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DELTA REPORT

10-Q

ACIC - AMERICAN COASTAL INSURANC

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1689
CHANGES	366
DELETIONS	772
ADDITIONS	551

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

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2023 March 31, 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 001-35761

American Coastal Insurance Corporation
(Exact Name of Registrant as Specified in its Charter)

Delaware	**75-3241967**
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification Number)
800 2nd Avenue S. St. Petersburg, Florida	**33701**
(Address of Principle Executive Offices)	(Zip Code)

727-895-7737 727-633-0851
(Registrant's telephone number, including area code)
United Insurance Holdings Corp.
(Former name, former address and former fiscal year, if changed since last report)

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, $0.0001 par value per share	ACIC	Nasdaq Stock Market LLC

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or 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	☐ ☑	Emerging growth company	☐
Non-accelerated filer	☑ ☐	Smaller reporting company	☑		

If an emerging growth company, indicate by check mark if the registrant has elected 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 Exchange Act). Yes ☐ No R

As of November 8, 2023 May 3, 2024, 43,897,772 47,828,491 shares of common stock, par value $0.0001 per share, were outstanding.

Throughout this Quarterly Report on Form 10-Q (Form 10-Q), we present amounts in all tables in thousands, except for share amounts, per share amounts, policy counts or where more specific language or context indicates a different presentation. In the narrative sections of this Form 10-Q, we show full values rounded to the nearest thousand.

AMERICAN COASTAL INSURANCE CORPORATION

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements about anticipated growth in revenues, gross written premium, earnings per share, estimated unpaid losses on insurance policies, investment returns, and diversification and expectations about our liquidity, our ability to meet our investment objectives, our ability to manage and mitigate market risk with respect to our investments and our ability to continue as a going concern. Without limiting the generality of the foregoing, words such as "may," "will," "expect," "endeavor," "project," "believe," "plan," "anticipate," "intend," "could," "would," "estimate," or "continue" or the negative variations thereof or comparable terminology are intended to identify forward-looking statements. These statements are based on current expectations, estimates and projections about the industry and market in which we operate, and management's beliefs and assumptions. Forward-looking statements are not guarantees of future performance and involve certain known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. The risks and uncertainties include, without limitation:

- our exposure to catastrophic events and severe weather conditions;
- the regulatory, economic and weather conditions present in Florida and New York the states in which we write business as of March 1, 2023; business;
- our ability to cultivate and maintain agent relationships, particularly our relationship with AmRisc, LLC; LLC (AmRisc);
- the possibility that actual claims incurred may exceed our loss reserves for claims;
- assessments charged by various governmental agencies;
- our ability to implement and maintain adequate internal controls over financial reporting, including our ability to remediate any existing material weakness in our internal controls over financial reporting and the timing of any such remediation, as well as our ability to reestablish effective internal controls over financial reporting and disclosure controls and procedures;
- our ability to maintain information technology and data security systems, and to outsource relationships;
- our reliance on key vendor relationships, and the ability of our vendors to protect the personally identifiable information of our customers, claimants or employees;
- our ability to attract and retain the services of senior management;
- risks and uncertainties relating to our acquisitions, mergers, dispositions and other strategic transactions;
- risks associated with investments in which we share ownership or management with third parties;
- our ability to generate sufficient cash to service all of our indebtedness and comply with covenants and other requirements related to our indebtedness;
- our ability to maintain our market share;
- changes in the regulatory environment present in the states in which we operate;
- the impact of new federal or state regulations that affect the insurance industry;
- the cost, viability and availability of reinsurance;
- our ability to collect from our reinsurers or others on our reinsurance claims;
- dependence on investment income and the composition of our investment portfolio and related market risks;

- the possibility of the pricing and terms for our products to decline due to the historically cyclical nature of the property and casualty insurance and reinsurance industry;
- the outcome of litigation pending against us, including the terms of any settlements;
- downgrades in our financial strength or stability ratings;
- the impact of future transactions of substantial amounts of our common stock by us or our significant stockholders on our stock price;
- our ability to meet the standards for continued listing on Nasdaq;
- our ability to pay dividends in the future, which may be constrained by our holding company structure;
- the ability of our subsidiaries to pay dividends in the future, which may affect our liquidity and our ability to meet our obligations;
- the ability of R. Daniel Peed and his affiliates to exert significant control over us due to substantial ownership of our common stock, subject to certain restrictive covenants that may restrict our ability to pursue certain opportunities;
- the impact of transactions by R. Daniel Peed and his affiliates on the price of our common stock;
- provisions in our charter documents that may make it harder for others to obtain control of us; and
- other risks and uncertainties described in the section entitled "**Risk Factors**" in Part I, Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 and in Part II, Item 1A of this Form 10-Q.

We caution you not to rely on these forward-looking statements, which are valid only as of the date they were made. Except as may be required by applicable law, we undertake no obligation to update or revise any forward-looking statements to reflect new information, the occurrence of unanticipated events or otherwise.

AMERICAN COASTAL INSURANCE CORPORATION

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Consolidated Balance Sheets (Unaudited)

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
ASSETS				
Investments, at fair value:				
Fixed maturities, available-for-sale (amortized cost of $180,803 and $237,735, respectively)	$ 153,857	$ 204,682		
Fixed maturities, available-for-sale (amortized cost of $198,750 and $200,951, respectively)				
Equity securities	—	15,657		
Other investments (amortized cost of $2,243 and $3,072, respectively)	2,599	3,675		
Other investments (amortized cost of $14,121 and $16,118, respectively)				
Total investments				
Total investments				
Total investments	$ 156,456	$ 224,014		
Cash and cash equivalents	111,061	70,903		
Restricted cash	19,427	45,988		

Total cash, cash equivalents and restricted cash	Total cash, cash equivalents and restricted cash	$ 130,488	$ 116,891
Accrued investment income	Accrued investment income	1,540	1,605
Property and equipment, net	Property and equipment, net	3,910	5,293
Premiums receivable, net (credit allowance of $22 and $32, respectively)		22,441	39,301
Reinsurance recoverable on paid and unpaid losses, net (credit allowance of $107 and $333, respectively)		448,358	796,546
Premiums receivable, net (credit allowance of $53 and $51, respectively)			
Reinsurance recoverable on paid and unpaid losses, net (credit allowance of $65 and $97, respectively)			
Ceded unearned premiums	Ceded unearned premiums	241,270	90,496
Goodwill	Goodwill	59,476	59,476
Deferred policy acquisition costs, net	Deferred policy acquisition costs, net	28,852	52,369
Intangible assets, net	Intangible assets, net	10,135	12,770
Other assets	Other assets	35,581	3,920
Assets held for disposal	Assets held for disposal	11,183	1,434,815
Total Assets	Total Assets	$ 1,149,690	$2,837,496
LIABILITIES AND STOCKHOLDERS' EQUITY	LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:	Liabilities:		
Liabilities:			
Liabilities:			
Unpaid losses and loss adjustment expenses			
Unpaid losses and loss adjustment expenses			
Unpaid losses and loss adjustment expenses	Unpaid losses and loss adjustment expenses	$ 443,406	$ 842,958
Unearned premiums	Unearned premiums	325,423	258,978

Reinsurance payable on premiums	Reinsurance payable on premiums	3,963	30,503
Payments outstanding	Payments outstanding	11,636	2,000
Accounts payable and accrued expenses	Accounts payable and accrued expenses	84,772	74,386
Operating lease liability	Operating lease liability	941	1,689
Other liabilities	Other liabilities	8,504	5,849
Notes payable, net	Notes payable, net	148,604	148,355
Liabilities held for disposal	Liabilities held for disposal	1,792	1,654,817
Total Liabilities	Total Liabilities	$ 1,029,041	$ 3,019,535
Commitments and contingencies (Note 12)			
Commitments and Contingencies (Note 12)		Commitments and Contingencies (Note 12)	
Stockholders' Equity:	Stockholders' Equity:		
Preferred stock, $0.0001 par value; 1,000,000 shares authorized; none issued or outstanding	Preferred stock, $0.0001 par value; 1,000,000 shares authorized; none issued or outstanding	$ —	$ —
Common stock, $0.0001 par value; 100,000,000 shares authorized; 43,623,769 and 43,492,256 issued, respectively; 43,411,686 and 43,280,173 outstanding, respectively		4	4
Preferred stock, $0.0001 par value; 1,000,000 shares authorized; none issued or outstanding			
Preferred stock, $0.0001 par value; 1,000,000 shares authorized; none issued or outstanding			
Common stock, $0.0001 par value; 100,000,000 shares authorized; 48,011,548 and 46,989,089 issued, respectively; 47,799,465 and 46,777,006 outstanding, respectively			
Additional paid-in capital	Additional paid-in capital	396,584	395,631

Treasury shares, at cost: 212,083 shares	Treasury shares, at cost: 212,083 shares	(431)	(431)
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(23,835)	(30,947)
Retained earnings (deficit)	Retained earnings (deficit)	(251,673)	(546,296)
Total Stockholders' Equity (Deficit)		$ 120,649	$ (182,039)
Total Stockholders' Equity			
Total Stockholders' Equity			
Total Stockholders' Equity			
Total Liabilities and Stockholders' Equity	Total Liabilities and Stockholders' Equity	$ 1,149,690	$2,837,496

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

AMERICAN COASTAL INSURANCE CORPORATION

Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

		Three Months Ended September 30,		Nine Months Ended September 30,			
		2023	**2022**	**2023**	**2022**		
		Three Months Ended					
		Three Months Ended					
		Three Months Ended					
		March 31,				**March 31,**	
		2024				**2024**	**2023**
REVENUE:	REVENUE:						
Gross premiums written							
Gross premiums written							
Gross premiums written	Gross premiums written	$ 103,872	$ 103,153	$ 534,880	$ 453,199		
Change in gross unearned premiums	Change in gross unearned premiums	61,888	35,207	(66,445)	(62,623)		
Gross premiums earned	Gross premiums earned	165,760	138,360	468,435	390,576		
Ceded premiums earned	Ceded premiums earned	(109,952)	(68,134)	(242,134)	(198,072)		
Net premiums earned	Net premiums earned	55,808	70,226	226,301	192,504		
Net investment income	Net investment income	2,709	2,236	7,990	5,479		
Net realized investment gains (losses)		2	(4)	(6,806)	(44)		
Net realized investment losses							

Net unrealized gains (losses) on equity securities	Net unrealized gains (losses) on equity securities	177	(897)	792	(4,058)
Other revenue	Other revenue	18	1,191	52	1,213
Other revenue					
Other revenue					
Total revenue	Total revenue	58,714	72,752	228,329	195,094
EXPENSES:	EXPENSES:				
Losses and loss adjustment expenses					
Losses and loss adjustment expenses					
Losses and loss adjustment expenses	Losses and loss adjustment expenses	13,764	52,765	51,091	93,112
Policy acquisition costs	Policy acquisition costs	15,600	26,030	68,117	69,908
Operating expenses	Operating expenses	2,799	3,123	8,241	10,650
General and administrative expenses	General and administrative expenses	6,131	15,959	21,507	32,231
Interest expense	Interest expense	2,718	2,358	8,156	7,080
Total expenses	Total expenses	41,012	100,235	157,112	212,981
Income (loss) before other income (loss)		17,702	(27,483)	71,217	(17,887)
Other income (loss)		(226)	(29)	1,168	1,562
Income (loss) before income taxes		17,476	(27,512)	72,385	(16,325)
Provision (benefit) for income taxes		3,103	(66)	7,293	24,705
Income (loss) from continuing operations, net of tax		$ 14,373	$ (27,446)	$ 65,092	$ (41,030)
Income (loss) from discontinued operations, net of tax		(3,805)	(43,438)	230,535	(132,166)
Net income (loss)		10,568	(70,884)	$ 295,627	$ (173,196)
Less: Net loss attributable to NCI		—	—	—	(111)
Net income (loss) attributable to ACIC		$ 10,568	$ (70,884)	$ 295,627	$ (173,085)
Income before other income					
Other income					
Income before income taxes					
Provision for income taxes					
Income from continuing operations, net of tax					
Income from discontinued operations, net of tax					

Net income					
OTHER COMPREHENSIVE INCOME (LOSS):	OTHER COMPREHENSIVE INCOME (LOSS):				
Change in net unrealized losses on investments		(2,761)	(15,953)	(698)	(60,232)
Reclassification adjustment for net realized investment losses (gains)		(2)	9	6,806	1,856
OTHER COMPREHENSIVE INCOME (LOSS):					
OTHER COMPREHENSIVE INCOME (LOSS):					
Change in net unrealized gains (losses) on investments					
Change in net unrealized gains (losses) on investments					
Change in net unrealized gains (losses) on investments					
Reclassification adjustment for net realized investment losses					
Income tax benefit related to items of other comprehensive income (loss)	Income tax benefit related to items of other comprehensive income (loss)	—	—	—	49
Total comprehensive income (loss)		$ 7,805	$ (86,828)	$ 301,735	$ (231,523)
Less: Comprehensive loss attributable to NCI		—	—	—	(164)
Comprehensive income (loss) attributable to ACIC		$ 7,805	$ (86,828)	$ 301,735	$ (231,359)
Income tax benefit related to items of other comprehensive income (loss)					
Income tax benefit related to items of other comprehensive income (loss)					
Total comprehensive income					
Weighted average shares outstanding	Weighted average shares outstanding				
Weighted average shares outstanding					
Weighted average shares outstanding					
Basic					
Basic					
Basic	Basic	43,301,388	43,075,234	43,220,084	43,035,374
Diluted	Diluted	44,142,693	43,075,234	43,888,665	43,035,374
Earnings available to ACIC common stockholders per share	Earnings available to ACIC common stockholders per share				
Earnings available to ACIC common stockholders per share					

Earnings available to ACIC common stockholders per share					
Basic	Basic				
Basic					
Basic					
Continuing operations					
Continuing operations					
Continuing operations	Continuing operations	$ 0.33	$ (0.64)	$ 1.51	$ (0.95)
Discontinued operations	Discontinued operations	(0.09)	(1.01)	5.33	(3.07)
Total	Total	$ 0.24	$ (1.65)	$ 6.84	$ (4.02)
Diluted	Diluted				
Continuing operations	Continuing operations	$ 0.33	$ (0.64)	$ 1.48	$ (0.95)
Continuing operations					
Continuing operations					
Discontinued operations	Discontinued operations	(0.09)	(1.01)	5.25	(3.07)
Total	Total	$ 0.24	$ (1.65)	$ 6.73	$ (4.02)

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

AMERICAN COASTAL INSURANCE CORPORATION

Condensed Consolidated Statements of Stockholders' Equity for the Three Months Ended (Unaudited)

	Common Stock								
	Number of Shares	Dollars	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings (Deficit)	Stockholders' Equity Attributable to ACIC	NCI	Total Stockholders' Equity
June 30, 2022	43,313,166	$ 4	$ 394,902	$ (431)	$ (48,861)	$ (178,642)	$ 166,972	$ —	$ 166,972
Net loss	—	—	—	—	—	(70,884)	(70,884)	—	(70,884)
Other comprehensive loss, net	—	—	—	—	(15,944)	—	(15,944)	—	(15,944)
Return of Capital to NCI	—	—	—	—	—	—	—	—	—
Stock Compensation	(27,359)	—	290	—	—	—	290	—	290
September 30, 2022	43,285,807	$ 4	$ 395,192	$ (431)	$ (64,805)	$ (249,526)	$ 80,434	$ —	$ 80,434

	Common Stock								
	Number of Shares	Dollars	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings (Deficit)	Stockholders' Equity Attributable to ACIC	NCI	Total Stockholders' Equity
June 30, 2023	43,406,486	$ 4	$ 396,136	$ (431)	$ (21,072)	$ (262,241)	$ 112,396	$ —	$ 112,396
Net Income	—	—	—	—	—	10,568	10,568	—	10,568
Other comprehensive loss, net	—	—	—	—	(2,763)	—	(2,763)	—	(2,763)
Stock Compensation	—	—	410	—	—	—	410	—	410
Issuance of common stock	5,200	—	38	—	—	—	38	—	38
September 30, 2023	43,411,686	$ 4	$ 396,584	$ (431)	$ (23,835)	$ (251,673)	$ 120,649	$ —	$ 120,649

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

	Common Stock						
	Number of Shares	***Dollars***	***Additional Paid-in Capital***	***Treasury Stock***	***Accumulated Other Comprehensive Loss***	***Retained Earnings (Deficit)***	***Total Stockholders' Equity (Deficit)***

