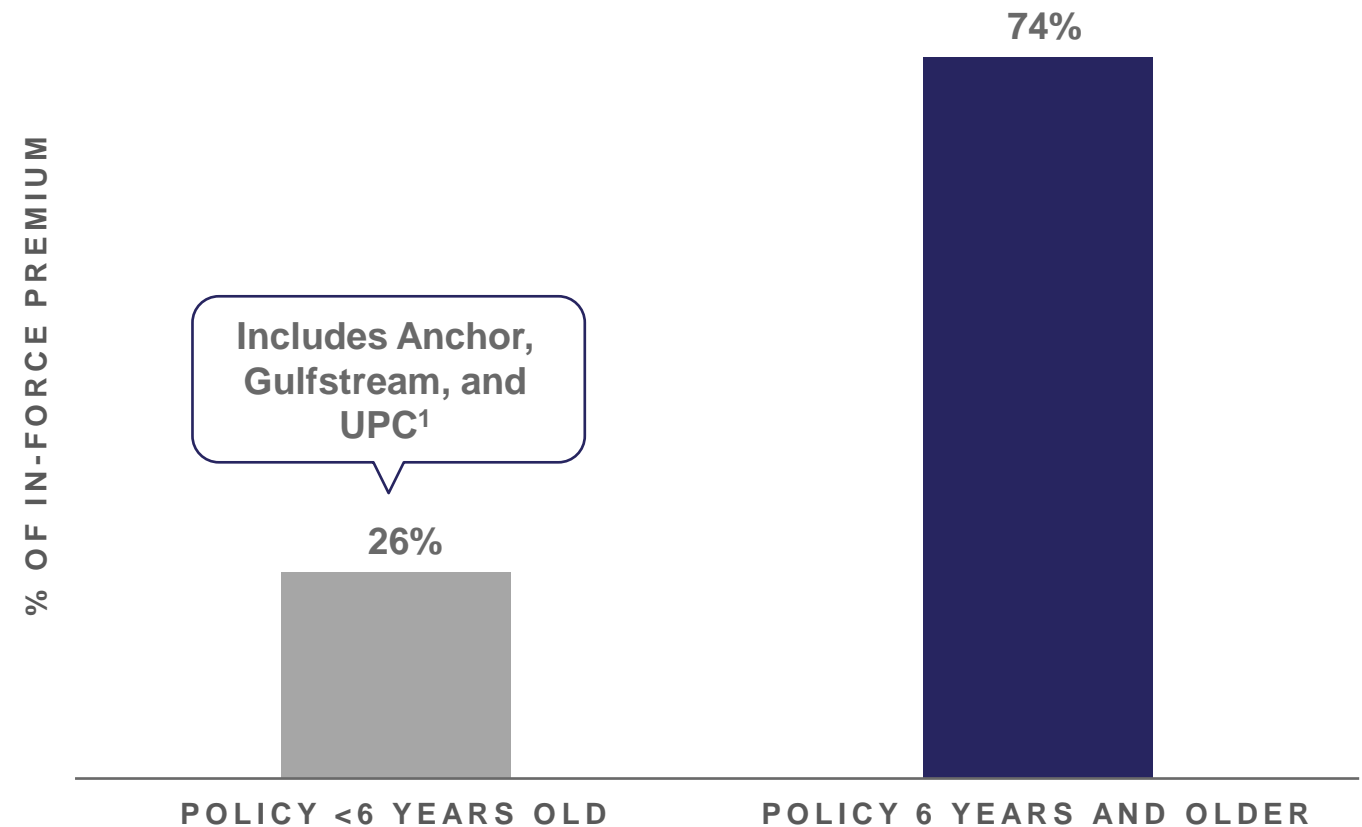


>70% of in-force premium retained more than 6 years and counting



Average non-cat gross loss ratio below 40%

## High Retention of In-Force Premium



(1) Anchor, Gulfstream, and UPC books transitioned in 2020 and 2021

(2) As of 9/30/22

# Value-Added Portfolio Acquisitions

DECEMBER 2021



Has acquired



Georgia, North Carolina & South Carolina personal insurance lines

**\$87 million of annual premiums**    **\$3.1 million cash consideration**

AUGUST 2021



Has selected policies of



Florida insurance policies

**\$25 million of annual premiums**    **\$0 upfront consideration**

DECEMBER 2020



Has acquired



Connecticut, New Jersey, Massachusetts & Rhode Island personal insurance lines

**\$112 million of annual premiums**    **\$5.4 million equity consideration**

APRIL 2020



Has acquired



Florida insurance policies

**\$62 million of annual premiums**    **\$3 million cash consideration**

**~\$300M of in-force premiums acquired for \$12M, resulting in earnings accretion**

- ✓ Thoughtful acquisition strategy drives profitable growth

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- ✓ Financial strength and integration capabilities make HCI a preferred acquisition partner

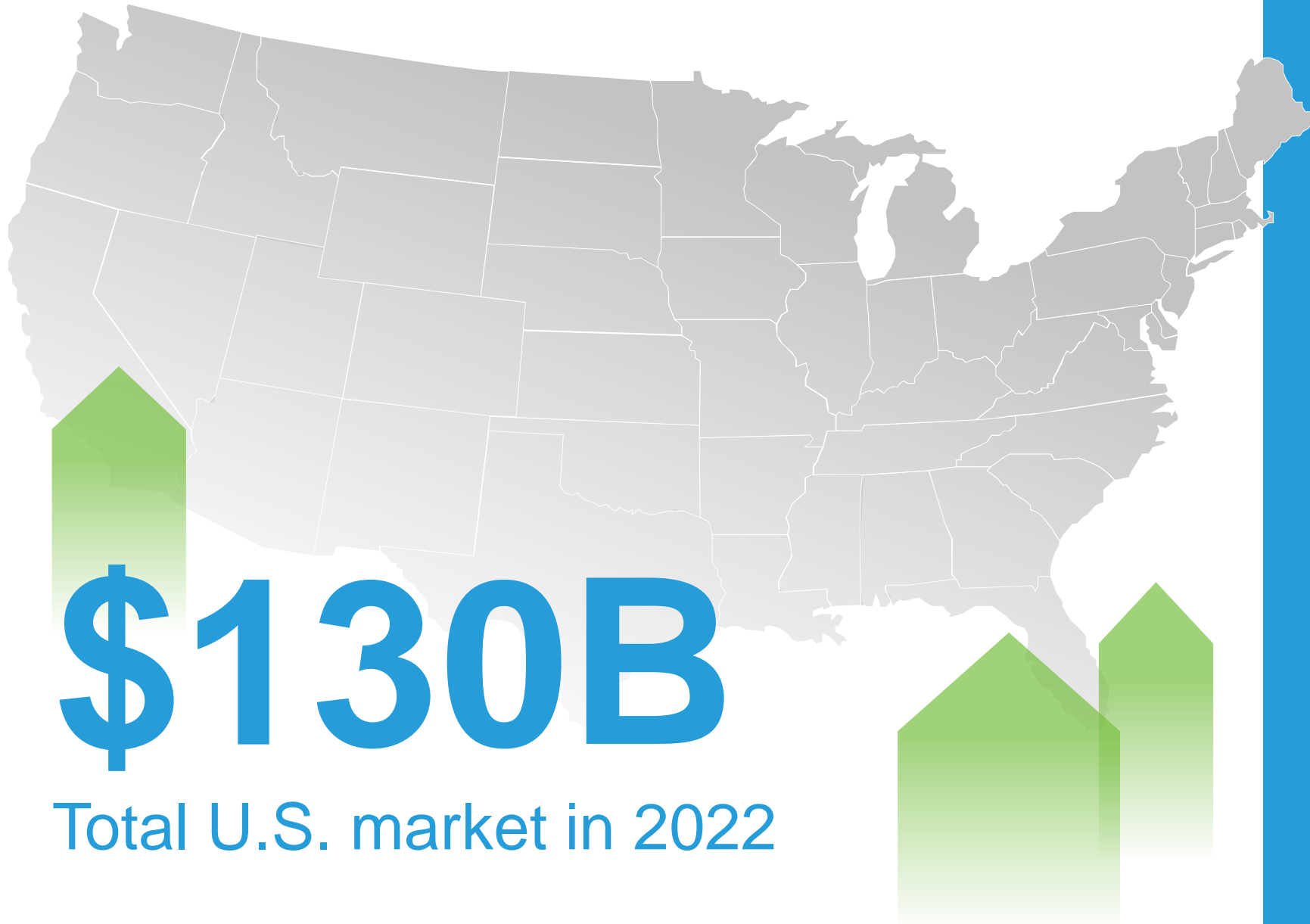
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- ✓ Underwriting algorithms and proprietary use of data allows for improved profitability of acquired portfolios



