UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2024

OR

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

For the transition period from ________ to _______

Commission file number: 001-40244

HAGERTY, INC.

(Exact name of registrant as specified in its charter)

Delaware	**86-1213144**
(State of incorporation)	(I.R.S. Employer Identification No.)
121 Drivers Edge, Traverse City, Michigan	**49684**
(Address of principal executive offices)	(Zip code)

(800) 922-4050

Registrant's telephone number, including area code

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

Title of each class	Trading Symbols	Name of each exchange on which registered
Class A common stock, par value $0.0001 per share	HGTY	The New York Stock Exchange

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 and posted 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 and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an 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 is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The registrant had 89,811,069 shares of Class A Common Stock outstanding and 251,033,906 shares of Class V Common Stock outstanding as of July 26, 2024.

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Cautionary Statement Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q (this "Quarterly Report"), as well as information included in oral statements or other written statements made by us, contain statements that constitute "forward-looking statements" within the meaning of the federal securities laws. All statements other than statements of historical fact, are forward-looking statements, including those regarding our future operating results and financial position, our business strategy and plans, products, services, and technology offerings, market conditions, growth and trends, expansion plans and opportunities, and our objectives for future operations. The words "anticipate," "believe," "envision," "estimate," "expect," "intend," "may," "plan," "predict," "project," "target," "potential," "will," "would," "could," "should," "continue," "ongoing," "contemplate," and similar expressions, and the negative of these expressions, are intended to identify forward-looking statements.

The future events and trends discussed in this Quarterly Report may not occur and actual results could differ materially and adversely from those anticipated or implied in our forward-looking statements. Factors that could cause actual results to differ include the risks and uncertainties described in Part II, Item 1A. of this Quarterly Report and Part I, Item 1A. "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2023 (our "Annual Report"), which highlight, among other risks our ability to:

- compete effectively within our industry and attract and retain our insurance policyholders and paid HDC subscribers (collectively, "Members");
- maintain key strategic relationships with our insurance distribution and underwriting carrier partners;
- prevent, monitor, and detect fraudulent activity;
- manage risks associated with disruptions, interruptions, outages or other issues with our technology platforms or our use of third-party services;
- accelerate the adoption of our membership products as well as any new insurance programs and products we offer;
- manage the cyclical nature of the insurance business, including through any periods of recession, economic downturn or inflation;
- address unexpected increases in the frequency or severity of claims;
- comply with the numerous laws and regulations applicable to our business, including state, federal and foreign laws relating to insurance and rate increases, privacy, the internet, and accounting matters;
- manage risks associated with being a controlled company; and
- successfully defend any litigation, government inquiries, and investigations.

You should not rely on forward-looking statements as predictions of future events. We operate in a very competitive and rapidly changing environment and new risks emerge from time to time. The forward-looking statements in this Quarterly Report represent our views as of the date hereof. We undertake no obligation to update any of these forward-looking statements for any reason after the date of this Quarterly Report or to conform these statements to actual results or revised expectations.

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, as well as any amendments to those reports, are available free of charge through our website at investor.hagerty.com after we file them with, or furnish them to, the SEC. We use our investor relations website, investor.hagerty.com, as a means of disclosing information which may be of interest or material to our investors and for complying with disclosure obligations under Regulation FD. Accordingly, investors should monitor our investor relations website, in addition to following our press releases, SEC filings, public conference calls, webcasts, and social media channels. Information contained on or accessible through, including any reports available on, our website or social media channels is not a part of, and is not incorporated by reference into, this Quarterly Report or any other report or document we file with the SEC. Any reference to our website in this Quarterly Report is intended to be an inactive textual reference only.

Unless the context indicated otherwise, the terms "we," "our," "us," "Hagerty," and the "Company" refer to Hagerty, Inc., and its consolidated subsidiaries including The Hagerty Group, LLC ("THG").

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Hagerty, Inc.
Condensed Consolidated Statements of Operations (Unaudited)

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
REVENUE:	*in thousands (except per share amounts)*			
Commission and fee revenue	$ 128,816	$ 110,187	$ 217,656	$ 184,799
Earned premium	157,612	127,482	309,231	244,713
Membership, marketplace and other revenue	26,797	23,575	58,046	50,084
Total revenue	313,225	261,244	584,933	479,596
OPERATING EXPENSES:				
Salaries and benefits	57,693	53,572	113,809	108,804
Ceding commissions, net	73,446	60,350	144,376	115,775
Losses and loss adjustment expenses	64,729	53,564	127,085	101,976
Sales expense	47,990	41,941	87,650	77,054
General and administrative	21,373	21,318	41,235	42,699
Depreciation and amortization	10,014	10,397	20,574	24,140
Restructuring, impairment and related charges, net	—	2,849	—	8,384
Gain related to divestiture	(87)	—	(87)	—
Total operating expenses	275,158	243,991	534,642	478,832
OPERATING INCOME	38,067	17,253	50,291	764
Change in fair value of warrant liabilities	(1,941)	(1,754)	(8,081)	(2,269)
Interest and other income (expense)	12,342	3,770	19,586	9,417
INCOME BEFORE INCOME TAX EXPENSE	48,468	19,269	61,796	7,912
Income tax expense	(5,811)	(3,730)	(10,940)	(7,398)
NET INCOME	42,657	15,539	50,856	514
Net income attributable to non-controlling interest	(32,279)	(13,134)	(41,829)	(208)
Accretion of Series A Convertible Preferred Stock	(1,839)	—	(3,677)	—
NET INCOME ATTRIBUTABLE TO CLASS A COMMON STOCKHOLDERS	$ 8,539	$ 2,405	$ 5,350	$ 306
Earnings per share of Class A Common Stock:				
Basic	$ 0.09	$ 0.03	$ 0.06	$ —
Diluted	$ 0.09	$ 0.03	$ 0.06	$ —
Weighted average shares of Class A Common Stock outstanding:				
Basic	85,687	84,371	85,171	83,820
Diluted	85,687	85,563	86,072	84,424

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.
See Note 21 for information regarding Related-Party Transactions.

Hagerty, Inc.
Condensed Consolidated Statements of Comprehensive Income (Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	in thousands			
Net income	$ 42,657	$ 15,539	$ 50,856	$ 514
Other comprehensive income (loss), net of tax:				
Change in net unrealized gain on available-for-sale investments	748	—	748	—
Foreign currency translation adjustments	(196)	1,110	(827)	1,347
Change in unrealized gain (loss) on interest rate swap	(2,271)	330	(2,234)	(148)
Other comprehensive income (loss)	(1,719)	1,440	(2,313)	1,199
Comprehensive income	40,938	16,979	48,543	1,713
Comprehensive income attributable to non-controlling interest	(30,991)	(14,220)	(40,095)	(1,112)
Accretion of Series A Convertible Preferred Stock	(1,839)	—	(3,677)	—
Comprehensive income attributable to Class A Common Stockholders	$ 8,108	$ 2,759	$ 4,771	$ 601

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.
See Note 21 for information regarding Related-Party Transactions.

Hagerty, Inc.
Condensed Consolidated Balance Sheets (Unaudited)

	June 30, 2024	December 31, 2023
ASSETS	*in thousands (except share amounts)*	
Current Assets:		
Cash and cash equivalents	$ 120,936	$ 108,326
Restricted cash and cash equivalents	194,586	615,950
Investments	65,444	10,946
Accounts receivable	88,365	71,530
Premiums receivable	221,788	137,525
Commissions receivable	17,719	79,115
Notes receivable	60,285	35,896
Deferred acquisition costs, net	159,307	141,637
Other current assets	84,371	49,293
Total current assets	1,012,801	1,250,218
Investments	404,799	5,526
Notes receivable	1,291	17,018
Property and equipment, net	19,899	20,764
Lease right-of-use assets	47,219	50,515
Intangible assets, net	82,838	91,924
Goodwill	114,165	114,214
Other long-term assets	46,619	38,033
TOTAL ASSETS	$ 1,729,631	$ 1,588,212
LIABILITIES, TEMPORARY EQUITY AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable, accrued expenses and other current liabilities	$ 76,509	$ 87,175
Losses payable and provision for unpaid losses and loss adjustment expenses	217,545	198,508
Commissions payable	101,100	108,739
Due to insurers	139,099	79,815
Advanced premiums	36,839	20,471
Unearned premiums	362,509	317,275
Contract liabilities	36,614	30,316
Total current liabilities	970,215	842,299
Long-term lease liabilities	46,689	50,459
Long-term debt, net	98,029	130,680
Warrant liabilities	42,099	34,018
Deferred tax liability	17,997	15,937
Contract liabilities	16,335	17,335
Other long-term liabilities	2,961	4,139
TOTAL LIABILITIES	1,194,325	1,094,867
Commitments and Contingencies (Note 22)	—	—
TEMPORARY EQUITY		
Preferred stock, $0.0001 par value (20,000,000 shares authorized, 8,483,561 Series A Convertible Preferred Stock issued and outstanding as of June 30, 2024 and December 31, 2023)	80,913	82,836
STOCKHOLDERS' EQUITY		
Class A Common Stock, $0.0001 par value (500,000,000 shares authorized, 85,703,286 and 84,588,536 issued and outstanding as of June 30, 2024 and December 31, 2023, respectively)	8	8
Class V Common Stock, $0.0001 par value (300,000,000 authorized, 251,033,906 shares issued and outstanding as of June 30, 2024 and December 31, 2023)	25	25
Additional paid-in capital	555,040	561,754
Accumulated earnings (deficit)	(459,968)	(468,995)
Accumulated other comprehensive income (loss)	(667)	(88)
Total stockholders' equity	94,438	92,704
Non-controlling interest	359,955	317,805
Total equity (Note 16)	454,393	410,509
TOTAL LIABILITIES, TEMPORARY EQUITY AND STOCKHOLDERS' EQUITY	$ 1,729,631	$ 1,588,212

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

See Note 21 for information regarding Related-Party Transactions.

Hagerty, Inc.
Condensed Consolidated Statements of Changes in Temporary Equity and Stockholders' Equity (Unaudited)

Three months ended June 30, 2024

	Temporary Equity		**Stockholders' Equity**									
	Series A Convertible Preferred Stock		Class A Common Stock		Class V Common Stock							
in thousands	Shares	Amount	Shares	Amount	Shares	Amount	Additional Paid in Capital	Accumulated Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Non-controlling Interest	Total Equity
Balance at March 31, 2024	8,484	$ 84,674	84,656	$ 8	251,034	$ 25	$ 564,082	$ (470,346)	$ (236)	$ 93,533	$ 327,286	$ 420,819
Net income	—	—	—	—	—	—	—	10,378	—	10,378	32,279	42,657
Accretion of Series A Preferred Stock	—	1,839	—	—	—	—	(1,839)	—	—	(1,839)	—	(1,839)
Dividends related to Series A Preferred Stock	—	(5,600)	—	—	—	—	—	—	—	—	—	—
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	(431)	(431)	(1,288)	(1,719)
Issuance of shares under employee plans, net of shares withheld for employee taxes	—	—	916	—	—	—	(4,588)	—	—	(4,588)	—	(4,588)
Share-based compensation	—	—	—	—	—	—	4,383	—	—	4,383	—	4,383
Conversion of THG units to Class A Common Stock	—	—	131	—	—	—	1,172	—	—	1,172	(1,172)	—
Distributions paid to non-controlling interest THG unitholders	—	—	—	—	—	—	—	—	—	—	(5,320)	(5,320)
Reallocation between controlling and non-controlling interest	—	—	—	—	—	—	(8,170)	—	—	(8,170)	8,170	—
Balance at June 30, 2024	8,484	$ 80,913	85,703	$ 8	251,034	$ 25	$ 555,040	$ (459,968)	$ (667)	$ 94,438	$ 359,955	$ 454,393

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.
See Note 21 for information regarding Related-Party Transactions.

Hagerty, Inc.
Condensed Consolidated Statements of Changes in Temporary Equity and Stockholders' Equity (Unaudited)

	Six months ended June 30, 2024											
	Temporary Equity		Stockholders' Equity									
	Series A Convertible Preferred Stock		Class A Common Stock		Class V Common Stock				Accumulated Other			
in thousands	Shares	Amount	Shares	Amount	Shares	Amount	Additional Paid in Capital	Accumulated Earnings (Deficit)	Comprehensive Income (Loss)	Total Stockholders' Equity	Non-controlling Interest	Total Equity
Balance at December 31, 2023	8,484	$ 82,836	84,589	$ 8	251,034	$ 25	$ 561,754	$ (468,995)	$ (88)	$ 92,704	$ 317,805	$ 410,509
Net income	—	—	—	—	—	—	—	9,027	—	9,027	41,829	50,856
Accretion of Series A Preferred Stock	—	3,677	—	—	—	—	(3,677)	—	—	(3,677)	—	(3,677)
Dividends related to Series A Preferred Stock	—	(5,600)	—	—	—	—	—	—	—	—	—	—
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	(579)	(579)	(1,734)	(2,313)
Issuance of shares under employee plans, net of shares withheld for employee taxes	—	—	983	—	—	—	(4,588)	—	—	(4,588)	—	(4,588)
Share-based compensation	—	—	—	—	—	—	8,926	—	—	8,926	—	8,926
Conversion of THG units to Class A Common Stock	—	—	131	—	—	—	1,172	—	—	1,172	(1,172)	—
Distributions paid to non-controlling interest THG unitholders	—	—	—	—	—	—	—	—	—	—	(5,320)	(5,320)
Reallocation between controlling and non-controlling interest	—	—	—	—	—	—	(8,547)	—	—	(8,547)	8,547	—
Balance at June 30, 2024	8,484	$ 80,913	85,703	$ 8	251,034	$ 25	$ 555,040	$ (459,968)	$ (667)	$ 94,438	$ 359,955	$ 454,393

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.
See Note 21 for information regarding Related-Party Transactions.

Hagerty, Inc.
Condensed Consolidated Statements of Changes in Temporary Equity and Stockholders' Equity (Unaudited)

	Three months ended June 30, 2023											
	Temporary Equity		Stockholders' Equity									
	Series A Convertible Preferred Stock		Class A Common Stock		Class V Common Stock							
in thousands	Shares	Amount	Shares	Amount	Shares	Amount	Additional Paid in Capital	Accumulated Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Non-controlling Interest	Total Equity
Balance at March 31, 2023	—	$ —	83,339	$ 8	251,034	$ 25	$ 554,049	$ (491,701)	$ (272)	$ 62,109	$ 294,607	$ 356,716
Net income	—	—	—	—	—	—	—	2,405	—	2,405	13,134	15,539
Other comprehensive income	—	—	—	—	—	—	—	—	355	355	1,085	1,440
Issuance of shares under employee plans, net of shares withheld for employee taxes	—	—	926	—	—	—	906	—	—	906	—	906
Share-based compensation	—	—	—	—	—	—	4,109	—	—	4,109	—	4,109
Conversion of THG units to Class A Common Stock	—	—	141	—	—	—	1,266	—	—	1,266	(1,266)	—
Issuance of Series A Preferred Convertible Stock, net of issuance costs	8,484	79,159	—	—	—	—	—	—	—	—	—	—
Non-controlling interest issued capital	—	—	—	—	—	—	—	—	—	—	100	100
Reallocation between controlling and non-controlling interest	—	—	—	—	—	—	(3,735)	—	—	(3,735)	3,735	—
Balance at June 30, 2023	8,484	$ 79,159	84,406	$ 8	251,034	$ 25	$ 556,595	$ (489,296)	$ 83	$ 67,415	$ 311,395	$ 378,810

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.
See Note 21 for information regarding Related-Party Transactions.

Hagerty, Inc.
Condensed Consolidated Statements of Changes in Temporary Equity and Stockholders' Equity (Unaudited)

	Six months ended June 30, 2023											
	Temporary Equity		Stockholders' Equity									
	Series A Convertible Preferred Stock		Class A Common Stock		Class V Common Stock							
in thousands	Shares	Amount	Shares	Amount	Shares	Amount	Additional Paid in Capital	Accumulated Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Non-controlling Interest	Total Equity
Balance at December 31, 2022	—	$ —	83,203	$ 8	251,034	$ 25	$ 549,034	$ (489,602)	$ (213)	$ 59,252	$ 308,117	$ 367,369
Net income	—	—	—	—	—	—	—	306	—	306	208	514
Other comprehensive income	—	—	—	—	—	—	—	—	296	296	903	1,199
Issuance of shares under employee plans, net of shares withheld for employee taxes	—	—	943	—	—	—	906	—	—	906	—	906
Share-based compensation	—	—	—	—	—	—	8,222	—	—	8,222	—	8,222
Conversion of THG units to Class A Common Stock	—	—	260	—	—	—	2,311	—	—	2,311	(2,311)	—
Issuance of Series A Preferred Convertible Stock, net of issuance costs	8,484	79,159	—	—	—	—	—	—	—	—	—	—
Non-controlling interest issued capital	—	—	—	—	—	—	—	—	—	—	600	600
Reallocation between controlling and non-controlling interest	—	—	—	—	—	—	(3,878)	—	—	(3,878)	3,878	—
Balance at June 30, 2023	8,484	$ 79,159	84,406	$ 8	251,034	$ 25	$ 556,595	$ (489,296)	$ 83	$ 67,415	$ 311,395	$ 378,810

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.
See Note 21 for information regarding Related-Party Transactions.

Hagerty, Inc.
Condensed Consolidated Statements of Cash Flows (Unaudited)

	Six months ended June 30, 2024	Six months ended June 30, 2023
OPERATING ACTIVITIES:	*in thousands*	
Net income	$ 50,856	$ 514
Adjustments to reconcile net income to net cash from operating activities:		
Change in fair value of warrant liabilities	8,081	2,269
Depreciation and amortization	20,574	24,140
Provision for deferred taxes	1,984	3,480
Share-based compensation expense	8,926	8,222
Non-cash lease expense	4,038	6,300
Other	(5)	3,433
Changes in operating assets and liabilities:		
Accounts, premiums and commission receivable	(39,306)	(93,549)
Deferred acquisition costs, net	(17,670)	(32,756)
Losses payable and provision for unpaid losses and loss adjustment expenses	19,037	4,876
Commissions payable	(7,639)	24,664
Due to insurers	59,470	60,174
Advanced premiums	16,399	17,043
Unearned premiums	45,234	68,123
Operating lease liabilities	(4,531)	(5,960)
Other assets and liabilities, net	(43,193)	(20,416)
Net Cash Provided by Operating Activities	122,255	70,557
INVESTING ACTIVITIES:		
Capital expenditures	(11,936)	(16,251)
Acquisitions, net of cash acquired	(3,843)	(7,084)
Issuance of notes receivable	(32,136)	(11,015)
Collection of notes receivable	19,354	6,235
Purchases of fixed maturity securities	(455,766)	(6,172)
Proceeds from sales of fixed maturity securities	7,570	—
Proceeds from maturities of fixed maturity securities	5,596	2,964
Purchases of equity securities	(9,407)	—
Other investing activities	631	22
Net Cash Used in Investing Activities	(479,937)	(31,301)
FINANCING ACTIVITIES:		
Payments on long-term debt	(60,757)	(99,250)
Proceeds from long-term debt, net of issuance costs	25,482	71,590
Proceeds from issuance of Series A Preferred Stock, net of issuance costs	—	79,159
Contribution from non-controlling interest	—	600
Distributions paid to non-controlling interest unit holders	(5,320)	—
Payment of Series A Preferred Stock dividends	(5,600)	—
Funding of employee tax obligations upon vesting of share-based payments	(4,588)	—
Proceeds from issuance of Class A Common Stock under employee stock purchase plan	—	906
Net Cash Provided by (Used in) Financing Activities	(50,783)	53,005
Effect of exchange rate changes on cash and cash equivalents and restricted cash and cash equivalents	(289)	909
Change in cash and cash equivalents and restricted cash and cash equivalents	(408,754)	93,170
Beginning cash and cash equivalents and restricted cash and cash equivalents	724,276	539,191
Ending cash and cash equivalents and restricted cash and cash equivalents	$ 315,522	$ 632,361

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.
See Note 21 for information regarding Related-Party Transactions.

Hagerty, Inc.
Notes To Condensed Consolidated Financial Statements (Unaudited)

1 — Basis of Presentation and Accounting Policies

In these Notes to the Condensed Consolidated Financial Statements, the terms "Hagerty," and "the Company" refer to Hagerty, Inc. and its consolidated subsidiaries, including The Hagerty Group, LLC ("THG") unless the context requires otherwise. In addition, the Company's insurance policyholders and paid Hagerty Drivers Club ("HDC") subscribers are collectively referred to herein as "Members".

Description of Business — Hagerty is a market leader in providing insurance for classic cars and enthusiast vehicles. Through Hagerty's insurance model, the Company acts as a Managing General Agent ("MGA") by underwriting, selling, and servicing classic car and enthusiast vehicle insurance policies. The Company then reinsures a large portion of the risks written by its MGA subsidiaries through its wholly owned subsidiary, Hagerty Reinsurance Limited ("Hagerty Re"). In addition, Hagerty offers HDC memberships, which can be bundled with its insurance policies and give subscribers access to an array of products and services, including Hagerty Drivers Club Magazine, automotive enthusiast events, Hagerty's proprietary vehicle valuation tool, emergency roadside assistance, and special vehicle-related discounts. Lastly, to complement its insurance membership offerings, the Company offers Hagerty Marketplace ("Marketplace"), where car enthusiasts can buy, sell, and finance collector cars.

These financial statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023. The results of operations for the three and six months ended June 30, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024.

Basis of Presentation — The Condensed Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and pursuant to the regulations of the Securities and Exchange Commission and include the accounts of Hagerty, Inc., which is comprised of THG and its consolidated subsidiaries. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted from this report, as permitted by such rules and regulations.

The Condensed Consolidated Financial Statements reflect all normal recurring adjustments and accruals that are, in the opinion of management, necessary for a fair statement of the Company's financial position and results of operations for the interim periods presented.

Principles of Consolidation — The Condensed Consolidated Financial Statements contain the accounts of Hagerty, Inc. and its majority-owned or controlled subsidiaries.

As of June 30, 2024 and December 31, 2023, Hagerty, Inc. had economic ownership of 25.1% and 24.9%, respectively, of THG and is its sole managing member. Hagerty, Inc. reports a non-controlling interest representing the economic interest in THG held by other parties.

The financial statements of THG are consolidated by the Company under the voting interest method in accordance with Accounting Standards Codification ("ASC") Topic 810, *Consolidations* ("ASC 810"). Non-controlling interest is presented separately on the Condensed Consolidated Statements of Operations, the Condensed Consolidated Statements of Comprehensive Income, the Condensed Consolidated Balance Sheets, and the Condensed Consolidated Statements of Changes in Temporary Equity and Stockholders' Equity.

All intercompany accounts and transactions have been eliminated in consolidation.

Variable Interest Entities — Broad Arrow Capital LLC ("BAC") and certain of its subsidiaries transfer notes receivable to wholly owned, bankruptcy-remote, special purpose entities (each, an "SPE") to secure borrowings under the BAC Credit Agreement (as defined in Note 14 — Long-Term Debt).

These SPEs are considered to be variable interest entities (each, a "VIE") under GAAP and their financial statements are consolidated by BAC, which is the primary beneficiary of the SPEs and is also a consolidated subsidiary of the Company. BAC is considered to be the primary beneficiary of the SPEs because it has (i) power over the significant activities of the SPEs through its role as servicer of the notes receivable used to secure borrowings under the BAC Credit Agreement and (ii) the obligation to absorb losses or the right to receive returns that could be significant through its interest in the residual cash flows of the SPEs.

Refer to Note 5 — Notes Receivable and Note 14 — Long-Term Debt for additional information.

The following table presents the assets and liabilities of the Company's consolidated variable interest entities as of June 30, 2024 and December 31, 2023:

	June 30, 2024	December 31, 2023
ASSETS	*in thousands*	
Cash and cash equivalents	$ 842	$ 83
Restricted cash and cash equivalents	6,712	961
Accounts receivable	—	190
Notes receivable	47,597	30,125
Other assets	2,514	2,900
TOTAL ASSETS	$ 57,665	$ 34,259
LIABILITIES		
Accounts payable, accrued expenses and other current liabilities	$ 2,094	$ 1,881
Long-term debt, net	41,466	25,782
TOTAL LIABILITIES	$ 43,560	$ 27,663

Emerging Growth Company — The Company currently qualifies as an "emerging growth company" under the Jumpstart Our Business Startups Act of 2012 and can delay the adoption of new or revised accounting standards until those standards would apply to private companies.

The Company intends to avail itself of this extended transition period and, therefore, the Company may not be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies or have opted out of using such extended transition period. As of June 30, 2024, the Company has not delayed the adoption of any new or revised accounting standards despite qualifying as an emerging growth company.

Reclassifications — Certain prior period operating lease balances on the Condensed Consolidated Statements of Cash Flows originally reported within changes in "Other assets and liabilities, net" are now reported within "Non-cash lease expense" to conform to the current year presentation.

Further, in conjunction with Hagerty Re's investment diversification in the second quarter of 2024, prior period fixed maturity investment balances have been reclassified from "Other current assets" and "Other long-term assets" to "Investments" on the Condensed Consolidated Balance Sheets to conform to the current year presentation. Refer to Note 3 — Investments for additional information related to the Company's investment portfolio.

These reclassifications had no effect on the Company's previously reported operating income, net income, earnings per share, cash flows or retained earnings.

Use of Estimates — The preparation of the Condensed Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities as of the date of the Condensed Consolidated Financial Statements, as well as the reported amounts of revenue and expenses during the reporting period. Although the estimates are considered reasonable, actual results could materially differ from those estimates.

Significant estimates made by management include, but are not limited to: (i) the provision for unpaid losses and loss adjustment expenses, including incurred but not reported claims (see Note 11); (ii) the valuation of the Company's deferred income tax assets (see Note 20); (iii) the amount of the liability associated with the Tax Receivable Agreement ("TRA") (see Note 20); (iv) the fair values of the reporting units used in assessing the recoverability of goodwill; (v) the valuation and useful lives of intangible assets (see Note 10); and (vi) the fair value of the Company's warrant liabilities (see Note 4 and Note 17). Although some variability is inherent in these estimates, management believes that the current estimates are reasonable in all material respects. These estimates are reviewed regularly and adjusted, as necessary. Adjustments related to changes in estimates are reflected in the Company's results of operations in the period during which those estimates changed.

Segment Information — The Company has one operating segment and one reportable segment. The Company's Chief Operating Decision Maker ("CODM") is the Chief Executive Officer ("CEO"), who makes resource allocation decisions and assesses performance based on consolidated financial information. The Company's segment presentation reflects a management approach that utilizes a decision making framework with its Members and customers at the center of all decisions, which requires the CODM to have a consolidated view of the Company's results.