December 31, 2022	*43,280,173*	*$ 4*	*$ 395,631*	*$ (431)*	*$ (30,947)*	*$ (546,296)*	*$ (182,039)*
Net income	*—*	*—*	*—*	*—*	*—*	*267,280*	*267,280*
Other comprehensive income, net	*—*	*—*	*—*	*—*	*4,314*	*—*	*4,314*
Impact of Deconsolidation of Discontinued Operations	*—*	*—*	*—*	*—*	*1,004*	*(1,004)*	*—*
Stock Compensation	*(5,814)*	*—*	*335*	*—*	*—*	*—*	*335*
March 31, 2023	*43,274,359*	*$ 4*	*$ 395,966*	*$ (431)*	*$ (25,629)*	*$ (280,020)*	*$ 89,890*

AMERICAN COASTAL INSURANCE CORPORATION

Condensed Consolidated Statements of Stockholders' Equity for the Nine Months Ended
(Unaudited)

	Common Stock					Retained			
			Additional Paid-		Accumulated Other	Earnings	Stockholders' Equity		Total Stockholders'
	Number of Shares	Dollars	in Capital	Treasury Stock	Comprehensive Loss	(Deficit)	Attributable to ACIC	NCI	Equity
December 31, 2021	43,370,442	$ 4	$ 394,268	$ (431)	$ (6,531)	$ (74,904)	$ 312,406	$ 19,551	$ 331,957
Net loss	—	—	—	—	—	(173,085)	(173,085)	(111)	(173,196)
Other comprehensive loss, net	—	—	—	—	(58,274)	—	(58,274)	(53)	(58,327)
Return of Capital to NCI	—	—	—	—	—	1,052	1,052	(19,387)	(18,335)
Stock Compensation	(84,635)	—	924	—	—	—	924	—	924
Cash dividends on common stock ($0.06 per common share)	—	—	—	—	—	(2,589)	(2,589)	—	(2,589)
September 30, 2022	43,285,807	$ 4	$ 395,192	$ (431)	$ (64,805)	$ (249,526)	$ 80,434	$ —	$ 80,434

	Common Stock				Accumulated Other	Retained	Stockholders' Equity		
			Additional Paid-		Comprehensive Income	Earnings	(Deficit)		Total Stockholders'
	Number of Shares	Dollars	in Capital	Treasury Stock	(Loss)	(Deficit)	Attributable to ACIC	NCI	Equity (Deficit)
December 31, 2022	43,280,173	$ 4	$ 395,631	$ (431)	$ (30,947)	$ (546,296)	$ (182,039)	$ —	$ (182,039)
Net Income	—	—	—	—	—	295,627	295,627	—	295,627
Other comprehensive income, net	—	—	—	—	6,108	—	6,108	—	6,108
Impact of Deconsolidation of Discontinued Operations	—	—	—	—	1,004	(1,004)	—	—	—
Stock Compensation	126,313	—	915	—	—	—	915	—	915
Issuance of common stock	5,200	—	38	—	—	—	38	—	38
September 30, 2023	43,411,686	$ 4	$ 396,584	$ (431)	$ (23,835)	$ (251,673)	$ 120,649	$ —	$ 120,649

	Common Stock						
			Additional Paid-in		Accumulated Other	Retained	Total
	Number of Shares	Dollars	Capital	Treasury Stock	Comprehensive Loss	Earnings (Deficit)	Stockholders' Equity
December 31, 2023	46,777,006	$ 5	$ 423,717	$ (431)	$ (17,137)	$ (237,389)	$ 168,765
Net Income	—	—	—	—	—	23,599	23,599
Other comprehensive loss, net	—	—	—	—	(198)	—	(198)
Stock Compensation	22,459	—	428	—	—	—	428
Issuance of common stock	1,000,000	—	11,398	—	—	—	11,398
March 31, 2024	47,799,465	$ 5	$ 435,543	$ (431)	$ (17,335)	$ (213,790)	$ 203,992

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Condensed Consolidated Statements of Cash Flows (Unaudited)

		Nine Months Ended September 30,		
		2023	2022	
		Three Months Ended March 31,		Three Months Ended March 31,
		2024	2024	2023
OPERATING ACTIVITIES	OPERATING ACTIVITIES			
Net income (loss)		$ 295,627	$ (173,196)	
Net income				
Net income				
Net income				
Adjustments to reconcile net loss to net cash used in operating activities:	Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	Depreciation and amortization	6,391	21,071	
Depreciation and amortization				
Depreciation and amortization				
Bond amortization and accretion	Bond amortization and accretion	759	4,408	
Net realized losses on investments		5,464	1,856	
Net realized gains on investments				
Net unrealized losses (gains) on equity securities	Net unrealized losses (gains) on equity securities	(2,871)	9,870	
Provision for uncollectable premiums	Provision for uncollectable premiums	11	4	
Provision for uncollectable reinsurance recoverables	Provision for uncollectable reinsurance recoverables	226	11	
Deferred income taxes, net	Deferred income taxes, net	13,344	24,620	
Deferred income taxes, net				
Deferred income taxes, net				
Stock based compensation	Stock based compensation	915	924	
Settlement of receivable owed by HCI in connection with purchase agreement		—	3,800	

Gain on sale of property and equipment	Gain on sale of property and equipment	(588)	(1,688)
Fixed asset disposal	Fixed asset disposal	1,147	473
Gain on disposition of former subsidiary	Gain on disposition of former subsidiary	(238,440)	—
Changes in operating assets and liabilities:	Changes in operating assets and liabilities:		
Accrued investment income			
Accrued investment income			
Accrued investment income	Accrued investment income	647	93
Premiums receivable	Premiums receivable	40,851	33,948
Reinsurance recoverable on paid and unpaid losses	Reinsurance recoverable on paid and unpaid losses	633,895	(550,173)
Ceded unearned premiums	Ceded unearned premiums	(103,504)	57,073
Deferred policy acquisition costs, net	Deferred policy acquisition costs, net	30,170	(32,684)
Other assets	Other assets	(53,938)	3,313
Unpaid losses and loss adjustment expenses	Unpaid losses and loss adjustment expenses	(583,101)	595,117
Unpaid losses and loss adjustment expenses			
Unpaid losses and loss adjustment expenses			
Unearned premiums	Unearned premiums	(121,742)	(32,036)
Reinsurance payable on premiums	Reinsurance payable on premiums	(43,321)	(48,057)
Payments outstanding	Payments outstanding	(59,183)	(9,324)
Accounts payable and accrued expenses	Accounts payable and accrued expenses	13,422	100
Operating lease liability	Operating lease liability	(748)	(518)
Other liabilities	Other liabilities	(20,322)	(6,937)

Net cash used in operating activities		$ (184,889)	$ (97,932)
Net cash provided by (used in) operating activities			
INVESTING ACTIVITIES	INVESTING ACTIVITIES		
Proceeds from sales, maturities and repayments of:	Proceeds from sales, maturities and repayments of:		
Proceeds from sales, maturities and repayments of:			
Proceeds from sales, maturities and repayments of:			
Fixed maturities			
Fixed maturities			
Fixed maturities	Fixed maturities	234,403	128,315
Equity securities	Equity securities	40,436	88
Other investments	Other investments	2,397	2,261
Purchases of:	Purchases of:		
Fixed maturities	Fixed maturities	(11,786)	(21,592)
Fixed maturities			
Fixed maturities			
Equity securities	Equity securities	(79)	(7,459)
Other investments		(1,494)	(1,911)
Proceeds from sale of property and equipment			
Proceeds from sale of property and equipment			
Proceeds from sale of property and equipment	Proceeds from sale of property and equipment	629	4,196
Cost of property, equipment and capitalized software acquired	Cost of property, equipment and capitalized software acquired	(196)	(2,926)
Disposition of cash on divestiture of subsidiary	Disposition of cash on divestiture of subsidiary	(232,582)	—
Net cash provided by investing activities		$ 31,728	$ 100,972
Net cash used in investing activities			
FINANCING ACTIVITIES	FINANCING ACTIVITIES		
Repayments of borrowings		—	(4,147)
Dividends		—	(2,589)
Return of capital in connection with termination of noncontrolling interest		—	(18,335)
Proceeds from issuance of common stock	Proceeds from issuance of common stock	$ 38	$ —

Net cash provided by (used in) financing activities		$ 38	$ (25,071)
Decrease in cash, cash equivalents and restricted cash, including cash classified as assets held for disposal		(153,123)	(22,031)
Proceeds from issuance of common stock			
Proceeds from issuance of common stock			
Net cash provided by financing activities			
Increase (decrease) in cash, cash equivalents and restricted cash, including cash classified as assets held for disposal			
Cash, cash equivalents and restricted cash at beginning of period	Cash, cash equivalents and restricted cash at beginning of period	283,611	245,278
Cash, cash equivalents and restricted at end of period	Cash, cash equivalents and restricted at end of period	$ 130,488	$ 223,247
Supplemental Cash Flows Information	**Supplemental Cash Flows Information**		
Interest paid	Interest paid	$ 5,438	$ 4,823
Interest paid			
Interest paid			
Income taxes paid (refunded)	Income taxes paid (refunded)	$ (10,591)	$ 1,444

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

AMERICAN COASTAL INSURANCE CORPORATION
Notes to Unaudited Condensed Consolidated Financial Statements
September 30, 2023 March 31, 2024

1) ORGANIZATION, CONSOLIDATION AND PRESENTATION

(a) Business

American Coastal Insurance Corporation (referred to in this document as we, our, us, the Company or ACIC) is a property and casualty insurance holding company that sources, writes and services residential commercial and personal property and casualty insurance policies using a network of agents and two wholly-owned insurance subsidiaries. On July 10, 2023, we changed our corporate name from United Insurance Holdings Corp. to American Coastal Insurance Corporation. Our two insurance subsidiaries are Interboro Insurance Company (IIC), acquired via acquisition on April 29, 2016; and American Coastal Insurance Company (AmCoastal), acquired via merger on April 3, 2017.

Our other subsidiaries include United Insurance Management, L.C. (UIM), a managing general agent; Skyway Claims Services, LLC (SCS), which provides claims adjusting services to our insurance companies; AmCo Holding Company, LLC (AmCo) which is a holding company subsidiary that consolidates its respective insurance company; BlueLine Cayman Holdings (BlueLine), which reinsures portfolios of excess and surplus policies; UPC Re, which provides a portion of the reinsurance protection purchased by our insurance subsidiaries when needed; Skyway Reinsurance Services, LLC, which provides reinsurance brokerage services for our insurance companies; Skyway Legal Services, LLC (SLS), which provides claims litigation services to our insurance companies; and Skyway Underwriters, LLC, a managing general agent that provides technological and distribution services to our insurance companies.

Our primary products are commercial and homeowners' residential property insurance. We currently offer commercial residential insurance in Florida. During 2022, we also wrote commercial residential insurance in South Carolina Florida and Texas, however, effective May 1, 2022, we no longer write in these states. In addition, we write personal residential insurance in New York. During 2022, we wrote We conduct our operations under two reportable segments, commercial residential property and casualty insurance policies (commercial lines) and personal residential business in six other states; however on property and casualty insurance policies (personal lines). Our chief operating decision maker is our President, who makes decisions to allocate resources and assesses performance at both segment levels, as well as at the corporate level.

On February 27, 2023, our former insurance subsidiary, United Property & Casualty Insurance Company (UPC) was placed into receivership with the Florida Department of Financial Services (DFS), which divested our ownership of UPC. The events leading to receivership and results of this subsidiary, now included within discontinued operations, are discussed in Note 3 below.

On August 25, 2022, we announced that our former subsidiary UPC had filed plans for withdrawal in the states of Florida, Louisiana, and Texas and intended to file a plan for withdrawal in the state of New York. All filed plans entail non-renewing personal lines policies in these states. Additionally, we announced that Demotech, Inc. (Demotech), an insurance rating agency, notified UPC of its intent to withdraw UPC's Financial Stability Rating. On December 5, 2022, the Florida Office of Insurance Regulation ("FLOIR") issued Consent Order No. 303643-22- CO that provided for the administrative supervision and approval of the plan of run-off for UPC (the "Consent Order"). The Consent Order provided formal approval of UPC's Plan of Run-Off (the "Plan") to facilitate a solvent wind down of its affairs in an orderly fashion. Additionally, in connection with the Plan, IIC agreed to not pay ordinary dividends without the prior approval of the New York Department of Financial Services until January 1, 2025. On February 10, 2023, we announced that a solvent run-off of UPC was unlikely and on February 27, 2023, UPC was placed into receivership with the DFS which divested our ownership of UPC.

Effective June 1, 2022, we merged our majority-owned insurance subsidiary, Journey Insurance Company (JIC) into AmCoastal, with AmCoastal being the surviving entity. JIC was formed in strategic partnership with a subsidiary of Tokio Marine Kiln Group Limited (Kiln) on August 30, 2018 and operated independently from AmCoastal prior to the merging of the entities. The Kiln subsidiary held a noncontrolling interest in JIC, which was terminated prior to the merger.

Effective June 1, 2022, we entered into a quota share reinsurance agreement with TypTap Insurance Company (Typtap). Under the terms of this agreement, we ceded 100% of our former subsidiary UPC's in-force, new, and renewal policies in the states of Georgia, North Carolina and South Carolina. Effective June 1, 2022, we began the transition of South Carolina policies to Homeowners Choice Property and Casualty Insurance Company, Inc. (HCPCI) in connection with our renewal rights agreement. Effective October 1, 2022, we transitioned Georgia policies to HCPCI in connection with our renewal rights agreement. Effective December 1, 2022, we began the transition of North Carolina policies to HCPCI in connection with our renewal rights agreement. As a result, these policies will no longer be covered under this agreement upon their renewal. This agreement replaces the 85% quota share agreement with HCPCI effective December 31, 2021.

Effective May 31, 2022, we merged Family Security Insurance Company, Inc. (FSIC) into our former subsidiary UPC, with UPC being the surviving entity. FSIC was acquired via merger on February 3, 2015, and operated independently from

UPC prior to the merging of the entities. In conjunction with the merger, we dissolved Family Security Holdings (FSH), a holding company subsidiary that consolidated its respective insurance company, FSIC.

Effective June 1, 2021, we entered into a quota share reinsurance agreement with HCPCI and TypTap. Under the terms of this agreement, we ceded 100% of our former subsidiary UPC's in-force, new, and renewal policies in the states of Connecticut, New Jersey, Massachusetts, and Rhode Island. The cession of these policies was 50% to HCPCI and 50% to TypTap. HCPCI is responsible for processing all claims as a part of this agreement. As of April 1, 2022, we completed the transition of all policies in these four states to HCPCI in connection with our renewal rights agreement (Northeast Renewal Agreement) to sell UPC's personal lines homeowners business in these states.

We conduct our operations under two reportable segments, commercial residential property and casualty insurance policies (commercial lines) and personal residential property and casualty insurance policies (personal lines). Our chief operating decision maker is our President, who makes decisions to allocate resources and assesses performance at both segment levels, as well as at the corporate level.

(b) Consolidation and Presentation

We prepare our unaudited condensed consolidated interim financial statements in conformity with U.S. generally accepted accounting principles (GAAP). We have condensed or omitted certain information and footnote disclosures normally included in the annual consolidated financial statements presented in accordance with GAAP. In management's opinion, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, including normal recurring items, considered necessary for a fair presentation of interim periods. We include all of our subsidiaries in our consolidated financial statements, eliminating intercompany balances and transactions during consolidation. As described in Note 23, our former subsidiary, UPC, and activities related directly to supporting the business conducted by UPC qualified as discontinued operations. Our unaudited condensed consolidated interim financial statements and footnotes should be read in conjunction with our consolidated financial statements and footnotes in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

While preparing our unaudited condensed consolidated financial statements, we make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the unaudited condensed consolidated financial statements, as well as reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Reported amounts that require us to make extensive use of estimates include our reserves for unpaid losses and loss adjustment expenses, investments and goodwill. Except for the captions on our Unaudited Condensed Consolidated Balance Sheets and Unaudited Condensed Consolidated Statements of Comprehensive Loss, Income, we generally use the term loss(es) to collectively refer to both loss and loss adjustment expenses.

Our results of operations and our cash flows as of the end of the interim periods reported herein do not necessarily indicate our results for the remainder of the year or for any other future period.

(c) Going Concern

Our unaudited condensed consolidated interim financial statements have been prepared in accordance with GAAP assuming the Company will continue as a going concern. As disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022, our subsidiary AmCoastal is a part of a combined reinsurance program with our former subsidiary, UPC.

