2021

Annual Report

2021

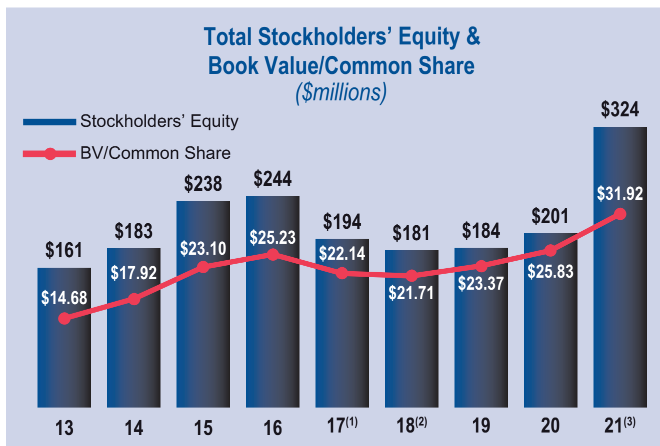
HCI Group, Inc.

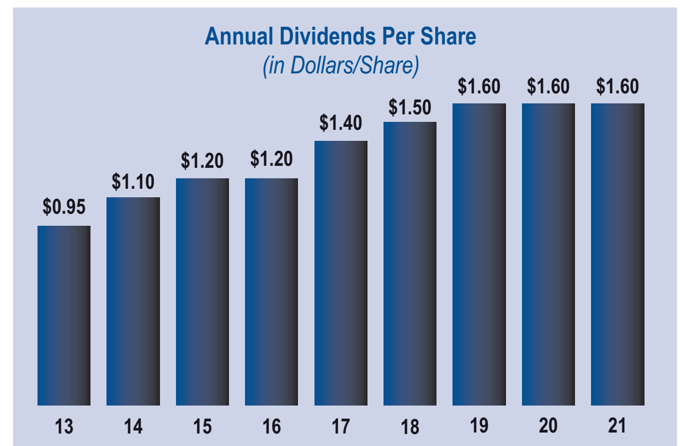
www.hcigroup.com

About HCI Group, Inc.

HCI Group, Inc. is a holding company with operations in insurance, software development and real estate. HCI's leading insurance operation, TypTap Insurance Company, is a rapidly growing, technology-driven insurance company offering homeowners and flood insurance in twelve states. TypTap's operations are powered in large part by insurance-related information technology developed by its software subsidiary, Exzeo USA, Inc. HCI's largest subsidiary, Homeowners Choice Property & Casualty Insurance Company, provides homeowners insurance primarily in Florida. HCI's real estate subsidiary, Greenleaf Capital, owns and operates commercial properties in Florida, including office buildings, retail centers and marinas.

The company's common shares trade on the New York Stock Exchange under the ticker symbol "HCI" and are included in the Russell 2000 and S&P SmallCap 600 Index. HCI Group, Inc. regularly publishes financial and other information in the Investor Information section of the company's website. For more information about HCI Group and its subsidiaries, visit www.hcigroup.com.





"In 2021 we grew our premiums by a third while lowering core loss ratios in both of our subsidiaries." said HCI Group Chairman and Chief Executive Officer Paresh Patel. "We enter 2022 poised for another year of profitable growth."

— Paresh Patel,
Chairman & Chief Executive Officer

(1) Reflects $42M after tax impact of Hurricane Irma.
(2) Reflects $12.3M after tax impact of Hurricane Michael
(3) Includes $115M of stockholders' equity attributable to conversions of the company's 4.25% Convertible Senior Notes during 2021.

Dear Fellow Shareholders:

2021 was another successful year for HCI Group as we advanced strategic priorities across the company. In our insurance divisions, we substantially achieved operational separation of our TypTap Insurance Group, Inc. subsidiary and received a $100 million capital infusion from Centerbridge Partners. TypTap continues to grow, more than doubling annualized premiums while expanding its footprint from one state to twelve. At yearend, our annualized premiums at TypTap reached just under $240 million, representing a third of our combined insurance business. Homeowners Choice also grew its base of premiums, aided by opportunistic transactions like a second renewal rights agreement with United Property & Casualty Insurance Company, focused on states in the southeast. Overall, HCI Group ended the year with approximately $720 million in annualized premiums, up 35% from a year ago.

Most important for our shareholders, we achieved this topline growth without sacrificing margins. Gross loss ratios in both of our insurance subsidiaries, measured without the impacts of severe weather, declined compared with last year while our reported gross loss ratio remained below 40% for the second consecutive year. These results speak to our disciplined approach to underwriting and the effectiveness of our proprietary insurance technology.

Longtime followers of HCI understand that these achievements did not materialize overnight. They are the result of a decade-long investment in technology and data analytics, which began with the founding of Exzeo, our technology arm, in 2012. At yearend, our Exzeo subsidiary employed a team of over 160 professionals across the United States and India, all focused on enhancing the capabilities of our technology stack. We continue to invest heavily in technology and the future of our company.

Greenleaf, our real estate subsidiary, earned a profit from operations in 2021. But more notable is the appreciation in the asset value of the Greenleaf portfolio. Population growth in Florida continues unabated, contributing to higher asset prices throughout our region. This should increase the optionality around our portfolio of marquee commercial properties and accrue to our shareholders over time.

In our view, the future of HCI and TypTap has never been brighter, yet, due to market conditions, the appetite for a TypTap initial public offering faded towards the end of 2021. For this reason, we decided to delay the initial public offering of our TypTap subsidiary in January 2022 and plan to revisit a listing once market conditions normalize. Most important, we are prepared to execute on our growth plans without the need for external equity capital. Having reduced our debt by nearly 70% during 2021, we enter the new year with a strong balance sheet, ample liquidity, and healthy surplus positions at both of our insurance companies.

As fellow shareholders, we remain focused on managing the business to generate a return on capital. To that end, we were pleased to report a 24% increase in book value per share, our 13th annual profit, and, in the fourth quarter of 2021, our 45th consecutive quarterly dividend.

In closing, I would like to thank our shareholders and employees for their support. We look forward to another successful year and hope to see you at our annual shareholders meeting on June 2, 2022.

Sincerely,

Paresh Patel
Chairman & CEO

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2021

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-34126

HCI Group, Inc.
(Exact name of Registrant as specified in its charter)

Florida	**20-5961396**
(State of Incorporation)	**(IRS Employer Identification No.)**

3802 Coconut Palm Drive
Tampa, FL 33619
(Address, including zip code, of principal executive offices)

(813) 849-9500
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Shares, no par value	**HCI**	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☒ No ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the common stock held by non-affiliates of the registrant as of June 30, 2021, computed by reference to the price at which the common stock was last sold on June 30, 2021, was $656,626,757.

The number of shares outstanding of the registrant's common stock, no par value, on February 25, 2022 was 10,324,434.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this Form 10-K is incorporated by reference from the registrant's definitive proxy statement which will be filed not later than 120 days after the end of the fiscal year covered by this Form 10-K.

HCI GROUP, INC. AND SUBSIDIARIES

TABLE OF CONTENTS

		Page
	PART I:	
Item 1	Business	2-9
Item 1A	Risk Factors	10-22
Item 1B	Unresolved Staff Comments	23
Item 2	Properties	23
Item 3	Legal Proceedings	24
Item 4	Mine Safety Disclosures	24
	PART II:	
Item 5	Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	25-26
Item 6	Reserved	27
Item 7	Management's Discussion and Analysis of Financial Condition and Results of Operations	28-39
Item 7A	Quantitative and Qualitative Disclosures About Market Risk	40-42
Item 8	Financial Statements and Supplementary Data	43-120
Item 9	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	121
Item 9A	Controls and Procedures	121
Item 9B	Other Information	122
Item 9C	Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	122
	PART III:	
Item 10	Directors, Executive Officers and Corporate Governance	123
Item 11	Executive Compensation	123
Item 12	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	123
Item 13	Certain Relationships and Related Transactions, and Director Independence	123
Item 14	Principal Accountant Fees and Services	123
	PART IV:	
Item 15	Exhibit and Financial Statement Schedules	125-125
Signatures		
Certifications		

PART I

ITEM 1 – *Business*

General

Incorporated in 2006, HCI Group, Inc. is a Florida-based company that, through its subsidiaries, is engaged in property and casualty insurance, reinsurance, real estate and information technology. References to “we,” “our,” “us,” “the Company,” or “HCI” in this Form 10-K generally refer to HCI Group, Inc. and its subsidiaries. Our principal executive offices are located at 3802 Coconut Palm Drive, Tampa, Florida 33619, and our telephone number is (813) 849-9500. After the reorganization of our business in the first quarter of 2021, we now manage our operations in the following organizational segments, based on managerial emphasis and evaluation of financial and operating performances:

a) HCPCI Insurance Operations

- *Property and casualty insurance*
- *Reinsurance and other auxiliary operations*

b) TypTap Group

- *Property and casualty insurance*
- *Information technology*

c) Real Estate Operations

d) Other Operations

- *Holding company operations*

HCPCI Insurance Operations

Property and Casualty Insurance

Homeowners Choice Property & Casualty Insurance Company, Inc. (“HCPCI”) was incorporated and began operations in 2007. HCPCI provides various forms of residential insurance products such as homeowners insurance, fire insurance, flood insurance and wind-only insurance to homeowners, condominium owners and tenants for properties primarily located in Florida and in various states outside of Florida.

HCPCI began operations by participating in a “take-out program” through which we assumed insurance policies issued by Citizens Property Insurance Corporation (“Citizens”), a Florida state-supported insurer. The take-out program is a legislatively mandated program designed to reduce the State’s risk exposure by encouraging private companies to assume policies from Citizens. Opportunities to acquire large numbers of policies from Citizens meeting our strict underwriting criteria have diminished in recent years. We may, however, selectively pursue additional assumption transactions with Citizens.

As an established carrier, HCPCI has also accepted the transfer or assumption of policies from insurance companies in Florida or any states in which it operates. For example, in 2011 we accepted approximately 70,000 homeowners’ insurance policies representing $106 million in written premium from a carrier placed into receivership, approximately 43,000 homeowners’ insurance policies representing $69 million of annualized premium in April 2020 from a ratings-downgraded carrier that ceased conducting business, and approximately 6,000 homeowners’ insurance policies representing $20 million of annualized gross written premium from a carrier liquidated in August 2021.

HCPCI’s growth strategies primarily focus on assumption of policies from other insurance carriers and participation in a take-out program when opportunities arise. Recently, we assumed personal lines insurance

business in the states of Connecticut, New Jersey, Massachusetts, and Rhode Island (collectively "Northeast Region") representing approximately $112 million in annual written premium from United Property & Casualty Insurance Company, an insurance subsidiary of United Insurance Holdings Corporation ("United"). In December 2021, HCPCI began renewing and/or replacing United policies in two states of the Northeast Region. In January 2022, HCPCI began renewing and/or replacing United policies in one additional state of the Northeast Region. Most recently, HCPCI assumed personal lines insurance business in three southeast states representing approximately $87 million in annual written premium from United. HCPCI is authorized to write residential property and casualty insurance in the states of Arkansas, California, Connecticut, Florida, Maryland, Massachusetts, New Jersey, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina and Texas. Written premium generated by HCPCI in states other than Florida during 2021, including from assumed business, totaled approximately $95.1 million.

Reinsurance and other auxiliary operations

We have a Bermuda domiciled wholly owned reinsurance subsidiary, Claddaugh Casualty Insurance Company Ltd ("Claddaugh"). We selectively retain risk in Claddaugh, reducing the cost of third party reinsurance. Claddaugh fully collateralizes its exposure to HCPCI and TypTap Insurance Company ("TypTap") by depositing funds into a trust account. Claddaugh may mitigate a portion of its risk through retrocession contracts. Currently, Claddaugh does not provide reinsurance to non-affiliates. Other auxiliary operations also include claim adjusting and processing services.

For the years ended December 31, 2021, 2020 and 2019, revenues from HCPCI insurance operations before intracompany elimination represented 74.6%, 73.4% and 89.4%, respectively, of total revenues of all operating segments. At December 31, 2021 and 2020, HCPCI insurance operations' total assets represented 58.7% and 68.9%, respectively, of the combined assets of all operating segments. See Note 16 — "Segment Information" to our consolidated financial statements under Item 8 of this Annual Report on Form 10-K.

TypTap Group

Property and Casualty Insurance

TypTap Insurance Group, Inc. ("TTIG"), our majority-owned subsidiary, currently has four subsidiaries: TypTap, TypTap Management Company, Exzeo USA, Inc., and Cypress Tech Development Company which also owns Exzeo Software Private Limited, a subsidiary domiciled in India. TTIG is primarily engaged in the property and casualty insurance business, focusing on standalone flood and homeowners multi-peril policies, and is currently using in-house developed technology to collect and analyze claims and other supplemental data to generate savings and efficiency for its insurance operations.

TypTap, TTIG's insurance subsidiary, was incorporated and began operations in 2016 and has been the primary source of our organic growth in gross written premium since then. Gross written premium consists of the sum of direct premiums written and assumed premiums written. In its first year of operation in 2016, gross written premium was $2.5 million and by 2021 it has grown to $247.5 million. In October 2020, TypTap began applying for approval to offer homeowners coverage in 23 states outside of Florida. Since then, TypTap has received approvals from 18 states. Written premium generated by TypTap in states other than Florida during 2021, including from assumed business, totaled approximately $53.9 million. TypTap has been successful in using internally developed proprietary technology to underwrite, select and write policies efficiently.

In addition to the expansion in TypTap business, we also expect continued growth from the policies assigned to TypTap in connection with the aforementioned assumed personal lines insurance business in the Northeast Region from United. In December 2021, TypTap began renewing and/or replacing United policies in two states of the Northeast Region. In January 2022, TypTap began renewing and/or replacing United policies in one additional state of the Northeast Region.

HCPCI's and TypTap's operations are supported by HCI Group, Inc. and certain HCI subsidiaries. Such operational support services consist of general administration, marketing, underwriting, accounting, policy administration, claim adjusting, and information technology. In particular, we leverage our internally developed software technologies to drive efficiency in claim process and claims settlement, identify underwriting profitability, and improve satisfaction of our policyholders and agents within our insurance business.

In November 2021, we first announced our intention to list TTIG's common shares on a major U.S. stock exchange through a planned initial public offering to raise additional capital to fund its growth plan. In January 2022, we announced our postponement of TTIG's initial public offering due to recent market conditions not favorable to its success and realization of true value.

Information Technology

Our information technology operations include a team of experienced software developers with extensive knowledge in designing and creating web-based applications and products for mobile devices. The operations, which are located in Tampa, Florida and Noida, India, are focused on developing cloud-based, innovative products and services that support in-house operations as well as our third-party relationships with our agency partners and claim vendors. Products created thus far have been solely for use by the Company's insurance-related subsidiaries.

SAMS™

SAMS is an online policy administration platform used by HCPCI. *SAMS* processes the full life cycle of a policy from policy quoting and issuance to agency management, cash receipts/disbursements, claims reserving and claim payments.

Harmony

Harmony is the next generation policy administration platform used by both HCPCI and TypTap. The innovative *Harmony* system easily supports multiple companies and their products. In addition to the standard policy management functionality, *Harmony* also provides advanced underwriting capabilities as well as a simplified user experience for quoting and binding.

ClaimColony®

ClaimColony is an end-to-end claims management platform used by insurance companies, third-party administrators, independent adjusters and insurance litigation services. Its unique capabilities include customizable workflows, real-time reporting, vendor management, and the ability to efficiently handle high claim volume. *ClaimColony* supports the entire claim lifecycle and also provides accounting and bookkeeping support as well as rich integration capabilities with policy administration systems such as *SAMS* and *Harmony*.

AtlasViewer™

AtlasViewer is a mapping and data visualization platform. *AtlasViewer* allows users to map location-based data from multiple sources for a customized view of their data. The unique multilayered analysis improves decision making by providing unique insights into the data. Users can also securely share their maps and data with others, making the information instantly available to all invited users.

For the years ended December 31, 2021, 2020 and 2019, revenues from TypTap Group before intracompany elimination represented 22.7%, 15.5% and 6.3%, respectively, of total revenues of all operating segments. At December 31, 2021 and 2020, TypTap Group's total assets represented 29.3% and 16.7%, respectively, of the combined assets of all operating segments. See Note 16 — "Segment Information" to our consolidated financial statements under Item 8 of this Annual Report on Form 10-K.

Nature of Our Business

The nature of our business is to cover losses that may arise from, among other things, hurricanes and other catastrophic events such as tornadoes, floods and winter storms. The occurrence of any such catastrophes could have a significant adverse effect on our business, results of operations, and financial condition. To mitigate the risk associated with catastrophic events, we purchase reinsurance from other large insurance companies. Even without catastrophic events, we may incur losses and loss adjustment expenses that deviate substantially from our estimates and that may exceed our reserves, in which case our net income and capital would decrease. Our operating and growth strategies may also be impacted by regulation of our business by the State of Florida and other states in which we may operate. For example, insurance regulators must approve our policy forms and premium rates as well as monitor our compliance with financial and regulatory requirements. See Item 1A, "Risk Factors," below.

Business Strategy

We operate in highly competitive markets where we face competition from national, regional and residual market insurance companies and, in the case of flood insurance, a program backed by the U.S. government. We may also face competition from new entrants in our markets, and such entrants may create pricing pressure that could lead to overall premium reductions.

Our competitive strategies focus on the following key areas:

- Exceptional service – We are committed to maintaining superior service to our policyholders and agents.
- Claims settlement practices – We focus on fair and timely settlement of policyholder claims.
- Disciplined underwriting – We analyze exposures and utilize available underwriting data to ensure policies meet our selective criteria.
- New product offerings – We may cross-sell additional insurance products to our existing policyholders in order to broaden our lines of business and product mix or identify other lines of insurance to offer.
- Effective and efficient use of technology – We strive to add or improve technology that can effectively and efficiently enhance service to our policyholders and agents. For instance, we use our internally developed application, *ClaimColony*®, to increase the efficiency of our claims processing and settlement. In addition, our online platform for quoting and binding residential flood policies streamlines the underwriting and policy production processes.
- Geographical expansion – We continue to pursue opportunities to further expand our business within the state of Florida and in other states to increase overall geographic diversification. HCPCI and TypTap currently have regulatory approvals to underwrite residential property and casualty insurance in various states.
- Distribution channel – We continue to improve our relationship with independent agents through collaboration and implementation of technologies that facilitate independent agents in finding the right insurance policies for their clients. In fact, this agency relationship is very essential to the organic growth of TypTap.

Seasonality of Our Business

Our insurance business is seasonal. Hurricanes and tropical storms affecting Florida, our primary market, and other southeastern states typically occur during the period from June 1st through November 30th of each year. Winter storms in the northeast usually occur during the period between December 1st and March 31st of each year. In addition, our reinsurance contracts are generally effective June 1st of each year, and any variation in the cost of our reinsurance, whether due to changes in reinsurance rates, coverage levels or changes in the total insured value of our policy base, will be reflected in our financial results beginning June 1st of each year.

Government Regulation

We are subject to the laws and regulations in any state in which we conduct our insurance business. The regulations cover all aspects of our business and are generally designed to protect the interests of insurance policyholders as opposed to the interests of shareholders. Such regulations relate to a wide variety of financial and non-financial matters including:

- authorized lines of business;
- capital and surplus requirements;
- approval of allowable rates and forms;
- approval of reinsurance contracts;
- investment parameters;
- underwriting limitations;
- transactions with affiliates;
- dividend limitations;
- changes in control; and
- market conduct.

Our failure to comply with certain provisions of applicable insurance laws and regulations could have a material, adverse effect on our business, results of operations or financial condition.

State Licensure and Approval

All states require licensure and regulatory approval prior to the marketing of insurance products. Typically, licensure review is comprehensive and includes a review of a company's business plan, solvency, reinsurance, rates, and forms, the character of its officers and directors and other of its financial and non-financial aspects. The regulatory authorities may prevent entry into a new market by not granting a license. In addition, regulatory authorities may preclude or delay our entry into markets by disapproving or withholding approval of our product filings.

Statutory Reporting and Examination

All insurance companies must file quarterly and annual statements with certain regulatory agencies in any state in which they are licensed to transact business and are subject to regular and special examinations by those agencies. The National Association of Insurance Commissioners mandates that all insurance companies be examined a minimum of once every five years. However, the Florida Department of Financial Services, Office of Insurance Regulation ("FLOIR") has the authority to conduct an examination whenever it is deemed appropriate. As of the date of issuance of this report, the FLOIR is conducting a financial examination of HCPCI and TypTap for the year ended December 31, 2020.

Liability for Losses and Loss Adjustment Expenses

Our liability for losses and loss adjustment expenses represents our estimate of the total cost of (i) claims that have been incurred, but not yet paid ("case reserves"), (ii) losses that have been "incurred but not yet reported" ("IBNR"), and (iii) loss adjustment expenses ("LAE") which are intended to cover the ultimate cost of adjusting, investigating and settling claims, including investigation and defense of lawsuits resulting from such claims. We base our estimates on various assumptions and actuarial data we believe to be reasonable under the circumstances. The process of estimating the liability is inherently subjective and is influenced by many variables such as past loss experience, current claim trends and the prevailing social, economic and legal environments.

Significant time can elapse between the occurrence of an insured loss, the reporting of the loss to us and our payment of that loss. Our liability for losses and LAE, which we believe represents the best estimate at a given point in time based on facts, circumstances and historical trends then known, may necessarily be adjusted to reflect additional facts that become available during the loss settlement period.

For a discussion and summary of the activity in the liability for losses and LAE for the years ended December 31, 2021, 2020 and 2019, see Note 15 — "Losses and Loss Adjustment Expenses" to our consolidated financial statements under Item 8 of this Annual Report on Form 10-K.

Loss Development

Our liability for losses and LAE represents estimated costs ultimately required to settle all claims for a given period. See Note 15 — "Losses and Loss Adjustment Expenses" to our consolidated financial statements under Item 8 of this Annual Report on Form 10-K for the net incurred and paid loss development tables for the years 2012 through 2021 and their reconciliation to the estimated liability for losses and LAE as of December 31, 2021.

Real Estate Operations

Our real estate operations consist of multiple properties we own and operate for investment purposes and also properties we own and use for our own operations.

Properties Used in Operations

Our real estate used in operations consists of an office building purchased in April 2020 with gross area of 67,289 square feet in Tampa, Florida, and our insurance operations site with gross area of approximately 16,000 square feet in Ocala, Florida. In July 2020, we sold our headquarters location on West Cypress Street to the Florida Department of Transportation ("FDOT") through eminent domain proceedings. After the sale, we continue to occupy the premises under operating leases and manage the property for the FDOT temporarily. The Ocala location, in addition to day-to-day operational use, serves as our alternative site in the event we experience any significant disruption at our Tampa offices.

Investment Properties

Our portfolio of investment properties includes two waterfront properties consisting of a total of 17.1 acres and a five-acre submerged land lease. One waterfront property contains a building structure that we currently lease to Crabby Bill's restaurant and a marina while the other houses retail space and a marina with high and dry storage. We acquired the restaurant and marina operations in connection with our purchase of the waterfront properties and we continue to operate two marinas to enhance the property values. The table below sets forth information concerning our investment properties.

Description/Location	Year Acquired	Net Rentable Space (SF)	Anchor Tenant
Waterfront property Tierra Verde, Florida	2011	22,884	Tierra Verde Marina (a)
Waterfront property Treasure Island, Florida	2012	12,790	Crabby Bill's restaurant
Retail shopping center Sorrento, Florida	2016	61,430	Publix supermarket
Retail shopping center Melbourne, Florida	2016	49,995	Fresh Market supermarket
Office building Tampa, Florida	2017	68,867	Bank of America
Retail shopping center Riverview, Florida	2018	8,400	Thorntons, LLC
Retail shopping center Clearwater, Florida (under redevelopment)	2018	55,000(b)	ALDI supermarket
Vacant land Tampa, Florida	2018	(c)	(c)

(a) Affiliate.
(b) Net rentable space is approximated.
(c) Not applicable.

Other Real Estate Investments

Melbourne FMA, LLC, our wholly owned subsidiary, has a 90% interest in a company which owns one approximately 1.12 acre outparcel for sale or ground lease. See *Investment in Unconsolidated Joint Venture* in Note 5 — "Investments" to our consolidated financial statements under Item 8 of this Annual Report on Form 10-K for additional information.

Other Operations

Holding company operations

Activities of our holding company, HCI Group, Inc., plus other companies that do not meet the quantitative and qualitative thresholds for a reportable segment comprise the operations of this segment.

Financial Highlights

The following table summarizes our financial performance during the years ended December 31, 2021, 2020 and 2019:

(Amounts in millions except per share amounts)	2021	2020	2019
For the year ended December 31:			
Net premiums earned	$ 377.3	$262.5	$216.3
Total revenue	$ 407.9	$310.4	$242.5
Losses and loss adjustment expenses	$ 227.5	$160.0	$107.5
Income before income taxes	$ 11.2	$ 36.9	$ 36.1
Net income	$ 7.2	$ 27.6	$ 26.6
Net income after noncontrolling interests	$ 1.9	$ 27.6	$ 26.6
Earnings per share:			
Basic	$ 0.23	$ 3.55	$ 3.32
Diluted	$ 0.21	$ 3.49	$ 3.31
Dividends per share	$ 1.60	$ 1.60	$ 1.60
Net cash provided by operating activities	$ 96.5	$ 77.3	$ 54.0
Cash dividends paid on common stock*	$ 13.8	$ 12.4	$ 12.7
At December 31:			
Total investments	$ 196.7	$225.7	$341.5
Cash and cash equivalents	$ 628.9	$431.3	$229.2
Total assets	$1,176.9	$941.3	$802.6
Total liabilities	$ 762.4	$740.2	$617.1
Redeemable noncontrolling interest	$ 90.0	$ —	$ —
Total equity	$ 324.5	$201.1	$185.5
Common shares outstanding (in millions)	10.1	7.8	7.8

* Net of cash dividends received under share repurchase forward contract.

Environmental Matters

As a property owner, we are subject to regulations under various federal, state, and local laws concerning the environment, including laws addressing the discharge of pollutants into the air and water and the management and disposal of hazardous substances and wastes and the cleanup of contaminated sites.

Cybersecurity

We rely on digital technology to conduct our businesses and interact with customers, policyholders, agents, and vendors. With this reliance on technology comes the associated security risks from using today's communication technology and networks.

To defend our computer systems from cyber-attacks, we utilize tools such as firewalls, anti-malware software, multifactor authentication, e-mail security services, virtual private networks, third-party security experts, and timely applied software patches, among others. We engage third-party consultants to conduct penetration tests to identify potential security vulnerabilities. Although we believe our defenses against cyber-intrusions are sufficient, we continually monitor our computer networks for new types of threats.

Work Environment

We adhere to a harassment prevention policy which details how to report and respond to harassment issues and prohibits any form of retaliation. This includes mandatory harassment prevention training for all employees.

We are committed to paying a living wage to all of our full-time employees. We offer competitive benefits to our employees including options for health coverage and short-term and long-term disability insurance at no cost to the employee. We also award restricted stock to employees to align their interests with stockholder interests.

Additionally, our Bravo program allows employees to earn paid time off as well as cash bonuses for engaging in charitable causes, continued education and professional development activities.

Diversity

We value a diverse and inclusive work environment. Our workforce comprises men and women of many races, religions, and national origins, and we forbid any form of discrimination based upon these factors.

Our Board is highly diverse in terms of gender, ethnicity, culture, education and business backgrounds, and our U.S.-based workforce is 62% female and approximately 41% non-white.

Employees

As of February 28, 2022, we employed a total of 513 full-time individuals. In addition, we employed 13 employees through a professional employer organization.

Available Information

We file annual, quarterly, and current reports with the U.S. Securities and Exchange Commission (“SEC”). These filings are accessible free of charge on our website, www.hcigroup.com (click “SEC filings” at the “Investor Information” tab), as soon as reasonably practicable after they have been electronically filed with or furnished to the SEC. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers, which can be accessed via the SEC’s website at www.sec.gov.

ITEM 1A – *Risk Factors*

Our business is subject to a number of risks, including those described below, which could have a material effect on our results of operations, financial condition or liquidity and could cause our operating results to vary significantly from period to period.

Business and operational risks

Our historical revenue growth was derived primarily through policy assumptions and acquisitions. We cannot guarantee that future policy assumptions and acquisitions will be available to the extent they have in the past.

A substantial portion of our historical revenue has been generated from policies assumed from Citizens and other insurance companies, our acquisition of policies from several Florida insurance companies and subsequent renewals of these policies. Our ability to grow our premium base may depend upon the availability of future policy assumptions and acquisitions upon acceptable terms. Opportunities to acquire large numbers of policies from Citizens meeting our strict underwriting criteria have diminished in recent years. We cannot provide assurance that such opportunities will arise in the future.

Although we have begun providing insurance services in other states, our insurance business is primarily in Florida. Thus, any catastrophic event or other condition affecting losses in Florida could adversely affect our financial condition and results of operations.

Any catastrophic event, a destructive weather pattern, a general economic trend, regulatory developments or other conditions specifically affecting the state of Florida could have a disproportionately adverse impact on our business, financial condition, and results of operations. While we actively manage our exposure to catastrophic events through our underwriting process and the purchase of reinsurance, the fact that our business is concentrated in the state of Florida subjects it to increased exposure to certain catastrophic events and destructive weather patterns such as hurricanes, tropical storms, and tornadoes. Changes in the prevailing regulatory, legal, economic, political, demographic and competitive environment, and other conditions in the state of Florida could also make it less attractive for us to do business in Florida and would have a more pronounced effect on our business than it would on other insurance companies that are more geographically diversified. Since our business is concentrated in this manner, the occurrence of one or more catastrophic events or other conditions affecting losses in the state of Florida could have an adverse effect on our business, financial condition, and/or results of operations.

Our results may fluctuate based on many factors including cyclical changes in the insurance industry.

The insurance industry historically has been cyclical, characterized by periods of intense price competition due to excessive underwriting capacity, as well as periods when shortages of capacity permitted an increase in pricing and, thus, more favorable underwriting profits. As premium levels increase, there may be new entrants to the market, which could subsequently lead to a decrease in premium levels. Any of these factors could lead to a significant reduction in premium rates in future periods, less favorable policy terms and fewer opportunities to underwrite insurance risks, which could have a material, adverse effect on our results of operations and cash flows. In addition to these considerations, changes in the frequency and severity of losses suffered by insureds and insurers may affect the cycles of the insurance business significantly.

We cannot predict whether market conditions will improve, remain constant or deteriorate. Negative market conditions may impair our ability to write insurance at rates that we consider appropriate relative to the risk assumed. If we cannot write insurance at appropriate rates, our business would be materially and adversely affected.

We rely on highly skilled and experienced personnel and if we are unable to attract, retain or motivate key personnel or hire qualified personnel, our business may be seriously harmed. In addition, the loss of our chief executive officer or other key senior management personnel could harm our business and future prospects.

Our performance largely depends on the talents and efforts of highly-skilled and experienced individuals. Our future success depends on our continuing ability to identify, hire, develop, motivate and retain highly skilled and experienced personnel and, if we are unable to hire and train a sufficient number of qualified employees for any reason, we may not be able to maintain or implement our current initiatives or grow, or our business may contract and we may lose market share. Moreover, certain of our competitors or other insurance or technology businesses may seek to hire our employees. We cannot assure you that we will provide adequate incentives to attract, retain and motivate employees in the future. If we do not succeed in attracting, retaining and motivating highly qualified personnel, our business may be seriously harmed.

Our operations are highly dependent on the efforts of our senior executive officers, particularly our chief executive officer, Paresh Patel, as well as our chief financial officer, Mark Harmsworth, and the President of our Real Estate Division, Anthony Saravanos. The loss of their leadership, industry knowledge and experience could negatively impact our operations. However, we have management succession plans to lessen any such negative impact. We maintain key-man life insurance on Mr. Patel although such policy may be insufficient to cover the damage resulting from the loss of Mr. Patel’s services.

Our information technology systems may fail or be disrupted, which could adversely affect our business.

Our insurance business is highly dependent upon the successful and uninterrupted functioning of our computer and data processing systems. We rely on these systems to perform underwriting and other modeling functions necessary for writing business, as well as to handle our policy administration process (i.e., the printing and mailing of our policies, endorsements, renewal notices, etc.). The failure or disruption of these systems could interrupt our operations and result in a material, adverse effect on our business.

The growth of our insurance business is dependent upon the successful development and implementation of advanced computer and data processing systems as well as the development and deployment of new information technologies to streamline our operations, including policy underwriting, production and administration and claim processing. The failure of these systems to function as planned could slow our growth and adversely affect our future business volume and results of operations. Additionally, our computer and data processing systems could become obsolete or could cease to provide a competitive advantage in policy underwriting, production and administration and claim processing which could negatively affect our future results of operations.

We conduct our business primarily from offices located in Tampa, Florida where tropical storms could damage our facilities or interrupt our power supply. We currently provide a hybrid work from home strategy for a majority of our workforce. This availability is provided through our highly available redundant cloud infrastructure. The loss or significant impairment of functionality in these facilities for any reason could have a material, adverse effect on our business. We believe this hybrid work strategy and redundant cloud infrastructure provides sufficient redundancies to replace our facilities if functionality is impaired. We contract with a third-party vendor to maintain complete daily backups of our systems, which are stored at the vendor's facility in Atlanta, Georgia. We additionally use industry leading Internet cloud infrastructure providers to host some of our data processing systems. These cloud providers ensure redundancy across geographic regions with additional daily system backups. Access to these databases and hosted environments is strictly controlled and limited to authorized personnel. In the event of a disaster causing a complete loss of functionality at our Tampa locations, we plan to use our alternative office in Ocala, Florida temporarily to continue our operations.

Increased competition, competitive pressures, industry developments, and market conditions could affect the growth of our business and adversely impact our financial results.

The property and casualty insurance industry is cyclical and highly competitive. We compete not only with other stock companies but also with mutual companies, the U.S. government, other underwriting organizations and alternative risk-sharing mechanisms. Our principal lines of business are written by numerous other insurance companies. Competition for any one account may come from very large, well-established national companies, smaller regional companies, other specialty insurers in our field, and new entrants to the market. Many of these competitors have greater financial resources, larger agency networks and greater name recognition than our company. Additionally, our competitors may merge or acquire one another and further increase their combined financial resources and agency networks. We compete for business not only on the basis of price, but also on the basis of financial strength, types of coverage offered, availability of coverage desired by customers, commission structure, and quality of service. We may have difficulty continuing to compete successfully on any of these bases in the future. Competitive pressures coupled with market conditions may affect our rate of premium growth and financial results.

HCPCI and TypTap have each obtained a Demotech rating of "A Exceptional," which is accepted by major mortgage companies operating in the state of Florida and many other states. Mortgage companies may require homeowners to obtain property insurance from an insurance company with an acceptable A.M. Best rating, which we do not currently have. Such a requirement could prevent us from expanding our business unless we obtain such rating, which may in turn limit our ability to compete with large, national insurance companies and certain regional insurance companies. A downgrade or loss of our Demotech rating could result in a

substantial loss of business in the event insureds move their business to insurers with a sufficient financial strength rating.

There are inherent limitations and risks related to our projections and our estimates of claims and loss reserves. If our actual losses exceed our loss reserves, our financial results, our ability to expand our business, and our ability to compete in the property and casualty insurance industry may be negatively affected. In addition, industry developments could further increase competition in our industry. These developments could include—

- an influx of new capital in the marketplace as existing companies attempt to expand their businesses and new companies attempt to enter the insurance business because of better pricing and/or terms;
- new programs or changes to existing programs in which federally or state-sponsored entities provide property insurance in catastrophe-prone areas or other alternative markets;
- changes in Florida's or any other states' regulatory climate; and
- the enactment of federal proposals for an optional federal charter that would allow some competing insurers to operate under regulations different or less stringent than those applicable to our insurance subsidiaries.

These developments and others could make the property and casualty insurance marketplace more competitive by increasing the supply of insurance available.

If competition limits our ability to write new business at adequate rates, our future results of operations would be adversely affected.

If our actual losses from claims exceed our loss reserves, our financial results would be adversely affected.

Our objective is to establish loss reserves that are adequate and represent management's best estimate of the ultimate cost to investigate and settle each specific claim. However, the process of establishing adequate reserves is complex and inherently uncertain, and the ultimate cost of a claim may vary materially from the amounts reserved. We regularly monitor and evaluate loss and loss adjustment expense reserve development to determine reserve adequacy.

Due to these uncertainties, the ultimate losses may vary materially from current loss reserves which could have a material, adverse effect on our future financial condition, results of operations and cash flows.

Our failure to pay claims accurately could adversely affect our insurance business, financial results and capital requirements.

We rely on our claims personnel to accurately evaluate and pay the claims made under our policies. Many factors could affect our ability to accurately evaluate and pay claims, including the accuracy of our independent adjusters as they make their assessments and submit their estimates of damages; the training, background, and experience of our claims representatives; the ability of our claims personnel to ensure consistent claims processing given the input by our independent adjusters; the ability of our claims department to translate the information provided by our independent adjusters into acceptable claims settlements; and the ability of our claims personnel to maintain and update our claims processing procedures and systems as they evolve over time based on claims and geographical trends in claims reporting. Any failure to pay claims accurately could lead to material litigation, undermine our reputation in the marketplace, impair our corporate image and negatively affect our financial results.

The effects of emerging claim and coverage issues on our business are uncertain.

As industry practices and legal, judicial, social and other environmental conditions change, unexpected and unintended issues related to claims and coverage may emerge. These issues may adversely affect our

business by either extending coverage beyond our underwriting intent or by increasing the number or size of claims. In some instances, these changes may not become apparent until sometime after we have issued insurance contracts that are affected by the changes. As a result, the full extent of liability under our insurance contracts may not be known for many years after a contract is issued and renewed, and our financial position and results of operations may be adversely affected as a result of any such unforeseen changes.

Failure to maintain our risk-based capital at the required levels could adversely affect our ability to maintain regulatory authority to conduct our business.

Our insurance subsidiaries are required to have sufficient capital and surplus in order to comply with insurance regulatory requirements, support our business operations and minimize our risk of insolvency. Failure to maintain adequate risk-based capital at the required levels could result in increasingly onerous reporting and examination requirements and could adversely affect our ability to maintain regulatory authority to conduct our business.

If we are unable to expand our business because our capital must be used to pay greater than anticipated claims, our financial results may suffer.

Our future growth will depend on our ability to expand the number of insurance policies we write, to expand the kinds of insurance products we offer, and to expand the geographic markets in which we do business, all balanced by the insurance risks we choose to write and cede. Our existing sources of funds include operations, investment holdings, and a bank credit facility. Unexpected catastrophic events in our market areas, such as hurricanes, may result in greater claims losses than anticipated, which could require us to limit or halt our growth while we redeploy our capital to pay these unanticipated claims unless we can raise additional capital.