Foreign Currency Translation — The Company translates its foreign currency denominated assets and liabilities into United States ("U.S.") dollars at current rates of exchange as of the balance sheet date, and foreign currency denominated income and expense items at the average exchange rate for the reporting period. Translation adjustments resulting from exchange rate fluctuations are recorded in "Foreign currency translation adjustments", a component of "Accumulated other comprehensive income (loss)" on the Condensed Consolidated Balance Sheets. Foreign currency transaction gains and losses are recorded within "Interest and other income (expense)" in the Condensed Consolidated Statements of Operations.

Investments — Fixed maturity securities are classified as available-for-sale and recorded on the Condensed Consolidated Balance Sheets at their fair value, with those having maturity dates within one year of the balance sheet date classified within "Current Assets". On a quarterly basis, fixed maturity securities with unrealized losses are reviewed to determine whether the decline in fair value is attributable to a material credit loss. If a material credit loss is noted, an allowance is established and the credit loss is recorded in the Condensed Consolidated Statements of Operations.

Unrealized gains and losses on fixed maturity securities are recorded within "Change in net unrealized gain on available-for-sale investments", a component of "Accumulated other comprehensive income (loss)" on the Condensed Consolidated Balance Sheets. Realized investment gains or losses from sales of available-for-sale investments are recorded within "Interest and other income (expense)" in the Condensed Consolidated Statements of Operations.

Interest on fixed maturity securities is recorded within "Interest and other income (expense)" in the Condensed Consolidated Statements of Operations. Premiums and discounts are amortized or accreted, respectively, over the lives of the related fixed maturity securities as an adjustment to the yield using the effective interest method.

Equity securities are recorded on the Condensed Consolidated Balance Sheets at their fair value and are classified within "Current Assets". Dividend income, as well as realized and unrealized gains and losses on equity securities are recorded within "Interest and other income (expense)" in the Condensed Consolidated Statements of Operations.

Refer to Note 3 — Investments and Note 4 — Fair Value Measurements for additional information regarding the Company's investment portfolio.

Supplemental Cash Flow Information — The following table provides a reconciliation of cash and cash equivalents and restricted cash and cash equivalents as of June 30, 2024 and 2023:

	June 30,	
	2024	2023
	in thousands	
Cash and cash equivalents	$ 120,936	$ 114,252
Restricted cash and cash equivalents	194,586	518,109
Total cash and cash equivalents and restricted cash and cash equivalents	$ 315,522	$ 632,361

The table below presents information regarding the Company's non-cash investing activities, as well as the cash paid for interest and taxes for the six months ended June 30, 2024 and 2023:

	Six months ended June 30,	
	2024	2023
NON-CASH INVESTING ACTIVITIES:	*in thousands*	
Issuance of notes receivable [(1)]	$ 2,474	$ 4,054
Collection of notes receivable [(1)]	$ 6,478	$ 3,871
Capital expenditures	$ 212	$ 212
Acquisitions	$ —	$ 1,742
CASH PAID FOR:		
Interest	$ 3,454	$ 3,312
Income taxes	$ 15,800	$ 6,500

(1) In certain situations, BAC makes loans to refinance accounts receivable balances generated by Broad Arrow Group, Inc. ("Broad Arrow") auction or private sale purchases. These loans are accounted for on the Condensed Consolidated Balance Sheets as non-cash reclassifications between "Accounts receivable" and "Notes receivable" and are not presented within Investing Activities in the Company's Condensed Consolidated Statements of Cash Flows. Upon repayment, the cash received in settlement of such loans is classified within Operating Activities in the Company's Condensed Consolidated Statements of Cash Flows.

The issuance of Class A Common Stock resulting from the vesting of restricted stock units is a non-cash financing activity. Refer to Note 18 — Share-Based Compensation for information related to share-based compensation.

Accounting Standards Not Yet Adopted

Income Taxes — In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2023-09 - *Income Taxes (ASC 740)*, *Improvements to Income Tax Disclosures*, which enhances the transparency and decision usefulness of income tax disclosures through changes to the rate reconciliation and income taxes paid information. ASU No. 2023-09 modifies the rules on income tax disclosures to require entities to disclose (i) specific categories in the rate reconciliation, (ii) the income or loss from continuing operations before income tax expense or benefit (separated between domestic and foreign), and (iii) income tax expense or benefit from continuing operations (separated by federal, state and foreign). ASU No. 2023-09 also requires entities to disclose their income tax payments to international, federal, state and local jurisdictions, among other changes. ASU No. 2023-09 is effective for annual periods beginning after December 15, 2024. The Company is still assessing the impact of ASU No. 2023-09 and upon adoption may be required to include certain additional disclosures in the footnotes to the Condensed Consolidated Financial Statements.

Segment Reporting — In November 2023, the FASB issued ASU No. 2023-07 - *Segment Reporting (ASC 280): Improvements to Reportable Segment Disclosures*, which enables investors to better understand an entity's overall performance and assess potential future cash flows through improved reportable segment disclosure requirements. The amendments enhance disclosures about significant segment expenses, clarify circumstances in which an entity can disclose multiple segment measures of profit or loss, provide new segment disclosure requirements for entities with a single reportable segment, and contain other disclosure requirements. ASU 2023-07 is effective for annual periods beginning after December 15, 2023. The Company is still assessing the impact of ASU No. 2023-07 and upon adoption may be required to include certain additional disclosures in the footnotes to the Condensed Consolidated Financial Statements.

2 — Revenue

Disaggregation of Revenue — The tables below present Hagerty's revenue by distribution channel, as well as a reconciliation to total revenue for the three and six months ended June 30, 2024 and 2023. Commission and fee revenue and contingent underwriting commission ("CUC") revenue earned from the agent distribution channel includes revenue generated through Hagerty's relationships with independent agents and brokers. Commission and fee revenue and CUC revenue earned from the direct distribution channel includes revenue generated by Hagerty's employee agents.

Historically, the Company's MGA subsidiaries have earned a base commission of approximately 32% of written premium, as well as an additional contingent commission of up to 10% annually. In December 2023, the Company's alliance agreement and associated agency agreement with Markel Group, Inc. ("Markel") was amended to increase the base commission rate on the personal lines U.S. auto business to 37% and to adjust the contingent commission to range from -5% to a maximum of +5% of annual written premium. This amendment resulted in a smaller proportion of total revenue being attributable to contingent commissions during the three and six months ended June 30, 2024 compared to the three and six months ended June 30, 2023.

	Three months ended June 30, 2024		
	Agent	Direct	Total
		in thousands	
Commission and fee revenue	$ 62,833	$ 53,272	$ 116,105
Contingent commission revenue	6,856	5,855	12,711
Membership revenue	—	14,133	14,133
Marketplace and other revenue	—	12,664	12,664
Total revenue from customer contracts	69,689	85,924	155,613
Earned premium			157,612
Total revenue			$ 313,225

	Three months ended June 30, 2023		
	Agent	Direct	Total
		in thousands	
Commission and fee revenue	$ 46,972	$ 40,702	$ 87,674
Contingent commission revenue	12,242	10,271	22,513
Membership revenue	—	13,146	13,146
Marketplace and other revenue	—	10,429	10,429
Total revenue from customer contracts	59,214	74,548	133,762
Earned premium			127,482
Total revenue			$ 261,244

	Six months ended June 30, 2024		
	Agent	Direct	Total
		in thousands	
Commission and fee revenue	$ 106,880	$ 88,991	$ 195,871
Contingent commission revenue	11,872	9,913	21,785
Membership revenue	—	27,585	27,585
Marketplace and other revenue	—	30,461	30,461
Total revenue from customer contracts	118,752	156,950	275,702
Earned premium			309,231
Total revenue			$ 584,933

	Six months ended June 30, 2023		
	Agent	Direct	Total
		in thousands	
Commission and fee revenue	$ 78,659	$ 66,841	$ 145,500
Contingent commission revenue	21,681	17,618	39,299
Membership revenue	—	25,693	25,693
Marketplace and other revenue	—	24,391	24,391
Total revenue from customer contracts	100,340	134,543	234,883
Earned premium			244,713
Total revenue			$ 479,596

The following tables present Hagerty's revenue disaggregated by geographic area, as well as a reconciliation to total revenue for the three months ended June 30, 2024 and 2023:

	Three months ended June 30, 2024			
	U.S.	Canada	Europe	Total
	in thousands			
Commission and fee revenue	$ 104,909	$ 9,309	$ 1,887	$ 116,105
Contingent commission revenue	12,663	—	48	12,711
Membership revenue	13,204	929	—	14,133
Marketplace and other revenue	11,305	363	996	12,664
Total revenue from customer contracts	142,081	10,601	2,931	155,613
Earned premium				157,612
Total revenue				$ 313,225

	Three months ended June 30, 2023			
	U.S.	Canada	Europe	Total
	in thousands			
Commission and fee revenue	$ 77,611	$ 8,587	$ 1,476	$ 87,674
Contingent commission revenue	22,478	—	35	22,513
Membership revenue	12,254	892	—	13,146
Marketplace and other revenue	9,061	348	1,020	10,429
Total revenue from customer contracts	121,404	9,827	2,531	133,762
Earned premium				127,482
Total revenue				$ 261,244

The following tables present Hagerty's revenue disaggregated by geographic area, as well as a reconciliation to total revenue for the six months ended June 30, 2024 and 2023:

	Six months ended June 30, 2024			
	U.S.	Canada	Europe	Total
	in thousands			
Commission and fee revenue	$ 180,925	$ 11,926	$ 3,020	$ 195,871
Contingent commission revenue	21,691	—	94	21,785
Membership revenue	25,748	1,837	—	27,585
Marketplace and other revenue	27,682	1,025	1,754	30,461
Total revenue from customer contracts	256,046	14,788	4,868	275,702
Earned premium				309,231
Total revenue				$ 584,933

	Six months ended June 30, 2023			
	U.S.	Canada	Europe	Total
	in thousands			
Commission and fee revenue	$ 132,208	$ 10,957	$ 2,335	$ 145,500
Contingent commission revenue	39,230	—	69	39,299
Membership revenue	23,923	1,770	—	25,693
Marketplace and other revenue	22,587	512	1,292	24,391
Total revenue from customer contracts	217,948	13,239	3,696	234,883
Earned premium				244,713
Total revenue				$ 479,596

Refer to Note 12 — Reinsurance for information regarding "Earned premium" recognized under ASC Topic 944, *Financial Services - Insurance* ("ASC 944").

Contract Assets and Liabilities — The following table is a summary of the Company's contract assets and liabilities as of June 30, 2024 and December 31, 2023:

	June 30, 2024	December 31, 2023
	in thousands	
Contract assets	$ 11,789	$ 75,891
Contract liabilities	$ 52,949	$ 47,651

Contract assets, which are reported within "Commissions receivable" on the Condensed Consolidated Balance Sheets, consist of CUC receivables, which are earned throughout the year and have historically been settled by a cash payment from the insurance carrier in the first quarter of the following year. As a result of its amended alliance agreement and associated agency agreement with Markel, beginning in 2024, 80% of the CUC receivables from Markel are now being settled monthly rather than on an annual basis. This amendment resulted in a significant decrease in the contract assets balance compared to the prior year.

Contract liabilities consist of cash collected in advance of revenue recognition and primarily includes the unrecognized portion of HDC membership fees, as well as the unrecognized portion of the advanced commission payment received from State Farm Mutual Automobile Insurance Company ("State Farm"). Refer to Note 21 — Related-Party Transactions for additional information regarding the Company's master alliance agreement with State Farm.

3 — Investments

During the second quarter of 2024, Hagerty Re diversified its investment portfolio in accordance with an investment policy approved by its board of directors, purchasing investment-grade fixed maturity securities and, to a much lesser extent, equity securities, with the fixed maturity securities classified as available-for-sale. As of June 30, 2024, all fixed maturity securities had an investment grade rating from at least one nationally recognized rating organization.

Hagerty Re also holds fixed maturity securities consisting of Canadian Sovereign, Provincial, and Municipal bonds. Prior to the second quarter of 2024, these investments were classified as held-to-maturity because Hagerty Re had the intent and ability to hold the investments to maturity. However, in the second quarter of 2024, these investments were reclassified as available-for-sale because management now intends to opportunistically sell bonds from this portfolio in connection with the diversification of Hagerty Re's investment portfolio. As a result of this reclassification, the Company recognized an unrealized loss of $0.2 million in the Condensed Consolidated Statements of Comprehensive Income in the second quarter of 2024.

Hagerty Re's investments are held in trust accounts for the benefit of the ceding insurers as security for Hagerty Re's obligations for losses, loss expenses, unearned premium and profit-sharing commissions.

	June 30, 2024	December 31, 2023
	in thousands	
Investments held in trust	$ 470,243	$ 16,472

Available-for-sale investments

The following table summarizes the Company's available-for-sale investments as of June 30, 2024:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Fixed maturity securities:		*in thousands*		
Corporate	$ 186,266	$ 323	$ (255)	$ 186,334
U.S. Treasury	103,243	141	(47)	103,337
States and municipalities	38,112	481	(8)	38,585
Foreign	16,658	8	(118)	16,548
Asset-backed securities	22,651	154	(8)	22,797
Mortgage-backed securities	92,503	382	(102)	92,783
Total fixed maturity securities	$ 459,433	$ 1,489	$ (538)	$ 460,384

On a quarterly basis, fixed maturity securities with unrealized losses are reviewed to determine whether the decline in fair value is attributable to a material credit loss. As of June 30, 2024, no credit loss allowance was recorded and all unrealized losses on available-for-sale fixed maturity securities were in such position for less than one year. It is management's intent to hold these investments to recovery, or maturity, if necessary, to recover the decline in valuation as prices accrete to par.

The following table summarizes the contractual maturities of the Company's available-for-sale investments as of June 30, 2024:

	Amortized Cost	Estimated Fair Value
	in thousands	
Due in one year or less	$ 55,706	$ 55,585
Due after one year through five years	222,100	222,227
Due after five years through ten years	52,823	53,217
Due after ten years	13,650	13,775
Mortgage-backed and asset-backed securities	115,154	115,580
Total fixed maturity securities	$ 459,433	$ 460,384

Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Held-to-maturity investments

The following table summarizes the fair value and related carrying amount of the Company's held-to-maturity investments as of December 31, 2023:

	Carrying Amount	Estimated Fair Value
	in thousands	
Short-term	$ 10,946	$ 10,864
Long-term	5,526	5,398
Total	$ 16,472	$ 16,262

Net investment income

The following table presents the components of net investment income for the three and six months ended June 30, 2024 and 2023:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Interest income:	*in thousands*			
Cash and cash equivalents and restricted cash and cash equivalents	$ 7,561	$ 5,951	$ 16,640	$ 10,906
Fixed maturity securities	3,648	113	3,794	223
Total interest income	11,209	6,064	20,434	11,129
Dividends on equity securities	24	—	24	—
Gross investment income	11,233	6,064	20,458	11,129
Investment expenses	(122)	—	(122)	—
Net investment income	$ 11,111	$ 6,064	$ 20,336	$ 11,129

Net realized and unrealized gains (losses) on investments

The table below presents the components of pre-tax net investment gains (losses) included in Net Income on the Condensed Consolidated Statements of Operations and the pre-tax change in net unrealized gains (losses) included in the Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2024. The gross amounts of realized investment gains and losses on fixed maturity securities were not material to the Condensed Consolidated Financial Statements and are presented on a net basis in the table below.

	Three and six months ended June 30, 2024
Fixed maturity securities:	*in thousands*
Net realized investment gains (losses)	$ (31)
Equity securities:	
Total change in fair value of equity securities	478
Net investment gains (losses)	$ 447
Change in net unrealized gains (losses) on available-for-sale investments included in Other comprehensive income (loss):	
Fixed maturity securities	$ (951)

4 — Fair Value Measurements

As of June 30, 2024, the Company's recurring significant fair value measurements relate to its investments in fixed maturity securities and equity securities, as well as its warrant liabilities.

Fair value measurements are classified within one of three levels in the fair value hierarchy. The level assigned to a fair value measurement is based on the lowest level input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input requires judgment. The three levels of the fair value hierarchy are as follows:

- Level 1 — Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 — Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date for substantially the full term of the asset or liability.
- Level 3 — Pricing inputs are unobservable, but management believes that such inputs are predicated on the assumptions market participants would use to measure the asset or liability at fair value.

The Company's policy is to recognize significant transfers between levels, if any, at the end of the reporting period. As of June 30, 2024 and December 31, 2023, there were no transfers between levels.

Investments

Fixed maturity securities are classified as Level 2 fair value measurements and equity securities are classified as Level 1. The fair value of these investments is determined after considering various sources of information, including information provided by a third-party pricing service, which provides prices for substantially all of the Company's fixed maturity securities and equity securities. In determining fair value, the Company generally does not adjust the prices obtained from the pricing service. The Company obtains an understanding of the pricing service's valuation methodologies and related inputs, which include, but are not limited to, reported trades, benchmark yields, issuer spreads, bids, offers, duration, credit ratings, estimated cash flows and prepayment speeds. Refer to Note 3 — Investments for additional information related to the Company's investment portfolio.

Interest rate swap

In December 2020, the Company entered into an interest rate swap with an original notional amount of $35.0 million, a fixed swap rate of 0.81%, and a maturity date in December 2025. The interest rate swap was designated as a cash flow hedge and the Company formally documented the relationship between the interest rate swap and its variable rate borrowings, as well as its risk management objective and strategy for undertaking the hedge transaction. The Company also assessed whether the interest rate swap was highly effective in offsetting variability in the cash flows of its variable rate borrowings. The hedge was deemed effective at inception and on an ongoing basis; therefore, any changes in fair value were recorded within "Change in unrealized gain (loss) on interest rate swap" in the Condensed Consolidated Statements of Comprehensive Income. The differential paid or received on the interest rate swap agreement was recognized as an adjustment to interest expense within "Interest and other income (expense)" in the Condensed Consolidated Statements of Operations.

As of December 31, 2023, the interest rate swap was in an asset position and had a fair value of $2.2 million, which was recorded within "Other long-term assets" on the Condensed Consolidated Balance Sheets. Interest rate swaps are classified as Level 2 within the fair value hierarchy. The significant inputs used to determine the fair value of interest rate swaps, such as the Secured Overnight Financing Rate ("SOFR") forward curve, are considered observable market inputs.

In the second quarter of 2024, the Company reduced its borrowings under the JPM Credit Facility (as defined below) below the $35.0 million notional amount of the interest rate swap and, as a result, the interest rate swap was settled prior to its maturity date. In connection with the settlement of the interest rate swap, the Company received $2.3 million in cash proceeds and recognized a $2.3 million gain in the second quarter of 2024 within "Interest and other income (expense)" in the Condensed Consolidated Statements of Operations with a corresponding amount reclassified from Accumulated other comprehensive income (loss).

Warrant liabilities

The Company's Public Warrants are classified as Level 1 within the fair value hierarchy as they are measured utilizing quoted market prices. The Company's Private Warrants, Underwriter Warrants, OTM Warrants (together with the Private Warrants and Underwriter Warrants, the "Private Placement Warrants"), and PIPE Warrants are classified as Level 3 within the fair value hierarchy. The Company utilizes a Monte Carlo simulation model to measure the fair value of the Level 3 warrants. The Company's Monte Carlo simulation model includes assumptions related to the expected stock price volatility, expected term, dividend yield, and risk-free interest rate.

The following table summarizes the significant inputs used in the valuation model for the Level 3 warrant liabilities as of June 30, 2024:

Inputs	Private Warrants	Underwriter Warrants	OTM Warrants	PIPE Warrants
Exercise price	$11.50	$11.50	$15.00	$11.50
Common stock price	$10.40	$10.40	$10.40	$10.40
Volatility	33.3%	33.3%	35.0%	33.3%
Expected term of the warrants	2.42	2.42	7.43	2.42
Risk-free rate	4.60%	4.60%	4.30%	4.60%
Dividend yield	—%	—%	—%	—%

The Company estimates the volatility of its common stock based on factors including, but not limited to, the implied volatility of the Public Warrants, the historical performance of comparable companies, and management's understanding of the volatility associated with similar instruments of other entities.

The risk-free rate is based on the yield of the U.S. Treasury Constant Maturity for a term that approximates the expected remaining life of the warrants, which is assumed to be the remaining contractual term.

The dividend rate is based on the Company's historical rate, which is expected to remain at zero.

Summary of assets and liabilities measured at fair value

The fair value of the Company's financial assets and liabilities measured at fair value as of June 30, 2024 and December 31, 2023 are shown in the tables below.

	Estimated Fair Value as of June 30, 2024			
	Total	Level 1	Level 2	Level 3
	in thousands			
Financial Assets				
Investments:				
Corporate	$ 186,334	$ —	$ 186,334	$ —
U.S. Treasury	103,337	—	103,337	—
States and municipalities	38,585	—	38,585	—
Foreign	16,548	—	16,548	—
Asset-backed securities	22,797	—	22,797	—
Mortgage-backed securities	92,783	—	92,783	—
Common stocks	9,859	9,859	—	—
Total	$ 470,243	$ 9,859	$ 460,384	$ —
Financial Liabilities				
Public Warrants	$ 11,788	$ 11,788	$ —	$ —
Private Warrants	557	—	—	557
Underwriter Warrants	62	—	—	62
OTM Warrants	4,677	—	—	4,677
PIPE Warrants	25,015	—	—	25,015
Total	$ 42,099	$ 11,788	$ —	$ 30,311

	Estimated Fair Value as of December 31, 2023			
	Total	Level 1	Level 2	Level 3
	in thousands			
Financial Assets				
Fixed maturity securities, held to maturity:				
Foreign	$ 16,472	$ —	$ 16,472	$ —
Interest rate swap	2,234	—	2,234	—
Total	$ 18,706	$ —	$ 18,706	$ —
Financial Liabilities				
Public Warrants	$ 9,488	$ 9,488	$ —	$ —
Private Warrants	476	—	—	476
Underwriter Warrants	53	—	—	53
OTM Warrants	3,981	—	—	3,981
PIPE Warrants	20,020	—	—	20,020
Total	$ 34,018	$ 9,488	$ —	$ 24,530

The following table presents a reconciliation of the Company's warrant liabilities that are classified as Level 3 within the fair value hierarchy for the six months ended June 30, 2024 and 2023:

	Private Warrants	Underwriter Warrants	OTM Warrants	PIPE Warrants	Total
			in thousands		
Balance at December 31, 2023	$ 476	$ 53	$ 3,981	$ 20,020	$ 24,530
Change in fair value of warrant liabilities	81	9	696	4,995	5,781
Balance at June 30, 2024	$ 557	$ 62	$ 4,677	$ 25,015	$ 30,311
Balance at December 31, 2022	$ 673	$ 75	$ 4,706	$ 27,227	$ 32,681
Change in fair value of warrant liabilities	16	2	231	1,388	1,637
Balance at June 30, 2023	$ 689	$ 77	$ 4,937	$ 28,615	$ 34,318

5 — Notes Receivable

BAC provides financing solutions to qualified collectors and businesses by structuring loans secured by collector cars. The loans underwritten by BAC include term loans and short-term bridge financings. The loans underwritten by BAC are recorded on the Condensed Consolidated Balance Sheets within "Notes receivable".

Loans carry either a fixed or variable rate of interest and typically have an initial maturity of up to two years, often with an option for the borrower to renew for one year increments, provided the borrower remains in good standing, including maintaining a specified targeted loan-to-value ("LTV") ratio for the loan. The carrying value of the BAC loan portfolio approximates its fair value due to the relatively short-term maturities and the variable interest rates associated with most loans.

Beginning in December 2023, a portion of the lending activities of BAC are funded with borrowings drawn from the BAC Credit Facility, with the remainder funded by the Company's available liquidity. Prior to December 2023, the lending activities of BAC were funded primarily by the Company's available liquidity. Refer to Note 14 — Long-Term Debt for additional information regarding the BAC Credit Facility.

BAC aims to mitigate the risk associated with a potential devaluation in collateral by targeting a maximum LTV ratio of 65% (i.e., the principal loan amount divided by the estimated value of the collateral at the time of underwriting). The LTV ratio is reassessed on a quarterly basis or if the loan is renewed. The LTV ratio is reassessed more frequently if there is a material change in the circumstances related to the loan, including if there is a material change in the value of the collateral, a material change in the borrower's disposal plans for the collateral, or if an event of default occurs. If, as a result of this reassessment, the LTV ratio increases above the target level, the borrower may be asked to make principal payments and/or post sufficient additional collateral to reduce the LTV ratio as a condition of future financing, renewal, or to avoid a default. In the event of a default by a borrower, BAC is entitled to sell the collateral to recover the outstanding principal, accrued interest balance, and any expenses incurred with respect to the recovery process.

Management considers the valuation of the underlying collateral and the LTV ratio as the two most critical credit quality indicators for the loans made by BAC. In estimating the value of the underlying collateral for BAC's loans, management utilizes its expertise in the collector car market and considers an array of factors impacting the current and expected sale value of each car including the year, make, model, mileage, history, and in the case of classic cars, the provenance, quality of restoration (if applicable), the originality of the body, chassis, and mechanical components, and comparable market transaction values.

The repayment of BAC's loans can be adversely impacted by a decline in the collector car market in general or in the value of the collateral, which may be concentrated within certain marques, vintages, or types of cars. In addition, in situations when BAC’s claim on the collateral is subject to a legal process, the ability to realize proceeds from the collateral may be limited or delayed.

As of June 30, 2024, BAC's net notes receivable balance was $61.6 million, of which $60.3 million was classified within current assets and $1.3 million was classified within long-term assets on the Condensed Consolidated Balance Sheets. As of December 31, 2023, BAC's net notes receivable balance was $52.9 million, of which $35.9 million was classified within current assets and $17.0 million was classified within long-term assets on the Condensed Consolidated Balance Sheets. The classification of a loan as current or long-term takes into account the contractual maturity date of the loan, as well as known renewals after the balance sheet date.

The table below provides the aggregate LTV ratio for BAC's loan portfolio as of June 30, 2024 and December 31, 2023:

	June 30, 2024	December 31, 2023
	in thousands	
Secured loans	$ 61,576	$ 52,914
Estimate of collateral value	$ 115,571	$ 108,496
Aggregate LTV ratio	53.3 %	48.8 %

As of June 30, 2024, three borrowers had loan balances that exceeded 10% of the total loan portfolio. These loans total $32.3 million, representing 52% of the total loan portfolio. The collateral related to these loans was $62.8 million, resulting in an aggregate LTV ratio of 51%.

Management considers a loan to be past due when an interest payment is not paid within 10 business days of the monthly due date, or if the principal amount is not repaid by the contractual maturity date. Typically, a loan becomes past due only for a short period of time during which the loan is renewed or collateral is sold to satisfy the borrower's obligations. As of June 30, 2024 and December 31, 2023, the amount of past due principal and interest payments was not material.

A non-accrual loan is a loan for which future interest income is not recorded due to management's determination that it is probable that future interest on the loan will not be collectible. As of June 30, 2024 and December 31, 2023, the balance of non-accrual loans was not material.