# Insurance Technology

# U.S. Homeowners Insurance is a Massive Opportunity...



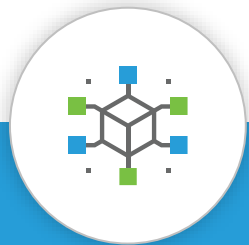
## ...with Attractive Features

- ✓ Homeowners market is large and growing
- ✓ Fragmented with one company > 10% share
- ✓ High average premium and strong retention
- ✓ Incumbents under-investing in technology
- ✓ Opportunity to capture market share

**Strong customer retention  
is leading to a subscription-like  
business model**



# Technology-driven Insurance Company



**Proprietary  
Technology**



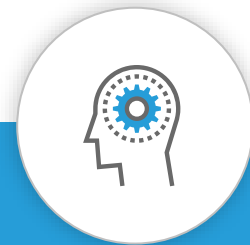
**National  
Expansion**



**Superior  
Underwriting**



**Positive  
Cash Flow**



**Experienced  
Management**

# We Use Technology to Underwrite at the Individual Property Level

## TypTap's Differentiated Strategy

Individual property level risk evaluation

Only write insurance for homes that are expected to be profitable on a standalone basis over the life of the policy

Optimizing for profitable growth

Source: S&P Market Intelligence (2021 U.S. homeowners insurance industry direct expenses).

Excludes reinsurance expense

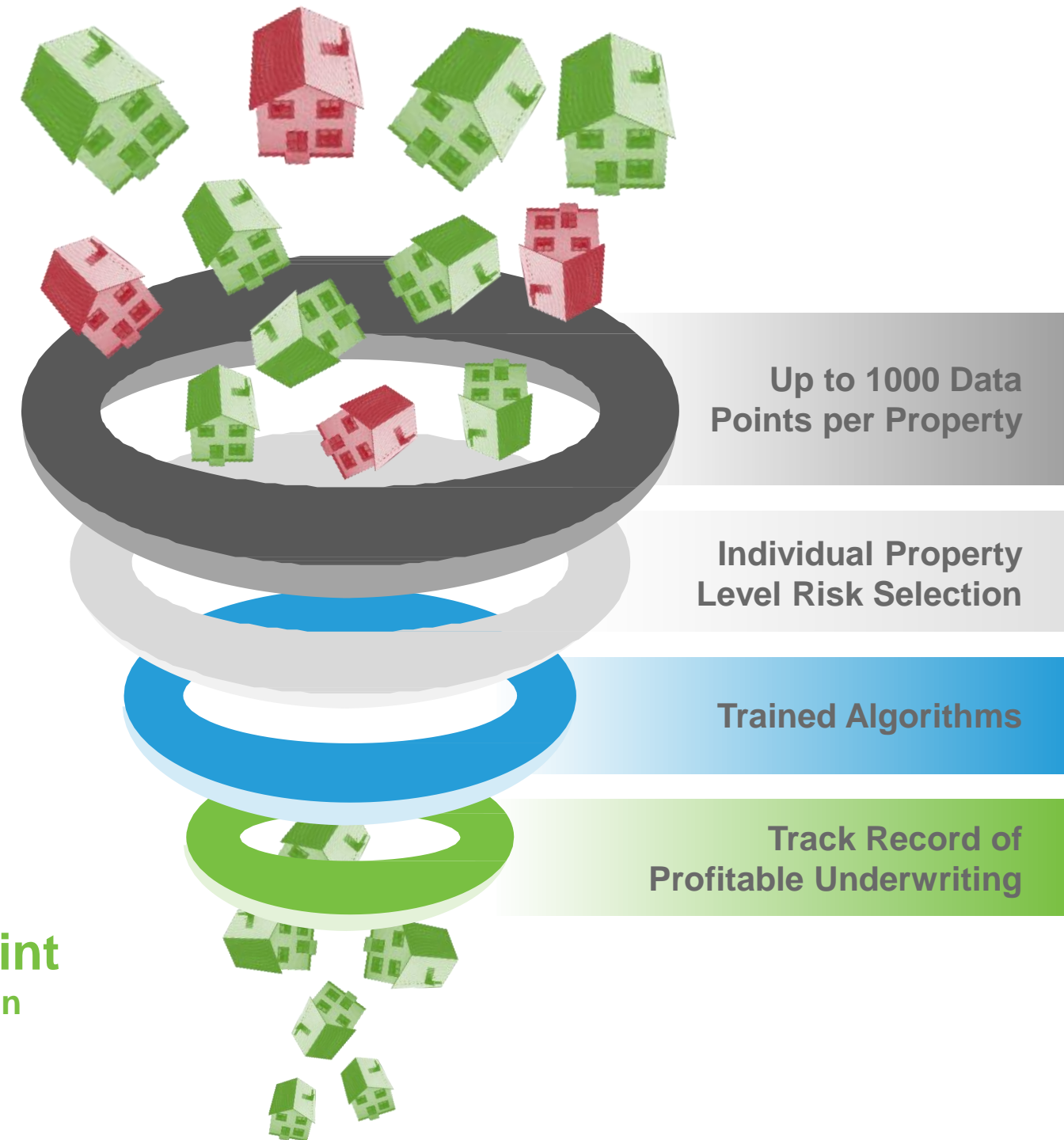
(1) Represents industry average from 2019-2021



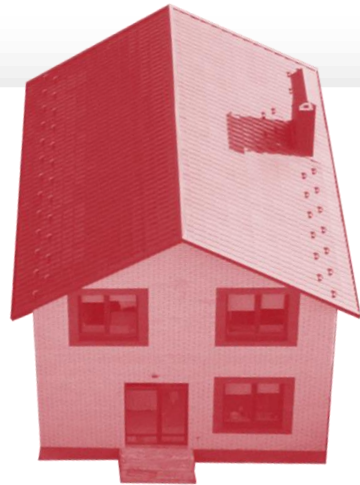
73%<sup>1</sup>  
industry  
average  
loss ratio