Reinsurance coverage may not be available to us in the future at commercially reasonable rates or at all and we risk non-collectability of reinsurance amounts due us from reinsurers with which we have contracted.

Reinsurance is a method of transferring part of an insurance company’s liability under an insurance policy to another insurance company, or reinsurer. We use reinsurance arrangements to limit and manage the amount of risk we retain, to stabilize our underwriting results and to increase our underwriting capacity. The cost of such reinsurance is subject to prevailing market conditions beyond our control, such as the amount of capital in the reinsurance market and the occurrence of natural and man-made catastrophes. We cannot be assured that reinsurance will remain continuously available to us in the amounts we consider sufficient and at prices acceptable to us. As a result, we may determine to increase the amount of risk we retain or look for other alternatives to reinsurance, which could in turn have a material, adverse effect on our financial position, results of operations and cash flows.

With respect to the reinsurance contracts we currently have in effect, our ability to recover amounts due from reinsurers is subject to such reinsurers’ ability and willingness to pay and to meet their obligations to us. We attempt to select financially strong reinsurers with an A.M. Best rating of “A-” or better or we require the reinsurer to fully collateralize its exposure. While we monitor from time to time the financial condition of our reinsurers, we rely principally on A.M. Best, our reinsurance broker, and other rating agencies in determining their ability to meet their obligations to us. Any failure on the part of any one reinsurance company to meet its obligations to us could have a material, adverse effect on our financial condition or results of operations.

The failure of the risk mitigation strategies we utilize could have a material, adverse effect on our financial condition or results of operations.

We utilize a number of strategies to mitigate risk exposure within our insurance business, which include:

- engaging in vigorous underwriting;

- carefully evaluating terms and conditions of our policies;
- focusing on our risk aggregations by geographic zones and other bases; and
- ceding insurance risk to reinsurance companies.

However, there are inherent limitations in these strategies. We cannot provide assurance that an unanticipated event or series of events will not result in loss levels which could have a material, adverse effect on our financial condition or results of operations.

The failure of any of the loss limitation methods we employ could have a material, adverse effect on our financial condition or our results of operations.

Our insurance underwriting process is generally designed to limit our exposure to known and manageable risks. Various provisions of our policies, such as limitations or exclusions from coverage, which have been negotiated to limit our risks, may not be enforceable in the manner we intend.

In addition, the policies we issue contain conditions requiring the prompt reporting of claims to us and our right to decline coverage in the event of a violation of that condition. While our insurance product exclusions and limitations reduce the loss exposure to us and help eliminate known exposures to certain risks, it is possible that a court or regulatory authority could nullify or void an exclusion or legislation could be enacted modifying or barring the use of such endorsements and limitations in a way that would adversely affect our loss experience, which changes could have a material, adverse effect on our financial condition or results of operations.

If our customers were to claim that the policies they purchased failed to provide adequate or appropriate coverage, we could face claims that could harm our business, results of operations and financial condition.

Although we aim to provide adequate and appropriate coverage under each of our policies, customers could purchase policies that prove to be inadequate or inappropriate. If such customers were to bring a claim or claims alleging that we failed in our responsibilities to provide them with the type or amount of coverage that they sought to purchase, we could be found liable for amounts significantly in excess of the policy limit, resulting in an adverse effect on our business, results of operations and financial condition. While we maintain errors and omissions insurance coverage to protect us against such liability, such coverage may be insufficient or inadequate.

Now and in the future, we may rely on independent agents to write our insurance policies, and if we are not able to contract with and retain independent agents, our revenues would be negatively affected.

The success of TypTap's organic growth so far has been driven by selling our policies through independent agents. An inability to sell our products through independent agents would negatively affect our revenues.

We must compete with other insurers for independent agents' business. Our competitors may offer a greater variety of insurance products, lower premiums for insurance coverage, or higher commissions to their agents. If our products, pricing and commissions do not remain competitive, we may find it more difficult to attract business from independent agents to sell our products. A material reduction in the amount of our products that independent agents sell could negatively affect our revenues.

Our success depends on our ability to accurately price the risks we underwrite.

The results of our operations and our financial condition depend on our ability to underwrite and set premium rates accurately for a wide variety of risks, including risks associated with flood insurance and other new product offerings. Rate adequacy is necessary to generate sufficient premiums to pay losses, loss adjustment

expenses, and underwriting expenses and to earn a profit. To price our products accurately, we must collect and properly analyze a substantial amount of data; develop, test and apply appropriate rating formulas; closely monitor and timely recognize changes in trends; and project both severity and frequency of losses with reasonable accuracy. Our ability to undertake these efforts successfully, and thus, price our products accurately, is subject to several risks and uncertainties, some of which are outside of our control, including—

- the availability of sufficient reliable data;
- the uncertainties that inherently characterize estimates and assumptions;
- our selection and application of appropriate rating and pricing techniques;
- changes in legal standards, claim settlement practices, and restoration costs; and
- legislatively imposed consumer initiatives.

In addition, we could underprice risks, which would negatively affect our profit margins. We could also overprice risks, which could reduce our retention, sales volume and competitiveness. The foregoing factors could materially and adversely affect our profitability.

Our operations in India expose us to additional risks, which could negatively impact our business, operating results, and financial condition.

Our India operations expose us to additional risks including income tax risks, currency exchange rate fluctuations and risks related to other challenges caused by distance, language, and compliance with Indian labor laws and other complex foreign and U.S. laws and regulations that apply to our India operations. These numerous and sometimes conflicting laws and regulations include anti-corruption laws, such as the Foreign Corrupt Practices Act, and other local laws prohibiting corrupt payments to governmental officials, among others. Violations of these laws and regulations could result in fines and penalties, or criminal sanctions against us, our officers, or our employees. Although policies and procedures are designed to ensure compliance with these laws and regulations, there can be no assurance that our employees, contractors, or agents will not violate our policies.

Financial risks

HCI Group, Inc. depends on the ability of its subsidiaries to generate and transfer funds to meet its debt obligations.

HCI Group, Inc. does not have significant revenue-generating operations of its own. Our ability to make scheduled payments on our debt obligations depends on the financial condition and operating performance of our subsidiaries. If the funds we receive from our subsidiaries, some of which are subject to regulatory restrictions on the payment of distributions, are insufficient to meet our debt obligations, we may be required to raise funds through the issuance of additional debt or equity securities, reduce or suspend dividend payments, or sell assets.

We may require additional capital in the future which may not be available or may only be available on unfavorable terms.

Our future capital requirements depend on many factors, including our ability to write new business successfully and to establish premium rates and reserves at levels sufficient to cover losses. To the extent that our present capital is insufficient to meet future operating requirements or to cover losses, we may need to raise additional funds through financings or curtail our growth. Based on our current operating plan, we believe current capital together with our anticipated retained income will support our operations. However, we cannot provide any assurance in that regard, since many factors will affect our capital needs and their amount and timing, including our growth and profitability, and the availability of reinsurance, as well as possible acquisition

opportunities, market disruptions and other unforeseeable developments. If we require additional capital, it is possible that equity or debt financing may not be available at all or may be available only on terms unfavorable to us. Equity financings could result in dilution to our shareholders, and in any case such securities may have rights, preferences and privileges that are senior to those of existing shareholders. If we cannot obtain adequate capital on favorable terms or at all, our business, financial condition or results of operations could be materially affected.

Our credit agreement contains restrictions that can limit our flexibility in operating our business.

The agreement governing our revolving credit facility contains various covenants that limit our ability to engage in certain transactions. These covenants limit our and our subsidiaries' ability to, among other things:

- incur additional indebtedness;
- declare or make any restricted payments;
- create liens on any of our assets now owned or hereafter acquired;
- consolidate, merge, sell, or otherwise dispose of all or substantially all of our assets now owned or hereafter acquired; and
- enter into certain transactions with our affiliates.

An increase in interest rates may negatively impact our operating results and financial condition.

Borrowings under our revolving credit facility have a variable rate of interest. An increase in interest rate would have a negative impact on our results of operations attributable to increased interest expense.

Investment risks

There may be limited markets for and restrictions on certain holdings in our investment portfolio.

Certain holdings in our investment portfolio include limited partnership interests and commercial real estate. We may increase our holdings in these types of investments as we pursue further diversification. These investments may be illiquid in the near term as they are privately placed and are subject to certain restrictions or conditions that may limit our ability to immediately dispose of the investments. If it becomes necessary to sell any of these investments at a time when the fair market value is below our carrying value, we may incur significant losses which could have a material adverse effect on our net income and financial position.

Our financial results may be negatively affected by the fact that a portion of our income is generated by the investment of our available cash.

A portion of our income is, and likely will continue to be, generated by the investment of our available cash. The amount of income so generated is a function of our investment policy, available investment opportunities, and the amount of available cash invested. Fluctuating interest rates and other economic factors make it difficult to estimate accurately the amount of investment income that will be realized. In fact, we have realized and may in the future realize losses on sales of our investments as well as credit losses on our investment holdings. Any unfavorable change to the fair value of our equity securities will also impact our financial results.

Our revenue from real estate investments may be affected by the success and economic viability of our anchor retail tenants. Our reliance on a single or significant tenant at certain properties may impact our ability to lease vacated space and adversely affect returns on the specific property.

At certain retail centers, we may have tenants, commonly referred to as anchor tenants, occupying all or a large portion of the gross leasable space. In the event an anchor tenant becomes insolvent, suffers a downturn

in business, ceases its operations at the retail center, or otherwise determines not to renew its lease, any reduction or cessation of rental payments to us could adversely affect the returns on our real estate investments. A lease termination or cessation of operations by an anchor tenant could also lead to the loss of other tenants at the specific retail location. We may then incur additional expenses to make improvements and prepare the vacated space to be leased to one or more new tenants.

Similarly, the leases of some anchor tenants may permit the anchor tenant to transfer its lease to another retailer. The transfer to a new anchor tenant could cause customer traffic in the retail center to decrease and thereby reduce the income generated by that retail center. A lease transfer to a new anchor tenant could also allow other tenants to make reduced rental payments or to terminate their leases.

Our retail and other real estate properties may be subject to impairment charges which can adversely affect our financial results.

We periodically evaluate our long-lived assets and related intangible assets to determine if there has been any impairment in their carrying values. If we determine an impairment has occurred, we are required to record an impairment charge equal to the excess of the asset's carrying value over its estimated fair value. As our real estate operations grow, there is an increased potential that the impairment of an asset could have a material adverse effect on our financial results. In addition, our fair value estimates are based on several assumptions that are subject to economic and market uncertainties including, but not limited to, demand for space, competition for tenants, changes in market rental rates and costs to operate each property. As these factors are difficult to predict and are subject to future events that may alter our assumptions, the future cash flows estimated in our impairment analysis may not be achieved.

Our ongoing investments in real estate and information technology businesses have inherent risks and could burden our financial and human resources.

We have invested and expect to continue to invest in real estate and information technology. Despite our due diligence, these investments may still involve significant risks and uncertainties, including distraction of management and employees from current operations, insufficient revenues to offset liabilities assumed and incurred expenses, inadequate return of capital, and failure to realize the anticipated benefits. There can be no assurance that such investments will be successful and will not adversely affect our financial condition and operating results.

Legal and regulatory risks

Industry trends, such as increased litigation against the insurance industry and individual insurers, the willingness of courts to expand covered causes of loss, rising jury awards, and the escalation of loss severity may contribute to increased costs and to the deterioration of the reserves of our insurance subsidiaries.

Loss severity in the property and casualty insurance industry may increase and may be driven by larger court judgments. In the event legal actions and proceedings are brought on behalf of classes of complainants, this may increase the size of judgments. The propensity of policyholders and third party claimants to litigate and the willingness of courts to expand causes of loss and the size of awards may render our loss reserves inadequate for current and future losses.

As an insurance holding company, we are currently subject to state regulation and in the future may become subject to federal regulation.

All states regulate insurance holding company systems. State statutes and administrative rules generally require each insurance company in the holding company group to register with the department of insurance in its state of domicile and to furnish information concerning the operations of the companies within

the holding company system that may materially affect the operations, management or financial condition of the insurers within the group. As part of its registration, each insurance company must identify material agreements, relationships and transactions with affiliates, including without limitation, loans, investments, asset transfers, transactions outside of the ordinary course of business, certain management, service, and cost sharing agreements, reinsurance transactions, dividends, and consolidated tax allocation agreements.

Insurance holding company regulations generally provide that transactions between an insurance company and its affiliates must be fair and equitable, allocated between the parties in accordance with customary accounting practices, and fully disclosed in the records of the respective parties. Many types of transactions between an insurance company and its affiliates, such as transfers of assets among such affiliated companies, certain dividend payments from insurance subsidiaries and certain material transactions between companies within the system may be subject to prior approval by, or prior notice to, state regulatory authorities. If we are unable to obtain the requisite prior approval for a specific transaction, we would be precluded from taking the action, which could adversely affect our operations. In addition, state insurance regulations also frequently impose notice or approval requirements for the acquisition of specified levels of ownership in the insurance company or insurance holding company.

Regulations may vary from state to state, and states occasionally may have conflicting regulations. Currently, the federal government's role in regulating or dictating the policies of insurance companies is limited. However, Congress, from time to time, considers proposals that would increase the role of the federal government in insurance regulation, either in addition to or in lieu of state regulation. The impact of any future federal insurance regulation on our insurance operations is unclear and may adversely impact our business or competitive position.

Our insurance subsidiaries are subject to extensive regulation, which may reduce our profitability or limit our growth. Moreover, if we fail to comply with these regulations, we may be subject to penalties, including fines and suspensions, which may adversely affect our financial condition and results of operations.

The insurance industry is highly regulated and supervised. Our insurance subsidiaries are subject to the supervision and regulation of the states in which they are domiciled and the states in which they transact insurance business. Such supervision and regulation is primarily designed to protect our policyholders rather than our shareholders. These regulations are generally administered by a department of insurance in each state and relate to, among other things —

- the content and timing of required notices and other policyholder information;
- the amount of premiums the insurer may write in relation to its surplus;
- the amount and nature of reinsurance a company is required to purchase;
- participation in guaranty funds and other statutorily created markets or organizations;
- business operations and claims practices;
- approval of policy forms and premium rates;
- standards of solvency, including risk-based capital measurements;
- licensing of insurers and their products;
- restrictions on the nature, quality and concentration of investments;
- restrictions on the ability of insurance company subsidiaries to pay dividends to their holding companies;
- restrictions on transactions between insurance companies and their affiliates;
- restrictions on the size of risks insurable under a single policy;

- requiring deposits for the benefit of policyholders;
- requiring certain methods of accounting;
- periodic examinations of our operations and finances;
- the form and content of records of financial condition required to be filed; and
- the level of reserves.

The Florida Office of Insurance Regulation and regulators in other jurisdictions where we may become licensed and offer insurance products conduct periodic examinations of the affairs of insurance companies and require the filing of annual and other reports relating to financial condition, holding company issues and other matters. These regulatory requirements may adversely affect or inhibit our ability to achieve some or all of our business objectives. These regulatory authorities also conduct periodic examinations into insurers' business practices. These reviews may reveal deficiencies in our insurance operations or non-compliance with regulatory requirements.

In certain states including Florida, insurance companies are subject to assessments levied by the states where they conduct their business. While we can recover these assessments from Florida policyholders through policy surcharges, our payment of the assessments and our recoveries may not offset each other in the same reporting period in our consolidated financial statements and may cause a material, adverse effect on our cash flows and results of operations in a particular reporting period.

In addition, regulatory authorities have relatively broad discretion to deny or revoke licenses for various reasons, including the violation of regulations. In some instances, we follow practices based on our interpretations of regulations or practices that we believe may be generally followed by the industry. These practices may turn out to be different from the interpretations of regulatory authorities. If we do not have the requisite licenses and approvals or do not comply with applicable regulatory requirements, insurance regulatory authorities could preclude or temporarily suspend us from carrying on some or all of our activities or otherwise penalize us. This could adversely affect our ability to operate our business.

Finally, changes in the level of regulation of the insurance industry or changes in laws or regulations themselves or interpretations by regulatory authorities could adversely affect our ability to operate our business, reduce our profitability and limit our growth.

A regulatory environment that requires approval of rate increases and that can dictate underwriting practices and mandate participation in loss sharing arrangements may adversely affect our results of operations and financial condition.

From time to time, political events and positions affect the insurance market, including efforts to suppress rates to a level that may not allow us to reach targeted levels of profitability. For example, if our loss ratio compares favorably to that of the industry, state regulatory authorities may impose rate rollbacks, require us to pay premium refunds to policyholders, or challenge or otherwise delay our efforts to raise rates even if the homeowners industry generally is not experiencing regulatory challenges to rate increases. In particular, due to the COVID-19 pandemic, state regulators and legislators are under increased political pressure to provide financial relief to policyholders through premium rebates or requiring insurers to pay claims arising from COVID-19 related losses, regardless of the applicable policy's exclusions.

In addition, certain states have enacted laws that require an insurer conducting business in that state to participate in assigned risk plans, reinsurance facilities and joint underwriting associations. Certain states also require insurers to offer coverage to all consumers, often restricting an insurer's ability to charge the price it might otherwise charge. In these markets, we may be compelled to underwrite significant amounts of business at lower-than-desired rates, possibly leading to an unacceptable return on equity. Our results of operations and financial condition could be adversely affected by any of these factors.

Our real estate operations are subject to regulation under various federal, state, and local laws concerning the environment.

Our real estate operations own various properties including marina facilities, and commercial buildings. As a result, we are subject to regulation under various federal, state, and local laws concerning the environment, including laws addressing the discharge of pollutants into the air and water and the management and disposal of hazardous substances and wastes and the cleanup of contaminated sites. We could incur substantial costs, including remediation costs, fines and civil or criminal sanctions and third-party damage or personal injury claims, if in the future we were to violate or become liable under environmental laws relating to our real estate operations.

Security and fraud risks

An unauthorized disclosure or loss of policyholder or employee information or other sensitive or confidential information, including by cyber-attack or other security breach, could cause a loss of data, give rise to remediation or other expenses, expose us to liability under federal and state laws, and subject us to litigation and investigations, which could have an adverse effect on our business, cash flows, financial condition and results of operations.

As part of our normal operations, we collect, process and retain certain sensitive and confidential information. We are subject to various federal and state privacy laws and rules regarding the use and disclosure of certain sensitive or confidential information. Despite the security measures we have implemented to help ensure data security and compliance with applicable laws and rules, which include firewalls, regular penetration testing and other measures, our facilities and systems, and those of our third-party service providers and vendors, may be vulnerable to cyber-attacks, security breaches, acts of vandalism, computer viruses, theft of data, misplaced or lost data, programming and human errors, physical break-ins, or other disruptions. In addition, we cannot ensure that we will be able to identify, prevent or contain the effects of possible cyber-attacks or other cybersecurity risks in the future that may bypass our security measures or disrupt our information technology systems or business.

Noncompliance with any privacy or security laws and regulations, or any security breach, cyber-attack or cybersecurity breach, and any incident involving the misappropriation, loss or other unauthorized disclosure or use of, or access to, sensitive or confidential member information, could require us to expend significant capital and other resources to continue to modify or enhance our protective measures and to remediate any damage caused by such breaches. In addition, this could result in interruptions to our operations and damage to our reputation, and misappropriation of confidential information could also result in regulatory enforcement actions, material fines and penalties, litigation or other liability or actions which could have a material adverse effect on our business, cash flows, financial condition and results of operations. As the regulatory environment related to information security, data collection and use, and privacy becomes increasingly rigorous, with new and constantly changing requirements applicable to our business, compliance with those requirements could also result in additional costs.

We rely on service providers and vendors to provide certain technology, systems and services that we use in connection with various functions of our business, including PCI DSS (Payment Card Industry Data Security Standard) compliant credit card processing, and we may entrust them with confidential information. The information systems of our third-party service providers and vendors are also vulnerable to an increasing threat of continually evolving cybersecurity risks. Unauthorized parties may attempt to gain access to these systems or our information through fraud or other means of deceiving our associates, third-party service providers or vendors. Hardware, software or applications we obtain from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. The methods used to obtain unauthorized access, disable or degrade service or sabotage systems are also constantly changing and evolving and may be difficult to anticipate or detect for long periods of time. Ever-evolving threats mean our

third-party service providers and vendors must continually evaluate and adapt their own respective systems and processes, and there is no assurance that they will be adequate to safeguard against all data security breaches or misuses of data. Any future significant compromise or breach of our data security via a third-party service provider or vendor could result in additional significant costs, lost revenues, fines, lawsuits, and damage to our reputation. We have acquired a cybersecurity insurance policy to help mitigate any financial impact that may incur with a breach along with the assistance for legal and/or media requirements during that time.

General risks

Our operations could be materially and adversely affected by measures implemented by federal, state and local governments to cope with public health issues such as the ongoing COVID-19 pandemic, resulting in possible material impacts to our financial position and results of operations.

Since the outbreak of the COVID-19 pandemic in 2020, there have been many interruptions in business activities on a global scale resulting from the implementation of health and safety measures required by various governments. The effects of COVID-19 continue to cause significant disruption in the United States and international economies and instability of worldwide financial markets. We take necessary precautions to protect the safety and well-being of our employees by conducting certain business activities and operations remotely. As a provider of homeowners insurance, we continually prepare for disasters and catastrophic events, including events that could disrupt business continuity. As a result, we were able to quickly adjust our technologies and infrastructure to support a remote workforce and maintain business continuity. Potential impacts to us include, but are not limited to, the following:

- Nonrenewal of insurance policies by policyholders with financial difficulties;
- Increased reinsurance costs;
- Increased credit loss on reinsurance recoverable;
- Increased insurance costs;
- Decrease in value of our real estate investments and financial instruments;
- Decreased income from our real estate and investment portfolio; and
- Risk of security vulnerabilities due to remote work environments.

As new variants of COVID-19 emerge, such as the Omicron variant, it is difficult to predict when normal economic and operating conditions can resume. As of the date of issuance of this report, the extent to which the ongoing COVID-19 pandemic may materially affect our financial condition, liquidity, or results of operations in the long-term future remains uncertain and unquantifiable.

An overall decline in economic activity could have a material adverse effect on the financial condition and results of operations of our business.

The demand for homeowners insurance generally rises as the overall level of household income increases and generally falls as household income decreases, affecting premiums, commissions and fees generated by our business. Some new polices may be sourced by referral sources tied to home closing transactions, and major slowdowns in the various housing markets we serve could impact our ability to generate new business. The economic activity that impacts homeowners insurance is most closely correlated with employment levels, corporate revenue and asset values.

Changing climate conditions could have an adverse impact on our business, results of operations or financial condition.

There is an emerging scientific consensus on climate change, which may affect the frequency and severity of storms, floods and other weather events, and negatively affect our business, results of operations, and/or financial condition.

We have exposure to unpredictable catastrophes, which can materially and adversely affect our financial results.

We write insurance policies that cover homeowners, condominium owners, and tenants for losses that result from, among other things, catastrophes. We are therefore subject to losses, including claims under policies we have written, arising out of catastrophes that may have a significant effect on our business, results of operations, and financial condition. A significant catastrophe could also have an adverse effect on our reinsurers. Catastrophes can be caused by various events, including hurricanes, tropical storms, tornadoes, windstorms, earthquakes, hailstorms, explosions, power outages, fires, winter storms and man-made events. The incidence and severity of catastrophes are inherently unpredictable. The extent of losses from a catastrophe is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event. Our policyholders are currently concentrated in Florida and the northeast region, which are subject to adverse weather conditions such as hurricanes, tropical storms and winter storms. Therefore, although we attempt to manage our exposure to catastrophes through our underwriting process and the purchase of reinsurance protection, an especially severe catastrophe or series of catastrophes could exceed our reinsurance protection and may have a material, adverse impact on our results of operations and financial condition.

The planned initial public offering of common stock of our majority-owned subsidiary, TTIG, is contingent upon the satisfaction of a number of conditions, may not be completed on the contemplated timeline or at all, and if completed may not achieve the intended benefits.

On November 8, 2021, we first announced our intention to list TTIG's common shares on a major U.S. stock exchange to raise additional capital to fund its growth plan. On January 12, 2022, we announced our postponement of TTIG's initial public offering due to recent market conditions not favorable to its success and realization of true value. The planned initial public offering is complex in nature and may be affected by unanticipated developments or changes in market conditions. Furthermore, if the initial public offering is completed, there is no guarantee that it will be successful in meeting its objectives or achieving its intended benefits. Any of these factors could have a material adverse effect on our business and results of operations.

ITEM 1B – *Unresolved Staff Comments*

Not applicable.

ITEM 2 – *Properties*

Real Estate Owned and Used in Operations

Tampa, Florida. The real estate consists of a two-story building with gross area of approximately 67,300 square feet and currently serves as HCI Group, Inc.'s corporate headquarters.

Ocala, Florida. The real estate consists of 1.6 acres of land and an office building with gross area of approximately 16,000 square feet. The facility is 100% designated for our insurance operations and in 2022 will be used exclusively by TypTap Management Company.

Investment Real Estate

Treasure Island, Florida. The real estate consists of approximately 10 acres of waterfront property and land improvements, a restaurant and a marina facility. The marina facility is currently owned and operated by us. The restaurant facility is leased to an unrelated party that operates several restaurants in the area.

Tierra Verde, Florida. The real estate consists of 7.1 acres of waterfront property, a dry rack storage building with gross area of 57,500 square feet, and two buildings with retail space having an aggregate gross area

of approximately 23,000 square feet. This marina facility is owned and operated by us. Approximately 6% of the available retail space is occupied by us, 57% of the retail space is leased to non-affiliates, and the remaining space is available for lease.

Riverview, Florida. The real estate consists of 2.57 acres of land, 1.27 acres of which is leased to Thorntons, LLC, a gas station and convenience store chain. Our retail structure with 8,400 square feet of net rentable space is situated on the remaining land. 100% of the rentable space is leased to non-affiliates.

Sorrento, Florida. The real estate includes 5.42 acres of outparcel land intended for ground lease or resale and a retail shopping center with 61,400 square feet of net rentable area. Approximately 74% of the rentable space is currently leased to Publix supermarket. Approximately 96% of the rentable space is leased to non-affiliates and the remaining space is available for lease.

Melbourne, Florida. The real estate includes 2.26 acres of outparcel land intended for ground lease, resale or future development and a retail shopping center with 49,995 square feet of rentable area. Approximately 42% of the rentable space is currently leased to Fresh Market supermarket. Approximately 97% of the rentable space is leased to non-affiliates and the remaining space is available for lease.

Tampa, Florida. We own investment properties in two different locations. One real estate consists of 6.69 acres of land and an office building with gross area of 68,867 square feet. The building is 100% leased to Bank of America. Another is approximately 9 acres of undeveloped land that we acquired in February 2019.

Clearwater, Florida. The real estate consists of 6.08 acres of land and a retail building with approximately 55,000 square feet of rentable space. Approximately 59% of the rentable space is currently leased to ALDI supermarket.

Leased Property

Tampa, Florida. We lease 52,693 square feet of office space and use of a four-level parking garage which serve as TTIG's corporate headquarters and several of its subsidiaries' offices.

Noida, India. We lease 15,000 square feet of office space for our information technology operations. The original lease expired in January 2022 and we entered into a new lease agreement for this lease effective February 2022 with an initial term of nine years.

Miami Lakes, Florida. We lease approximately 5,600 square feet of office space for our claims related administration. The lease is currently on a month-to-month basis.

Expense under all facility leases was $1,945,000, $1,259,000, and $456,000 during the years ended December 31, 2021, 2020 and 2019, respectively.

ITEM 3 – *Legal Proceedings*

We are a party to claims and legal actions arising routinely in the ordinary course of our business. Although we cannot predict with certainty the ultimate resolution of the claims asserted against us, we do not believe that any currently pending legal proceeding to which we are a party will have a material, adverse effect on our consolidated financial position, results of operations or cash flows.

ITEM 4 – *Mine Safety Disclosures*

Not applicable.

PART II

ITEM 5 – *Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Markets for Common Stock

Our common stock trades on the New York Stock Exchange under the symbol "HCI."

Holders

As of February 25, 2022, the market price for our common stock was $64.17 and there were 190 holders of record of our common stock.

Dividends

The declaration and payment of dividends is at the discretion of our board of directors. Our ability to pay dividends depends on many factors, including the Company's operating results, financial condition, capital requirements, the availability of cash from our subsidiaries and legal and regulatory constraints and requirements on the payment of dividends and other factors that our board of directors deems relevant. The following table represents the frequency and amount of all cash dividends declared on our common stock for the two most recent fiscal years:

Declaration Date	Payment Date	Date of Record	Per Share Amount
10/15/2021	12/17/2021	11/19/2021	$0.40
7/7/2021	9/17/2021	8/20/2021	$0.40
4/28/2021	6/18/2021	5/21/2021	$0.40
1/15/2021	3/19/2021	2/19/2021	$0.40
10/16/2020	12/18/2020	11/20/2020	$0.40
7/2/2020	9/18/2020	8/21/2020	$0.40
4/13/2020	6/19/2020	5/15/2020	$0.40
1/21/2020	3/20/2020	2/21/2020	$0.40

Under Florida law, a domestic insurer may not pay any dividend or distribute cash or other property to its stockholders unless certain requirements, which are discussed in Note 26 — "Regulatory Requirements and Restrictions" to our consolidated financial statements under Item 8 of this Annual Report on Form 10-K, are met. Hence, Florida law may limit the availability of cash from our insurance subsidiaries for the payment of dividends to our shareholders.

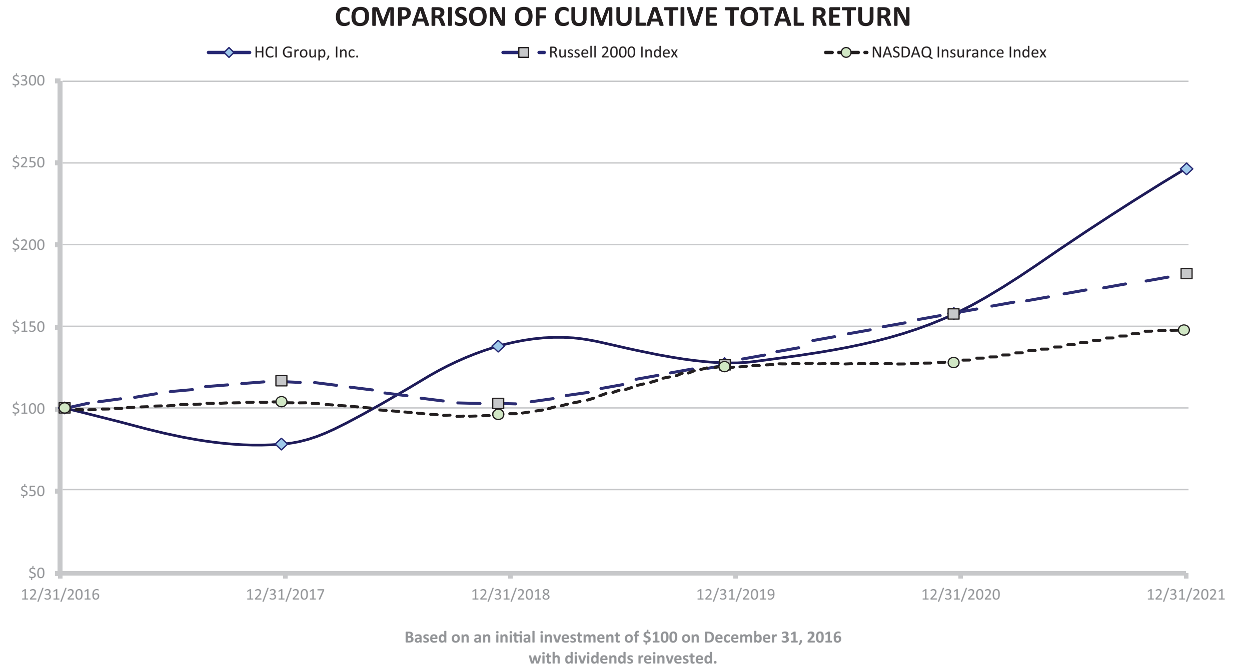
Securities Authorized for Issuance Under Equity Compensation Plans

The following table summarizes our equity compensation plans as of December 31, 2021. We currently have no equity compensation plans not approved by our stockholders.

Plan Category	(a) Number of Securities To be Issued Upon Exercise of Outstanding Options	(b) Weighted-Average Exercise Price of Outstanding Options	(c) Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity Compensation Plans Approved by Stockholders	440,000	$45.25	1,111,975

Performance Graph

The following graph compares the 5-year cumulative total dollar return to shareholders on our common stock relative to the cumulative total returns of the Russell 2000 Index and the NASDAQ Insurance Index. An investment of $100 (with reinvestment of all dividends) is assumed to have been made in our common stock and in each index on December 31, 2016 and its relative performance is tracked through December 31, 2021. The returns shown are based on historical results and are not intended to suggest future performance.



Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

None.

ITEM 6 – *Reserved*

Not applicable.

ITEM 7 – ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

The following discussion should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K.

Forward-Looking Statements

In addition to historical information, this Annual Report on Form 10-K contains forward-looking statements as defined under federal securities laws. Such statements, including statements about our plans, objectives, expectations, assumptions or future events, involve risks and uncertainties. These statements involve estimates, assumptions, known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from any future results, performances or achievements expressed or implied by the forward-looking statements. Typically, forward-looking statements can be identified by terminology such as "anticipate," "estimate," "plan," "project," "continuing," "ongoing," "expect," "believe," "intend," "may," "will," "should," "could," and similar expressions. The important factors that could cause actual results to differ materially from those indicated by such forward-looking statements include but are not limited to the effect of governmental regulation; changes in insurance regulations; the frequency and extent of claims; uncertainties inherent in reserve estimates; catastrophic events; changes in the demand for, pricing of, availability of or collectability of reinsurance; restrictions on our ability to change premium rates; increased rate pressure on premiums; the impact of the novel coronavirus ("COVID-19") pandemic; and other risks and uncertainties and other factors listed under Item 1A — "Risk Factors" and elsewhere in this Annual Report on Form 10-K and in our other Securities and Exchange Commission filings.

OVERVIEW

General

HCI Group, Inc. is a Florida-based company which through its subsidiaries is engaged in a variety of business activities, including property and casualty insurance, reinsurance, real estate and information technology. Its principal business is property and casualty insurance.

We began insurance operations by participating in a "take-out program" which is a legislatively mandated program designed to encourage private companies to assume policies from Citizens, a Florida state-sponsored insurance carrier. Opportunities to acquire large numbers of policies from Citizens meeting our strict underwriting criteria have diminished in recent years. We may, however, selectively pursue additional assumption transactions with Citizens.

Our general operating and growth strategies are to continually optimize our existing book of insurance business, organically expand our insurance business, manage our costs and expenses, diversify our business operations, develop and deploy new technologies to streamline operational processes, and maintain a strong balance sheet so we can quickly pursue accretive opportunities when they arise. Our growth strategies also include assumption of policies from other insurance companies with the intention of renewing and/or replacing them with our policies eventually.

Recent Developments

On January 20, 2022, our Board of Directors declared a quarterly dividend of $0.40 per common share. The dividends are to be paid March 18, 2022 to stockholders of record on February 18, 2022.

On February 23, 2022, we entered into an agreement with United for United's primary insurance subsidiary, United Property & Casualty Insurance Company, to cede to us all of its personal lines insurance business in the states of Georgia, North Carolina and South Carolina. Under the reinsurance agreement, HCPCI provides 85% quota share reinsurance on all of United's personal lines insurance business in those states from

December 31, 2021 through May 31, 2022. Similar to the previous agreement, HCPCI paid United a catastrophe allowance of 9% of premium not exceeding $3,800,000 and a provisional ceding commission of 25% of premium. That percentage could increase up to 32% depending on the direct loss ratio results from the reinsured business. Annual premiums from the assumed business approximate $87,000,000. We also entered into a renewal rights agreement with United in connection with the assumed business in the three states. Under the renewal rights agreement, we have the right to renew and/or replace United's insurance policies at the end of their respective policy periods in the three states. Our ability to replace policies is subject to regulatory approvals in the three states. In connection with the transaction, United will agree to not compete with us for the issuance of personal lines homeowners business in these three states until July 1, 2025. As part of the transaction, United will receive a renewal rights ceding commission of 6%, with a portion of the ceding commission paid up-front.

On March 1, 2022, none of the holders of the 4.25% Convertible Senior Notes exercised the put option, which would have required us to repurchase for cash all or any portion of the notes at par.

In March 2022, our share repurchase forward contract with Societe Generale, entered into in conjunction with the 2017 issuance of the 4.25% Convertible Senior Notes, was physically settled with the delivery from Societe Generale of 191,100 shares of HCI's common stock to us.

RESULTS OF OPERATIONS

Comparison of the Year Ended December 31, 2021 with the Year Ended December 31, 2020

Our results of operations for the year ended December 31, 2021 reflect net income of approximately $7,242,000, or $0.21 diluted earnings per share, compared with a net income of approximately $27,580,000, or $3.49 diluted earnings per share, for the year ended December 31, 2020. The year-over-year decrease was primarily attributable to a one-time gain on involuntary conversion of approximately $36,969,000 included in our 2020 results, offset by a net increase in income from our investment portfolio (consisting of net investment income and net realized and unrealized gains or losses) of approximately $14,538,000.

Revenue

Gross Premiums Earned for the years ended December 31, 2021 and 2020 were approximately $577,044,000 and $415,918,000, respectively. The $161,126,000 increase in 2021 was primarily attributable to the policies assumed from United Insurance Holdings Corporation and increased policies in force from the growth in TypTap's business, offset by a normal decrease due to policy attrition. Gross premiums earned in 2021 related to the United policies assumed were $98,498,000. HCPCI's gross premiums earned in 2021 were $401,137,000 compared with $337,082,000 in 2020. TypTap's gross premiums earned in 2021 were $175,907,000 compared with $78,836,000 in 2020.

Premiums Ceded for the years ended December 31, 2021 and 2020 were approximately $199,741,000 and $153,458,000, respectively, representing 34.6% and 36.9%, respectively, of gross premiums earned. Our premiums ceded represent costs of reinsurance to cover losses from catastrophes that exceed the retention levels defined by our catastrophe excess of loss reinsurance contracts or to assume a proportional share of losses defined in a quota share arrangement. The rates we pay for reinsurance are based primarily on policy exposures reflected in gross premiums earned. The $46,283,000 increase was primarily attributable to increased reinsurance costs effective June 1, 2021 and a higher level of reinsurance coverage, offset by a reduction in premiums ceded attributable to retrospective provisions under multi-year reinsurance contracts. See "Economic Impact of Reinsurance Contracts with Retrospective Provisions" under "Critical Accounting Policies and Estimates."