As of June 30, 2024 and December 31, 2023, the allowance for expected credit losses related to the BAC loan portfolio was not material based on management's quarterly risk assessment, which takes into consideration a number of factors including the level of historical losses for similar loans, the quality of the collateral, the low LTV ratio of the loans, management's overall assessment of the current circumstances and risks related to each loan, and, to a lesser extent, the circumstances related to each borrower.

6 — Other Assets

As of June 30, 2024 and December 31, 2023, other assets, current and long-term, consisted of:

	June 30, 2024	December 31, 2023
	in thousands	
Prepaid SaaS implementation costs	$ 32,169	$ 21,941
Prepaid sales, general and administrative expenses	20,421	21,300
Deferred reinsurance premiums ceded (1)	22,886	10,474
Contract costs	9,826	8,851
Reinsurance recoverable	7,639	2,783
Inventory (2)	13,943	5,038
Deferred financing costs	4,418	5,053
Accrued investment income	3,787	104
Consignor advances (3)	3,801	—
Other	12,100	11,782
Other assets	$ 130,990	$ 87,326

(1) Deferred reinsurance premiums ceded consists of the unearned portion of premiums ceded by Hagerty Re to various reinsurers. Refer to Note 12 — Reinsurance for additional information on the Company's reinsurance programs.

(2) Inventory primarily includes vehicles owned by Broad Arrow that have been purchased for resale purposes.

(3) Broad Arrow makes consignor advances secured by collector cars that are contractually committed, in the near term, to be offered for sale at a Broad Arrow auction. Consignor advances allow the seller to receive funds upon consignment for an auction sale that will occur up to six months in the future and have short-term contractual maturities.

As of June 30, 2024, Other primarily included $5.0 million of other investments, $2.5 million of collector vehicle investments, and $2.4 million related to digital media content. As of December 31, 2023, Other primarily included $4.4 million of other investments, $2.7 million of collector vehicle investments, $2.2 million related to digital media content, and the $2.2 million fair value of an interest rate swap.

7 — Leases

The following table summarizes the components of the Company's operating lease expense for the three and six months ended June 30, 2024 and 2023:

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
	in thousands			
Operating lease expense [1]	$ 1,841	$ 3,153	$ 4,038	$ 6,300
Short-term lease expense [1]	21	147	70	216
Variable lease expense [1] [2]	1,283	842	1,900	1,649
Sublease revenue [3]	(353)	(134)	(656)	(197)
Lease cost, net	$ 2,792	$ 4,008	$ 5,352	$ 7,968

(1) Classified within "General and administrative" on the Condensed Consolidated Statements of Operations.
(2) Amounts include payments for maintenance, taxes, insurance, and payments affected by the Consumer Price Index.
(3) Classified within "Membership, marketplace and other revenue" on the Condensed Consolidated Statements of Operations.

The following tables summarize supplemental balance sheet information related to operating leases as of June 30, 2024 and December 31, 2023:

	June 30, 2024	December 31, 2023
	in thousands	
Operating lease ROU assets	$ 47,219	$ 50,515
Current lease liabilities [1]	6,460	6,500
Long-term lease liabilities	46,689	50,459
Total operating lease liabilities	$ 53,149	$ 56,959

	June 30, 2024	December 31, 2023
	in thousands	
ROU assets obtained in exchange for new operating lease liabilities	$ 892	$ 632
Weighted average lease term	8.64	9.01
Weighted average discount rate	4.9 %	4.8 %

(1) Current lease liabilities are recorded within "Accounts payable, accrued expenses and other current liabilities" on the Condensed Consolidated Balance Sheets.

The following table summarizes information about the amount and timing of the Company's future operating lease commitments as of June 30, 2024:

	in thousands
2024	$ 4,462
2025	8,791
2026	8,126
2027	7,809
2028	7,830
Thereafter	28,842
Total lease payments	65,860
Less: imputed interest	(12,711)
Total lease liabilities	$ 53,149

8 — Pending Acquisition

On January 12, 2024, the Company's subsidiary, Hagerty Insurance Holdings, Inc., agreed to acquire all of the issued and outstanding capital stock of Consolidated National Insurance Company ("CNIC") for approximately $18.4 million, subject to upward or downward adjustment in accordance with the terms of the agreement. The closing price will be comprised of approximately $10.4 million for CNIC's approved state licenses and $8.0 million for the expected capital and surplus. Subject to the satisfactory completion of various closing conditions, including obtaining regulatory approval from the Colorado Division of Insurance, the Company expects to complete the CNIC acquisition during the third quarter of 2024.

9 — Divestitures

In the second quarter of 2024, THG entered into an agreement to sell substantially all of the assets and liabilities of Motorsport Reg ("MSR"), a motorsport membership, licensing and event online management system, to a third party. The material elements of the sale consideration include a fixed purchase price and a contingent payment opportunity, based on future performance. The Company recognized a $0.1 million gain related to the sale of MSR in the second quarter of 2024, which was recorded within "Gain related to divestiture" on the Company's Condensed Consolidated Statements of Operations.

10 — Intangible Assets

The cost and accumulated amortization of intangible assets as of June 30, 2024 and December 31, 2023 are as follows:

	Weighted Average Useful Life	June 30, 2024	December 31, 2023
		in thousands	
Renewal rights	10.0	$ 19,934	$ 20,226
Internally developed software	3.3	129,894	126,972
Trade names and trademarks	14.1	12,061	12,541
Relationships and customer lists	15.4	7,994	8,876
Other	4.2	1,089	1,445
Intangible assets		170,972	170,060
Less: accumulated amortization		(88,134)	(78,136)
Intangible assets, net		$ 82,838	$ 91,924

Intangible asset amortization expense was $6.9 million and $7.0 million for the three months ended June 30, 2024 and 2023, respectively, and $14.3 million and $13.8 million for the six months ended June 30, 2024 and 2023, respectively.

Estimated future aggregate amortization expense related to intangible assets as of June 30, 2024 is as follows:

	in thousands
2024	$ 12,847
2025	22,144
2026	15,353
2027	11,425
2028	7,592
Thereafter	13,477
Total	$ 82,838

11 — Provision for Unpaid Losses and Loss Adjustment Expenses

The following table presents a reconciliation of the beginning and ending provision for unpaid losses and loss adjustment expenses related to Hagerty Re, net of amounts recoverable from various reinsurers:

	Six months ended June 30,	
	2024	2023
	in thousands	
Gross reserves for unpaid losses and loss adjustment expenses, beginning of year	$ 136,507	$ 111,741
Less: Reinsurance recoverable on unpaid losses and loss adjustment expenses	2,235	843
Net reserves for unpaid losses and loss adjustment expenses, beginning of year	134,272	110,898
Incurred losses and loss adjustment expenses:		
Current accident year	127,085	101,976
Prior accident year	—	—
Total incurred losses and loss adjustment expenses	127,085	101,976
Payments:		
Current accident year	11,409	8,639
Prior accident year	40,376	32,744
Total payments	51,785	41,383
Effect of foreign currency rate changes	(113)	104
Net reserves for unpaid losses and loss adjustment expenses, end of period	209,459	171,595
Reinsurance recoverable on unpaid losses and loss adjustment expenses	7,624	538
Gross reserves for unpaid losses and loss adjustment expenses, end of period	$ 217,083	$ 172,133

Hagerty Re's loss reserve estimates are updated based on an evaluation of inputs from many sources, including actual claims data, the performance of prior reserve estimates, observed industry trends, and internal review processes, including the views of the Company's actuary. These inputs are used to improve evaluation techniques and to analyze and assess the change in estimated ultimate losses for each accident year by line of business. These analyses produce a range of indications from various methods, from which an actuarial point estimate is recorded.

12 — Reinsurance

The following table presents Hagerty Re's total premiums assumed and ceded on a written and earned basis for the three and six months ended June 30, 2024 and 2023:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	in thousands			
Premiums:				
Assumed	$ 217,907	$ 188,456	$ 375,021	$ 320,643
Ceded	(10,143)	(8,541)	(32,969)	(22,269)
Net	$ 207,764	$ 179,915	$ 342,052	$ 298,374
Premiums earned:				
Assumed	$ 168,100	$ 132,123	$ 329,787	$ 252,520
Ceded	(10,488)	(4,641)	(20,556)	(7,807)
Net	$ 157,612	$ 127,482	$ 309,231	$ 244,713

The following table presents gross, ceded, and net losses and loss adjustment expenses incurred for the three and six months ended June 30, 2024 and 2023:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	in thousands			
Gross losses and loss adjustment expenses	$ 66,394	$ 53,365	$ 134,136	$ 101,777
Ceded losses and loss adjustment expenses	(1,665)	199	(7,051)	199
Net losses and loss adjustment expenses	$ 64,729	$ 53,564	$ 127,085	$ 101,976

Ceded Reinsurance

Hagerty Re purchases catastrophe reinsurance to protect its capital from large catastrophic events and to provide earnings protection and stability. Hagerty Re renegotiated its catastrophe reinsurance coverage effective January 1, 2024, with terms and limits similar to 2023. The 2024 catastrophe reinsurance program for accounts with total insured values ("TIV") of up to $5.0 million affords coverage in excess of a per event retention of $28.0 million in two layers; $22.0 million excess of $28.0 million, and $55.0 million excess of $50.0 million for a total of $105.0 million.

In 2023, Hagerty Re had quota share agreements with various reinsurers to cede 70% of its physical damage exposure on U.S. accounts written or renewed with TIV equal to or greater than $5.0 million ("High-Net-Worth Accounts"). These High-Net-Worth Accounts are assumed 100% from a wholly owned subsidiary of Markel. Effective January 1, 2024, Hagerty Re is ceding 100% of its High-Net-Worth Accounts physical damage exposure via quota share agreements with various reinsurers. Some of the reinsurers involved in these quota share agreements are related parties. Refer to Note 21 — Related-Party Transactions for additional information.

Hagerty Re receives ceding commissions related to premiums ceded under reinsurance contracts related to High-Net-Worth Accounts. Ceding commissions are recognized ratably over the terms of the related policies, which are generally 12 months, and are recorded within "Ceding commissions, net" in the Company's Condensed Consolidated Statements of Operations. Deferred portions of ceding commissions received are included in "Deferred acquisition costs, net" on the Company's Condensed Consolidated Balance Sheets.

Reinsurance contracts do not relieve Hagerty Re from its primary liability to the ceding carriers according to the terms of its reinsurance treaties. Failure of reinsurers to honor their obligations could result in additional losses to Hagerty Re. Hagerty Re evaluates the financial condition of its reinsurers and monitors concentration of credit risk arising from its exposure to individual reinsurers. All of Hagerty Re's reinsurers have an A.M. Best rating of A- (Excellent) or better, or fully collateralize their maximum obligation under the treaty.

13 — Restructuring, Impairment and Related Charges

In the first quarter of 2023, the Company's board of directors (the "Board") approved a reduction in force (the "2023 RIF") following a strategic review of business processes as the Company focuses on driving efficiencies in order to achieve growth and profitability goals. As a result, the Company recognized $5.5 million within "Restructuring, impairment and related charges, net" in the Condensed Consolidated Statements of Operations for the three months ended March 31, 2023. These charges consisted of $5.1 million of severance-related costs associated with the 2023 RIF and a $0.4 million impairment charge to write-down the value of certain digital media content assets.

In the second quarter of 2023, the Company recognized $2.8 million of "Restructuring, impairment and related charges, net". These charges consisted of $2.6 million of impairment and related charges associated with operating lease ROU assets and leasehold improvements for office space that was vacated and listed for sublease in the period as a result of the Company's continuing transition to a "remote first" work model. The amount recognized in the second quarter of 2023 also included $0.2 million of additional severance related costs associated with the 2023 RIF. As of December 31, 2023, all liabilities associated with the 2023 RIF were settled.

14 — Long-Term Debt

As of June 30, 2024 and December 31, 2023, "Long-term debt, net" consisted of the following:

	Maturity	June 30, 2024	December 31, 2023
		in thousands	
JPM Credit Facility	October 2026	$ 31,318	$ 77,258
BAC Credit Facility	December 2026	41,466	25,782
State Farm Term Loan	September 2033	25,000	25,000
Notes payable	2024-2025	1,998	6,875
Total debt		99,782	134,915
Less: Notes payable, current portion		(1,201)	(3,654)
Less: Unamortized debt issuance costs		(552)	(581)
Total long-term debt, net		$ 98,029	$ 130,680

JPM Credit Facility

THG has a credit agreement with JPMorgan Chase Bank, N.A. ("JPM"), as administrative agent, and the other financial institutions party thereto from time to time as lenders, as amended (the "JPM Credit Agreement"). In May 2024, THG entered into an eleventh amendment to the JPM Credit Agreement to add Wells Fargo Bank, National Association ("Wells Fargo") as a new lender under the JPM Credit Agreement and provide for an additional incremental revolving commitment of $75.0 million provided by Wells Fargo.

The JPM Credit Agreement provides for a revolving credit facility (the "JPM Credit Facility") with an aggregate borrowing capacity of $305.0 million, including the new $75.0 million commitment provided by Wells Fargo in May 2024. Additionally, the JPM Credit Agreement provides for the issuance of letters of credit of up to $25.0 million and borrowings in the British Pound and Euro of up to $40.0 million in the aggregate. The JPM Credit Agreement matures in October 2026, but may be extended if agreed to by the Company and the lenders party thereto. Any unpaid balance on the JPM Credit Facility is due at maturity.

The JPM Credit Facility accrues interest at the applicable reference rate, primarily Term SOFR, depending on the currency of the borrowing plus an applicable margin determined by the Company's net leverage ratio for the preceding period (as defined in the JPM Credit Agreement). The effective interest rate related to the JPM Credit Facility was 6.90% and 7.38% for the six months ended June 30, 2024 and 2023, respectively.

JPM Credit Facility borrowings are collateralized by the assets and equity interests in THG and its consolidated subsidiaries, except for (i) the assets held by the SPEs related to the BAC Credit Facility and (ii) all or a portion of foreign and certain excluded or immaterial subsidiaries.

Under the JPM Credit Agreement, THG is required, among other things, to meet certain financial covenants (as defined in the JPM Credit Agreement), including a fixed charge coverage ratio and a leverage ratio. As of June 30, 2024, the Company was in compliance with the financial covenants under the JPM Credit Agreement.

BAC Credit Facility

In December 2023, BAC and its wholly owned subsidiary BAC Funding 2023-1, LLC, as borrower, entered into a revolving credit facility with a certain lender (the "BAC Credit Agreement"). The BAC Credit Agreement provides for a revolving credit facility (the "BAC Credit Facility"), which has an aggregate borrowing capacity of $75.0 million and is subject to a borrowing base that is determined by a calculation that is primarily based upon a percentage of the carrying value of certain BAC notes receivable. As of June 30, 2024, the applicable borrowing base for the BAC Credit Agreement was $38.7 million.

The revolving borrowing period provided by the BAC Credit Agreement expires on December 21, 2025 and the BAC Credit Agreement matures on December 21, 2026. The revolving borrowing period and the maturity date of the BAC Credit Agreement may be extended by one year if requested by BAC and agreed to by the administrative agent. BAC is not a borrower or guarantor of the BAC Credit Facility.

In connection with the BAC Credit Agreement, BAC and certain of its subsidiaries transfer certain notes receivable originated by BAC and certain of its subsidiaries to wholly owned, bankruptcy remote SPEs to secure the borrowings under the BAC Credit Agreement. These SPEs have the limited purpose of acquiring notes receivable or a certificate representing beneficial ownership interest therein from BAC and certain of its subsidiaries. Assets transferred to each SPE are legally isolated from the Company and its subsidiaries. Further, the assets of each SPE are owned by such SPE and are not available to satisfy the debts or other obligations of the Company or any of its other subsidiaries. BAC continues to service the notes receivable transferred to the SPEs.

Recourse to the Company and its subsidiaries that originated and transferred notes receivable that represent collateral under the BAC Credit Facility is limited to (i) an obligation of the applicable seller to repurchase a note receivable if it is determined that there was a breach of any representation or warranty relating to such note receivable as of the relevant date specified in the related transfer agreement and (ii) a limited guarantee covering certain liabilities that may result under certain foreign exchange hedging activity of one of the SPEs.

Under the BAC Credit Agreement, BAC and BAC Funding 2023-1, LLC are required, among other things, to meet certain financial covenants, including the requirement of BAC, as the servicer, to maintain a minimum tangible net worth, minimum liquidity balances, and an indebtedness to tangible net worth ratio. As of June 30, 2024, the Company was in compliance with the financial covenants under the BAC Credit Agreement.

State Farm Term Loan

In September 2023, Hagerty Re entered into an unsecured term loan credit facility with State Farm in the aggregate principal amount of $25.0 million (the "State Farm Term Loan"). The State Farm Term Loan bears interest at a rate of 8.0% per annum and will mature in September 2033. State Farm is a related party to the Company. Refer to Note 21 — Related-Party Transactions for additional information.

Notes Payable

As of June 30, 2024 and December 31, 2023, the Company had outstanding notes payable, which are used to fund certain loans made by BAC in the United Kingdom ("U.K."), totaling $2.0 million and $6.9 million, respectively. The effective interest rates for these notes payable range from 8.5% to 9.8% with repayment due between December 2024 and October 2025. Refer to Note 5 — Notes Receivable for additional information on the lending activities of BAC.

Letters of Credit

As of June 30, 2024, the Company has authorized three letters of credit for a total of $11.1 million for operational purposes related to Hagerty Re's Section 953(d) tax structuring election and lease down payment support.

15 — Convertible Preferred Stock

In June 2023, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with certain accredited investors (the "Investors"), pursuant to which it closed, issued and sold (the "Closing") to the Investors an aggregate of 8,483,561 shares of the Company's newly-designated Series A Convertible Preferred Stock, par value $0.0001 per share, for an aggregate purchase price of $80.0 million, at a per-share purchase price of $9.43 (the "Series A Purchase Price" and the transaction, the "Private Placement").

The Investors include State Farm, Markel, and persons related to Hagerty Holding Corp. ("HHC"). State Farm and Markel are both significant stockholders of the Company, each holding in excess of 5% of the outstanding common stock. McKeel Hagerty is the Company's CEO and the Chairman of its Board. Mr. Hagerty and Tammy Hagerty may be deemed to control HHC, which is the controlling stockholder of the Company. Prior to and continuing after the Private Placement, each of State Farm and Markel have the right to nominate one director to the Company's Board and HHC has the right to nominate two directors to the Company's Board. Refer to Note 16 — Stockholders' Equity and Note 21 — Related-Party Transactions for additional information.

The net proceeds from the Private Placement after deducting issuance costs of approximately $0.8 million were $79.2 million, which was recorded within Temporary Equity on the Company's Condensed Consolidated Balance Sheets. The Company is using the net proceeds from the Private Placement for general corporate purposes.

As of June 30, 2024, the estimated redemption value of the Series A Convertible Preferred Stock was $115.4 million, which represents the maximum cash payment, including cumulative dividends, that would be required to be paid if the Optional Term Redemption provision in the Certificate of Designations, as summarized below, is exercised as of the earliest possible redemption date of June 23, 2028. The decision to redeem the Series A Convertible Preferred Stock for cash is made at the discretion of the Company; however, the Company is controlled by HHC through its voting control of the Company. Accordingly, the redemption of the Series A Convertible Preferred Stock is considered outside the control of the Company and, as a result, the Series A Convertible Preferred Stock is recorded within Temporary Equity on the Company's Condensed Consolidated Balance Sheets.

The Company has elected to apply the accretion method to adjust the carrying value of the Series A Convertible Preferred Stock to its estimated redemption value. Amounts recognized to accrete the Series A Convertible Preferred Stock to its estimated redemption value are treated as a deemed dividend and are recorded as a reduction to "Additional paid-in capital". The estimated redemption value may vary in subsequent periods and the Company has elected to recognize such changes prospectively.

The captioned sections below provide a summary of the material terms of the Series A Convertible Preferred Stock, as set forth in the Certificate of Designations, Preferences and Rights of the Series A Convertible Preferred Stock (the "Certificate of Designations").

Ranking — The Series A Convertible Preferred Stock ranks senior to the Class A Common Stock, the Class V Common Stock, and each other class or series of shares of the Company that the Company may issue in the future the terms of which do not expressly provide that such class or series ranks equally with, or senior to, the Series A Convertible Preferred Stock, with respect to dividend rights and/or rights upon liquidation, winding up or dissolution.

Dividends — Dividends on the Series A Convertible Preferred Stock are cumulative and accrue from the date of issuance at the rate per annum of 7% of the Series A Purchase Price of each share, plus the amount of previously accrued dividends, compounded annually (the "Accruing Dividends"). The Company may elect to pay the Accruing Dividends either in cash or in additional shares of Series A Convertible Preferred Stock. Prior to the third anniversary of the Closing, the Series A Convertible Preferred Stock will participate on an as-converted basis in dividends declared and paid on the Class A Common Stock. In June 2024, the Company paid $5.6 million of cash dividends on the Series A Convertible Preferred Stock to the Investors.

Conversion — Any shares of Series A Convertible Preferred Stock may, at the option of the holder, be converted at any time into shares of Class A Common Stock. The conversion price for the Series A Convertible Preferred Stock is initially $11.79 and is subject to adjustment upon certain events, including a stock split, a reverse stock split, or a dividend of the Class A Common Stock or Class V Common Stock to the Company’s common stockholders (as adjusted, the "Conversion Price"). The Company may require such conversion (i) if the closing price per share of Class A Common Stock, for at least twenty (20) of any thirty (30) consecutive trading days, exceeds: (a) on or after the third and prior to the seventh anniversary of the Closing, 150% of the Conversion Price; or (b) on or after the seventh and prior to the tenth anniversary of the Closing, 100% of the Conversion Price; and (ii) on or after the tenth anniversary of the Closing. The conversion rate in effect at any applicable time (the "Conversion Rate") is the quotient obtained by dividing the Series A Purchase Price by the Conversion Price.

As of June 30, 2024, no shares of Series A Convertible Preferred Stock have been converted and the outstanding shares of Series A Convertible Preferred Stock were convertible into 6,785,410 shares of Class A Common Stock.

Voting — The Series A Convertible Preferred Stock votes together with the Class A Common Stock on an as-converted basis, and not as a separate class. The Investors have veto rights over (i) changes to the terms of the Certificate of Designations or the Company's certificate of incorporation or bylaws that adversely impact the Series A Convertible Preferred Stock and (ii) the issuance of equity securities senior to the Series A Convertible Preferred Stock or other securities convertible thereto.

Liquidation Preference — In the event of any liquidation, dissolution or winding up of the Company, each share of Series A Convertible Preferred Stock will be paid the greater of (i) the Series A Purchase Price plus any Accruing Dividends accrued but unpaid thereon, and (ii) the amount that such share of Series A Convertible Preferred Stock would have received had it converted into the Class A Common Stock immediately prior to such liquidation, dissolution or winding up of the Company (the "Liquidation Preference"). After payment of the Liquidation Preference, the Series A Convertible Preferred Stock will no longer be convertible and will not participate in any distribution made to the holders of the Class A Common Stock or Class V Common Stock.

Change of Control — Upon a merger, consolidation, sale or other change of control transaction as described in the Certificate of Designations (a "Change of Control"), either (i) the Company may elect to redeem the Series A Convertible Preferred Stock or (ii) each holder of Series A Convertible Preferred Stock, individually, may require the Company to redeem all or any portion of the Series A Convertible Preferred Stock. The redemption price per share to be paid by the Company would be the greater of: (a) the Series A Purchase Price plus any accrued but unpaid Accruing Dividends multiplied by (i) if prior to or on the third anniversary of the Closing, 120%; (ii) if after the third but prior to or on the fifth anniversary of the Closing,110%; (iii) if after the fifth anniversary of the Closing, 100%; and (b) the amount such share of Series A Convertible Preferred Stock would have received had it converted into the Class A Common Stock prior to the Change of Control. Any shares of Series A Convertible Preferred Stock that are not so redeemed will automatically convert into shares of Class A Common Stock and be paid in connection with the Change of Control.

Fundamental Transaction — In the event of any acquisition by the Company with a transaction value of at least $500.0 million or any equity or debt financing by the Company that raises at least $500.0 million, either (i) the Company may elect to redeem the Series A Convertible Preferred Stock, or (ii) each holder of Series A Convertible Preferred Stock, individually, may require the Company to redeem all or any portion of its Series A Convertible Preferred Stock. The redemption price per share to be paid by the Company would be the Series A Convertible Preferred Stock plus any accrued but unpaid Accruing Dividends multiplied by: (a) if prior to or on the third anniversary of the Closing, 120%; (b) if after the third but prior to or on the fifth anniversary of the Closing,110%; (c) if after the fifth but prior to or on the sixth anniversary of the Closing, 108%; (d) if after the sixth but prior to or on the seventh anniversary of the Closing, 106%; (e) if after the seventh but prior to or on the eighth anniversary of the Closing,104%; (f) if after the eighth but prior to or on the ninth anniversary of the Closing, 102%; or (g) if after the ninth anniversary of the Closing,100%.

Optional Term Redemption — Any time after the fifth anniversary of the Closing, the Company may redeem all or any portion of the then-outstanding shares of the Series A Convertible Preferred Stock for cash (a "Term Redemption"). The redemption price per share to be paid by the Company would be equal to the greater of: (i) the Series A Purchase Price plus any accrued but unpaid Accruing Dividends multiplied by: (a) if after the fifth but prior to the sixth anniversary of the Closing, 110%; (b) if on or after the sixth but prior to the seventh anniversary of the Closing, 108%; (c) if on or after the seventh but prior to the eighth anniversary of the Closing, 106%; (d) if on or after the eighth but prior to the ninth anniversary of the Closing,104%; (e) if on or after the ninth but prior to tenth anniversary of the Closing, 102%; or (f) if on or after the tenth anniversary of the Closing,100%; and (ii) the amount such share of Series A Convertible Preferred Stock would have received had it converted into Class A Common Stock prior to the Term Redemption.

Registration Rights Agreement — In connection with the Private Placement, the Company entered into a registration rights agreement with the Investors (the "Registration Rights Agreement") pursuant to which, the Investors will be entitled to certain demand, shelf and piggyback registration rights with respect to the Series A Convertible Preferred Stock and shares of the Class A Common Stock issuable upon conversion thereof.

16 — Stockholders' Equity

Class A Common Stock

Hagerty, Inc. is authorized to issue 500,000,000 shares of Class A Common Stock with a par value of $0.0001 per share. Holders of Class A Common Stock are entitled to one vote for each share. As of June 30, 2024 and December 31, 2023, there were 85,703,286 and 84,588,536 shares of Class A Common Stock issued and outstanding, respectively.