~25 point  
decrease in  
loss ratio



# Individual Level Risk Evaluation Results in TypTap's Lower Loss Ratio



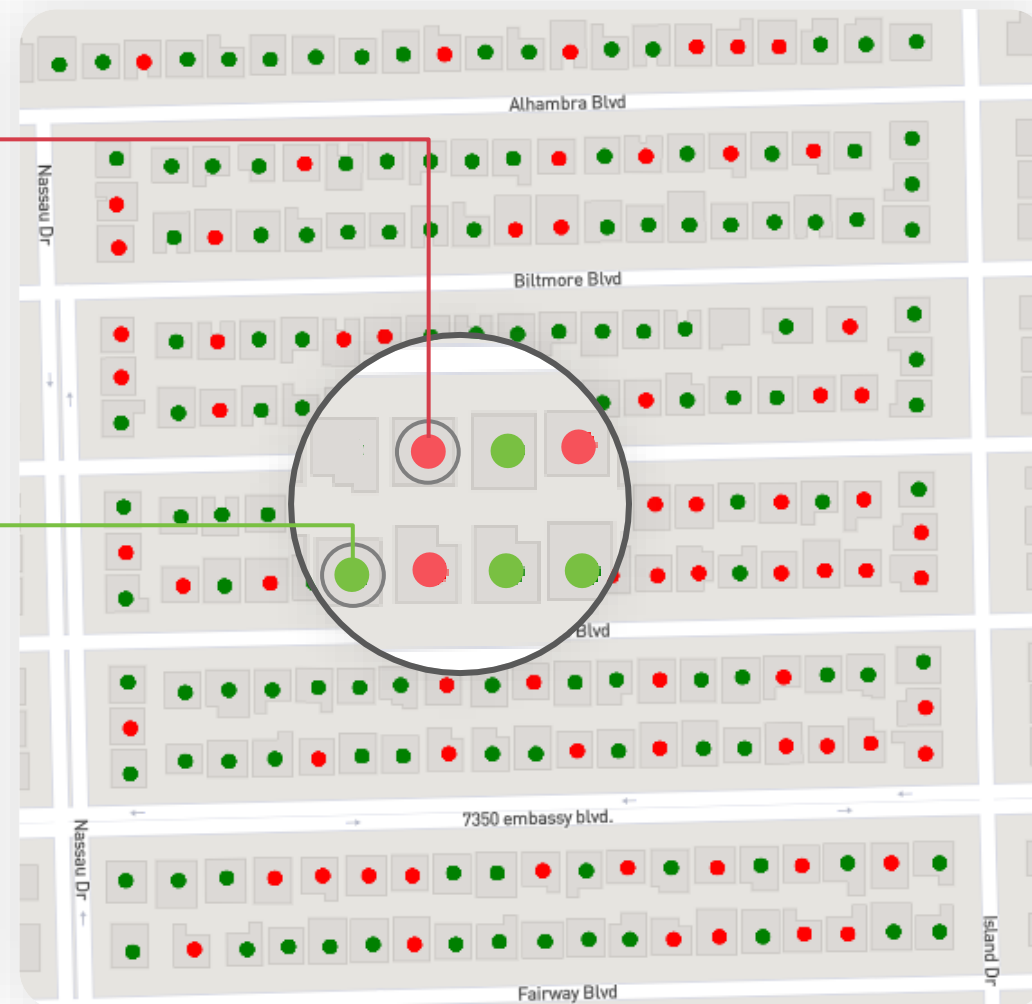
## RED PROPERTIES (not approved):

Risks that we expect to be unprofitable and will not bind



## GREEN PROPERTIES (approved):

Those that meet our return thresholds based on our underwriting algorithm



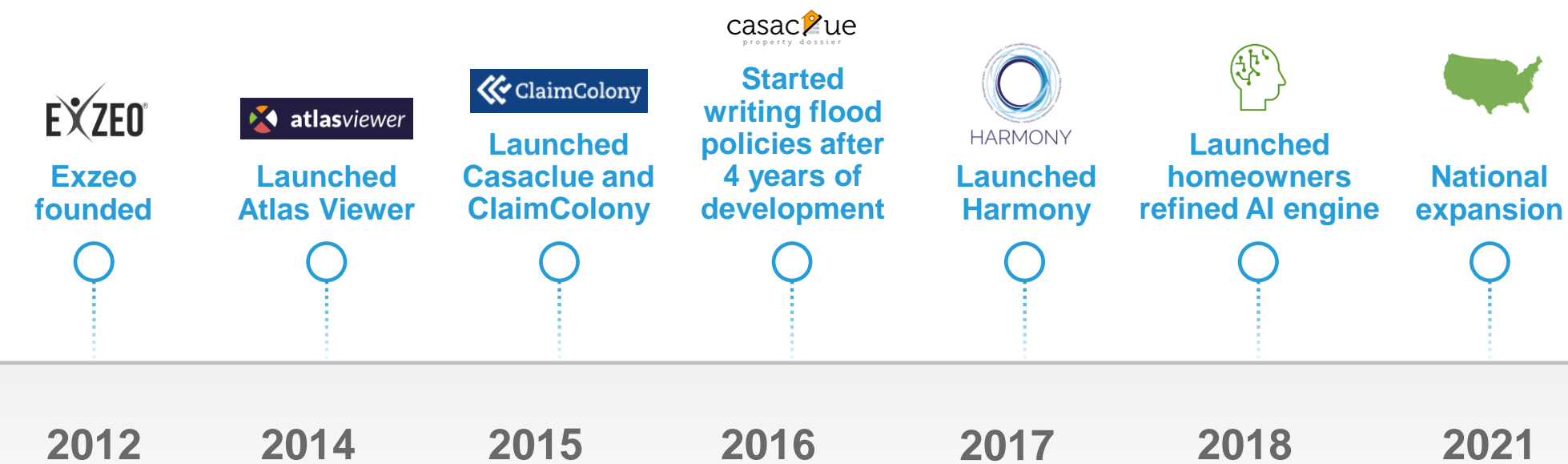
Property level (TypTap) vs. zip code level (industry)

TypTap's algorithms can determine "green properties" vs. "red properties" in the same neighborhood



# HCI Developed its Own Technology

Exzeo Was Launched in 2012 to Build and Develop TypTap's Entire Technology Stack



- ✓ Wholly-owned technology subsidiary
- ✓ A team of over 150 experienced developers and data scientists
- ✓ 100% internally developed technology platform powers every aspect of TypTap's and HCI's day-to-day operations

# Exzeo's Full-stack Tech Platforms Power TypTap

## Simplified Customer Experience...

### Intuitive user interface

Enter an address to start a quote, and then answer 4-8 simple questions

### Intelligent data repository

Casacue, our intelligent data repository, provides the rest of the information needed to complete the quote

### Real time decisions

The information is fed to the Underwriting, Cost and Rating Engines to determine if it is a red or green property

### Frictionless, automated quote & bind

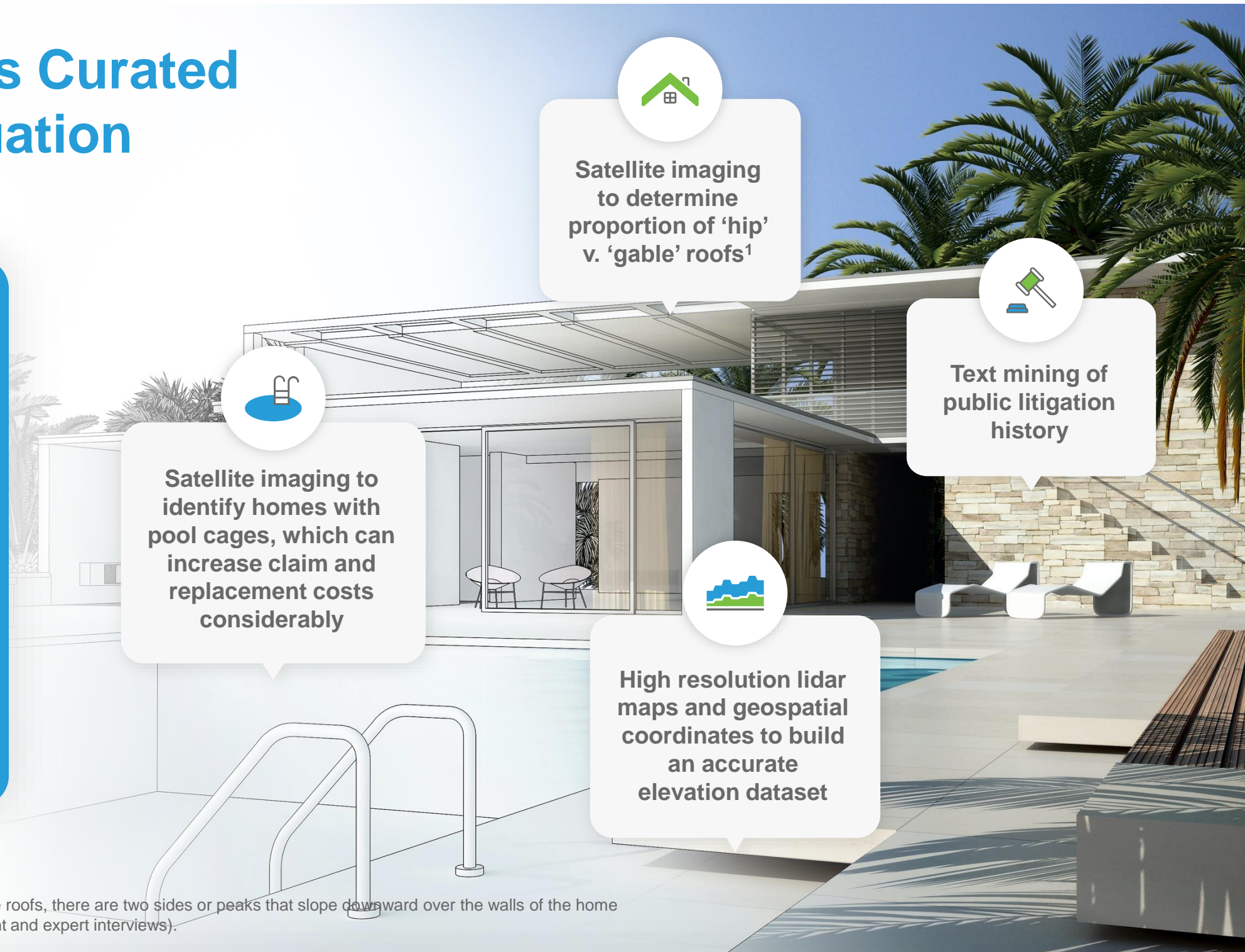
All this is done with no TypTap human intervention