Net Premiums Written for the years ended December 31, 2021 and 2020 totaled approximately $474,648,000 and $350,696,000, respectively. Net premiums written represent the premiums charged on policies issued during a fiscal period less any applicable reinsurance costs. The $123,952,000 increase in 2021 resulted

primarily from an increase in gross premiums written from the growth of TypTap business of approximately $142,624,000 and the assumed business from United of approximately $128,948,000. HCPCI's and TypTap's gross premiums written were approximately $426,910,000 and $247,479,000, respectively, for 2021 compared with approximately $399,299,000 and $104,855,000, respectively, for 2020. We had approximately 180,700 policies in force at December 31, 2021 versus approximately 154,000 policies in force at December 31, 2020.

Net Premiums Earned for the years ended December 31, 2021 and 2020 were approximately $377,303,000 and $262,460,000, respectively, and reflect the gross premiums earned less reinsurance costs as described above.

The following is a reconciliation of our Net Premiums Written to Net Premiums Earned for the years ended December 31, 2021 and 2020 (amounts in thousands):

	Years Ended December 31,	
	2021	**2020**
Net Premiums Written	$474,648	$350,696
Increase in Unearned Premiums	(97,345)	(88,236)
Net Premiums Earned	$377,303	$262,460

Net Investment Income for the years ended December 31, 2021 and 2020 was approximately $12,335,000 and $4,564,000, respectively. The year-over-year increase was primarily attributable to an increase in income from limited partnership investments of approximately $6,542,000 and a net gain of $2,790,000 recognized in 2021 for a legal settlement received from The Kroger Co. See Note 5 — "Investments" under *Net Investment Income* to our consolidated financial statements under Item 8 of this Annual Report on Form 10-K.

Net Realized Investment Gains for the years ended December 31, 2021 and 2020 were approximately $6,472,000 and $1,000,000, respectively. The gains in 2021 resulted primarily from sales of equity securities.

Net Unrealized Investment Gains for the years ended December 31, 2021 and 2020 were approximately $1,363,000 and $679,000, respectively. Net unrealized investment gains or losses represent the net change in the fair value of equity securities. The increase in 2021 reflected an overall improvement in the equity market compared with 2020.

Expenses

Our consolidated *Losses and Loss Adjustment Expenses* amounted to approximately $227,525,000 and $160,036,000 for the years ended December 31, 2021 and 2020, respectively. The increase was primarily attributable to losses associated with the assumption of policies from United, the organic growth in TypTap's homeowners business, and the unfavorable loss development for the 2020 loss year. See "Reserves for Losses and Loss Adjustment Expenses" under "Critical Accounting Policies and Estimates."

Policy Acquisition and Other Underwriting Expenses for the years ended December 31, 2021 and 2020 were approximately $93,732,000 and $53,859,000, respectively, and primarily reflect the amortization of deferred acquisition costs such as commissions payable to agents for production and renewal of policies, and premium taxes. The increase was primarily attributable to amortization of increased costs associated with the policies assumed from United and the amortization of increased commission costs related to the growth of TypTap's policies in force during 2021.

Debt Conversion Expense for the year ended December 31, 2021 was approximately $1,754,000, representing costs associated with certain of the conversions of our 4.25% convertible senior notes.

General and Administrative Personnel Expenses for the years ended December 31, 2021 and 2020 were approximately $45,428,000 and $33,829,000, respectively. Our general and administrative personnel expenses include salaries, wages, payroll taxes, stock-based compensation expense, and employee benefit costs. Factors such as merit increases, changes in headcount, and periodic restricted stock grants, among others, cause fluctuations in this expense. In addition, our personnel expenses are decreased by the capitalization of payroll costs related to a project to develop software for internal use and the payroll costs associated with the processing and settlement of Hurricane Irma claims which are recoverable from reinsurers under reinsurance contracts. The year-over-year increase of $11,599,000 was primarily attributable to an $8,042,000 increase in salaries and wages expense due to an increase in the headcount of temporary and full-time employees and merit increases for non-executive employees, and a $5,621,000 increase in stock-based compensation expense, offset by a decrease in employee incentive bonus and higher capitalized and recoverable payroll costs.

Interest Expense for the years ended December 31, 2021 and 2020 was approximately $6,400,000 and $11,734,000, respectively. The decrease primarily resulted from conversions of our 4.25% convertible senior notes during the second half of 2021 and the early adoption of ASC 2020-06 "Debt—Debt with Conversion and Other Options and Derivatives and Hedging – Contracts in Entity's own Equity." As described in Note 2 — "Summary of Significant Accounting Policies" to our consolidated financial statements under Item 8 of this Annual Report on Form 10-K, ASU 2020-06 allows the reversal of discounts previously recorded to account for the cash conversion feature of convertible debt instruments. Our 4.25% convertible senior notes contain such a cash conversion feature and accordingly the discount was reversed on January 1, 2021. As a result, interest expense no longer includes amounts representing the amortization of the discount.

Income Tax Expense for the year ended December 31, 2021 was approximately $3,991,000 for federal, state, and foreign income taxes compared with income tax expense of approximately $9,348,000 for the year ended December 31, 2020, resulting in an effective tax rate of 35.5% for 2021 and 25.3% for 2020. The increase in the effective tax rate was primarily due to the non-deductibility of certain executive compensation and the increase in deferred tax expense due to the increased Florida corporate tax rate effective January 1, 2022.

Ratios:

The loss ratio applicable to the year ended December 31, 2021 (losses and loss adjustment expenses incurred related to net premiums earned) was 60.3% compared with 61.0% for the year ended December 31, 2020. The decrease was primarily due to an increase in net premiums earned.

The expense ratio applicable to the year ended December 31, 2021 (defined as total expenses excluding losses and loss adjustment expenses related to net premiums earned) was 44.8% compared with 43.2% for the year ended December 31, 2020. The increase in our expense ratio was primarily attributable to the increase in policy acquisition, underwriting and personnel expenses, offset by the increase in net premiums earned and the decrease in interest expense.

The combined ratio is the measure of overall underwriting profitability before other income. Our combined ratio for the year ended December 31, 2021 was 105.1% compared with 104.2% for the year ended December 31, 2020. The increase was primarily attributable to the increase in losses and loss adjustment expenses combined with the increases in reinsurance costs and policy acquisition and other underwriting expenses.

Due to the impact our reinsurance costs have on net premiums earned from period to period, our management believes the combined ratio measured to gross premiums earned is more relevant in assessing overall performance. The combined ratio to gross premiums earned for the year ended December 31, 2021 was 68.7% compared with 65.8% for the year ended December 31, 2020. The increase in 2021 was primarily attributable to the increase in losses and loss adjustment expenses, offset by the increase in gross premiums earned.

Comparison of the Year Ended December 31, 2020 with the Year Ended December 31, 2019

Our results of operations for the year ended December 31, 2020 reflect net income of $27,580,000, or $3.49 diluted earnings per share, compared with a net income of $26,576,000, or $3.31 diluted earnings per share, for the year ended December 31, 2019. The year-over-year increase was primarily attributable to a gain on involuntary conversion of $36,969,000 and a net increase in net premiums earned of $46,146,000, offset by an increase in losses and loss adjustment expenses of $52,522,000, a net decrease in income from our investment portfolio (consisting of net investment income and net realized and unrealized gains or losses) of $15,095,000, an increase in policy acquisition and other underwriting expenses of $11,362,000 and a $2,717,000 increase in payroll costs and other personnel expenses.

Revenue

Gross Premiums Earned for the years ended December 31, 2020 and 2019 were approximately $415,918,000 and $342,079,000, respectively. The increase in 2020 was primarily attributable to the policies transitioned from Anchor and increased policies in force from the growth in TypTap's business, offset by a normal decrease due to policy attrition. Gross premiums earned related to the Anchor policies and the growth in TypTap's business during 2020 were approximately $27,765,000 and $47,900,000, respectively.

Premiums Ceded for the years ended December 31, 2020 and 2019 were approximately $153,458,000 and $125,765,000, respectively, representing 36.9% and 36.8%, respectively, of gross premiums earned. The $27,693,000 increase was primarily attributable to increased reinsurance costs effective June 1, 2020 and a higher level of reinsurance coverage, offset by a reduction in premiums ceded attributable to retrospective provisions under one reinsurance contract. See "Economic Impact of Reinsurance Contracts with Retrospective Provisions" under "Critical Accounting Policies and Estimates."

Net Premiums Written for the years ended December 31, 2020 and 2019 totaled approximately $350,696,000 and $239,190,000, respectively. The increase in 2020 resulted primarily from an increase in gross premiums written from the growth of TypTap business of approximately $44,600,000, the transition of policies from Anchor of approximately $30,600,000, and the assumed business from United of approximately $44,600,000. HCPCI's and TypTap's gross premiums written were approximately $399,299,000 and $104,855,000, respectively, for 2020 compared with approximately $304,683,000 and $60,272,000, respectively, for 2019. We had approximately 154,000 policies in force at December 31, 2020 versus approximately 131,000 policies in force at December 31, 2019.

Net Premiums Earned for the years ended December 31, 2020 and 2019 were approximately $262,460,000 and $216,314,000, respectively, and reflect the gross premiums earned less reinsurance costs as described above.

The following is a reconciliation of our Net Premiums Written to Net Premiums Earned for the years ended December 31, 2020 and 2019 (amounts in thousands):

	Years Ended December 31,	
	2020	2019
Net Premiums Written	$350,696	$239,190
Increase in Unearned Premiums	(88,236)	(22,876)
Net Premiums Earned	$262,460	$216,314

Net Investment Income for the years ended December 31, 2020 and 2019 was approximately $4,564,000 and $13,642,000, respectively. The year-over-year decrease was primarily attributable to a decrease in income from limited partnership investments of approximately $2,771,000 and lower interest income from

fixed-maturity securities and cash balances by approximately $5,533,000. See Note 5 — "Investments" under Net Investment Income to our consolidated financial statements under Item 8 of this Annual Report on Form 10-K.

Net Realized Investment Gains for the year ended December 31, 2020 were approximately $1,000,000 versus net realized investment losses of approximately $254,000 for the year ended December 31, 2019. The gains in 2020 resulted primarily from sales of fixed-maturity securities.

Net Unrealized Investment Gains for the years ended December 31, 2020 and 2019 were approximately $679,000 and $7,950,000, respectively. Net unrealized investment gains or losses represent the net change in the fair value of equity securities. In addition to an overall improvement in the equity market, we sold securities with unrealized gain positions during the first quarter of 2020. In contrast, securities with unrealized loss positions were sold during 2019.

Gain on Involuntary Conversion for the year ended December 31, 2020 was approximately $36,969,000. This one-time gain resulted from the transaction with the FDOT. See Note 9 — "Property and Equipment, Net" to our consolidated financial statements under Item 8 of this Annual Report on Form 10-K.

Expenses

Our *Losses and Loss Adjustment Expenses* amounted to approximately $160,036,000 and $107,514,000 for the years ended December 31, 2020 and 2019, respectively. The $52,522,000 increase was primarily attributable to $14,850,000 of losses from the addition of the Anchor policies, net losses after reinsurance recoverable for Hurricane Sally of $20,264,000 and $10,000,000 of losses specific to Tropical Storm Eta, offset by lower prior year development. See "Reserves for Losses and Loss Adjustment Expenses" under "Critical Accounting Policies and Estimates."

Policy Acquisition and Other Underwriting Expenses for the years ended December 31, 2020 and 2019 were approximately $53,859,000 and $42,497,000, respectively. The increase was primarily attributable to higher agent commission rates, property inspection costs associated with the organic growth of TypTap business, and $1,411,000 of amortized transition costs related to Anchor policies.

General and Administrative Personnel Expenses for the years ended December 31, 2020 and 2019 were approximately $33,829,000 and $31,112,000, respectively. The year-over-year increase of $2,717,000 was primarily attributable to an increase in the headcount of temporary and full-time employees, merit increases for non-executive employees, higher stock-based compensation expense, and lower capitalized and recoverable payroll costs, offset by a decrease in employee incentive bonus.

Interest Expense for the years ended December 31, 2020 and 2019 was approximately $11,734,000 and $13,055,000, respectively. The decrease primarily resulted from the repayment of our 3.875% convertible senior notes in March 2019.

Income Tax Expense for the year ended December 31, 2020 was approximately $9,348,000 for federal, state, and foreign income taxes compared with income tax expense of approximately $9,517,000 for the year ended December 31, 2019, resulting in an effective tax rate of 25.3% for 2020 and 26.4% for 2019.

Ratios:

The loss ratio applicable to the year ended December 31, 2020 was 61.0% compared with 49.7% for the year ended December 31, 2019. The increase was primarily due to a change in the mix of business and losses related to Hurricane Sally and Tropical Storm Eta.

The expense ratio applicable to the year ended December 31, 2020 was 43.2% compared with 45.7% for the year ended December 31, 2019. The decrease in our expense ratio was primarily attributable to the increase in net premiums earned, offset by the increases in policy acquisition expenses and general and administrative personnel expenses as described earlier.

The combined ratio to net premiums earned for the year ended December 31, 2020 was 104.2% compared with 95.4% for the year ended December 31, 2019. The increase was primarily attributable to the increase in losses and loss adjustment expenses combined with the increases in reinsurance costs and policy acquisition and other underwriting expenses.

The combined ratio to gross premiums earned for the year ended December 31, 2020 was 65.8% compared with 60.3% for the year ended December 31, 2019. The increase in 2020 was primarily attributable to the increase in losses and loss adjustment expenses.

Seasonality of Our Business

Our insurance business is seasonal. Hurricanes and tropical storms affecting Florida, our primary market, and other southeastern states typically occur during the period from June 1st through November 30th of each year. Winter storms in the northeast usually occur during the period between December 1st and March 31st of each year. Also, with our reinsurance treaty year typically effective on June 1st of each year, any variation in the cost of our reinsurance, whether due to changes in reinsurance rates or changes in the total insured value of our policy base, will occur and be reflected in our financial results beginning on June 1st of each year.

LIQUIDITY AND CAPITAL RESOURCES

Throughout our history, our liquidity requirements have been met through issuances of our common and preferred stock, debt offerings and funds from operations. We expect our future liquidity requirements will be met by funds from operations, primarily the cash received by insurance operations from premiums written and investment income. We may consider raising additional capital through debt and/or equity offerings to support our growth and future investment opportunities.

Our insurance operations require liquidity and adequate capital to meet ongoing obligations to policyholders and claimants and to fund operating expenses. In addition, we attempt to maintain adequate levels of liquidity and surplus to manage any differences between the duration of our liabilities and invested assets. In the insurance industry, cash collected for premiums from policies written is invested, interest and dividends are earned thereon, and losses and loss adjustment expenses are paid out over a period of years. This period of time varies by the circumstances surrounding each claim. Substantially all of our losses and loss adjustment expenses, excluding litigated claims, are fully settled and paid within approximately 100 days of the claim receipt date. Additional cash outflow occurs through payments of underwriting costs such as commissions, taxes, payroll, and general overhead expenses.

We believe that we maintain sufficient liquidity to pay claims and expenses, as well as to satisfy commitments in the event of unforeseen events such as reinsurer insolvencies, inadequate premium rates, or reserve deficiencies. We maintain a comprehensive reinsurance program at levels management considers adequate to diversify risk and safeguard our financial position.

In the future, we anticipate our primary use of funds will be to pay claims, reinsurance premiums, interest, and dividends and to fund operating expenses and real estate acquisitions.

Revolving Credit Facility, Convertible Senior Notes, Promissory Notes, and Finance Leases

The following table summarizes the principal and interest payment obligations for our indebtedness at December 31, 2021:

	Maturity Date	Payment Due Date
4.25% Convertible Senior Notes*	March 2037	March 1 and September 1
3.75% Callable Promissory Note	Through September 2036	1st day of each month
3.90% Promissory Note	Through April 2032	1st day of each month
4.55% Promissory Note	Through August 2036	1st day of each month
Finance leases	Through October 2024	Various
Revolving credit facility	Through December 2023	January 1, April 1, July 1, October 1

* At the option of the noteholders, we may be required to repurchase for cash all or any portion of the note on March 1, 2022, March 1, 2027 or March 1, 2032. See "Recent Developments" under Item 7 of this Annual Report on Form 10-K.

See Note 13 — "Long-Term Debt" to our consolidated financial statements under Item 8 of this Annual Report on Form 10-K.

Limited Partnership Investments

Our limited partnership investments consist of six private equity funds managed by their general partners. Four of these funds have unexpired capital commitments which are callable at the discretion of the fund's general partner for funding new investments or expenses of the fund. Under certain circumstances, we may be required to provide additional capital for the two remaining funds with expired capital commitments. At December 31, 2021, there was an aggregate unfunded capital balance of $11,073,000. See *Limited Partnership Investments* under Note 5 — "Investments" to our consolidated financial statements under Item 8 of this Annual Report on Form 10-K.

Real Estate Investment

Real estate has long been a significant component of our overall investment portfolio. It helps offset the volatility of other high-risk assets. Thus, we may consider expanding our real estate investment portfolio should an opportunity arise.

We currently have a 90% equity interest in FMKT Mel JV, LLC, a Florida limited liability company for which we are not the primary beneficiary. FMKT Mel JV's real estate portfolio consists of an outparcel for ground lease or sale. We have the option to take full ownership of this outparcel by acquiring the remaining 10% interest. Alternatively, we may sell this outparcel and allocate the profits from the sale before liquidating FMKT Mel JV.

Sources and Uses of Cash

Our cash flows from operating, investing and financing activities for the years ended December 31, 2021, 2020 and 2019 are summarized below.

Cash Flows for the Year Ended December 31, 2021

Net cash provided by operating activities for the year ended December 31, 2021 was approximately $96,503,000, which consisted primarily of cash received from net premiums written and reinsurance recoveries

of approximately $48,921,000 less cash disbursed for operating expenses, losses and loss adjustment expenses and interest payments. Net cash provided by investing activities of $36,852,000 was primarily due to the proceeds from sales of fixed-maturity and equity securities of $135,365,000, the proceeds from calls, repayments and maturities of fixed-maturity securities of $23,430,000, and the distributions of $4,657,000 received from limited partnership investments, offset by the purchases of fixed-maturity and equity securities of $121,104,000, additional investments in limited partnership interests of $3,756,000, and the purchases of property and equipment of $3,318,000. Net cash provided by financing activities totaled $64,301,000, which was primarily due to net proceeds of $93,738,000 from Centerbridge for investment in TTIG, offset by $13,759,000 of net cash dividend payments, net repayment of our revolving credit facility of $8,750,000, cash dividends paid to redeemable noncontrolling interest of $2,542,000, $1,895,000 of debt conversion expense paid and $1,314,000 used in share repurchases.

Cash Flows for the Year Ended December 31, 2020

Net cash provided by operating activities for the year ended December 31, 2020 was approximately $77,311,000, which consisted primarily of cash received from net premiums written and reinsurance recoveries of approximately $56,860,000 less cash disbursed for operating expenses, losses and loss adjustment expenses and interest payments. Net cash provided by investing activities of $143,215,000 was primarily due to the proceeds from sales of fixed-maturity and equity securities of $128,745,000, the proceeds from calls, repayments and maturities of fixed-maturity securities of $84,459,000, $44,000,000 of compensation received for the property relinquished through eminent domain, and the distributions of $2,086,000 received from limited partnership investments, offset by the purchases of fixed-maturity and equity securities of $103,174,000, the purchases of property and equipment of $6,437,000, additional investments in limited partnership interests of $4,241,000, and the purchases of real estate investments of $3,020,000. Net cash used in financing activities totaled $16,705,000, which was primarily due to the repayment of long-term debt of $17,048,000, $6,708,000 used in our share repurchases, $4,459,000 used to repurchase a portion of our 4.25% convertible senior notes, and $12,388,000 of net cash dividend payments, offset by $14,000,000 of net borrowings from our revolving credit facility and the proceeds from issuance of a 3.90% promissory note of $10,000,000.

Cash Flows for the Year Ended December 31, 2019

Net cash provided by operating activities for the year ended December 31, 2019 was approximately $54,047,000, which consisted primarily of cash received from net premiums written and reinsurance recoveries of approximately $105,676,000 less cash disbursed for operating expenses, losses and loss adjustment expenses and interest payments. Net cash provided by investing activities of $50,459,000 was primarily due to the proceeds from sales of fixed-maturity and equity securities of $45,616,000, the proceeds from calls, repayments and maturities of fixed-maturity securities of $59,343,000, the proceeds from sales, redemptions and maturities of short-term and other investments of $67,398,000, and the distributions of $2,121,000 from limited partnership investments, offset by the purchases of fixed-maturity and equity securities of $107,299,000, the purchases of real estate investments of $11,481,000, the purchases of property and equipment of $2,887,000, the purchases of short-term and other investments of $1,178,000, and the investments in limited partnership interests of $1,174,000. Net cash used in financing activities totaled $114,724,000, which was primarily due to the repayment of long-term debt of $91,318,000, $20,054,000 used in our share repurchases, and $12,706,000 of net cash dividend payments, offset by $9,750,000 of borrowings from our revolving credit facility.

Investments

The main objective of our investment policy is to maximize our after-tax investment income with a reasonable level of risk given the current financial market. Our excess cash is invested primarily in money market accounts, certificates of deposit, and fixed-maturity and equity securities.

At December 31, 2021, we had $94,323,000 of fixed-maturity and equity investments, which are carried at fair value. Changes in the general interest rate environment affect the returns available on new fixed-

maturity investments. While a rising interest rate environment enhances the returns available on new investments, it reduces the market value of existing fixed-maturity investments and thus the availability of gains on disposition. A decline in interest rates reduces the returns available on new fixed-maturity investments but increases the market value of existing fixed-maturity investments, creating the opportunity for realized investment gains on disposition. To maximize the gains from fixed-maturity investments in a low interest rate environment, we have decreased our holdings in fixed-maturity securities since the beginning of 2020.

In the future, we may alter our investment policy with regard to investments in federal, state and municipal obligations, preferred and common equity securities and real estate mortgages, as permitted by applicable law, including insurance regulations.

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2021, we had unexpired capital commitments for limited partnerships in which we hold interests. Such commitments are not recognized in the consolidated financial statements but are required to be disclosed in the notes to the consolidated financial statements. See Note 24 — “Commitments and Contingencies” to our consolidated financial statements under Item 8 of this Annual Report on Form 10-K.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have prepared our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The preparation of these consolidated financial statements requires us to make estimates and judgments to develop amounts reflected and disclosed in our consolidated financial statements. Material estimates that are particularly susceptible to significant change in the near term are related to our losses and loss adjustment expenses, which include amounts estimated for claims incurred but not yet reported. We base our estimates on various assumptions and actuarial data we believe to be reasonable under the circumstances. Actual results may differ materially from these estimates.

We believe our accounting policies specific to losses and loss adjustment expenses, reinsurance recoverable, reinsurance with retrospective provisions, deferred income taxes, stock-based compensation expense, limited partnership investments, acquired intangible assets, warrants, and redeemable noncontrolling interest involve our most significant judgments and estimates material to our consolidated financial statements.

Reserves for Losses and Loss Adjustment Expenses. We establish reserves for the estimated total unpaid costs of losses including loss adjustment expenses (LAE). Loss and LAE reserves reflect management’s best estimate of the total cost of (i) claims that have been incurred, but not yet paid in full, and (ii) claims that have been incurred but not yet reported to us (“IBNR”). Reserves established by us represent an estimate of the outcome of future events and, as such, cannot be considered an exact calculation of our liability. Rather, loss and LAE reserves represent management’s best estimate of our company’s liability based on the application of actuarial techniques and other projection methodologies and taking into consideration other facts and circumstances known at the balance sheet date. The process of establishing loss and LAE reserves is complex and inherently imprecise, as it involves the estimation of the outcome of future uncertain events. The impact of both internal and external variables on ultimate losses and LAE costs is difficult to estimate. In determining loss and LAE reserves, we give careful consideration to all available data and actuarial analyses.

Currently, our estimated ultimate liability is calculated using the principles and procedures described in Note 15 — “Losses and Loss Adjustment Expenses” to our consolidated financial statements under Item 8 of this Annual Report on Form 10-K, which are applied to the lines of business written. However, because the establishment of loss and LAE reserves is an inherently uncertain process, we cannot be certain that ultimate losses will not exceed the established loss and LAE reserves and have a material, adverse effect on our results of operations and financial condition. Changes in estimates, or differences between estimates and amounts ultimately paid, are reflected in the operating results of the period during which such adjustments are made.

Our reported results, financial position and liquidity would be affected by likely changes in key assumptions that determine our net loss reserves. Management does not believe that any reasonably likely changes in the frequency of claims would affect our loss and LAE reserves. However, management believes that a reasonably likely increase or decrease in the severity of claims could impact our net loss and LAE reserves. The table below summarizes the effect on net loss and LAE reserves and equity in the event of reasonably likely changes in the severity of claims considered in establishing loss and LAE reserves. The range of reasonably likely changes in the severity of our claims was established based on a review of changes in loss year development and applied to loss and LAE reserves as a whole. The selected range of changes does not indicate what could be the potential best or worst case or likely scenarios:

Year Ended December 31, 2021		
Change in Reserves	Reserves	Percentage Change in Equity, Net of Tax
-20.0%	189,732	10.91%
-15.0%	201,590	8.18%
-10.0%	213,449	5.46%
-5.0%	225,307	2.73%
Base	**237,165**	—
5.0%	249,023	(2.73)%
10.0%	260,882	(5.46)%
15.0%	272,740	(8.18)%
20.0%	284,598	(10.91)%

Reinsurance Recoverable. Our reinsurance recoverable balance represents an estimate of the amount of paid and unpaid losses and loss adjustment expenses that is recoverable from reinsurers. This estimate is determined in a manner consistent with the terms of the applicable reinsurance contracts and based on the ultimate losses and loss adjustment expenses we expect to incur. Given the uncertainty of the ultimate amounts of losses and loss adjustment expenses, the estimate may vary significantly from the eventual outcome.

Economic Impact of Reinsurance Contracts with Retrospective Provisions. Two of our reinsurance contracts include retrospective provisions that adjust premiums in the event losses are minimal or zero. As described earlier, there is considerable uncertainty regarding the estimation of future losses. In accordance with U.S. GAAP, we will recognize an asset in the period in which the absence of loss experience obligates the reinsurer to pay cash or other consideration under the contract. In the event that a loss arises, we will derecognize such asset in the period in which a loss arises. Such adjustments to the asset, which accrue throughout the contract term, will negatively impact our operating results when a catastrophic loss event occurs during the contract term.

For the year ended December 31, 2021, we accrued benefits of $10,864,000. For the year ended December 31, 2020, we accrued benefits of $15,120,000. For the year ended December 31, 2019, we accrued benefits of $6,344,000 and recognized a reduction in ceded premiums of $434,000. In combination, for the years ended December 31, 2021 and 2020, we recognized decreases in ceded premiums of $10,864,000 and $15,120,000, respectively.

As of December 31, 2021, we had $3,064,000 of accrued benefits, the amount that would be charged to earnings in the event we experience a catastrophic loss that exceeds the coverage limit provided under such agreements. In June 2021, we received a $18,720,000 premium refund under the retrospective reinsurance contract that ended May 31, 2021. As of December 31, 2020, we had $10,920,000 of accrued benefits, the amount that would be charged to earnings in the event we experience a catastrophic loss that exceeds the coverage limit provided under such agreement. In June 2020, we received a $13,680,000 premium refund under the retrospective reinsurance contract that ended May 31, 2020. We believe the credit risk associated with the

collectability of these accrued benefits is minimal based on available information about the reinsurer's financial position and the reinsurer's demonstrated ability to comply with contract terms.

Income Taxes. We account for income taxes in accordance with U.S. GAAP, resulting in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. We determine deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred tax assets, representing future reductions in taxable income, are recorded with the assumption that taxable income will be present in the future. Given the uncertainty regarding future taxable income, valuation allowances are provided against assets that are not likely to be realized, if any. We have elected to classify the related interest and penalties, if any, as income tax expense as permitted by current accounting standards.

Stock-Based Compensation. We account for stock-based compensation awards under our stockholder-approved incentive plans in accordance with the fair value recognition provisions of U.S. GAAP, which require the measurement, and recognition of compensation for all stock-based awards made to employees, non-employee directors, and third-party award recipients including stock options, restricted stock and warrant issuances based on estimated fair values. For restricted stock with service-based vesting conditions, fair value is determined by the market price of the stock on the grant date. Compensation expense is then recognized ratably over the requisite or derived service period of the award. Restricted stock awards with market-based vesting conditions require the use of a Monte Carlo simulation model with the assistance of a third-party valuation specialist to estimate the fair value and derived service period of the award. We then recognize the compensation expense ratably over this derived service period. Determining the appropriate fair value model and calculating the fair value of stock-based awards at the grant date requires considerable judgment, including estimating stock price volatility or derived service periods. We develop our estimates based on historical data and market information. We primarily use the Black-Scholes option-pricing model, which requires the following variables for input to calculate the fair value of each stock award on the option grant date: 1) expected volatility of our stock price, 2) the risk-free interest rate, 3) expected term of each award, 4) expected dividends, and 5) an expected forfeiture rate. For stock-based awards granted by non-public subsidiaries, we determine a fair value with the assistance of an independent valuation specialist who may use different valuation methods such as a Monte Carlo simulation model and a binomial distribution model. Inputs such as an estimated stock price of our private subsidiary and expected price volatility used in these valuation methods are derived mathematically from a data analysis of many public peer companies with similar characteristics.

Limited Partnership Investments. The valuation of our limited partnership investments is prepared by the general partner of each fund. We use net asset value ("NAV") provided by the general partner to estimate our share of the fair value of these investments. However, the timing of the delivery of the fund's financial statements and NAV information is on a three-month lag which results in a three-month delay in the recognition of our share of the limited partnership's earnings or losses. But because this is the best information available, we use it as an estimate for the fair value at our reporting dates, unless conditions have changed significantly in the economy or securities markets since the previous quarter due to an event such as the onset of COVID-19. In such case, we will adjust our estimate with the assistance from the general partner.

Acquired Intangible Assets. Acquired intangible assets represent the fair value of consideration we paid and are estimated to pay in exchange for the renewal rights and non-compete intangible assets acquired from the seller. In the renewal rights transaction, we purchased the right, but not the obligation, to offer homeowners insurance coverage to all current policyholders of the seller in certain states on the agreed-upon policy replacement date. The renewal rights agreement also contains a non-compete clause whereby the seller agrees not to offer homeowners insurance policies in these states through a specified date. We record intangible assets based on the fair value of the consideration we paid and are estimated to pay to the seller as provided in the renewal

rights agreement with the seller. We engaged a third-party valuation specialist to assist with the allocation of the renewal rights and non-compete intangible assets acquired. Uncertainty is inherent in the estimates of future payments and in the assumptions made in allocating value to separate intangible assets. Intangible assets are amortized over their estimated useful lives. Intangible assets are evaluated periodically to ensure that there is no impairment to carrying value and no change required in the amortization period.

Warrants and Redeemable Noncontrolling Interest. In the capital investment transaction completed by TTIG with a fund associated with Centerbridge Partners, L.P., TTIG issued 10,000,000 total shares of Series A Preferred Stock and HCI issued warrants to purchase 750,000 shares of HCI common stock, in exchange for proceeds of $100,000,000. Both the fair value and expected term of the warrants were estimated with assistance from a third-party valuation specialist using a Monte Carlo simulation model. Total proceeds from the capital investment transaction were allocated using the residual fair value method, first to the warrants issued based on their estimated fair value, with the residual proceeds being allocated to the fair value of Series A Preferred Stock. See Note 20 — "Redeemable Noncontrolling Interest" to our consolidated financial statements under Item 8 of this Annual Report on Form 10-K for additional information.

ITEM 7A *Quantitative and Qualitative Disclosures About Market Risk*

Our investment portfolios at December 31, 2021 included fixed-maturity and equity securities, the purposes of which are not for speculation. Our main objective is to maximize after-tax investment income and maintain sufficient liquidity to meet our obligations while minimizing market risk, which is the potential economic loss from adverse fluctuations in securities prices. We consider many factors including credit ratings, investment concentrations, regulatory requirements, anticipated fluctuation of interest rates, durations and market conditions in developing investment strategies. Our investment securities are managed primarily by outside investment advisors and are overseen by the investment committee appointed by our board of directors. From time to time, our investment committee may decide to invest in low risk assets such as U.S. government bonds.

Our investment portfolios are exposed to interest rate risk, credit risk and equity price risk. Fiscal and economic uncertainties caused by any government action or inaction may exacerbate these risks and potentially have adverse impacts on the value of our investment portfolios.

We classify our fixed-maturity securities as available-for-sale and report any unrealized gains or losses, net of deferred income taxes, as a component of other comprehensive income within our stockholders' equity. As such, any material temporary changes in their fair value can adversely impact the carrying value of our stockholders' equity. In addition, we recognize any unrealized gains and losses related to our equity securities in our statement of income. As a result, our results of operations can be materially affected by the volatility in the equity market.

Interest Rate Risk

Our fixed-maturity securities are sensitive to potential losses resulting from unfavorable changes in interest rates. We manage the risk by analyzing anticipated movement in interest rates and considering our future capital needs.

The following table illustrates the impact of hypothetical changes in interest rates to the fair value of our fixed-maturity securities at December 31, 2021 (amounts in thousands):

Hypothetical Change in Interest Rates	Estimated Fair Value	Change in Estimated Fair Value	Percentage Increase (Decrease) in Estimated Fair Value
300 basis point increase	$38,336	$(4,247)	-9.97%
200 basis point increase	39,751	(2,832)	-6.65%
100 basis point increase	41,167	(1,416)	-3.33%
100 basis point decrease	43,932	1,349	3.17%
200 basis point decrease	44,670	2,087	4.90%
300 basis point decrease	44,736	2,153	5.06%

Credit Risk

Credit risk can expose us to potential losses arising principally from adverse changes in the financial condition of the issuers of our fixed-maturity securities. We mitigate the risk by investing in fixed-maturity securities that are generally investment grade, by diversifying our investment portfolio to avoid concentrations in any single issuer or business sector, and by continually monitoring each individual security for declines in credit quality. While we emphasize credit quality in our investment selection process, significant downturns in the markets or general economy may impact the credit quality of our portfolio.

The following table presents the composition of our fixed-maturity securities, by rating, at December 31, 2021 (amounts in thousands):

Comparable Rating	Cost or Amortized Cost	% of Total Amortized Cost	Estimated Fair Value	% of Total Estimated Fair Value
AAA	$ 317	1	$ 315	1
AA+, AA, AA-	18,931	45	18,922	44
A+, A, A-	7,935	19	7,997	19
BBB+, BBB, BBB-	12,537	30	13,119	31
BB+, BB, BB-	468	1	448	1
CCC+, CC and Not rated	1,765	4	1,782	4
Total	$41,953	100	$42,583	100

Equity Price Risk

Our equity investment portfolio at December 31, 2021 included common stocks, perpetual preferred stocks, mutual funds and exchange-traded funds. We may incur potential losses due to adverse changes in equity security prices. We manage the risk primarily through industry and issuer diversification and asset mix.

The following table illustrates the composition of our equity securities at December 31, 2021 (amounts in thousands):

	Estimated Fair Value	% of Total Estimated Fair Value
Stocks by sector:		
Financial	$10,718	21
Consumer	6,010	12
Technology	4,888	9
Communications	2,726	5
Other (1)	3,487	7
	27,829	54
Mutual funds and exchange-traded funds by type:		
Debt	20,976	40
Equity	2,935	6
	23,911	46
Total	$51,740	100

(1) Represents an aggregate of less than 5% sectors.

Foreign Currency Exchange Risk

At December 31, 2021, we did not have any material exposure to foreign currency related risk.

ITEM 8 – ***Financial Statements and Supplementary Data***

Index to Financial Statements

	Page
Reports of Independent Registered Public Accounting Firm	44-47
Consolidated Balance Sheets at December 31, 2021 and 2020	48
Consolidated Statements of Income for the Years Ended December 31, 2021, 2020 and 2019	49
Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2021, 2020 and 2019	50
Consolidated Statement of Equity for the Year Ended December 31, 2021	51
Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2020 and 2019	52
Consolidated Statements of Cash Flows for the Years Ended December 31, 2021, 2020 and 2019	54
Notes to Consolidated Financial Statements for the Years Ended December 31, 2021, 2020 and 2019	56

Report of Independent Registered Public Accounting Firm

Stockholders and the Board of Directors
HCI Group, Inc. and Subsidiaries
Tampa, Florida

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of HCI Group, Inc. and Subsidiaries (the "Company") as of December 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 10, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Reserves for Losses and Loss Adjustment Expenses

As described in Note 2 — Summary of Significant Accounting Policies and Note 15 — Losses and Loss Adjustment Expenses to the consolidated financial statements, the Company's reserves for losses and loss

adjustment expenses (LAE) reported in the consolidated balance sheet were $237.2 million at December 31, 2021. Reserves for losses and LAE reflect management's best estimate regarding the Company's ultimate losses, resulting in a liability for claims that have been incurred, but not yet paid, and claims that have been incurred but not yet reported. The reserves are based on the application of actuarial techniques and other projection methodologies, taking into consideration other facts and circumstances known at the balance sheet date. The methods used by management in determining the reserves for losses and LAE are complex and subjective with various key inputs and assumptions. Judgement is required to determine the inputs and assumptions used and these can significantly impact the reserves recognized. The most significant judgments include the choice of the appropriate standard actuarial reserving methods, the selection of loss development factors that place reliance on actual historical loss experience, current claim trends, and the prevailing social, economic and legal environments, and reserves derived specific to catastrophe events.

The principal considerations for our determination of the reserves for losses and LAE as a critical audit matter are the complexity and subjectivity of the judgments, estimates and assumptions that management utilized in determining their ultimate loss estimates. This required a high degree of effort and judgment in selecting the auditor procedures to evaluate management's estimates and assumptions as it relates to the reserves for losses and LAE, including the use of an auditor's specialist.

The primary procedures we performed to address this critical audit matter included:

- We obtained an understanding, evaluated the design and tested the operating effectiveness of controls related to management's determination of the reserves for losses and LAE, including controls over the actuarial methods and assumptions utilized to support the reserve calculations, and controls over the completeness and accuracy of historical loss data utilized in the reserve calculations.
- We tested the completeness and accuracy of the historical loss data used in the development of the reserves.
- We performed analytical procedures over the Company's recorded reserves in relation to the Company's consulting actuary's range of reserve estimates.
- We engaged an actuary as an auditor's specialist to independently assess the Company's consulting actuary's selection of actuarial methods and assumptions and the resulting reserve ranges and point estimates.

Valuation of Limited Partnership Investments

As described in Note 2 — *Summary of Significant Accounting Policies* and Note 5 — *Investments* to the consolidated financial statements, the Company's limited partnership investments reported in the consolidated balance sheet were $28.1 million at December 31, 2021. For the investments with ownership interest at five percent or less, the Company uses the net asset value method to estimate the fair value of these investments. Due to a reporting lag, the Company may record an adjustment to the Company's most recent share of net asset value when the amount can be reasonably estimated and a significant adverse impact on the net asset value is expected as a result of a major economic event. The methods used by management in determining if an adjustment to the Company's most recent share of net asset value is necessary are complex and subjective based on the judgement that is required to determine the key inputs and assumptions which can significantly impact the adjustments recognized.