Class V Common Stock

Hagerty, Inc. is authorized to issue 300,000,000 shares of Class V Common Stock with a par value of $0.0001 per share. Class V Common Stock represents voting, non-economic interests in Hagerty, Inc. Holders of Class V Common Stock are entitled to 10 votes for each share. In connection with the business combination that formed Hagerty, Inc. in 2021, shares of Class V Common Stock were issued to HHC and Markel (together, the "Legacy Unit Holders") along with an equivalent number of THG units, as discussed below. Each share of Class V Common Stock, together with the corresponding unit of THG, is exchangeable for one share of Class A Common Stock. As of June 30, 2024 and December 31, 2023, there were 251,033,906 shares of Class V Common Stock issued and outstanding.

Preferred Stock

Hagerty, Inc. is authorized to issue 20,000,000 shares of Preferred Stock with a par value of $0.0001 per share. Hagerty, Inc.'s Board has the authority to issue shares of Preferred Stock with such designations, voting and other rights and preferences as may be determined from time to time.

In June 2023, Hagerty, Inc. issued 8,483,561 shares of newly-designated Series A Convertible Preferred Stock, par value $0.0001 per share, for an aggregate purchase price of $80.0 million, at a per-share purchase price of $9.43. As of June 30, 2024 and December 31, 2023, there were 8,483,561 shares of Preferred Stock issued and outstanding. Refer to Note 15 — Convertible Preferred Stock for additional information.

Non-controlling Interests

Hagerty, Inc. is the sole managing member of THG and, as a result, consolidates the financial statements of THG into its Condensed Consolidated Financial Statements. The Company reports a non-controlling interest representing the economic interest in THG held by other unit holders of THG. Hagerty, Inc. owns one THG unit for each share of Class A Common Stock outstanding.

The following table summarizes the ownership of THG units as of June 30, 2024 and December 31, 2023:

	June 30, 2024		December 31, 2023	
	Units Owned	Ownership Percentage	Units Owned	Ownership Percentage
THG units held by Hagerty, Inc.	85,703,286	25.1 %	84,588,536	24.9 %
THG units held by other unit holders	255,367,640	74.9 %	255,499,164	75.1 %
Total	341,070,926	100.0 %	340,087,700	100.0 %

At the end of each reporting period, THG equity attributable to Hagerty, Inc. and the non-controlling unit holders, respectively, is reallocated to reflect their current ownership in THG.

Exchange of THG Units

Each THG unit and, if applicable, the associated share of Class V Common Stock, is exchangeable forone share of Class A Common Stock. In connection with any such exchange, Hagerty, Inc. receives a corresponding number of THG units, thereby increasing its ownership interest in THG. Changes in Hagerty, Inc.'s ownership interest in THG while retaining its controlling interest are accounted for as equity transactions. Accordingly, exchanges of THG units by unit holders other than Hagerty, Inc. increase Hagerty, Inc.'s ownership in THG, thereby reducing the amount recorded as "Non-controlling interest" and increasing "Additional paid-in capital".

During the six months ended June 30, 2024 and 2023, 131,524 and 259,302, respectively, of THG units were exchanged for an equal number of shares of Class A Common Stock. These exchanges resulted in reductions to "Non-controlling interest" and corresponding increases to "Additional paid-in capital" of $1.2 million and $2.3 million, respectively, representing the fair value of Class A Common Stock on the date of each exchange.

Share-Based Compensation

Employees of THG subsidiaries are awarded share-based compensation in the form of restricted stock units ("RSUs") and performance restricted stock units ("PRSUs") under the Company's 2021 Stock Incentive Plan. Upon the vesting of these awards, the employees receive shares of Class A Common Stock and the Company is issued an equivalent number of THG units. Employees of THG subsidiaries may also participate in the Company's 2021 Employee Stock Purchase Plan under which these employees may purchase shares of Class A Common Stock at a discounted price and the Company is issued an equivalent number of THG units.

During the six months ended June 30, 2024 and 2023, the Company received 983,226 and 825,345, respectively, of THG units in connection with shares of Class A Common Stock that were issued as a result of share-based compensation awards vesting under the Company's 2021 Stock Incentive Plan. In addition, during the six months ended June 30, 2023, the Company received 118,009 of THG units in connection with shares of Class A Common Stock that were issued related to the Company's 2021 Employee Stock Purchase Plan.

THG Preferred Units

In connection with the Private Placement, the Fourth Amended and Restated Limited Liability Company Agreement ofTHG was amended and restated in the form of a Fifth Amended and Restated Limited Liability Company Agreement (as subsequently amended and restated, the "THG LLC Agreement"), to, among other things, create a new series of preferred units within THG (the "THG Preferred Units"). The terms of the THG Preferred Units parallel the terms of theSeries A Convertible Preferred Stock and are held entirely by Hagerty, Inc.

The THG Preferred Units are recorded on the financial statements of THG based on their estimated redemption value, which represents the maximum cash payment, including cumulative dividends, that would be required to be paid to Hagerty, Inc. if the Optional Term Redemption of the Series A Convertible Preferred Stock is exercised. Amounts recognized to accrete the THG Preferred Units to their estimated redemption value are treated as a deemed dividend due to Hagerty, Inc. The amount of this deemed dividend is attributed entirely to Hagerty, Inc. prior to allocating the remainder of THG's net income between controlling and non-controlling interests. In June 2024, THG paid $5.6 million of cash dividends to Hagerty, Inc. on the THG Preferred Units. Refer to Note 15 — Convertible Preferred Stock for additional information on the Private Placement and the Series A Convertible Preferred Stock.

Distributions to Unit Holders of THG

Under the terms of the THG LLC Agreement, THG is obligated to make tax distributions to its unit holders. During the six months ended June 30, 2024, THG made tax distributions of $5.3 million to non-controlling interest unit holders and $1.1 million of tax distributions to Hagerty, Inc. There were no such tax distributions during the six months ended June 30, 2023.

17 — Warrants

The following table summarizes the Company's outstanding warrants as of June 30, 2024 and December 31, 2023:

	June 30, 2024	December 31, 2023
	in thousands	
Public Warrants [(1)]	5,750	5,750
Private Warrants [(2)]	258	258
Underwriter Warrants [(2)]	29	29
OTM Warrants [(3)]	1,300	1,300
PIPE Warrants [(2)]	12,147	12,147
Total	19,484	19,484

(1) The Public Warrants may be exercised on a cash only basis and expire in December 2026.

(2) The Private Warrants, Underwriter Warrants, and PIPE Warrants may be exercised on a cashless basis and expire in December 2026.

(3) The OTM Warrants may be exercised on a cashless basis and expire in December 2031.

The Company's warrants are measured at fair value each reporting period with the change in fair value between reporting periods recorded within "Change in fair value of warrant liabilities" in the Condensed Consolidated Statements of Operations. Refer to Note 4 — Fair Value Measurements for additional information.

Warrant Exchange

On June 3, 2024, the Company commenced an exchange offer (the "Offer") and consent solicitation (the "Consent Solicitation") relating to its (i) Public Warrants, (ii) Private Warrants, (iii) the Underwriter Warrants, (iv) the OTM Warrants (together with the Private Warrants and the Underwriter Warrants, the "Private Placement Warrants") and (v) PIPE Warrants (together with the Public Warrants and Private Placement Warrants, the "Warrants"), which provided all holders of the Warrants the opportunity to receive 0.20 shares of Class A Common Stock in exchange for each outstanding Warrant tendered by the holder and exchanged pursuant to the Offer.

Concurrently with the Offer, the Company solicited consents from holders of the Warrants to amend (a) the warrant agreement governing the Public Warrants and Private Placement Warrants (the "IPO Warrant Amendment") and (b) the warrant agreement governing the PIPE Warrants (the "Business Combination Warrant Amendment" and together with the IPO Warrant Amendment, the "Warrant Amendments") to permit the Company to require that each Warrant that is outstanding upon the closing of the Offer be exchanged for 0.18 shares of Class A Common Stock, which is a ratio 10% less than the exchange ratio applicable to the Offer (the "Post-Offer Exchange"). Pursuant to the terms of the applicable warrant agreements, the IPO Warrant Amendment requires the vote or written consent of holders of both of (i) 50% of the Public Warrants outstanding and (ii) 50% of the Private Placement Warrants outstanding, and the Business Combination Warrant Amendment requires the vote or written consent of holders of 50% of the PIPE Warrants outstanding.

The Offer and Consent Solicitation expired on July 3, 2024, and the Company was advised that (i) 5,019,278 Public Warrants, or approximately 87.3% of the outstanding Public Warrants, (ii) 1,561,381 Private Placement Warrants, or approximately 98.4% of the outstanding Private Placement Warrants, and (iii) 11,850,300 PIPE Warrants, or approximately 97.6% of the outstanding PIPE Warrants, were validly tendered prior to the expiration of the Offer. The Company began the settlement and exchange of such warrants, each for 0.20 shares of Class A Common Stock, on July 5, 2024, which resulted in the issuance of 3,686,056 shares of Class A Common Stock.

Following the expiration of the Offer, the Company processed Warrant exercises and settled the Post-Offer Exchange for the Warrants that remained outstanding, which resulted in the issuance of 189,438 shares of Class A Common Stock. In the aggregate, the Company issued 3,876,201 shares of Class A Common Stock in exchange for 19,483,539 Warrants, with a nominal cash settlement paid in lieu of fractional shares.

No Warrants remained outstanding following the Post-Offer Exchange. Accordingly, the Warrants that had been listed on the New York Stock Exchange were suspended from trading as of the close of business on July 19, 2024, and subsequently delisted.

In the third quarter of 2024, the Company will record increases to "Class A Common Stock" and "Additional paid-in capital", representing the fair value of the Class A Common Stock that was issued on the date of each exchange. Additionally, "Warrant liabilities" will be reduced to zero, with the difference between the carrying value of "Warrant liabilities" and the fair value of Class A Common Stock issued reflected within the Condensed Consolidated Statements of Operations.

18 — Share-Based Compensation

The Company's 2021 Stock Incentive Plan provides for the issuance of up to approximately 38.3 million shares of Class A Common Stock to employees and non-employee directors. The 2021 Stock Incentive Plan allows for the issuance of incentive stock options, non-qualified stock options, restricted stock awards, stock appreciation rights, RSUs, and PRSUs. As of June 30, 2024, there were approximately 27.6 million shares available for future grants under the 2021 Stock Incentive Plan.

Share-based compensation expense related to employees is recognized in the Condensed Consolidated Statements of Operations within "Salaries and benefits" and, to a much lesser extent, when applicable, "Restructuring, impairment and related charges, net." Share-based compensation expense related to non-employee directors is recognized within "General and administrative." The Company recognizes forfeitures of share-based compensation awards in the period in which they occur.

The following table summarizes share-based compensation expense recognized during the three and six months ended June 30, 2024 and 2023:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	in thousands			
Restricted stock units	$ 3,214	$ 3,393	$ 7,042	$ 6,626
Performance restricted stock units	1,169	716	1,884	1,431
Employee stock purchase plan	—	—	—	165
Total share-based compensation expense	$ 4,383	$ 4,109	$ 8,926	$ 8,222

Restricted Stock Units

RSUs typically vest over a two to five-year period based on the requisite service period. The grant date fair value is determined based on the closing market price of the Class A Common Stock on the business day prior to the grant date and the related share-based compensation expense is recognized over the vesting period on a straight-line basis.

The following table provides a summary of RSU activity during the six months ended June 30, 2024:

	Restricted Stock Units	Weighted Average Grant Date Fair Value
Unvested balance as of December 31, 2023	4,678,032	$ 9.88
Granted	860,964	9.13
Vested [(1)]	(1,486,357)	10.29
Forfeited	(117,151)	9.59
Unvested balance as of June 30, 2024	3,935,488	$ 9.57

(1) For the six months ended June 30, 2024, 983,226 shares of Class A Common Stock were issued related to the vesting of RSUs in the period, net of shares withheld for the funding of employee tax obligations.

The following table provides additional data related to RSU award activity during the six months ended June 30, 2024 and 2023:

	Six months ended June 30, 2024	Six months ended June 30, 2023
	in thousands (except years)	
Total fair value of shares vested [(1)]	$ 15,291	$ 8,899
Unrecognized compensation expense	$ 31,530	$ 26,398
Weighted-average period awards are expected to be recognized (in years)	3.12	3.23

(1) The tax impact related to vested RSUs for the six months ended June 30, 2024 and 2023 was not material to the Company's Condensed Consolidated Financial Statements due to the full valuation allowance on the deferred tax asset for the investment in the assets of THG.

Performance Restricted Stock Units

Market Condition PRSUs

In April 2022, the Company's CEO was granted 3,707,136 market condition PRSUs, which provide him the opportunity to receive up to 3,707,136 shares of Class A Common Stock. The award had a grant date fair value of approximately $19.2 million, which was estimated using a Monte Carlo simulation model. These PRSUs have both market-based and service-based vesting conditions. Shares of Class A Common Stock issuable under this award can be earned based on the achievement of the following stock price targets: (i) 25% of the shares can be earned when the stock price of the Class A Common Stock exceeds $20.00 per share for 60 consecutive days, (ii) 25% of the shares can be earned when the stock price of the Class A Common Stock exceeds $25.00 per share for 60 consecutive days, and (iii) 50% of the shares can be earned when the stock price of the Class A Common Stock exceeds $30.00 per share for 60 consecutive days. These market-based conditions must be met in order for the PRSUs to vest; therefore, it is possible that no shares will ultimately vest. If any of the market-based conditions are met, the PRSUs will vest contingent upon continued service through the earlier of three years after achievement of the stock price target or the end of the seven-year performance period. As of June 30, 2024, no market condition PRSUs had vested.

The Company will recognize the entire $19.2 million of compensation expense for this award over the requisite service period, regardless of whether such market-based conditions are met. As of June 30, 2024, unrecognized compensation expense related to this award was $12.8 million, which the Company expects to recognize over a period of 4.75 years.

The following table summarizes the assumptions and related information used to determine the grant-date fair value of the market condition PRSUs awarded in April 2022:

Inputs	Performance Restricted Stock Units
Weighted average grant-date fair value per share	$5.19
Expected stock volatility	35%
Expected term (in years)	7.0
Risk-free interest rate	2.5%
Dividend yield	—%

Performance Condition PRSUs

On March 29, 2024, the Talent, Culture, and Compensation Committee (the "Compensation Committee") of the Board adopted a new form of PRSU award agreement (the "2024 PRSU Agreement") to be used for awards of PRSUs to certain employees under the Company's 2021 Stock Incentive Plan.

PRSUs granted under the 2024 PRSU Agreement will be eligible to vest subject to the satisfaction of both performance-based and service-based conditions. The performance-based vesting condition will be satisfied contingent upon the Company's level of performance over the designated performance period (the "Performance Period") as measured against a financial performance target (the "Performance Target"), each as determined by the Compensation Committee. Following the end of the Performance Period, the Compensation Committee will determine the applicable attained performance level with payout percentages ranging from 35% to 200% (each, a "Payout Percentage") of the target number of PRSUs awarded. In the event of a Change in Control (as defined in the 2024 PRSU Agreement) before the end of a scheduled Performance Period, the Compensation Committee retains discretion to end the Performance Period early and measure performance levels as of a revised measurement date.

If both the service-based and performance-based vesting conditions are satisfied, the PRSU holder will be entitled to receive the number of shares of Class A Common Stock, if any, determined by multiplying the aggregate number of PRSUs subject to the applicable PRSU Agreement by the applicable Payout Percentage that corresponds to the level of achievement of the Performance Target pursuant to the payout formula approved by the Compensation Committee.

The amount of compensation expense ultimately recognized for PRSUs issued under the 2024 PRSU Agreement will be dependent upon management's assessment of the likelihood of achieving the applicable payout levels. If, as a result of management's assessment, it is projected that a greater number of PRSUs will vest than previously anticipated, a life-to-date adjustment to increase compensation expense is recorded in the period when such determination is made. Conversely, if, as a result of management's assessment, it is projected that a lower number of PRSUs will vest than previously anticipated, a life-to-date adjustment to decrease compensation expense is recorded in the period when such determination is made.

The following table provides a summary of the activity related to PRSUs granted under the 2024 PRSU Agreement during the six months ended June 30, 2024:

	Performance Restricted Stock Units	Weighted Average Grant Date Fair Value
Unvested balance as of December 31, 2023	—	$ —
Granted	292,689	9.15
Unvested balance as of June 30, 2024	292,689	$ 9.15

As of June 30, 2024, the maximum number of shares of Class A Common Stock that may be issued with respect to PRSUs granted under the 2024 PRSU Agreement is 585,378, assuming full achievement of the Performance Target.

The following table provides additional data related to performance condition PRSU award activity during the six months ended June 30, 2024:

	Six months ended June 30, 2024
	in thousands (except years)
Total fair value of shares vested	$ —
Unrecognized compensation expense	$ 4,903
Weighted-average period awards are expected to be recognized (in years)	2.75

Employee Stock Purchase Plan

The 2021 Employee Stock Purchase Plan (the "ESPP") allows substantially all of the Company's employees to purchase shares of Class A Common Stock. The ESPP allows purchases of Class A Common Stock to be made at a discount of up to 15% and for the purchase price to occur at the lesser of the fair market value of the Class A Common Stock on (i) the offering date and (ii) the applicable purchase date. The Company's two previous offering periods offered discounts of 10% and 5%. Employees are allowed to terminate their participation in the ESPP at any time during the purchase period prior to the purchase of shares. As of June 30, 2024, 197,819 shares had been purchased under the ESPP and there were approximately 11.3 million shares available for future purchases.

19 — Earnings Per Share

Basic earnings per share is calculated under the Two-Class Method using Net income available to Class A Common Stockholders, divided by the weighted average number of shares of Class A Common Stock outstanding during the period.

Diluted earnings per share is calculated using diluted Net income available to Class A Common Stockholders divided by the weighted average number of shares of Class A Common Stock outstanding during the period, adjusted to give effect to potentially dilutive securities.

The Company's potentially dilutive securities consist of (i) unexercised warrants, unvested share-based compensation awards, and shares issuable under the employee stock purchase plan, with the dilutive effect calculated using the Treasury Stock Method, and (ii) non-controlling interest THG units and Series A Convertible Preferred Stock, with the dilutive effect calculated using the more dilutive of the If-Converted Method and the Two-Class Method.

The following table summarizes the basic and diluted earnings per share calculations for the three and six months ended June 30, 2024 and 2023:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	in thousands (except per share amounts)			
Earnings Per Share of Class A Common Stock, Basic				
Net income available to Class A Common Stockholders	$ 7,912	$ 2,388	$ 4,955	$ 305
Weighted average shares of Class A Common Stock outstanding	85,687	84,371	85,171	83,820
Net income per share of Class A Common Stock, basic	$ 0.09	$ 0.03	$ 0.06	$ —
Earnings Per Share of Class A Common Stock, Diluted				
Net income available to Class A Common Stockholders	$ 7,912	$ 2,405	$ 5,007	$ 307
Weighted average shares of Class A Common Stock outstanding	85,687	85,563	86,072	84,424
Net income per share of Class A Common Stock, Diluted	$ 0.09	$ 0.03	$ 0.06	$ —
Net Income Available to Class A Common Stockholders				
Net income	$ 42,657	$ 15,539	$ 50,856	$ 514
Net income attributable to non-controlling interest	(32,279)	(13,134)	(41,829)	(208)
Accretion of Series A Convertible Preferred Stock	(1,839)	—	(3,677)	—
Undistributed earnings allocated to Series A Convertible Preferred Stock	(627)	(17)	(395)	(1)
Net income available to Class A Common Stockholders, Basic	7,912	2,388	4,955	305
Undistributed earnings allocated to Series A Convertible Preferred Stock	—	17	—	1
Adjustment for potentially dilutive THG units	—	—	—	—
Adjustment for potentially dilutive Series A Convertible Preferred Stock	—	—	—	1
Adjustment for potentially dilutive share-based compensation awards	—	—	52	—
Adjustment for potentially dilutive warrants	—	—	—	—
Net income available to Class A Common Stockholders, Diluted	$ 7,912	$ 2,405	$ 5,007	$ 307
Weighted Average Shares of Class A Common Stock Outstanding				
Weighted average shares of Class A Common Stock outstanding, Basic	85,687	84,371	85,171	83,820
Adjustment for potentially dilutive THG units	—	—	—	—
Adjustment for potentially dilutive Series A Convertible Preferred Stock	—	597	—	300
Adjustment for potentially dilutive share-based compensation awards	—	595	901	304
Adjustment for potentially dilutive warrants	—	—	—	—
Weighted average shares of Class A Common Stock outstanding, Diluted	85,687	85,563	86,072	84,424

The following table summarizes the weighted average potential shares of Class A Common Stock excluded from diluted earnings per share of Class A Common Stock as their effect would be anti-dilutive:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	in thousands			
THG units	255,384	255,532	255,441	255,620
Series A Convertible Preferred Stock	6,785	—	6,785	—
Unvested shares associated with share-based compensation awards	7,943	5,931	3,855	6,328
Warrants	19,484	19,484	19,484	19,484
Total	289,596	280,947	285,565	281,432

20 — Taxation

United States — With the exception of certain U.S. corporate and foreign subsidiaries, THG is taxed as a pass-through ownership structure under provisions of the Internal Revenue Code ("IRC") and a similar section of state income tax law. As such, any taxable income or loss generated by THG is passed through to and included in the taxable income or loss of THG unit holders, including Hagerty, Inc.

Hagerty, Inc. is taxed as a corporation under the IRC and pays corporate, federal, state, and local taxes with respect to income allocated from THG. Hagerty, Inc., Hagerty Re, Broad Arrow, Hagerty Radwood, Inc., and various foreign subsidiaries are treated as taxable entities and income taxes are provided where applicable.

The Company has a TRA with the Legacy Unit Holders that requires the Company to pay 85% of the tax savings that are realized as a result of increases in the tax basis in THG's assets as a result of an exchange of THG units and Class V Common Stock for Class A Common Stock or cash. See "Tax Receivable Agreement Liability" below for additional information.

Canada — Hagerty's Canadian entities are taxed as non-resident corporations and subject to income tax in Canada under provisions of the Canadian Revenue Agency.

United Kingdom — Hagerty's U.K. entities are taxed as corporations and subject to income tax in the U.K. under provisions of HM Revenue & Customs.

Bermuda — Hagerty Re made an irrevocable election under Section 953(d) of the U.S. IRC, as amended, to be taxed as a U.S. domestic corporation. As a result, Hagerty Re is subject to U.S. taxation on its world-wide income as if it were a U.S. corporation. In accordance with an agreement between Hagerty Re and the Internal Revenue Service ("IRS"), Hagerty Re established an irrevocable letter of credit with the IRS in 2021.

Tax Legislation — The Organisation for Economic Co-operation and Development has a framework to implement a global minimum corporate tax of 15% for companies with global revenues and profits above certain thresholds (referred to as "Pillar 2"), with certain aspects of Pillar 2 effective January 1, 2024 and other aspects effective January 1, 2025. While its uncertain whether the U.S. will enact legislation to adopt Pillar 2, certain countries in which the Company operates have adopted legislation, and other countries are in the process of introducing legislation to implement Pillar 2. While the Company expects that its effective income tax rate and cash income tax payments could increase in future years as a result of the global minimum tax, management does not expect there to be a material impact to the Company's results of operations for the year ending December 31, 2024. The Company's assessment could be affected by legislative guidance and future enactment of additional provisions within the Pillar 2 framework.

Income Tax Expense — Income tax expense reflected in the Condensed Consolidated Statements of Operations differs from the tax computed by applying the statutory U.S. federal rate of 21% to "Income before income tax expense" as follows:

	Six months ended June 30,			
	2024		2023	
	in thousands (except percentages)			
Income tax expense at statutory rate	$ 12,977	21 %	$ 1,661	21 %
State taxes	259	— %	103	1 %
(Income) loss not subject to entity-level taxes	(3,382)	(5)%	4,311	55 %
Foreign rate differential	(156)	— %	(185)	(2)%
Change in valuation allowance	(738)	(1)%	252	3 %
Change in fair value of warrant liabilities	1,697	3 %	477	6 %
Permanent items	346	1 %	510	7 %
Other, net	(63)	— %	269	3 %
Income tax expense	$ 10,940	18 %	$ 7,398	94 %

Deferred Tax Assets — As of June 30, 2024 and December 31, 2023, the Company had deferred tax assets of $140.4 million and $146.0 million, respectively, related to the difference between the outside tax basis and book basis of its investment in the assets of THG. The Company's deferred tax assets are reduced by a valuation allowance when management believes it is more likely than not that some, or all, of the deferred tax assets will not be realized. After considering all positive and negative evidence of taxable income in the carryback and carryforward periods, as permitted by law, the Company believes it is more likely than not that certain deferred tax assets, including the deferred tax asset for the investment in the assets of THG, will not be realized. As a result, the Company has recorded a valuation allowance of $166.3 million and $169.6 million against its deferred tax assets as of June 30, 2024 and December 31, 2023, respectively. In the event that management subsequently determines that it is more likely than not that the Company will realize its deferred tax assets in the future over the recorded amount, a decrease to the valuation allowance will be made, which will reduce the provision for income taxes.

Tax Examinations — The Company is subject to taxation and files income tax returns in the U.S. federal jurisdiction, as well as many state and foreign jurisdictions. As of June 30, 2024, tax years 2020 to 2023 are subject to examination by various tax authorities. With few exceptions, as of June 30, 2024, the Company is no longer subject to U.S. federal, state, local or foreign examinations for years before 2020. THG is currently under audit by the IRS for the 2021 tax year.

The Canadian Revenue Agency examination of the Company for the 2018 tax year was closed in March 2024 with no changes to previously filed tax returns.

Uncertain Tax Positions — The calculation of the Company's tax liabilities involves uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across its global operations. ASC Topic 740, *Income Taxes* ("ASC 740") states that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, on the basis of the technical merits.

The Company records uncertain tax benefits ("UTB") as liabilities in accordance with ASC 740 and adjusts these liabilities when management's conclusion changes as a result of the evaluation of new information not previously available. Because of the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the current estimate of the UTB liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which new information is available.

As of June 30, 2024 and 2023, the Company did not have any unrecognized tax benefits and had no material accrued interest or penalties related to uncertain tax positions. If recorded, interest and penalties would be recorded within "Income tax expense" in the Condensed Consolidated Statements of Operations.

Tax Receivable Agreement Liability — The TRA provides for payment to the Legacy Unit Holders of 85% of the U.S. federal, state and local income tax savings realized by Hagerty, Inc. as a result of the increases in tax basis and certain other tax benefits as outlined in the Business Combination Agreement (provided as Exhibit 2.1, incorporated by reference within *Item 6. Exhibits*, in this Quarterly Report) upon the exchange of THG units and Hagerty, Inc. Class V Common Stock for Hagerty, Inc. Class A Common Stock or cash. THG made an election under Section 754 of the IRC with the filing of its 2019 income tax return, which cannot be revoked without the permission of the IRS Commissioner and will be in place for any future exchange of THG units. The remaining 15% cash tax savings resulting from the basis adjustments will be retained by Hagerty, Inc.