To properly allocate the reinsurance recoverables under the shared catastrophe treaties, UPC and AmCoastal entered into a reinsurance allocation agreement that became effective on June 1, 2022 (the "Allocation Agreement"). The Allocation Agreement was filed with and approved by the FLOIR on December 5, 2022. On February 10, 2023, we announced that a solvent run-off of UPC was unlikely, driven by Hurricane Ian losses which exhausted UPC's reinsurance coverage. On February 27, 2023, UPC was placed into receivership with the DFS which divested our ownership of UPC. As of the date of filing our Annual Report, the DFS had not recognized the Allocation Agreement, leaving uncertainty regarding the timing of both recoveries currently held by UPC that are allocated to AmCoastal and future recoverables. Management also believed that the ability for AmCoastal to obtain adequate reinsurance to meet its needs for the June 1, 2023 to May 31, 2024 catastrophe cover could only be accomplished assuming that recoveries due to AmCoastal pursuant to the Allocation Agreement could be resolved in short order.

However, on April 19, 2023, AmCoastal entered into a Memorandum of Understanding with the DFS. Under the terms of the Memorandum, AmCoastal and the DFS as receiver of UPC have reached the following agreement:

1. The DFS adopts, ratifies and affirms the Allocation Agreement.
2. All future reinsurance recoverable under reinsurance agreements applicable to the Allocation Agreement for Hurricane Ian losses shall be paid, either directly from the reinsurers or directly from the reinsurance intermediary responsible therefor, to AmCoastal. If a true up adjustment demonstrates that any future reinsurance recoveries were over-collected by AmCoastal, AmCoastal will remit any over-payment to UPC.

On May 15, 2023, the Company, together with its subsidiary, AmCoastal, entered into a Tax Memorandum of Understanding (the "Tax Memorandum") with the DFS as receiver of the Company's former subsidiary, UPC. On February 27, 2023, UPC entered into receivership with the DFS as receiver. As of March 31, 2023, in accordance with the various reinsurance allocation agreements including the Allocation Agreement described above, the Company was due approximately $38,352,000 of net reinsurance recoveries received by UPC on behalf of the Company but not settled prior to receivership. In addition, in April ACIC paid reinsurance premiums on behalf of UPC totaling $12,929,000. The Company and the DFS believe that an opportunity exists to settle these balances via the realization of certain deferred tax assets of the Company's consolidated Federal and Florida tax returns to which ACIC and UPC belong. UPC holds certain deferred tax assets that are believed to be of no value to UPC on a stand-alone basis. However, AmCoastal and the Company have the opportunity, subject to certain conditions such as continuing and adequate profitability, to realize these assets. Under the terms of the Tax Memorandum, the Company, AmCoastal and the DFS as receiver of UPC have reached the following agreement:

1. The parties agree to cooperate with one another to achieve realization of the deferred tax assets;
2. The parties agree to deposit the funds that are or may be due to UPC pursuant to the Tax Allocation Agreement into a segregated account (the "DTA Account") held by AmCoastal that will serve as collateral for any amount payable from or to UPC;
3. The parties agree that the Federal Income Tax Allocation Agreement entered into prior to UPC's receivership is ratified and accepted by all parties;
4. The parties agree to an annual “true up” of the allocation of the disputed recoveries to the extent that such recoveries were not allocated correctly according to the Reinsurance Allocation Agreement;
5. In the event that AmCoastal, ACIC, or any of their affiliates make a claim or file a proof of claim in the UPC estate, the reviewed, approved, and/or adjudicated claim shall be reduced by the amount of (a) any tax benefit collectively received by AmCoastal, ACIC, or any of their affiliates as well as (b) any money withdrawn from the DTA Account for the benefit of any entity other than UPC; and
6. In the event that the benefit received by the Company is greater than the disputed recoveries, the difference shall be paid to DFS as receiver of UPC.

The Tax Memorandum allows the Company to secure amounts due from UPC to AmCoastal provided the Internal Revenue Service (IRS) does not object to the Company utilizing UPC's net operating loss carry-forward against its future taxable income. We believe the probability of the IRS allowing the Company to utilize UPC's net operating losses is more likely than not based on other entities having successfully accomplished this and prior permission or approval from the IRS not being required. The Company has begun the process of obtaining a private letter ruling from the IRS on this matter.

The execution of these MOUs prior to June 30, 2023 alleviated the uncertainty regarding future recoverables, and recoveries currently held by UPC. In addition, as of June 30, 2023, the Company has finalized its reinsurance cover, alleviating the uncertainty of this placement. As a result, the Company has concluded as of June 30, 2023 that substantial doubt no longer exists regarding its ability to continue as a going concern.

2) SIGNIFICANT ACCOUNTING POLICIES

(a) Income Taxes

In June 2022, we assessed our deferred tax position and believed it was more likely than not that the benefit from certain net operating loss (NOL) carryforwards, net capital operating loss carryforwards and other net deferred tax assets would not be realized. In recognition of this risk, we recorded a valuation allowance against these deferred tax assets as of June 30, 2022. During the second quarter of 2023, we evaluated our position based on the results of our continuing operations and determined that it is more likely than not that we will be able to realize the benefit from these NOL carryforwards and other net deferred tax assets. Accordingly, as of September 30, 2023, we have reversed the valuation allowance on these deferred tax assets, totaling $21,363,000.

On May 15, we entered into the Tax Memorandum with DFS, as described in Note 1 above. As a result of this Memorandum, any benefit received from the use of UPC's net operating losses are due to the DFS as receiver of UPC. The expense related to this remittance is presented within our provision for income taxes on our Unaudited Condensed Consolidated Statements of Comprehensive Income (Loss), offsetting the tax benefit recognized.**2) SIGNIFICANT ACCOUNTING POLICIES**

(b) (a) Changes to Significant Accounting Policies

During the three months ended March 31, 2023, our former subsidiary, UPC, was placed into receivership with the DFS. As described in Note 1, effective February 27, 2023, this receivership divested our ownership of UPC. This disposal, as well as the activities related directly to supporting the business conducted by UPC were evaluated for qualification as discontinued operations. The results of operations of business are reported as discontinued operations when the disposal represents a strategic shift that will have a major effect on the entity's operations and financial results. When a business is identified for discontinued operations reporting:

- Results for prior periods are retroactively reclassified as discontinued operations;
- Results of operations are reported in a single line, net of tax, in the Unaudited Condensed Consolidated Statements of Comprehensive Income (Loss); and
- Assets and liabilities are reported as held for disposal in the Unaudited Condensed Consolidated Balance Sheets

Additional details by major classification of operating results and financial position are included in Note 3.

There have been no other changes to our significant accounting policies as reported in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

(c) (b) Pending Accounting Pronouncements

In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280) Improvements to Reportable Segments Disclosures. This update requires the disclosure of significant segment expenses that are part of an entity's segment measure of profit or loss and regularly provided to the chief operating decision maker. In addition, it adds or makes clarifications to other segment-related disclosures, such as clarifying that the disclosure requirements in ASC 280 are required for entities with a single reportable segment and that an entity may disclose multiple measures of segment profit and loss. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023 and interim periods beginning after December 15, 2024, with early adoption permitted. We have evaluated pending accounting pronouncements and do not believe any would have intend to elect to early adopt and are assessing the impact of adopting this new accounting standard on our consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740) Improvements to Income Tax Disclosures. This update amends the Codification to enhance the transparency and decision usefulness of income tax disclosures. This ASU requires additional disaggregation of the reconciliation between the statutory and effective tax rate for an entity and of income taxes paid, both of which are disclosures required by current GAAP. The amendments improve the transparency of income tax disclosures by requiring (1) consistent categories and greater disaggregation of information in the rate reconciliation and (2) income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective for annual periods beginning after December 15, 2024, with early adoption permitted. We do not intend to elect to early adopt and are assessing the impact of adopting this new accounting standard on the operations or our consolidated financial reporting of our company. statements and related disclosures.

3) DISCONTINUED OPERATIONS

On August 25, 2022, we announced that our former subsidiary UPC had filed plans for withdrawal in the states of Florida, Louisiana, and Texas and intended to file a plan for withdrawal in the state of New York. All filed plans entailed non-renewing personal lines policies in these states. Additionally, we announced that Demotech, an insurance rating agency, notified UPC of its intent to withdraw UPC's Financial Stability Rating. On December 5, 2022, the FLOIR issued Consent Order No. 303643-22- CO that provided for the administrative supervision and approval of the plan of run-off for UPC (the "Consent Order"). The Consent Order provided formal approval of UPC's Plan of Run-Off (the "Plan") to facilitate a solvent wind down of its affairs in an orderly fashion. On February 10, 2023, we announced that a solvent run-off of UPC was unlikely, driven by Hurricane Ian losses which exhausted UPC's reinsurance coverage. On February 27, 2023, UPC was placed into receivership with the DFS which divested our ownership of UPC.

In the first quarter of 2023, the assets and liabilities of UPC were divested. In addition, activities provided by our entities, SCS, SLS and UIM, related directly to supporting the business conducted by UPC have been included. The remaining assets and liabilities for the balance sheet as of December 31, 2022 December 31, 2023 are retrospectively reclassified presented as held for disposal, and the results of UPC and activities related directly to supporting the business conducted by UPC are presented as discontinued operations for all periods presented.

The results from discontinued operations for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 are presented below.

Results From Discontinued Operations	**Results From Discontinued Operations**

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
Results From Discontinued Operations					
Results From Discontinued Operations					
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		2024		**2024**	**2023**
REVENUE:	REVENUE:				
Gross premiums written					
Gross premiums written					
Gross premiums written	Gross premiums written	$ —	$168,587	$(120,608)	$ 489,509
Change in gross unearned premiums	Change in gross unearned premiums	—	7,810	198,154	80,779
Gross premiums earned	Gross premiums earned	—	176,397	77,546	570,288
Ceded premiums earned	Ceded premiums earned	—	(130,437)	(48,203)	(434,343)
Net premiums earned	Net premiums earned	—	45,960	29,343	135,945
Net investment income	Net investment income	—	2,033	2,182	4,408
Net realized investment gains (losses)		—	(4)	1,343	(1,811)
Net unrealized gains (losses) on equity securities		—	(1,622)	2,080	(5,813)
Net realized investment gains					
Net unrealized gains on equity securities					
Other revenue	Other revenue	—	4,650	2,717	14,124
Total revenue	Total revenue	—	51,017	37,665	146,853
EXPENSES:	EXPENSES:				
Losses and loss adjustment expenses					
Losses and loss adjustment expenses					

Losses and loss adjustment expenses	Losses and loss adjustment expenses	851	64,443	37,268	205,558
Policy acquisition costs	Policy acquisition costs	—	12,914	(1,522)	24,040
Operating expenses	Operating expenses	153	6,492	4,656	24,232
General and administrative expenses	General and administrative expenses	2,872	10,433	5,431	24,660
Interest expense	Interest expense	—	34	22	84
Total expenses	Total expenses	3,876	94,316	45,855	278,574
Loss before other income	Loss before other income	(3,876)	(43,299)	(8,190)	(131,721)
Other income (loss)		—	14	—	37
Other income					
Loss before income taxes	Loss before income taxes	(3,876)	(43,285)	(8,190)	(131,684)
Provision (benefit) for income taxes	Provision (benefit) for income taxes	(71)	153	(285)	482
Income (loss) from discontinued operations, net of tax		$ (3,805)	$ (43,438)	$ (7,905)	$ (132,166)
Loss from discontinued operations, net of tax					

As of February 28, 2023, the Company completed the disposal of its former subsidiary, UPC. This divestiture resulted in a gain of $238,440,000 for the three months ended March 31, 2023. This gain was driven by the negative equity position of UPC. UPC prior to the divestiture.

AMERICAN COASTAL INSURANCE CORPORATION
Notes to Unaudited Condensed Consolidated Financial Statements
September 30, 2023 March 31, 2024

The major classes of assets and liabilities transferred as a result of the transaction as of the date of transfer and December 31, 2022 are presented below.

Major Classes of Assets and Liabilities Disposed		
	Closing (1)	**December 31, 2022**
ASSETS		
Fixed maturities, available-for-sale	$ 1,380	$ 171,781
Equity securities	272	23,363
Other investments	12,882	12,952
Cash and cash equivalents	224,824	158,990
Restricted cash	7,758	7,730
Accrued investment income	875	1,457
Premiums receivable, net	22,733	46,736
Reinsurance recoverable on paid and unpaid losses, net	548,929	834,863
Ceded unearned premiums	75,262	122,533
Deferred policy acquisition costs, net	(89)	(2,046)
Other assets	51,625	33,548

Total assets	$ 946,451	$ 1,411,907
LIABILITIES		
Unpaid losses and loss adjustment expenses	$ 920,431	$ 1,103,980
Unearned premiums	98,655	286,842
Reinsurance payable on premiums	12,612	29,394
Payments outstanding	144,238	213,058
Accounts payable and accrued expenses	1,361	(872)
Other liabilities	3,476	14,658
Notes payable, net	4,118	4,118
Total Liabilities	$ 1,184,891	$ 1,651,178

Major Classes of Assets and Liabilities Disposed

	Closing (1)
ASSETS	
Fixed maturities, available-for-sale	$ 1,380
Equity securities	272
Other investments	12,882
Cash and cash equivalents	224,824
Restricted cash	7,758
Accrued investment income	875
Premiums receivable, net	22,733
Reinsurance recoverable on paid and unpaid losses, net	548,929
Ceded unearned premiums	75,262
Deferred policy acquisition costs, net	(89)
Other assets	51,625
Total assets	$ 946,451
LIABILITIES	
Unpaid losses and loss adjustment expenses	$ 920,431
Unearned premiums	98,655
Reinsurance payable on premiums	12,612
Payments outstanding	144,238
Accounts payable and accrued expenses	1,361
Other liabilities	3,476
Notes payable, net	4,118
Total Liabilities	$ 1,184,891

(1) The Company divested its ownership on February 27, 2023, the date the DFS was appointed as receiver of the entity.

During the first quarter of 2024, due to a change in circumstances, the Company evaluated its capitalized software, previously classified as held for disposal at December 31, 2023. As a result of this evaluation, it was determined that the use case of the software by the Company has shifted. The Company has reclassified this asset and the associated amortization expense in the current period presented within this footnote in accordance with GAAP guidance, resulting in amortization expense for the capitalized software being captured in continuing operations prospectively. Property & equipment of $8,095,000 at December 31, 2023 was also reclassed at March 31, 2024, before current quarter amortization.

As a result of the reclassification in the first quarter of 2024, described above, the Company held no assets or liabilities for disposal at March 31, 2024. At December 31, 2023, assets held for disposal consisted of property & equipment totaling $8,095,000. There were no liabilities held for disposal at December 31, 2023. In addition, other than the major classes of assets and liabilities remaining item related to activities directly supporting capitalized software noted above, there were no non-cash transactions during the business conducted by UPC are outlined in three months ended March 31, 2024. During the table below as of September 30, 2023 and December 31, 2022. three months ended March 31, 2023, amortization attributed to discontinued operations totaled $252,000.

Major Classes of Assets and Liabilities Held for Disposal

	September 30, 2023	December 31, 2022
ASSETS		
Property and equipment, net	$ 11,183	$ 14,299
Deferred policy acquisition costs	—	8,609

Total assets	$ 11,183	$ 22,908
LIABILITIES		
Commissions Payable	$ 1,792	$ 987
Unearned Policy Fees	—	2,652
Total Liabilities	$ 1,792	$ 3,639

4) SEGMENT REPORTING

Commercial Lines Business

AMERICAN COASTAL INSURANCE CORPORATION
Notes to Unaudited Condensed Consolidated Financial Statements
September 30, 2023 March 31, 2024

The discontinued operations Our commercial lines business primarily provides commercial multi-peril property insurance for residential condominium associations and apartments in Florida, through our subsidiary AmCoastal. We include coverage to policyholders for loss or damage to buildings, inventory or equipment caused by covered causes of the Company incurred $2,604,000 loss such as fire, wind, hail, water, theft and $6,482,000 of amortization expense during the nine months ended September 30, 2023 and 2022, respectively. There were no other noncash transactions for either period. vandalism.

4) SEGMENT REPORTING All of our commercial lines business is administered by an outside managing general underwriter, AmRisc. This includes handling the underwriting, claims processing and premium collection related to our commercial business. In return, AmRisc is reimbursed through monthly management fees.

Personal Lines Business

Our personal lines business provides structure, content and liability coverage for standard single-family homeowners, renters and condominium unit owners, through our subsidiary IIC. Personal residential products are offered in New York. We include coverage to policyholders for loss or damage to dwellings, detached structures or equipment caused by covered causes of loss such as fire, wind, hail, water, theft and vandalism.

Commercial Lines Business

Our commercial lines business primarily provides commercial multi-peril property insurance for residential condominium associations and apartments in Florida, through our subsidiary AmCoastal. We include coverage to policyholders for loss or damage to buildings, inventory or equipment caused by covered causes of loss such as fire, wind, hail, water, theft and vandalism. We also wrote commercial residential coverage through our subsidiary JIC, in South Carolina and Texas. Effective June 1, 2022, JIC was merged into AmCoastal, with AmCoastal being the surviving entity. As a result, the commercial residential policies originally written by JIC were not renewed effective May 31, 2022.