The principal considerations for our determination of the valuation of limited partnership investments as a critical audit matter are the subjectivity of the inputs and assumptions that management utilized in determining the adjustment to the Company's most recent share of net asset value. This required a high degree of effort and judgment in selecting the auditor procedures to evaluate management's estimates and assumptions as it relates to the valuation of limited partnership investments, including the use of an auditor's specialist.

The primary procedures we performed to address this critical audit matter included:

- We obtained an understanding, evaluated the design and tested the operating effectiveness of controls related to the valuation of limited partnership investments, including controls over management's estimate of the adjustment to the Company's most recent share of net asset value of the limited partnership investments.
- We tested the completeness and accuracy of the data utilized by management and evaluated the reasonableness of management's assumptions used to develop an estimate of fair value.
- We engaged a specialist to develop an independent estimate of fair value of the limited partnership investments and comparison of management's estimate to the independently developed estimate of fair value.

Valuation of Stock-Based Compensation Denominated in Subsidiary Shares

As described in Note 2 — *Summary of Significant Accounting Policies* and Note 22 — *Stock-Based Compensation* to the consolidated financial statements, the Company recognized $3.2 million of compensation expense related to stock-based awards denominated in shares of the Company's subsidiary, TypTap Insurance Group, Inc., for the year ended December 31, 2021. At December 31, 2021, there was $11.2 million of unrecognized compensation expense related to nonvested restricted stock and stock options denominated in subsidiary shares. The Company accounts for stock-based compensation for all stock-based awards made to employees and directors based on estimated fair values. The methods used by management in determining the fair value of stock-based awards by its subsidiary to its employees at the grant date are complex and subjective with various key inputs and assumptions, including the fair value of the subsidiary's common shares on the grant date, volatility, and expected term. Judgement is required to determine the appropriate fair value model and the inputs and assumptions used in calculating the fair value of stock-based awards.

The principal considerations for our determination of the valuation of stock-based compensation denominated in subsidiary shares as a critical audit matter are the subjectivity of the inputs and assumptions that management utilized in determining the fair value of the stock-based awards. This required a high degree of effort and judgment in selecting the auditor procedures to evaluate management's estimates and assumptions as it relates to the valuation of stock-based compensation denominated in subsidiary shares, including the use of an auditor's specialist.

- We obtained an understanding, evaluated the design and tested the operating effectiveness of controls related to the valuation of stock-based compensation denominated in subsidiary shares, including controls over management's determination of the fair value of stock-based awards.
- We tested the completeness and accuracy of the data utilized by management and evaluated the reasonableness of management's assumptions used to develop an estimate of fair value.
- We involved an internal specialist to test the Company's estimated fair value of stock-based compensation denominated in subsidiary shares, including the methods, assumptions and inputs of the valuation model.

/s/ Dixon Hughes Goodman LLP

We have served as the Company's auditor since 2013.

Tampa, Florida
March 10, 2022

Report of Independent Registered Public Accounting Firm on Internal Control

Stockholders and Board of Directors
HCI Group, Inc. and Subsidiaries
Tampa, Florida

Opinion on Internal Control Over Financial Reporting

We have audited HCI Group, Inc. and Subsidiaries (the "Company")'s internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Company for each of the three years in the period ended December 31, 2021, and our report dated March 10, 2022, expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Dixon Hughes Goodman LLP

Tampa, Florida
March 10, 2022

HCI GROUP, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(Dollar amounts in thousands)

	December 31,	
	2021	2020
Assets		
Fixed-maturity securities, available for sale, at fair value (amortized cost: $41,953 and $70,265, respectively and allowance for credit losses: $0 and $588, respectively)	$ 42,583	$ 71,722
Equity securities, at fair value (cost: $46,276 and $47,029, respectively)	51,740	51,130
Limited partnership investments	28,133	27,691
Investment in unconsolidated joint venture, at equity	363	705
Real estate investments	73,896	74,472
Total investments	196,715	225,720
Cash and cash equivalents	628,943	431,341
Restricted cash	2,400	2,400
Accrued interest and dividends receivable	353	588
Income taxes receivable	4,084	4,554
Premiums receivable, net (allowance: $1,750 and $2,053, respectively)	68,157	68,382
Prepaid reinsurance premiums	26,355	36,376
Reinsurance recoverable, net of allowance for credit losses:		
Paid losses and loss adjustment expenses (allowance: $0 in 2021 and 2020)	11,985	14,127
Unpaid losses and loss adjustment expenses (allowance: $90 and $85, respectively)	64,665	71,019
Deferred policy acquisition costs	57,695	43,858
Property and equipment, net	14,232	12,767
Right-of-use assets—operating leases	2,204	4,002
Intangible assets, net	10,636	3,568
Funds withheld for assumed business	73,716	—
Other assets	14,717	22,611
Total assets	$1,176,857	$941,313
Liabilities and Equity		
Losses and loss adjustment expenses	$ 237,165	$212,169
Unearned premiums	366,744	269,399
Advance premiums	13,771	11,370
Assumed reinsurance balances payable	—	87
Reinsurance payable on paid losses and loss adjustment expenses	4,017	—
Ceded reinsurance premiums payable	19,318	9,764
Accrued expenses	15,453	10,181
Deferred income taxes, net	11,739	11,925
Revolving credit facility	15,000	23,750
Long-term debt	45,504	156,511
Lease liabilities—operating leases	2,203	4,014
Other liabilities	31,485	31,007
Total liabilities	762,399	740,177
Commitments and contingencies (Note 24)		
Redeemable noncontrolling interest (Note 20)	89,955	—
Equity:		
Common stock (no par value, 40,000,000 shares authorized, 10,131,399 and 7,785,617 shares issued and outstanding in 2021 and 2020, respectively)	—	—
Additional paid-in capital	76,077	—
Retained income	246,790	199,592
Accumulated other comprehensive income, net of taxes	498	1,544
Total stockholders' equity	323,365	201,136
Noncontrolling interests	1,138	—
Total equity	324,503	201,136
Total liabilities, redeemable noncontrolling interest and equity	$1,176,857	$941,313

See accompanying Notes to Consolidated Financial Statements.

HCI GROUP, INC. AND SUBSIDIARIES
Consolidated Statements of Income
(Dollar amounts in thousands, except per share amounts)

	Years Ended December 31,		
	2021	2020	2019
Revenue			
Gross premiums earned	$ 577,044	$ 415,918	$ 342,079
Premiums ceded	(199,741)	(153,458)	(125,765)
Net premiums earned	377,303	262,460	216,314
Net investment income	12,335	4,564	13,642
Net realized investment gains (losses)	6,472	1,000	(254)
Net unrealized investment gains	1,363	679	7,950
Net other-than-temporary impairment losses	—	—	(289)
Credit losses on investments	—	(611)	—
Policy fee income	3,995	3,522	3,229
Gain on involuntary conversion	—	36,969	—
Other	6,447	1,854	1,882
Total revenue	407,915	310,437	242,474
Expenses			
Losses and loss adjustment expenses	227,525	160,036	107,514
Policy acquisition and other underwriting expenses	93,732	53,859	42,497
General and administrative personnel expenses	45,428	33,829	31,112
Interest expense	6,400	11,734	13,055
Loss on repurchases of convertible senior notes	—	150	—
Loss on extinguishment of debt	—	98	—
Debt conversion expense	1,754	—	—
Other operating expenses	21,843	13,803	12,203
Total expenses	396,682	273,509	206,381
Income before income taxes	11,233	36,928	36,093
Income tax expense	3,991	9,348	9,517
Net income	7,242	27,580	26,576
Net income attributable to redeemable noncontrolling interest (Note 20)	(7,399)	—	—
Net loss attributable to noncontrolling interests	2,013	—	—
Net income after noncontrolling interests	$ 1,856	$ 27,580	$ 26,576
Basic earnings per share	$ 0.23	$ 3.55	$ 3.32
Diluted earnings per share	$ 0.21	$ 3.49	$ 3.31

See accompanying Notes to Consolidated Financial Statements.

HCI GROUP, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
(Amounts in thousands)

	Years Ended December 31,		
	2021	2020	2019
Net income	$ 7,242	$ 27,580	$ 26,576
Other comprehensive (loss) income:			
Change in unrealized (loss) gain on investments:			
Net unrealized (losses) gains arising during the period	(692)	86	4,902
Other-than-temporary impairment losses charged to income	—	—	289
Credit losses charged to income	—	611	—
Call and repayment gains charged to investment income	(36)	(374)	(141)
Reclassification adjustment for net realized gains	(687)	(1,163)	(218)
Net change in unrealized (losses) gains	(1,415)	(840)	4,832
Deferred income taxes on above change	347	206	(1,201)
Total other comprehensive (loss) income, net of income taxes	(1,068)	(634)	3,631
Comprehensive income	6,174	26,946	30,207
Comprehensive loss attributable to noncontrolling interests	2,035	—	—
Comprehensive income after noncontrolling interests	$ 8,209	$ 26,946	$ 30,207

See accompanying Notes to Consolidated Financial Statements.

HCI GROUP, INC. AND SUBSIDIARIES
Consolidated Statement of Equity
For the Year Ended December 31, 2021
(Dollar amounts in thousands, except per share amount)

	Common Stock		Additional Paid-In	Retained	Accumulated Other Comprehensive Income,	Total Stockholders'	Noncontrolling	Total
	Shares	Amount	Capital	Income	Net of Tax	Equity	Interests	Equity
Balance at December 31, 2020	7,785,617	$ —	$ —	$199,592	$ 1,544	$ 201,136	$ —	$201,136
Net income (loss)	—	—	—	8,779	—	8,779	(1,537)	7,242
Net income attributable to redeemable noncontrolling interest	—	—	—	(6,923)	—	(6,923)	(476)	(7,399)
Cumulative effect of change in accounting principle	—	—	—	(3,018)	—	(3,018)	—	(3,018)
Total other comprehensive loss, net of income taxes	—	—	—	—	(1,046)	(1,046)	(22)	(1,068)
Issuance of restricted stock	564,426	—	—	—	—	—	—	—
Forfeiture of restricted stock	(55,665)	—	—	—	—	—	—	—
Cancellation of restricted stock	(142,760)	—	—	—	—	—	—	—
Repurchase and retirement of common stock	(17,193)	—	(1,308)	—	—	(1,308)	—	(1,308)
Issuance of common stock	100,000	—	5,410	—	—	5,410	—	5,410
Common stock issued on conversions of 4.25% senior notes	1,896,974	—	114,928	—	—	114,928	—	114,928
Dilution from subsidiary stock-based compensation	—	—	—	—	—	—	3,173	3,173
Issuance of warrants, net of issuance costs (Note 20)	—	—	8,640	—	—	8,640	—	8,640
Common stock dividends ($1.60 per share)	—	—	—	(13,759)	—	(13,759)	—	(13,759)
Stock-based compensation	—	—	10,526	—	—	10,526	—	10,526
Additional paid-in capital shortfall adjustment allocated to retained income	—	—	(62,119)	62,119	—	—	—	—
Balance at December 31, 2021	10,131,399	$ —	$ 76,077	$246,790	$ 498	$ 323,365	$ 1,138	$324,503

See accompanying Notes to Consolidated Financial Statements.

HCI GROUP, INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity
For the Year Ended December 31, 2020
(Dollar amounts in thousands, except per share amount)

	Common Stock		Additional Paid-In	Retained	Accumulated Other Comprehensive Income,	Total Stockholders'
	Shares	Amount	Capital	Income	Net of Tax	Equity
Balance at December 31, 2019	7,764,564	$ —	$ —	$ 183,365	$ 2,178	$ 185,543
Net income	—	—	—	27,580	—	27,580
Total other comprehensive loss, net of income taxes	—	—	—	—	(634)	(634)
Cumulative effect on adoption of credit loss standard	—	—	—	(453)	—	(453)
Exercise of common stock options	10,000	—	63	—	—	63
Issuance of restricted stock	192,680	—	—	—	—	—
Forfeiture of restricted stock	(18,852)	—	—	—	—	—
Repurchase and retirement of common stock	(33,633)	—	(1,547)	—	—	(1,547)
Repurchase and retirement of common stock under share repurchase plan	(129,142)	—	(5,161)	—	—	(5,161)
Common stock dividends ($1.60 per share)	—	—	—	(12,388)	—	(12,388)
Stock-based compensation	—	—	8,133	—	—	8,133
Additional paid-in capital shortfall allocated to retained income	—	—	(1,488)	1,488	—	—
Balance at December 31, 2020	7,785,617	$ —	$ —	$ 199,592	$ 1,544	$ 201,136

See accompanying Notes to Consolidated Financial Statements.

HCI GROUP, INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity – (Continued)
For the Year Ended December 31, 2019
(Dollar amounts in thousands, except per share amount)

	Common Stock		Additional Paid-In	Retained	Accumulated Other Comprehensive (Loss) Income,	Total Stockholders'
	Shares	Amount	Capital	Income	Net of Tax	Equity
Balance at December 31, 2018	8,356,730	$ —	$ —	$182,894	$ (1,453)	$ 181,441
Net income	—	—	—	26,576	—	26,576
Total other comprehensive income, net of income taxes	—	—	—	—	3,631	3,631
Exercise of common stock options	10,000	—	63	—	—	63
Issuance of restricted stock	180,404	—	—	—	—	—
Forfeiture of restricted stock	(299,776)	—	—	—	—	—
Repurchase and retirement of common stock	(28,784)	—	(1,203)	—	—	(1,203)
Repurchase and retirement of common stock under share repurchase plan	(454,010)	—	(18,851)	—	—	(18,851)
Common stock dividends ($1.60 per share)	—	—	—	(12,706)	—	(12,706)
Stock-based compensation	—	—	6,460	—	—	6,460
Tax basis adjustment on equity method investment	—	—	132	—	—	132
Additional paid-in capital shortfall allocated to retained income	—	—	13,399	(13,399)	—	—
Balance at December 31, 2019	7,764,564	$ —	$ —	$183,365	$ 2,178	$ 185,543

See accompanying Notes to Consolidated Financial Statements.

HCI GROUP, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(Amounts in thousands)

	Years Ended December 31,		
	2021	2020	2019
Cash flows from operating activities:			
Net income after noncontrolling interests	$ 1,856	$ 27,580	$ 26,576
Net income attributable to noncontrolling interests	5,386	—	—
Net income	7,242	27,580	26,576
Adjustments to reconcile net income to net cash provided by operating activities:			
Stock-based compensation expense	13,754	8,133	6,460
Net amortization of premiums (accretion of discount) on investments in fixed-maturity securities	169	(100)	50
Depreciation and amortization	5,549	8,747	8,942
Deferred income tax expense	1,142	8,123	1,871
Net realized investment (gains) losses	(6,472)	(1,000)	254
Net unrealized investment gains	(1,363)	(679)	(7,950)
Other-than-temporary impairment losses	—	—	289
Credit loss expense—investments	—	611	—
Credit loss expense—reinsurance recoverable	5	(368)	—
Net (income) loss from unconsolidated joint venture	(417)	57	83
Distribution received from unconsolidated joint venture	114	—	—
Net (income) loss from limited partnership interests	(4,947)	1,595	(1,176)
Distributions received from limited partnership interests	3,604	1,215	4,176
Loss on repurchases of convertible senior notes	—	150	—
Loss on extinguishment of debt	—	98	—
Debt conversion expense	1,754	—	—
Gain on involuntary conversion	—	(36,969)	—
Foreign currency remeasurement loss	64	32	57
Other non-cash items	61	46	290
Changes in operating assets and liabilities:			
Accrued interest and dividends receivable	235	1,028	176
Income taxes	470	(3,514)	(69)
Premiums receivable, net	225	(48,127)	(3,588)
Prepaid reinsurance premiums	10,021	(18,393)	(51)
Reinsurance recoverable	8,491	47,447	(8,767)
Deferred policy acquisition costs	(13,837)	(22,195)	(5,156)
Funds withheld for assumed business	(73,716)	—	—
Other assets	4,487	(4,578)	(7,837)
Losses and loss adjustment expenses	24,996	(2,528)	7,111
Unearned premiums	97,345	88,236	23,434
Advance premiums	2,401	5,781	(603)
Assumed reinsurance balances payable	(87)	11	62
Reinsurance payable on paid losses and loss adjustment expenses	4,017	—	—
Ceded reinsurance premiums payable	9,554	(3,431)	5,195
Accrued expenses and other liabilities	1,642	20,303	4,218
Net cash provided by operating activities	96,503	77,311	54,047
Cash flows from investing activities:			
Investments in limited partnership interests	(3,756)	(4,241)	(1,174)
Distributions received from limited partnership interests	4,657	2,086	2,121
Distribution received from unconsolidated joint venture	623	—	—
Purchase of property and equipment	(3,318)	(6,437)	(2,887)
Purchase of real estate investments	(1,367)	(3,020)	(11,481)
Purchase of fixed-maturity securities	(18,303)	(34,951)	(82,662)
Purchase of equity securities	(102,801)	(68,223)	(24,637)
Purchase of short-term and other investments	(1,307)	(200)	(1,178)
Compensation received for property relinquished through eminent domain	—	44,000	—
Proceeds from sales of fixed-maturity securities	23,055	81,433	7,947
Proceeds from calls, repayments and maturities of fixed-maturity securities	23,430	84,459	59,343
Proceeds from sales of equity securities	112,310	47,312	37,669
Proceeds from sales, redemptions and maturities of short-term and other investments	3,629	997	67,398
Net cash provided by investing activities	36,852	143,215	50,459

(continued)

HCI GROUP, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows – (Continued)
(Amounts in thousands)

	Years Ended December 31,		
	2021	2020	2019
Cash flows from financing activities:			
Cash dividends paid	(14,065)	(12,694)	(13,012)
Cash dividends received under share repurchase forward contract	306	306	306
Net (repayment) borrowing under revolving credit facility	(8,750)	14,000	9,750
Proceeds from exercise of common stock options	—	63	63
Proceeds from issuance of redeemable noncontrolling interest and warrants	100,000	—	—
Issuance costs — redeemable noncontrolling interest	(6,262)	—	—
Cash dividends paid to redeemable noncontrolling interest	(2,542)	—	—
Proceeds from issuance of long-term debt	—	10,000	—
Repayment of long-term debt	(970)	(17,048)	(91,318)
Repurchases of convertible senior notes	—	(4,459)	—
Repurchases of common stock	(1,314)	(1,547)	(1,203)
Repurchases of common stock under share repurchase plan	—	(5,161)	(18,851)
Purchase of noncontrolling interests	(55)	—	—
Debt conversion expense paid	(1,895)	—	—
Debt issuance costs	(152)	(165)	(459)
Net cash provided by (used in) financing activities	64,301	(16,705)	(114,724)
Effect of exchange rate changes on cash	(54)	2	(22)
Net increase (decrease) in cash, cash equivalents, and restricted cash	197,602	203,823	(10,240)
Cash, cash equivalents, and restricted cash at beginning of year	433,741	229,918	240,158
Cash, cash equivalents, and restricted cash at end of year	$ 631,343	$ 433,741	$ 229,918
Supplemental disclosure of cash flow information:			
Cash paid for income taxes	$ 2,379	$ 6,202	$ 7,713
Cash paid for interest	$ 7,110	$ 7,476	$ 9,386
Non-cash investing and financing activities:			
Unrealized (loss) gain on investments in available-for-sale securities, net of tax	$ (1,068)	$ (634)	$ 3,631
Receivable from sales of equity securities	$ —	$ 5,240	$ —
Payable on purchases of equity securities	$ —	$ 7	$ —
Common stock issued on conversions of 4.25% senior notes	$ 114,928	$ —	$ —
Warrants issued in Centerbridge transaction	$ 9,217	$ —	$ —
Asset acquired under finance lease	$ 6	$ —	$ 18
Acquisition of intangibles:			
Common stock issued	$ 5,410	$ —	$ —
Contingent consideration payable	$ 2,419	$ —	$ —

See accompanying Notes to Consolidated Financial Statements.

Note 1 — Nature of Operations

HCI Group, Inc., together with its subsidiaries ("HCI" or the "Company"), is primarily engaged in the property and casualty insurance business through two Florida domiciled insurance companies, Homeowners Choice Property & Casualty Insurance Company, Inc. ("HCPCI") and TypTap Insurance Company ("TypTap"). Both HCPCI and TypTap are authorized to underwrite various homeowners' property and casualty insurance products and allied lines business in the state of Florida and in other states. The operations of both insurance subsidiaries are supported by HCI Group, Inc. and certain HCI subsidiaries. The Company emphasizes the use of internally developed technologies to collect and analyze claims and other supplemental data to generate savings and efficiency for the operations of the insurance subsidiaries. In addition, Greenleaf Capital, LLC, the Company's real estate subsidiary, is primarily engaged in the businesses of owning and leasing real estate and operating marina facilities.

In the first quarter of 2021, the Company reorganized its operations to focus on specific business segments, resulting in the creation of TypTap Insurance Group, Inc. ("TTIG") with a separate workforce, board of directors and financial reporting structure. In February 2021, TTIG received a capital investment from a third party representing a minority interest as described in Note 20 — "Redeemable Noncontrolling Interest." Companies under TTIG include TypTap, TypTap Management Company, Exzeo USA, Inc., and Cypress Tech Development Company, Inc., the parent company of an India company, Exzeo Software Private Limited. TTIG and its subsidiaries are considered a new reporting segment known as TypTap Group. The Company's reportable segments now include HCPCI insurance operations, TypTap Group, real estate operations, and corporate and other. Real estate operations are conducted by Greenleaf Capital, LLC.

Assumed Business

Northeast Region

Effective December 31, 2020, United Property & Casualty Insurance Company, an insurance subsidiary of United Insurance Holdings Corporation ("United"), ceded a portion of its personal lines insurance business in the states of Connecticut, New Jersey, Massachusetts, and Rhode Island (collectively "Northeast Region") to HCPCI. Under the reinsurance agreement, HCPCI provided 69.5% quota share reinsurance on all of United's in-force, new and renewal policies in those states from December 31, 2020 through May 31, 2021. In exchange, HCPCI paid United an allowance of $4,400 towards already purchased catastrophe reinsurance and a provisional ceding commission of 25% of premium. That percentage could increase up to 31.5% depending on the direct loss ratio results from the reinsured business. As of December 31, 2021, the ceding commission rate approximated 26.5% of premium.

On January 18, 2021, the Company entered into a renewal rights agreement with United in connection with the assumed business. Under the agreement, the Company acquired all rights to renew and/or replace United's homeowners insurance policies at the end of their respective policy periods in the Northeast Region. The policy replacement date is June 1, 2021 or such other date as mutually agreed by both parties. The agreement also contains a non-compete clause that does not permit United to engage in marketing, selling, writing, renewing, or servicing any homeowners insurance contracts in these states until July 1, 2024. In return, United received 100,000 shares of HCI's common stock and will receive a 6% commission on any replacement premium in excess of $80,000. The total commission will not exceed $3,100.

The Company and United agreed to postpone the policy replacement date under the renewal rights agreement to a later date and the Company, through HCPCI and TypTap, entered into a new quota share reinsurance agreement in June 2021 to provide 100% reinsurance on all of United's in-force, new and renewal

policies in the Northeast Region from June 1, 2021 through May 31, 2022. Under the new agreement, each insurance subsidiary assumes 50% of the business and pays United a ceding commission of 24% of premium. In December 2021, the Company, through its insurance subsidiaries, began renewing and/or replacing United policies in two states of the Northeast Region.

Southeast Region

In February 2022, HCPCI entered into another reinsurance agreement with United where HCPCI provides 85% quota share reinsurance on all of United's personal lines insurance business in the states of Georgia, North Carolina, and South Carolina (collectively "Southeast Region") from December 31, 2021 through May 31, 2022. Similar to the previous agreement, HCPCI paid United a catastrophe allowance of 9% of premium not exceeding $3,800 and a provisional ceding commission of 25% of premium. That percentage could increase up to 32% depending on the direct loss ratio results from the reinsured business.

Note 2 — Summary of Significant Accounting Policies

Basis of Presentation. The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Adoption of New Accounting Standards.

In August 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2020-06 ("ASU 2020-06") Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40). ASU 2020-06 removes certain bifurcation models for convertible debt instruments and convertible preferred stock. Therefore, the embedded conversion features no longer are separated from the host contract for convertible instruments with conversion features that are not required to be accounted for as derivatives under Topic 815, Derivatives and Hedging, or that do not result in substantial premiums accounted for as paid-in-capital. The amendments also remove three settlement conditions that are required for equity contracts to qualify for the derivative scope exception and amend the derivative scope exception guidance for contracts in an entity's own equity. In addition, the amendments expand disclosure requirements for convertible instruments and simplify areas of the guidance for diluted earnings-per-share calculations that are impacted by the amendments.

The Company elected to early adopt this update on January 1, 2021 using the modified retrospective method. The adoption of this update increased long-term debt by $3,999 and simultaneously decreased beginning retained income and deferred income tax liabilities by $3,018 and $981, respectively. The if-converted method will be the only permissible method for computing the dilutive effect of a convertible debt instrument. Interest expense no longer includes amortization of debt discount.

Principles of Consolidation. The accompanying consolidated financial statements include the accounts of HCI Group, Inc. and its majority-owned and controlled subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. In addition, the Company evaluates its relationships or investments for consolidation pursuant to authoritative accounting guidance related to the consolidation of variable interest entities under the Variable Interest Model prescribed by the FASB. A variable interest entity is consolidated when the Company has the power to direct activities that most significantly impact the economic performance of the variable interest entity and has the obligation to absorb losses or the right to receive benefits from the variable interest entity that could potentially be significant to the variable interest entity. When a variable interest entity is not consolidated, the Company uses the equity method to account for the investment.

Under this method, the carrying value is generally the Company's share of the net asset value of the unconsolidated entity, and changes in the Company's share of the net asset value are recorded in net investment income.

Use of Estimates. The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ materially from these estimates. Material estimates that are particularly susceptible to significant change in the near term are primarily related to losses and loss adjustment expenses, reinsurance with retrospective provisions, reinsurance recoverable, deferred income taxes, limited partnership investments, redeemable noncontrolling interest, intangible assets acquired from United, and stock-based compensation expense.

Cash and Cash Equivalents. The Company considers all short-term highly liquid investments with original maturities of less than three months to be cash and cash equivalents. At December 31, 2021 and 2020, cash and cash equivalents consisted of cash on deposit with financial institutions and securities brokerage firms, and certificates of deposit.

Restricted Cash. Restricted cash represents funds in the Company's sole ownership held for specific purposes and not available for immediate business use. Funds held in an account for which the Company is a co-owner but not the named beneficiary are not considered restricted cash.

Available-for-Sale Fixed-Maturity Securities. Fixed-maturity securities that are available for sale include debt securities and redeemable preferred stock. The Company's available-for-sale securities are carried at fair value. Changes in the fair value of available-for-sale securities representing unrealized gains or losses, other than impairments, are excluded from net investment income and reported in stockholders' equity as a component of accumulated other comprehensive income, net of deferred income taxes. Realized investment gains and losses from sales are recorded on the trade date and are determined using the first-in first-out ("FIFO") method. Investment income is recognized as earned and discounts or premiums arising from the purchase of debt securities are recognized in investment income using the interest method over the estimated remaining term of the security. Gains and losses from call redemptions and repayments are charged to investment income.

The Company reviews fixed-maturity securities for impairment on a monthly basis. Effective January 1, 2020, net unrealized loss in the fair value of an available-for-sale fixed-maturity security is evaluated for impairment. When reviewing impaired securities, the Company considers its ability and intent to hold these securities and whether it is probable that the Company will be required to sell these securities prior to their anticipated recovery or maturity. For the fixed-maturity securities that the Company intends to sell or it is probable that the Company will have to sell before recovery or maturity, the unrealized losses are recognized currently as impairment losses in income.

Impaired securities where the Company has the ability and intent to hold until recovery and believes it is not probable that the Company will be required to sell these securities prior to their anticipated recovery or maturity, are evaluated for the existence of credit-related losses. When determining impairment due to a credit-related loss, the Company carefully considers factors such as the issuer's financial ratios and condition, the security's current ratings and maturity date, the failure of the issuer to make a scheduled payment, and overall market conditions in estimating the cash flows expected to be collected. The expected cash flows discounted at the effective interest rate of the security implicit at the date of acquisition is then compared with the security's amortized cost at the measurement date. A credit loss is incurred when the present value of the expected cash

flows is less than the security's amortized cost. If such credit-related losses exist, an allowance for credit losses is established with a charge in the statement of income. Subsequent changes in the allowance, whether favorable or unfavorable, are recorded on the statement of income. See additional information in the Allowance for Credit Losses section within this note. Any remaining impairment loss related to other non-credit factors such as changes in interest rates or market conditions is reflected as a component of accumulated other comprehensive income (loss).

Prior to January 1, 2020, when the fair value of any investment was lower than its cost, an assessment was made to determine whether the decline was temporary or other-than-temporary. If the decline was determined to be other-than-temporary, the investment was written down to fair value and an impairment loss was recognized in income in the period in which the Company made such determination. When reviewing impaired securities, the Company considered its ability and intent to hold these securities and whether it was probable that the Company would be required to sell these securities prior to their anticipated recovery or maturity. For the fixed-maturity securities that the Company intended to sell or it was probable that the Company would have to sell before recovery or maturity, the unrealized losses were recognized as other-than-temporary losses in income. In instances where there were credit-related losses associated with the impaired fixed-maturity securities for which the Company asserted that it did not have the intent to sell, and it was probable that the Company would not be required to sell until a market price recovery or maturity, the amount of the other-than-temporary impairment loss related to credit losses was recognized in income, and the amount of the other-than-temporary impairment loss related to other non-credit factors such as changes in interest rates or market conditions was recorded as a component of accumulated other comprehensive income (loss).

Allowance for Credit Losses. Allowance for credit losses represents an estimation of potential losses that the Company may experience due to credit risk. The allowance for credit losses account is a contra account of a financial asset to reflect the net amount expected to be collected. Any increase or decrease in the allowance for credit losses related to investments is recognized and reflected as credit losses on investments in the Company's consolidated statements of income. For all other financial assets, credit loss expense is included in other operating expenses. When the risk of credit loss becomes certain, the allowance for credit losses account will be written off against the financial asset. Under the CECL model, the Company measures all expected credit losses related to relevant financial assets based on historical experience, current conditions, and reasonable and supportable forecasts which incorporate forward-looking information. The Company primarily uses a discounted cash flow method and a rating-based method in estimating credit losses at a reporting date for financial assets under the scope of the CECL model. The discounted cash flow method is a valuation method used to estimate the value of a financial asset based on its future cash flows. The Company uses this method to determine the expected credit losses for available-for-sale fixed-maturity securities. In addition, the Company elected not to measure an allowance for credit losses for accrued interest receivable as any uncollectible amount is adjusted to interest income on a monthly basis.

For certain financial assets related to insurance business such as reinsurance recoverable and reinsurance receivable for premium refund, the Company uses a rating-based method, which is a modified version of the probability of default method. It requires two key inputs: a) the liquidation rate and b) the amount of loss exposure. The liquidation rate, which is published annually, is the ratio of impaired insurance companies that were eventually liquidated to the group of insurance companies considered by A.M. Best in its study. The amount of loss exposure represents the future billing balance, net of any collateral, spread over the projected periods that are based on the Company's historical claim payment pattern. The rating-based method measures credit losses by multiplying the future billings grouped by insurance rating over the projected periods by their corresponding liquidation rates by insurance rating. At present, the exposure to credit losses for certain financial assets related to non-insurance business is considered immaterial to the Company's financial position.

Equity Securities. Equity securities represent ownership interests held by the Company in entities for investment purposes. Unrealized holding gains and losses related to equity securities are reported in the consolidated statement of income as net unrealized investment gains and losses. Realized investment gains and losses from sales are recorded on the trade date and are determined using the FIFO method (see *Equity Securities* in Note 5 — "Investments").

Limited Partnership Investments. The Company has interests in limited partnerships that are not registered under the United States Securities Act of 1933, as amended, the securities laws of any state or the securities laws of any other jurisdictions. The partnership interests cannot be resold in the public market and any withdrawal is subject to the terms and conditions of the partnership agreements. The Company has no influence over partnership operating and financial policies. The Company uses the equity method to account for the investments with ownership interest greater than five percent. For the investments with ownership interest at five percent or less, the Company uses the net asset value method to estimate the fair value of these investments. The Company generally recognizes its share of the limited partnerships' earnings or losses on a three-month lag. Due to the lag, the Company may record an adjustment to the Company's most recent share of net asset value when the amount can be reasonably estimated and a significant adverse impact on the net asset value is expected as a result of a major economic event.

Net investment income or loss from limited partnerships represents a net aggregate amount of operating results allocated to the Company based on the percentage of ownership interest in each limited partnership.

Pursuant to U.S. GAAP, these limited partnerships which are private equity funds must measure their investments at fair value and reflect the unrealized gains and losses in the fair value of their investments on their statements of income. As a result, the carrying value of limited partnership investments at each reporting date approximates their estimated fair value.

Investment in Unconsolidated Joint Venture. The Company has a 90% equity interest in a limited liability company (treated as a joint venture under U.S. GAAP) that owns land for lease or for sale. The joint venture was determined to be a variable interest entity as it lacks sufficient equity to finance its activities without additional subordinated financial support. Despite having a majority equity interest, the Company does not have the power to direct the activities that most significantly impact the economic performance of the joint venture and, accordingly, is not required to consolidate the joint venture as its primary beneficiary. As a result, the Company uses the equity method to account for this investment.

When evidence indicates an impairment may occur, the Company evaluates whether a decline in value is other than temporary. Evidence may include continuing operating losses of the joint venture, a declining occupancy rate, a decrease in real estate value, and an oversupply of rental property in close vicinity to the investment property. Should available evidence indicate the recovery of the initial investment is less likely, the Company would compare the carrying value of the investment with its expected residual value and recognize an impairment loss in earnings.

Real Estate Investments. Real estate investments include real estate and the related assets purchased for investment purposes (see Note 5 — "Investments"). Real estate and the related depreciable assets are carried at cost, net of accumulated depreciation, which is included in net investment income and allocated over the estimated useful life of the asset using the straight-line method of depreciation. Land is not depreciated. Real estate is evaluated for impairment when events or circumstances indicate the carrying value of the real estate may not be recoverable.

Deferred Policy Acquisition Costs. Deferred policy acquisition costs ("DAC") represent direct costs to acquire insurance contracts and consist of premium taxes, inspection fees and commissions paid to outside agents at the time of collection of the policy premium. DAC may also include expenses associated with the transition of policies from other insurers for replacement policies and the issuance of renewal policies under the Company's own rates and terms. DAC is amortized over the life of the related policy in relation to the amount of gross premiums earned. Ceding commission and related costs paid associated with assumed business are also deferred and amortized over the life of the reinsurance agreement.

The method followed in computing DAC limits the amount of such deferred costs to their estimated realizable value, which gives effect to the gross premium earned, related investment income, unpaid losses and loss adjustment expenses and certain other costs expected to be incurred as the premium is earned.

DAC is reviewed to determine if it is recoverable from future premium income, including investment income. If such costs are determined to be unrecoverable, they are expensed at the time of determination. The amount of DAC considered recoverable could be reduced in the near term if the estimates of total gross premium earned are reduced or permanently impaired as a result of the disposition of a line of business. The amount of amortization of DAC could be revised in the near term if any of the gross premium earned estimates discussed above are revised.

Property and Equipment. Property and equipment is stated at cost less accumulated depreciation and amortization, which is included in other operating expenses. Depreciation is calculated on a straight-line basis over the estimated useful lives as follows: building, 39 years; computer hardware and software, three years; and furniture and office equipment, three to seven years. Leasehold improvements are amortized over the shorter of the lease term or the asset's useful life. Land is not depreciated. Expenditures for improvements are capitalized to the property accounts. Replacements and maintenance and repairs that do not improve or extend the life of the respective assets are expensed as incurred. The Company capitalizes both internal and external costs for internally developed software during the application development stage. During the preliminary project and post-implementation stage, internal-use software development costs are expensed as incurred. Capitalized software costs are depreciated on a straight-line basis over the estimated useful life of seven years.

Impairment of Long-Lived Assets. Long-lived assets, such as property and equipment, are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The Company assesses the recoverability of long-lived assets by determining whether the assets can be recovered from undiscounted future cash flows. Recoverability of long-lived assets is dependent upon, among other things, the Company's ability to maintain profitability so as to be able to meet its obligations when they become due. In the opinion of management, based upon current information and projections, long-lived assets will be recovered over the period of benefit.

Leases. The Company leases office equipment, storage units, and office space from non-affiliates under terms ranging from one month up to ten years. In assessing whether a contract is or contains a lease, the Company first determines whether there is an identified asset in the contract. The Company then determines whether the contract conveys the right to obtain substantially all of the economic benefits from use of the identified asset or the right to direct the use of the identified asset. The Company elects not to record any lease with a term of 12 months or less on the consolidated balance sheet. For such short-term leases, the Company recognizes the lease payments in expense on a straight-line basis over the lease term.

If the contract is or contains a lease and the Company has the right to control the use of the identified asset, the right-of-use ("ROU") asset and the lease liability is measured from the lease component of the contract

and recognized on the consolidated balance sheet. In measuring the lease liability, the Company uses its incremental borrowing rate for a loan secured by a similar asset that has a term similar to the lease term to discount the lease payments. The contract is further evaluated to determine the classification of the lease as to whether it is finance or operating. If the lease is a finance lease, the ROU asset is depreciated to depreciation expense over the shorter of the useful life of the asset or the lease term. Interest expense is recorded in connection with the lease liability using the effective interest method. If the lease is an operating lease, the ROU asset is amortized to lease expense on a straight-line basis over the lease term. For the presentation of finance leases on the Company's consolidated balance sheet, ROU assets and corresponding lease liabilities are included with property and equipment, net, and long-term debt, respectively. For the presentation of operating leases on the Company's consolidated balance sheet, ROU assets are presented as right-of-use assets – operating leases and corresponding lease liabilities are reflected as lease liabilities – operating leases.

The Company as a lessor leases its commercial and retail properties, boat slips, and docks to non-affiliates at various terms. If the contract gives the Company's customer the right to control the use of the identified asset, revenue is recognized on a straight-line basis over the lease term. Initial direct costs incurred by the Company are deferred and amortized on a straight-line basis over the lease term. The Company also records an unbilled receivable, which is the amount by which straight-line revenue exceeds the amount billed in accordance with the lease.

Intangible Assets. Intangibles related to real estate investments consist of the value attributable to the acquired in-place leases and the primary, or anchor, tenant relationships. The value attributable to the anchor tenant relationship represents the economic benefits of having a nationally recognized retailer as the lead tenant, which draws consumer traffic and other tenants to the retail center. These intangibles are amortized to expense over the related lease term. Amortization of the intangibles related to real estate investments is reflected in net investment income in the consolidated statement of income. The Company reviews these intangible assets for impairment annually or when events or changes in circumstances indicate the carrying value may not be recoverable. In the event the Company determines the carrying value is not recoverable, an impairment loss is recorded in the Company's consolidated statement of income.