The amount and timing of any payments under the TRA will vary depending on a number of factors, including, but not limited to, the increase in tax basis of THG's assets, the timing of any future redemptions, exchanges or purchases of THG units held by Legacy Unit Holders, the price of Hagerty, Inc. Class A Common Stock at the time of the purchase, redemption, or exchange, the extent to which redemptions or exchanges are taxable, the amount and timing of the taxable income that Hagerty, Inc. generates in the future, the tax rates then applicable and the portion of the payments under the TRA constituting imputed interest. The estimated value of the TRA recorded by the Company within "Other long-term liabilities" on the Condensed Consolidated Balance Sheets was $0.6 million as of June 30, 2024 and December 31, 2023, which was limited by the ability to currently utilize tax benefits.

In general, cash tax savings result in a year when the tax liability of Hagerty, Inc. for the year, computed without regard to the deductions attributable to the amortization of the basis increase and other deductions that arise in connection with the payment of the cash consideration under the TRA or the exchange of THG units and Hagerty, Inc. Class V Common Stock for Hagerty, Inc. Class A Common Stock, would be more than the tax liability for the year taking into account such deductions. Payments under the TRA will not be due until the Company produces taxable income and the resulting cash tax liability is reduced by deducting the amortization of the basis increase on a filed tax return. The payments under the TRA are expected to be substantial.

21 — Related-Party Transactions

As of June 30, 2024, Markel and State Farm had the following equity interests in Hagerty and, as a result, are considered related parties:

	Markel		State Farm	
Equity Interest	Shares/Units	Percentage of total outstanding [(1)]	Shares/Units	Percentage of total outstanding [(1)]
Hagerty, Inc. Class A Common Stock	3,000,000	3.5 %	50,000,000	58.3 %
Hagerty, Inc. Class V Common Stock	75,000,000	29.9 %	—	— %
Hagerty, Inc. Series A Convertible Preferred Stock	1,590,668	18.8 %	5,302,226	62.5 %
THG units	75,000,000	22.0 %	—	— %
Controlling Interest	3,000,000	3.5 %	50,000,000	58.3 %
Non-controlling Interest	75,000,000	29.4 %	—	—

(1) The percentages reflected represent only the ownership of the specific security identified in each row, and are not reflective of the total economic ownership in Hagerty. Further, these percentages do not reflect any ownership of warrants.

Refer to Note 16 — Stockholders' Equity and Note 15 — Convertible Preferred Stock for a description of each equity interest in the table above.

State Farm

Alliance Agreement

Hagerty has a 10-year master alliance agreement with State Farm (the "State Farm Alliance Agreement") under which State Farm's customers, through State Farm agents, are able to access Hagerty's features and services. This program began issuing policies in four initial states in September 2023. Under this agreement, State Farm paid Hagerty an advanced commission of $20.0 million, which is being recognized as "Commission and fee revenue" within the Condensed Consolidated Statements of Operations over the life of the arrangement.

In conjunction with the State Farm Alliance Agreement, the Company also entered into a managing general underwriter agreement whereby the State Farm Classic+ policy is offered through State Farm Classic Insurance Company, a wholly owned subsidiary of State Farm. The State Farm Classic+ policy is available to new and existing State Farm customers through their agents on a state-by-state basis. Hagerty is paid a commission under the managing general underwriter agreement and ancillary agreements for each policy issued in the State Farm Classic+ program. Additionally, the Company has the opportunity to offer HDC membership to State Farm Classic+ customers which provides Hagerty an additional revenue opportunity. Commission revenue associated with the State Farm Classic+ policies was not material for the three and six months ended June 30, 2024.

Reinsurance Agreement

Hagerty Re has a quota share agreement to cede50% of the risk assumed from a subsidiary of Markel in relation to High-Net-Worth Accounts to Oglesby Reinsurance Company, a wholly owned subsidiary of State Farm. Refer to Note 12 — Reinsurance for additional information on the Company's reinsurance programs.

The following tables summarize all balances related to the risk ceded by Hagerty Re to State Farm subsidiaries:

	June 30, 2024	December 31, 2023
Assets:	*in thousands*	
Commissions receivable	$ 2,276	$ 1,963
Deferred acquisition costs, net [1]	(4,393)	(3,898)
Other current assets	12,616	9,268
Total assets	$ 10,499	$ 7,333
Liabilities:		
Accounts payable, accrued expenses and other current liabilities	$ 4,376	$ 3,775
Total liabilities	$ 4,376	$ 3,775

(1) Represents unearned ceding commission received from State Farm subsidiaries.

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Revenue:	*in thousands*			
Earned premium [1]	$ (4,069)	$ (1,390)	$ (8,022)	$ (1,390)
Expenses:				
Ceding commission, net [2]	$ (2,117)	$ (723)	$ (4,172)	$ (723)
Losses and loss adjustment expenses [3]	(813)	(278)	(3,604)	(278)
Total expenses	$ (2,930)	$ (1,001)	$ (7,776)	$ (1,001)

(1) Represents premiums ceded to State Farm subsidiaries, which are accounted for as a reduction to "Earned premium".
(2) Represents commissions from State Farm subsidiaries related to ceded reinsurance, which are accounted for as a reduction to "Ceding commissions, net".
(3) Represents loss recoveries associated with reinsurance ceded to State Farm subsidiaries, which are accounted for as a reduction to "Losses and loss adjustment expenses".

State Farm Term Loan

In September 2023, Hagerty Re entered into an unsecured term loan facility with State Farm in an aggregate principal amount of $25.0 million and an interest rate of 8.0% per annum. The State Farm Term Loan will mature in September 2033. Refer to Note 14 — Long-Term Debt for additional information.

Markel

Alliance Agreement

The Company and Markel have an alliance agreement (the "Markel Alliance Agreement") and associated agency agreement pursuant to which policies sold by Hagerty's U.S. MGAs are underwritten by Essentia Insurance Company ("Essentia") and reinsured with Evanston Insurance Company ("Evanston"), both of which are wholly owned subsidiaries of Markel.

The following tables provide information related to Markel-affiliated "Due to insurer" liabilities and "Commission revenue" associated with the Markel Alliance Agreement:

	June 30, 2024	December 31, 2023
	in thousands (except percentages)	
Due to insurer	$ 123,717	$ 75,922
Percent of total	89 %	95 %

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	in thousands (except percentages)			
Commission revenue	$ 115,975	$ 100,737	$ 199,644	$ 172,376
Percent of total	92 %	93 %	93 %	95 %

Refer to Note 2 — Revenue for information related to the related party balances within "Commissions receivable", primarily consisting of CUC receivables due from Markel.

Reinsurance Agreement

Hagerty Re has a quota share agreement with Evanston to assume approximately80% of the risks written through the Company's U.S. MGAs. Effective January 1, 2023, the quota share agreement with Evanston was amended to increase Hagerty Re's participation on High-Net-Worth Accounts from 80% to 100%. Refer to Note 12 — Reinsurance for additional information on the Company's reinsurance programs.

The following tables summarize all balances related to the Company's reinsurance business with Markel subsidiaries:

	June 30, 2024	December 31, 2023
Assets:	*in thousands*	
Premiums receivable	$ 213,321	$ 134,376
Commissions receivable	556	630
Deferred acquisition costs, net	162,409	141,880
Other current assets	2,480	1,915
Total assets	$ 378,766	$ 278,801
Liabilities:		
Accounts payable, accrued expenses and other current liabilities	$ 875	$ 1,553
Losses payable and provision for unpaid losses and loss adjustment expenses	207,457	189,520
Commissions payable	97,543	107,286
Unearned premiums	351,336	307,504
Total liabilities	$ 657,211	$ 605,863

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Revenue:	*in thousands*			
Earned premium	$ 162,536	$ 130,610	$ 318,656	$ 243,972
Expenses:				
Ceding commission, net	$ 75,033	$ 59,419	$ 147,396	$ 113,177
Losses and loss adjustment expenses	64,266	51,194	129,421	97,849
Total expenses	$ 139,299	$ 110,613	$ 276,817	$ 211,026

Pursuant to the terms of the quota share agreement with Evanston, Hagerty Re maintains funds in trust for the benefit of Evanston. These funds are included within "Restricted cash and cash equivalents" and "Investments" in the Company's Condensed Consolidated Balance Sheets. The balance held in trust for the benefit of Evanston was $475.6 million and $517.2 million as of June 30, 2024 and December 31, 2023, respectively.

Other Related Party Transactions

From time-to-time, in the ordinary course of business, related parties, such as members of the Board and management, purchase insurance policies from the Company, receive payments on claims required by the Company's insurance policies, and buy and sell collector cars through Marketplace auctions or in private transactions.

22 — Commitments and Contingencies

Employee Compensation Agreements **—** In the ordinary course of conducting its business, the Company enters into certain employee compensation agreements from time to time which commit the Company to severance obligations in the event an employee terminates employment with the Company. If applicable, these obligations are included in the accrued expenses lines of the Condensed Consolidated Balance Sheets.

Litigation **—** From time to time, the Company is involved in various claims and legal actions that arise in the ordinary course of business. Management is required to assess the likelihood of any adverse judgments or outcomes related to these legal contingencies, as well as potential ranges of probable or reasonably possible losses. The determination of the amount of any losses to be recorded or disclosed as a result of these contingencies is based on a careful analysis of each individual exposure with, in some cases, the assistance of outside legal counsel. The amount of losses recorded or disclosed for such contingencies may change in the future due to new developments in each matter or a change in legal or settlement strategy. While the impact of any one or more legal claims or proceedings could be material to the Company's operating results in any period, management does not believe that the outcome of any of these pending claims or proceedings (including the data security incident discussed below), individually or in the aggregate, will have a material adverse effect on the Company's consolidated financial condition or liquidity.

Data Security Incident **—** In 2021, the Company experienced an unauthorized access into its online insurance quote feature whereby attackers used personal information already in their possession to obtain additional consumer data, including driver's license numbers. The unauthorized access issue has been remediated. This incident is the subject of coordinated industry-wide regulatory investigations in New York state. The Company could be subject to litigation, fines and/or penalties related to this incident. In 2023, the Company accrued an estimated liability related to this incident based on the facts known by management and developed through its assessment of the current status of ongoing dialog with the regulatory investigators. The amount of the estimated liability is not material to the Company's Condensed Consolidated Financial Statements. The amount of any fines, penalties, and/or settlements related to this incident could differ from the amount currently accrued and such difference is not currently estimable.

23 — Subsequent Events

Refer to Note 17 — Warrants for information related to a subsequent event with respect to our Warrants.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our Annual Report and our Condensed Consolidated Financial Statements and related Notes included in Item 1 of Part I of this Quarterly Report. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Please refer to the section in this Quarterly Report entitled "Cautionary Statement Regarding Forward-Looking Statements".

Overview

We are a market leader in providing insurance for classic cars and enthusiast vehicles. Through our insurance model, we act as a Managing General Agent ("MGA") by underwriting, selling, and servicing classic car and enthusiast vehicle insurance policies. Then, due to our consistent track record of delivering strong underwriting results, we reinsure a large portion of the risks written by our MGA subsidiaries through our wholly owned subsidiary, Hagerty Reinsurance Limited ("Hagerty Re"). In addition, we offer Hagerty Drivers Club ("HDC") memberships, which can be bundled with our insurance policies and give subscribers access to an array of products and services, including Hagerty Drivers Club Magazine, automotive enthusiast events, our proprietary vehicle valuation tool, emergency roadside assistance, and special vehicle-related discounts. Lastly, to complement our insurance and membership offerings, we also offer Hagerty Marketplace ("Marketplace"), where car enthusiasts can buy, sell, and finance collector cars. Through these offerings, our goal is to be the world's most trusted and preferred brand for enthusiasts to protect, buy and sell, and enjoy the special cars that are their passion.

Business Review

In 2023, we began a review of certain components of our operations which resulted in the sale or reorganization of certain businesses, including Hagerty Garage + Social and DriveShare. This initiative supports our strategy to prioritize investments and resources in the areas of our business that offer the strongest growth and profit potential. As a result of this review, we recognized approximately $4.0 million of losses and impairments in the third quarter of 2023 related to actions taken with respect to Hagerty Garage + Social and DriveShare.

In the second quarter of 2024, we sold Motorsport Reg ("MSR"), a motorsport membership, licensing and event online management system and recognized a $0.1 million gain. Refer to Note 9 — Divestitures in Item 1 of Part I of this Quarterly Report for information related to the sale of MSR.

We may incur additional losses and/or impairment charges in future periods as a result of actions which we may take related to this review.

Key Performance Indicators

The tables below present a summary of our Key Performance Indicators, which include important operational metrics, as well as certain accounting principles generally accepted in the United States of America ("GAAP") and non-GAAP financial measures as of and for the periods presented. We use these Key Performance Indicators to evaluate our business, measure our performance, identify trends against planned initiatives, prepare financial projections, and make strategic decisions. We believe these Key Performance Indicators are useful in evaluating our performance when read together with our Condensed Consolidated Financial Statements prepared in accordance with GAAP.

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Operational Metrics				
Total Written Premium *(in thousands)* (1)	$ 321,173	$ 275,895	$ 539,459	$ 458,745
Loss Ratio (2)	41.1 %	42.0 %	41.1 %	41.7 %
New Business Count — Insurance (3)	89,049	80,140	148,335	131,902
GAAP Measures				
Total Revenue *(in thousands)*	$ 313,225	$ 261,244	$ 584,933	$ 479,596
Operating Income *(in thousands)*	$ 38,067	$ 17,253	$ 50,291	$ 764
Net Income *(in thousands)*	$ 42,657	$ 15,539	$ 50,856	$ 514
Basic Earnings Per Share	$ 0.09	$ 0.03	$ 0.06	$ —
Diluted Earnings Per Share	$ 0.09	$ 0.03	$ 0.06	$ —
Non-GAAP Financial Measures				
Adjusted EBITDA *(in thousands)* (4)	$ 53,113	$ 34,367	$ 80,440	$ 41,072
Adjusted Earnings Per Share (4)	$ 0.12	$ 0.05	$ 0.16	$ 0.01

	June 30, 2024	December 31, 2023
Operational Metrics		
Policies in Force (5)	1,468,612	1,401,037
Policies in Force Retention (6)	88.7 %	88.7 %
Vehicles in Force (7)	2,510,566	2,378,883
HDC Paid Member Count (8)	853,564	815,007
Net Promoter Score (9)	82	82

(1) Total Written Premium is the total amount of insurance premium written by our MGA subsidiaries on policies that were bound by our insurance carrier partners during the period. We view Total Written Premium as an important metric as it most closely correlates with our growth in insurance commission revenue and Hagerty Re earned premium. Total Written Premium reflects the actual business volume and direct economic benefit generated from our policy acquisition efforts.

(2) Loss Ratio, expressed as a percentage, is the ratio of (i) losses and loss adjustment expenses incurred to (ii) earned premium in Hagerty Re. We view Loss Ratio as an important metric because it is a powerful benchmark for profitability. This benchmark allows us to evaluate our historical loss patterns, including incurred losses, and make necessary and appropriate adjustments.

(3) New Business Count represents the number of new insurance policies issued by our MGA subsidiaries during the applicable period. We view New Business Count as an important metric to assess our financial performance because it is critical to achieving our growth objectives. While Hagerty benefits from strong renewal retention, new business policies more than offset those cancelled or non-renewed at expiration. Often new policies mean new relationships and an opportunity to sell additional products and services.

(4) Refer to "Non-GAAP Financial Measures" below for a description of this non-GAAP financial measure and a reconciliation to the most comparable GAAP amount.

(5) Policies in Force ("PIF") represents the number of current and active insurance policies as of the applicable period end date. We view PIF as an important metric to assess our financial performance because policy growth drives our revenue growth, increases brand awareness and market penetration, generates additional insight to improve the performance of our platform, and provides key data to assist us in strategic decision making.

(6) PIF Retention represents the percentage of expiring insurance policies that are renewed on the renewal effective date, calculated on a rolling twelve months basis. We view PIF Retention as an important measurement of the number of policies retained each year, which contributes to recurring revenue streams from MGA commissions, membership fees, and earned premiums.

(7) Vehicles in Force represents the number of current insured vehicles as of the applicable period end date. We view Vehicles in Force as an important metric to assess our financial performance because insured vehicle growth drives our revenue growth and increases market penetration.

(8) HDC Paid Member Count represents the number of current Members who pay an annual membership subscription as of the applicable period end date. We believe that HDC Paid Member Count is important because it helps us measure membership revenue growth and provides an opportunity to customize our value proposition and benefits to specific types of enthusiasts, both by demographic and vehicle interest.

(9) Hagerty uses Net Promoter Score ("NPS") as an important measure of the overall strength of our relationship with insurance policyholders and paid HDC subscribers (collectively referred to herein as "Members"). NPS is measured twice annually through a web-based survey sent by email invitation to a random sample of existing Members, which currently excludes customers in our new Marketplace business, and is reported annually using an average of the two surveys. Often referred to as a barometer of brand loyalty and engagement, NPS is well-known in our industry as a strong indicator of growth and retention.

Components of Our Results of Operations

Revenue

Commission and fee revenue

We generate commission and fee revenue through our MGA subsidiaries, primarily from the underwriting, sale, and servicing of classic car and enthusiast vehicle insurance policies on behalf of our insurance carrier partners. Commissions are earned for both new and renewed policies. In addition, under the terms of certain of our contracts with insurance carriers, we have the opportunity to earn a contingent underwriting commission ("CUC") based on written or earned premium and the loss ratio results of the insurance book of business.

Historically, our MGA subsidiaries have earned, on average, a base commission of approximately 32% of written premium, as well as a CUC of up to 10%. In December 2023, our alliance agreement and associated agency agreement with Markel Group, Inc. ("Markel"), which generates approximately 93% of our total commission revenue, was amended to increase the base commission rate to 37% and to adjust the contingent commission to range from -5% to a maximum of +5% of annual written premium, with 80% of the expected CUC being paid monthly, beginning in the first quarter of 2024.

Commission and fee revenue is earned when the policy becomes effective, net of allowances for policy changes and cancellations, as our performance obligation is substantially complete when the policy is issued.

Earned premium

We earn reinsurance premium revenue for the risks assumed by Hagerty Re from the classic car and enthusiast vehicle insurance policies underwritten by our MGA subsidiaries. Hagerty Re is registered as a Class 3A reinsurer under the Bermuda Insurance Act of 1978.

Earned premium represents the earned portion of written premiums that Hagerty Re has assumed under quota share reinsurance agreements with our insurance carrier partners, net of premiums ceded to various reinsurers and the cost of catastrophe reinsurance coverage. Premiums assumed and ceded are recognized on a pro-rata basis over the term of the related reinsured policies, which is generally 12 months. The cost of catastrophe reinsurance coverage is recognized over the contract period in proportion to the related earned premium.

Membership, marketplace and other revenue

We earn subscription revenue through HDC memberships, which can be bundled with our insurance policies and give subscribers access to an array of products and services, including Hagerty Drivers Club Magazine, automotive enthusiast events, our proprietary vehicle valuation tool, emergency roadside assistance, and special vehicle-related discounts. We also earn fee-based revenue from Hagerty Garage + Social memberships, which include storage services in addition to the HDC Member benefits. Revenue from the sale of HDC and storage memberships is recognized ratably over the period of the membership. The membership is treated as a single performance obligation to provide access to stated member benefits over the life of the membership, which is currently one year.

Marketplace earns fee-based revenue primarily from the sale of collector cars through live auctions, time-based online auctions, and brokered private sales. In addition, Marketplace earns revenue from financing provided to qualified collectors and businesses secured by collector cars. Fee-based revenue earned by Marketplace is recognized when the underlying sale is completed. Finance revenue is recognized when earned based on the amount of the outstanding loan, the applicable interest rate on the loan, and the length of time the loan was outstanding during the period.

Lastly, other revenue includes sponsorship, admission, advertising, valuation and registration income. Other revenue is recognized when the performance obligation for the related product or service is satisfied.

Operating Expenses

Salaries and benefits

Salaries and benefits consist primarily of costs related to employee compensation, payroll taxes, employee benefits, and employee development costs. Employee compensation includes wages paid to employees, as well as various incentive compensation plans, including share-based compensation. Employee benefits include the costs of various employee benefit plans, including retirement, medical, dental, and wellness plans. Costs related to employee education, training, and recruiting are included in employee development costs. Salaries and benefits are expensed as incurred except for those costs which are required to be capitalized, which are then amortized over the useful life of the asset created, primarily software. Salaries and benefits are expected to increase in dollar amount over time as the business continues to grow but will likely decrease as a percent of revenue.

Ceding commissions, net

Ceding commissions, net represents the commissions paid by Hagerty Re to insurance carrier partners for the risk assumed under the quota share agreements with those carriers. These commissions represent Hagerty Re's pro-rata share of the carrier's costs including (i) policy acquisition costs, which consists of the commissions earned by our MGA subsidiaries, (ii) general and administrative costs, and (iii) other costs. Ceding commissions paid is recorded net of commissions received by Hagerty Re related to ceded reinsurance premiums. Ceding commissions, net is recognized ratably over the term of the related reinsured policies, which is generally 12 months.

Losses and loss adjustment expenses

Losses and loss adjustment expenses represent our best estimate of the losses related to the risk assumed by Hagerty Re. Losses consist of claims paid, case reserves, and incurred but not reported costs, which are recorded net of estimated recoveries from reinsurance, salvage and subrogation. Loss adjustment expenses consist of the cost associated with the investigation and settlement of claims. The estimates utilized in determining the amount of losses and loss adjustment expenses recorded in a period are based on statistical analysis performed by our internal and external actuarial team. Reserves are reviewed regularly and adjusted, as necessary, to reflect our estimate of the ultimate cost of settlement.

Sales expense

Sales expense includes costs related to the sale and servicing of insurance policies, as well as costs related to our Membership and Marketplace offerings, such as broker expense, cost of sales, promotion expense, and travel and entertainment expenses. Broker expense is the compensation paid to our agent partners and national broker partners when an insurance policy is written through a broker relationship. Broker expense generally tracks with written premium growth. Cost of sales includes payment processing fees, emergency roadside service costs, postage and other variable costs associated with the sale and servicing of a policy. Cost of sales also includes the cost of vehicles held in inventory and sold through Marketplace, as well as interest expense and borrowing costs associated with the Broad Arrow Capital LLC ("BAC") credit facility ("BAC Credit Facility"). Promotion expense includes various costs related to branding, events, advertising, marketing, and customer acquisition. Sales expenses, in general, are expensed as incurred and will trend with revenue growth.

General and administrative

General and administrative primarily consist of expenses related to professional services, occupancy costs, and non-capitalized hardware and software. These costs are expensed as incurred. We expect this expense category to increase in dollar amount over time as the business continues to grow but will likely decrease as a percentage of revenue over the next few years after we reach scale to handle incoming business from new partnerships.

Depreciation and amortization

Depreciation and amortization reflects the recognition of the cost of our investments in various assets over their useful lives. Depreciation expense relates to leasehold improvements, furniture and equipment, vehicles, hardware, and purchased software. Amortization relates to investments associated with acquisitions, software as a service ("SaaS") implementation, and internal software development, as well as investments made in and impairments of digital media content assets. Depreciation and amortization are expected to increase in dollar amount over time but will likely decrease as a percent of revenue as investments in platform technology reach scale.

Other Items

Change in fair value of warrant liabilities

Our warrants are accounted for as liabilities and are measured at fair value each reporting period, with changes in fair value recognized as non-operating income (expense) in our Condensed Consolidated Statements of Operations. In general, under the fair value accounting model, in periods when our stock price increases, the warrant liability increases, and we recognize additional expense. In periods when our stock price decreases, the warrant liability decreases, and we recognize additional income.

Interest and other income (expense)

Interest and other income (expense) primarily includes interest income related to our cash balances and fixed maturity securities, dividend income on equity securities, realized gains or losses from the sale of fixed maturity securities, and realized and unrealized gains and losses related to equity securities. Additionally, Interest and other income (expense) includes interest expense related to outstanding borrowings, primarily related to the JPM Credit Facility, and changes in the value of the liability related to our Tax Receivable Agreement ("TRA") with Hagerty Holding Corp. ("HHC") and Markel. Refer to Note 20 — Taxation in Item 1 of Part I of this Quarterly Report for additional information related to the TRA.

Income tax expense

The Hagerty Group, LLC ("THG") is taxed as a pass-through ownership structure under provisions of the Internal Revenue Code ("IRC") and a similar section of state income tax law, except certain United States ("U.S.") corporate subsidiaries and foreign subsidiaries. Any taxable income or loss generated by THG is passed through to and included in the taxable income or loss of all holders of THG units, including Hagerty, Inc. Hagerty, Inc. is taxed as a corporation and pays corporate federal, state, and local taxes with respect to income allocated from THG. Hagerty, Inc., Hagerty Re, Broad Arrow Group, Inc. ("Broad Arrow"), Hagerty Radwood, Inc., and various foreign subsidiaries are treated as taxable entities and income taxes are provided where applicable.

Results of Operations

Three Months Ended June 30, 2024 compared to the Three Months Ended June 30, 2023

The following table summarizes our results of operations for the three months ended June 30, 2024 and 2023, and the dollar and percentage changes between the two periods:

	Three months ended June 30,			
	2024	2023	$ Change	% Change
REVENUE:	*in thousands (except percentages)*			
Commission and fee revenue	$ 128,816	$ 110,187	$ 18,629	16.9 %
Earned premium	157,612	127,482	30,130	23.6 %
Membership, marketplace and other revenue	26,797	23,575	3,222	13.7 %
Total revenue	313,225	261,244	51,981	19.9 %
OPERATING EXPENSES:				
Salaries and benefits	57,693	53,572	4,121	7.7 %
Ceding commissions, net	73,446	60,350	13,096	21.7 %
Losses and loss adjustment expenses	64,729	53,564	11,165	20.8 %
Sales expense	47,990	41,941	6,049	14.4 %
General and administrative	21,373	21,318	55	0.3 %
Depreciation and amortization	10,014	10,397	(383)	(3.7)%
Restructuring, impairment and related charges, net	—	2,849	(2,849)	(100.0)%
Gain related to divestiture	(87)	—	(87)	— %
Total operating expenses	275,158	243,991	31,167	12.8 %
OPERATING INCOME	38,067	17,253	20,814	120.6 %
Change in fair value of warrant liabilities	(1,941)	(1,754)	(187)	10.7 %
Interest and other income (expense)	12,342	3,770	8,572	N/M
INCOME BEFORE INCOME TAX EXPENSE	48,468	19,269	29,199	151.5 %
Income tax expense	(5,811)	(3,730)	(2,081)	55.8 %
NET INCOME	$ 42,657	$ 15,539	$ 27,118	174.5 %

N/M = Not meaningful

Revenue

Commission and fee revenue

Commission and fee revenue was $128.8 million for the three months ended June 30, 2024, an increase of $18.6 million, or 16.9%, compared to 2023, consisting of increases of $15.2 million related to policy renewals and $3.4 million related to new policies.