All of our commercial lines business is administered by an outside managing general underwriter, AmRisc, LLC (AmRisc). This includes handling the underwriting, claims processing and premium collection related to our commercial business. In return, AmRisc is reimbursed through monthly management fees. International Catastrophe Insurance Managers (ICAT) handled the underwriting and premium collection for JIC's commercial business written in South Carolina and Texas and was also reimbursed through monthly management fees. Effective May 31, 2022, the Company terminated its agreement with ICAT.

Please note the following similarities pertaining to the accounting and transactions of our operating segments for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

- Both operating segments follow the accounting policies as reported in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023;
- Neither operating segment experienced significant noncash non-cash transactions outside of depreciation and amortization for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

The tables below present the information for each of the reportable segment's profit or loss as well as segment assets for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. We have restated our segments to reflect the discontinued operations disclosed in Note 3, excluding the result of the entity for all periods presented.

2023.

AMERICAN COASTAL INSURANCE CORPORATION
Notes to Unaudited Condensed Consolidated Financial Statements
September 30, 2023 March 31, 2024

	Three Months Ended September 30, 2023			
	Commercial	Personal (1)	Adjustments	Consolidated
	Three Months Ended March 31, 2024			Three Months Er

		Commercial				Commercial	Personal (1)	Adjustments
REVENUE:	REVENUE:							
Gross premiums written								
Gross premiums written								
Gross premiums written	Gross premiums written	$ 93,986	$ 9,886	$ —	$ 103,872			
Change in gross unearned premiums	Change in gross unearned premiums	63,791	(1,903)	—	61,888			
Gross premiums earned	Gross premiums earned	157,777	7,983	—	165,760			
Ceded premiums earned	Ceded premiums earned	(107,512)	(2,440)	—	(109,952)			
Net premiums earned	Net premiums earned	50,265	5,543	—	55,808			
Net investment income	Net investment income	1,884	805	20	2,709			
Net realized gains (losses)		4	(2)	—	2			
Net realized investment losses								
Net unrealized losses on equity securities	Net unrealized losses on equity securities	177	1	(1)	177			
Other revenue	Other revenue	—	18	—	18			
Other revenue								
Other revenue								
Total revenues	Total revenues	52,330	6,365	19	58,714			
EXPENSES:	EXPENSES:							
Losses and loss adjustment expenses								
Losses and loss adjustment expenses								
Losses and loss adjustment expenses	Losses and loss adjustment expenses	9,818	3,946	—	13,764			
Policy acquisition costs	Policy acquisition costs	13,604	1,996	—	15,600			
Operating expenses	Operating expenses	717	1,984	98	2,799			
General and administrative expenses	General and administrative expenses	2,244	3,674	213	6,131			
Interest expense	Interest expense	—	—	2,718	2,718			

Total expenses	Total expenses	26,383	11,600	3,029	41,012			
Income (loss) before other income	Income (loss) before other income	25,947	(5,235)	(3,010)	17,702			
Other income (loss)	Other income (loss)	—	(226)	—	(226)			
Income (loss) before income taxes	Income (loss) before income taxes	$ 25,947	$ (5,461)	(3,010)	17,476			
Provision for income taxes	Provision for income taxes			3,103	3,103			
Net income (loss)	Net income (loss)			$ (6,113)	$ 14,373			
Less: Net loss attributable to noncontrolling interests				—	—			
Net income (loss) attributable to ACIC				$ (6,113)	$ 14,373			
Loss ratio, net [2][3]								
Loss ratio, net [2][3]								
Loss ratio, net [2][3]	Loss ratio, net [2][3]	19.5 %	71.2 %		24.7 %	18.4 %	71.4 %	23.1
Expense ratio [2][4]	Expense ratio [2][4]	33.0 %	138.1 %		44.0 %	Expense ratio [2][4] 34.6 %	36.7 %	
Combined ratio [2][5]	Combined ratio [2][5]	52.5 %	209.3 %		68.7 %	Combined ratio [2][5] 53.0 %	108.1 %	
Total segment assets		$ 1,317,830	$(233,158)	$ 53,834	$1,138,506			

(1) Our personal lines income statement also includes amounts related to subsidiaries outside of our insurance companies. We have included these items as these subsidiaries directly support our personal lines operations.

(2) As these are calculated ratios, the addition of the ratios will not result in the same value as the consolidated ratio. To calculate the consolidated ratio please see the corresponding footnote below.

(3) Loss ratio, net is calculated as losses and LAE net of losses ceded to reinsurers, relative to net premiums earned. Management uses this operating metric to analyze our loss trends and believes it is useful for investors to evaluate this component separately from our other operating expenses.

(4) Expense ratio is calculated as the sum of all operating expenses less interest expense relative to net premiums earned. Management uses this operating metric to analyze our expense trends and believes it is useful for investors to evaluate these components separately from our loss expenses.

(5) Combined ratio is the sum of the loss ratio, net and expense ratio. Management uses this operating metric to analyze our total expense trends and believes it is a key indicator for investors when evaluating the overall profitability of our business.

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	Three Months Ended September 30, 2022			
	Commercial	**Personal [1]**	**Adjustments**	**Consolidated**
REVENUE:				
Gross premiums written	$ 76,867	$ 26,286	$ —	$ 103,153
Change in gross unearned premiums	42,953	(7,746)	—	35,207
Gross premiums earned	119,820	18,540	—	138,360
Ceded premiums earned	(60,301)	(7,833)	—	(68,134)
Net premiums earned	59,519	10,707	—	70,226
Net investment income	1,756	465	15	2,236
Net realized gains (losses)	—	(4)	—	(4)
Net unrealized losses on equity securities	(897)	—	—	(897)
Other revenue	1,178	10	3	1,191
Total revenues	61,556	11,178	18	72,752
EXPENSES:				
Losses and loss adjustment expenses	34,229	18,536	—	52,765
Policy acquisition costs	22,430	3,600	—	26,030
Operating expenses	717	2,296	110	3,123
General and administrative expenses	2,428	13,211	320	15,959

Interest expense	—	—	2,358	2,358
Total expenses	59,804	37,643	2,788	100,235
Income (loss) before other income	1,752	(26,465)	(2,770)	(27,483)
Other income (loss)	10	(39)	—	(29)
Income (loss) before income taxes	$ 1,762	$ (26,504)	(2,770)	(27,512)
Provision for income taxes			(66)	(66)
Net income (loss)			$ (2,704)	$ (27,446)
Less: Net loss attributable to noncontrolling interests			—	—
Net income (loss) attributable to ACIC			$ (2,704)	$ (27,446)
Loss ratio, net (2) (3)	57.5 %	173.1 %		75.1 %
Expense ratio (2) (4)	43.0 %	178.5 %		64.2 %
Combined ratio (2) (5)	100.5 %	351.6 %		139.3 %
Total segment assets	$ 1,354,893	$ (403,891)	$ 229,342	$ 1,180,344

(1) Our personal lines income statement also includes amounts related to subsidiaries outside of our insurance companies. We have included these items as these subsidiaries directly support our personal lines operations.

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(4) Expense ratio is calculated as the sum of all operating expenses less interest expense relative to net premiums earned. Management uses this operating metric to analyze our expense trends and believes it is useful for investors to evaluate these components separately from our loss expenses.

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	Nine Months Ended September 30, 2023			
	Commercial	Personal (1)	Adjustments	Consolidated
REVENUE:				
Gross premiums written	$ 507,449	$ 27,431	$ —	$ 534,880
Change in gross unearned premiums	(71,827)	5,382	—	(66,445)
Gross premiums earned	435,622	32,813	—	468,435
Ceded premiums earned	(232,711)	(9,423)	—	(242,134)
Net premiums earned	202,911	23,390	—	226,301
Net investment income	5,536	2,391	63	7,990
Net realized gains (losses)	(6,787)	(19)	—	(6,806)
Net unrealized losses on equity securities	790	1	1	792
Other revenue	—	52	—	52
Total revenues	202,450	25,815	64	228,329
EXPENSES:				
Losses and loss adjustment expenses	39,964	11,127	—	51,091
Policy acquisition costs	62,296	5,821	—	68,117
Operating expenses	2,314	5,601	326	8,241
General and administrative expenses	7,629	13,353	525	21,507
Interest expense	—	—	8,156	8,156
Total expenses	112,203	35,902	9,007	157,112
Income (loss) before other income	90,247	(10,087)	(8,943)	71,217
Other income (loss)	—	1,383	(215)	1,168
Income (loss) before income taxes	$ 90,247	$ (8,704)	(9,158)	72,385
Provision for income taxes			7,293	7,293
Net income (loss)			$ (16,451)	$ 65,092

Less: Net loss attributable to noncontrolling interests			—	—
Net income (loss) attributable to ACIC			$ (16,451)	$ 65,092
Loss ratio, net (2) (3)	19.7 %	47.6 %		22.6 %
Expense ratio (2) (4)	35.6 %	105.9 %		43.2 %
Combined ratio (2) (5)	55.3 %	153.5 %		65.8 %
Total segment assets	$ 1,317,830	$ (233,158)	$ 53,834	$ 1,138,506

(1) Our personal lines income statement also includes amounts related to subsidiaries outside of our insurance companies. We have included these items as these subsidiaries directly support our personal lines operations.

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		Nine Months Ended September 30, 2022			
		Commercial	Personal (1)	Adjustments	Consolidated
		Three Months Ended March 31, 2023			
		Commercial			
		Three Months Er			
		Commercial	Personal (1)	Adjustments	
REVENUE:	REVENUE:				
Gross premiums written					
Gross premiums written					
Gross premiums written	Gross premiums written	$ 385,898	$ 67,301	$ —	$ 453,199
Change in gross unearned premiums	Change in gross unearned premiums	(45,395)	(17,228)	—	(62,623)
Gross premiums earned	Gross premiums earned	340,503	50,073	—	390,576
Ceded premiums earned	Ceded premiums earned	(184,094)	(13,978)	—	(198,072)
Net premiums earned	Net premiums earned	156,409	36,095	—	192,504
Net investment income	Net investment income	4,359	1,086	34	5,479
Net realized gains		(77)	33	—	(44)
Net realized investment losses					
Net unrealized losses on equity securities	Net unrealized losses on equity securities	(4,056)	—	(2)	(4,058)
Other revenue	Other revenue	1,178	32	3	1,213
Other revenue					

Other revenue									
Total revenues	Total revenues	157,813	37,246	35	195,094				
EXPENSES:	EXPENSES:								
Losses and loss adjustment expenses									
Losses and loss adjustment expenses									
Losses and loss adjustment expenses	Losses and loss adjustment expenses	56,537	36,575	—	93,112				
Policy acquisition costs	Policy acquisition costs	59,036	10,872	—	69,908				
Operating expenses	Operating expenses	2,953	7,409	288	10,650				
General and administrative expenses	General and administrative expenses	7,169	23,859	1,203	32,231				
Interest expense	Interest expense	—	—	7,080	7,080				
Total expenses	Total expenses	125,695	78,715	8,571	212,981				
Income (loss) before other income	Income (loss) before other income	32,118	(41,468)	(8,536)	(17,887)				
Other income	Other income	12	(117)	1,667	1,562				
Income (loss) before income taxes	Income (loss) before income taxes	$ 32,130	$ (41,585)	(6,869)	(16,325)				
Provision for income taxes	Provision for income taxes			24,705	24,705				
Net income (loss)	Net income (loss)			$ (31,574)	$ (41,030)				
Less: Net income attributable to noncontrolling interests				(111)	(111)				
Net income (loss) attributable to ACIC				$ (31,463)	$ (40,919)				
Loss ratio, net (2) (3)									
Loss ratio, net (2) (3)									
Loss ratio, net (2) (3)	Loss ratio, net (2) (3)	36.1 %	101.3 %		48.4 %		17.7 %	29.0 %	18.9
Expense ratio (2) (4)	Expense ratio (2) (4)	44.2 %	116.7 %		58.6 %	Expense ratio (2) (4)	35.6 %	111.5 %	
Combined ratio (2) (5)	Combined ratio (2) (5)	80.3 %	218.0 %		107.0 %	Combined ratio (2) (5)	53.3 %	140.5 %	
Total segment assets		$ 1,354,893	$(403,891)	$ 229,342	$1,180,344				

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(5) Combined ratio is the sum of the loss ratio, net and expense ratio. Management uses this operating metric to analyze our total expense trends and believes it is a key indicator for investors when evaluating the overall profitability of our business.

Depreciation and amortization related to our commercial lines operating segment totaled $812,000 and $812,000 for the three months ended March 31, 2024 and 2023, respectively.

Depreciation and amortization related to our personal lines operating segment totaled $1,273,000 and $1,007,000 for the three months ended March 31, 2024 and 2023, respectively.

The tables below present the segment assets as of March 31, 2024 and December 31, 2023.

Assets by Segment as of	**Commercial**	**Personal**	**Adjustments**	**Total**
March 31, 2024	$ 903,446	$ 103,947	$ 69,918	$ 1,077,311
December 31, 2023	896,159	85,099	71,030	1,052,288

5) INVESTMENTS

The following table details fixed-maturity available-for-sale securities, by major investment category, at March 31, 2024 and December 31, 2023:

	Cost or Adjusted/Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
March 31, 2024				
U.S. government and agency securities	$ 27,494	$ —	$ 198	$ 27,296
Foreign government	—	—	—	—
States, municipalities and political subdivisions	25,806	—	2,529	23,277
Public utilities	5,632	—	504	5,128
Corporate securities	70,027	8	8,562	61,473
Mortgage-backed securities	52,627	—	7,187	45,440
Asset-backed securities	17,164	3	1,465	15,702
Total fixed maturities	$ 198,750	$ 11	$ 20,445	$ 178,316
December 31, 2023				
U.S. government and agency securities	$ 27,489	$ 11	$ 68	$ 27,432
States, municipalities and political subdivisions	26,336	9	2,480	23,865
Public utilities	5,645	—	511	5,134
Corporate securities	70,197	20	8,368	61,849
Mortgage-backed securities	53,619	—	7,309	46,310
Asset-backed securities	17,665	9	1,561	16,113
Total fixed maturities	$ 200,951	$ 49	$ 20,297	$ 180,703

Equity securities are summarized as follows:

	March 31, 2024		**December 31, 2023**	
	Estimated Fair Value	**Percent of Total**	**Estimated Fair Value**	**Percent of Total**
Mutual funds	$ 6,214	100.0 %	$ —	— %

The following table details fixed-maturity available-for-sale securities, by major investment category, at September 30, 2023 and December 31, 2022:

	Cost or Adjusted/Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
September 30, 2023				

U.S. government and agency securities	$	2,494	$	—	$	95	$	2,399
Foreign government		1,000		—		—		1,000
States, municipalities and political subdivisions		26,366		1		3,345		23,022
Public utilities		5,658		—		692		4,966
Corporate securities		71,604		—		11,450		60,154
Mortgage-backed securities		55,526		—		9,398		46,128
Asset-backed securities		18,155		—		1,967		16,188
Total fixed maturities	$	180,803	$	1	$	26,947	$	153,857
December 31, 2022								
U.S. government and agency securities	$	2,490	$	—	$	105	$	2,385
Foreign government		1,000		—		9		991
States, municipalities and political subdivisions		30,958		2		4,065		26,895
Public utilities		8,936		—		1,242		7,694
Corporate securities		99,062		20		15,739		83,343
Mortgage-backed securities		65,251		—		9,136		56,115
Asset-backed securities		30,038		9		2,788		27,259
Total fixed maturities	$	237,735	$	31	$	33,084	$	204,682

Equity securities are summarized as follows:

	September 30, 2023		December 31, 2022	
	Estimated Fair Value	**Percent of Total**	**Estimated Fair Value**	**Percent of Total**
Mutual funds	$ —	— %	$ 15,657	100.0 %

When we sell the Company sells investments, we calculate the Company calculates the gain or loss realized on the sale by comparing the sales price (fair value) to the cost or adjusted/amortized cost of the security sold. We determine the cost or adjusted/amortized cost of the security sold using the specific-identification method. The following table details our realized gains (losses) by major investment category for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively:

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	2024				2024		2023	
	Gains (Losses)				**Gains (Losses)**	**Fair Value at Sale(1)**	**Gains (Losses)**	**Fair Value at Sale(1)**

		2023		2022	
		Gains (Losses)	**Fair Value at Sale(1)**	**Gains (Losses)**	**Fair Value at Sale(1)**
Three Months Ended September 30,					
Three Months Ended March 31,					
Three Months Ended March 31,					
Three Months Ended March 31,					
Fixed maturities	Fixed maturities	$ —	$ 3,849	$ —	$13,696
Equity securities		—	—	—	—
Fixed maturities					
Fixed maturities					
Short-term investments					

Short-term investments					
Short-term investments	Short-term investments	—	—	—	—
Other investments	Other investments	3	1,151	—	—
Total realized gains	Total realized gains	3	5,000	—	13,696
Fixed maturities	Fixed maturities	(1)	128	(4)	105
Equity securities		—	—	—	—
Short-term investments		—	—	—	—
Other investments		—	—	—	—
Total realized losses					
Total realized losses					
Total realized losses	Total realized losses	(1)	128	(4)	105
Net realized investment gains (losses)	Net realized investment gains (losses)	$ 2	$ 5,128	$ (4)	$13,801
Nine Months Ended September 30,					
Fixed maturities		$ 59	$16,839	$ 64	$38,429
Equity securities		165	5,786	—	—
Short-term investments		—	126	—	—
Other investments		3	1,151	—	—
Total realized gains		227	23,902	64	38,429
Fixed maturities		(6,368)	44,603	(108)	1,366
Equity securities		(665)	10,372	—	—
Short-term investments		—	—	—	—
Other investments		—	—	—	—
Total realized losses		(7,033)	54,975	(108)	1,366
Net realized investment gains (losses)		$ (6,806)	$78,877	$ (44)	$39,795

(1) Fair value at sale includes maturities and paydowns executed at par value.