Acquired intangible assets represent the fair value of consideration the Company paid and is estimated to pay in exchange for the renewal rights and non-compete intangible assets acquired from the seller. In the renewal rights transaction, the Company purchased the right, but not the obligation, to offer homeowners insurance coverage to all current policyholders of the seller in certain states on the agreed-upon policy replacement date. The renewal rights agreement also contains a non-compete clause whereby the seller agrees not to offer homeowners insurance policies in these states through a specified date. The Company records these intangible assets based on the fair value of the consideration it paid and is estimated to pay to the seller as provided in the renewal rights agreement with the seller. The Company engaged a third-party valuation specialist to assist with the allocation of the renewal rights and non-compete intangible assets acquired. Intangible assets are amortized over their estimated useful lives. Amortization of the renewal rights and non-compete intangible assets is reflected in other operating expenses in the consolidated statement of income. Intangible assets are evaluated periodically to ensure that there is no impairment to carrying value and no change required in the amortization period.

Funds Withheld for Assumed Business. Pursuant to the Company's quota share reinsurance agreements with United, trust accounts were established for the benefit of United as beneficiary. The balance represents the net amount owed to the Company under the reinsurance agreements and consists of funds deposited to establish the trust accounts adjusted for subsequent premium changes net of related commissions and decreased for paid losses and loss adjustment expenses. The assets within the trust accounts consist primarily

of cash and United has the exclusive and unconditional right to withdraw funds from the trust accounts on demand with written notice in compliance with the quota share reinsurance agreements. Any balance remaining at the termination of the quota share agreement will be settled and distributed upon the termination of the trust account and trust agreement.

Lease Acquisition Costs. Lease acquisition costs represent capitalized costs of finding and acquiring tenants such as leasing commissions, legal, and marketing expenses. The costs are included in other assets on the consolidated balance sheet. The Company amortizes these costs in other operating expenses on a straight-line basis over the term of a lease.

Long-Term Debt. Long-term debt includes debt instruments and finance lease obligations. A debt instrument is generally classified as a liability and carried at amortized cost, net of any issuance costs. Debt issuance costs are capitalized and amortized to interest expense over the expected life of the debt instrument using the effective interest method. At issuance, a debt instrument with embedded features such as conversion and redemption options is evaluated to determine whether bifurcation and derivative accounting is applicable. Any embedded feature other than the conversion option is evaluated at issuance to determine if it is probable that such embedded feature will be exercised. If the Company concludes that the exercisability of that embedded feature is not probable, the embedded feature is considered to be non-substantive and would not impact the initial measurement and expected life of the debt instrument.

Prior to January 1, 2021, if the embedded feature of the debt instrument was not subject to derivative accounting, the debt instrument was further evaluated to determine if the Company was required to separately account for the liability and equity components. To determine the carrying values of the liability and equity components at issuance, the Company measured the fair value of a similar liability, including any embedded features other than the conversion option, and assigned such value to the liability component. The liability component's fair value was then subtracted from the initial proceeds to determine the carrying value of the debt instrument's equity component, which was included in additional paid-in capital. Transaction costs related to issuing a debt instrument that embodies both liability and equity components were allocated to the liability and equity components in proportion to the allocation of the proceeds and accounted for as debt issuance costs and equity issuance costs, respectively. Both debt discount and deferred debt issuance costs were amortized to interest expense over the expected life of the debt instrument. Equity issuance costs were a reduction to the proceeds allocated to the equity component.

Redeemable Noncontrolling Interest. Redeemable noncontrolling interest represents an economic interest in TTIG and is presented in the temporary equity (mezzanine) section of the consolidated balance sheet. The interest contains rights in dividends, voting, conversion, participation, liquidation preference and redemption. The redemption feature is not solely within the control of TTIG (See Note 20 – "Redeemable Noncontrolling Interest").

The redeemable noncontrolling interest is initially recorded at fair value and is decreased by related issuance costs. The fair value is estimated using a residual fair value approach. The effect of increasing dividend rates is accreted to the redeemable noncontrolling interest with a corresponding debit to retained income. The effective interest method is used for accretion over the period of the increasing dividend rates. The carrying value of the interest is also subsequently adjusted for accrued dividends and dividend payments. The Company has an option to pay the dividends in cash or make a payment in kind. The dividends are accrued monthly assuming that they will be settled in cash.

When the redemption is probable, the Company elects to recognize changes in the redemption value immediately as it occurs and adjust the carrying value of the interest to the maximum redemption value which is

the higher of the redemption price or fair market value at the reporting date. Such changes in the redemption value are treated as dividends when calculating income available to common stockholders.

Noncontrolling Interests. The Company has noncontrolling interests attributable to TTIG. A noncontrolling interest arises when the Company has less than 100% of the voting rights and economic interests in a subsidiary. The noncontrolling interest is periodically adjusted for the expensing of TTIG's restricted stock awards granted to its employees, the interest's share of TTIG's net income or loss to common stockholders and change in other comprehensive income or loss.

Prepaid Share Repurchase Forward Contract. A prepaid share repurchase forward contract is generally a contract that allows the Company to buy from the counterparty a specified number of common shares at a specific time at a given forward price. The Company entered into such a contract and evaluated the characteristics of the forward contract to determine whether it met the definition of a derivative financial instrument pursuant to U.S. GAAP. The Company determined the forward contract is an equity contract on the Company's common shares requiring physical settlement in common shares of the Company. As such, the transaction is recognized as a component of stockholders' equity with a charge to additional paid-in capital equal to the prepayment amount, which represents the cash paid to the counterparty. There will be no recognition in earnings for changes in fair value in subsequent periods.

Losses and Loss Adjustment Expenses. Reserves for losses and loss adjustment expenses ("LAE") are determined by establishing liabilities in amounts estimated to cover incurred losses and LAE. Such reserves are determined based on the assessment of claims reported and the development of pending claims. These reserves are based on individual case estimates for the reported losses and LAE and estimates of such amounts that are incurred but not reported. Changes in the estimated liability are charged or credited to income as the losses and LAE are settled.

The estimates of unpaid losses and LAE are subject to trends in claim severity and frequency and are continually reviewed. As part of the process, the Company reviews historical data and considers various factors, including known and anticipated regulatory and legal developments, changes in social attitudes, inflation and economic conditions. As experience develops and other data becomes available, these estimates are revised, as required, resulting in increases or decreases to the existing unpaid losses and LAE. Adjustments are reflected in the results of operations in the period in which they are made and the liabilities may deviate substantially from prior estimates. Losses and LAE ceded to or recovered from reinsurers are recorded as a reduction to losses and LAE on the consolidated statement of income.

Advance Premiums. Premium payments received prior to the policy effective date are recorded as advance premiums. Once the policy is in force, the premiums are recorded as described under "*Premium Revenue*" below.

Premiums Receivable. Premiums receivable represent the amount of premiums due from policyholders for insurance coverage. Premiums are recorded as receivable in the Company's general ledger on the effective date of the policy. Premiums are billed to the policyholder 45-60 days in advance of the effective date. The policyholder is given a 30-day grace period after the effective date to pay the premium before the insurance coverage is cancelled. If the policyholder does not pay the premium, the Company can cancel the policy and has no obligation to provide insurance coverage. Unpaid renewal policies are cancelled at midnight on the last day of the period for which the policyholder has paid. The unearned premium liability for the cancelled policy is reversed along with the premium receivable balance. Therefore, there is no unpaid earned premium and credit loss associated with the cancelled policy.

However, when the 30-day grace period falls between two reporting periods, the premium receivable balance at the end of the first reporting period may potentially be overstated for not considering the policy that is subsequently cancelled during the following reporting period. To mitigate the overstatement issue, the Company estimates the monetary impact from the subsequent policy cancellation by multiplying the historical cancellation rate to the premiums receivable balance at the reporting date. The premiums receivable balance, together with the unearned premiums liability, is then reduced by the computed amount.

At December 31, 2021 and 2020, allowances for uncollectible premiums were $1,750 and $2,053, respectively.

Reinsurance Ceded. In the normal course of business, the Company seeks to reduce the loss that may arise from catastrophes or other events by reinsuring certain levels of risk in various areas of exposure with other insurance enterprises or reinsurers. The Company contracts with a number of reinsurers to secure its annual reinsurance coverage, which generally becomes effective June 1st of each year. The Company purchases reinsurance each year taking into consideration probable maximum losses and reinsurance market conditions. Amounts recoverable from reinsurers are estimated in a manner consistent with the applicable reinsurance contract or contracts. Premiums ceded to other companies have been reported as a reduction of gross premiums earned. Prepaid reinsurance premiums represent the unexpired portion of premiums ceded to reinsurers.

Two of the Company's current reinsurance contracts contain retrospective provisions including terms and conditions that adjust premiums based on the loss experience under the contracts. In such cases, a with-and-without method is used to estimate the asset or liability amount to be recognized at each reporting date. The amount of the estimate is the difference between the net contract costs before and after the loss experience under the contract. Estimates related to premium adjustments are recognized in ceded premiums earned. These estimates are reviewed monthly based on the loss experience to date and as adjustments become necessary. Such adjustments are reflected in the Company's current operations and recorded in other assets until received upon the expiration of the contracts.

The Company receives ceding commissions from ceding gross written premiums to a third-party reinsurer under one flood quota share reinsurance contract. The ceding commissions represent the reimbursement of the Company's policy acquisition, underwriting and other operating expenses. Ceding commissions received cover a portion of premium taxes and agent commissions capitalized by the Company and a portion of non-capitalized acquisition costs and other underwriting expenses. Ceding commissions are recognized as income on a pro-rata basis over the terms of the policies reinsured, the amount of which is included in policy acquisition and other underwriting expenses in the consolidated statement of income. The unearned portion of ceding commissions that represents recovery of capitalized acquisition costs is classified as a reduction of DAC whereas the remaining unearned balance is classified as deferred revenue in other liabilities.

Reinsurance Assumed. From time to time, the Company agrees to assume risk from another insurance company. Reinsurance premiums, commission, cost allowance, and reserves related to reinsured business are accounted for on a basis consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. Premiums assumed from other insurance companies are included in gross premiums earned. Ceding commissions on assumed gross written premiums and related costs paid are reflected as DAC which is amortized as expense on a pro-rata basis over the life of the reinsurance agreement. This amortized expense is included in policy acquisition and other underwriting expenses in the consolidated statement of income.

Premium Revenue. Premium revenue includes premium from the direct issuance or renewal of policies to insureds and assumed premium for providing coverage under reinsurance agreements. Premium revenue is

earned on a daily pro-rata basis over the term of the policies and is included in gross premiums earned. Unearned premiums represent the portion of the premiums attributable to the unexpired policy term. The Company reviews its policy detail and establishes an allowance for any amount outstanding for more than 90 days.

Policy Fees. Policy fees represent nonrefundable fees for insurance coverage, which are intended to reimburse a portion of the costs incurred to underwrite the policy. Policy fees are recognized ratably over the policy coverage period.

Revenue from Claims Processing Services. The Company provides a claims processing service to a third-party insurance company as a third-party administrator ("TPA"). The service includes investigation, evaluation, adjustment and settlement of a claim. These highly interrelated activities are combined to fulfill the Company's obligation to provide the claims processing service under a contract. As such, they are considered a single performance obligation for revenue recognition purposes. Fees are established on a per-claim basis by type of claim. For each type of claim, the per-claim fee revenue is recognized over an average claim processing period.

The Company may incur additional costs for outsourced services in connection with the investigation, coverage analysis, adjustment, negotiation, settlement, defense or general processing of a claim. These costs are reimbursable from the customer. The Company has control over how an outsourced service is performed on its behalf. Thus, these pass-through costs are recognized as revenue in the gross amount to which the Company expects to be entitled and when the outsourced service is completed and paid or accrued by the Company.

For a certain type of claim and in addition to the per-claim service fee, the Company is entitled to additional revenue which is determined based on a fixed percent of the paid indemnification of the loss per claim. The revenue is recognized when the indemnification is paid by the Company.

Revenue related to claims processing services is included in other revenue in the consolidated statement of income. For the year ended December 31, 2021, revenues from claims processing services were $4,554. At December 31, 2021, other assets included $314 of amounts receivable attributable to this service.

Insurance Guaranty Association Assessments. The Company's insurance subsidiaries may be assessed by state associations such as the Florida Insurance Guaranty Association. The assessments are intended to be used for the payment of covered claims of insolvent insurance entities. The assessments are generally based on a percentage of premiums written during or following the year of insolvency. Liabilities are recognized when the assessments are probable to be imposed on the premiums on which they are expected to be based and the amounts can be reasonably estimated. An insurer is generally permitted to recover the entire amount of assessments from in-force and future policyholders through policy surcharges. U.S. GAAP provides that the Company should record an asset based on the amount of written or obligated-to-write premiums and limited to the amounts recoverable over the life of the in-force policies.

Foreign Currency. The functional currency of the Company's Indian subsidiary is the U.S. dollar. As such, the monetary assets and liabilities of this subsidiary are remeasured into U.S. dollars at the exchange rate in effect on the balance sheet date. Non-monetary assets and liabilities are remeasured using historical rates. Expenses recorded in the local currency are remeasured at the prevailing exchange rate. Exchange gains and losses resulting from these remeasurements are included in other operating expenses.

Income Taxes. The Company files consolidated federal and state income tax returns and allocates taxes among its wholly owned subsidiaries in accordance with a written tax-allocation agreement.

The Company accounts for income taxes in accordance with U.S. GAAP, resulting in two components of income tax expense and benefit: current and deferred. Current income tax expense and benefit reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense and benefit results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term “more likely than not” means a likelihood of more than fifty percent; the terms “examined” and “upon examination” also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than fifty percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management’s judgment. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized. As of December 31, 2021, management is not aware of any uncertain tax positions that would have a material effect on the Company’s consolidated financial statements.

Fair Value of Financial Instruments. The carrying amounts for the Company’s cash and cash equivalents approximate their fair values at December 31, 2021 and 2020. Fair values for securities or financial instruments are based on the framework for measuring fair value established by U.S. GAAP (see Note 7 — “Fair Value Measurements”).

Stock-Based Compensation. The Company accounts for stock-based compensation under the fair value recognition provisions of U.S. GAAP which requires the measurement and recognition of compensation for all stock-based awards made to employees, non-employee directors (see Note 22 — “Stock-Based Compensation”), and third-party award recipients based on estimated fair values. In accordance with U.S. GAAP, the fair value of stock-based awards granted to employees and non-employee directors is generally recognized as compensation expense over the requisite service period, which is defined as the period during which a recipient is required to provide service in exchange for an award. Forfeitures of the Company’s stock-based awards are accounted for as they occur. The Company uses a straight-line attribution method for all grants that include only a service condition. Restricted stock grants with market conditions are expensed over the derived service period. Expensing market-based awards may be expedited if the conditions are met sooner than anticipated. For awards granted to third-party recipients, the cost of the grant is recognized in the same period(s) and in the same manner as if the Company had paid cash. The Company’s outstanding stock-based awards include stock options, warrants and restricted stock awards with service and market conditions. Compensation expense related to all awards granted to employees and non-employee directors is included in general and administrative personnel expenses. The Company receives a windfall tax benefit for certain stock option exercises and for restricted stock awards if these awards vest at a higher value than the value used to recognize compensation expense. In the event the restricted stock awards vest at a lower value than the value used to recognize compensation expense, the Company experiences a tax shortfall. The Company recognizes tax windfalls and shortfalls in the consolidated statement of income.

Basic and Diluted Earnings Per Common Share. Basic earnings per common share is computed by dividing net income attributable to common stockholders by the weighted-average number of common shares

outstanding for the period. U.S. GAAP requires the inclusion of restricted stock as participating securities since holders of the Company's restricted stock have the right to share in dividends, if declared, equally with common stockholders. In addition, the intrinsic value of restricted stock declines when the Company experiences operating losses. As a result, holders of the Company's restricted stock are allocated a proportional share of net income and loss determined by dividing total weighted-average shares of restricted stock by the sum of total weighted-average common shares and shares of restricted stock (the "two-class method"). Diluted earnings per common share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted as well as participating equities. During loss periods, common stock equivalents such as stock options and convertible debt are excluded from the calculation of diluted loss per share, as the inclusion would have an anti-dilutive effect. See Note 19 — "Earnings Per Share" for potentially dilutive securities at December 31, 2021, 2020 and 2019.

Statutory Accounting Practices. The Company's U.S. insurance subsidiaries comply with statutory accounting practices prescribed by the National Association of Insurance Commissioners. There are no state prescribed or permitted practices that have been adopted by the Company's U.S. subsidiaries. In addition, the Company's Bermuda insurance subsidiary prepares and files financial statements in accordance with the prescribed regulatory accounting practices of the Bermuda Monetary Authority.

Reclassification. In response to the new reporting segment described in Note 1 — "Nature of Operations," the 2020 and 2019 segment information has been reclassified to conform with the current period presentation. TypTap and TypTap Management Company were removed from the segment previously referred to as Insurance Operations to form the new TypTap Group segment. The information technology companies which had previously been presented in the Corporate and Other segment were also added to the TypTap Group segment. Certain prior year amounts have been reclassified to conform to the current year presentation. Ceded reinsurance premiums payable were reclassified out of other liabilities as of December 31, 2020.

Note 3 — Recent Accounting Pronouncements

Accounting Standards Update No. 2021-01. In January 2021, the FASB issued Accounting Standards Update No. 2021-01 ("ASU 2021-01") Reference Rate Reform (Topic 848). This update refines the scope of ASC 848 and clarifies some of its guidance as part of the Board's monitoring of global reference rate reform activities. ASU 2021-01 permits entities to apply certain optional expedients to modifications of interest rate indexes used for margining, discounting or contract price alignment of certain derivatives in connection with reference rate reform activities under way in global financial markets. It also extends optional expedients to account for a derivative contract modified as a continuation of the existing contract and to continue hedge accounting when certain critical terms of a hedging relationship change to modifications made as part of the discounting transition. ASU 2021-01 is effective immediately and does not have any material impact on the Company's consolidated financial statements.

Accounting Standards Update No. 2021-04. In May 2021, the FASB issued Accounting Standards Update No. 2021-04 ("ASU 2021-04") Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40). This update clarifies and reduces diversity in an issuer's accounting for modifications or exchanges of freestanding equity-classified written call options (for example, warrants) that remain equity classified after modification or exchange. The guidance clarifies whether an issuer should account for a modification or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange as (1) an adjustment to equity and, if so, the related earnings per share effects, if any, or (2) an expense and, if so, the manner and pattern of recognition. ASU 2021-04 is effective for the Company beginning with the first quarter of 2022 and will be applied prospectively.

Early adoption is permitted. This guidance will not have a material impact on the Company's consolidated financial statements.

Note 4 — Cash, Cash Equivalents, and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the Company's consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows.

	December 31,	
	2021	2020
Cash and cash equivalents	$628,943	$431,341
Restricted cash	2,400	2,400
Total	$631,343	$433,741

At December 31, 2021, $527,294 or 83.8% of the Company's cash and cash equivalents were deposited at six national banks and included $181,390 in two custodial accounts. At December 31, 2020, $317,420 or 73.6% of the Company's cash and cash equivalents were deposited at six national banks and included $141,481 in two custodial accounts. At December 31, 2021 and 2020, the Company's cash deposits at any one bank generally exceed the Federal Deposit Insurance Corporation's $250 coverage limit for insured deposit accounts.

Note 5 — Investments

a) Available-for-Sale Fixed-Maturity Securities

The Company holds investments in fixed-maturity securities that are classified as available-for-sale. At December 31, 2021 and 2020, the cost or amortized cost, gross unrealized gains and losses, and estimated fair value of the Company's available-for-sale securities by security type were as follows:

	Cost or Amortized Cost	Allowance for Credit Loss	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
As of December 31, 2021					
U.S. Treasury and U.S. government agencies	$ 17,046	$ —	$ 64	$ (86)	$ 17,024
Corporate bonds	21,913	—	632	(53)	22,492
State, municipalities, and political subdivisions	1,759	—	49	—	1,808
Exchange-traded debt	767	—	44	—	811
Redeemable preferred stock	468	—	—	(20)	448
Total	$ 41,953	$ —	$ 789	$ (159)	$ 42,583
As of December 31, 2020					
U.S. Treasury and U.S. government agencies	$ 13,759	$ —	$ 210	$ (1)	$ 13,968
Corporate bonds	49,957	(579)	1,570	(17)	50,931
State, municipalities, and political subdivisions	3,023	—	60	(2)	3,081
Exchange-traded debt	3,491	(9)	230	(5)	3,707
Redeemable preferred stock	35	—	—	—	35
Total	$ 70,265	$ (588)	$ 2,070	$ (25)	$ 71,722

Expected maturities will differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without penalties. The scheduled contractual maturities of fixed-maturity securities at December 31, 2021 and 2020 are as follows:

	December 31,			
	2021		2020	
	Cost or Amortized Cost	Estimated Fair Value	Cost or Amortized Cost	Estimated Fair Value
Available-for-sale				
Due in one year or less	$ 10,734	$ 10,826	$ 21,122	$ 21,258
Due after one year through five years	19,222	19,820	43,561	44,339
Due after five years through ten years	11,503	11,403	2,731	3,060
Due after ten years	494	534	2,851	3,065
	$ 41,953	$ 42,583	$ 70,265	$ 71,722

Sales of Available-for-Sale Fixed-Maturity Securities

Proceeds received, and the gross realized gains and losses from sales of available-for-sale fixed-maturity securities, for the years ended December 31, 2021, 2020 and 2019 were as follows:

	Proceeds	Gross Realized Gains	Gross Realized Losses
Year ended December 31, 2021	$ 23,055	$ 722	$ (35)
Year ended December 31, 2020	$ 81,433	$ 1,773	$ (610)
Year ended December 31, 2019	$ 7,947	$ 221	$ (3)

Gross Unrealized Losses for Available-for-Sale Fixed-Maturity Securities

Securities with gross unrealized loss positions at December 31, 2021 and 2020, aggregated by investment category and length of time the individual securities have been in a continuous loss position, are as follows:

	Less Than Twelve Months		Twelve Months or Longer		Total	
	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value
As of December 31, 2021						
U.S. Treasury and U.S. government agencies	$ (73)	$ 9,809	$ (13)	$ 616	$ (86)	$ 10,425
Corporate bonds	(53)	4,452	—	—	(53)	4,452
Redeemable preferred stock	(20)	442	—	—	(20)	442
Total available-for-sale securities	$ (146)	$ 14,703	$ (13)	$ 616	$ (159)	$ 15,319

	Less Than Twelve Months		Twelve Months or Longer		Total	
	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value
As of December 31, 2020						
U.S. Treasury and U.S. government agencies	$ (1)	$ 1,337	$ —	$ —	$ (1)	$ 1,337
Corporate bonds	(17)	3,085	—	—	(17)	3,085
States, municipalities, and political subdivisions	(2)	1,268	—	—	(2)	1,268
Exchange-traded debt	(5)	336	—	—	(5)	336
Total available-for-sale securities	$ (25)	$ 6,026	$ —	$ —	$ (25)	$ 6,026

At December 31, 2021 and 2020, there were 23 and 12 securities, respectively, in an unrealized loss position.

Allowance for Credit Losses of Available-for-Sale Fixed-Maturity Securities

The Company regularly reviews its individual investment securities for credit impairment. The Company considers various factors in determining whether a credit loss exists for each individual security, including-

- the financial condition and near-term prospects of the issuer, including any specific events that may affect its operations or earnings;
- the extent to which the market value of the security has been below its cost or amortized cost;
- general market conditions and industry or sector specific factors and other qualitative factors;
- nonpayment by the issuer of its contractually obligated interest and principal payments; and
- the Company's intent and ability to hold the investment for a period of time sufficient to allow for the recovery of costs.

The table below summarizes the activity in the allowance for credit losses of available-for-sale fixed-maturity securities for the years ended December 31, 2021 and 2020:

	2021	2020
Balance at January 1	$ 588	$—
Credit loss expense	—	611
Reductions for securities sold	(9)	(23)
Reductions for securities exchanged	(579)	—
Balance at December 31	$ —	$588

For the year ended December 31, 2021, the Company recognized $0 credit loss expense related to fixed-maturity securities in the consolidated statement of income compared with $611 of credit loss expense on two fixed-maturity securities for the year ended December 31, 2020. The Company recognized $289 of credit-related impairment loss pertaining to one fixed-maturity security for the year ended December 31, 2019. At December 31, 2019 the Company had a cumulative credit loss balance of $289.

b) Equity Securities

The Company holds investments in equity securities measured at fair values which are readily determinable. At December 31, 2021 and 2020, the cost, gross unrealized gains and losses, and estimated fair value of the Company's equity securities were as follows:

	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
December 31, 2021	$46,276	$ 6,335	$ (871)	$ 51,740
December 31, 2020	$47,029	$ 4,649	$ (548)	$ 51,130

The table below presents the portion of unrealized gains and losses in the Company's consolidated statements of income related to equity securities still held.

	Years Ended December 31,		
	2021	2020	2019
Net gains recognized	$ 5,486	$ 435	$ 7,424
Exclude: Net realized gains (losses) recognized for securities sold	4,123	(244)	(526)
Net unrealized gains recognized	$ 1,363	$ 679	$ 7,950

Sales of Equity Securities

Proceeds received, and the gross realized gains and losses from sales of equity securities, for the years ended December 31, 2021, 2020 and 2019 were as follows:

	Proceeds	Gross Realized Gains	Gross Realized Losses
Year ended December 31, 2021	$112,310	$ 6,280	$ (2,157)
Year ended December 31, 2020	$ 47,312	$ 2,868	$ (3,112)
Year ended December 31, 2019	$ 37,669	$ 2,448	$ (2,974)

c) Limited Partnership Investments

The Company has interests in limited partnerships that are not registered or readily tradeable on a securities exchange. These partnerships are private equity funds managed by general partners who make decisions with regard to financial policies and operations. As such, the Company is not the primary beneficiary

and does not consolidate these partnerships. The following table provides information related to the Company's investments in limited partnerships:

Investment Strategy	December 31, 2021			December 31, 2020		
	Carrying Value	Unfunded Balance	(%) (a)	Carrying Value	Unfunded Balance	(%) (a)
Primarily in senior secured loans and, to a limited extent, in other debt and equity securities of private U.S. lower- middle-market companies. (b)(c)(e)	$ 6,076	$ 2,085	15.37	$ 8,131	$ 2,085	15.37
Value creation through active distressed debt investing primarily in bank loans, public and private corporate bonds, asset-backed securities, and equity securities received in connection with debt restructuring. (b)(d)(e)	3,423	—	1.69	5,512	—	1.76
High returns and long-term capital appreciation through investments in the power, utility and energy industries, and in the infrastructure sector. (b)(f)(g)	6,270	1,401	0.18	6,513	1,401	0.18
Value-oriented investments in less liquid and mispriced senior and junior debts of private equity-backed companies. (b)(h)(i)	4,437	—	0.57	4,262	—	0.47
Value-oriented investments in mature real estate private equity funds and portfolios globally. (b)(j)	5,977	4,537	1.36	3,273	6,818	2.24
Risk-adjusted returns on credit and equity investments, primarily in private equity-owned companies. (b)(k)	1,950	3,050	0.47	—	—	—
Total	$ 28,133	$ 11,073		$ 27,691	$ 10,304	

(a) Represents the Company's percentage investment in the fund at each balance sheet date.
(b) Except under certain circumstances, withdrawals from the funds or any assignments are not permitted. Distributions, except income from late admission of a new limited partner, will be received when underlying investments of the funds are liquidated.
(c) Expected to have a ten-year term. Although the capital commitment period has expired, follow-on investments and pending commitments may require additional fundings.
(d) The term has been extended for a one-year additional period to June 30, 2022. Although the capital commitment period has ended, the general partner could still request an additional funding of approximately $843 under certain circumstances.
(e) At the fund manager's discretion, the term of the fund may be extended for up to two additional one-year periods.
(f) Expected to have a ten-year term. The capital commitment period has expired but the general partner may request additional funding for follow-on investment.
(g) With the consent of a supermajority of partners, the term of the fund may be extended for up to three additional one-year periods.
(h) Expected to have a six-year term from the commencement date, which can be extended for up to two additional one-year periods with the consent of either the advisory committee or a majority of limited partners.
(i) The capital commitment period has ended but an additional funding may be requested.
(j) Expected to have an eight-year term from November 27, 2019.
(k) Expected to have an eight-year term after the final admission date.

The following is the summary of aggregated unaudited financial information of limited partnerships included in the investment strategy table above, which in certain cases is presented on a three-month lag due to the unavailability of information at the Company's respective balance sheet dates. The financial statements of these limited partnerships are audited annually.

	Years Ended December 31,		
	2021	2020	2019
Operating results:			
Total income	$ 705,610	$ (1,432,907)	$ 27,171
Total expenses	(131,463)	(133,281)	(139,252)
Net income (loss)	$ 574,147	$ (1,566,188)	$ (112,081)

	December 31,	
	2021	2020
Balance sheet:		
Total assets	$5,855,616	$5,529,199
Total liabilities	$ 564,732	$ 612,048

For the year ended December 31, 2021, the Company recognized net investment income of $4,947 compared with net investment loss of $1,595 for the year ended December 31, 2020 and net investment income of $1,176 for the year ended December 31, 2019, for these investments. At December 31, 2021 and 2020, the Company's net cumulative contributed capital to the partnerships existing at each respective balance sheet date totaled $28,371 and $29,272, respectively, and the Company's maximum exposure to loss aggregated $28,133 and $27,691, respectively.

During the year ended December 31, 2021, the Company received in cash a return on investment of $3,604 and a return of capital of $4,657 compared with a return on investment of $1,215 and a return of capital of $2,086 during the year ended December 31, 2020. During the year ended December 31, 2019, the Company received total cash distributions of $6,297, representing $4,176 of return on investment and $2,121 of returned capital.

d) Investment in Unconsolidated Joint Venture

Melbourne FMA, LLC, a wholly owned subsidiary, currently has an equity investment in FMKT Mel JV, a Florida limited liability company treated as a joint venture under U.S. GAAP. At December 31, 2021 and 2020, the Company's maximum exposure to loss relating to this variable interest entity was $363 and $705, respectively, representing the carrying value of the investment. At December 31, 2021, 2020 and 2019, there was no undistributed income from this equity method investment.

In September 2021, FMKT Mel JV sold one of its remaining outparcels and recognized a gain on sale of $540. For the year ended December 31, 2021, the Company received a cash distribution of $737, representing a combined distribution of $114 in earnings and $623 in capital. For the years ended December 31, 2020 and

2019, the Company did not receive any cash distributions. The following tables provide FMJV's summarized unaudited financial results and the unaudited financial positions:

	Years Ended December 31,		
	2021	2020	2019
Operating results:			
Total revenues	$540	$ —	$ 2
Total expenses	(77)	(64)	(93)
Net income (loss)	$463	$(64)	$(91)
The Company's share of net income (loss)*	$417	$(57)	$(83)

* Included in net investment income in the Company's consolidated statements of income.

	December 31,	
	2021	2020
Balance sheet:		
Property and equipment, net	$357	$705
Cash	29	70
Other	18	13
Total assets	$404	$788
Other liabilities	$ —	$ 5
Members' capital	404	783
Total liabilities and members' capital	$404	$788
Investment in unconsolidated joint venture, at equity**	$363	$705

** Includes the 90% share of FMKT Mel JV's operating results.

e) Real Estate Investments

Real estate investments include land, buildings with office and retail space for lease, outparcels, and marinas. Real estate investments consist of the following as of December 31, 2021 and 2020:

	December 31,	
	2021	2020
Land	$39,720	$39,069
Land improvements	11,917	11,917
Buildings	29,405	29,115
Tenant and leasehold improvements	1,511	1,487
Other	1,265	1,465
Total, at cost	83,818	83,053
Less: accumulated depreciation and amortization	(9,922)	(8,581)
Real estate investments	$73,896	$74,472

During the year ended December 31, 2021, the Company incurred a $21 loss on disposal of assets related to a closure of a restaurant. Depreciation and amortization expense related to real estate investments was $1,922, $1,864 and $1,782, respectively, for the years ended December 31, 2021, 2020 and 2019 and was included in net investment income on the consolidated statements of income.

f) Net Investment Income

Net investment income (loss), by source, is summarized as follows:

	Years Ended December 31,		
	2021	2020	2019
Available-for-sale fixed-maturity securities	$ 1,375	$ 4,252	$ 6,506
Equity securities	1,411	1,388	1,333
Investment expense	(542)	(497)	(465)
Limited partnership investments	4,947	(1,595)	1,176
Real estate investments	4,086	(620)	(211)
Net income (loss) from unconsolidated joint venture	417	(57)	(83)
Cash and cash equivalents	641	1,691	4,970
Short-term investments	—	2	416
Net investment income	$12,335	$ 4,564	$13,642

During the year ended December 31, 2021, income from real estate investments included a net gain of $2,790 resulting from a legal settlement with The Kroger Co. in a lawsuit filed by a real estate subsidiary of the Company to enforce a guaranty of a commercial lease.

g) Other Investments

From time to time, the Company may invest in financial assets other than stocks, mutual funds, and bonds. For the years ended December 31, 2021, 2020 and 2019, net realized gains related to other investments were $1,662, $81 and $54, respectively.

Note 6 — Comprehensive Income (Loss)

Comprehensive income (loss) includes net income (loss) and other comprehensive income or loss, which for the Company includes changes in unrealized gains or losses of investments carried at fair value and changes to the credit losses related to these investments. Reclassification adjustments for realized (gains) losses are reflected in net realized investment gains (losses) on the consolidated statements of income. The components of other comprehensive income or loss and the related tax effects allocated to each component were as follows:

	Year Ended December 31, 2021		
	Before Tax	Income Tax Effect	Net of Tax
Net unrealized losses	$ (692)	$(170)	$ (522)
Call and repayment gains charged to investment income	(36)	(9)	(27)
Reclassification adjustment for realized gains	(687)	(168)	(519)
Total other comprehensive loss	$(1,415)	$(347)	$(1,068)

	Year Ended December 31, 2020		
	Before Tax	Income Tax Effect	Net of Tax
Net unrealized gains	$ 86	$ 21	$ 65
Credit losses on investments	611	150	461
Call and repayment gains charged to investment income	(374)	(92)	(282)
Reclassification adjustment for realized gains	(1,163)	(285)	(878)
Total other comprehensive loss	$ (840)	$ (206)	$ (634)

	Year Ended December 31, 2019		
	Before Tax	Income Tax Effect	Net of Tax
Net unrealized gains	$ 4,902	$1,219	$3,683
Other-than-temporary impairment loss	289	71	218
Call and repayment gains charged to investment income	(141)	(35)	(106)
Reclassification adjustment for realized gains	(218)	(54)	(164)
Total other comprehensive income	$ 4,832	$1,201	$3,631

Note 7 — Fair Value Measurements

The Company records and discloses certain financial assets at their estimated fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets.

Level 2 – Other inputs that are observable for the asset, either directly or indirectly such as quoted prices for identical assets that are not observable throughout the full term of the asset.

Level 3 – Inputs that are unobservable.

Valuation Methodology

Cash and Cash Equivalents

Cash and cash equivalents primarily consist of money-market funds and certificates of deposit maturing within 90 days. Their carrying value approximates fair value due to the short maturity and high liquidity of these funds.

Restricted Cash

Restricted cash represents cash held by state authorities and the carrying value approximates fair value.

Fixed-Maturity and Equity Securities

Estimated fair values are determined in accordance with U.S. GAAP, using valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Fair values are generally

measured using quoted prices in active markets for identical securities or other inputs that are observable either directly or indirectly, such as quoted prices for similar securities. In those instances where observable inputs are not available, fair values are measured using unobservable inputs. Unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the security and are developed based on the best information available in the circumstances. Fair value estimates derived from unobservable inputs are significantly affected by the assumptions used, including the discount rates and the estimated amounts and timing of future cash flows. The derived fair value estimates cannot be substantiated by comparison to independent markets and are not necessarily indicative of the amounts that would be realized in a current market exchange.

The estimated fair values for securities that do not trade on a daily basis are determined by management, utilizing prices obtained from an independent pricing service and information provided by brokers, which are level 2 inputs. Management reviews the assumptions and methods utilized by the pricing service and then compares the relevant data and pricing to broker-provided data. The Company gains assurance of the overall reasonableness and consistent application of the assumptions and methodologies, and compliance with accounting standards for fair value determination through ongoing monitoring of the reported fair values.

Revolving Credit Facility

The Company's revolving credit facility is a variable-rate loan. The interest rate is periodically adjusted based on the London Interbank Offered Rate plus a spread. As a result, its carrying value approximates fair value.