The increase in revenue from policy renewals was primarily related to an increase of 16.9% in the underlying policy premiums, as well as continued strong policy retention. The increase in renewal policy premiums reflects sustained year-over-year growth in PIF and changes in our mix of business by vehicle type and value. In addition, there were rate increases in several states due to inflation and higher vehicle repair costs, both of which contribute to higher premiums and, in turn, higher commission revenue.

The increase in revenue from new policies was driven by sustained year-over-year growth in New Business Count, as well as rate increases in several states. The average premium on newly issued policies increased 4.9% when compared to the prior year period as a result of writing policies with higher insured values at higher premium rates.

Commission and fee revenue from agent sources increased $10.5 million, or 17.7%, and Commission and fee revenue from direct sources increased $8.2 million, or 16.0%, during the three months ended June 30, 2024. Commission rates vary based on geography, but do not differ by distribution channel (i.e., whether they are direct-sourced or agent-sourced).

Earned premium

Earned premium at Hagerty Re was $157.6 million for the three months ended June 30, 2024, an increase of $30.1 million, or 23.6%, compared to 2023. This increase was primarily due to continued growth of subject premiums written through our MGA subsidiaries, partially offset by an increase in ceded reinsurance premiums related to high-net-worth accounts in the U.S., which commenced in 2023. In addition, effective January 1, 2024, Hagerty Re is no longer reinsuring classic auto risks produced by its United Kingdom ("U.K.") MGA affiliate, and the book is in run-off.

The following tables present the amount of premiums assumed by Hagerty Re and the related quota share percentages for the three months ended June 30, 2024 and 2023:

	Three months ended June 30, 2024			
	U.S.	Canada	U.K.	Total
	in thousands (except percentages)			
Subject premium	$ 259,380	$ 24,270	$ (154)	$ 283,496
Quota share percentage	81.0 %	35.0 %	80.0 %	76.9 %
Assumed premium in Hagerty Re	209,534	8,495	(122)	217,907
Reinsurance premiums ceded				(10,143)
Net assumed premium				207,764
Change in unearned premiums				(49,808)
Change in deferred reinsurance premiums				(344)
Earned premium				$ 157,612

	Three months ended June 30, 2023			
	U.S.	Canada	U.K.	Total
	in thousands (except percentages)			
Subject premium	$ 220,859	$ 22,419	$ 3,101	$ 246,379
Quota share percentage	81.0 %	35.0 %	80.0 %	76.5 %
Assumed premium in Hagerty Re	178,129	7,847	2,480	188,456
Reinsurance premiums ceded				(8,541)
Net assumed premium				179,915
Change in unearned premiums				(56,333)
Change in deferred reinsurance premiums				3,900
Earned premium				$ 127,482

Membership, marketplace and other revenue

Membership, marketplace and other revenue was $26.8 million for the three months ended June 30, 2024, an increase of $3.2 million, or 13.7%, compared to 2023.

Membership fee revenue was $14.1 million for the three months ended June 30, 2024, an increase of $1.0 million, or 7.5%, compared to 2023. This increase was primarily attributable to a $1.8 million, or 15.5%, increase in revenue attributable to new policies issued with a bundled HDC membership, partially offset by a $0.6 million, or 43.5%, decrease in storage revenue as a result of fewer Hagerty Garage + Social locations in operation. For the three months ended June 30, 2024 and 2023, membership fees were 52.7% and 55.8%, respectively, of the Membership, marketplace and other revenue total.

Marketplace revenue was $6.3 million for the three months ended June 30, 2024, an increase of $1.0 million, or 20.0%, compared to 2023, which was primarily attributable to an increase in finance revenue associated with the growth of the BAC loan portfolio. For the three months ended June 30, 2024 and 2023, Marketplace revenue was 23.4% and 22.2%, respectively, of the Membership, marketplace and other revenue total.

Other revenue, which includes sponsorship, admission, advertising, valuation and registration income, totaled $6.4 million for the three months ended June 30, 2024, an increase of $1.2 million or 22.9%, compared to 2023, which was primarily attributable to an increase in advertising and sponsorship revenue. For the three months ended June 30, 2024 and 2023, other revenue was 23.9% and 22.1%, respectively, of the Membership, marketplace and other revenue total.

Operating Expenses

Salaries and benefits

Salaries and benefits were $57.7 million for the three months ended June 30, 2024, an increase of $4.1 million, or 7.7%, compared to 2023. This increase was primarily due to an increase in accrued incentive compensation consistent with our improved year-over-year results, as well as a higher level of share-based compensation expense and increased base salaries as a result of annual merit increases, which occur in the second quarter of each year.

Ceding commissions, net

Ceding commissions, net was $73.4 million for the three months ended June 30, 2024, an increase of $13.1 million, or 21.7%, compared to 2023. This increase is primarily attributable to the 23.6% increase in Earned premium discussed above.

The following table summarizes the components of Ceding commissions, net for the three months ended June 30, 2024 and 2023:

	Three months ended June 30,	
	2024	2023
	in thousands (except percentages)	
Ceding commission:		
Ceding commission – reinsurance assumed	$ 77,428	$ 61,361
Ceding commission – reinsurance ceded	(3,982)	(1,011)
Ceding commissions, net	$ 73,446	$ 60,350
Percentage of earned premium	46.6 %	47.3 %

Losses and loss adjustment expenses

Losses and loss adjustment expenses were $64.7 million for the three months ended June 30, 2024, an increase of $11.2 million, or 20.8%, compared to 2023. This increase is consistent with the higher volume of assumed premium at Hagerty Re. Hagerty Re's loss ratio was 41.1% for the three months ended June 30, 2024 and 42.0% for the three months ended June 30, 2023.

Sales expense

Sales expense was $48.0 million for the three months ended June 30, 2024, an increase of $6.0 million, or 14.4%, compared to 2023. This increase was due, in part, to a $2.8 million increase in broker expense which is consistent with written premium growth within the agent channel. In addition, cost of sales increased as a result of borrowing costs associated with the BAC Credit Facility, which was entered into in December 2023, as well as an increase in credit card processing fees, primarily due to a shift in customer preference towards credit cards as a payment method within our MGA subsidiaries.

General and administrative

General and administrative expense was $21.4 million for the three months ended June 30, 2024, an increase of $0.1 million, or 0.3%, compared to 2023. This increase was primarily driven by a $2.2 million increase in professional fees primarily associated with various corporate initiatives, including $0.7 million of professional fees associated with the exchange offer related to our warrants. This overall increase was partially offset by a decrease in occupancy costs as a result of fewer Hagerty Garage + Social locations in operation, as well as decreases in software subscription and insurance costs. Refer to Note 17 — Warrants in Item 1 of Part I of this Quarterly Report for additional information with respect to the warrant exchange offer.

Depreciation and amortization

Depreciation and amortization expense was $10.0 million for the three months ended June 30, 2024, a decrease of $0.4 million, or 3.7%, compared to 2023. This decrease was primarily attributable to a smaller base of fixed and intangible assets as of June 30, 2024 when compared to the same period in 2023.

Restructuring, impairment and related charges, net

In the second quarter of 2023, we recognized $2.8 million of "Restructuring, impairment and related charges, net". These charges consisted of $2.6 million of impairment and related charges associated with operating lease ROU assets and leasehold improvements for office space that was vacated and listed for sublease in the period as a result of our continuing transition to a "remote first" work model. The amount recognized in the second quarter of 2023 also included $0.2 million of additional severance related costs associated with a reduction in force approved by the Board in the first quarter of 2023. Refer to Note 13 — Restructuring, Impairment and Related Charges in Item 1 of Part I of this Quarterly Report for additional information with respect to our restructuring initiatives.

Gain related to divestiture

During the three months ended June 30, 2024, the Company recognized a $0.1 million gain related to the sale of MSR. Refer to Note 9 — Divestitures in Item 1 of Part I of this Quarterly Report for additional information.

Other Items

Change in fair value of warrant liabilities

During the three months ended June 30, 2024 and 2023, the change in the fair value of our warrant liabilities resulted in losses of $1.9 million and $1.8 million, respectively. Refer to Note 4 — Fair Value Measurements and Note 17 — Warrants in Item 1 of Part I of this Quarterly Report for additional information with respect to our warrants.

Interest and other income (expense)

Interest and other income (expense) was $12.3 million of income for the three months ended June 30, 2024, an increase of $8.6 million compared to 2023. This increase was primarily due to the diversification of Hagerty Re's investment portfolio in the second quarter of 2024, which resulted in the opening of positions in higher yielding fixed maturity securities. Also contributing to the year-over-year increase was a $2.3 million gain on the early settlement of an interest rate swap and a decrease in interest expense as a result of a lower level of borrowings under the JPM Credit Facility.

Income tax expense

Income tax expense was $5.8 million for the three months ended June 30, 2024, an increase of $2.1 million compared to 2023. The increase in income tax expense for the three months ended June 30, 2024 compared to 2023 was primarily due to an increase in income before income tax expense of $9.9 million within Hagerty Re, which is taxed as a corporation in the U.S. Refer to Note 20 — Taxation in Item 1 of Part I of this Quarterly Report for additional information with respect to items affecting our effective tax rate.

Six Months Ended June 30, 2024 compared to the Six Months Ended June 30, 2023

The following table summarizes our results of operations for the six months ended June 30, 2024 and 2023, and the dollar and percentage change between the two periods:

	Six months ended June 30,			
	2024	2023	$ Change	% Change
REVENUE:	*in thousands (except percentages)*			
Commission and fee revenue	$ 217,656	$ 184,799	$ 32,857	17.8 %
Earned premium	309,231	244,713	64,518	26.4 %
Membership, marketplace and other revenue	58,046	50,084	7,962	15.9 %
Total revenue	584,933	479,596	105,337	22.0 %
OPERATING EXPENSES:				
Salaries and benefits	113,809	108,804	5,005	4.6 %
Ceding commissions, net	144,376	115,775	28,601	24.7 %
Losses and loss adjustment expenses	127,085	101,976	25,109	24.6 %
Sales expense	87,650	77,054	10,596	13.8 %
General and administrative	41,235	42,699	(1,464)	(3.4)%
Depreciation and amortization	20,574	24,140	(3,566)	(14.8)%
Restructuring, impairment and related charges, net	—	8,384	(8,384)	(100.0)%
Gain related to divestiture	(87)	—	(87)	— %
Total operating expenses	534,642	478,832	55,810	11.7 %
OPERATING INCOME	50,291	764	49,527	N/M
Change in fair value of warrant liabilities	(8,081)	(2,269)	(5,812)	N/M
Interest and other income (expense)	19,586	9,417	10,169	108.0 %
INCOME BEFORE INCOME TAX EXPENSE	61,796	7,912	53,884	N/M
Income tax expense	(10,940)	(7,398)	(3,542)	47.9 %
NET INCOME	$ 50,856	$ 514	$ 50,342	N/M

N/M = Not meaningful

Revenue

Commission and fee revenue

Commission and fee revenue was $217.7 million for the six months ended June 30, 2024, an increase of $32.9 million, or 17.8%, compared to 2023, consisting of increases of $26.1 million related to renewal policies and $6.8 million related to new policies.

The increase in revenue from renewal policies was primarily related to an increase of 17.8% in underlying policy premiums, as well as continued strong policy retention. The increase in renewal policy premiums reflects sustained year-over-year growth in PIF and changes in our mix of business by vehicle type and value. In addition, there were rate increases in several states due to inflation and higher vehicle repair costs, both of which contribute to higher premiums and, in turn, higher commission revenue.
The increase in revenue from new policies was driven by sustained year-over-year growth in New Business Count, as well as rate increases in several states. The average premium on a newly issued policy increased 6.1% when compared to the prior year period as a result of writing policies with higher insured values at higher premium rates.

Commission and fee revenue from agent sources increased $18.4 million, or 18.3%, and Commission and fee revenue from direct sources increased $14.4 million, or 17.1%, during the six months ended June 30, 2024. Commission rates vary based on geography, but do not differ by distribution channel (i.e., whether they are direct-sourced or agent-sourced).

Earned premium

Earned premium at Hagerty Re was $309.2 million for the six months ended June 30, 2024, an increase of $64.5 million, or 26.4%, compared to 2023. This increase was primarily due to continued growth of subject premiums written through our MGA subsidiaries, partially offset by an increase in ceded reinsurance premiums related to high-net-worth accounts in the U.S., which commenced in 2023. In addition, effective January 1, 2024, Hagerty Re is no longer reinsuring classic auto risks produced by its U.K. MGA affiliates, and the book is in run-off.

The following tables present premiums assumed by Hagerty Re and the related quota share percentages for the six months ended June 30, 2024 and 2023:

	Six months ended June 30, 2024			
	U.S.	Canada	U.K.	Total
	in thousands (except percentages)			
Subject premium	$ 450,444	$ 31,225	$ (152)	$ 481,517
Quota share percentage	81.0 %	35.0 %	80.0 %	77.9 %
Assumed premium in Hagerty Re	364,213	10,929	(121)	375,021
Reinsurance premiums ceded				(32,969)
Net assumed premium				342,052
Change in unearned premiums				(45,235)
Change in deferred reinsurance premiums				12,414
Earned premium				$ 309,231

	Six months ended June 30, 2023			
	U.S.	Canada	U.K.	Total
	in thousands (except percentages)			
Subject premium	$ 379,451	$ 28,520	$ 5,062	$ 413,033
Quota share percentage	81.0 %	35.0 %	80.0 %	77.6 %
Assumed premium in Hagerty Re	306,612	9,982	4,049	320,643
Reinsurance premiums ceded				(22,269)
Net assumed premium				298,374
Change in unearned premiums				(68,123)
Change in deferred reinsurance premiums				14,462
Earned premium				$ 244,713

Membership, marketplace and other revenue

Membership, marketplace and other revenue was $58.0 million for the six months ended June 30, 2024, an increase of $8.0 million, or 15.9%, compared to 2023.

Membership fee revenue was $27.6 million for the six months ended June 30, 2024, an increase of $1.9 million, or 7.4%, compared to 2023. This increase was primarily due to a $3.3 million, or 14.8%, increase in revenue attributable to new insurance policies issued with a bundled HDC membership, partially offset by a $0.9 million decrease in storage revenue as a result of fewer Hagerty Garage + Social locations in operation. For the six months ended June 30, 2024 and 2023, membership fees were 47.5% and 51.3%, respectively, of total Membership, marketplace and other revenue.

Marketplace revenue was $16.8 million for the six months ended June 30, 2024, an increase of $4.9 million, or 41.2%, compared to 2023. This improvement was primarily due to the successful Broad Arrow auction at The Amelia, as well as an increase in finance revenue associated with the growth of the BAC loan portfolio. For the six months ended June 30, 2024 and 2023, Marketplace revenue was 28.9% and 23.7%, respectively, of total Membership, marketplace and other revenue.

Other revenue, which primarily includes sponsorship, admission, advertising, valuation, and registration income, was $13.7 million for the six months ended June 30, 2024, an increase of $1.2 million or 9.4%, compared to 2023, which was primarily attributable to an increase in advertising and admission revenue. For the six months ended June 30, 2024 and June 30, 2023, other revenue was 23.6% and 25.0%, respectively, of total Membership, marketplace and other revenue.

Costs and Expenses

Salaries and benefits

Salaries and benefits were $113.8 million for the six months ended June 30, 2024, an increase of $5.0 million, or 4.6%, compared to 2023. This increase was primarily due to an increase in accrued incentive compensation consistent with our improved year-over-year results, as well as a higher level of share-based compensation expense.

Ceding commissions, net

Ceding commissions, net was $144.4 million for the six months ended June 30, 2024, an increase of $28.6 million, or 24.7%, compared to 2023. This increase is primarily attributable to the 26.4% increase in Earned premium discussed above.

The following table summarizes the components of Ceding commissions, net for the six months ended June 30, 2024 and 2023:

	Six months ended June 30,	
	2024	2023
	in thousands (except percentages)	
Ceding commission:		
Ceding commission – reinsurance assumed	$ 152,180	$ 116,786
Ceding commission – reinsurance ceded	(7,804)	(1,011)
Ceding commissions, net	$ 144,376	$ 115,775
Percentage of earned premium	46.7 %	47.3 %

Losses and loss adjustment expenses

Losses and loss adjustment expenses were $127.1 million for the six months ended June 30, 2024, an increase of $25.1 million, or 24.6%, compared to 2023. This increase is consistent with the higher volume of assumed premium at Hagerty Re. Hagerty Re's loss ratio was 41.1% for the six months ended June 30, 2024 and 41.7% for the six months ended June 30, 2023.

Sales expense

Sales expense was $87.7 million for the six months ended June 30, 2024, an increase of $10.6 million, or 13.8%, compared to 2023. This increase was due, in part, to a $5.2 million increase in broker expense which is consistent with written premium growth within the agent channel. In addition, cost of sales increased $4.2 million primarily as a result of borrowing costs associated with the BAC Credit Facility, which was entered into in December 2023, as well as a higher level of auction and private sale activity during the period. Lastly, credit card processing fees increased, primarily due to a shift in customer preference towards credit cards as a payment method within our MGA subsidiaries.

General and administrative

General and administrative expense was $41.2 million for the six months ended June 30, 2024, a decrease of $1.5 million, or 3.4%, compared to 2023. This decrease was primarily driven by a $2.5 million reduction in occupancy costs as a result of fewer Hagerty Garage + Social locations in operation, as well as lower insurance costs. The overall decrease was partially offset by a $1.9 million increase in professional fees associated with various corporate initiatives, including $0.7 million of professional fees associated with the exchange offer related to our warrants. Refer to Note 17 — Warrants in Item 1 of Part I of this Quarterly Report for additional information with respect to the warrant exchange offer.

Depreciation and amortization

Depreciation and amortization expense was $20.6 million for the six months ended June 30, 2024, a decrease of $3.6 million, or 14.8%, compared to 2023. This decrease was driven primarily by a $3.8 million impairment of digital media content assets recorded in the prior year period, which was the result of lower than anticipated advertising and sponsorship revenue associated with these assets.

Restructuring, impairment and related charges, net

In the first quarter of 2023, the Board approved a reduction in force (the "2023 RIF") following a strategic review of business processes as we focus on driving efficiencies in order to achieve growth and profitability goals. As a result of these actions, in the first quarter of 2023, we recognized restructuring, impairment and related charges of $5.5 million, which consisted of $5.1 million of severance related costs associated with the 2023 RIF and a $0.4 million impairment charge to write-down the value of certain digital media content assets.

In the second quarter of 2023, we recognized $2.8 million of "Restructuring, impairment and related charges, net". These charges consisted of $2.6 million of impairment and related charges associated with operating lease ROU assets and leasehold improvements for office space that was vacated and listed for sublease in the period as a result of our continuing transition to a "remote first" work model. The amount recognized in the second quarter of 2023 also included $0.2 million of additional severance related costs associated with the 2023 RIF.

Refer to Note 13 — Restructuring, Impairment and Related Charges in Item 1 of Part I of this Quarterly Report for additional information with respect to our restructuring initiatives.

Gain related to divestiture

During the six months ended June 30, 2024, the Company recognized a $0.1 million gain related to the sale of MSR. Refer to Note 9 — Divestitures in Item 1 of Part I of this Quarterly Report for additional information.

Change in fair value of warrant liabilities

During the six months ended June 30, 2024 and 2023, the change in the fair value of our warrant liabilities resulted in losses of $8.1 million and $2.3 million, respectively. Refer to Note 4 — Fair Value Measurements and Note 17 — Warrants in Item 1 of Part I of this Quarterly Report for additional information with respect to our warrants.

Interest and other income (expense)

Interest and other income (expense) was $19.6 million of income for the six months ended June 30, 2024, an increase of $10.2 million compared to 2023. This increase was primarily due to the diversification of Hagerty Re's investment portfolio in the second quarter of 2024, which resulted in the opening of positions in higher yielding fixed maturity securities. Also contributing to the year-over-year increase was a $2.3 million gain on the early settlement of an interest rate swap and a decrease in interest expense as a result of a lower level of borrowings under the JPM Credit Facility.

Income tax expense

Income tax expense was $10.9 million for the six months ended June 30, 2024, an increase of $3.5 million compared to 2023. This increase in income tax expense for the three months ended June 30, 2024 compared to 2023 was primarily due to an increase in income before income tax expense of $17.1 million within Hagerty Re, which is taxed as a corporation in the U.S. Refer to Note 20 — Taxation in Item 1 of Part I of this Quarterly Report for additional information with respect to items affecting our effective tax rate.

Liquidity and Capital Resources

Maintaining a strong balance sheet and capital position is a top priority for us. We manage liquidity globally and across all operating subsidiaries.

Sources and Uses of Liquidity

Our sources of liquidity include our: (i) balances of cash and cash equivalents; (ii) net working capital; (iii) cash flows from operations; (iv) borrowings from the JPM Credit Facility (as defined below) to fund the general corporate needs of THG and its subsidiaries; and (v) borrowings from the BAC Credit Facility to fund a portion of the lending activities of BAC.

Our primary liquidity needs and capital requirements include cash required for: (i) the funding of business operations; (ii) the funding of strategic investments and acquisitions; (iii) the servicing and repayment of borrowings under the JPM Credit Facility, the BAC Credit Facility, and the unsecured term loan credit facility with State Farm Mutual Automobile Insurance Company (the "State Farm Term Loan"); (iv) the funding of potential cash dividend payments on the Series A Convertible Preferred Stock; (v) the payment of income taxes; and (vi) the funding of potential payments under the TRA.

Based on our current expectations, we believe that our sources of liquidity will be sufficient to provide an adequate level of capital to support our anticipated short and long-term commitments, operating needs, and capital requirements. Our future capital requirements are dependent, in part, on the future capital requirements of Hagerty Re and will depend on many factors, including Hagerty Re's reinsurance premium growth rate, renewal rates, underwriting results, successful entry in new geographic markets, and the continuing market adoption of its product offerings.

Financing Arrangements

JPM Credit Facility

THG has a credit agreement with JPMorgan Chase Bank, N.A. ("JPM"), as administrative agent, and the other financial institutions party thereto from time to time as lenders, as amended (the "JPM Credit Agreement"). In May 2024, THG entered into an eleventh amendment to the JPM Credit Agreement to add Wells Fargo Bank, National Association ("Wells Fargo") as a new lender under the JPM Credit Agreement and provide for an additional incremental revolving commitment of $75.0 million provided by Wells Fargo.

The JPM Credit Agreement provides for a revolving credit facility (the "JPM Credit Facility") with an aggregate borrowing capacity of $305.0 million, including the new $75.0 million commitment provided by Wells Fargo in May 2024. The JPM Credit Agreement matures in October 2026, but may be extended if agreed to by us and the lenders party thereto.

As of June 30, 2024, total outstanding borrowings under the JPM Credit Facility were $31.3 million. JPM Credit Facility borrowings are collateralized by the assets of and equity interests in THG and its consolidated subsidiaries, except for (i) the assets held by the special purpose entities related to the BAC Credit Facility and (ii) all or a portion of certain foreign and certain excluded or immaterial subsidiaries.

Under the JPM Credit Agreement, we are required, among other things, to meet certain financial covenants, including a fixed charge coverage ratio and a leverage ratio. We were in compliance with these financial covenants as of June 30, 2024.

Refer to Note 14 — Long-Term Debt in Item 1 of Part I of this Quarterly Report for additional information on the JPM Credit Facility.

BAC Credit Facility

On December 21, 2023, BAC and its wholly owned subsidiary BAC Funding 2023-1, LLC, as borrower, entered into the BAC Credit Agreement. The BAC Credit Agreement provides for the BAC Credit Facility, which has an aggregate borrowing capacity of $75.0 million and is subject to a borrowing base that is determined by a calculation that is primarily based upon a percentage of the carrying value of certain BAC notes receivable. As of June 30, 2024, the applicable borrowing base for the BAC Credit Agreement was $38.7 million.

The revolving borrowing period provided by the BAC Credit Agreement expires on December 21, 2025 and the BAC Credit Agreement matures on December 21, 2026. The revolving borrowing period and the maturity date of the BAC Credit Agreement may be extended by one year if requested by BAC and agreed to by the administrative agent. BAC is not a borrower or guarantor of the BAC Credit Facility.

In connection with the BAC Credit Agreement, BAC and certain of its subsidiaries transfer certain notes receivable originated by BAC and certain of its subsidiaries to wholly owned, bankruptcy remote special purpose entities (each, an "SPE") to secure the borrowings under the BAC Credit Agreement. These SPEs have the limited purpose of acquiring notes receivable or a certificate representing beneficial ownership interest therein from BAC and certain of its subsidiaries, with BAC Funding 2023-1, LLC also being the borrower under the BAC Credit Agreement. Assets transferred to each SPE are legally isolated from the Company and its subsidiaries. Further, the assets of each SPE are owned by such SPE and are not available to satisfy the debts or other obligations of the Company or any of its other subsidiaries. BAC continues to service the notes receivable transferred to the SPEs.

Recourse to the Company and its subsidiaries that originated and transferred notes receivable that represent collateral under the BAC Credit Facility is limited to (i) an obligation of the applicable seller to repurchase a note receivable if it is determined that there was a breach of any representation or warranty relating to such note receivable as of the relevant date specified in the related transfer agreement and (ii) a limited guarantee covering certain liabilities that may result under certain foreign exchange hedging activity of one of the SPEs.

Under the BAC Credit Agreement, BAC and BAC Funding 2023-1, LLC are required, among other things, to meet certain financial covenants, including the requirement of BAC, as the servicer, to maintain a minimum tangible net worth, minimum liquidity balances, and an indebtedness to tangible net worth ratio. As of June 30, 2024, the Company was in compliance with the financial covenants under the BAC Credit Agreement.

Refer to Note 14 — Long-Term Debt in Item 1 of Part I of this Quarterly Report for additional information related to the BAC Credit Agreement.

Capital and Dividend Restrictions

Hagerty Re's reinsurance operations are funded primarily through existing capital and net cash flows from operations. As of June 30, 2024, Hagerty Re had approximately $80.2 million in "Cash and cash equivalents" and "Restricted cash and cash equivalents", as well as $65.4 million of short-term investments. The restricted cash and investment balances are maintained in trust accounts for the benefit of the ceding insurers as security for Hagerty Re's obligations for losses, loss expenses, unearned premium and profit-sharing commissions. The use of the funds in these trust accounts is restricted to the payment of these amounts.

We pay close attention to Hagerty Re's underwriting and reserving risks by monitoring the pricing and loss development of the underlying business written through our MGA subsidiaries. Additionally, Hagerty Re manages its investment portfolio in accordance with an investment policy approved by its board of directors that seeks to generate an attractive total return on an after-tax basis on its investment assets, over the long-term, subject to compliance with several constraints and objectives including a requirement to assume only a modest amount of risk of principal loss. During the second quarter of 2024, Hagerty Re diversified its investment portfolio in accordance with its investment policy, purchasing investment-grade fixed maturity securities and, to a much lesser extent, equity securities.