## ... Powered by a Full Suite Solution



# Our Data Repository is Curated for Precise Risk Evaluation

- ✓ Data sourced through in-house proprietary research and 3<sup>rd</sup> party resources
- ✓ Curated and validated data delivered to decision algorithms
- ✓ Information continuously accumulates, creating a perpetual evolution of data



<sup>1</sup> In Hip roofs, all sides slope downward over the walls of the home; in Gable roofs, there are two sides or peaks that slope downward over the walls of the home  
Source: Oliver Wyman analysis (from discussions with TypTap management and expert interviews).

# Algorithms Transforming Data Into Profit

The curated data is fed into our underwriting, cost rating engines

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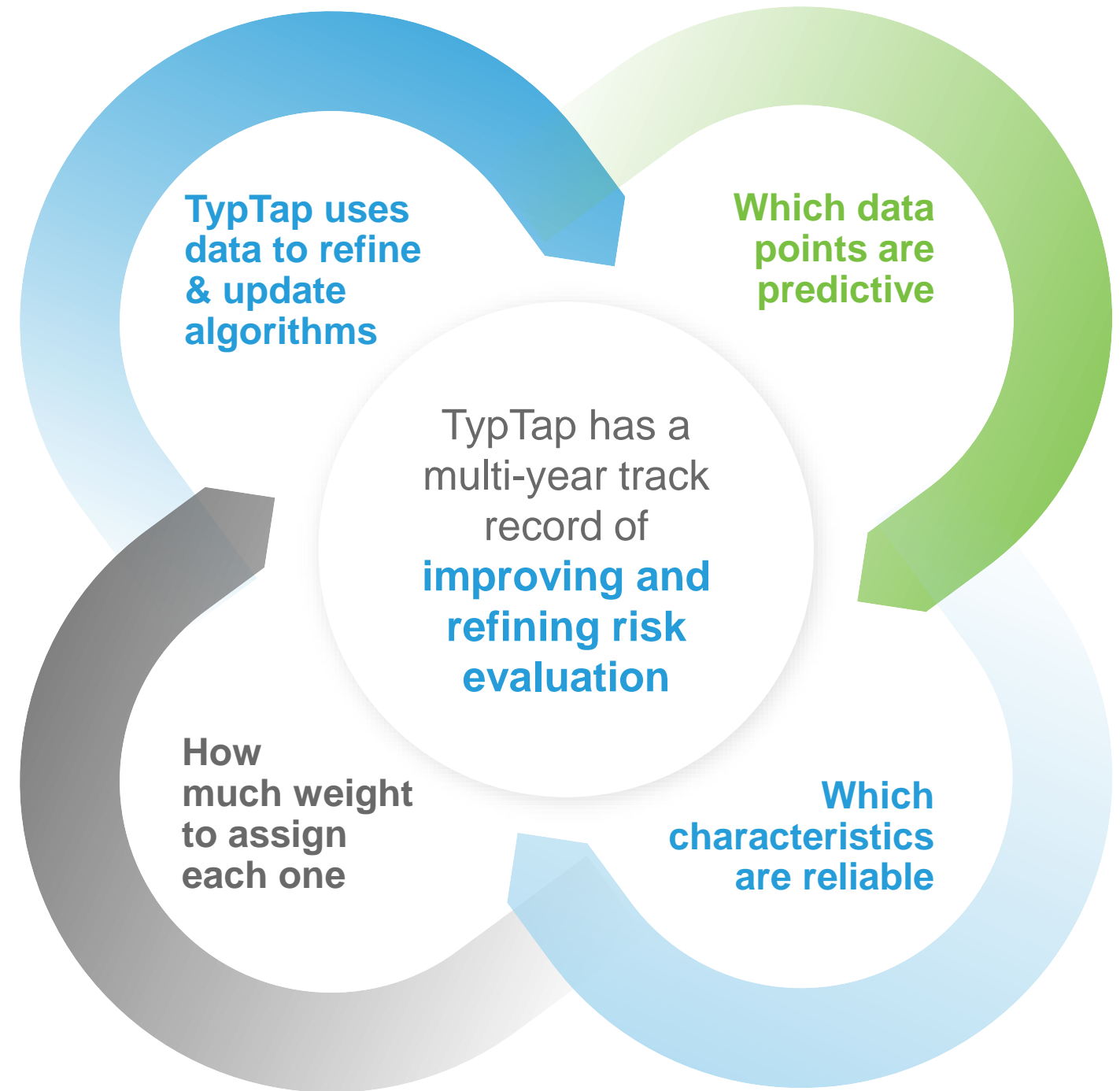
Algorithm-enabled engines determine red or green properties

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Historical trends are applied to underwriting and costs to refine and improve the risk selection algorithms

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Underwriting algorithms are customized per state



TypTap delivers value for agents and consumers



# Why TypTap Partners with Agents

We partner with agents because that's where most policies are written

Overwhelming majority of homeowners insurance is bought through the independent agent channel