The table below summarizes our fixed maturities at September 30, 2023 March 31, 2024 by contractual maturity periods. Actual results may differ as issuers may have the right to call or prepay obligations, with or without penalties, prior to the contractual maturities of those obligations.

		September 30, 2023			
		Cost or Amortized Cost	Percent of Total	Fair Value	Percent of Total
Due in one year or less	Due in one year or less	$ 7,480	4.1 %	$ 7,367	4.8 %
Due after one year through five years	Due after one year through five years	35,890	19.9	32,330	21.0

	March 31, 2024						
	Cost or Amortized Cost	Cost or Amortized Cost		Percent of Total	Fair Value		Percent of Total
Due in one year or less	$ 12,395	6.2		6.2 %	$ 12,284	6.9	6.9 %

Due after five years through ten years	Due after five years through ten years	58,876	32.5	48,028	31.2							
Due after ten years	Due after ten years	4,876	2.7	3,816	2.5							
Asset and mortgage-backed securities	Asset and mortgage-backed securities	73,681	40.8	62,316	40.5							
Total	Total	$ 180,803	100.0 %	$153,857	100.0 %	Total	$198,750	100.0	100.0 %	$178,316	100.0	100.0 %

The following table summarizes our net investment income by major investment category:

	Three Months Ended March 31,	
	2024	2023
Fixed maturities	$ 1,281	$ 1,272
Equity securities	13	81
Cash and cash equivalents	3,122	1,304
Other investments	155	6
Investment income	4,571	2,663
Investment expenses	(63)	(74)
Net investment income	$ 4,508	$ 2,589

Portfolio monitoring

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Fixed maturities	$ 1,041	$ 1,596	$ 3,537	$ 4,610
Equity securities	—	91	81	219
Cash and cash equivalents	1,759	504	4,687	721
Other investments	(33)	161	(111)	333
Investment income	2,767	2,352	8,194	5,883
Investment expenses	(58)	(116)	(204)	(404)
Net investment income	$ 2,709	$ 2,236	$ 7,990	$ 5,479

Portfolio monitoring

We have a quarterly portfolio monitoring process to identify and evaluate each fixed-income security whose carrying value may be impaired as the result of a credit loss. For each fixed-income security in an unrealized loss position, if we determine that we intend to sell the security or that it is more likely than not that we will be required to sell the security before recovery of the cost or amortized cost basis for reasons such as liquidity needs, contractual or regulatory requirements, the security's entire decline in fair value is recorded in earnings.

If our management decides not to sell the fixed-income security and it is more likely than not that we will not be required to sell the fixed-income security before recovery of its amortized cost basis, we evaluate whether the decline in fair value has resulted from credit losses or other factors. This is typically indicated by a change in the rating of the security assigned by a rating agency, and any adverse conditions specifically related to the security or industry, among other factors. If the assessment indicates that a credit loss may exist, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses will be recorded in earnings. Credit loss is limited to the difference between a security's amortized cost basis and its fair value. Any additional impairment not recorded through an allowance for credit losses is recognized in other comprehensive loss.

During the three and nine months ended September 30, 2023 March 31, 2024, we determined that none of our fixed-income securities shown in the table below that are in an unrealized loss position have declines in fair value that are reflected as a result of credit losses. Therefore, no credit loss allowance was recorded at September 30, 2023 March 31,

2024. The issuers of our debt security investments continue to make interest payments on a timely basis. We do not intend to sell, nor is it likely that we would be required to sell the debt securities before we recover our amortized cost basis. Equity securities are reported at fair value with changes in fair value recognized in the valuation of equity investments.

The following table presents an aging of our unrealized investment losses by investment class:

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	Less Than Twelve Months	Less Than Twelve Months			Twelve Months or More		
	Number of Securities(1)	Number of Securities(1)	Gross Unrealized Losses	Fair Value	Number of Securities(1)	Gross Unrealized Losses	Fair Value
March 31, 2024							
U.S. government and agency securities							
U.S. government and agency securities							
U.S. government and agency securities							

		Less Than Twelve Months			Twelve Months or More		
		Number of Securities(1)	Gross Unrealized Losses	Fair Value	Number of Securities(1)	Gross Unrealized Losses	Fair Value
September 30, 2023							
U.S. government and agency securities		—	$ —	$ —	3	$ 95	$ 2,399
Foreign governments		—	—	—	1	—	1,000
States, municipalities and political subdivisions							
States, municipalities and political subdivisions							
States, municipalities and political subdivisions	States, municipalities and political subdivisions	5	113	2,433	44	3,232	19,837
Public utilities	Public utilities	—	—	—	12	692	4,967
Corporate securities	Corporate securities	6	143	2,290	137	11,307	57,858
Mortgage-backed securities	Mortgage-backed securities	4	77	908	119	9,321	45,220
Asset-backed securities	Asset-backed securities	5	38	2,135	43	1,929	14,053
Total fixed maturities	Total fixed maturities	20	$ 371	$ 7,766	359	$ 26,576	$145,334
Total fixed maturities							
Total fixed maturities							
December 31, 2022							
December 31, 2023							
December 31, 2023							
December 31, 2023							

U.S. government and agency securities	U.S. government and agency securities	3	$ 105	$ 2,385	—	$ —	$ —
Foreign governments		1	9	991	—	—	—
U.S. government and agency securities							
U.S. government and agency securities							
States, municipalities and political subdivisions							
States, municipalities and political subdivisions							
States, municipalities and political subdivisions	States, municipalities and political subdivisions	21	540	7,306	31	3,525	18,853
Public utilities	Public utilities	8	193	2,286	4	1,049	5,408
Corporate securities	Corporate securities	78	2,279	24,594	77	13,460	57,765
Mortgage-backed securities	Mortgage-backed securities	48	1,282	15,259	80	7,854	40,856
Asset-backed securities	Asset-backed securities	16	795	6,397	46	1,993	19,028
Total fixed maturities	Total fixed maturities	175	$ 5,203	$59,218	238	$ 27,881	$141,910
Total fixed maturities							
Total fixed maturities							

(1) This amount represents the actual number of discrete securities, not the number of shares or units of those securities. The numbers are not presented in thousands.

Fair value measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy for inputs used in determining fair value maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be

used when available. Assets and liabilities recorded on our Unaudited Condensed Consolidated Balance Sheets at fair value are categorized in the fair value hierarchy based on the observability of inputs to the valuation techniques as follows:

Level 1: Assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that we can access.

Level 2: Assets and liabilities whose values are based on the following:
(a) Quoted prices for similar assets or liabilities in active markets;
(b) Quoted prices for identical or similar assets or liabilities in markets that are not active; or
(c) Valuation models whose inputs are observable, directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Unobservable inputs reflect our estimates of the assumptions that market participants would use in valuing the assets and liabilities.

We estimate the fair value of our investments using the closing prices on the last business day of the reporting period, obtained from active markets such as the NYSE, Nasdaq and NYSE American. For securities for which quoted prices in active markets are unavailable, we use a third-party pricing service that utilizes quoted prices in active markets for similar instruments, benchmark interest rates, broker quotes and other relevant inputs to estimate the fair value of those securities for which quoted prices are unavailable. Our estimates of fair value reflect the interest rate environment that existed as of the close of business on

September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. Changes in interest rates subsequent to September 30, 2023 March 31, 2024 may affect the fair value of our investments.

The fair value of our fixed maturities is initially calculated by a third-party pricing service. Valuation service providers typically obtain data about market transactions and other key valuation model inputs from multiple sources and, through the use of proprietary models, produce valuation information in the form of a single fair value for individual fixed-income and other securities for which a fair value has been requested. The inputs used by the valuation service providers include, but are not limited to, market prices from recently completed transactions and transactions of comparable securities, interest rate yield curves, credit spreads, liquidity spreads, currency rates and other information, as applicable. Credit and liquidity spreads are typically implied from completed transactions and transactions of comparable securities. Valuation service providers also use proprietary discounted cash flow models that are widely accepted in the financial services industry and similar to those used by other market participants to value the same financial information. The valuation models take into account, among other things, market observable information as of the measurement date, as described above, as well as the specific attributes of the security being valued, including its term, interest rate, credit rating, industry sector and, where applicable, collateral quality and other issue or issuer specific information. Executing valuation models effectively requires seasoned professional judgment and experience.

Any change in the estimated fair value of our fixed-income securities would impact the amount of unrealized gain or loss we have recorded, which could change the amount we have recorded for our investments and other comprehensive loss on our Unaudited Condensed Consolidated Balance Sheet as of September 30, 2023 March 31, 2024.

AMERICAN COASTAL INSURANCE CORPORATION
Notes to Unaudited Condensed Consolidated Financial Statements
March 31, 2024

The following table presents the fair value of our financial instruments measured on a recurring basis by level at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

	Total	Level 1	Level 2	Level 3
September 30, 2023				
U.S. government and agency securities	$ 2,399	$ —	$ 2,399	$ —
Foreign government	1,000	—	1,000	—
States, municipalities and political subdivisions	23,022	—	23,022	—
Public utilities	4,966	—	4,966	—
Corporate securities	60,154	—	60,154	—
Mortgage-backed securities	46,128	—	46,128	—
Asset-backed securities	16,188	—	16,188	—
Total fixed maturities	153,857	—	153,857	—
Mutual funds	—	—	—	—
Total equity securities	—	—	—	—
Other investments (1)	116	—	116	—
Total investments	$ 153,973	$ —	$ 153,973	$ —
December 31, 2022				
U.S. government and agency securities	$ 2,385	$ —	$ 2,385	$ —
Foreign government	991	—	991	—
States, municipalities and political subdivisions	26,895	—	26,895	—
Public utilities	7,694	—	7,694	—
Corporate securities	83,343	—	83,343	—
Mortgage-backed securities	56,115	—	56,115	—
Asset-backed securities	27,259	—	27,259	—
Total fixed maturities	204,682	—	204,682	—
Mutual Funds	15,657	15,657	—	—
Total equity securities	15,657	15,657	—	—
Other investments (1)	125	—	125	—
Total investments	$ 220,464	$ 15,657	$ 204,807	$ —

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September 30, 2023

	Total	Level 1	Level 2	Level 3
March 31, 2024				
U.S. government and agency securities	$ 27,296	$ —	$ 27,296	$ —
Foreign government	—	—	—	—
States, municipalities and political subdivisions	23,277	—	23,277	—
Public utilities	5,128	—	5,128	—
Corporate securities	61,473	—	61,473	—
Mortgage-backed securities	45,440	—	45,440	—
Asset-backed securities	15,702	—	15,702	—
Total fixed maturities	178,316	—	178,316	—
Mutual funds	6,214	6,214	—	—
Total equity securities	6,214	6,214	—	—
Other investments (1)	14,037	—	14,037	—
Total investments	$ 198,567	$ 6,214	$ 192,353	$ —
December 31, 2023				
U.S. government and agency securities	$ 27,432	$ —	$ 27,432	$ —
States, municipalities and political subdivisions	23,865	—	23,865	—
Public utilities	5,134	—	5,134	—
Corporate securities	61,849	—	61,849	—
Mortgage-backed securities	46,310	—	46,310	—
Asset-backed securities	16,113	—	16,113	—
Total fixed maturities	180,703	—	180,703	—
Mutual Funds	—	—	—	—
Total equity securities	—	—	—	—
Other investments (1)	14,004	—	14,004	—
Total investments	$ 194,707	$ —	$ 194,707	$ —

(1) Other investments included in the fair value hierarchy exclude these limited partnership interests that are measured at estimated fair value using the net asset value per share (or its equivalent) practical expedient.

Certain financial assets and financial liabilities are measured at fair value on a non-recurring basis; this is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). There were no financial instruments measured on a non-recurring basis at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

The carrying amounts for the following financial instrument categories approximate their fair values at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, because of their short-term nature: cash and cash equivalents, accrued investment income, premiums receivable, reinsurance recoverable, reinsurance payable, other assets, and other liabilities. The carrying amount of our senior notes approximate fair value as the interest rates and terms are variable.

We are responsible for the determination of fair value and the supporting assumptions and methodologies. We have implemented a system of processes and controls designed to provide assurance that our assets and liabilities are appropriately valued. For fair values received from third parties, our processes are designed to provide assurance that the valuation

methodologies and inputs are appropriate and consistently applied, the assumptions are reasonable and consistent with the objective of determining fair value, and the fair values are accurately recorded.

At the end of each quarter, we determine whether we need to transfer the fair values of any securities between levels of the fair value hierarchy and, if so, we report the transfer as of the end of the quarter. During the quarter ended September 30, 2023 March 31, 2024, we transferred no investments between levels.

For our investments in U.S. government securities that do not have prices in active markets, agency securities, state and municipal governments, and corporate bonds, we obtain the fair values from our investment custodians, which use a third-party valuation service. The valuation service calculates prices for our investments in the aforementioned security types on a month-end basis by using several matrix-pricing methodologies that incorporate inputs from various sources. The model the valuation service uses to price U.S. government securities and securities of states and municipalities incorporates inputs from active market makers and inter-dealer brokers. To price corporate bonds and agency securities, the valuation service calculates non-call yield spreads on all issuers, uses option-adjusted yield spreads to account for any early redemption features, and adds final spreads to the U.S. Treasury curve at 3 p.m. (ET) as of quarter end. Since the inputs the valuation service uses in its calculations are not quoted prices in active markets, but are observable inputs, they represent Level 2 inputs.

Other investments

We acquired investments in limited partnerships, recorded in the other investments line of our Unaudited Condensed Consolidated Balance Sheets, and these investments are currently being measured at estimated fair value utilizing a net asset value per share (or its equivalent) practical expedient.

The information presented in the table below is as of September 30, 2023 March 31, 2024:

	Book Value	Unrealized Gain	Unrealized Loss	Fair Value
September 30, 2023				
	Book Value			
	Book Value	**Unrealized Gain**	**Unrealized Loss**	**Fair Value**
March 31, 2024				
Limited partnership investments (1)				
Limited partnership investments (1)				
Limited partnership investments (1) Limited partnership investments (1)	$ 2,126	$ 357	$ —	$2,483
Short-term investments Short-term investments	117	—	1	116
Short-term investments				
Short-term investments				
Total other investments Total other investments	$ 2,243	$ 357	$ 1	$2,599

(1) Distributions will be generated from investment gains, from operating income, from underlying investments of funds, and from liquidation of the underlying assets of the funds. We estimate that the underlying assets of the funds will be liquidated over the next few months to five years.

Restricted Cash

We are required to maintain assets on deposit with various regulatory authorities to support our insurance operations. The cash on deposit with state regulators is available to settle insurance liabilities. We also use trust funds in certain reinsurance transactions.

The following table presents the components of restricted assets:

	September 30, 2023	December 31, 2022
March 31, 2024	**March 31, 2024**	**December 31, 2023**
Trust funds Trust funds	$ 18,798	$ 45,364
Cash on deposit (regulatory deposits) Cash on deposit (regulatory deposits)	629	624
Total restricted cash Total restricted cash	$ 19,427	$ 45,988

In addition to the cash held on deposit described above, we also have securities on deposit with regulators, which are presented within our Fixed Maturities or Other Investments lines on the Unaudited Condensed Balance Sheets, dependent upon if they are short-term or long-term in nature. The table below shows the carrying value of those securities held on deposit with regulators.