Capital Restrictions

In Bermuda, Hagerty Re is subject to the Bermuda Solvency Capital Requirement ("BSCR") administered by the Bermuda Monetary Authority ("BMA"). No regulatory action is taken by the BMA if an insurer's capital and surplus is equal to or in excess of their enhanced capital requirement, as determined by the BSCR model. In addition, the BMA has established a target capital level for each insurer which is 120% of the enhanced capital requirement. Hagerty Re maintained sufficient statutory capital and surplus to comply with regulatory requirements as of June 30, 2024.

Dividend Restrictions

Under Bermuda law, Hagerty Re is prohibited from declaring or issuing a dividend if it fails to meet its minimum solvency margin or minimum liquidity ratio. Prior approval from the BMA is also required if Hagerty Re's proposed dividend payments would exceed 25% of its prior year-end total statutory capital and surplus. The amount of dividends which could be paid by Hagerty Re in 2024 without prior approval is approximately $55 million.

Comparative Cash Flows

The following table summarizes our cash flow data for the six months ended June 30, 2024 and 2023:

	Six months ended June 30,			
	2024	2023	$ Change	% Change
	in thousands (except percentages)			
Net Cash Provided by Operating Activities	$ 122,255	$ 70,557	$ 51,698	73.3 %
Net Cash Used in Investing Activities	$ (479,937)	$ (31,301)	$ (448,636)	N/M
Net Cash Provided by (Used in) Financing Activities	$ (50,783)	$ 53,005	$ (103,788)	(195.8)%

N/M = Not meaningful

Operating Activities

Cash provided by operating activities primarily consists of net income, adjusted for non-cash items, and changes in working capital balances. Net cash provided by operating activities for the six months ended June 30, 2024 and 2023 is presented below:

	Six months ended June 30,			
	2024	2023	$ Change	% Change
	in thousands (except percentages)			
Net income	$ 50,856	$ 514	$ 50,342	N/M
Non-cash adjustments to net income	43,598	47,844	(4,246)	(8.9) %
Changes in operating assets and liabilities	27,801	22,199	5,602	25.2 %
Net Cash Provided by Operating Activities	$ 122,255	$ 70,557	$ 51,698	73.3 %

N/M = Not meaningful

Net cash provided by operating activities for the six months ended June 30, 2024 was $122.3 million, an increase of $51.7 million, compared to 2023. This increase was due to a $46.1 million increase in Net income, after excluding non-cash adjustments, and a $5.6 million increase in cash from operating assets and liabilities.

The increase in Net income, after excluding non-cash adjustments, was primarily driven by revenue growth across all areas of our business, as well as management's cost containment measures. The increase in cash provided by operating assets and liabilities was primarily driven by this growth, as well as $11.5 million of CUC payments collected in respect of the current year as a result of an amendment to our alliance agreement and associated agency agreement with Markel, which accelerated the timing of these payments. Refer to Note 2 — Revenue in Item 1 of Part I of this Quarterly Report for additional information with respect to our amendment to our alliance agreement and associated agency agreement with Markel.

Investing Activities

Cash used in investing activities for the six months ended June 30, 2024 increased $448.6 million when compared to 2023. This increase was primarily a driven by the diversification of Hagerty Re's investment portfolio in the second quarter of 2024, which resulted in the purchase of investment-grade fixed maturity securities and, to a much lesser extent, equity securities.

Financing Activities

During the six months ended June 30, 2024, we utilized available liquidity to reduce outstanding borrowings by $35.3 million and pay a $5.6 million cash dividend on the Series A Convertible Preferred Stock. In addition, we funded $4.6 million in employee tax obligations relating to share-based compensation vestings and $5.3 million in required distributions to THG non-controlling interest unit holders. During the six months ended June 30, 2023, we took a number of actions to raise capital, including $79.2 million in net proceeds raised through the issuance of the Series A Convertible Preferred Stock.

Tax Receivable Agreement

We expect to have adequate capital resources to meet the requirements and obligations under the TRA entered into with the Legacy Unit Holders on December 2, 2021. The TRA requires us to pay holders of our Class V Common Stock, HHC and Markel (together the "Legacy Unit Holders"), 85% of the amount of cash savings, if any, under U.S. federal, state and local income tax or franchise tax realized as a result of (i) any increase in tax basis of Hagerty, Inc.'s assets resulting from (a) the purchase of THG units from any of the Legacy Unit Holders using the net proceeds from any future offering, (b) redemptions or exchanges by the Legacy Unit Holders of Class V Common Stock and THG units for shares of Class A Common Stock or (c) payments under the TRA and (ii) tax benefits related to imputed interest deemed arising as a result of payments made under the TRA.

Legacy Unit Holders may, subject to certain conditions and transfer restrictions as described in the Legacy Unit Holders Exchange Agreement executed in connection with the Business Combination, redeem or exchange their Class V Common Stock and THG units for shares of Class A Common Stock of Hagerty, Inc. on a one-for-one basis. THG made an election under Section 754 of the IRC with the filing of its 2019 income tax return, which cannot be revoked without the permission of the Internal Revenue Service ("IRS") Commissioner and will be in place for any future exchange of THG units. The redemptions and exchanges are expected to result in increases in the tax basis of the tangible and intangible assets of THG. These increases in tax basis may reduce the amount of tax that we would otherwise be required to pay in the future. This payment obligation as a part of the TRA is an obligation of Hagerty, Inc. and not of THG. For purposes of the TRA, the cash tax savings in income tax will be computed by comparing the actual income tax liability of Hagerty, Inc. (calculated with certain assumptions) to the amount of such taxes that Hagerty, Inc. would have been required to pay had there been no increase to the tax basis of the assets of THG as a result of the redemptions or exchanges and had Hagerty, Inc. not entered into the TRA. Estimating the amount of payments that may be made under the TRA is by nature imprecise, insofar as the calculation of amounts payable depends on a variety of factors.

Off-Balance Sheet Arrangements

We do not have any material off-balance sheet arrangements as of June 30, 2024.

Critical Accounting Policies and Estimates

The preparation of the unaudited Condensed Consolidated Financial Statements in accordance with GAAP requires management to make significant judgments, assumptions, and estimates that materially affect the amounts reported in the Company's Condensed Consolidated Financial Statements. Management's judgments, assumptions, and estimates are based on historical experience, future expectations, and other factors that are believed to be reasonable as of the date of the Condensed Consolidated Financial Statements. Actual results may ultimately differ from management's original estimates, as future events and circumstances sometimes do not develop as expected.

Our accounting policies are set forth in Note 1 — Basis of Presentation and Accounting Policies to Consolidated Financial Statements contained in our Annual Report. We include herein certain updates to those policies.

New Accounting Standards

New accounting standards are described in Note 1 — Basis of Presentation and Accounting Policies, in Item 1 of Part I of this Quarterly Report, which are incorporated herein by reference.

Non-GAAP Financial Measures

Adjusted EBITDA

We define Adjusted EBITDA as consolidated Net income, excluding interest and other income (expense), income tax expense, and depreciation and amortization, further adjusted to exclude (i) changes in the fair value of our warrant liabilities; (ii) share-based compensation expense; and when applicable, (iii) restructuring, impairment and related charges, net; (iv) gains, losses and impairments related to divestitures; and (v) certain other unusual items.

We present Adjusted EBITDA because we consider it to be an important supplemental measure of our performance and believe it is frequently used by securities analysts, investors, and other interested parties in the evaluation of companies in our industry. Management uses Adjusted EBITDA as a measure of the operating performance of our business on a consistent basis, as it removes the impact of items not directly resulting from our core operations.

By providing this non-GAAP financial measure, together with a reconciliation to Net income, which is the most comparable GAAP measure, we believe we are enhancing investors' understanding of our business and our results of operations, as well as assisting investors in evaluating how well we are executing our strategic initiatives. However, Adjusted EBITDA has limitations as an analytical tool, and should not be considered in isolation, or as an alternative to, or a substitute for Net income or other financial statement data presented in our Condensed Consolidated Financial Statements as indicators of financial performance. Our definition of Adjusted EBITDA may be different than similarly titled measures used by other companies in our industry, which could reduce the usefulness of this non-GAAP financial measure when comparing our performance to that of other companies.

The following table reconciles Adjusted EBITDA to the most directly comparable GAAP measure, which is Net income:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	in thousands			
Net income	$ 42,657	$ 15,539	$ 50,856	$ 514
Interest and other (income) expense [1]	(12,342)	(3,770)	(19,586)	(9,417)
Income tax expense	5,811	3,730	10,940	7,398
Depreciation and amortization	10,014	10,397	20,574	24,140
EBITDA	46,140	25,896	62,784	22,635
Restructuring, impairment and related charges, net	—	2,849	—	8,384
Change in fair value of warrant liabilities	1,941	1,754	8,081	2,269
Share-based compensation expense	4,383	4,018	8,926	7,934
Gain related to divestiture	(87)	—	(87)	—
Other unusual items [2]	736	(150)	736	(150)
Adjusted EBITDA	$ 53,113	$ 34,367	$ 80,440	$ 41,072

(1) Excludes interest expense related to the BAC Credit Facility, which is recorded within "Sales expense" on the Condensed Consolidated Statements of Operations.

(2) Other unusual items includes $0.7 million of professional fees associated with the exchange offer related to our warrants for the three and six months ended June 30, 2024 and a net legal settlement recovery for the three and six months ended June 30, 2023. Refer to Note 17 — Warrants in Item 1 of Part I of this Quarterly Report for additional information with respect to our warrants.

Adjusted EPS

We define Adjusted Earnings Per Share ("Adjusted EPS") as consolidated Net income, less changes in the fair value of our warrant liabilities, divided by our outstanding and total potentially dilutive securities, which includes (i) the weighted average issued and outstanding shares of Class A Common Stock; (ii) all issued and outstanding non-controlling interest units of THG; (iii) all issued and outstanding shares of our Series A Convertible Preferred Stock on an as-converted basis; (iv) all unissued share-based compensation awards; and (v) all unexercised warrants. Refer to Note 17 — Warrants in Item 1 of Part I of this Quarterly Report for additional information with respect to the warrant exchange offer.

The most directly comparable GAAP measure to Adjusted EPS is basic earnings per share ("Basic EPS"), which is calculated as Net income available to Class A Common Stockholders divided by the weighted average number of Class A Common Stock shares outstanding during the period.

We present Adjusted EPS because we consider it to be an important supplemental measure of our operating performance and believe it is used by securities analysts, investors and other interested parties in evaluating the consolidated performance of other companies in our industry. We also believe that Adjusted EPS, which compares our consolidated Net income with our outstanding and potentially dilutive shares, provides useful information to investors regarding our performance on a fully consolidated basis.

Management uses Adjusted EPS:

- as a measurement of operating performance of our business on a fully consolidated basis;
- to evaluate the performance and effectiveness of our operational strategies; and
- as a preferred predictor of core operating performance, comparisons to prior periods and competitive positioning.

We caution investors that Adjusted EPS is not a recognized measure under GAAP and should not be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP, including Basic EPS, and that Adjusted EPS, as we define it, may be defined or calculated differently by other companies. In addition, Adjusted EPS has limitations as an analytical tool and should not be considered as a measure of profit or loss per share.

The following table reconciles Adjusted EPS to the most directly comparable GAAP measure, which is Basic EPS:

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
	in thousands (except per share amounts)			
Numerator:				
Net income available to Class A Common Stockholders [1]	$ 7,912	$ 2,388	$ 4,955	$ 305
Accretion of Series A Convertible Preferred Stock	1,839	—	3,677	—
Undistributed earnings allocated to Series A Convertible Preferred Stock	627	17	395	1
Net income attributable to non-controlling interest	32,279	13,134	41,829	208
Consolidated net income	42,657	15,539	50,856	514
Change in fair value of warrant liabilities	1,941	1,754	8,081	2,269
Adjusted consolidated net income [2]	$ 44,598	$ 17,293	$ 58,937	$ 2,783
Denominator:				
Weighted average shares of Class A Common Stock outstanding — Basic [1]	85,687	84,371	85,171	83,820
Total potentially dilutive securities outstanding:				
Non-controlling interest units	255,368	255,499	255,368	255,499
Series A Convertible Preferred Stock, on an as-converted basis	6,785	6,785	6,785	6,785
Total unissued share-based compensation awards	8,228	7,022	8,228	7,022
Total warrants outstanding [3]	3,876	19,484	3,876	19,484
Potentially dilutive shares outstanding	274,257	288,790	274,257	288,790
Fully dilutive shares outstanding [2]	359,944	373,161	359,428	372,610
Basic EPS [1]	$ 0.09	$ 0.03	$ 0.06	$ —
Adjusted EPS [2]	$ 0.12	$ 0.05	$ 0.16	$ 0.01

(1) Numerator and Denominator, respectively, of the GAAP measure Basic EPS

(2) Numerator and Denominator, respectively, of the non-GAAP measure Adjusted EPS

(3) For the three and six months ended June 30, 2024, the dilutive impact of the outstanding warrants included in the calculation of Adjusted EPS represents the number of Class A Common Stock shares issued in relation to the warrant exchange transaction that closed in July 2024. Refer to Note 17 — Warrants in Item 1 of Part I of this Quarterly Report for additional information with respect to the warrant exchange transaction.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Hagerty Re diversified its investment portfolio during the second quarter of 2024, and as a result we are exposed to interest rate risk and credit risk related to its investments. For a discussion of our exposure to market risk, refer to the market risk disclosures set forth in Part II, Item 1A of this Quarterly Report and Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk" in our Annual Report.

Interest rate risk - Available-for-sale securities

Interest rate risk is the risk that we will incur economic losses due to adverse changes in interest rates. The primary market risk to the investment portfolio is interest rate risk associated with investments in fixed maturity securities. Fluctuations in interest rates have a direct effect on the market valuation of these securities. When market interest rates increase, the fair value of our fixed maturity securities decreases. Conversely, as interest rates decrease, the fair value of our fixed maturity securities increases. We manage this interest rate risk by investing in securities with varied maturity dates and by managing the duration of our investment portfolio. The target duration of our investment portfolio is two to four years.

As of June 30, 2024, we held fixed maturity securities with a fair value of $460.4 million. The table below illustrates the sensitivity of the value of our fixed maturity securities with hypothetical changes in interest rates as of June 30, 2024.

	June 30, 2024		
	Estimated Fair Value	Estimated Change in Fair Value	Estimated % Increase (Decrease) in Fair Value
	in thousands (except percentages)		
200 basis points increase	$ 432,562	$ (27,822)	(6.0) %
100 basis points increase	$ 446,633	$ (13,751)	(3.0) %
No change	$ 460,384	$ —	— %
100 basis points decrease	$ 473,687	$ 13,303	2.9 %
200 basis points decrease	$ 486,547	$ 26,163	5.7 %

Credit risk - Available-for-sale securities

Credit risk is the potential loss resulting from adverse changes in an issuer's ability to repay its debt obligations. We have exposure to credit risk as a holder of fixed maturity securities. Our risk management strategy and investment policy are designed to invest in investment grade debt and to limit the amount of credit exposure with respect to a single issuer to no greater than 5%, except for the U.S. Federal Government. As of June 30, 2024, all fixed income securities in our investment portfolio were rated investment grade by at least one nationally recognized rating organization.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, including the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report.

Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2024 to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the rules and forms specified by the SEC and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls Over Financial Reporting

There were no changes to our internal control over financial reporting that occurred during the three months ended June 30, 2024, which were identified in connection with management's evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange act, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we are involved in various claims and legal actions that arise in the ordinary course of business. Although the results of litigation and claims cannot be predicted with certainty, we do not believe that the ultimate resolution of these actions will have a material adverse effect on our financial position, results of operations, liquidity or capital resources.

Future litigation may be necessary to defend ourselves and our partners by determining the scope, enforceability and validity of third party proprietary rights or to establish our proprietary rights. The results of any current or future litigation cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Refer to Note 22 — Commitments and Contingencies in Item 1 of Part I of this Quarterly Report for additional information related to legal proceedings.

ITEM 1A. RISK FACTORS

Other than the risk factor below, as of the date of this Quarterly Report, there have been no material changes to our risk factors as previously disclosed in our Annual Report. We may disclose changes to such factors or disclose additional factors from time to time in our future filings with the SEC. Additional risks that we currently do not know about or currently view as immaterial may also materially adversely affect our business, financial condition, or operating results.

Performance of our investment portfolio is subject to a variety of investment risks that may adversely affect our financial results.

Our results of operations depend, in part, on the performance of our investment portfolio. We seek to hold a portfolio of investments in accordance with our investment policy, which is routinely reviewed by our Investment Committee.

Historically, our investment portfolio was primarily invested in cash and cash equivalents and fixed maturity securities. However, during the second quarter of 2024, we diversified our investment portfolio by opening positions in higher-yield fixed maturity securities and, to a lesser extent, equity securities. Our investments in marketable equity securities are carried on our balance sheet at fair market value and are subject to potential losses and declines in market value.

In recent years, interest rates were at or near historic lows; however, interest rates steadily rose throughout 2023 and into 2024. If interests rates decline, a low interest rate environment would place pressure on our net investment income, particularly as it relates to our equity securities and short-term investments, which, in turn, may adversely affect our operating results. Recent and future increases in interest rates could cause the values of our fixed income securities portfolios to decline, with the magnitude of the decline depending on the duration of securities included in our portfolio and the amount by which interest rates increase.

The value of our investment portfolio is subject to the risk that certain investments may default or become impaired due to deterioration in the financial condition of one or more issuers of the securities we hold, or due to deterioration in the financial condition of an insurer that guarantees an issuer's payments on such investments. Downgrades in the credit ratings of fixed maturity securities also have a significant negative effect on the market value of such securities.

Each of the foregoing factors could reduce our net investment income and result in realized investment losses. Risks for all types of securities are managed through the application of our investment policy, which establishes investment parameters that include, but are not limited to, maximum percentages of investment in certain types of securities and minimum levels of credit quality. We cannot be certain that our investment objectives will be achieved, and results may vary substantially over time. In addition, although we seek to employ investment strategies that are not correlated with our insurance and reinsurance exposures, losses in our investment portfolio may occur at the same time as underwriting losses and, therefore, exacerbate the adverse effect of the losses on us.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

During the three months ended June 30, 2024, no director or officer of the Company hasadopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

ITEM 6 OF PART II EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Financial statements and financial statement schedules filed as part of this report are listed in the index included in Item 8 of Part II Financial Statements and Supplementary Data of this report.

(b) **Exhibits.** The following exhibits, as required by Item 601 of Regulation S-K, are filed with or incorporated by reference in this report as stated below.

Exhibit No.	Description
2.1*	Business Combination Agreement, dated as of August 17, 2021, by and among Aldel Financial Inc. Aldel Merger Sub LLC and The Hagerty Group, LLC (incorporated by reference to Exhibit 2.1 of the Company's Form 8-K (File No. 001-40244), filed with the SEC on August 18, 2021).
3.1	Third Amended and Restated Certificate of Incorporation of the Company, dated December 2, 2021 (incorporated by reference to Exhibit 3.1 of the Company's Amendment No.3 to Form S-1 (File No. 333-261810), filed with the SEC on January 20, 2023).
3.2	Amended and Restated By-Laws of the Company, dated December 2, 2021 (incorporated by reference to Exhibit 3.2 of the Company's Form 8-K (File No. 001-40244), filed with the SEC on December 8, 2021).
3.3	Certificate of Designations, Preferences and Rights of Series A Convertible Preferred Stock of the Company dated June 23, 2023 (incorporated by reference to Exhibit 3.1 of the Company's Form 8-K (File No. 001-40244), filed with the SEC on June 23, 2023).
4.1	Form of Class A Common Stock Certificate of the Company (incorporated by reference to Exhibit 4.1 of the Company's Form 8-K (File No. 001-40244), filed with the SEC on December 8, 2021).
4.2	Form of Class V Common Stock Certificate of the Company (incorporated by reference to Exhibit 4.2 of the Company's Form 8-K (File No. 001-40244), filed with the SEC on December 8, 2021).
4.3	Form of Warrant Certificate of the Company (incorporated by reference to Exhibit 4.3 of the Company's Form 8-K (File No. 001-40244), filed with the SEC on December 8, 2021).
4.4	Warrant Agreement, dated April 8, 2021, between Continental Stock Transfer & Trust Company and the Company (incorporated by reference to Exhibit 4.1 of the Company's Form 8-K (File No. 333-253166), filed with the SEC on April 13, 2021).
4.5	Warrant Agreement, dated December 2, 2021, between Continental Stock Transfer & Trust Company and the Company (incorporated by reference to Exhibit 4.5 of the Company's Form 8-K (File No. 001-40244), filed with the SEC on December 8, 2021).
10.1†	Form of Performance Restricted Stock Unit Award Agreement pursuant to the Hagerty, Inc. 2021 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K (File No. 001-40244), filed with the SEC on April 1, 2024).
10.2†	Form of Restricted Stock Unit Award Agreement pursuant to the Hagerty, Inc. 2021 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 of the Company's Form 10-Q (File No. 001-40244), filed with the SEC on May 7, 2024).
10.3	Eleventh Amendment to Amended and Restated Credit Agreement, dated as of May 29, 2024, among The Hagerty Group, LLC, Wells Fargo Bank, National Association, and JPMorgan Chase Bank, N.A., as administrative agent, issuing bank and swingline lender (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K (File No. 001-40244), filed with the SEC on May 31, 2024).
10.4	Tender and Support Agreement, dated June 3, 2024, by and among Hagerty, Inc. and the warrant holders party thereto (incorporated by reference to Exhibit 10.37 of the Company's Form S-4 (File No. 333-279919), filed with the SEC on June 3, 2024).
10.5†	Employment Agreement, effective as of July 1, 2024, by and between the Company and Jeff Briglia (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K (File No. 001-40244), filed with the SEC on May 31, 2024).
10.6	Amendment No. 1 to Warrant Agreement, dated July 3, 2024 , by and between the Company and Continental Stock Transfer & Trust Company (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K (File No. 001-40244), filed with the SEC on July 5, 2024).
10.7	Amendment No. 1 to Warrant Agreement, dated July 3, 2024 , by and between the Company and Continental Stock Transfer & Trust Company (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K (File No. 001-40244), filed with the SEC on July 5, 2024).
31.1	Certification of the Chief Executive Officer Pursuant to Rule 13a-14(a), filed herewith.
31.2	Certification of the Chief Financial Officer Pursuant to Rule 13a-14(a), filed herewith.
32.1#	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, filed herewith.
32.2#	Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, filed herewith.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL).

- * The schedules and exhibits to this agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished to the SEC upon request.
- † Indicates management contract or compensatory plan or arrangement.
- # This certification is deemed not filed for purpose of Section 18 of the Exchange Act or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on August 6, 2024.

HAGERTY, INC.

By:	/s/ McKeel O Hagerty
	McKeel O Hagerty
	Chief Executive Officer

HAGERTY, INC.

By:	/s/ Patrick McClymont
	Patrick McClymont
	Chief Financial Officer

Exhibit 10.3

RESTRICTED STOCK UNIT AWARD AGREEMENT
PURSUANT TO THE
HAGERTY, INC. 2021 STOCK INCENTIVE PLAN

* * * * *

Participant: **#ParticipantName#**

Grant Date: **#GrantDate#**

Number of Restricted Stock Units Granted Pursuant to this Agreement **#QuantityGranted#**

* * * * *

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT (this "Agreement"), dated as of the Grant Date specified above, is entered into by and between Hagerty, Inc., a corporation organized in the State of Delaware (the "Company"), and the Participant specified above, pursuant to the Hagerty, Inc. 2021 Stock Incentive Plan, as in effect and as amended from time to time (the "Plan"), which is administered by the Compensation Committee of the Board of Directors of the Company (the "Committee"); and

WHEREAS, it has been determined under the Plan that it would be in the best interests of the Company to grant the Restricted Stock Units ("RSUs") provided herein to the Participant.

NOW, THEREFORE, in consideration of the mutual covenants and promises hereinafter set forth and for other good and valuable consideration, the parties hereto hereby mutually covenant and agree as follows:

1. **Incorporation By Reference; Plan Document Receipt**. This Agreement is subject in all respects to the terms and provisions of the Plan (including, without limitation, any amendments thereto adopted at any time and from time to time unless such amendments are expressly intended not to apply to the Award provided hereunder), all of which terms and provisions are made a part of and incorporated in this Agreement as if they were each expressly set forth herein. Any capitalized term not defined in this Agreement shall have the same meaning as is ascribed thereto in the Plan. The Participant hereby acknowledges receipt of a true copy of the Plan and that the Participant has read the Plan carefully and fully understands its content. In the event of any conflict between the terms of this Agreement and the terms of the Plan, the terms of the Plan shall control.

2. **Grant of Restricted Stock Unit Award**. The Company hereby grants to the Participant, as of the Grant Date specified above, the number of RSUs specified above. Except as otherwise provided by the Plan, the Participant agrees and understands that nothing contained in this Agreement provides, or is intended to provide, the Participant with any protection against potential future dilution of the Participant's interest in the Company for any reason, and no adjustments shall be made for dividends in cash or other property, distributions or other rights in respect of the shares of Class A common stock of the Company ("Common Stock") underlying the RSUs, except as otherwise specifically provided for in the Plan or this Agreement.

3. **Vesting**.

(a) Vesting Schedule. Subject to the provisions of this Section 3, $1/3^{\text{d}}$ of the RSUs subject to this Agreement shall become vested on the one-year anniversary of the Grant Date, and thereafter, $1/3^{\text{rd}}$ of the

RSUs shall become vested on each subsequent one-year anniversary (each one-year anniversary of the Grant Date a "Vesting Date") until 100% of the RSUs subject to this Agreement have vested, subject in each case to the Participant's continued employment with the Hagerty Companies (as defined below) through the applicable Vesting Dates (the "Vesting Schedule"). Except as provided in this Section 3, vesting of the RSUs as of each Vesting Date is conditioned on Participant's continued employment by the Company or any of its subsidiaries (collectively, the "Hagerty Companies" and individually a "Hagerty Company") and assumes Participant has not ceased to be employed by the Hagerty Companies prior to each such Vesting Date. Except as provided in this Section 3 there shall be no proportionate or partial vesting in the periods prior to each Vesting Date and all vesting shall occur only on the appropriate Vesting Date.

(b) Termination of Employment by Death or Disability. If Participant's employment by the Hagerty Companies ceases as a result of the Participant's death or Disability, then any unvested RSUs subject to this Agreement as of the date Participant's employment ceases shall immediately vest and such termination date shall be deemed the "Vesting Date" for such RSUs, and shall be settled as provided in Section 4. For such purposes, "Disability" means the Participant is eligible to receive benefits under the Company's long-term disability benefit plan as in effect on the date of termination, as determined by the third-party insurer of such plan. If the Company does not have a long-term disability benefit plan in effect on the date of termination, then "Disability" has the applicable meaning as set forth in Section 409A of the Internal Revenue Code.