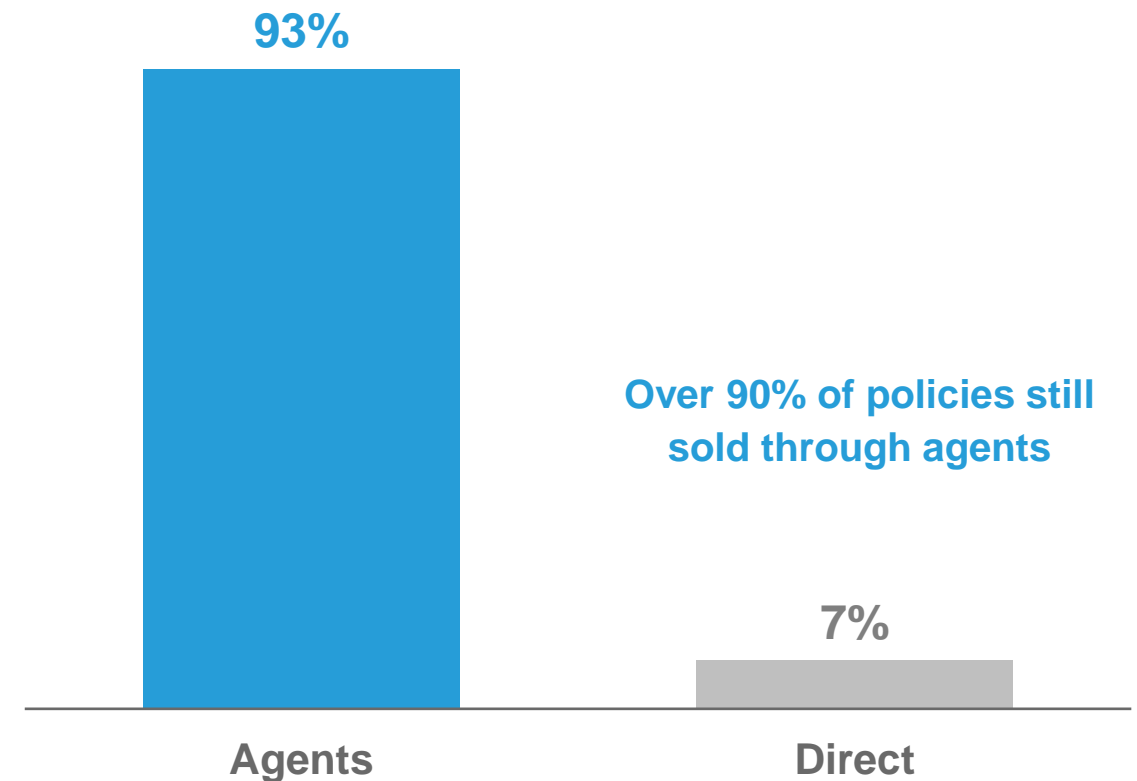
Independent agent model allows us to scale and we do not have to change consumer behavior for our growth plan

The predictability of our customer acquisition cost ("CAC") improves the efficiency to utilize our capital for growth

At the same time, we built our technology platform to be distribution agnostic



## Direct Written Premium by Distribution Channel



Source: McKinsey & Company (2020 report)