Long-Term Debt

The following table summarizes components of the Company's long-term debt and methods used in estimating their fair values:

	Maturity Date	Valuation Methodology
4.25% Convertible Senior Notes	2037	Quoted price
3.90% Promissory Note	2032	Discounted cash flow method/Level 3 inputs
3.75% Callable Promissory Note	2036	Discounted cash flow method/Level 3 inputs
4.55% Promissory Note	2036	Discounted cash flow method/Level 3 inputs

Assets Measured and Recorded at Estimated Fair Value on a Recurring Basis

The following tables present information about the Company's financial assets measured at estimated fair value on a recurring basis. The tables indicate the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value as of December 31, 2021 and 2020:

	Fair Value Measurements Using			
	(Level 1)	(Level 2)	(Level 3)	Total
As of December 31, 2021				
Financial Assets:				
Cash and cash equivalents	$ 628,943	$ —	$ —	$ 628,943
Restricted cash	$ 2,400	$ —	$ —	$ 2,400
Fixed-maturity securities:				
U.S. Treasury and U.S. government agencies	$ 15,536	$ 1,488	$ —	$ 17,024
Corporate bonds	22,492	—	—	22,492
States, municipalities, and political subdivisions	—	1,808	—	1,808
Exchange-traded debt	811	—	—	811
Redeemable preferred stock	448	—	—	448
Total available-for-sale securities	$ 39,287	$ 3,296	$ —	$ 42,583
Equity securities	$ 51,740	$ —	$ —	$ 51,740

	Fair Value Measurements Using			
	(Level 1)	(Level 2)	(Level 3)	Total
As of December 31, 2020				
Financial Assets:				
Cash and cash equivalents	$ 431,341	$ —	$ —	$ 431,341
Restricted cash	$ 2,400	$ —	$ —	$ 2,400
Fixed-maturity securities:				
U.S. Treasury and U.S. government agencies	$ 11,236	$ 2,732	$ —	$ 13,968
Corporate bonds	50,931	—	—	50,931
States, municipalities, and political subdivisions	—	3,081	—	3,081
Exchange-traded debt	3,707	—	—	3,707
Redeemable preferred stock	35	—	—	35
Total available-for-sale securities	$ 65,909	$ 5,813	$ —	$ 71,722
Equity securities	$ 51,130	$ —	$ —	$ 51,130

Assets and Liabilities Carried at Other Than Fair Value

The following tables present fair value information for assets and liabilities that are carried on the balance sheet at amounts other than fair value as of December 31, 2021 and 2020:

	Carrying Value	Fair Value Measurements Using (Level 1)	(Level 2)	(Level 3)	Estimated Fair Value
As of December 31, 2021					
Financial Liabilities:					
Revolving credit facility	$ 15,000	$ —	$ 15,000	$ —	$ $15,000
Long-term debt:					
4.25% Convertible Senior Notes	$ 23,885	$ —	$ 33,248	$ —	$ 33,248
3.90% Promissory Note	9,287	—	—	10,488	10,488
3.75% Callable Promissory Note	7,153	—	—	7,852	7,852
4.55% Promissory Note	5,148	—	—	6,051	6,051
Total long-term debt	$ 45,473	$ —	$ 33,248	$ 24,391	$ 57,639

	Carrying Value	Fair Value Measurements Using (Level 1)	(Level 2)	(Level 3)	Estimated Fair Value
As of December 31, 2020					
Financial Liabilities:					
Revolving credit facility	$ 23,750	$ —	$ 23,750	$ —	$ 23,750
Long-term debt:					
4.25% Convertible Senior Notes	$ 133,964	$ —	$ 147,236	$ —	$ 147,236
3.90% Promissory Note	9,617	—	—	10,044	10,044
3.75% Callable Promissory Note	7,502	—	—	7,747	7,747
4.55% Promissory Note	5,385	—	—	5,809	5,809
Total long-term debt	$ 156,468	$ —	$ 147,236	$ 23,600	$ 170,836

Note 8 — Deferred Policy Acquisition Costs

The following table summarizes the activity with respect to deferred policy acquisition costs:

	December 31, 2021	2020
Beginning balance	$ 43,858	$ 21,663
Policy acquisition costs deferred	100,800	71,320
Amortization	(86,963)	(49,125)
Ending balance	$ 57,695	$ 43,858

The amount of policy acquisition costs amortized and included in policy acquisition and other underwriting expenses for the years ended December 31, 2021, 2020 and 2019 was $86,963, $49,125 and $37,146, respectively.

As described in Note 1 — “Nature of Operations” with regards to the quota share reinsurance agreements, the Company incurred $34,491 and $15,557, respectively, of direct costs attributable to the assumption of insurance policies from United for the years ended December 31, 2021 and 2020.

Note 9 — Property and Equipment, Net

Property and equipment, net consists of the following:

	December 31,	
	2021	2020
Land	$ 2,134	$ 2,134
Building	4,005	3,997
Computer hardware and software	13,295	11,072
Office furniture and equipment	2,561	2,255
Tenant and leasehold improvements	620	620
Other	2,136	1,267
Total, at cost	24,751	21,345
Less: accumulated depreciation and amortization	(10,519)	(8,578)
Property and equipment, net	$ 14,232	$ 12,767

Depreciation and amortization expense for property and equipment was $1,941, $1,854 and $1,550, respectively, for the years ended December 31, 2021, 2020 and 2019.

On April 2, 2020, Greenleaf Capital, LLC acquired an office building in Tampa, Florida for a purchase price of $4,000 in cash. The building is currently used as HCI's headquarters office. The transaction was accounted for as an asset acquisition.

On July 24, 2020, the Florida Department of Transportation ("FDOT") exercised the power of eminent domain under the Florida Constitution in order to acquire for a highway expansion project the Company's former HCI headquarters property in Tampa, Florida for compensation of $44,000, net of $3,500 in legal and related expenses. Under the terms of the agreement, the FDOT assumed all contracts associated with this property, including the leases with existing tenants. In addition, the Company agreed to donate a small portion of a separate tract of nearby undeveloped land it owned to the FDOT for the same expansion project. The Company will have no later than July 24, 2023 to vacate the property. In connection with this transaction, the Company recognized a gain from involuntary conversion of $36,969. The Company used a portion of the proceeds totaling $7,062 to repay its debt and accrued interest and recognized $98 of loss on debt extinguishment.

Note 10 — Intangible Assets, Net

The Company's intangible assets, net consist of the following:

	December 31,	
	2021	2020
Anchor tenant relationships (a)	$ 1,761	$ 1,761
In-place leases	4,215	4,215
Policy renewal rights—United	7,634	—
Non-compete agreement—United (b)	195	—
Total, at cost	13,805	5,976
Less: accumulated amortization	(3,169)	(2,408)
Intangible assets, net	$ 10,636	$ 3,568

The remaining weighted-average amortization periods for the intangible assets as of December 31, 2021 are summarized in the table below:

Anchor tenant relationships	12.4 years
In-place leases	9.9 years
Policy renewal rights—United	3.9 years

(a) An anchor tenant is a tenant that attracted more customers than other tenants.
(b) The entire amount was fully amortized in June 2021.

The Company recorded intangible assets of $7,829 representing the renewal rights and non-compete agreement described in Note 1 — “Nature of Operations” in exchange for 100,000 shares of HCI’s common stock and contingent consideration which is a 6% commission on any replacement premium in excess of $80,000. The contingent consideration was estimated at $2,419 which was included in other liabilities on the consolidated balance sheet as of December 31, 2021.

The renewal rights and non-compete intangible assets acquired do not meet the definition of a business as substantially all of the fair value of the intangible assets acquired are concentrated in a group of similar assets. Therefore, the Company accounted for the purchase of the renewal rights and non-compete intangible assets as an asset acquisition. Total consideration paid consisted of $5,410 worth of HCI’s common stock plus a contingent liability of $2,419.

For the years ended December 31, 2021, 2020 and 2019, amortization expense associated with intangible assets was $761, $624 and $608, respectively. Amortization expense for intangible assets after December 31, 2021 is as follows:

Year	Amount
2022	$ 2,353
2023	2,245
2024	2,242
2025	2,195
2026	297
Thereafter	1,304
Total	$10,636

Note 11 — Other Assets

The following table summarizes the Company's other assets:

	December 31,	
	2021	2020
Benefits receivable related to retrospective reinsurance contracts	$ 3,064	$10,920
Reimbursement receivable under TPA service	3,525	—
Prepaid expenses	2,853	2,365
Deposits	406	445
Lease acquisition costs, net	505	453
Other	4,364	8,428
Total other assets	$14,717	$22,611

Due to the postponement of TTIG initial public offering, costs of preparing for the offering previously deferred totaling $1,851 were expensed in other operating expenses.

Note 12 — Revolving Credit Facility

The Company has a secured revolving credit agreement ("Credit Agreement") with Fifth Third Bank that initially was to expire on December 5, 2021. On January 22, 2021, the expiry date of the Credit Agreement was extended to December 31, 2023 and new collateral specified in the amended Credit Agreement was added in lieu of the Company's former headquarters property which was sold in 2020. The Credit Agreement provides the Company with borrowing capacity of up to $65,000 and bears interest at an annual rate equal to monthly-determined LIBOR plus a margin based on the type of collateral used to secure each borrowing. The interest payment is due quarterly in arrears on January 1, April 1, July 1, and October 1. The Credit Agreement contains affirmative and negative covenants as well as customary events of default. Under the terms of the Credit Agreement, the Company must comply with certain financial and non-financial covenants and agree to pay a fee equal to the product of the unused line fee rate and the average of the daily unused available credit balances. The unused line fee rate is determined monthly based on the average daily deposit balances.

During 2021, the Company repaid a net amount of $8,750 of the revolving credit facility. For the years ended December 31, 2021, 2020 and 2019, interest expense was $189, $501 and $452, respectively, including $98, $158 and $157 of amortization of issuance costs, respectively. At December 31, 2021, the Company was in compliance with all required covenants, and there were $15,000 of borrowings outstanding.

Note 13 — Long-Term Debt

The following table summarizes the Company's long-term debt:

	December 31, 2021	December 31, 2020
4.25% Convertible Senior Notes, due March 1, 2037	$23,916	$139,200
3.90% Promissory Note, due through April 1, 2032	9,431	9,777
3.75% Callable Promissory Note, due through September 1, 2036	7,246	7,607
4.55% Promissory Note, due through August 1, 2036	5,225	5,470
Finance lease liabilities, due through October 15, 2024	31	43
Total principal amount	45,849	162,097
Less: unamortized discount and issuance costs*	(345)	(5,586)
Total long-term debt	$45,504	$156,511

* Effective January 1, 2021, the balance includes only unamortized issuance costs. See *Adoption of New Accounting Standards* in Note 2 — "Summary of Significant Accounting Policies."

The following table summarizes future maturities of long-term debt as of December 31, 2021, which takes into consideration the assumption that the 4.25% Convertible Senior Notes are repurchased at the next earliest call date as of the date of issuance of this report (see Note 29 — "Subsequent Events"):

Due in 12 months following December 31,	
2021	$ 1,009
2022	1,043
2023	1,075
2024	1,117
2025	1,163
Thereafter	40,442
Total	$ 45,849

Information with respect to interest expense related to long-term debt is as follows:

	Years Ended December 31, 2021	2020	2019
Interest Expense:			
Contractual interest	$5,384	$ 7,083	$ 8,061
Non-cash expense (a)	827	4,247	4,845
Capitalized interest (b)	—	(97)	(303)
Total	$6,211	$11,233	$12,603

(a) Includes amortization of debt discount and issuance costs. Amortization of debt discount discontinued effective January 1, 2021. See *Adoption of New Accounting Standards* in Note 2 — "Summary of Significant Accounting Policies" for additional information.
(b) Interest was capitalized for construction projects.

Convertible Senior Notes

4.25% Convertible Senior Notes

The Company has 4.25% Convertible Senior Notes that mature March 1, 2037. The cash interest is payable semiannually in arrears on March 1 and September 1 of each year.

The Convertible Senior Notes rank equally in right of payment to the Company's existing and future unsecured and unsubordinated obligations. These Convertible Senior Notes do not contain any financial or operating covenants or restrictions on the payments of dividends, the incurrence of indebtedness or the issuance or repurchase of securities by the Company or any of its subsidiaries. The Convertible Senior Notes provide no protection to the note holders in the event of a fundamental change or other corporate transaction involving the Company except those described in the indenture. These Convertible Senior Notes do not require a sinking fund to be established for the purpose of redemption.

Embedded Conversion Feature

The conversion feature of these Convertible Senior Notes is subject to conversion rate adjustments upon the occurrence of specified events (including payment of dividends above a specified amount) but will not be adjusted for any accrued and unpaid interest.

When the Company's cash dividends on common stock exceed $0.35 per share, it will result in adjustments to the conversion rate of the 4.25% Convertible Senior Notes. Accordingly, as of December 31, 2021, the conversion rate of the Company's 4.25% Convertible Senior Notes was 16.4731 shares of common stock for each $1 in principal amount, which was the equivalent of approximately $60.71 per share.

The holders of the Convertible Senior Notes may convert all or a portion of their Convertible Senior Notes during specified periods as follows: (1) during any calendar quarter commencing after the calendar quarter ending on the dates specified in the indenture, if the last reported sale price of the Company's common stock for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than 130% of the conversion price on each applicable trading day; (2) during the five business-day period after any ten consecutive trading-day period in which the trading price per $1 principal amount of the Convertible Senior Notes is less than 98% of the product of the last reported sale price and the conversion rate on each such trading day; (3) if specified corporate events, including a change in control, occur; or (4) at any time on or after the dates specified in the indenture.

The note holders who elect to convert their Convertible Senior Notes in connection with a fundamental change as described in the indentures will be entitled to a "make-whole" adjustment in the form of an increase in the conversion rate. Upon conversion, the Company has options to satisfy its conversion obligation by paying or delivering cash, shares of its common stock or a combination of cash and shares of its common stock.

The Company determined that the Convertible Senior Notes' embedded conversion feature is not a derivative financial instrument but rather is required to be separately accounted for in equity because the Company may elect to settle the conversion option entirely or partially in cash. At issuance, which was prior to the adoption of new accounting standards as described in Note 2 — "Summary of Significant Accounting Policies," the Company accounted for the equity component of the embedded conversion feature as a reduction in the carrying amount of the debt and an increase in additional paid-in capital.

As the Company's common shares traded above 130% of the conversion price for at least 20 trading days during the final 30 trading days of the second, third and fourth quarters of 2021, the 4.25% Convertible

Senior Notes are convertible by all holders beginning July 1, 2021 through March 31, 2022 in accordance with the terms specified in the indenture.

During the year ended December 31, 2021, the Company entered into various agreements with certain holders of the 4.25% Convertible Senior Notes whereby the holders converted $114,563 in aggregate principal of 4.25% Convertible Senior Notes for aggregate consideration of 1,885,104 shares of HCI's common stock and $1,895 of cash consideration. These transactions were accounted for as induced conversions based on the limited period of time the offers were open and the inclusion of cash consideration being one of the conversion options specified in the indenture. As such, the Company recognized debt conversion expense of $1,754 during the year ended December 31, 2021 consisting of the difference between the fair value of all consideration transferred and the fair value of common stock issued.

An additional $721 in aggregate principal of 4.25% Convertible Senior Notes were converted by election from holders of 4.25% Convertible Senior Notes for aggregate consideration of 11,870 shares of HCI's common stock during the year ended December 31, 2021.

Embedded Redemption Feature – Fundamental Change

The note holders have the right to require the Company to repurchase for cash all or any portion of the Convertible Senior Notes at par prior to the maturity date should any of the fundamental change events described in the indenture occur. The Company concluded that this embedded redemption feature is not a derivative financial instrument and that it is not probable at issuance that any of the specified fundamental change events will occur. Therefore, this embedded redemption feature is not substantive and will not affect the expected life of the liability component.

Embedded Redemption Feature – Put Option of the Note Holder

At the option of the holders of the Convertible Senior Notes, the Company is required to repurchase for cash all or any portion of the Convertible Senior Notes at par on March 1, 2022, March 1, 2027 or March 1, 2032. The Company concluded that this embedded feature is not a derivative financial instrument. In addition, based on economic factors at the time when the Convertible Senior Notes were issued, the Company determined it is probable that the note holders will exercise this option. Thus, the Company amortizes the liability component and related issuance costs associated with the Convertible Senior Notes over the period from March 3, 2017 to March 1, 2022. As of December 31, 2021, the remaining amortization period of the debt issuance costs was expected to be 2 months. See Note 29 — "Subsequent Events."

The remaining principal amount outstanding of the 4.25% Convertible Senior Notes at December 31, 2021 and 2020 was $23,916 and $139,200, respectively. At December 31, 2021 and 2020 the unamortized discount on the 4.25% Convertible Senior Notes was $0 and $4,083, respectively. The net carrying value before issuance costs of the liability component of the 4.25% Convertible Senior Notes was $23,916 and $135,117 at December 31, 2021 and 2020, respectively. At December 31, 2021 and 2020 the equity component of the embedded conversion feature net of offering costs of the 4.25% Convertible Senior Notes was $0 and $15,151, respectively.

Promissory Notes

3.90% Promissory Note

On February 28, 2020, the Company entered into a loan agreement with American Equity Investment Life Insurance Company for gross proceeds of $10,000. The agreement bears interest at a fixed rate of 3.90% and

is secured by the Company's shopping center property in Melbourne, Florida and the assignment of associated lease agreements. Approximately $60 of principal and interest is payable in 143 monthly installments beginning April 1, 2020 plus a final balloon payment of $5,007 including principal and unpaid interest payable on March 1, 2032. The promissory note may be repaid in full at any time as long as the Company provides at least 60 days' written notice and pays a prepayment premium and processing fee. The proceeds were primarily used to repay the 3.95% Promissory Note due in February 2020.

On March 19, 2020, the loan agreement was modified to revise the due dates for the first and last installments to May 1, 2020 and April 1, 2032, respectively, while other terms and conditions remain intact.

3.75% Callable Promissory Note

The loan bears interest at a fixed annual rate of 3.75% and is collateralized by a retail shopping center in Sorrento, Florida and the lease agreements associated with this property. Approximately $53 of principal and interest is payable in 240 monthly installments. The promissory note may be repaid in full as long as the Company provides at least 60 days' written notice and pays a prepayment premium as specified in the loan agreement. In addition, the lender may require full payment of the outstanding principal and unpaid interest on September 1, 2031 provided a written notice of its intention to call the note is given at least six months in advance.

4.55% Promissory Note

The loan agreement is secured by commercial real estate in Tampa, Florida and an associated lease agreement. The loan bears interest at a fixed annual rate of 4.55%. Approximately $41 of principal and interest is payable in 216 monthly installments. The promissory note may be repaid in full or in part after September 1, 2020 as long as the Company provides at least 30 days' written notice and pays a prepayment consideration as specified in the loan agreement.

Note 14 — Reinsurance

Reinsurance obtained from other insurance companies

The Company cedes a portion of its homeowners' insurance exposure to other entities under catastrophe excess of loss reinsurance contracts and one quota share reinsurance agreement. Ceded premiums under most catastrophe excess of loss reinsurance contracts are subject to revision resulting from subsequent adjustments in total insured value. Under the terms of the quota share reinsurance agreement, the Company is entitled to a 30% ceding commission on ceded premiums written. The reinsurance premiums under one flood catastrophe excess of loss reinsurance contract are generally determined on a quarterly basis based on the premiums associated with the applicable flood total insured value in force on the last day of the preceding quarter.

The Company remains liable for claims payments in the event that any reinsurer is unable to meet its obligations under the reinsurance agreements. Failure of reinsurers to honor their obligations could result in losses to the Company. The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies. The Company contracts with a number of reinsurers to secure its annual reinsurance coverage, which generally becomes effective June 1st of each year. The Company purchases reinsurance each year taking into consideration probable maximum losses and reinsurance market conditions.

The impact of the reinsurance treaties on premiums written and earned is as follows:

	Years Ended December 31,		
	2021	2020	2019
Premiums Written:			
Direct	$ 545,441	$ 459,615	$ 360,525
Assumed	128,948	44,539	4,430
Gross written	674,389	504,154	364,955
Ceded	(199,741)	(153,458)	(125,765)
Net premiums written	$ 474,648	$ 350,696	$ 239,190
Premiums Earned:			
Direct	$ 478,546	$ 412,999	$ 340,656
Assumed	98,498	2,919	1,423
Gross earned	577,044	415,918	342,079
Ceded	(199,741)	(153,458)	(125,765)
Net premiums earned	$ 377,303	$ 262,460	$ 216,314

During the years ended December 31, 2021, 2020, and 2019, ceded losses of $40,432, $9,413, and $114,443, respectively, were recognized as reductions in losses and LAE. Ceded losses related to Hurricane Irma, Hurricane Sally, and other non-catastrophe claims were $32,144, $4,434, and $3,854, respectively, for 2021. For 2020, ceded losses related to Hurricane Irma, Hurricane Michael, Hurricane Sally, and other non-catastrophe claims were $362, $4,000, $88, and $4,963, respectively. Ceded losses related to Hurricane Irma, Hurricane Michael, and other non-catastrophe claims were $103,613, $10,750, and $80, respectively, for 2019. At December 31, 2021 and 2020, there were 55 and 38 reinsurers, respectively, participating in the Company's reinsurance program. Total gross amounts recoverable and receivable from reinsurers at December 31, 2021 and 2020 were $76,650 and $85,146, respectively. Approximately 70.5% of the reinsurance recoverable balance at December 31, 2021 was receivable from three reinsurers, one of which was the Florida Hurricane Catastrophe Fund, a tax-exempt state trust fund. Based on all available information considered in the rating-based method described in Note 2 — "Summary of Significant Accounting Policies," the Company recognized an increase in credit loss expense of $5 for the year ended December 31, 2021. Allowances for credit losses related to the reinsurance recoverable balance were $90 and $85 at December 31, 2021 and 2020, respectively.

The Company has reinsurance contracts that include retrospective provisions that adjust premiums in the event losses are minimal or zero. For the years ended December 31, 2021, 2020 and 2019, the Company recognized reductions in ceded premiums of $10,864, $15,120 and $6,778, respectively.

Amounts receivable pursuant to retrospective provisions are reflected in other assets. At December 31, 2021 and 2020, other assets included $3,064 and $10,920, respectively. In June 2021, the Company received $18,720 of premium refund under the retrospective reinsurance contract that ended May 31, 2021. Management believes the credit risk associated with the collectability of these accrued benefits is minimal as the amount receivable is concentrated with two reinsurers and the Company monitors the creditworthiness of these reinsurers based on available information about each reinsurer's financial condition.

Reinsurance provided to other insurance companies

As previously described in Note 1 — “Nature of Operations” under *Assumed Business*, the Company began providing quota share reinsurance on all in-force, new and renewal policies issued by United in certain states. For the years ended December 31, 2021 and 2020, assumed premiums written related to the Northeast Region’s insurance policies were $93,607 and $44,600, respectively. At December 31, 2021, the Company had a net balance of $4,486 due to United related to the Northeast Region, consisting of ceding commission payable of $535 and payable on paid losses and loss adjustment expenses of $4,017, offset by premiums receivable of $66. At December 31, 2021 the balance of funds withheld for assumed business related to the Company’s quota share reinsurance agreements with United was $73,716.

Effective December 31, 2021, the Company entered into a separate agreement to provide 85% quota share reinsurance on United’s personal lines insurance policies in the states of Georgia, South Carolina and North Carolina. Written premiums assumed on that date related to the Southeast Region totaled $35,341. At December 31, 2021, there was an amount receivable from United of $23,325, net of a ceding commission of $8,835 and a catastrophe cost allowance of $3,181. This amount receivable from United is included within premiums receivable, net on the consolidated balance sheet.

The ratio of assumed premiums earned to net premiums earned for the years ended December 31, 2021, 2020 and 2019 was 26.11%, 1.11%, and 0.66%, respectively.

Note 15 — Losses and Loss Adjustment Expenses

The Company establishes reserves for the estimated total unpaid costs of losses including LAE. Loss and LAE reserves reflect management’s best estimate of the total cost of (i) claims that have been incurred, but not yet paid in full, and (ii) claims that have been incurred but not yet reported to the Company (“IBNR”). Reserves established by management represent an estimate of the outcome of future events and, as such, cannot be considered an exact calculation of our liability. Rather, loss and LAE reserves represent management’s best estimate of the Company’s liability based on the application of actuarial techniques and other projection methodologies and taking into consideration other facts and circumstances known at the balance sheet date. The process of establishing loss and LAE reserves is complex and inherently imprecise, as it involves the estimation of the outcome of future uncertain events. The impact of both internal and external variables on ultimate losses and LAE costs is difficult to estimate. In determining loss and LAE reserves, the Company gives careful consideration to all available data and actuarial analyses.

When a claim is reported to the Company, the claims personnel establish a “case reserve” for the estimated amount of the ultimate amount payable to settle the claim. This estimate reflects an informed judgment based upon general insurance reserving practices and on the experience and knowledge of the claims adjuster. The individual estimating the reserve considers the nature and value of the specific claim, the severity of injury or damage, location, and the policy provisions relating to the type of loss. Case reserves are adjusted as more information becomes available. It is the Company’s policy to settle each claim as expeditiously as possible.

Reserves are closely monitored and are recalculated periodically using the most recent information on reported claims and a variety of actuarial techniques. Specifically, claims management personnel complete weekly and ongoing reviews of existing case reserves, new claims, changes to existing case reserves, and paid losses with respect to the current and prior years. As the Company continues to expand historical data regarding paid and incurred losses, the data is used to develop expected ultimate loss and LAE ratios, then these expected loss and LAE ratios are applied to earned premium to derive a reserve level for each line of business. In

connection with the determination of these reserves, other specific factors such as recent weather-related losses, trends in historical reported and paid losses, and litigation and judicial trends regarding liability will also be considered. Therefore, the loss ratio method, among other methods, is used to project an ultimate loss expectation, and then the related loss history must be regularly evaluated and loss expectations updated, with the possibility of variability from the initial estimate of ultimate losses.

The Company maintains IBNR reserves to provide for claims that have been incurred but have not been reported and subsequent development on reported claims. The IBNR reserve is determined by estimating the Company's ultimate net liability for both reported and unreported claims and then subtracting the case reserves and payments made to date for reported claims.

Loss and LAE Reserve Estimation Methods. The Company applies the following general methods in projecting reserves for losses and LAE:

- Reported loss development;
- Paid loss development;
- Paid Bornhuetter-Ferguson method;
- Reported Experience-Modified Bornhuetter-Ferguson method;
- Paid Experience-Modified Bornhuetter-Ferguson method;
- Loss ratio method;
- Several variations of the Frequency-Severity method, depending on exposure; and
- A factor load to loss and allocated LAE reserves for the unallocated LAE.

Selected reserves are based on a review of the indications from these methods as well as other considerations such as emergence since the most recent evaluation and number of open claims for a given accident period.

Currently, the estimated ultimate liability is calculated using the principles and procedures described above, which are applied to the lines of business written. However, because the establishment of loss and LAE reserves is an inherently uncertain process, ultimate losses and LAE may exceed the established loss and LAE reserves and have a material, adverse effect on our results of operations and financial condition. Changes in estimates, or differences between estimates and amounts ultimately paid, are reflected in the operating results of the period during which such adjustments are made.

The Company's reported results, financial position and liquidity would be affected by likely changes in key assumptions that determine the net loss reserves. However, it is believed that a reasonably likely increase or decrease in the severity of claims could impact our net loss reserves.

Activity in the liability for losses and LAE is summarized as follows:

	Years Ended December 31,		
	2021	**2020**	**2019**
Net balance, beginning of year*	$ 141,065	$ 98,174	$ 94,826
Incurred, net of reinsurance, related to:			
Current year	199,888	158,236	96,955
Prior years	27,637	1,800	10,559
Total incurred, net of reinsurance	227,525	160,036	107,514
Paid, net of reinsurance, related to:			
Current year	(95,809)	(71,772)	(48,456)
Prior years	(100,371)	(45,373)	(55,710)
Total paid, net of reinsurance	(196,180)	(117,145)	(104,166)
Net balance, end of year	172,410	141,065	98,174
Add: reinsurance recoverable before allowance for credit losses	64,755	71,104	116,523
Gross balance, end of year	$ 237,165	$ 212,169	$ 214,697

* Net balance represents beginning-of-period liability for unpaid losses and LAE less beginning-of-period reinsurance recoverable for unpaid losses and LAE.

The establishment of loss and LAE reserves is an inherently uncertain process and changes in loss and LAE reserve estimates are expected as these estimates are subject to the outcome of future events. Changes in estimates, or differences between estimates and amounts ultimately paid, are reflected in the operating results of the period during which such adjustments are adjusted. During the year ended December 31, 2021, the Company recognized losses related to prior years of $27,637 primarily to increase the reserve for the 2020 loss year resulting from increased litigation with regards to Hurricane Sally and Tropical Storm Eta. Losses and LAE for the 2021 loss year included estimated losses of $45,578, net of reinsurance, related to policies assumed from United, approximately $14,135 of which pertained to TypTap.

The following is information about incurred and paid claims development as of December 31, 2021, net of reinsurance, as well as cumulative claim frequency and the total of incurred-but-not-reported liabilities plus expected development on reported claims included within the net incurred claims amounts. The information about incurred and paid claims development for the years ended December 31, 2015 to 2012 is presented as supplementary information and is unaudited.

Homeowners Multi-peril and Dwelling Fire Insurance (a)

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance For the Years Ended December 31,										As of December 31, 2021	
Year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total of IBNR Plus Expected Development Reported Claims**	**Cumulative Number of Reported Claims (Not in Dollar Amounts)(b)**
2012	$66,425	$62,742	$64,083	$66,505	$67,058	$ 66,465	$ 67,220	$ 67,469	$ 67,869	$ 67,869	$ 161	6,620
2013	—	67,579	69,932	69,906	72,015	71,604	73,763	74,043	74,543	74,543	116	7,009
2014	—	—	75,810	81,773	84,917	88,053	90,084	92,454	92,945	93,181	—	7,661
2015	—	—	—	78,017	90,902	96,173	101,272	102,149	102,587	103,135	—	7,665
2016	—	—	—	—	81,446	90,879	92,684	92,986	92,752	92,333	9	6,935
2017	—	—	—	—	—	91,443	88,937	89,652	90,958	90,877	3,353	5,771
2018	—	—	—	—	—	—	79,436	83,976	83,123	83,234	5,594	4,769
2019	—	—	—	—	—	—	—	95,467	94,018	96,821	11,951	5,391
2020	—	—	—	—	—	—	—	—	126,086	133,349	15,467	8,157
2021	—	—	—	—	—	—	—	—	—	187,164	84,138	7,919
								Total		$1,022,506		

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance For the Years Ended December 31,									
Year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
2012	$36,914	$53,225	$59,041	$62,836	$64,667	$ 65,903	$ 67,059	$ 67,203	$ 67,430	$ 67,688
2013	—	40,240	57,374	64,257	68,106	70,224	72,492	73,420	73,986	74,260
2014	—	—	47,650	68,897	77,712	82,463	87,125	90,707	92,264	92,924
2015	—	—	—	50,939	76,042	87,784	95,179	99,200	101,424	102,486
2016	—	—	—	—	51,663	73,037	83,311	89,144	90,989	92,001
2017	—	—	—	—	—	43,039	66,996	78,808	83,383	86,364
2018	—	—	—	—	—	—	41,014	63,958	71,809	76,311
2019	—	—	—	—	—	—	—	47,471	70,182	81,941
2020	—	—	—	—	—	—	—	—	56,173	108,388
2021	—	—	—	—	—	—	—	—	—	85,895
								Total		$ 868,258
	All outstanding liabilities before 2012, net of reinsurance									899
	Liabilities for loss and LAE, net of reinsurance									$ 155,147

(a) Excludes losses from Wind-only insurance (2012 through 2021) and any hurricane and storm events prior to 2021.

(b) The cumulative number of reported claims is measured as the number of per-policyholder, per-event claims for all coverages regardless of whether the claim results in loss or expense to the Company.

*Homeowners Wind-only Insurance (a) **

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance For the Years Ended December 31,										As of December 31, 2021	
Year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total of IBNR Plus Expected Development Reported Claims**	**Cumulative Number of Reported Claims (Not in Dollar Amounts)(b)**
2015	$—	$—	$—	$308	$ 401	$ 569	$ 692	$ 605	$ 582	$ 582	$—	100
2016	—	—	—	—	1,005	1,314	1,814	1,853	1,837	2,255	406	228
2017	—	—	—	—	—	1,529	1,119	815	792	923	132	156
2018	—	—	—	—	—	—	798	708	1,061	1,109	194	136
2019	—	—	—	—	—	—	—	1,132	1,501	1,833	324	152
2020	—	—	—	—	—	—	—	—	1,621	1,970	347	248
2021	—	—	—	—	—	—	—	—	—	682	119	1,057
									Total	$ 9,354		

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance For the Years Ended December 31,									
Year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
2015	$—	$—	$—	$156	$ 332	$ 465	$ 582	$ 582	$ 582	$ 582
2016	—	—	—	—	689	1,155	1,405	1,772	1,821	1,843
2017	—	—	—	—	—	484	786	789	792	792
2018	—	—	—	—	—	—	216	607	745	899
2019	—	—	—	—	—	—	—	828	1,290	1,451
2020	—	—	—	—	—	—	—	—	567	1,461
2021	—	—	—	—	—	—	—	—	—	415
									Total	$ 7,443
					Liabilities for loss and LAE, net of reinsurance					$ 1,911

* The Company began writing Homeowners Wind-only insurance in 2015.

(a) Excludes losses from multi-peril and dwelling fire insurance (2012 through 2021) and any hurricane and storm events prior to 2021.

(b) The cumulative number of reported claims is measured as the number of per-policyholder, per-event claims for all coverages regardless of whether the claim results in loss or expense to the Company.

Losses Specific to Any Hurricane and Storm Events prior to 2021

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance For the Years Ended December 31,										As of December 31, 2021	
Year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total of IBNR Plus Expected Development Reported Claims**	**Cumulative Number of Reported Claims (Not in Dollar Amounts)(b)**
2016	$—	$—	$—	$—	$21,414	$24,126	$26,211	$28,133	$27,634	$ 27,634	$727	2,420
2017	—	—	—	—	—	53,602	54,080	53,557	53,624	53,628	412	21,772
2018	—	—	—	—	—	—	16,543	16,532	16,532	16,532	55	1,717
2019	—	—	—	—	—	—	—	—	—	—	—	144
2020	—	—	—	—	—	—	—	—	30,264	46,284	—	3,199
2021	—	—	—	—	—	—	—	—	—	52	—	64
								Total		$ 144,130		

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance For the Years Ended December 31,									
Year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
2016	$—	$—	$—	$—	$12,227	$20,025	$23,316	$25,849	$26,098	$ 26,807
2017	—	—	—	—	—	43,905	47,514	47,524	49,425	53,216
2018	—	—	—	—	—	—	13,391	15,992	16,436	16,477
2019	—	—	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—	14,964	34,771
2021	—	—	—	—	—	—	—	—	—	50
								Total		$ 131,321
					Liabilities for loss and LAE, net of reinsurance					$ 12,809

(b) The cumulative number of reported claims is measured as the number of per-policyholder, per-event claims for all coverages regardless of whether the claim results in loss or expense to the Company.

Losses Specific to Hurricane and Storm Events during 2021

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance For the Years Ended December 31,										As of December 31, 2021	
Year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total of IBNR Plus Expected Development Reported Claims**	**Cumulative Number of Reported Claims (Not in Dollar Amounts)(b)**
2021	$—	$—	$—	$—	$—	$—	$—	$—	$—	$ 11,636	$1,535	1,269
									Total	$ 11,636		

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance For the Years Ended December 31,									
Year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
2021	$—	$—	$—	$—	$—	$—	$—	$—	$—	$ 9,273
								Total		$ 9,273
				Liabilities for loss and LAE, net of reinsurance						$ 2,363

(b) The cumulative number of reported claims is measured as the number of per-policyholder, per-event claims for all coverages regardless of whether the claim results in loss or expense to the Company.

The reconciliation of the net incurred and paid loss development tables to the liability for losses and loss adjustment expenses is as follows:

	December 31, 2021	December 31, 2020
Net outstanding liabilities		
Homeowners multi-peril and dwelling fire insurance	$ 155,147	$ 123,738
Homeowners Wind-only insurance	1,911	2,086
Losses specific to any hurricane and storm events prior to 2021	12,809	14,261
Losses specific to hurricane and storm events during 2021	2,363	—
Other short-duration insurance lines	180	980
Liabilities for unpaid losses and loss adjustment expenses, net of reinsurance	172,410	141,065
Reinsurance recoverables	64,755	71,104
Total gross liability for unpaid losses and loss adjustment expenses	$ 237,165	$ 212,169

The following is supplementary and unaudited information about average historical claims duration as of December 31, 2021:

Average Annual Percentage Payout of Incurred Losses by Age, Net of Reinsurance Years	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
Homeowners multi-peril and dwelling fire insurance	49.0%	21.8%	7.3%	0.5%	1.7%	1.0%	0.1%	0.0%	0.0%	0.0%
Homeowners Wind-only insurance	35.9%	28.8%	7.3%	6.9%	0.5%	0.2%	0.0%	*	*	*
Other short-duration insurance lines	59.0%	30.3%	2.5%	0.0%	0.0%	0.0%	—	—	—	—
Losses specific to any hurricane and storm events prior to 2021	58.1%	24.0%	2.6%	3.1%	2.8%	0.5%	—	—	—	—
Losses specific to hurricane and storm events during 2021	79.7%	—	—	—	—	—	—	—	—	—

* The Company began writing Homeowners Wind-only insurance in 2015.

Note 16 — Segment Information

The Company identifies its operating divisions based on managerial emphasis, organizational structure and revenue source. In the first quarter of 2021, the Company reorganized its operations to focus on specific business segments, resulting in the creation of TTIG with a separate workforce, board of directors and financial reporting structure. Companies under TTIG include TypTap, TypTap Management Company, Exzeo USA, Inc., and Cypress Tech Development Company, Inc., the parent company of an India company, Exzeo Software Private Limited. TTIG and its subsidiaries are considered a new reporting segment known as TypTap Group. The Company now has four reportable segments: HCPCI insurance operations, TypTap Group, real estate operations, and corporate and other. Due to their economic characteristics, the Company's property and casualty insurance division and reinsurance operations, excluding the insurance operations under TypTap Group, are grouped together into one reportable segment under HCPCI insurance operations. The TypTap Group segment includes its property and casualty insurance operations, information technology operations and its management company's activities. The real estate operations segment includes companies engaged in operating commercial properties the Company owns for investment purposes or for use in its own operations. The corporate and other segment represents the activities of the holding companies and any other companies that do not meet the quantitative and qualitative thresholds for a reportable segment. The determination of segments may change over time due to changes in operational emphasis, revenues, and results of operations. The Company's chief executive officer, who serves as the Company's chief operating decision maker, evaluates each division's financial and operating performance based on revenue and operating income.

For the years ended December 31, 2021, 2020 and 2019, revenues from the HCPCI insurance operations segment before intracompany elimination represented 74.6%, 73.4% and 89.4%, respectively, and revenues from the TypTap Group segment represented 22.7%, 15.5%, and 6.3%, respectively, of total revenues of all operating segments. At December 31, 2021 and 2020, HCPCI insurance operations' total assets represented 58.7% and 68.9%, respectively, and TypTap Group's total assets represented 29.3% and 16.7%, respectively, of the combined assets of all operating segments. See Note 1 — "Nature of Operations" for a description of the Company's operations. The following tables present segment information reconciled to the Company's

consolidated statements of income. Intersegment transactions are not eliminated from segment results. However, intracompany transactions are eliminated in segment results below.

For the Year Ended December 31, 2021	HCPCI Insurance Operations	TypTap Group	Real Estate(a)	Corporate/ Other(b)	Reclassification/ Elimination	Consolidated
Revenue:						
Gross premiums earned(c)	$ 404,362	$175,907	$ —	$ —	$ (3,225)	$ 577,044
Premiums ceded	(140,902)	(61,534)	—	—	2,695	(199,741)
Net premiums earned	263,460	114,373	—	—	(530)	377,303
Net income from investment portfolio	8,130	1,306	—	6,613	4,121	20,170
Policy fee income	2,794	1,201	—	—	—	3,995
Other	6,356	1,606	12,226	1,794	(15,535)	6,447
Total revenue	280,740	118,486	12,226	8,407	(11,944)	407,915
Expenses:						
Losses and loss adjustment expenses	147,198	80,863	—	—	(536)	227,525
Amortization of deferred policy acquisition costs	56,470	30,493	—	—	—	86,963
Other policy acquisition expenses	2,851	4,100	—	—	—	6,951
Interest expense	—	113	1,202	5,467	(382)	6,400
Depreciation and amortization	86	1,336	2,319	884	(2,441)	2,184
Debt conversion expense	—	—	—	1,754	—	1,754
Personnel and other operating expenses	24,200	31,737	4,424	13,129	(8,585)	64,905
Total expenses	230,805	148,642	7,945	21,234	(11,944)	396,682
Income (loss) before income taxes	$ 49,935	$ (30,156)	$ 4,281	$ (12,827)	$ —	$ 11,233
Total revenue from non-affiliates(d)	$ 277,333	$119,703	$ 10,872	$ 7,406		
Gross premiums written	$ 426,910	$247,479				

(a) Other revenue under real estate primarily consisted of rental income from investment properties.
(b) Other revenue under corporate and other primarily consisted of revenue from marina business.
(c) Gross premiums earned consist of $401,137 from HCPCI and $3,225 from a reinsurance company.
(d) Represents amounts before reclassification of certain revenue and expenses to conform with an insurance company's presentation.