(c) Termination of Employment by Retirement. If Participant's employment by the Hagerty Companies ceases prior to the end of the Vesting Schedule, and the date of Participant's last day of employment with the Hagerty Companies ("Last Day") is (i) on or after Participant's fifty-fifth (55th) birthday, and (ii) Participant's age (in whole years) plus full years of continuous, full-time employment with the Hagerty Companies (as measured from the Participant's date of hire, and without regard to any partial years of employment) equals seventy (70) or more: then a number of RSUs granted hereunder equal to the Retirement RSUs (as defined below) shall become fully vested on the date of Participant's termination and such termination date shall be deemed the "Vesting Date" for such RSUs, and shall be settled as provided in Section 4.

The "Retirement RSUs" shall equal the number of unvested RSUs subject to this Agreement as of the Last Day that would have vested on the Last Day if the RSUs granted hereunder had vested on a daily schedule from the Grant Date or the most recent Vesting Date, whichever is later, to the end of the Vesting Schedule.

For the avoidance of doubt, the following example is provided under this Section 3(c): if Participant received 3,000 RSUs under an agreement, and Participant's Last Day was 200 days following the one-year anniversary of the Grant Date, then 1,000 RSUs would have vested on the first Vesting Date (i.e., the one-year anniversary of the Grant Date), and then on the final day of the Vesting Schedule (i.e., the three-year anniversary of the Grant Date), an additional 548 RSUs would have vested (i.e., the Retirement RSUs). Accordingly, a total of 1,548 RSUs would have vested under this example agreement. Participant would have forfeited the remaining 1,452 RSUs subject to this example agreement. The 548 Retirement RSUs in this example would be calculated by:

(1) determining the number of days from the Grant Date or the most recent Vesting Date, whichever is later, to the Last Day (in this example, the Last Day was 200 days following the most recent Vesting Date);

(2) determining the number of RSUs that would vest under this example agreement on a daily schedule from the Grant Date or the most recent Vesting Date, whichever is later, to the end of the Vesting Schedule (2,000 RSUs remain to vest in this example after the first Vesting Date, and 730 days remain in the Vesting Schedule after the first Vesting Date (based on 365 days/year), therefore 2.74 RSUs would vest on each day for the remainder of the Vesting Schedule—2,000 RSUs ÷ 730 days = 2.74 RSUs per day); and

(3) multiplying the number of days in (i) by the number of RSUs that would vest per day in (ii) (200 days x 2.74 RSUs/day = 548 Retirement RSUs).

(d) Change in Control. Notwithstanding any other provision in this Agreement or the Plan, if the acquiring or surviving entity in a Change in Control transaction will not assume, continue or substitute the RSUs so that any unvested RSUs shall be cancelled and terminated upon the Change in Control Transaction, the unvested RSUs shall become fully vested immediately prior to and contingent upon such Change in Control Transaction and all restrictions on such RSU shall lapse and they shall be settled immediately prior to the Change in Control transaction, in each case subject to the Participant's continued employment with the Hagerty Companies through the date of such Change in Control Transaction.

(e) Double Trigger Vesting. Notwithstanding any other provision in this Agreement or the Plan, and except as otherwise provided in the applicable Change in Control transaction documents, in the event that the RSUs are assumed, continued or substituted by the acquiring or surviving entity in a Change in Control Transaction and the Participant incurs an involuntary termination of employment without Cause within twenty-four (24) months following a Change in Control, the unvested RSUs granted hereunder shall become fully vested and all restrictions on such RSUs shall lapse as of the date of the Participant's involuntary termination without Cause. Nothing in this Section 3(f) or any other provision of this Agreement is intended to provide the Participant with any right to consent to or object to any transaction that might result in a Change in Control and each provision of this Agreement shall be interpreted in a manner consistent with this intent. For such purposes, "Cause" means the Company, in its sole and absolute discretion, determines that the Participant's termination of employment was due to any one or more of the following events: (i) the Participant failed to make reasonable, good faith efforts to substantially fulfill assigned duties or the Participant intentionally failed to comply with applicable policies or directives of the Company; (ii) the Participant participated or engaged in (A) fraud, embezzlement, or theft, or (B) any intentional act inimical to the interests of the Company or that causes or reasonably could have caused the Company actual harm; (iii) the Participant intentionally and wrongfully damages property of the Company causing actual harm; (iv) the Participant wrongfully and intentionally disclosed trade secrets or confidential information of the Company, if such disclosure causes or could reasonably have caused actual harm to the Company; (v) the Participant violates any agreement that restricts the Participant from competing with the Company or solicits persons having a relationship with the Company to discontinue such relationship with the Company; (vi) the Participant engages in conduct that brings the Company into material public disgrace or disrepute; or (vii) the Participant commits a felony or a crime involving moral turpitude, regardless of whether conviction results. For purposes of determination whether a Participant's termination was for Cause, the following standards will apply: (A) "intentional" acts will include acts committed with actual intent or as a result of willful or reckless conduct or intent, (B) no act, or failure to act, will be deemed "intentional" if it was due primarily to an error in judgment or negligence, but will be deemed "intentional" if done, or omitted to be done, not in good faith and without reasonable belief that the act or omission was in the best interest of the Company, and (C) "actual harm" will mean damage or injury that is more than nominal but will not require damage or injury that is material or substantial.

(f) Committee Discretion to Accelerate Vesting. Notwithstanding the foregoing, the Committee may, in its sole discretion, provide for accelerated vesting of the RSUs at any time and for any reason.

(g) Forfeiture. Subject to the Committee's discretion to accelerate vesting hereunder, all then unvested RSUs shall be forfeited forty-five (45) days following Participant's Last Day. No RSUs will be settled via an issuance of shares unless such RSUs have vested. All unvested RSUs remaining after vested RSUs as determined under this Section 3 are accounted for shall be forfeited.

4. **Delivery of Shares**. On a date selected by the Company that is within thirty (30) days following the applicable Vesting Date of the RSUs, the Participant shall receive an issuance of the number of shares of Common Stock that correspond to the number of RSUs that have become vested on or prior to the applicable Vesting Date. (the "Original Issuance Date"). If the Original Issuance Date falls on a date that is not a business day, delivery shall instead occur on the next following business day. In addition, if:

(a) the Original Issuance Date does not occur (1) during an "open window period" applicable to the Participant, as determined by the Company in accordance with the Company's then-effective policy on trading in Company securities, or (2) on a date when the Participant is otherwise permitted to sell shares of Common Stock on an established stock exchange or stock market (including but not limited to under a previously established written trading plan that meets the requirements of Rule 10b5-1 under the Exchange Act and was entered into in compliance with the Company's policies (a "10b5-1 Arrangement")), and

(b) either (1) Withholding Taxes (as defined below) do not apply, or (2) the Company decides, prior to the Original Issuance Date, (A) not to satisfy the Withholding Taxes by withholding shares of Common Stock from the shares otherwise due, on the Original Issuance Date, to be issued to Participant under this RSU, and (B) not to permit Participant to enter into a "same day sale" commitment with a broker-dealer (including but not limited to a commitment under a 10b5-1 Arrangement) and (C) not to permit Participant to pay the Participant's Withholding Taxes in cash, then the shares that would otherwise be issued to Participant on the Original Issuance Date will not be delivered on such Original Issuance Date and will instead be delivered on the first business day when Participant is not prohibited from selling shares of the Company's Common Stock in the open public market, but in no event later than December 31 of the calendar year in which the Vesting Date occurs, or, if and only if permitted in a manner that complies with Treasury Regulations Section 1.409A-1(b)(4), no later than the date that is the 15th day of the third calendar month of the applicable year following the year in which the shares of Common Stock under this RSU are no longer subject to a "substantial risk of forfeiture" within the meaning of Treasury Regulations Section 1.409A-1(d).

5. **Dividends; Rights as Stockholder**. This Agreement shall only be settled by the Company by delivery of the number of shares of Common Stock that correspond to the number of RSUs that have become vested on the applicable vesting date. Participant shall not be entitled to settle any vested RSUs for cash or in any other manner. Further, the Participant shall not be entitled to receive, currently or on a deferred basis, dividends or dividend equivalents in respect of the number of shares of Common Stock covered by any RSU unless and until the Participant has become the holder of record of such shares. Further, the Participant shall have no rights as a stockholder with respect to any shares of Common Stock covered by any RSU unless and until the Participant has become the holder of record of such shares.

6. **Non-Transferability**. No portion of the RSUs may be sold, assigned, transferred, encumbered, hypothecated or pledged by the Participant, other than to the Company as a result of forfeiture of the RSUs as provided herein, unless and until payment is made in respect of vested RSUs in accordance with

the provisions hereof and the Participant has become the holder of record of the vested shares of Common Stock issuable hereunder.

7. **Governing Law**. All questions concerning the construction, validity and interpretation of this Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, without regard to the choice of law principles thereof.

8. **Withholding of Tax**. The Company shall have the power and the right to deduct or withhold, or require the Participant to remit to the Company, an amount sufficient to satisfy any federal, state, local and foreign taxes of any kind (including, but not limited to, the Participant's FICA and SDI obligations) which the Company, in its sole discretion, deems necessary to be withheld or remitted to comply with the Code and/or any other applicable law, rule or regulation with respect to the RSUs ("Withholding Taxes") and, if the Participant fails to do so, the Company may otherwise refuse to issue or transfer any shares of Common Stock otherwise required to be issued pursuant to this Agreement. Any such withholding obligation with regard to the Participant may, at the Company's discretion, be satisfied by reducing the amount of shares of Common Stock otherwise deliverable to the Participant hereunder.

9. **Legend**. The Company may at any time place legends referencing any applicable federal, state or foreign securities law restrictions on all certificates representing shares of Common Stock issued pursuant to this Agreement. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing shares of Common Stock acquired pursuant to this Agreement in the possession of the Participant in order to carry out the provisions of this Section 9.

10. **Securities Representations**. This Agreement is being entered into by the Company in reliance upon the following express representations and warranties of the Participant. The Participant hereby acknowledges, represents and warrants that:

(a) The Participant has been advised that the Participant may be an "affiliate" within the meaning of Rule 144 under the Securities Act and in this connection the Company is relying in part on the Participant's representations set forth in this Section 10.

(b) If the Participant is deemed an affiliate within the meaning of Rule 144 of the Securities Act, the shares of Common Stock issuable hereunder must be held indefinitely unless an exemption from any applicable resale restrictions is available or the Company files an additional registration statement (or a "re-offer prospectus") with regard to such shares of Common Stock and the Company is under no obligation to register such shares of Common Stock (or to file a "re-offer prospectus").

(c) If the Participant is deemed an affiliate within the meaning of Rule 144 of the Securities Act, the Participant understands that (i) the exemption from registration under Rule 144 will not be available unless (A) a public trading market then exists for the Common Stock of the Company, (B) adequate information concerning the Company is then available to the public, and (C) other terms and conditions of Rule 144 or any exemption therefrom are complied with, and (ii) any sale of the shares of Common Stock issuable hereunder may be made only in limited amounts in accordance with the terms and conditions of Rule 144 or any exemption therefrom.

11. **Acceptance**. The award of RSUs pursuant to this Agreement must be accepted by the Participant within a period of 180 days after the Grant Date by executing this agreement in accordance with Section 19 hereof. Subject to the Committee's discretion, if the award is not accepted within this time period, all RSUs purported to be granted hereunder may be immediately forfeited.

12. **Entire Agreement; Amendment**. This Agreement and any exhibits to it, together with the Plan, contains the entire agreement between the parties hereto with respect to the subject matter contained herein, and supersedes all prior agreements or prior understandings, whether written or oral, between the parties relating to such subject matter. The Committee shall have the right, in its sole discretion, to modify or amend this Agreement from time to time in accordance with and as provided in the Plan. This Agreement may also be modified or amended by a writing signed by both the Company and the Participant. The Company shall give written notice to the Participant of any such modification or amendment of this Agreement as soon as practicable after the adoption thereof.

13. **Notices**. Any notice hereunder by the Participant shall be given to the Company in writing and such notice shall be deemed duly given only upon receipt thereof by the General Counsel of the Company. Any notice hereunder by the Company shall be given to the Participant in writing and such notice shall be deemed duly given only upon receipt thereof at such physical address or e-mail address as the Participant may have on file with the Company.

14. **No Right to Employment**. Any questions as to whether and when there has been a termination and the cause of such termination shall be determined in the sole discretion of the Committee. Nothing in this Agreement shall interfere with or limit in any way the right of the Hagerty Companies to terminate the Participant’s employment or service at any time, for any reason and with or without cause.

15. **Transfer of Personal Data**. The Participant authorizes, agrees and unambiguously consents to the transmission by the Company (or any subsidiary) of any personal data information related to the RSUs awarded under this Agreement for legitimate business purposes (including, without limitation, the administration of the Plan). This authorization and consent is freely given by the Participant.

16. **Compliance with Laws**. The grant of RSUs and the issuance of shares of Common Stock hereunder shall be subject to, and shall comply with, any applicable requirements of any foreign and U.S. federal and state securities laws, rules and regulations (including, without limitation, the provisions of the Securities Act, the Exchange Act and in each case any respective rules and regulations promulgated thereunder) and any other law, rule regulation or exchange requirement applicable thereto. The Company shall not be obligated to issue the RSUs or any shares of Common Stock pursuant to this Agreement if any such issuance would violate any such requirements. As a condition to the settlement of the RSUs, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate to evidence compliance with any applicable law or regulation.

17. **Binding Agreement; Assignment**. This Agreement shall inure to the benefit of, be binding upon, and be enforceable by the Company and its successors and assigns. The Participant shall not assign (except in accordance with Section 6 hereof) any part of this Agreement without the prior express written consent of the Company.

18. **Headings**. The titles and headings of the various sections of this Agreement have been inserted for convenience of reference only and shall not be deemed to be a part of this Agreement.

19. **Counterparts**. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same instrument; provided, however, that the Participant may be required to execute this Agreement through the electronic acceptance process provided by the Company or its designee.

20. **Further Assurances**. Each party hereto shall do and perform (or shall cause to be done and performed) all such further acts and shall execute and deliver all such other agreements, certificates,

instruments and documents as either party hereto reasonably may request in order to carry out the intent and accomplish the purposes of this Agreement and the Plan and the consummation of the transactions contemplated thereunder.

21. **Severability**. The invalidity or unenforceability of any provisions of this Agreement in any jurisdiction shall not affect the validity, legality or enforceability of the remainder of this Agreement in such jurisdiction or the validity, legality or enforceability of any provision of this Agreement in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder shall be enforceable to the fullest extent permitted by law.

22. **Acquired Rights**. The Participant acknowledges and agrees that: (a) the Company may terminate or amend the Plan at any time; (b) the Award of RSUs made under this Agreement is completely independent of any other award or grant and is made at the sole discretion of the Company; (c) no past grants or awards (including, without limitation, the RSUs awarded hereunder) give the Participant any right to any grants or awards in the future whatsoever; and (d) any benefits granted under this Agreement are not part of the Participant's ordinary salary, and shall not be considered as part of such salary in the event of severance, redundancy or resignation.

23. **Section 409A**. This Agreement is intended to be exempt from or comply with Section 409A of the Code ("Section 409A") and shall be construed and interpreted in a manner that is consistent with the requirements for avoiding additional taxes or penalties under Section 409A of the Code. Notwithstanding anything herein to the contrary, if and to the extent it is determined that the payments and benefits provided under this Agreement fail to satisfy the requirements of the "short-term deferral" exemption from application of Section 409A and are otherwise deferred compensation subject to Section, and if the Participant is a "specified employee" (as defined under Section 409A(a)(2)(B)(i) of the Code) as of the date of the Participant's "separation from service" (as defined under Treasury Regulation Section 1.409A-1(h)), then the issuance of any shares of Common Stock that would otherwise be made upon the date of the separation from service or within the first six (6) months thereafter will not be made on the originally scheduled date and will instead be issued in a lump sum no earlier than the date that is six (6) months and one day after the date of the separation from service, but only if such delay in the issuance of the shares is necessary to avoid the imposition of additional taxation on Participant in respect of the issuance of shares of Common Stock under Section 409A. The Company reserves the right, to the extent the Company deems appropriate or advisable in its sole discretion, to unilaterally amend or modify this Agreement as may be necessary to ensure that all payments and benefits provided for under this Agreement are made in a manner that qualifies for exemption from or complies with the requirements of Section 409A. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement are exempt from or comply with Section 409A of the Code and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with Section 409A of the Code.

24. **Tax Advice**. Participant represents that the Participant has consulted with any tax consultants Participant deems advisable in connection with this Agreement and that Participant is not relying on the Company for any tax advice related to this Agreement.

25. **Additional Agreements.** As further consideration for the award of RSUs made under this Agreement, Participant agrees to be bound by the additional covenants and agreements attached hereto as Exhibit A, which is incorporated into this Agreement by reference.

* * * * *

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed, as of the Grant Date, by an authorized officer of the Company and by accepting this Agreement through the electronic acceptance process provided by the Company, or its designee, Participant is electronically signing this Agreement and agrees Participant's electronic signature is the legal equivalent of a manual signature on this Agreement.

HAGERTY, INC.

By:
Name: Collette Champagne
Title: Chief Human Resources Officer and Chief Administrative Officer

Exhibit A

a. **Confidentiality**. During the course of Participant's service for the Hagerty Companies, Participant will have access to Confidential Information. For purposes of this Agreement, "Confidential Information" means all data, information, ideas, concepts, discoveries, trade secrets, inventions (whether or not patentable or reduced to practice), innovations, improvements, know-how, developments, techniques, methods, processes, treatments, drawings, sketches, specifications, designs, plans, patterns, models, plans and strategies, and all other confidential or proprietary information or trade secrets in any form or medium (whether merely remembered or embodied in a tangible or intangible form or medium) whether now or hereafter existing, relating to or arising from the past, current or potential business, activities and/or operations of the Hagerty Companies (or any of their respective predecessors, successors or permitted assigns), including, without limitation, any such information relating to or concerning finances, sales, marketing, advertising, transition, promotions, pricing, personnel, customers, suppliers, vendors, partners and/or competitors.

Participant shall not, directly or indirectly, use, make available, sell, disclose or otherwise communicate to any person, other than in the course of Participant's assigned duties and for the benefit of the Hagerty Companies, either during the period of Participant's employment or service or at any time thereafter, any Confidential Information or other confidential or proprietary information received from third parties subject to a duty on the subject Hagerty Company's part to maintain the confidentiality of such information, and to use such information only for certain limited purposes strictly for the benefit of the Hagerty Companies.

The foregoing shall not apply to information that (a) was known to the public prior to its disclosure to Participant; (b) becomes generally known to the public subsequent to disclosure to Participant through no wrongful act of either Participant or any of Participant's representatives or affiliates; or (c) Participant is required to disclose by applicable law, regulation or legal process (provided that, subject to Section 11 to this Exhibit A below, Participant provides the Company with prior notice of the contemplated disclosure and cooperate with the Company (or another Hagerty Company) at its expense in seeking a protective order or other appropriate protection of such information).

b. **Noncompetition**. Participant shall not, directly or indirectly by or through any agent, whether as principal, agent, owner, investor, lender, shareholder, member, partner, manager, director, officer, employee, consultant or in any other capacity, (a) during Participant's employment by a Hagerty Company ("Employment") and until 12 months after the date of termination of the Employment (the "Restricted Period"), engage or participate in the Restricted Business anywhere in the world, or (b) without the written consent of the Board of Directors of Hagerty, Inc. (the "Board"), use a Hagerty Companies' financial resources, management, employees, business names or other intellectual property, other than in furtherance of the business of the Hagerty Companies. "Restricted Business" means (a) the vehicle, boat, and collectible insurance business and ancillary businesses relating to the preservation, safety, and enjoyment of vehicles, boats, and collectibles, and (b) any other business in which the Hagerty Companies are engaged during the applicable Restricted Period.

c. **Nonsolicitation; Noninterference**. During the Restricted Period, Participant will not solicit or suggest, or provide assistance to anyone else in seeking to solicit or suggest, that any customer, vendor, employee, or other person or organization having or contemplating a relationship with the Hagerty Companies terminate, reduce, or not initiate their relationship or contemplated relationship with the Hagerty Companies, or enter into any similar relationship with anyone else instead of the Hagerty Companies. The time periods for the covenants in this Section shall be extended by the same period that

Participant is in violation of any such covenant. The parties agree that any breach of Participant's commitments in this Section would cause the Hagerty Companies irreparable harm and that injunctive relief would be appropriate.

d. **Nondisparagement**. Participant agrees not to make negative comments or otherwise disparage any of the Hagerty Companies or any of their respective partners, members, officers, directors, managers, employees, shareholders, agents or products other than in the good faith performance of Participant's duties to the Hagerty Companies during Participant's service for any Hagerty Company. The foregoing shall not be violated by truthful statements in response to legal process, required governmental testimony or filings, or administrative or arbitral proceedings (including, without limitation, depositions in connection with such proceedings).

e. **Return of Property**. On Participant's termination for any reason (or at any time prior thereto at the request of any Hagerty Company), Participant shall return to the applicable Hagerty Company all Confidential Information or other property belonging to such Hagerty Company or any of its affiliates (including, but not limited to, any Hagerty Company-provided laptops, computers, cell phones, wireless electronic mail devices or other equipment, or documents and property belonging to any Hagerty Company).

f. **Reasonableness of Covenants**. In signing this Agreement, Participant gives the Company assurance that Participant has carefully read and considered all of the terms and conditions of this Agreement, including the restraints imposed under this Exhibit A. Participant agrees that these restraints are necessary for the reasonable and proper protection of the Hagerty Companies and their affiliates and their trade secrets and confidential information and that each and every one of the restraints is reasonable in respect to subject matter, length of time and geographic area, and that these restraints, individually or in the aggregate, will not prevent Participant from obtaining other suitable employment during the period in which Participant is bound by the restraints. Participant acknowledges that each of these covenants has a unique, very substantial and immeasurable value to the Hagerty Companies and their affiliates and that Participant has sufficient assets and skills to provide a livelihood while such covenants remain in force. Participant further covenants that Participant will not challenge the reasonableness or enforceability of any of the covenants set forth in this Exhibit A, and that Participant will reimburse the Hagerty Companies for all costs (including reasonable attorneys' fees) incurred in connection with any action to enforce any of the provisions of this Exhibit A if either any Hagerty Company or any of their affiliates prevails on any material issue involved in such dispute or if Participant challenges the reasonableness or enforceability of any of the provisions of this Exhibit A. It is also agreed that each Hagerty Company will have the right to enforce all of Participant's obligations to such person or entity under this Agreement and shall be third party beneficiaries hereunder, including without limitation pursuant to this Exhibit A.

g. **Reformation**. If it is determined by a court of competent jurisdiction in any state that any restriction in this Exhibit A is excessive in duration or scope or is unreasonable or unenforceable under applicable law, it is the intention of the parties that such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the laws of that state.

h. **Tolling**. In the event of any violation of the provisions of this Exhibit A, Participant acknowledge and agree that the post-termination restrictions contained in this Exhibit A shall be extended by a period of time equal to the period of such violation, it being the intention of the parties hereto that the running of the applicable post-termination restriction period shall be tolled during any period of such violation.

i. **Equitable Relief and Other Remedies**. Participant acknowledges and agrees that the remedies at law of the Company and each of the third-party beneficiaries of this Exhibit A for a breach or threatened breach of any of the provisions of Exhibit A hereof would be inadequate and, in recognition of this fact, Participant agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, the Company (or any such third-party beneficiary), shall be entitled to obtain equitable relief in the form of specific performance, a temporary restraining order, a temporary or permanent injunction or any other equitable remedy which may then be available, without the necessity of showing actual monetary damages or the posting of a bond or other security.

j. **Company Recoupment of Award**. Participant acknowledges that the RSUs subject to this Agreement are subject to potential forfeiture or recoupment to the fullest extent called for this Section 10, by any Company recoupment policy, other agreement or arrangement with a participant, or applicable federal or state law including, without limitation, any Company obligation to clawback "incentive-based compensation" under Section 10D of the Exchange Act. By executing this Agreement, the Participant agrees to be bound by, and comply with, the terms of any such forfeiture or recoupment provision imposed by applicable federal or state law or prescribed by this Section 10 or any policy of the Company. Specifically, if the Participant violates any agreement between Participant and the Hagerty Companies with respect to non-competition, non-solicitation (including Sections 2 and 3 of this Exhibit A), or if, in a written opinion by the independent directors on the Board (the "Independent Directors"), they find that the Company's financial results are restated or materially misstated due in part to intentional fraud or misconduct by Participant, then: (a) any unvested RSUs subject to this Agreement shall be forfeited, and (b) the Participant shall immediately remit a cash payment to the Company ("Clawback Payment") equal to (i) the closing price of a share of Common Stock on whichever national exchange the Common Stock is traded, on either (A) the last business day prior to the Grant Date, or (B) the date of Participant's last day of Employment, or (C) a date prior to Participant's last day of Employment set by the Independent Directors in their written opinion, whichever is greater, multiplied by (ii) the number of shares of Common Stock that have vested as of the date on which the Clawback Payment is made by Participant. The remedy provided by this Section 10 shall be in addition to and not in lieu of any rights or remedies which the Company may have against the Participant in respect of a breach by Participant of any duty or obligation to the Company.

k. **Protected Rights**. Participant understands that nothing in this Agreement limits Participant's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission ("Government Agencies"). Participant further understands that nothing in this Agreement limits (a) Participant's ability to communicate with any Government Agency or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company, or (b) Participant's right to receive an award for information provided to any Government Agency. In addition, 18 U.S.C. § 1833(b) provides: "An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal." Nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by 18 U.S.C. § 1833(b). Accordingly, the parties to this have the right to disclose in confidence trade secrets to Government Agencies, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law. The parties also have the right to disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure.

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13A-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, McKeel O Hagerty, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hagerty, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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; and

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

Exhibit 31.1

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 6, 2024

By: /s/ McKeel O Hagerty

McKeel O Hagerty
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13A-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Patrick McClymont, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hagerty, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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; and

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

Exhibit 31.2

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2024

By: /s/ Patrick McClymont

Patrick McClymont
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, McKeel O Hagerty, Chief Executive Officer of Hagerty, Inc. (the “Company”), hereby certify, that, to my knowledge:

1. The Company’s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2024 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

Date: August 6, 2024

By: /s/ McKeel O Hagerty
McKeel O Hagerty
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Patrick McClymont, Chief Financial Officer of Hagerty, Inc. (the "Company"), hereby certify, that, to my knowledge:

1. The Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

Date: August 6, 2024

By: /s/ Patrick McClymont
Patrick McClymont
Chief Financial Officer
(Principal Financial Officer)