# TypTap's Advantages



**Purpose-built technology** suite 100% owned by TypTap



**Differentiated data and proprietary analytics** creating superior underwriting results

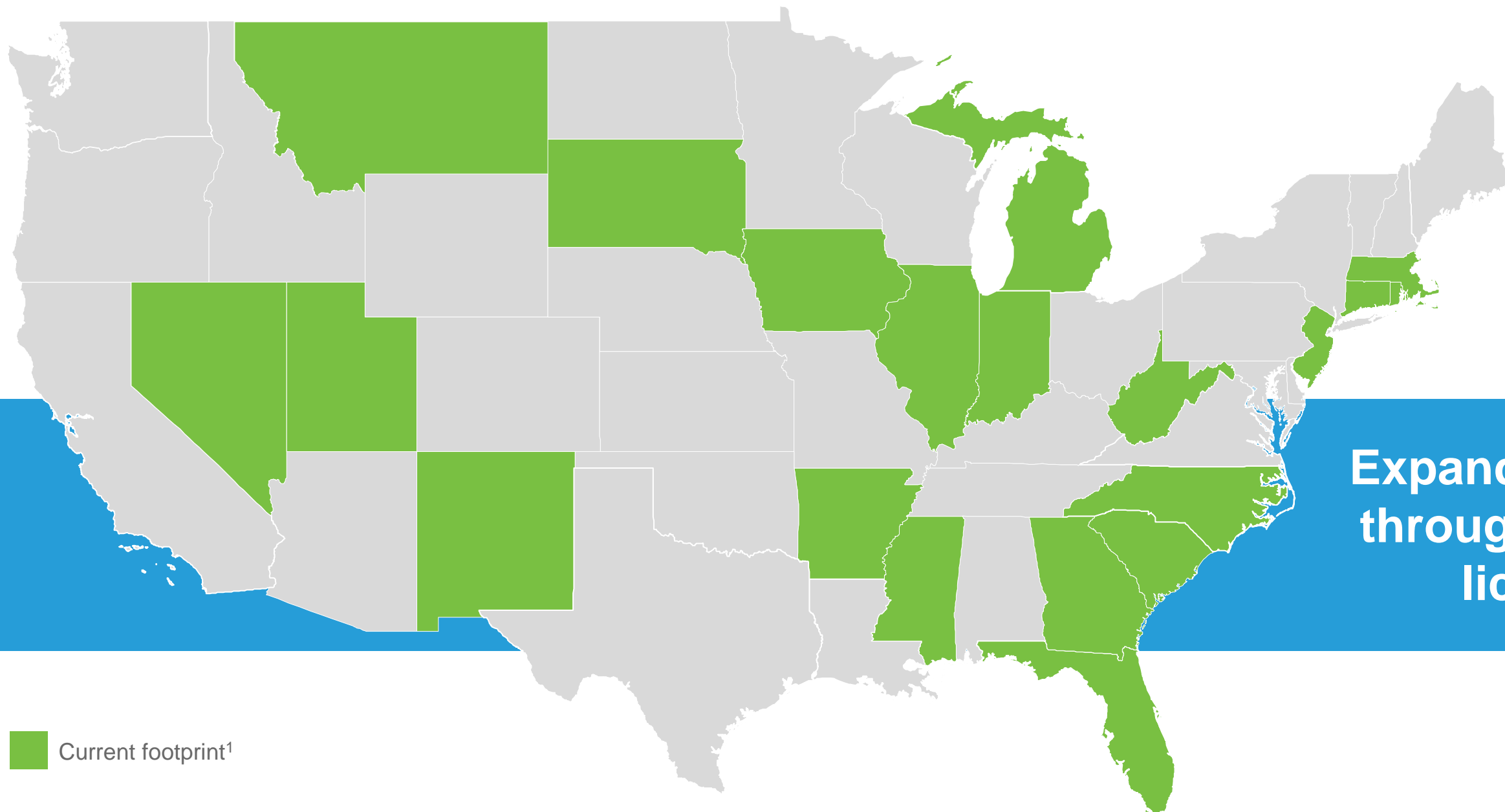


**Aggregation of profitable properties** is enhanced by high customer retention rate



**Ease of use** for a frictionless policyholder and agent experience

# TypTap's Expansion Update



**Expanding footprint  
through nationwide  
licensing effort**

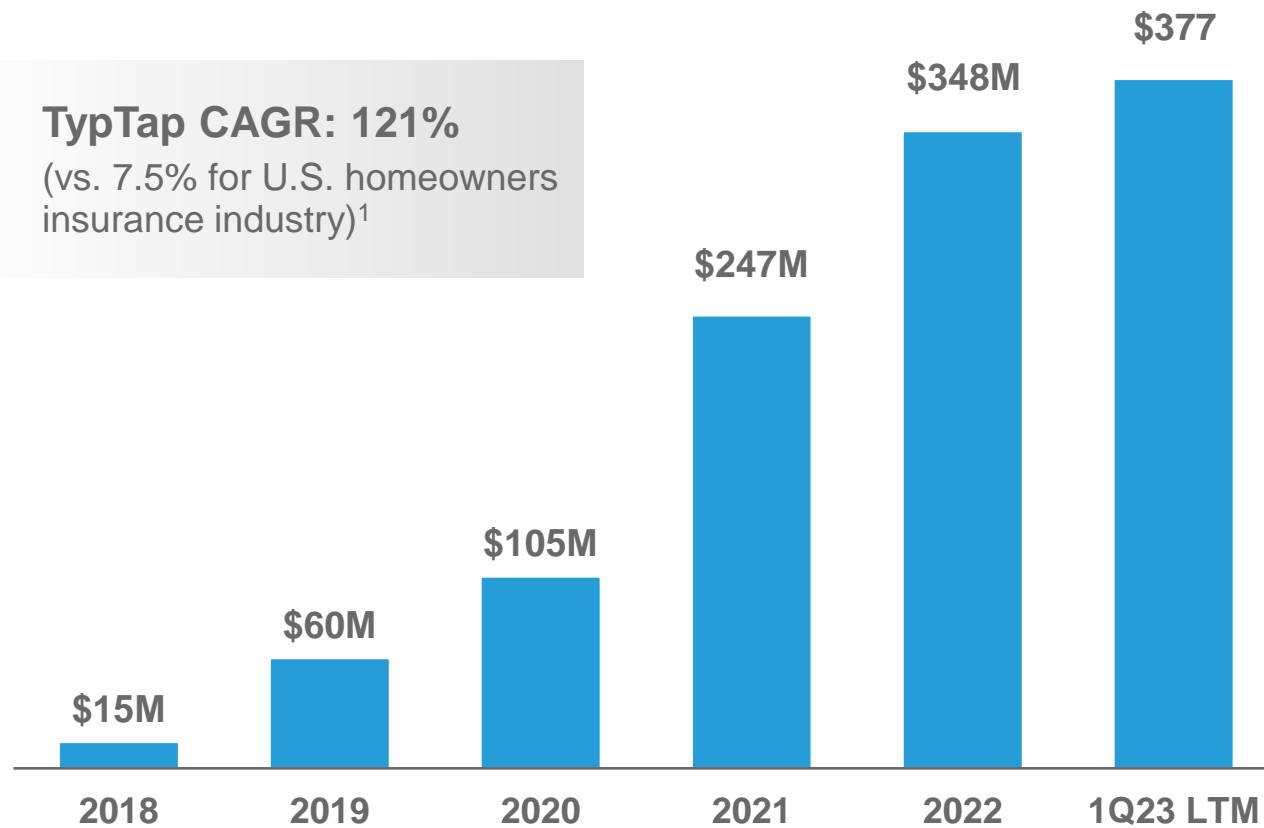
 Current footprint<sup>1</sup>

(1) TypTap is approved to offer homeowners coverage in 20 states, including Florida. TypTap is currently operating in 13 states.

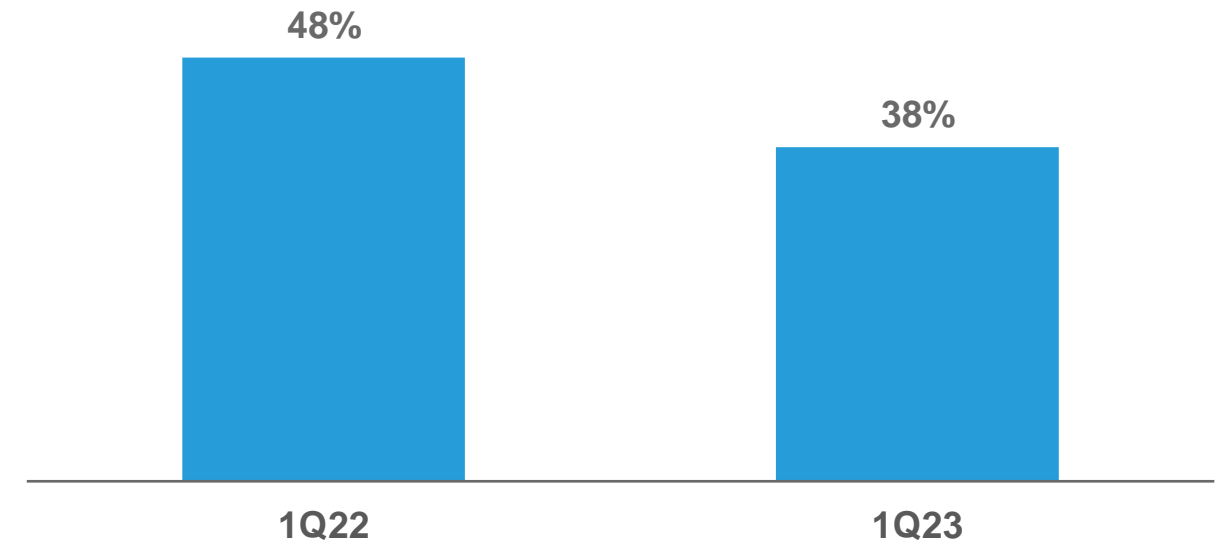


# TypTap is Operating to Maximize Growth AND Profitability

## TypTap Gross Written Premium (in \$M)



## TypTap Insurance Group Loss Ratio<sup>1</sup>



(1) Losses and loss adjustment expenses divided by gross premiums earned

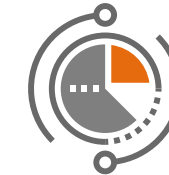
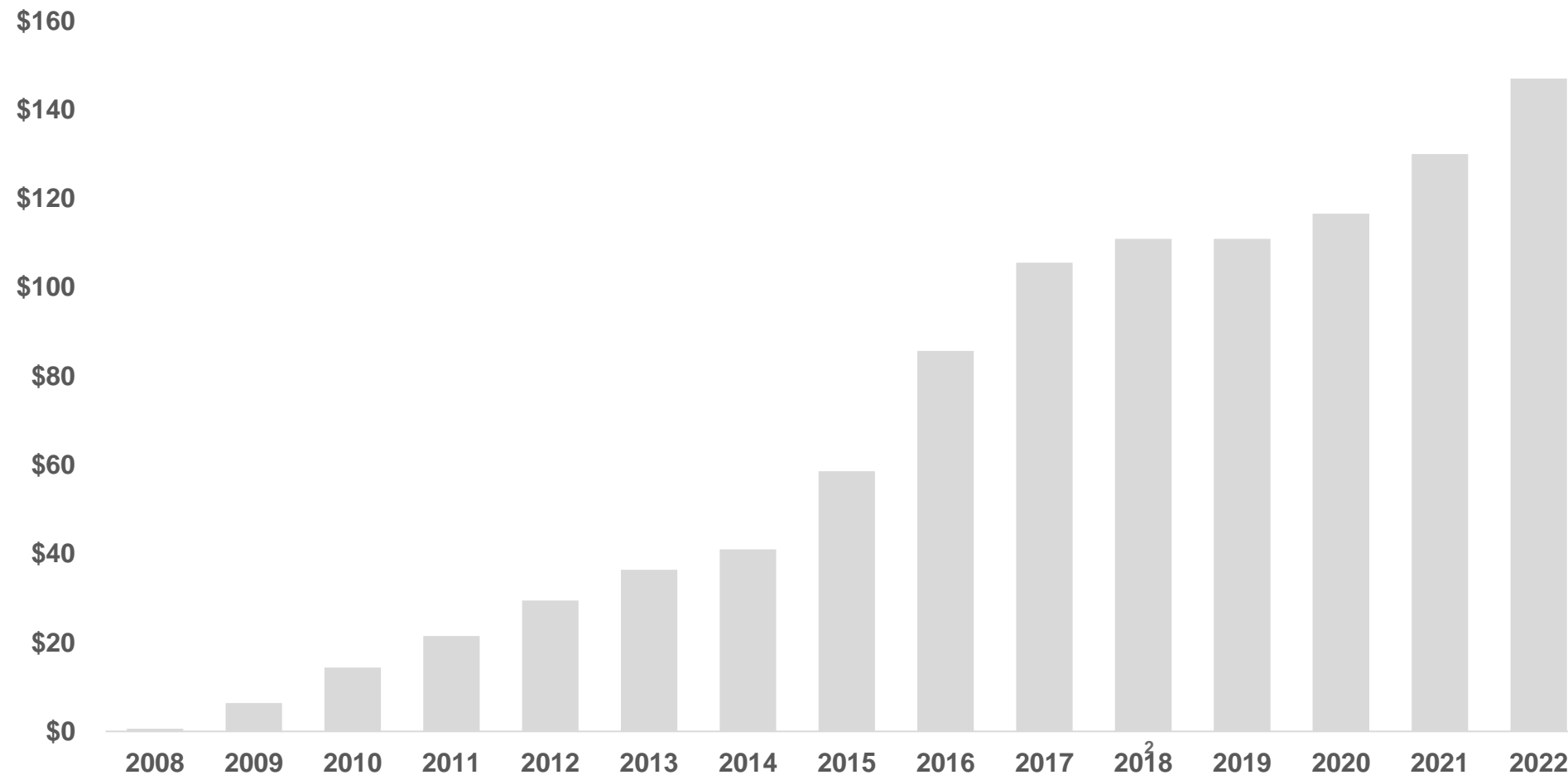
A person is seen from behind, holding a black umbrella in the rain at night. The background is a blurred city street with various colored lights (yellow, blue, red) and a car's taillights. The overall atmosphere is moody and atmospheric.