For the Year Ended December 31, 2020	HCPCI Insurance Operations	TypTap Group	Real Estate(a)	Corporate/ Other(b)	Reclassification/ Elimination	Consolidated
Revenue:						
Gross premiums earned(c)	$ 342,764	$ 78,836	$ —	$ —	$ (5,682)	$ 415,918
Premiums ceded	(130,318)	(28,822)	—	—	5,682	(153,458)
Net premiums earned	212,446	50,014	—	—	—	262,460
Net income from investment portfolio	6,423	793	3	15	(1,602)	5,632
Policy fee income	2,702	820	—	—	—	3,522
Gain on involuntary conversion	—	—	36,969	—	—	36,969
Other	1,768	100	9,502	1,948	(11,464)	1,854
Total revenue	223,339	51,727	46,474	1,963	(13,066)	310,437
Expenses:						
Losses and loss adjustment expenses	125,977	34,059	—	—	—	160,036
Amortization of deferred policy acquisition costs	35,410	13,715	—	—	—	49,125
Other policy acquisition expenses	3,496	1,865	—	—	—	5,361
Interest expense	—	2	1,947	10,709	(924)	11,734
Depreciation and amortization	85	1,102	2,526	634	(2,494)	1,853
Loss on repurchases of convertible senior notes	—	—	—	150	—	150
Loss on extinguishment of debt	—	—	98	—	—	98
Personnel and other operating expenses	19,423	17,445	5,388	12,544	(9,648)	45,152
Total expenses	184,391	68,188	9,959	24,037	(13,066)	273,509
Income (loss) before income taxes	$ 38,948	$ (16,461)	$ 36,515	$ (22,074)	$ —	$ 36,928
Total revenue from non-affiliates(d)	$ 221,633	$ 52,807	$ 44,709	$ 640		
Gross premiums written	$ 399,299	$104,855				

(a) Other revenue under real estate primarily consisted of rental income from investment properties.
(b) Other revenue under corporate and other primarily consisted of revenue from restaurant and marina businesses.
(c) Gross premiums earned consist of $337,082 from HCPCI and $5,682 from a reinsurance company.
(d) Represents amounts before reclassification of certain revenue and expenses to conform with an insurance company's presentation.

For the Year Ended December 31, 2019	HCPCI Insurance Operations	TypTap Group	Real Estate(a)	Corporate/ Other(b)	Reclassification/ Elimination	Consolidated
Revenue:						
Gross premiums earned	$ 311,175	$ 30,904	$ —	$ —	$ —	$ 342,079
Premiums ceded	(114,689)	(11,076)	—	—	—	(125,765)
Net premiums earned	196,486	19,828	—	—	—	216,314
Net income from investment portfolio	17,336	1,537	1	3,112	(937)	21,049
Policy fee income	2,805	424	—	—	—	3,229
Other	1,549	40	9,366	4,829	(13,902)	1,882
Total revenue	218,176	21,829	9,367	7,941	(14,839)	242,474
Expenses:						
Losses and loss adjustment expenses	99,009	8,505	—	—	—	107,514
Amortization of deferred policy acquisition costs	31,871	5,275	—	—	—	37,146
Other policy acquisition expenses	4,363	1,621	—	—	—	5,984
Interest expense	—	2	1,653	12,043	(643)	13,055
Depreciation and amortization	90	676	2,542	633	(2,391)	1,550
Personnel and other operating expenses	18,884	14,241	5,168	14,644	(11,805)	41,132
Total expenses	154,217	30,320	9,363	27,320	(14,839)	206,381
Income (loss) before income taxes	$ 63,959	$ (8,491)	$ 4	$ (19,379)	$ —	$ 36,093
Total revenue from non-affiliates(c)	$ 217,543	$ 21,829	$ 7,738	$ 6,901		
Gross premiums written	$ 304,683	$ 60,272				

(a) Other revenue under real estate primarily consisted of rental income from investment properties.
(b) Other revenue under corporate and other primarily consisted of revenue from restaurant and marina businesses.
(c) Represents amounts before reclassification of certain revenue and expenses to conform with an insurance company's presentation.

The following table presents segment assets reconciled to the Company's total assets on the consolidated balance sheets:

	December 31, 2021	December 31, 2020
Segments:		
HCPCI Insurance Operations	$ 676,509	$648,600
TypTap Group	369,600	157,581
Real Estate Operations	127,651	128,383
Corporate and Other	65,349	29,022
Consolidation and Elimination	(62,252)	(22,273)
Total assets	$1,176,857	$941,313

Note 17 — Leases

The table below summarizes the Company's ROU assets and corresponding liabilities for operating and finance leases:

	December 31	
	2021	2020
Operating leases:		
ROU assets	$ 2,204	$ 4,002
Liabilities	$ 2,203	$ 4,014
Finance leases:		
ROU assets	$ 86	$ 79
Liabilities	$ 31	$ 43

The following table summarizes the Company's operating and finance leases in which the Company is a lessee:

Class of Assets	Initial Term	Renewal Option	Other Terms and Conditions
Operating lease:			
Office equipment	1 to 63 months	Yes	(a), (b)
Office space	3 to 10 years	Yes	(b), (c)
Finance lease:			
Office equipment	3 to 5 years	Not applicable	(d)

(a) At the end of the lease term, the Company can purchase the equipment at fair market value.
(b) There are no variable lease payments.
(c) Rent escalation provisions exist.
(d) There is a bargain purchase option.

As of December 31, 2021, maturities of lease liabilities were as follows:

	Leases	
	Operating	Finance
Due in Year 2022	$ 1,422	$ 19
2023	821	11
2024	—	2
Total lease payments	2,243	32
Less: interest and foreign taxes	40	1
Total lease obligations	$ 2,203	$ 31

The following table provides quantitative information with regards to the Company's operating and finance leases:

	Years Ended December 31, 2021	Years Ended December 31, 2020
Lease costs:		
Finance lease costs:		
Amortization – ROU assets*	$ 19	$ 18
Interest expense	1	2
Operating lease costs*	1,622	1,123
Short-term lease costs*	348	167
Total lease costs	$ 1,990	$ 1,310
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows – finance leases	$ 1	$ 2
Operating cash flows – operating leases	$ 1,626	$ 1,132
Financing cash flows – finance leases	$ 19	$ 17

	December 31, 2021
Weighted-average remaining lease term:	
Finance leases (in years)	2.9
Operating leases (in years)	2.5
Weighted-average discount rate:	
Finance leases (%)	3.5%
Operating leases (%)	2.8%

* Included in other operating expenses on the consolidated statements of income.

The following table summarizes the Company's operating leases in which the Company is a lessor:

Class of Assets	Initial Term	Renewal Option	Other Terms and Conditions
Operating lease:			
Office space	1 to 3 years	Yes	(e)
Retail space	3 to 20 years	Yes	(e)
Boat docks/wet slips	1 to 12 months	Yes	(e)

(e) There are no purchase options.

Note 18 — Income Taxes

A summary of income tax expense is as follows:

	Years Ended December 31,		
	2021	**2020**	**2019**
Current:			
Federal	$2,332	$1,089	$6,177
State	415	30	1,362
Foreign	102	106	107
Total current taxes	2,849	1,225	7,646
Deferred:			
Federal	489	6,694	1,586
State	653	1,436	287
Foreign	—	(7)	(2)
Total deferred taxes	1,142	8,123	1,871
Income tax expense	$3,991	$9,348	$9,517

The reasons for the differences between the statutory federal income tax rate and the effective tax rate are summarized as follows:

	Years Ended December 31,					
	2021		2020		2019	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Income taxes at statutory rate	$ 2,359	21.0	$ 7,755	21.0	$ 7,579	21.0
Increase (decrease) in income taxes resulting from:						
State income taxes, net of federal tax benefits	402	3.6	1,364	3.7	1,362	3.8
Effects of tax rate changes	437	3.9	—	—	(37)	—
Stock-based compensation	(298)	(2.7)	(296)	(0.8)	(159)	(0.4)
Non-deductible executive compensation	1,008	9.0	757	2.0	685	1.9
Other	83	0.7	(232)	(0.6)	87	0.1
Income tax expense	$ 3,991	35.5	$ 9,348	25.3	$ 9,517	26.4

The Company has no uncertain tax positions or unrecognized tax benefits that, if recognized, would impact the effective income tax rates for the years ended December 31, 2021, 2020, and 2019. The tax returns filed for the years ending December 31, 2020, 2019, and 2018 remain subject to examination by the Company's major taxing jurisdictions. The Company elected to classify interest and penalties, if any, arising from uncertain tax positions as income tax expense as permitted by current accounting standards. There have been no material amounts of interest or penalties for the years ended December 31, 2021, 2020 and 2019.

For the years ended December 31, 2021, 2020 and 2019, the Company recorded income taxes of $3,991, $9,348 and $9,517, respectively, resulting in effective tax rates of 35.5%, 25.3% and 26.4%, respectively. The increase in the effective tax rate in 2021 as compared with 2020 was primarily attributable to an increase in non-deductible compensation expense related to restricted stock and stock options granted to certain executives and an increase in deferred tax expense due to the increased Florida corporate tax rate effective January 1, 2022.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of the Company's net deferred income tax liabilities are as follows:

	December 31,	
	2021	2020
Deferred tax assets:		
Unearned premiums	$ 14,174	$ 9,687
Losses and loss adjustment expenses	2,591	2,902
Stock-based compensation	1,660	1,084
Prepaid expenses	658	—
Unearned revenue	237	335
Basis difference related to convertible senior notes	169	—
Accrued expenses	110	146
Credit losses	151	120
Organizational costs	102	76
Bad debt reserve	56	52
Total deferred tax assets	19,908	14,402
Deferred tax liabilities:		
Gain on involuntary conversion	(9,202)	(9,066)
Deferred policy acquisition costs	(15,089)	(9,459)
Intangible assets	(2,450)	(2,226)
Basis difference related to partnership investments	(1,313)	(1,578)
Prepaid expenses	—	(454)
Net unrealized investment gains	(1,539)	(1,507)
Property and equipment	(1,511)	(1,262)
Basis difference related to convertible senior notes	—	(242)
Other	(543)	(533)
Total deferred tax liabilities	(31,647)	(26,327)
Net deferred tax liabilities	$(11,739)	$(11,925)

A valuation allowance is established if, based upon the relevant facts and circumstances, management believes any portion of the deferred tax assets will not be realized. Although realization of deferred income tax assets is not certain, management believes it is more likely than not that deferred tax assets will be realized. Thus, the Company did not have a valuation allowance established as of December 31, 2021 or 2020.

Note 19 — Earnings Per Share

U.S. GAAP requires the Company to use the two-class method in computing basic earnings (loss) per share since holders of the Company's restricted stock have the right to share in dividends, if declared, equally with common stockholders. These participating securities affect the computation of both basic and diluted earnings (loss) per share during periods of net income (loss). For a majority-owned subsidiary, its basic and diluted earnings per share are first computed separately. Then, the Company's proportionate share in that majority-owned subsidiary's earnings is added to the computation of both basic and diluted earnings per share at a consolidated level.

A summary of the numerator and denominator of the basic and diluted earnings per common share is presented below:

	Income (Numerator)	Shares (a) (Denominator)	Per Share Amount
Year Ended December 31, 2021			
Net income	$ 7,242		
Less: Net income attributable to redeemable noncontrolling interest	(7,399)		
Less: TypTap Group's net loss attributable to non-HCI common stockholders and TypTap Group's participating securities	2,013		
Net income attributable to HCI	1,856		
Less: Income attributable to participating securities	(24)		
Basic Earnings Per Share:			
Income allocated to common stockholders	1,832	8,092	$ 0.23
Effect of Dilutive Securities:*			
Stock options	—	207	
Warrants	—	281	
Diluted Earnings Per Share:			
Income available to common stockholders and assumed conversions	$ 1,832	8,580	$ 0.21

(a) Shares in thousands.
(b) See *Adoption of New Accounting Standards* under Note 2 — "Summary of Significant Accounting Policies" for additional information.
* Convertible senior notes were excluded due to antidilutive effect.

	Income (Numerator)	Shares (a) (Denominator)	Per Share Amount
Year Ended December 31, 2020			
Net income	$ 27,580		
Less: Income attributable to participating securities	(1,462)		
Basic Earnings Per Share:			
Income allocated to common stockholders	26,118	7,351	$3.55
Effect of Dilutive Securities:			
Stock options	—	23	
Convertible senior notes	7,705	2,320	
Diluted Earnings Per Share:			
Income available to common stockholders and assumed conversions	$ 33,823	9,694	$ 3.49

(a) Shares in thousands.

	Income (Numerator)	Shares (a) (Denominator)	Per Share Amount
Year Ended December 31, 2019			
Net income	$ 26,576		
Less: Income attributable to participating securities	(1,448)		
Basic Earnings Per Share:			
Income allocated to common stockholders	25,128	7,580	$ 3.32
Effect of Dilutive Securities:			
Stock options	—	12	
Convertible senior notes	8,748	2,646	
Diluted Earnings Per Share:			
Income available to common stockholders and assumed conversions	$ 33,876	10,238	$ 3.31

(a) Shares in thousands.

Note 20 — Redeemable Noncontrolling Interest

On February 26, 2021, TTIG completed a capital investment transaction with a fund associated with Centerbridge Partners, L.P. (collectively, the "Lead Investor"), a private investment management fund. Under the investment agreement, TTIG issued 9,000,000 voting shares of its Series A-1 Preferred Stock and 1,000,000 non-voting shares of its Series A-2 Preferred Stock (together "Series A Preferred Stock"), $0.001 par value, at a price of $10 per share for total proceeds of $100,000. The proceeds will be used for TypTap's operations and continued expansion. The Company incurred $6,262 of related issuance costs. In connection with the transaction, the Lead Investor was granted by HCI warrants to purchase 750,000 shares of HCI's common stock with an exercise price of $54.40 per share. The warrants valued at $9,217 or $12.29 per warrant were immediately exercisable and will expire on the fourth anniversary of the date of issuance.

Dividends

Dividends accrue and accumulate from the date of issuance. Cumulative dividends are payable semi-annually in cash or paid-in-kind at TTIG's option. Cash dividend rates are $0.50 per share in Year 1, $0.60 per share in Year 2, $0.75 per share in Year 3, and $0.95 per share in Year 4 and thereafter. The rates for paid-in-kind dividends are $0.60 per share in Year 1 and $0.70 per share in Year 2. In addition, the Series A Preferred Stock will be paid dividends on an as-converted basis when and if TTIG declares common stock dividends.

Conversion Rights

The holders of TTIG's Series A Preferred Stock have the right to convert the stock at any time into shares of TTIG's common stock with an initial conversion rate of 1 to 1. The conversion rate will be adjusted under certain conditions. Unless converted earlier, all shares of Series A Preferred Stock will be automatically converted into shares of TTIG's common stock at the then-applicable conversion rate upon (1) a qualified public

offering of TTIG's common stock with gross proceeds of not less than $250,000 with a price per share at least equal to 150% of the original purchase price of the Series A Preferred Stock, or (2) at the election of requisite holders of a majority of TTIG's Series A Preferred Stock, whichever comes first.

Redemption Rights

On or after the fourth anniversary of the issuance date, TTIG's Series A Preferred Stock is redeemable at the option of the holders at a price equal to the greater of (1) $10 per share plus any accrued but unpaid dividends and (2) a fair market value per share determined by an independent valuation firm selected by TTIG's board of directors. Management determined that the redemption was not probable at December 31, 2021.

Guaranty by HCI

All payment obligations to the holders of TTIG's Series A Preferred Stock are fully guaranteed by HCI as long as TTIG's Series A Preferred Stock is outstanding. As the guarantor, HCI is subject to certain financial covenants.

Liquidation Preference

In the event of any liquidation, the Series A Preferred Stock ranks senior to TTIG's common stock with respect to distribution rights.

Anti-Dilutive Protection

The holders of TTIG's Series A Preferred Stock receive protection in the form of a down-round feature which will be triggered in the event that TTIG issues additional common equivalent shares at an effective price per share less than $10 per share.

The following table summarizes the activity of redeemable noncontrolling interest during the year ended December 31, 2021:

Balance at January 1, 2021	$ —
Initial proceeds from Centerbridge	100,000
Increase (decrease):	
Proceeds allocated to warrants*	(9,217)
Issuance costs	(6,262)
Issuance costs allocated to warrants*	577
Accrued cash dividends	4,208
Accretion—increasing dividend rates	3,191
Dividends paid	(2,542)
Balance at December 31, 2021	$ 89,955

* Net decrease related to warrants of $8,640.

For the year ended December 31, 2021, net income attributable to redeemable noncontrolling interest was $7,399, consisting of accrued cash dividends of $4,208 and accretion related to increasing dividend rates of $3,191.

Note 21 — Equity

Stockholders' Equity

Common Stock

The Company's 2020 stock repurchase plan was considered to be expired and there was no new stock repurchase plan approved by the Board of Directors during 2021.

On December 19, 2019, the Board of Directors decided to extend the term of the 2019 stock repurchase plan to March 15, 2020. On March 13, 2020, the Board approved a stock repurchase plan for 2020 to repurchase up to $20,000 of the Company's common shares before commissions and fees whereby the shares may be purchased for cash in open market purchases, block transactions and privately negotiated transactions in accordance with applicable federal securities laws. There is no share repurchase plan approved by the Board for 2022.

During the years ended December 31, 2020 and 2019, the Company repurchased and retired 129,142 and 454,010 shares, respectively, at weighted average prices per share of $39.93 and $41.49, respectively. The total costs of shares repurchased, inclusive of fees and commissions, during the years ended December 31, 2020 and 2019 were $5,161 and $18,851, respectively, or $39.96 and $41.52 per share, respectively.

On October 15, 2021, the Company's Board of Directors declared a quarterly dividend of $0.40 per common share. The dividends were paid on December 17, 2021 to stockholders of record on November 19, 2021.

Warrants

At December 31, 2021, there were warrants outstanding and exercisable to purchase 750,000 shares of HCI common stock. These warrants were issued by HCI to the Lead Investor described in Note 20 — "Redeemable Noncontrolling Interest."

Prepaid Share Repurchase Forward Contract

As of December 31, 2021 the Company has one outstanding prepaid share repurchase forward contract entered into with Societe Generale, a forward counterparty. The Company entered into this forward contract in conjunction with the issuance of the 4.25% Convertible Senior Notes as described in Note 13 — "Long-Term Debt" under *Convertible Senior Notes*. Under the forward contract, 191,000 shares of the Company's common stock will be delivered to the Company over a settlement period in 2022.

The forward contract is subject to early settlement, in whole or in part, at any time prior to the final settlement date at the option of the forward counterparty, as well as early settlement or settlement with alternative consideration in the event of certain corporate transactions. In the event the Company pays any cash dividends on its common shares, the forward counterparty will pay an equivalent amount to the Company. The shares to be purchased under the forward contract will be treated as retired for financial statement purposes as of the effective date of the forward contract, but will remain outstanding for corporate law purposes, including for purposes of any future stockholder votes.

The Company determined that the forward contract does not meet the characteristics of a derivative instrument and, as such, the transaction resulted in an immediate reduction of the outstanding shares used to calculate the weighted-average common shares outstanding for both basic and diluted earnings (loss) per share.

Preferred Stock

On May 15, 2020, the Company amended its Articles of Incorporation, effective on the same date, to cancel the designation of 1,500,000 shares of the Company's authorized preferred stock as Series A Cumulative Redeemable Preferred Stock, and the designation of 400,000 shares of the Company's authorized preferred stock as Series B Junior Participating Preferred Stock. As a result, all 20,000,000 authorized shares of the Company's preferred stock are undesignated. Since the designation of these types of preferred stock, none have ever been issued by the Company.

Noncontrolling Interests

According to its amended Articles of Incorporation, TTIG is authorized to issue 183 million shares of common stock with a par value of $0.001 per share, and 37,502,000 shares of preferred stock. In February 2021, TTIG issued 10 million shares of Series A Preferred Stock (see Note 20 — "Redeemable Noncontrolling Interest"). At December 31, 2021, there were 81,278,339 shares of TTIG's common stock outstanding, of which 6,278,339 shares were not owned by HCI.

During 2021, TTIG repurchased and retired a total of 48,901 shares of its common stock surrendered by its employees to satisfy payroll tax liabilities associated with the vesting of restricted shares. The total cost of purchasing noncontrolling interests was $55.

Note 22 — Stock-Based Compensation

2012 Omnibus Incentive Plan

The Company currently has outstanding stock-based awards granted under the Plan which is currently active and available for future grants. With respect to the Plan, the Company may grant stock-based awards to employees, directors, consultants, and advisors of the Company. At December 31, 2021, there were 1,111,975 shares available for grant.

Stock Options

Stock options granted and outstanding under the incentive plans vest over periods ranging from immediately vested to five years and are exercisable over the contractual term of ten years.

A summary of the stock option activity for the years ended December 31, 2021, 2020 and 2019 is as follows (option amounts not in thousands):

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2019	240,000	$37.19	8.8 years	$ 3,278
Granted	110,000	$53.00		
Exercised	(10,000)	$ 6.30		
Outstanding at December 31, 2019	340,000	$43.21	7.9 years	$ 1,657
Granted	110,000	$48.00		
Exercised	(10,000)	$ 6.30		
Outstanding at December 31, 2020	440,000	$45.25	7.6 years	$ 3,113
Outstanding at December 31, 2021	440,000	$45.25	6.6 years	$18,119
Exercisable at December 31, 2021	275,000	$43.40	6.1 years	$11,833

The following table summarizes information about options exercised for the years ended December 31, 2021, 2020 and 2019 (option amounts not in thousands):

	2021	2020	2019
Options exercised	—	10,000	10,000
Total intrinsic value of exercised options	$—	$ 288	$ 347
Tax benefits realized	$—	$ 71	$ 85

For the years ended December 31, 2021, 2020 and 2019, the Company recognized $884, $1,180 and $870, respectively, of compensation expense which was included in general and administrative personnel expenses. Deferred tax benefits related to stock options were $2, $76 and $22 for the years ended December 31, 2021, 2020 and 2019, respectively. At December 31, 2021 and 2020, there was $1,005 and $1,889, respectively, of unrecognized compensation expense related to nonvested stock options. The Company expects to recognize the remaining compensation expense over a weighted-average period of 1.6 years.

The following table provides assumptions used in the Black-Scholes option-pricing model to estimate the fair value of the stock options granted during the years ended December 31, 2020 and 2019:

	2020	2019
Expected dividend yield	3.48%	3.34%
Expected volatility	38.68%	40.17%
Risk-free interest rate	1.63%	2.53%
Expected life (in years)	5	5

Restricted Stock Awards

From time to time, the Company has granted and may grant restricted stock awards to certain executive officers, other employees and nonemployee directors in connection with their service to the Company. The terms

of the Company's outstanding restricted stock grants may include service, performance, and market-based conditions. The determination of fair value with respect to the awards containing only service-based conditions is based on the market value of the Company's stock on the grant date. For awards with market-based conditions, the fair value is determined using a Monte Carlo simulation method, which calculates many potential outcomes for an award and then establishes fair value based on the most likely outcome.

Information with respect to the activity of unvested restricted stock awards during the years ended December 31, 2021, 2020 and 2019 is as follows:

	Number of Restricted Stock Awards	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2019	632,296	$33.33
Granted	180,404	$42.79
Vested	(116,164)	$40.10
Forfeited	(299,776)	$25.31
Nonvested at December 31, 2019	396,760	$41.71
Granted	192,680	$45.57
Vested	(146,801)	$40.54
Forfeited	(18,852)	$43.60
Nonvested at December 31, 2020	423,787	$43.79
Granted	564,426	$38.79
Vested	(109,791)	$43.19
Cancelled	(142,760)	$43.77
Forfeited	(55,665)	$44.01
Nonvested at December 31, 2021	679,997	$39.72

The Company recognized compensation expense related to restricted stock, which is included in general and administrative personnel expenses, of $9,642, $6,953 and $5,590 for the years ended December 31, 2021, 2020 and 2019, respectively. At December 31, 2021 and 2020, there was approximately $18,995 and $13,666, respectively, of total unrecognized compensation expense related to nonvested restricted stock arrangements. The Company expects to recognize the remaining compensation expense over a weighted-average period of 2.2 years. The following table summarizes information about deferred tax benefits recognized and tax benefits realized related to restricted stock awards and paid dividends, and the fair value of vested restricted stock for the years ended December 31, 2021, 2020 and 2019.

	2021	2020	2019
Deferred tax benefits recognized	$1,397	$1,296	$1,075
Tax benefits realized for restricted stock and paid dividends	$1,519	$1,448	$1,129
Fair value of vested restricted stock	$4,742	$5,952	$4,658

In February 2021, the Company cancelled 141,600 shares of restricted stock for employees who transitioned to TypTap Group (See Note 1 — "Nature of Operations"). In exchange, these employees received replacement restricted stock issued under TTIG's equity incentive plan.

On October 5, 2021, a significant portion of market-based restricted stock awards that were granted in February 2021 met the condition for vesting. As a result, the expensing of an unrecognized compensation expense balance is being accelerated and the expense related to these awards is being recognized over the twelve months following the vest date. At December 31, 2021, there was approximately $5,375 of total unrecognized compensation expense related to these restricted stock awards which met the market-based condition for vesting.

During 2019, 284,000 shares of the Company's restricted stock awards granted to employee and nonemployee directors were forfeited for not meeting their market-based vesting conditions. Any dividend payment associated with these awards during 2019 was expensed when declared. As a result, for the year ended December 31, 2019, the Company recognized dividends of $237 in general and administrative personnel expenses for $170 and in other operating expenses for $67.

During the years ended December 31, 2020 and 2019, no awards were issued with other than service-based vesting conditions.

Subsidiary Equity Plan

On February 26, 2021, TTIG's Board of Directors approved the 2021 Equity Incentive Plan (the "2021 Plan") which is an incentive plan denominated in TTIG's common shares. The 2021 Plan provides for broad-based equity awards to employees and nonemployee directors of TypTap Group. The maximum number of shares that may be issued under the 2021 Plan is 7,000,000 shares. In February 2021, TTIG issued a total of 5,749,300 shares of restricted stock to the employees who transitioned to TypTap Group.

On September 27, 2021, TTIG's Board of Directors terminated the 2021 Plan and replaced it with the 2021 Omnibus Incentive Plan (the "2021 Omnibus Plan"). The initial maximum number of shares that may be issued under the 2021 Omnibus Plan is 7,700,000 shares.

On October 1, 2021, TTIG granted options to purchase an aggregate of 6,450,000 shares of its common stock at an exercise price of $23.00 per share to certain TTIG executives. The options have a 10-year term and were granted pursuant to TTIG's 2021 Omnibus Plan. The options will vest over a four-year period, so long as the optionees remain employed by TTIG.

For the year ended December 31, 2021, TypTap Group recognized compensation expense related to its stock-based awards of $3,228. At December 31, 2021, there was $11,230 of unrecognized compensation expense related to nonvested restricted stock and stock options.

Note 23 — Employee Benefit Plan

The Company has a 401(k) Safe Harbor Profit Sharing Plan ("401(k) Plan") that qualifies as a defined contribution plan under Section 401(k) of the Internal Revenue Code. Under the 401(k) Plan, participating employees are eligible for company matching and discretionary profit sharing contributions. Plan participants may elect to defer up to one hundred percent of their pre-tax gross wages, subject to annual limitations. The Company's matching contribution is limited to a maximum of four percent of the employee's annual salary or wage and is fully vested when contributed. Eligibility and vesting of the Company's discretionary profit sharing contribution is subject to the plan participant's years of service. During the years ended December 31, 2021, 2020 and 2019, the Company contributed approximately $794, $731 and $638, respectively, in matching contributions, which are included in general and administrative personnel expenses. There has been no discretionary profit sharing contribution since the plan's inception.

The Company also maintains benefit plans for its employees in India including a statutory post-employment benefit plan, or gratuity plan, providing defined, lump-sum benefits. The Company's liability for the gratuity plan reflects the undiscounted benefit obligation payable as of the balance sheet date, which was based upon the employees' salary and years of service. At December 31, 2021 and 2020, the amounts accrued under the gratuity plan were $158 and $130, respectively. In addition, the Company provides matching contributions with respect to two defined contribution plans: the Provident Fund and the Employees State Insurance Fund, both of which are available to qualifying employees in India. Expense recognized by the Company for all benefit plans in India was $28, $41 and $17, respectively, for the years ended December 31, 2021, 2020 and 2019.

Note 24 — Commitments and Contingencies

Obligations under Multi-Year Reinsurance Contracts

As of December 31, 2021, the Company has contractual obligations related to two multi-year reinsurance contracts. These contracts may be cancelled only with the other party's consent or when their respective experience accounts are positive at the end of each contract year. The table below presents the future minimum aggregate premium amounts payable to the reinsurer.

Year	Amount
2022*	$ 9,095
2023*	9,095
2024*	2,728
Total	$20,918

* Premiums payable after May 31, 2022 are estimated.

Rental Income

The Company leases available space at the Company's various investment properties to non-affiliates at various terms. In addition, the Company leases boat slips and docks on a long-term basis. Expected annual rental income due under non-cancellable operating leases for all properties owned at December 31, 2021 is as follows:

Year	Amount
2022	$ 4,107
2023	3,563
2024	3,558
2025	3,490
2026	2,818
Thereafter	12,437
Total	$29,973

Capital Commitments

As described in Note 5 — "Investments" under *Limited Partnership Investments*, the Company is contractually committed to capital contributions for limited partnership interests. At December 31, 2021, there was an aggregate unfunded balance of $11,073.

FIGA Assessment

In October 2021, the Florida Office of Insurance Regulation approved a 2022 assessment for the Florida Insurance Guaranty Association ("FIGA") which is necessary to secure funds for the payment of covered claims of insolvent insurance companies. The 2022 FIGA assessment will be levied at 0.70% on collected premiums of all covered lines of business except auto insurance. The surcharge, which is collectible from a policyholder, will be assessed on new and renewal policies with effective dates beginning January 1, 2022 through December 31, 2022. The Company's insurance subsidiaries, as member insurers, will be required to collect and remit the pass-through assessments to FIGA on a quarterly basis. As of December 31, 2021, the FIGA assessment payable by the Company was $92.

Note 25 — Quarterly Results of Operations (Unaudited)

The tables below summarize unaudited quarterly results of operations for 2021, 2020 and 2019.

	Three Months Ended			
	03/31/21	06/30/21	09/30/21	12/31/21
Net premiums earned	$87,843	$ 93,004	$ 94,232	$102,224
Total revenue	94,874	101,504	99,217	112,320
Losses and loss adjustment expenses	45,751	55,917	62,664	63,193
Policy acquisition and other underwriting expenses	23,065	23,169	23,340	24,158
Interest expense	2,079	2,000	1,664	657
Total expenses	84,772	96,407	105,721	109,782
Income (loss) before income taxes	10,102	5,097	(6,504)	2,538
Net income (loss)	6,845	3,830	(4,868)	1,435
Comprehensive income (loss)	6,705	3,470	(5,129)	1,128
Earnings (loss) per share:				
Basic	$ 0.82	$ 0.25	$ (0.72)	$ 0.01
Diluted*	$ 0.75	$ 0.24	$ (0.72)	$ 0.01

* During the quarters ended June 30, 2021 and December 31, 2021, the convertible senior notes were antidilutive. During the quarter ended September 30, 2021, the convertible senior notes, warrants and stock options were antidilutive.

	Three Months Ended			
	03/31/20	06/30/20	09/30/20	12/31/20
Net premiums earned	$61,646	$73,449	$ 62,463	$64,902
Total revenue	55,380	80,717	104,027	70,313
Losses and loss adjustment expenses	28,078	39,843	51,743	40,372
Policy acquisition and other underwriting expenses	11,826	12,991	14,210	14,832
Interest expense	2,970	3,020	2,856	2,888
Total expenses	54,723	68,894	82,491	67,401
Income before income taxes	657	11,823	21,536	2,912
Net income	547	8,936	15,390	2,707
Comprehensive (loss) income	(1,585)	10,286	15,634	2,611
Earnings per share:				
Basic	$ 0.07	$ 1.16	$ 1.97	$ 0.35
Diluted**	$ 0.07	$ 1.08	$ 1.68	$ 0.35

** During the quarters ended March 31, 2020 and December 31, 2020, the convertible senior notes were antidilutive.

	Three Months Ended			
	03/31/19	06/30/19	09/30/19	12/31/19
Net premiums earned	$51,184	$51,998	$54,434	$58,698
Total revenue	60,634	58,630	59,979	63,231
Losses and loss adjustment expenses	26,996	24,293	27,327	28,898
Policy acquisition and other underwriting expenses	9,673	10,077	10,988	11,759
Interest expense	4,337	2,884	2,907	2,927
Total expenses	51,351	48,315	52,260	54,455
Income before income taxes	9,283	10,315	7,719	8,776
Net income	6,738	7,553	5,853	6,432
Comprehensive income	8,732	8,767	6,189	6,519
Earnings per share:				
Basic	$ 0.82	$ 0.93	$ 0.73	$ 0.84
Diluted***	$ 0.82	$ 0.90	$ 0.73	$ 0.82

*** During the quarters ended March 31, 2019 and September 30, 2019, the convertible senior notes were antidilutive.

Note 26 — Regulatory Requirements and Restrictions

The Company has no restrictions on the payment of dividends to its shareholders except those restrictions imposed by the Florida Business Corporation Act and those restrictions imposed by insurance statutes and regulations applicable to the Company's insurance subsidiaries. As of December 2021, without prior regulatory approval, $198,615 of the Company's consolidated retained earnings was free from restriction under the insurance statutes and regulations and available for the payment of dividends in 2021. The following briefly describes certain related and other requirements and restrictions imposed by the states or jurisdiction in which the Company's insurance subsidiaries are incorporated.

Florida

HCPCI and TypTap, which are domiciled in Florida, prepare their statutory financial statements in accordance with accounting principles and practices prescribed or permitted by the Florida Department of Financial Services, Office of Insurance Regulation ("FLOIR"), which Florida utilizes for determining solvency under the Florida Insurance Code (the "Code"). The commissioner of the FLOIR has the right to permit other practices that may deviate from prescribed practices. Prescribed statutory accounting practices are those practices that are incorporated directly or by reference in state laws, regulations, and general administrative rules applicable to all insurance enterprises domiciled in Florida. Permitted statutory accounting practices encompass all accounting practices that are not prescribed; such practices differ from state to state, may differ from entity to entity within a state, and may change in the future.

The Code requires HCPCI and TypTap to maintain capital and surplus equal to the greater of 10% of their respective liabilities or a statutory minimum as defined in the Code. At December 31, 2021, HCPCI and TypTap were required to maintain minimum capital and surplus of $36,173 and $19,334, respectively. At December 31, 2020, HCPCI and TypTap were required to maintain minimum capital and surplus of $31,140 and $10,000, respectively. HCPCI and TypTap were in compliance with these requirements at December 31, 2021 and 2020.

U.S. GAAP differs in certain respects from the accounting practices prescribed or permitted by insurance regulatory authorities (statutory-basis). These entities' statutory-basis financial statements are presented on the basis of accounting practices prescribed or permitted by the FLOIR. The FLOIR has adopted the National Association of Insurance Commissioner's ("NAIC") *Accounting Practices and Procedures Manual* as the basis of its statutory accounting practices. At December 31, 2021 and 2020, HCPCI's statutory-basis capital and surplus was approximately $120,480 and $119,900, respectively. For the year ended December 31, 2021, HCPCI had a statutory-basis net income of approximately $45. For the year ended December 31, 2020, HCPCI had a statutory-basis net loss of approximately $28,780 as opposed to a statutory-basis net income of approximately $18,400 for the year ended December 31, 2019. At December 31, 2021 and 2020, TypTap's statutory-basis capital and surplus was approximately $93,360 and $38,500, respectively. For the years ended December 31, 2021, 2020 and 2019, TypTap's statutory-basis net losses were approximately $29,396, $10,900 and $5,200, respectively. Statutory-basis surplus differs from stockholders' equity reported in accordance with U.S. GAAP primarily because policy acquisition costs are expensed when incurred. In addition, the recognition of deferred tax assets is based on different recoverability assumptions.

Since inception to September 2020, HCPCI and TypTap have each maintained a cash deposit with the Insurance Commissioner of the State of Florida in the amount of $300 to meet regulatory requirements. TypTap later increased its cash deposit to $2,000 and placed a U.S. Government security in the amount of $310 with the State during the fourth quarter of 2020 in connection with its current expansion.

Under Florida law, a domestic insurer may not pay any dividend or distribute cash or other property to its stockholders except out of that part of its available and accumulated capital and surplus funds which is derived from realized net operating profits on its business and net realized capital gains. A Florida domestic insurer may not make dividend payments or distributions to stockholders without prior approval of the FLOIR if the dividend or distribution would exceed the larger of (1) the lesser of (a) 10.0% of its capital surplus or (b) net income, not including realized capital gains, plus a two year carry forward, (2) 10.0% of capital surplus with dividends payable constrained to unassigned funds minus 25% of unrealized capital gains or (3) the lesser of (a) 10.0% of capital surplus or (b) net investment income plus a three year carry forward with dividends payable constrained to unassigned funds minus 25% of unrealized capital gains.

Alternatively, a Florida domestic insurer may pay a dividend or distribution without the prior written approval of the FLOIR if (1) the dividend is equal to or less than the greater of (a) 10.0% of the insurer's capital surplus as regards to policyholders derived from realized net operating profits on its business and net realized capital gains or (b) the insurer's entire net operating profits and realized net capital gains derived during the immediately preceding calendar year, (2) the insurer will have policy holder capital surplus equal to or exceeding 115.0% of the minimum required statutory capital surplus after the dividend or distribution, (3) the insurer files a notice of the dividend or distribution with the FLOIR at least ten business days prior to the dividend payment or distribution and (4) the notice includes a certification by an officer of the insurer attesting that, after the payment of the dividend or distribution, the insurer will have at least 115% of required statutory capital surplus as to policyholders. Except as provided above, a Florida domiciled insurer may only pay a dividend or make a distribution (1) subject to prior approval by the FLOIR or (2) 30 days after the FLOIR has received notice of such dividend or distribution and has not disapproved it within such time.