	September 30, 2023		December 31, 2022	
Invested assets on deposit (regulatory deposits)	$	2,494	$	2,616

	March 31, 2024		December 31, 2023	
Invested assets on deposit (regulatory deposits)	$	1,495	$	1,495

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March 31, 2024

6) EARNINGS PER SHARE (EPS)

Basic EPS is based on the weighted average number of common shares outstanding for the period, excluding any dilutive common share equivalents. Diluted EPS reflects the potential dilution resulting from the vesting of outstanding restricted stock awards, restricted stock units, performance stock units and stock options. The following table shows the computation of basic and diluted EPS for the three and nine month periods ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively:

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		2024		2024	2023
Numerator:	Numerator:				
Net income (loss) attributable to ACIC common stockholders					
Net income (loss) attributable to ACIC common stockholders					
Net income (loss) attributable to ACIC common stockholders	Net income (loss) attributable to ACIC common stockholders	$ 10,568	$ (70,884)	$ 295,627	$ (173,085)
Denominator:	Denominator:				
Denominator:					
Denominator:					
Weighted-average shares outstanding					
Weighted-average shares outstanding					
Weighted-average shares outstanding	Weighted-average shares outstanding	43,301,388	43,075,234	43,220,084	43,035,374
Effect of dilutive securities	Effect of dilutive securities	841,305	—	668,581	—

Weighted-average diluted shares	Weighted-average diluted shares	44,142,693	43,075,234	43,888,665	43,035,374
Earnings available to ACIC common stockholders per share	Earnings available to ACIC common stockholders per share				
Earnings available to ACIC common stockholders per share					
Earnings available to ACIC common stockholders per share					
Basic					
Basic					
Basic	Basic	$ 0.24	$ (1.65)	$ 6.84	$ (4.02)
Diluted	Diluted	$ 0.24	$ (1.65)	$ 6.73	$ (4.02)

See Note 17 of these Notes to Unaudited Condensed Consolidated Financial Statements for additional information on the stock grants related to dilutive securities.

7) PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

	March 31, 2024	December 31, 2023
Computer hardware and software	$ 15,873	$ 7,925
Office furniture and equipment	705	748
Leasehold improvements	—	311
Total, at cost	16,578	8,984
Less: accumulated depreciation and amortization	(6,227)	(5,326)
Property and equipment, net	$ 10,351	$ 3,658

Depreciation and amortization expense under property and equipment was $1,273,000 for the three months ended March 31, 2024. During the three months ended March 31, 2024, we moved capitalized software from discontinued operations to continuing operations to align with the Company's use of the system in the current year. Please see Note 3 for more detail. Depreciation and amortization expense under property and equipment was $1,008,000 for the three months ended March 31, 2023. During the three months ended March 31, 2024, we sold or disposed of leasehold improvements totaling $311,000. The accumulated depreciation on these improvements totaled $232,000 at the time of disposal. We disposed of computer hardware and software totaling $147,000. The accumulated depreciation on these systems totaled $98,000 at the time of disposal. In addition, we disposed of office furniture totaling $43,000. The accumulated depreciation on the office furniture totaled $41,000 at the time of disposal. During the year ended December 31, 2023, we sold or disposed of leased vehicles totaling $1,069,000.

	September 30, 2023	December 31, 2022
Computer hardware and software (software in progress of $0 and $82, respectively)	$ 7,807	$ 8,164
Office furniture and equipment	748	1,414
Leasehold improvements	311	753
Leased vehicles(1)	—	1,080
Total, at cost	8,866	11,411
Less: accumulated depreciation and amortization	(4,956)	(6,118)
Property and equipment, net	$ 3,910	$ 5,293

(1) Includes vehicles under financing leases. See Note 12 of these Notes to Unaudited Condensed Consolidated Financial Statements for further information on leases.

Depreciation and amortization expense under property and equipment was $346,000 and $1,102,000 for the three and nine months ended September 30, 2023, respectively. Depreciation and amortization expense under property and equipment was $483,000 and $1,728,000 for the three and nine months ended September 30, 2022, respectively. During the nine months ended September 30, 2023, we sold or disposed of leased vehicles totaling $1,069,000. The accumulated depreciation on these vehicles totaled $1,038,000 at the time of disposal. We realized a net gain on this disposal of $559,000. We disposed of computer hardware and software totaling $1,061,000. The accumulated depreciation on these systems totaled $379,000 at the time of disposal. In addition, we disposed of office furniture totaling $749,000 during the period. Accumulated depreciation at the time of this disposal totaled $702,000. During the year ended December 31, 2022, we disposed of computer hardware and software totaling $13,202,000, primarily related to the retirement of one of our policy systems for states in which we no longer write policies. The depreciation on these systems totaled $12,691,000 at the time of disposal. We also sold or disposed of leased vehicles totaling $1,222,000. The depreciation on these vehicles totaled $1,114,000 prior to disposal. The net gain on sale of these vehicles totaled $738,000. Finally, we sold three buildings and their related assets totaling $13,369,000. The depreciation on these buildings and related assets totaled $5,129,000 prior to disposal. The net realized gain on these sales totaled $12,164,000. Our depreciation and amortization expense under property and equipment can be attributed fully to our personal lines operating segment for these periods.

These gains (losses) are reflected within "Other income" on the Unaudited Condensed Consolidated Statements of Comprehensive Income.

8) GOODWILL AND INTANGIBLE ASSETS

Goodwill

The carrying amount of goodwill at September 30, 2023March 31, 2024 and December 31, 2022 December 31, 2023 was $59,476,000.

No impairment in the value of goodwill was recognized during the three or nine three month period ended September 30, 2023. As a result of the strategic decision to place our former subsidiary UPC into an orderly runoff, we recognized an impairment of our personal lines reporting unit's goodwill totaling $10,156,000 during the third quarter of 2022. The goodwill attributable to our commercial lines reporting unit was most recently tested for impairment during the fourth quarter of 2022. It was determined that there was no impairment in the value of the asset as of December 31, 2022March 31, 2024.

Goodwill allocated to our commercial lines reporting unit was $59,476,000 at March 31, 2024September 30, 2023 and December 31, 2022 December 31, 2023. There was no goodwill allocated to our personal lines reporting unit at September 30, 2023March 31, 2024 and December 31, 2022 December 31, 2023.

There was no goodwill acquired or disposed of during the nine three month periods ended September 30, 2023March 31, 2024 and 2022 2023. Accumulated impairment related to goodwill was $10,157,000 $10,156,000 at September 30, 2023March 31, 2024 and December 31, 2022 December 31, 2023. Accumulated impairment can be attributed to our personal lines segment.

Intangible Assets

The following is a summary of intangible assets excluding goodwill recorded as intangible assets on our Unaudited Condensed Consolidated Balance Sheets:

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September 30, 2023

		September 30, 2023	December 31, 2022		
		March 31, 2024		March 31, 2024	December 31, 2023
Intangible assets subject to amortization	Intangible assets subject to amortization	$ 8,936	$ 11,372		
Indefinite-lived intangible assets(1)	Indefinite-lived intangible assets(1)	1,199	1,398		
Total	Total	$ 10,135	$ 12,770		

(1) Indefinite-lived intangible assets are comprised of state insurance and agent licenses, as well as perpetual software licenses.

Intangible assets subject to amortization consisted of the following:

		Weighted-average remaining amortization period (in years)	Gross carrying amount	Accumulated amortization	Net carrying amount
September 30, 2023					
		Weighted-average remaining amortization period (in years)			
		Weighted-average remaining amortization period (in years)	**Gross carrying amount**	**Accumulated amortization**	**Net carrying amount**
March 31, 2024					
Value of business acquired					
Value of business acquired					
Value of business acquired	Value of business acquired	—	$42,788	$ (42,788)	$ —
Agency agreements acquired	Agency agreements acquired	3.5	34,661	(26,129)	8,532
Trade names acquired	Trade names acquired	0.5	6,381	(5,977)	404
Total	Total		$83,830	$ (74,894)	$ 8,936
December 31, 2022					
December 31, 2023					
December 31, 2023					
December 31, 2023					
Value of business acquired					
Value of business acquired					
Value of business acquired	Value of business acquired	—	$42,788	$ (42,788)	$ —
Agency agreements acquired	Agency agreements acquired	4.3	34,661	(24,300)	10,361
Trade names acquired	Trade names acquired	1.3	6,381	(5,370)	1,011
Total	Total		$83,830	$ (72,458)	$11,372

No impairment in the value of amortizing or non-amortizing intangible assets was recognized during the nine three months ended September 30, 2023March 31, 2024 and 2022. 2023. However, during the year three months ended December 31, 2022 March 31, 2023, we disposed of intangible assets totaling $2,359,000. $200,000.

Amortization expense of our intangible assets was $812,000 and $811,000 for both the three months ended September 30, 2023 March 31, 2024 and 2022, respectively. Amortization expense of our intangible assets was $2,436,000 and $2,435,000 for the nine months ended September 30, 2023 and 2022, respectively. 2023.

Estimated amortization expense of our intangible assets to be recognized by the Company during the remainder of 2023 2024 and over the next five years is as follows:

Year ending December 31,	Year ending December 31,	Estimated Amortization Expense	Year ending December 31,	Estimated Amortization Expense
Remaining in 2023		$ 812		
2024		2,640		
Remaining in 2024				
2025	2025	2,438		
2026	2026	2,438		
2027	2027	608		
2028	2028	—		
2029				

9) REINSURANCE

Our catastrophe reinsurance program is programs are designed primarily by utilizing our risk management methodology, third-party catastrophe modeling software and consulting with third-party reinsurance experts to address project our exposure to catastrophes. catastrophe events. We evaluate modeled expected losses developed by the catastrophe modeling software using our risk portfolio data to estimate probable maximum losses (PML) across multiple return periods and the average annual loss. The Company monitors and manages its catastrophe risk using this model output along with other internal and external data sources, such as our historical loss experience and industry loss experience, to develop our view of catastrophe risk.

Our catastrophe reinsurance coverage consists of three separate placements:

1. AmCoastal's core catastrophe reinsurance program in effect June 1 through May 31, annually, which includes excess of loss and quota share treaties providing coverage for catastrophe losses from named or numbered windstorms and earthquakes;

2. AmCoastal's all other perils catastrophe excess of loss agreement in effect January 1 through December 31, annually, which provides protection from catastrophe loss events other than named or numbered windstorms and earthquakes; and

3. IIC's core catastrophe reinsurance program in effect June 1 through May 31, annually, which provides protection from all catastrophe losses.

This reinsurance protection for catastrophes, including hurricanes and tropical storms. These reinsurance agreements are is an essential part of our catastrophe risk management strategy, which strategy. It is intended to provide our stockholders with an acceptable return on the risks assumed in by our property business, insurance entities, and to reduce the variability of earnings, while providing protection to our policyholders. surplus protection. Although reinsurance agreements contractually obligate our reinsurers to reimburse us for the agreed-upon portion of our gross paid losses, they do not discharge our primary liability. In the event one or more of our reinsurers fail to fulfill their obligation, the surplus of our statutory entities may decline, and we may not be able to fulfill our obligation to policyholders, or we may not be able to maintain compliance with various regulatory financial requirements. Additionally, we face the risk that actual losses incurred from one or more catastrophic events may be above the modeled expected loss, resulting in losses exceeding our reinsurance coverage, which may result in a decline in surplus, and as a result we may not be able to fulfill our obligations to policyholders, or we may not be able to maintain compliance with various regulatory financial requirements. The details of our programs and the likelihood of a catastrophic event exceeding these three coverages are outlined below.

AmCoastal's core catastrophe reinsurance program provides occurrence-based coverage up to an exhaustion point of approximately $1,100,000,000 for a first occurrence and $1,300,000,000 in the aggregate. Under this program, our retention on a first and second event is $10,000,000 each, plus $2,250,000 retained separately by our captive. AmCoastal's program

Our program includes excess of loss and quota share treaties. Our AmCoastal catastrophe reinsurance program, in effect from June 1, 2023 through May 31, 2024, provides sufficient coverage for a 1-in-150-year return period, indicating that the probability of a single occurrence exceeding protection purchased is roughly 0.7% estimated by equally blending the AIR and RMS catastrophe losses from named or numbered windstorms and earthquakes up to an exhaustion point of approximately $1,300,000,000 models using long-term catalogs including demand surge. AmCoastal's program also provides sufficient coverage for a 1-in-100-year event followed by a 1-in-50-year event in the aggregate. Under our core catastrophe excess of loss same treaty retention on a first and second event is $10,000,000 each. The exhaustion point of IIC's catastrophe reinsurance program is approximately $82,000,000 in year, the aggregate, with a retention of $3,000,000 per occurrence, covering all perils.

During the third quarter of 2022, the Company's core catastrophe reinsurance program was impacted by Hurricane Ian. As a result, the Company has approximately $508 million of occurrence limit remaining for Hurricane Ian all probability of which is attributable to AmCoastal only. After reinstatement premiums less than 0.1%. While we believe these catastrophe models are very good tools and their output provides reasonable proxies for the probability of approximately $15.4 million, the Company, with its former subsidiary UPC has approximately $980 million of aggregate limit remaining after Hurricane Ian, based on exhausting our estimated ultimate net loss subject to the core catastrophe reinsurance program. protections, they are imperfect, so actual results could vary dramatically from those expected.

Effective January 1, 2023, we renewed our AmCoastal's all other perils catastrophe excess of loss agreement. The agreement provides protection from catastrophe loss events other than named windstorms and earthquakes up to $101,000,000. $172,000,000 in the aggregate. This agreement provides sufficient coverage for a 1-in-450-year return period, indicating that the probability of a single occurrence exceeding protection purchased is no more than 0.2%.

During IIC's core catastrophe reinsurance program provides coverage up to an exhaustion point of approximately $82,000,000 in the third quarter aggregate, with a retention of 2022, $3,000,000 per occurrence. Based on IIC's PML, the program provides sufficient coverage for a 1-in-130-year return period, indicating the probability of a single occurrence exceeding protection purchased is no more than 0.8%. IIC's program also provides sufficient coverage for a 1-in-100-year event followed by a 1-in-50-year event in the same treaty year, the probability of which is less than 0.1%.

Effective December 15, 2023, we agreed to commute a private reinsurer's share of core catastrophe reinsurance coverage and replace this gap in coverage with new coverage provided by one of our other private reinsurers who held a 100% share of the $15,000,000 in excess of $15,000,000 layer on our all other perils catastrophe excess of loss agreement notified us of their intent to terminate the agreement due to the contractual provision regarding the change in our former subsidiary UPC's statutory surplus being greater than 25%. We agreed to a termination and commutation date of August 22, 2022 for this contract. reinsurers. This change transaction resulted in additional expense of approximately $1,300,000 $6,300,000 for the year ended December 31, 2023, and a reduction in expense of ceded premium savings that would have otherwise been due in approximately $9,400,000 during the fourth quarter of 2022 and the Company retaining all the risk for any non-hurricane catastrophe losses up to $30,000,000, excluding any quota share recoveries. three months ended March 31, 2024.

The table below outlines our quota share agreements in effect for the nine three months ended September 30, 2023 March 31, 2024 and 2022. 2023. The impacts of these quota share agreements on the financial statements of our former subsidiary, UPC's financial statements UPC, are included in discontinued operations.

Reinsurer	Companies in Scope (1)	Effective Dates	Cession Rate	States in Scope
External third-party	AmCoastal	06/01/2023 - 06/01/2024	40% (2) (1)	Florida
External third-party	UPC, FSIC & AmCoastal	06/01/2022 - 06/01/2023	10% (2) (1)	Florida, Louisiana, Texas
TypTap	UPC	06/01/2022 - 06/01/2023	100% (3) (2)	Georgia, North Carolina, South Carolina
External third-party	UPC, FSIC & AmCoastal	12/31/2021 - 12/31/2022	8% (2)	Florida, Louisiana, Texas
HCPCI	UPC	12/31/2021 - 06/01/2022	85%	Georgia, North Carolina, South Carolina
External third-party	UPC & FSIC	12/31/2021 - 12/31/2022	25% (4)	Florida, Louisiana, Texas
HCPCI / TypTap (5)	UPC	06/01/2021 - 06/01/2022	100% (3)	Connecticut, New Jersey, Massachusetts, Rhode Island
External third-party	UPC, FSIC & AmCoastal (6)	06/01/2021 - 06/01/2022	15% (2)	Florida, Georgia, Louisiana, North Carolina, South Carolina, Texas
IIC	UPC	12/31/2020 - 12/31/2022	100%	New York

(1) Effective May 31, 2022, FSIC was merged into UPC, with UPC being the surviving entity.

(2) This treaty provides coverage for all catastrophe perils and attritional losses incurred. For all catastrophe perils, the quota share agreement provides ground- up protection, effectively reducing our retention for catastrophe losses.