CLADDAUGH

# Reinsurance

# Claddaugh Generating Profits for Our Shareholders

## Cumulative Net Premium Earned Since 2008



Claddaugh is used to opportunistically manage reinsurance cycles for HCI's insurance divisions.



Since its formation in 2008, Claddaugh has contributed \$36M in pre-tax income to HCI.<sup>1</sup>

(1) As of 12/31/22. Excludes the impact of intercompany stop loss agreement.

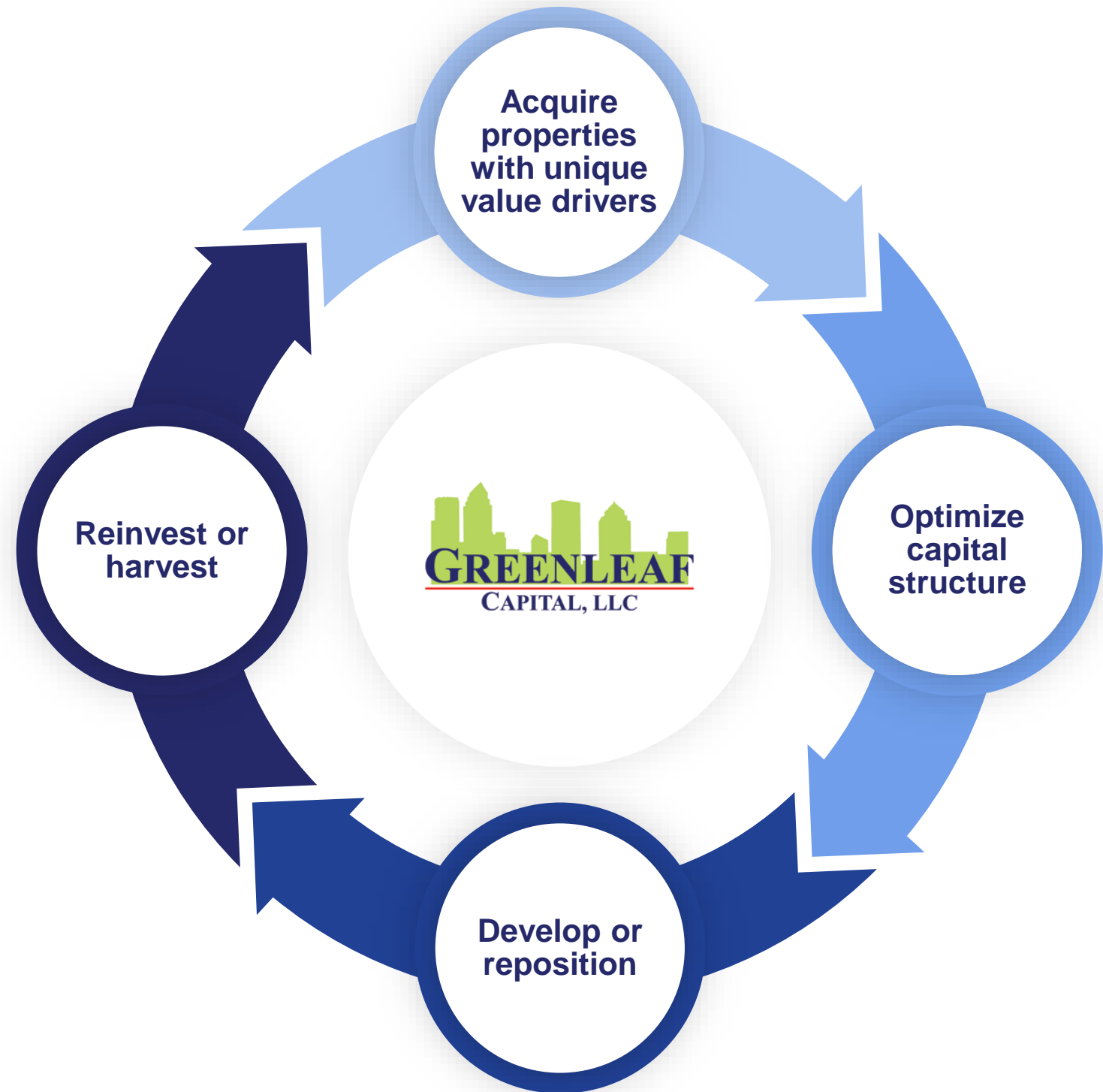


  
**GREENLEAF**  
CAPITAL

**Real Estate**

# Creating Value in Real Estate

**Greenleaf Capital** owns and operates HCI's growing real estate portfolio. Its holdings include a set of premier commercial assets in rapidly growing Florida.



# Generating Gains from our Real Estate Portfolio

	PROPERTY	LOCATION	DATE PURCHASED	GROSS PROCEEDS <sup>2</sup>	PRE-TAX GAIN <sup>1</sup>
Recent Sales Transactions	Office Building	Downtown Tampa	2010	\$44M	\$37M
	Office Building	Downtown Tampa	2017	\$15M	\$13M
	Grocery Anchored Retail	Eustis, FL	2016	\$13M	\$5M
	Grocery Anchored Retail	Melbourne, FL	2016	\$18M	\$11M
				<b>\$90M</b> GROSS PROCEEDS	<b>\$66M</b> PRE-TAX GAIN

(1) Includes gains associated with bargain purchase

(2) Gross proceeds are net of transaction costs and commissions

# Florida Real Estate Portfolio With Embedded Value

	PROPERTY	APPRAISED VALUE <sup>(1)</sup>	BOOK VALUE <sup>(3)</sup>	DEBT ON PROPERTY
OPERATING	Office Portfolio	\$25M	\$17M	\$5M
	Anchored Retail	28M	17M	-
	Waterfront Specialty Use Portfolio	40M	17M	-
UNDER DEVELOPMENT	Land Under Development	18M	10M	-
		<b>\$111M<sup>1</sup></b>	<b>\$61M</b>	
		<b>APPRAISED VALUE</b>	<b>BOOK VALUE</b>	