As a result, only HCPCI was qualified to make dividend payments at December 31, 2021, 2020 and 2019. Without prior written approval from the FLOIR, TypTap was not permitted to make any dividend payments.

In addition, Florida property and casualty insurance companies are required to adhere to prescribed premium-to-capital surplus ratios. Florida state law requires that the ratio of 90% of written premiums divided by surplus as to policyholders does not exceed 10 to 1 for gross written premiums or 4 to 1 for net written premiums. The required ratio of gross and net written premium to surplus, which the Company's insurance companies had exceeded, is summarized below:

	Years Ended December 31,		
	2021	2020	2019
HCPCI:			
Gross	3.21 to 1	3.02 to 1	1.92 to 1
Net	2.01 to 1	1.84 to 1	1.15 to 1
TypTap:			
Gross	2.40 to 1	2.47 to 1	2.23 to 1
Net	1.61 to 1	1.50 to 1	1.63 to 1

Bermuda

The Bermuda Monetary Authority requires Claddaugh Casualty Insurance Company, Ltd. ("Claddaugh"), the Company's Bermuda domiciled reinsurance subsidiary, to maintain minimum capital and surplus of $2,000. At December 31, 2021 and 2020, Claddaugh's statutory capital and surplus was approximately $55,350 and $58,300, respectively. For the year ended December 31, 2021, Claddaugh reported a statutory net loss of approximately $2,850. For the year ended December 31, 2020, Claddaugh reported a statutory net income of approximately $1,400 as opposed to a statutory net loss of approximately $4,400 for the year ended December 31, 2019. There was no capital contribution to or return of capital from Claddaugh during 2021. During 2020, the Company contributed approximately $22,600 of capital to Claddaugh versus $6,000 of capital returned by Claddaugh during 2019.

HCPCI and TypTap are subject to risk-based capital ("RBC") requirements as specified by the NAIC. Under those requirements, the amount of minimum capital and surplus maintained by a property and casualty insurance company is to be determined based on the various risks related to it. Pursuant to the RBC requirements, insurers having less statutory capital than required by the RBC calculation will be subject to varying degrees of regulatory action, depending on the level of capital inadequacy. At December 31, 2021 and 2020, the Company's insurance subsidiaries individually exceeded any applicable minimum risk-based capital requirements and no corrective actions have been required. As of December 31, 2021, the combined statutory capital and surplus and minimum capital and surplus of the Company's U.S. insurance subsidiaries were approximately $213,840 and $55,500, respectively.

At December 31, 2021 and 2020, restricted net assets represented by the Company's insurance subsidiaries amounted to $215,812 and $160,710, respectively.

Note 27 — Related Party Transactions

On February 12, 2021, the Company committed to provide a revolving line of credit with borrowing capacity of up to $60,000 to TTIG and the credit line would be available until the earlier of June 30, 2022 and the securing of alternative financing. This commitment has ended on February 26, 2021 after the investment transaction described in Note 20 — "Redeemable Noncontrolling Interest."

On December 22, 2021, TTIG issued a demand promissory note to the Company for the principal amount of $40,000. The note bears an annual interest rate of 2.0% with a maturity date for the principal and unpaid accrued interest of June 30, 2023.

Note 28 — Condensed Financial Information of HCI Group, Inc.

Condensed financial information of HCI Group, Inc. is as follows:

Balance Sheets

	December 31,	
	2021	2020
Assets		
Cash and cash equivalents	$ 10,366	$ 13,944
Fixed-maturity securities, available for sale, at fair value	1,637	216
Equity securities, at fair value	11,513	9,496
Limited partnership investments	21,722	20,542
Note receivable—related party	40,022	23,280
Investment in subsidiaries	332,596	304,816
Property and equipment, net	712	753
Intangible assets, net	5,374	—
Right-of-use assets—operating leases	4,243	7,118
Income taxes receivable	3,281	8,348
Other assets	1,595	4,036
Total assets	$ 433,061	$ 392,549
Liabilities and Stockholders' Equity		
Accrued expenses and other liabilities	$ 5,333	$ 6,660
Lease liabilities—operating leases	1,517	4,319
Deferred income taxes, net	900	1,645
Revolving credit facility	15,000	23,750
Long-term debt	23,886	133,967
Due to related parties	63,060	21,072
Total liabilities	109,696	191,413
Total stockholders' equity	323,365	201,136
Total liabilities and stockholders' equity	$ 433,061	$ 392,549

Statements of Income

	Years Ended December 31,		
	2021	2020	2019
Net investment income (loss)	$ 3,115	$ (676)	$ 2,295
Net realized investment gains (losses)	3,344	330	(541)
Net unrealized investment gains	92	229	1,385
Credit losses on investments	—	(20)	—
Other income	222	—	—
Loss on repurchases of convertible senior notes	—	(150)	—
Interest expense	(5,467)	(10,710)	(12,042)
Debt conversion expense	(1,754)	—	—
Operating expenses	(9,056)	(6,887)	(6,353)
Loss before income tax benefit and equity in income of subsidiaries	(9,504)	(17,884)	(15,256)
Income tax benefit	2,086	4,024	3,092
Net loss before equity in income of subsidiaries	(7,418)	(13,860)	(12,164)
Equity in income of subsidiaries	9,274	41,440	38,740
Net income	$ 1,856	$ 27,580	$ 26,576

HCI GROUP, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Amounts in thousands, except share and per share amounts, unless otherwise stated)

Statements of Cash Flows

	Years Ended December 31,		
	2021	2020	2019
Cash flows from operating activities:			
Net income	$ 1,856	$ 27,580	$ 26,576
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Stock-based compensation expense	5,874	4,488	3,638
Net realized investment (gains) losses	(3,344)	(330)	541
Net unrealized investment gains	(92)	(229)	(1,385)
Net amortization of premiums (accretion of discount) on investments in fixed-maturity securities	3	(42)	66
Depreciation and amortization	1,490	4,686	5,194
Net (income) loss from limited partnership investments	(2,608)	1,781	(701)
Distributions from limited partnership interests	1,477	844	1,661
Credit losses on investments	—	20	—
Debt conversion expense	1,754	—	—
Loss on repurchases of convertible senior notes	—	150	—
Equity in income of subsidiaries	(9,274)	(41,440)	(38,740)
Deferred income taxes	232	(935)	(916)
Changes in operating assets and liabilities:			
Income taxes	5,067	(9,791)	4,462
Other assets	2,679	(629)	(3,042)
Accrued expenses and other liabilities	(5,620)	1,096	1,750
Due to related parties	5,360	17,438	(16,754)
Net cash provided by (used in) operating activities	4,854	4,687	(17,650)
Cash flows from investing activities:			
Investments in limited partnership interests	(2,616)	(3,376)	(1,602)
Investment in note receivable – related party	(40,000)	(22,000)	—
Purchase of fixed-maturity securities	(1,685)	(7)	(234)
Purchase of equity securities	(76,786)	(35,855)	(8,733)
Purchase of short-term and other investments	(1,307)	(200)	(187)
Purchase of property and equipment	(365)	(742)	(176)
Proceeds from sales of fixed-maturity securities	134	447	477
Proceeds from calls, repayments and maturities of fixed-maturity securities	145	27	35,361
Proceeds from sales of equity securities	78,555	30,688	9,906
Proceeds from sales, redemptions and maturities of short-term and other investments	3,618	537	25,733
Collection of note receivable – related party	23,280	—	—
Distributions received from limited partnership interests	2,567	1,614	948
Dividends received from subsidiary	41,900	52,500	44,000
Return of capital from subsidiary	—	9	6,000
Investment in subsidiaries	(10,000)	(22,629)	(5,000)
Net cash provided by investing activities	17,440	1,013	106,493
Cash flows from financing activities:			
Repurchases of common stock	(1,314)	(1,547)	(1,203)
Repurchases of common stock under share repurchase plan	—	(5,161)	(18,851)
Repurchases of convertible senior notes	—	(4,459)	—
Debt issuance costs	(152)	—	(459)
Cash dividends paid	(14,065)	(12,694)	(13,012)
Cash dividends received under share repurchase forward contract	306	306	306
Net (repayment) borrowing under revolving credit facility	(8,750)	14,000	9,750
Proceeds from exercise of common stock options	—	63	63
Debt conversion expense paid	(1,895)	—	—
Repayment of long-term debt	(2)	(2)	(89,991)
Net cash used in financing activities	(25,872)	(9,494)	(113,397)
Net decrease in cash and cash equivalents	(3,578)	(3,794)	(24,554)
Cash and cash equivalents at beginning of year	13,944	17,738	42,292
Cash and cash equivalents at end of year	$ 10,366	$ 13,944	$ 17,738

Note 29 — Subsequent Events

On January 20, 2022, the Company's Board of Directors declared a quarterly dividend of $0.40 per common share. The dividends are payable on March 18, 2022 to stockholders of record on February 18, 2022.

On February 23, 2022, the Company entered into a quota share reinsurance agreement with United for United's primary insurance subsidiary, United Property & Casualty Insurance Company, to cede to us all of its personal lines insurance business in the states of Georgia, North Carolina and South Carolina. Under the reinsurance agreement, HCPCI provides 85% quota share reinsurance on all of United's personal lines insurance business in those states from December 31, 2021 through May 31, 2022. Similar to the previous agreement, HCPCI paid United a catastrophe allowance of 9% of premium not exceeding $3,800 and a provisional ceding commission of 25% of premium. That percentage could increase up to 32% depending on the direct loss ratio results from the reinsured business. Annual premiums from the assumed business approximate $87,000. Written premiums assumed on December 31, 2021 related to the Southeast Region totaled $35,341. At December 31, 2021, there was an amount receivable from United of $23,325, net of a ceding commission of $8,835 and a catastrophe cost allowance of $3,181. The Company also entered into a renewal rights agreement with United in connection with the Southeast Region assumed business. Under the renewal rights agreement, the Company has the right to renew and/or replace United's insurance policies at the end of their respective policy periods in the three states. The ability to replace policies is subject to regulatory approvals in the three states. In connection with the transaction, United will agree to not compete with the Company for the issuance of personal lines homeowners business in these three states until July 1, 2025. As part of the transaction, United will receive a renewal rights ceding commission of 6%, with a portion of the ceding commission paid up-front.

On March 1, 2022, none of the holders of the 4.25% Convertible Senior Notes exercised the put option, which would have required the Company to repurchase for cash all or any portion of the notes at par.

In March 2022, the Company's share repurchase forward contract with Societe Generale, entered into in conjunction with the 2017 issuance of the 4.25% Convertible Senior Notes, was physically settled with the delivery from Societe Generale of 191,100 shares of HCI's common stock to the Company.

ITEM 9 – *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

None.

ITEM 9A – *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our principal executive officer and principal financial officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this Annual Report (December 31, 2021). Our disclosure controls and procedures are intended to ensure that the information we are required to disclose in the reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and (ii) accumulated and communicated to our management, including the principal executive officer and principal financial officer to allow timely decisions regarding required disclosures.

Based on that evaluation, our principal executive officer and principal financial officer concluded that, as of the end of the period covered by this Annual Report, our disclosure controls and procedures were effective.

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over our financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Our management, with the participation of our principal executive officer and principal financial officer, conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of December 31, 2021, our internal control over financial reporting was effective.

Dixon Hughes Goodman, LLP, an independent registered public accounting firm, has audited the 2021 consolidated financial statements included in this Annual Report on Form 10-K and, as part of their audit, has issued an attestation report, included herein, on our internal control over financial reporting.

Changes in Internal Control Over Financial Reporting

During our most recent fiscal quarter, there have been no changes in our internal control over financial reporting that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

ITEM 9B – ***Other Information***

None.

ITEM 9C – ***Disclosure Regarding Foreign Jurisdictions that Prevent Inspections***

Not applicable.

PART III

ITEM 10 – *Directors, Executive Officers and Corporate Governance*

Code of Ethics

We have adopted a code of ethics applicable to all of our employees and directors, including our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer). We have posted the text of our code of ethics to our Internet web site: www.hcigroup.com. Select "Investor Information" on the top and then select "Corporate Governance" and then "Code of Conduct." We intend to disclose any change to or waiver from our code of ethics by posting such change or waiver to our Internet web site within the same section as described above.

The other information required under this item is incorporated by reference from our definitive proxy statement relating to our annual meeting of shareholders, which will be filed with the Securities and Exchange Commission within 120 days after the end of our fiscal year ended December 31, 2021.

ITEM 11 – *Executive Compensation*

The information required under this item is incorporated by reference from our definitive proxy statement relating to our annual meeting of shareholders, which will be filed with the Securities and Exchange Commission within 120 days after the end of our fiscal year ended December 31, 2021.

ITEM 12 – *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The information required under this item is incorporated by reference from our definitive proxy statement relating to our annual meeting of shareholders, which will be filed with the Securities and Exchange Commission within 120 days after the end of our fiscal year ended December 31, 2021.

Securities authorized for issuance under equity compensation plans are summarized under Part II – Item 5 of this Form 10-K.

ITEM 13 – *Certain Relationships and Related Transactions, and Director Independence*

The information required under this item is incorporated by reference from our definitive proxy statement relating to our annual meeting of shareholders, which will be filed with the Securities and Exchange Commission within 120 days after the end of our fiscal year ended December 31, 2021.

ITEM 14 – *Principal Accountant Fees and Services*

The following table sets forth the aggregate fees for services related to the years ended December 31, 2021 and 2020 provided by Dixon Hughes Goodman, LLP, our principal accountant (in thousands):

	2021	2020
Audit fees (a)	$540	$454
All other fees (b)	182	98
	$722	$552

(a) Audit fees represent fees billed for professional services rendered for the audit of our annual financial statements, review of our quarterly financial statements included in our quarterly reports on Form 10-Q, and audit services provided in connection with other statutory and regulatory filings.
(b) All other fees represent fees billed for services provided to us not otherwise included in the category above.

The Audit Committee pre-approved all 2021 engagements and fees for services provided by our principal accountant. The Independent Registered Public Accounting Firm is Dixon Hughes Goodman LLP (PCAOB Firm ID No. 57) located in Tampa, Florida.

Other information required under this item is incorporated by reference from our definitive proxy statement relating to our annual meeting of shareholders, which will be filed with the Securities and Exchange Commission within 120 days after the end of our fiscal year ended December 31, 2021.

PART IV

ITEM 15 – *Exhibit and Financial Statement Schedules*

(a) Financial Statements, Financial Statement Schedules and Exhibits

(1) Consolidated Financial Statements: See Index to Consolidated Financial Statements in Part II, Item 8 of this Form 10-K.

(2) Financial Statement Schedules:

Any supplemental information we are required to file with respect to our property and casualty insurance operations is included in Part II, Item 8 of this Form 10-K or is not applicable.

(3) Exhibits: See the exhibit listing set forth below:

The following documents are filed as part of this report:

EXHIBIT NUMBER	DESCRIPTION
3.1	Articles of Incorporation, with amendments. Incorporated by reference to the correspondingly numbered exhibit to our Form 10-Q filed August 7, 2013.
3.1.1	Articles of Amendment to Articles of Incorporation designating the rights, preferences and limitations of Series B Junior Participating Preferred Stock. Incorporated by reference to Exhibit 3.1 to our Form 8-K filed October 18, 2013.
3.2	Bylaws, with amendments. Incorporated by reference to the correspondingly numbered exhibit to our Form 8-K filed September 13, 2019.
4.1	Form of common stock certificate. Incorporated by reference to the correspondingly numbered exhibit to our Form 10-Q filed November 7, 2013.
4.2	Common Stock Purchase Warrant, dated February 26, 2021, issued by HCI Group, Inc. to CB Snowbird Holdings, L.P. Incorporated by reference to Exhibit 4.1 of our Form 8-K filed March 1, 2021.
4.6	Description of Securities Registered Under Section 12 of the Securities Exchange Act of 1934, as amended. Incorporated by reference to the corresponding numbered exhibit to our Form 10-K filed March 12, 2021.
4.8	Indenture, dated December 11, 2013, between HCI Group, Inc. and The Bank of New York Mellon Trust Company, N.A. (including Global Note). Incorporated by reference to Exhibit 4.1 to our Form 8-K filed December 12, 2013.
4.9	See Exhibits 3.1, 3.1.1 and 3.2 of this report for provisions of the Articles of Incorporation, as amended, and our Bylaws, as amended, defining certain rights of security holders.
4.10	Indenture, dated March 3, 2017, between HCI Group, Inc. and The Bank of New York Mellon Trust Company, N.A. Incorporated by reference to Exhibit 4.1 of our Form 8-K filed March 3, 2017.
4.11	Form of Global 4.25% Convertible Senior Note due 2037 (included in Exhibit 4.1). Incorporated by reference to Exhibit 4.1 of our Form 8-K filed March 3, 2017.
10.1	Preferred Stock Purchase Agreement, dated February 26, 2021, among TypTap Insurance Group, Inc., HCI Group, Inc., and CB Snowbird Holdings, L.P. Incorporated by reference to the corresponding numbered exhibit to our Form 8-K filed March 1, 2021.
10.2	Amended and Restated Articles of Incorporation of TypTap Insurance Group, Inc. filed February 26, 2021. Incorporated by reference to the corresponding numbered exhibit to our Form 8-K filed March 1, 2021.

EXHIBIT NUMBER	DESCRIPTION
10.3	Shareholders Agreement, dated February 26, 2021, among TypTap Insurance Group, Inc., CB Snowbird Holdings, L.P., HCI Group, Inc., and the other shareholders party thereto. Incorporated by reference to the corresponding numbered exhibit to our Form 8-K filed March 1, 2021.
10.4	Parent Guaranty Agreement, dated February 26, 2021, between HCI Group, Inc. and CB Snowbird Holdings, L.P. Incorporated by reference to the corresponding numbered exhibit to our Form 8-K filed March 1, 2021.
10.5**	Restated HCI Group, Inc. 2012 Omnibus Incentive Plan. Incorporated by reference to Exhibit 99.1 of our Form 8-K filed March 23, 2017.
10.6**	HCI Group, Inc. (formerly known as Homeowners Choice, Inc.) 2007 Stock Option and Incentive Plan. Incorporated by reference to the correspondingly numbered exhibit to our Form 10-Q filed August 29, 2008.
10.7**	Executive Employment Agreement dated November 23, 2016 between Mark Harmsworth and HCI Group, Inc. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 3, 2017.
10.8	Working Layer Catastrophe Excess of Loss Reinsurance Contract, effective: June 1, 2016, issued to Homeowners Choice Property & Casualty Insurance Company, Inc. by subscribing reinsurers (National Fire). Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the correspondingly numbered exhibit to our Form 10-Q filed August 3, 2016.
10.9	Reinstatement Premium Protection Reinsurance Contract (For First Excess Cat) (Arch), effective: June 1, 2020, issued to Homeowners Choice Property & Casualty Insurance Company, Inc. and TypTap Insurance Company by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 7, 2020.
10.10	Reinstatement Premium Protection Reinsurance Contract (Chubb), effective: June 1, 2020, issued to Homeowners Choice Property & Casualty Insurance Company, Inc. and TypTap Insurance Company by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 7, 2020.
10.11	Property Catastrophe First Excess of Loss Reinsurance Contract, effective: June 1, 2020, issued to Homeowners Choice Property & Casualty Insurance Company, Inc. and TypTap Insurance Company by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 7, 2020.
10.12	Reinstatement Premium Protection Reinsurance Contract (For First Excess Cat), effective: June 1, 2020, issued to Homeowners Choice Property & Casualty Insurance Company, Inc. and TypTap Insurance Company by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 7, 2020.
10.13	Reinstatement Premium Protection Reinsurance Contract (For Working Layer Cat), effective: June 1, 2020, issued to Homeowners Choice Property & Casualty Insurance Company, Inc. and TypTap Insurance Company by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 7, 2020.

EXHIBIT NUMBER	DESCRIPTION
10.14	Property Catastrophe Excess of Loss Reinsurance Contract, effective: June 1, 2020, issued to Homeowners Choice Property & Casualty Insurance Company, Inc. and TypTap Insurance Company by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 7, 2020.
10.15	Property Catastrophe First Excess of Loss Reinsurance Contract (Endurance), effective: June 1, 2020, issued to Homeowners Choice Property & Casualty Insurance Company, Inc. and TypTap Insurance Company by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 7, 2020.
10.16	Reinstatement Premium Protection Reinsurance Contract (Fidelis), effective: June 1, 2020, issued to Homeowners Choice Property & Casualty Insurance Company, Inc. and TypTap Insurance Company by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 7, 2020.
10.17	Property Catastrophe First Excess of Loss Reinsurance Contract, effective: June 1, 2020, issued to Homeowners Choice Property & Casualty Insurance Company, Inc. and TypTap Insurance Company by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 7, 2020.
10.18	Reinstatement Premium Protection Reinsurance Contract (For First Excess Cat) (Hiscox), effective: June 1, 2020, issued to Homeowners Choice Property & Casualty Insurance Company, Inc. and TypTap Insurance Company by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 7, 2020.
10.19	Reinstatement Premium Protection Reinsurance Contract (For Cat Excess) (Hiscox), effective: June 1, 2020, issued to Homeowners Choice Property & Casualty Insurance Company, Inc. and TypTap Insurance Company by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 7, 2020.
10.20	Reinstatement Premium Protection Reinsurance Contract (For Working Layer Cat) (Hiscox), effective: June 1, 2020, issued to Homeowners Choice Property & Casualty Insurance Company, Inc. and TypTap Insurance Company by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 7, 2020.
10.21	Reinstatement Premium Protection Reinsurance Contract (Horseshoe), effective: June 1, 2020, issued to Homeowners Choice Property & Casualty Insurance Company, Inc. and TypTap Insurance Company by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 7, 2020.
10.22	Property Catastrophe Excess of Loss Reinsurance Contract (Munich), effective: June 1, 2020, issued to Homeowners Choice Property & Casualty Insurance Company, Inc. and TypTap Insurance Company by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 7, 2020.

EXHIBIT NUMBER	DESCRIPTION
10.23	Reinstatement Premium Protection Reinsurance Contract (For First Excess Cat), effective: June 1, 2020, issued to Homeowners Choice Property & Casualty Insurance Company, Inc. and TypTap Insurance Company by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 7, 2020.
10.24	Reinstatement Premium Protection Reinsurance Contract, effective: June 1, 2020, issued to Homeowners Choice Property & Casualty Insurance Company, Inc. and TypTap Insurance Company by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 7, 2020.
10.25	Top Layer Property Catastrophe Excess of Loss Reinsurance Contract, effective: June 1, 2020, issued to Homeowners Choice Property & Casualty Insurance Company, Inc. and TypTap Insurance Company by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 7, 2020.
10.26	Reinstatement Premium Protection Reinsurance Contract (Transatlantic), effective: June 1, 2020, issued to Homeowners Choice Property & Casualty Insurance Company, Inc. and TypTap Insurance Company by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 7, 2020.
10.27	Endorsement No. 1 to the Flood Catastrophe Excess of Loss Reinsurance Contract, effective: July 1, 2020, issued to Homeowners Choice Property & Casualty Insurance Company, Inc. and TypTap Insurance Company by National Liability and Fire Insurance Company. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 7, 2020.
10.28	Working Layer Catastrophe Excess of Loss Reinsurance Contract, effective: June 1, 2020, issued to Homeowners Choice Property & Casualty Insurance Company, Inc. and TypTap Insurance Company by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 7, 2020.
10.29	Reimbursement Contract effective June 1, 2020 between Homeowners Choice Property & Casualty Insurance Company and the State Board of Administration which administers the Florida Hurricane Catastrophe Fund. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 7, 2020.
10.30	Reimbursement Contract effective June 1, 2020 between TypTap Insurance Company and the State Board of Administration which administers the Florida Hurricane Catastrophe Fund. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 7, 2020.
10.31	Property Catastrophe First Excess of Loss Reinsurance Contract effective June 1, 2021 issued to Homeowners Choice Property & Casualty Insurance Company, Inc. by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 6, 2021.
10.32	Property Catastrophe Excess of Loss Reinsurance Contract effective June 1, 2021 issued to Homeowners Choice Property & Casualty Insurance Company, Inc. by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 6, 2021.

EXHIBIT NUMBER	DESCRIPTION
10.33	Reinstatement Premium Protection Reinsurance Contract effective June 1, 2021 issued to Homeowners Choice Property & Casualty Insurance Company, Inc. by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 6, 2021.
10.34	Joinder, Second Amendment to Credit Agreement and Modification of Other Loan Documents. Incorporated by reference to the corresponding numbered exhibit to our Form 8-K filed January 28, 2021.
10.40	Reinstatement Premium Protection Reinsurance Contract (For First Excess Cat) effective June 1, 2021 issued to Homeowners Choice Property & Casualty Insurance Company, Inc. by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 6, 2021.
10.41	Reinstatement Premium Protection Reinsurance Contract effective June 1, 2021 issued to Homeowners Choice Property & Casualty Insurance Company, Inc. by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 6, 2021.
10.42	Property Catastrophe First Excess of Loss Reinsurance Contract effective June 1, 2021 issued to TypTap Insurance Company by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 6, 2021.
10.43	Reinstatement Premium Protection Reinsurance Contract (For First Excess Cat) effective June 1, 2021 issued to TypTap Insurance Company by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 6, 2021.
10.44	7th Layer Non-Florida Property Catastrophe Excess of Loss Reinsurance Contract effective June 1, 2021 issued to Homeowners Choice Property & Casualty Insurance Company, Inc. and TypTap Insurance Company by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 6, 2021.
10.45	Flood Property Catastrophe Excess of Loss Reinsurance Contract effective June 1, 2021 issued to Homeowners Choice Property & Casualty Insurance Company, Inc. and TypTap Insurance Company by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 6, 2021.
10.46**	Written Description of Non-Employee Director Compensation Arrangement adopted September 9, 2019 establishing compensation of our non-employee directors. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed November 6, 2019.
10.47	Policy Replacement Agreement, dated February 12, 2020, by and between Homeowners Choice Property & Casualty Insurance Company, Inc. and Anchor Property & Casualty Insurance Company together with Anchor Insurance Managers, Inc. Incorporated by reference to Exhibit 99.1 of our Form 8-K filed February 14, 2020.
10.48**	TypTap Insurance Group, Inc. 2021 Equity Incentive Plan. Incorporated by reference to Exhibit 10.5 of our Form 8-K filed March 1, 2021.

EXHIBIT NUMBER	DESCRIPTION
10.49**	Form of Restricted Stock Award Agreement of TypTap Insurance Group, Inc. Incorporated by reference to Exhibit 10.6 of our Form 8-K filed March 1, 2021.
10.50	Exchange Agreement, dated August 26, 2021, by and between HCI Group, Inc. and Citadel Equity Fund Ltd. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed November 9, 2021.
10.51**	Stock Option Agreement between Paresh Patel and TypTap Insurance Group, Inc. dated October 1, 2021. Incorporated by reference to Exhibit 99.1 to our Form 8-K filed October 7, 2021.
10.52**	TypTap Insurance Group, Inc. 2021 Omnibus Incentive Plan. Incorporated by reference to Exhibit 99.2 of our Form 8-K filed October 7, 2021.
10.57	Form of executive restricted stock award contract. Incorporated by reference to Exhibit 10.57 of our Form 10-Q for the quarter ended March 31, 2014 filed May 1, 2014.
10.58	Purchase Agreement, dated February 28, 2017, by and between HCI Group, Inc. and JMP Securities LLC and SunTrust Robinson Humphrey, Inc., as representatives of the several initial purchasers named therein. Incorporated by reference to Exhibit 10.1 of our Form 8-K filed February 28, 2017.
10.59	Prepaid Forward Contract, dated February 28, 2017 and effective as of March 3, 2017, between HCI Group, Inc. and Societe Generale. Incorporated by reference to Exhibit 10.1 of our Form 8-K filed March 3, 2017.
10.60	Credit Agreement, Promissory Note, Security and Pledge Agreement, dated December 5, 2018, between HCI Group, Inc. and Fifth Third Bank. Incorporated by reference to Exhibits 99.1, 99.2, and 99.3 of our Form 8-K filed December 6, 2018.
10.88**	Nonqualified Stock Option Agreement between Paresh Patel and HCI Group, Inc. dated January 7, 2017. Incorporated by reference to exhibit 99.2 to our Form 8-K filed January 11, 2017.
10.89**	Employment Agreement between Paresh Patel and HCI Group, Inc. dated December 30, 2016. Incorporated by reference to the exhibit numbered 99.1 to our Form 8-K filed December 30, 2016.
10.99**	Restricted Stock Award Contract between Paresh Patel and HCI Group, Inc. dated January 7, 2017. Incorporated by reference to exhibit 99.1 to our Form 8-K filed January 11, 2017.
10.100**	Restricted Stock Award Contract between Mark Harmsworth and HCI Group, Inc. dated December 5, 2016. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 3, 2017.
10.101**	Restricted Stock Award Contract between Paresh Patel and HCI Group, Inc. dated February 8, 2018. Incorporated by reference to exhibit 99.1 to our Form 8-K filed February 14, 2018.
10.102**	Nonqualified Stock Option Agreement between Paresh Patel and HCI Group, Inc. dated February 8, 2018. Incorporated by reference to exhibit 99.2 to our Form 8-K filed February 14, 2018.
10.103**	Restricted Stock Award Contract between Paresh Patel and HCI Group, Inc. dated January 15, 2019. Incorporated by reference to exhibit 99.1 to our Form 8-K filed January 22, 2019.
10.104**	Nonqualified Stock Option Agreement between Paresh Patel and HCI Group, Inc. dated January 15, 2019. Incorporated by reference to exhibit 99.2 to our Form 8-K filed January 22, 2019.
10.105**	Restricted Stock Award Contract between Paresh Patel and HCI Group, Inc. date January 16, 2020. Incorporated by reference to exhibit 99.1 to our Form 8-K filed January 23, 2020.

EXHIBIT NUMBER	DESCRIPTION
10.106**	Nonqualified Stock Option Agreement between Paresh Patel and HCI Group, Inc. dated January 16, 2020. Incorporated by reference to exhibit 99.2 to our Form 8-K filed January 23, 2020.
10.107	Property Catastrophe Excess of Loss Reinsurance Contract effective June 1, 2021 issued to TypTap Insurance Company by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 6, 2021.
10.108	Non-Florida Property Catastrophe Excess of Loss Reinsurance Contract effective June 1, 2021 issued to Homeowners Choice Property & Casualty Insurance Company, Inc. and TypTap Insurance Company by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 6, 2021.
10.109	Reinstatement Premium Protection Reinsurance Contract effective June 1, 2021 issued to TypTap Insurance Company by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 6, 2021.
10.110	Non-Florida Reinstatement Premium Protection Reinsurance Contract effective June 1, 2021, issued to Homeowners Choice Property & Casualty Insurance Company, Inc. and TypTap Insurance Company by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 6, 2021.
10.111	Reinstatement Premium Protection Reinsurance Contract effective June 1, 2021, issued to TypTap Insurance Company by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 6, 2021.
10.112	Top Layer Flood/Wind Property Catastrophe Excess of Loss Reinsurance Contract effective June 1, 2021 issued to Homeowners Choice Property & Casualty Insurance Company, Inc. and TypTap Insurance Company by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 6, 2021.
10.113	Property Catastrophe First Excess of Loss Reinsurance Contract effective June 1, 2021 issued to Homeowners Choice Property & Casualty Insurance Company, Inc. by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 6, 2021.
10.114	Reinstatement Premium Protection Reinsurance Contract (For First Excess Cat) effective June 1, 2021 issued to Homeowners Choice Property & Casualty Insurance Company, Inc. by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 6, 2021.
10.115	Reinstatement Premium Protection Reinsurance Contract effective June 1, 2021 issued to Homeowners Choice Property & Casualty Insurance Company, Inc. by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 6, 2021.

EXHIBIT NUMBER	DESCRIPTION
10.116	Property Catastrophe First Excess of Loss Reinsurance Contract effective June 1, 2021 issued to TypTap Insurance Company by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 6, 2021.
10.117	Reinstatement Premium Protection Reinsurance Contract (For First Excess Cat) effective June 1, 2021 issued to TypTap Insurance Company by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 6, 2021.
10.118	Non-Florida Property Catastrophe $6MXS$4M Excess of Loss Reinsurance Contract effective June 1, 2021 issued to Homeowners Choice Property & Casualty Insurance Company, Inc. and TypTap Insurance Company by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 6, 2021.
10.119	Non-Florida Reinstatement Premium Protection Reinsurance Contract (For $6MXS$4m Excess Cat) effective June 1, 2021 issued to Homeowners Choice Property & Casualty Insurance Company, Inc. and TypTap Insurance Company by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 6, 2021.
10.120	Reimbursement Contract effective June 1, 2021 issued to Homeowners Choice Property & Casualty Insurance Company, Inc. by the State Board of Administration of the State of Florida. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 6, 2021.
10.121	Reimbursement Contract effective June 1, 2021 issued to TypTap Insurance Company by the State Board of Administration of the State of Florida. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 6, 2021.
10.122	Multi-Year Property Catastrophe Excess of Loss Reinsurance Contract effective June 1, 2021 issued to Homeowners Choice Property & Casualty Insurance Company, Inc. by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 6, 2021.
10.123	Multi-Year Property Catastrophe Excess of Loss Reinsurance Contract effective June 1, 2021 issued to Homeowners Choice Property & Casualty Insurance Company, Inc. and TypTap Insurance Company by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the corresponding numbered exhibit to our Form 10-Q filed August 6, 2021.
10.124	Property Quota Share Reinsurance Contract effective December 31, 2020 issued to United Property and Casualty Insurance Company, by Homeowners Choice Property & Casualty Insurance Company.
10.125	Renewal Rights Agreement effective December 31, 2020 by and among United Property and Casualty Insurance Company, United Insurance Holdings Corp., United Insurance Management, L.C. and Homeowners Choice Property & Casualty Insurance Company.
10.126	Property Quota Share Reinsurance Contract effective June 1, 2020 issued to United Property and Casualty Insurance Company, by Homeowners Choice Property & Casualty Insurance Company and TypTap Insurance Company.

EXHIBIT NUMBER	DESCRIPTION
10.127	Renewal Rights Agreement effective December 30, 2021 by and among United Property and Casualty Insurance Company, United Insurance Holdings Corp., United Insurance Management, L.C. and Homeowners Choice Property & Casualty Insurance Company.
10.128	Property Quota Share Reinsurance Contract effective December 31, 2021 issued to United Property and Casualty Insurance Company, by Homeowners Choice Property & Casualty Insurance Company.
14	Code of Conduct of HCI Group, Inc. Incorporated by reference to the correspondingly numbered exhibit to our Form 10-Q filed August 7, 2013.
21	Subsidiaries of HCI Group, Inc.
23.1	Consent of Dixon Hughes Goodman LLP.
31.1	Certification of the Chief Executive Officer
31.2	Certification of the Chief Financial Officer
32.1	Written Statement of the Chief Executive Officer Pursuant to 18 U.S.C.ss.1350
32.2	Written Statement of the Chief Financial Officer Pursuant to 18 U.S.C.ss.1350
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	Inline XBRL Definition Linkbase.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

** Management contract or compensatory plan.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HCI GROUP, INC.

March 10, 2022	By /s/ Paresh Patel Paresh Patel, Chief Executive Officer and Chairman of The Board of Directors (Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

March 10, 2022	By /s/ Paresh Patel Paresh Patel, Chief Executive Officer and Chairman of The Board of Directors (Principal Executive Officer)
March 10, 2022	By /s/ James Mark Harmsworth James Mark Harmsworth, Chief Financial Officer (Principal Financial and Accounting Officer)
March 10, 2022	By /s/ Karin Coleman Karin Coleman, Chief Operating Officer and Director
March 10, 2022	By /s/ Wayne Burks Wayne Burks, Director
March 10, 2022	By /s/ Eric Hoffman Eric Hoffman, Director
March 10, 2022	By /s/ Gregory Politis Gregory Politis, Director
March 10, 2022	By /s/ Peter Politis Peter Politis, Director
March 10, 2022	By /s/ Anthony Saravanos Anthony Saravanos, Director
March 10, 2022	By /s/ Susan Watts Susan Watts, Director

A signed original of this document has been provided to HCI Group, Inc. and will be retained by HCI Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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Executive Officers & Directors

Paresh Patel
Chairman of the Board of Directors
Chief Executive Officer

Mark Harmsworth
Chief Financial Officer

Karin Coleman
Director
Chief Operating Officer
President, Homeowners Choice

Anthony Saravanos
Director
President, Greenleaf Capital

Andrew Graham
Vice President and General Counsel, Secretary

Gregory Politis
Lead Independent Director
President of Xenia Management LLC, a real estate portfolio management company

Wayne Burks
Director
Retired; Chief Financial Officer and Director of Romark LC, a multinational biopharmaceutical company

Eric Hoffmam
Director
Managing Director at Centerbridge Partners, a private investment management firm

Jay Madhu
Director
Chairman & Chief Executive Officer of Oxbridge Re Holding Limited, a reinsurance company

Sue Watts
Director
President of Operations at Sapience Analytics Corporation, an advanced workforce analytics firm

Peter Politis
Director
Vice President, General Counsel, and Principal at Xenia Management Corporation, a real estate portfolio management company

Lauren Valiente
Director
Of Counsel, Foley & Lardner LLP

Investor Information

Form 10-K and Investor Inquiries
Direct all inquiries for investor relations information, including requests for copies of the company's Form 10-K and other reports filed with the SEC to:

Investor Relations
Simon Rosenberg
HCI Group, Inc.
3802 Coconut Palm Drive
Tampa, FL 33619
Tel (813) 405-5261
Fax (813) 865-0170
srosenberg@hcigroup.com

Headquarters Location
HCI Group, Inc.
3802 Coconut Palm Drive
Tampa, FL 33619
Tel (813) 849-9500

Annual Stockholders Meeting
The annual meeting will be held on June 2, 2022, 3:00 p.m. ET at the company's Tampa offices:
3802 Coconut Palm Drive
Tampa, FL 33619

Registrar and Transfer Agent
American Stock Transfer and Trust Company
6201 15th Avenue
Brooklyn, NY 11219
Tel (800) 937-5449

Stock Information
The company's common shares trade on the New York Stock Exchange under the ticker symbol "HCI" and are included in the Russell 2000 Index and the S&P SmallCap 600 Index. For more information about HCI Group, visit www.hcigroup.com.

Important Cautions Regarding Forward-Looking Statements

This report may include certain forward-looking statements made pursuant to the Private Securities Litigation Reform Act of 1995. Words such as "anticipate," "estimate," "expect," "intend," "plan," "confident," "prospects" and "project" and other similar words and expressions are intended to signify forward-looking statements. Forward-looking statements are not guarantees of future results and conditions but rather are subject to various risks and uncertainties. Some of these risks and uncertainties are identified in the company's filings with the Securities and Exchange Commission. Should any risks or uncertainties develop into actual events, these developments could have material adverse effects on the company's business, financial condition and results of operations. HCI Group, Inc. disclaims all obligations to update any forward-looking statements.

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HCI Group, Inc.

NYSE: HCI

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