(3) (2) This treaty provides provided coverage on our in-force, new and renewal policies until these states are were transitioned to HCPCI or TypTap upon renewal.

(4) This treaty provides coverage on non-catastrophe losses on policies in-force on the effective date of the agreement.

(5) Cessions are split 50% to HCPCI and 50% to TypTap.

(6) This treaty was amended effective December 31, 2020 to include AmCoastal.

Reinsurance recoverable at the balance sheet dates consists of the following:

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		September 30, 2023	December 31, 2022		
	March 31, 2024			March 31, 2024	December 31, 2023
Reinsurance recoverable on unpaid losses and loss adjustment expenses	Reinsurance recoverable on unpaid losses and loss adjustment expenses	$ 337,379	$ 732,254		
Reinsurance recoverable on paid losses and loss adjustment expenses	Reinsurance recoverable on paid losses and loss adjustment expenses	110,979	64,292		

Reinsurance recoverable (1)	Reinsurance recoverable (1)	$ 448,358	$ 796,546

(1) Our reinsurance recoverable balance is net of our allowance for expected credit losses. More information related to this allowance can be found in Note 13.

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10) LIABILITY FOR UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSE (LAE)

We determine the reserve for unpaid losses on an individual case basis for all incidents reported. The liability also includes amounts for incurred but not reported (IBNR) claims as of the balance sheet date.

The table below shows the analysis of our reserve for unpaid losses for the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023 on a GAAP basis:

		September 30,			
March 31,				March 31,	
		2023	2022	2024	2023
Balance at January 1	Balance at January 1	$842,958	$250,642		
Less: reinsurance recoverable on unpaid losses	Less: reinsurance recoverable on unpaid losses	732,254	176,096		
Net balance at January 1	Net balance at January 1	$110,704	$ 74,546		
Incurred related to:	Incurred related to:				
Incurred related to:					
Incurred related to:					
Current year					
Current year					
Current year	Current year	62,756	101,899		
Prior years	Prior years	(11,665)	(8,787)		
Total incurred	Total incurred	$ 51,091	$ 93,112		
Paid related to:	Paid related to:				
Current year	Current year	40,768	40,633		
Current year					
Current year					
Prior years	Prior years	15,000	29,877		
Total paid	Total paid	$ 55,768	$ 70,510		
Net balance at September 30		$106,027	$ 97,148		
Net balance at March 31					
Net balance at March 31					
Net balance at March 31					

Plus: reinsurance recoverable on unpaid losses	Plus: reinsurance recoverable on unpaid losses	337,379	443,034
Balance at September 30		$443,406	$540,182
Balance at March 31			
Composition of reserve for unpaid losses and LAE:	Composition of reserve for unpaid losses and LAE:		
Composition of reserve for unpaid losses and LAE:			
Composition of reserve for unpaid losses and LAE:			
Case reserves			
Case reserves			
Case reserves	Case reserves	$138,666	$106,207
IBNR reserves	IBNR reserves	304,740	433,975
Balance at September 30		$443,406	$540,182
Balance at March 31			

Based upon our internal analysis and our review of the annual statement of actuarial opinion provided by our actuarial consultants at December 31, 2022 December 31, 2023, we believe that the reserve for unpaid losses reasonably represents the amount necessary to pay all claims and related expenses which may arise from incidents that have occurred as of the balance sheet date.

As reflected in the table above, we had favorable development in both 2023 2024 and 2022 2023 related to prior year losses. This favorable development came as a result of re-estimating ultimate losses in 2024 and 2023 based on historical loss trends. The loss payments made by the Company during the nine three months ended September 30, 2023 March 31, 2024, were lower higher than the loss payments made during the nine three months ended September 30, 2022 March 31, 2023, due to the settling of prior year catastrophe claims, with no similar catastrophe activity occurring in 2023. claims. Current year loss payments remained relatively flat. Case and IBNR reserves and reinsurance recoverable on unpaid losses also decreased when compared to the prior period as a result of Hurricane Ian. the continued settlement of prior year claims with no similar losses in 2023 or the current year.

11) LONG-TERM DEBT

Long-Term Debt

The table below presents all long-term debt outstanding as of September 30, 2023 and December 31, 2022:

	Maturity	Effective Interest Rate	Carrying Value at September 30, 2023	Carrying Value at December 31, 2022
Senior Notes	December 15, 2027	7.25%	$ 150,000	$ 150,000
Florida State Board of Administration Note (1)	July 1, 2026	N/A	—	—
Truist Term Note Payable (2)	May 26, 2031	N/A	—	—
Total long-term debt			$ 150,000	$ 150,000

(1) Our Florida State Board of Administration Note was held by our former subsidiary, UPC.

(2) Our Truist Term Note Payable was repaid in full on August 12, 2022.

Senior Notes Payable

On December 13, 2017, we issued $150,000,000 of 10-year senior notes (the Senior Notes) that will mature on December 15, 2027 and bear interest at a rate equal to 6.25% per annum payable semi-annually on each June 15 and December 15, commencing June 15, 2018. The Senior Notes are senior unsecured obligations of the Company. We may redeem the Senior Notes at our option, at any time and from time to time in whole or in part, prior to September 15, 2027, at a redemption price equal to the greater of (i) 100% of the principal amount of the notes to be redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon from the date of redemption to the date that is three months prior to maturity, plus accrued and unpaid interest thereon. On or after that date, we may redeem the Senior Notes at par, plus accrued and unpaid interest thereon. On December 8, 2022, the Kroll Bond Rating Agency, LLC announced a downgrade of our issuer and debt ratings from BBB- to BB+. As a result, pursuant to our agreement, the interest rate of our Senior Notes increased from 6.25% to 7.25%.

Florida State Board of Administration Note Payable

On September 22, 2006, we issued a $20,000,000, 20-year note payable to the Florida State Board of Administration (the SBA Note). For the first three years of the SBA Note we were required to pay interest only. On October 1, 2009, we began to repay the principal in addition to interest. The SBA Note bears an annual interest rate equivalent to the 10-year Constant Maturity Treasury rate (as defined in the SBA Note agreement), which resets quarterly. This note was held by our former insurance subsidiary, UPC. On February 27, 2023, UPC was placed into receivership with the Florida Department of Financial Services, divesting our ownership of UPC.

Truist Term Note Payable

On May 26, 2016, we issued a $5,200,000, 15-year term note payable to Truist (the Truist Note), with the intent to use the funds to purchase, renovate, furnish and equip our principal executive office. The Truist Note bears interest at 1.65% in excess of the one-month LIBOR, which resets monthly. LIBOR was phased out at the end of 2021, however, the Intercontinental Exchange will continue to publish one-month LIBOR settings through 2023. The outstanding Truist Note payable balance, including applicable interest, was repaid in full on August 12, 2022. Therefore, effective August 12, 2022, Truist no longer holds our principal executive office as collateral and may not take possession of or foreclose upon the office.

Financial Covenants

Senior Notes - Our Senior Notes provide that the Company and its subsidiaries shall not incur any indebtedness unless no default exists and the Company's leverage ratio as of the last day of any annual or quarterly period (the balance sheet date) immediately preceding the date on which such additional indebtedness is incurred would have been no greater than 0.3:1, determined on a pro forma basis as if the additional indebtedness and all other indebtedness incurred since the immediately preceding balance sheet date had been incurred and the proceeds therefrom applied as of such day. The Company and its subsidiaries also may not create, assume, incur or permit to exist any indebtedness for borrowed money that is secured by a lien

on the voting stock of any significant subsidiary without securing the Senior Notes equally. The Company may not issue, sell, assign, transfer or otherwise dispose of, directly or indirectly, any of the capital stock of the Company's significant subsidiaries as of the issue date of the Senior Notes (except to the Company or to one or more of the Company's other subsidiaries, or for the purpose of qualifying directors or as may be required by law or regulation), subject to certain exceptions. At December 31, 2022 December 31, 2023, while our leverage ratio was greater than the allowed ratio above, we did not incur any additional debt indebtedness during the period and as a result, we were in compliance with the covenants in the Senior Notes.

SBA Note - Our SBA Note required that UPC maintained either a 2:1 ratio of net written premium to surplus, or net writing ratio, or a 6:1 ratio of gross written premium to surplus, or gross writing ratio, to avoid additional interest penalties. The SBA Note agreement defined surplus for the purpose of calculating the required ratios as the $20,000,000 of capital contributed to UPC under the agreement plus the outstanding balance of the note. Should UPC have failed to exceed either a net writing ratio of 1.5:1 or a gross writing ratio of 4.5:1, UPC's interest rate would have increased by 450 basis points above the 10-year Constant Maturity Treasury rate. Any other writing ratio deficiencies resulted in an interest rate penalty of 25 basis points above the stated rate of the note. Our SBA Note further provided that the Florida State Board of Administration may, among other things, declare its loan immediately due and payable upon any default existing under the SBA Note; however, any payment is subject to approval by the insurance regulatory authority. At September 30, 2023, we no longer held the SBA Note as a result of placing UPC into receivership.

Debt Issuance Costs

The table below presents the rollforward roll forward of our debt issuance costs paid, in conjunction with the debt instruments described above, during the nine three months ended September 30, 2023 March 31, 2024 and 2022: 2023:

		2023	2022		
2024				2024	2023
Balance at January 1,	Balance at January 1,	$1,645	$1,998		
Amortization	Amortization	(249)	(168)		

Balance at September 30,	$1,396	$1,830
Amortization		
Amortization		
Balance at March 31,		

12) COMMITMENTS AND CONTINGENCIES

Litigation

We are involved in claims-related legal actions arising in the ordinary course of business. We accrue amounts resulting from claims-related legal actions in unpaid losses and LAE during the period that we determine an unfavorable outcome becomes probable and we can estimate the amounts. Management makes revisions to our estimates based on its analysis of subsequent information that we receive regarding various factors, including: (i) per claim information; (ii) company and industry historical loss experience; (iii) judicial decisions and legal developments in the awarding of damages; and (iv) trends in general economic conditions, including the effects of inflation.

At September 30, 2023

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On October 20, 2023, we received notice that the Company was not DFS filed a notice of claim and demand for tender of insurance policy limits under our director and officer insurance to carriers participating in our director and officer's insurance program (the "Claim"). The Claim alleges that former officers and directors of UPC were involved in any material non-claims-related legal actions. wrongful acts that resulted in UPCs insolvency and demands immediate tender of our director and officer's policy limit of $40,000,000 where we have a retention of $1,500,000. The former directors and officers of UPC deny the allegations. Although no litigation has arisen from the Claim, litigation is anticipated. The directors and officers plan to vigorously defend against the Claim; however, due to our indemnification obligation, during 2023, we accrued the policy retention amount of $1,500,000. This claim remains open as of March 31, 2024.

Commitments to fund partnership investments

We have fully funded one limited partnership investment. We have no unfunded commitments at September 30, 2023. The amount of unfunded commitments was $4,238,000 at December 31, 2022 March 31, 2024 and December 31, 2023.

Leases

We, as lessee, have entered into leases of commercial office space of various term lengths. In addition to office space, we lease office equipment and a parking lot under operating leases and vehicles under finance leases.

The classification of operating and finance lease asset and liability balances within the Unaudited Condensed Consolidated Balance Sheets was as follows:

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		Financial Statement Line	September 30, 2023	December 31, 2022			
		Financial Statement Line			Financial Statement Line	March 31, 2024	December 31, 2023
Assets	**Assets**						
Operating lease assets	Operating lease assets	Other assets	$ 707	$ 1,278			
Financing lease assets		Property and equipment, net	—	51			
Operating lease assets							
Operating lease assets							
Total lease assets							
Total lease assets							

Total lease assets	Total lease assets		$ 707	$ 1,329
Liabilities	**Liabilities**			
Liabilities				
Liabilities				
Operating lease liabilities	Operating lease liabilities	Operating lease liability	$ 941	$ 1,689
Financing lease liabilities		Other liabilities	—	2
Operating lease liabilities				
Operating lease liabilities				
Total lease liabilities	Total lease liabilities		$ 941	$ 1,691
Total lease liabilities				
Total lease liabilities				

The components of lease expenses were as follows:

		Three Months Ended September 30,		**Nine Months Ended September 30,**			
		2023	**2022**	**2023**	**2022**		
		Three Months Ended March 31,					
		Three Months Ended March 31,					
		Three Months Ended March 31,					
		2024				**2024**	**2023**
Operating lease expense	Operating lease expense	$ 222	$267	$666	$587		
Financing lease expense:	Financing lease expense:						
Amortization of leased assets	Amortization of leased assets	—	78	9	320		
Interest on lease liabilities		—	—	—	1		
Amortization of leased assets							
Amortization of leased assets							
Net lease expense	Net lease expense	$ 222	$345	$675	$908		
Net lease expense							
Net lease expense							

At September 30, 2023 March 31, 2024, future minimum gross lease payments relating to these non-cancellable operating lease agreements were as follows:

		Total
Remaining in 2023	$	183
2024		593
2025		222
2026		11
Total undiscounted future minimum lease payments		1,009
Less: Imputed interest		(68)
Present value of lease liabilities	$	941

Weighted average remaining lease term and discount rate related to operating and finance leases were as follows:

	September 30, 2023	December 31, 2022
Weighted average remaining lease term (months)		
Operating leases	19	25
Financing leases	—	9
Weighted average discount rate		
Operating leases	3.36 %	3.79 %
Financing leases	— %	3.27 %

There were no other cash or non-cash related activities during the three or nine months ended September 30, 2023 and 2022.

		March 31, 2024
Remaining in 2024	$	59
2025		49
2026		8
2027		—
Total undiscounted future minimum lease payments		116
Less: Imputed interest		(11)
Present value of lease liabilities	$	105

Weighted average remaining lease term and discount rate related to operating leases were as follows:

	March 31, 2024	December 31, 2023
Weighted average remaining lease term (months)	20	17
Weighted average discount rate	3.47 %	3.30 %

There were no other cash or non-cash related activities during the three months ended March 31, 2024 and 2023.

Capital lease amortization expenses are included in depreciation expense in our Unaudited Condensed Consolidated Statements of Comprehensive Loss. Income. See Note 7 of these Notes to Unaudited Condensed Consolidated Financial Statements for more information regarding depreciation expense, Note 11 for information regarding commitments related to long-term debt, and Note 14 for information regarding commitments related to regulatory actions.

Subleases

We previously leased and occupied office space in which we no longer operate. Effective October 1, 2022, this office space is now was subleased to a third-party. This The sublease is was effective from October 1, 2022 through July 31, 2025, with no option to extend. However, on February 29, 2024, this sublease was cancelled as a part of an agreement to terminate the original lease associated with the office space. During the nine three months ended September 30, 2023 March 31, 2024, we recognized $149,000 $33,000 of income related to this sublease, exclusive of the lease expense associated with the original lease.

Additionally, as a result of the sublease, we evaluated our right-of-use asset associated with the original lease for impairment, using the undiscounted cash flows from the sublease. During the year ended December 31, 2022, we recognized impairment of $175,000, which was recognized in the results of our personal lines operating segment.

Employee Retention Credit

A series of legislation was enacted in the United States during 2020 and 2021 in response to the COVID-19 pandemic that provided financial relief for businesses impacted by government-mandated shutdowns, work stoppages, or other losses suffered by employers. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provided an employee retention credit, which is a refundable tax credit against certain employment taxes of up to $5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at $10,000 of qualified wages per employee. During the second quarter of 2022, we evaluated our eligibility and filed for a $10,161,000 refund in connection with our Employee Retention Tax Credit for the tax year ended December 31, 2021. As of September 30, 2023 March 31, 2024, we have received $5,718,000 from the IRS related to this refund. A gain contingency is an uncertain situation that will be resolved in the future, possibly resulting in a gain. We have not recognized this gain contingency of $10,161,000 within our financial statements except for the $5,718,000 that has already been received.

While Quota Share Commission Loss Contingency

AmCoastal participates in shared quota-share reinsurance agreements with our former subsidiary, UPC, which are subject to a variable ceding commission based on loss experience. With the receivership of UPC in 2023, we believe have not received data related to UPC losses that could unfavorably shift AmCoastal's commission related to these contracts. In addition, we cannot reasonably determine how this shift will be allocated between the likelihood contracted parties. Until we receive this loss data and provide the updated calculations to both our reinsurance partners and the DFS, as receiver of UPC, we are unable to estimate the refund approval being reversed is low, impact, however, we believe a loss contingency related to the extent these commissions may exist as of the refunds received and recognized of $5,718,000 is included. March 31, 2024.

We will continue to monitor the matter for further developments that could affect the outcome of these contingencies and will make any appropriate adjustments each quarter.