(1) Based on appraisals obtained by Fifth Third bank as of 3/31/2023

(2) Book value is net of depreciation

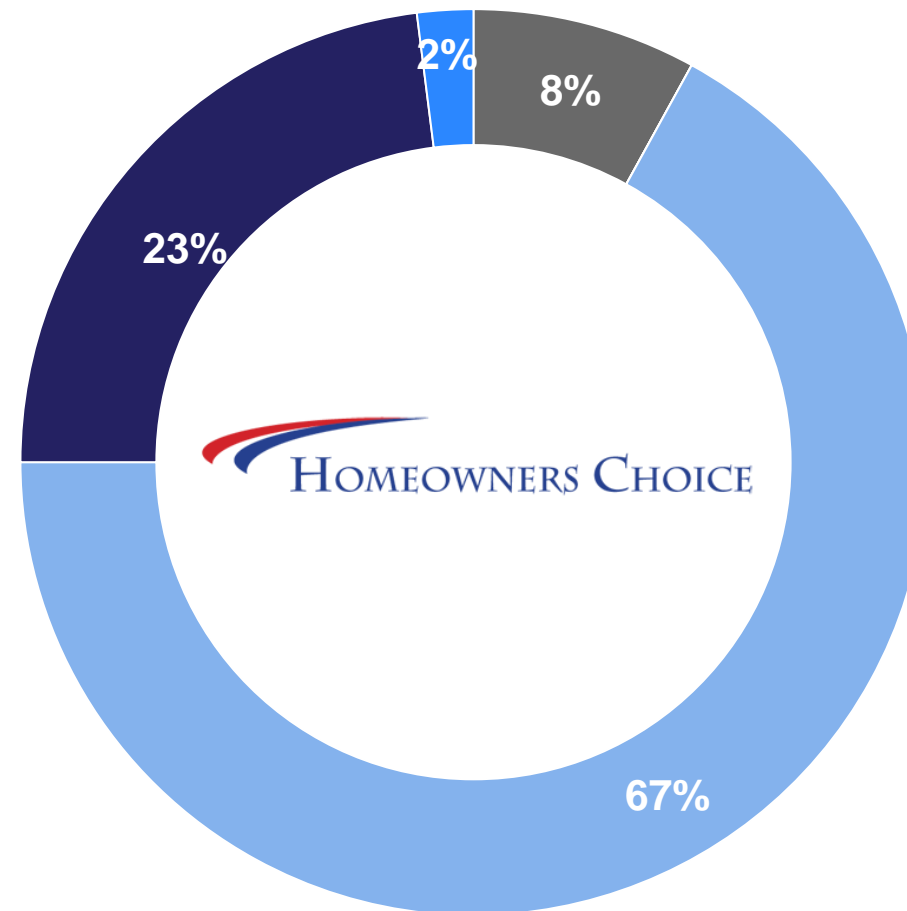
(3) All data as of April 1, 2023

# Homeowners Choice Investment Portfolio

A conservative allocation, positioned for higher rates and opportunistic investments

Total invested assets<sup>1</sup>  
**\$341 million**

Fixed Income Duration  
~1 year



- Cash
- Fixed Income
- Real Estate & Other
- Short Term Investments
- Equity
- Limited Partnerships

(1) As of 3/31/23

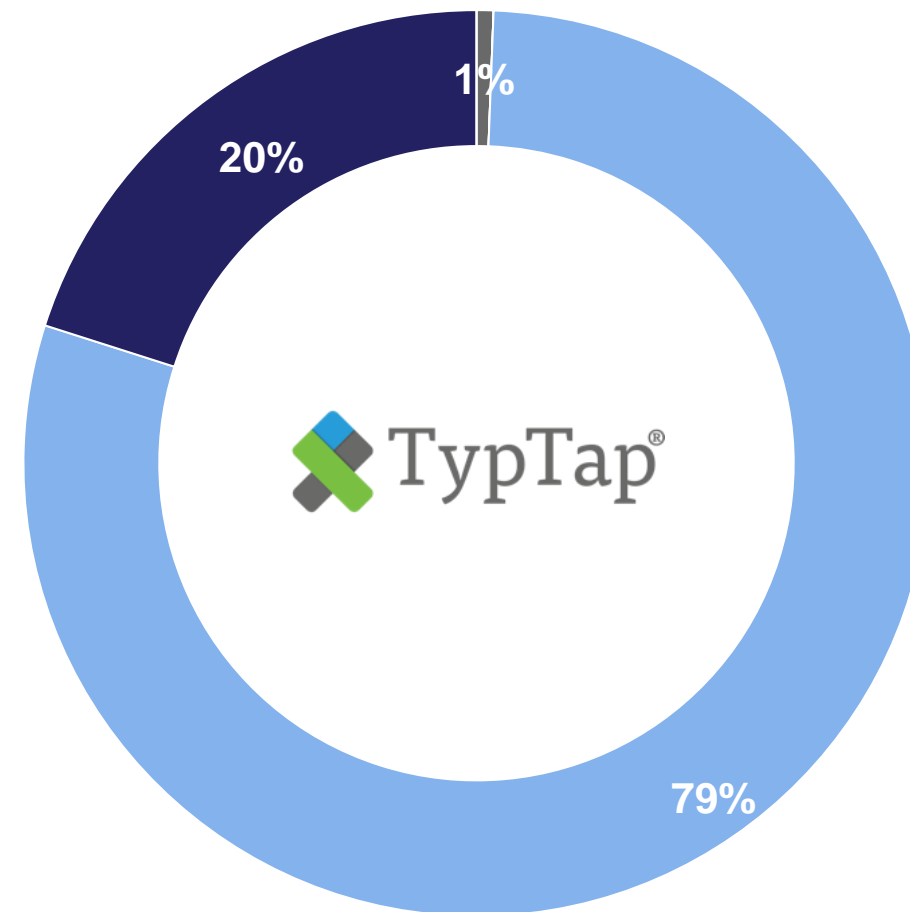


# TypTap Investment Portfolio

A conservative allocation, positioned for higher rates and opportunistic investments

Total invested assets<sup>1</sup>  
**\$340 million**

Fixed Income Duration  
~1 year



- Cash
- Fixed Income
- Real Estate & Other
- Short Term Investments
- Equity
- Limited Partnerships

(1) As of 3/31/23

# Experienced & Focused Leadership Team



**PARESH PATEL**  
Chairman & Chief Executive Officer

- Founder; Chairman since 2007 & CEO since 2011
- Designed HCI's policy administration systems, leveraging software development experience
- Founded NorthStar Bank in 2004 and served as Director (2006-2011)



**MARK HARMSWORTH**  
Chief Financial Officer, HCI Group

- CFO since 2017; previously SVP of Finance
- Former senior advisor to Stewart Information Services (NYSE: STC)
- CFO of First American Title Insurance Company (2006-2011)
- Senior EVP of First Canadian Title Insurance Company (2002-2006)



**KARIN COLEMAN**  
President, Homeowners Choice  
Chief Operating Officer, HCI Group

- Director since February 2021
- Previously, EVP (2017-2019) and VP of Corp. Services (2009-2017)
- Former VP Strategic Alliances, TSIC, Inc. (2001-2009)
- Served in various capacities at Florida Progress Corp (NYSE: FPC), a utility holding company, now part of Duke Energy (NYSE: DUK) (1987-2000)



**ANDREW GRAHAM**  
General Counsel, HCI Group

- General Counsel since 2008
- Served in various capacities, including General Counsel for Trinsic (1999-2007)
- Served on Internal Audit Committee of Hillsborough County, Florida, since 2011
- Hillsborough Community College trustee (2007-2011)



**KEVIN MITCHELL**  
President, TypTap Insurance  
Executive Vice President, TypTap Insurance Group

- Previously, SVP and VP of Investor Relations (2013-2019)
- Former Area Director of Financial Institutions practice at Arthur J. Gallagher (NYSE: AJG) (2008-2013)
- Previously, employed by Oswald Companies, one of the nation's largest independent insurance brokerage firms (2005-2008)



**ANTHONY SARAVANOS**  
President, Greenleaf Capital

- Director since 2007; President of Greenleaf Capital since 2013
- Former VP of full-service real estate firm in Palm Harbor, Florida (2005-2013)
- Managing Partner of 13 commercial CRE entities in Florida and New York since 2001
- Director of First Home Bank since 2011; Chairman since 2015

# Delivering Shareholder Value



90%

of market cap returned to shareholders<sup>2</sup>

21%

inside ownership

12%

10-year average ROE<sup>1</sup>

**>1300%**  
**Total Shareholder Return since IPO**

1) As of December 31, 2022

2) Based on market capitalization on 3/31/2023. Includes 269M buybacks and 148M dividends





# Contact Us

## INVESTOR RELATIONS CONTACT

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