13) ALLOWANCE FOR EXPECTED CREDIT LOSSES

We are exposed to credit losses primarily through four three different pools of assets based on similar risk characteristics: premiums receivable for direct written business; reinsurance recoverables from ceded losses to our reinsurers; and our investment holdings; and our notes receivable. holdings. We estimate the expected credit losses based on historical trends, credit ratings assigned to reinsurers by rating agencies, average default rates, current economic conditions, and reasonable and supportable forecasts of future economic conditions that affect the collectability of the reported amounts over its expected life. Changes in the relevant information may significantly affect the estimates of expected credit losses.

The allowance for credit losses is deducted from the amortized cost basis of the assets to present their net carrying value at the amount expected to be collected. Each period, the allowance for credit losses is adjusted through earnings to reflect expected credit losses over the remaining lives of the assets.

The following tables summarize our allowance for expected credit losses by pooled asset for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively:

September 30, 2023		**December 31, 2022**	**Provision for expected credit losses**	**Write-offs**	**September 30, 2023**
March 31, 2024	**March 31, 2024**	**December 31, 2023**	**Provision for expected credit losses**	**Write-offs**	**March 31, 2024**
Premiums Receivable	Premiums Receivable	$ 32	$ (112)	$ 102	$ 22
Reinsurance Recoverables	Reinsurance Recoverables	333	(226)	—	107
Total	Total	$ 365	$ (338)	$ 102	$ 129
Total					
Total					

September 30, 2022	**December 31, 2021**	**Provision for expected credit losses**	**Write-offs**	**September 30, 2022**
March 31, 2023				
March 31, 2023				

March 31, 2023		December 31, 2022	Provision for expected credit losses	Write-offs	March 31, 2023
Premiums Receivable	Premiums Receivable	$ 16	$ (38)	$ 32	$ 10
Reinsurance Recoverables	Reinsurance Recoverables	58	140	—	198
Total	Total	$ 74	$ 102	$ 32	$ 208
Total					
Total					

14) STATUTORY ACCOUNTING AND REGULATION

The insurance industry is heavily regulated. State laws and regulations, as well as national regulatory agency requirements, govern the operations of all insurers such as our insurance subsidiaries. The various laws and regulations require that insurers maintain minimum amounts of statutory surplus and risk-based capital, restrict insurers' ability to pay dividends, specify allowable investment types and investment mixes, and subject insurers to assessments. Effective June 1, 2022, our insurance subsidiaries JIC and AmCoastal were merged, with AmCoastal being the surviving entity. Effective May 31, 2022, our former insurance subsidiaries UPC and FSIC were merged, with UPC being the surviving entity. Both UPC and AmCoastal are is domiciled in Florida, while IIC is domiciled in New York. At September 30, 2023 March 31, 2024, and during the nine three months then ended, AmCoastal and IIC met all regulatory requirements of the states in which they operate. As of December 31, 2022, UPC was determined to be insolvent and effective February 27, 2023 was placed into receivership by the DFS.

During 2023, we received an assessment notice from the Florida Insurance Guaranty Association (FIGA). This assessment will be 0.7% on direct written premium of all covered lines of business in Florida to cover the cost of an insurance company facing insolvency. This assessment is in addition to the 1.3% assessment, described below, and is recoupable from policyholders. During 2022, we received an assessment notice from FIGA. This assessment was 1.3% on direct written premium of all covered lines of business in Florida to cover the cost of an insurance company facing insolvency.

The National Association of Insurance Commissioners (NAIC) has Risk-Based Capital (RBC) guidelines for insurance companies that are designed to assess capital adequacy and to raise the level of protection that statutory surplus provides for policyholders. Most states, including Florida and New York, have enacted statutory requirements adopting the NAIC RBC guidelines, and insurers having less statutory surplus than required will be subject to varying degrees of regulatory action, depending on the level of capital inadequacy. State insurance regulatory authorities could require an insurer to cease operations in the event the insurer fails to maintain the required statutory capital.

The state laws of Florida and New York permit an insurer to pay dividends or make distributions out of that part of statutory surplus derived from net operating profit and net realized capital gains. The state laws further provide calculations to determine the amount of dividends or distributions that can be made without the prior approval of the insurance regulatory authorities in those states and the amount of dividends or distributions that would require prior approval of the insurance regulatory authorities in those states. Statutory RBC requirements may further restrict our insurance subsidiaries' ability to pay dividends or make distributions if the amount of the intended dividend or distribution would cause statutory surplus to fall below minimum RBC requirements. Additionally, in connection with our former subsidiary UPC's plan for run off, IIC has agreed not to pay ordinary dividends without prior approval of the New York Department of Financial Services until January 1, 2025.

Our insurance subsidiaries must each file with the various insurance regulatory authorities an “Annual Statement” which reports, among other items, statutory net income (loss) and surplus as regards policyholders, which is called stockholders'

equity under GAAP. The table below details the statutory net income (loss) for each of our regulated entities for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

	Three Months Ended March 31,	
	2024	**2023**
AmCoastal	24,929	18,230
IIC	(305)	(2,203)
Total	$ 24,624	$ 16,027

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
AmCoastal(1)	18,668	14,314	77,781	25,000
IIC	(809)	(1,833)	(3,290)	(4,429)
Total	$ 17,859	$ 12,481	$ 74,491	$ 20,571

(1) AmCoastal results are inclusive of JIC as these entities were merged effective June 1, 2022.

Our insurance subsidiaries must maintain capital and surplus ratios or balances as determined by the regulatory authority of the states in which they are domiciled. At September 30, 2023 March 31, 2024, we met these requirements. The table below details the amount of surplus as regards policyholders for each of our regulated entities at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

		September 30, 2023	December 31, 2022		
AmCoastal(1)		130,268	77,511		
		March 31, 2024		March 31, 2024	December 31, 2023
AmCoastal					
IIC	IIC	22,855	26,152		
Total	Total	$ 153,123	$ 103,663		

(1) AmCoastal results are inclusive of JIC as these entities were merged effective June 1, 2022.

15) ACCUMULATED OTHER COMPREHENSIVE LOSS

We report changes in other comprehensive income (loss) items within comprehensive income (loss) on the Unaudited Condensed Consolidated Statements of Comprehensive Income, (Loss), and we include accumulated other comprehensive income (loss) as a component of stockholders' equity on our Unaudited Condensed Consolidated Balance Sheets.

The table below details the components of accumulated other comprehensive loss at period end:

	Pre-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
December 31, 2022	$ (33,041)	$ 2,094	$ (30,947)
Changes in net unrealized losses on investments	642	1,366	2,008
Reclassification adjustment for realized losses	5,466	(1,366)	4,100
Impact of deconsolidation of discontinued operations	(3)	1,007	1,004
September 30, 2023	$ (26,936)	$ 3,101	$ (23,835)

	Pre-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
December 31, 2023	$ (20,238)	$ 3,101	$ (17,137)
Changes in net unrealized losses on investments	(198)	—	(198)
Reclassification adjustment for realized losses	—	—	—
March 31, 2024	$ (20,436)	$ 3,101	$ (17,335)

16) STOCKHOLDERS' EQUITY

Our Board of Directors declared no dividends on our outstanding shares of common stock to stockholders of record as follows for the periods presented (in thousands, except per share amounts):

	Nine Months Ended September 30,			
	2023		2022	
	Per Share Amount	Aggregate Amount	Per Share Amount	Aggregate Amount
First Quarter	$ —	$ —	$ 0.06	$ 2,589
Second Quarter	—	—	—	—
Third Quarter	—	—	—	—

during 2023 or 2024.

In July 2019, our Board of Directors authorized a stock repurchase plan of up to $25,000,000 of our common stock. As of September 30, 2023 March 31, 2024, we had not yet repurchased any shares under this stock repurchase plan. The timing and volume of repurchases are at the discretion of management, based on the capital needs of the business, the market price of ACIC common stock, and general market conditions. The plan has no expiration date, and the plan may be suspended or discontinued at any time.

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In September 2023, the Company entered into an equity distribution agreement (the "Agreement") with Raymond James & Associates, Inc., as agent (the "Agent"), of up to 8,000,000 shares of the Company's common stock, par value $0.0001 per share (the "Shares"). Sales of the Shares under the Agreement will be made in sales deemed to be "at the market offerings". The Agent is not required to sell any specific amount of Shares but has agreed to act as the Company's sales agent for a commission equal to 3.0% of the gross proceeds from the sales of the Shares. As of September 30, 2023 March 31, 2024, 5,200 4,373,000 shares have been sold under the Agreement resulting in commissions paid of approximately $1,000 $1,181,000 and net proceeds of approximately $38,000. $38,190,000.

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The Agreement will terminate upon the issuance and sale of all Shares subject to the Agreement, or the Agreement may be suspended or discontinued at any time. The Company does not plan to sell additional shares under the at-the-market program to which this Agreement relates during the first half of 2024.

See Note 17 in these Notes to Unaudited Condensed Consolidated Financial Statements for information regarding stock-based compensation activity.

17) STOCK-BASED COMPENSATION

We account for stock-based compensation under the fair value recognition provisions of ASC Topic 718 - *Compensation - Stock Compensation*. We recognize stock-based compensation cost over the award's requisite service period on a straight-line basis for time-based restricted stock grants and performance-based restricted stock grants. We record forfeitures as they occur for all stock-based compensation.

The following table presents our total stock-based compensation expense:

		Three Months Ended September 30,		Nine Months Ended September 30,			
		2023	2022	2023	2022		
		Three Months Ended March 31, Three Months Ended March 31, Three Months Ended March 31,					
		2024				2024	2023
Employee stock-based compensation expense	Employee stock-based compensation expense						
Pre-tax							
Pre-tax							
Pre-tax	Pre-tax	$ 350	$261	$738	$792		
Post-tax (1)	Post-tax (1)	277	206	583	626		
Director stock-based compensation expense	Director stock-based compensation expense						
Pre-tax	Pre-tax	60	29	115	132		
Pre-tax							
Pre-tax							
Post-tax (1)	Post-tax (1)	47	23	91	104		

(1) The after tax amounts are determined using the 21% corporate federal tax rate.

We had approximately $2,326,000 $1,886,000 of unrecognized stock compensation expense at September 30, 2023 March 31, 2024 related to non-vested stock-based compensation granted, which we expect to recognize over a weighted-average period of approximately 2.1 1.7 years. We had approximately $158,000 $41,000 of unrecognized director stock-based compensation expense at September 30, 2023 March 31, 2024 related to non-vested director stock-based compensation granted, which we expect to recognize over a weighted-average period of approximately 0.7 0.2 years.

Restricted stock, restricted stock units and performance stock units

Stock-based compensation cost for restricted stock awards, restricted stock units and performance stock units is measured based on the closing fair market value of our common stock on the date of grant, which vest in equal installments over the requisite service period of typically three years. Restricted stock awards granted to non-employee directors vest over a one-year period. Each restricted stock unit and performance stock unit represents our obligation to deliver to the holder one share of common stock upon vesting.

Performance stock units vest based on the Company's return on average equity compared to a defined group of peer companies. On the grant date, we issue the target number of performance stock units. They are subject to forfeitures if performance goals are not met. The actual number of performance stock units earned can vary from zero to 150 percent of the target for the 2023, 2022 and 2021 awards.

We granted 30,000 shares of restricted common stock during the three months ended March 31, 2024, which had a weighted-average grant date fair value of $9.46. We did not grant shares of restricted common stock during the three months ended September 30, 2023 and 2022. We granted 45,000 and 907,907 shares of restricted common stock during the nine months ended September 30, 2023 and 2022, respectively, which had a weighted-average grant date fair value of $5.25 and $1.97 per share, respectively. Additionally, during the nine month period ended September 30, 2023, the Company granted 262,933 shares of restricted common stock, with a fair value of $4.33, which are contingent upon stockholder approval of an increase in the number of shares of our

common stock that may be issued pursuant to the 2020 Omnibus Incentive Plan. Stockholders will vote on this matter at our 2024 annual meeting of stockholders.

March 31, 2023.

The following table presents certain information related to the activity of our non-vested restricted common stock grants:

	Number of Restricted Shares	Weighted Average Grant Date Fair Value
Outstanding as of December 31, 2022	714,239	$ 2.73
Granted (1)	45,000	5.25
Less: Forfeited	130,546	3.16
Less: Vested	181,334	3.25
Outstanding as of September 30, 2023	447,359	$ 2.64

AMERICAN COASTAL INSURANCE CORPORATION
Notes to Unaudited Condensed Consolidated Financial Statements
March 31, 2024

	Number of Restricted Shares	Weighted Average Grant Date Fair Value
Outstanding as of December 31, 2023(1)	445,646	$ 2.64
Granted	30,000	9.46
Less: Forfeited	856	3.59
Less: Vested	32,233	4.36
Outstanding as of March 31, 2024	442,557	$ 2.98

(1) Contingent shares granted during 2023 have been excluded from the calculations in the table above.

Stock options

Stock option fair value was estimated on the grant date using the Black-Scholes-Merton formula. Stock options vest in equal installments over the requisite service period of typically three years. The following weighted-average assumptions were used to value the stock options granted:

	2023	2022

2024	2024	2023

Expected annual dividend yield	Expected annual dividend yield	— %	— %	Expected annual dividend yield	— %	— %
Expected volatility	Expected volatility	80.84 %	49.66 %	Expected volatility	— %	80.84 %
Risk-free interest rate	Risk-free interest rate	3.44 %	2.92 %	Risk-free interest rate	— %	3.44 %
Expected term	Expected term	6 years	6 years	Expected term	N/A	6 years

The expected annual dividend yield for our options granted during 2023 2024 and 2022 2023 is based on no dividends being paid in future quarters. The expected volatility is a historical volatility calculated based on the daily closing prices over a period equal to the expected term. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the grant date. Expected term takes into account the three-year graded vesting term and the 10-year contractual term of the option.

We did not grant any stock options for the three months ended September 30, 2023 March 31, 2024 and 2022. We did not grant any stock options for the nine months ended September 30, 2023. We granted 635,643 stock options during the nine months ended September 30, 2022, which had a weighted average grant date fair value of $0.86 per share. Additionally, during the nine months ended September 30, 2023, the Company granted 123,399 stock options, with a fair value of $3.08, which are contingent upon stockholder approval of an increase in the number of shares of our common stock that may be issued pursuant to the 2020 Omnibus Incentive Plan. Stockholders will vote on this matter at our 2024 annual meeting of stockholders. 2023.

The following table presents certain information related to the activity of our non-vested stock option grants:

	Number of Stock Options	Weighted Average Exercise Prices	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2022	1,250,685	$ 3.71	7.66	$ —
Granted(1)	—	—	—	—
Less: Forfeited	40,000	3.46	—	—
Less: Expired	161,925	3.05	—	—
Less: Exercised	20,000	3.46	—	—
Outstanding as of September 30, 2023	1,028,760	$ 3.83	8.05	$ 4,140
Vested as of September 30, 2023(2)	950,759	$ 4.78	7.81	$ 4,140
Exercisable as of September 30, 2023	580,568	$ 4.78	7.81	$ 2,001

AMERICAN COASTAL INSURANCE CORPORATION
Notes to Unaudited Condensed Consolidated Financial Statements
September 30, 2023

	Number of Stock Options	Weighted Average Exercise Prices	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (3)
Outstanding as of December 31, 2023(1)	1,028,760	$ 3.83	7.80	$ 6,151,000
Granted	—	—	—	—
Less: Forfeited	—	—	—	—
Less: Expired	—	—	—	—
Less: Exercised	—	—	—	—
Outstanding as of March 31, 2024	1,028,760	$ 3.83	7.55	$ 7,368,000
Vested as of March 31, 2024(2)	920,818	$ 4.78	7.31	$ 3,736,000
Exercisable as of March 31, 2024	580,568	$ 4.78	7.31	$ 3,736,000

(1) Contingent options granted during 2023 have been excluded from the calculations in the table above.

(2) The vested shares are calculated based on all vested shares at September 30, 2023 March 31, 2024, inclusive of those that have since expired. The weighted average exercise prices, weighted-average remaining contractual term and aggregate intrinsic value is calculated based on only vested shares that are outstanding and exercisable at September 30, 2023 March 31, 2024.

(3) Presented in ones.

AMERICAN COASTAL INSURANCE CORPORATION

18) SUBSEQUENT EVENTS

We evaluate all subsequent events and transactions for potential recognition or disclosure in our financial statements.

The Effective April 17, 2024, the Company entered into secured $200 million dollars of excess of loss reinsurance limit related to its AmCoastal core catastrophe reinsurance program for 2024-2025. This limit attaches to AmCoastal's reinsurance coverage at $275 million and was obtained through 10.25% catastrophe bonds issued by Armor Re II Ltd., a non-binding term sheet on October 6, 2023 for Bermuda-domiciled special purpose insurer.

On May 9, 2024, the sale of Interboro whereby Company signed definitive agreements with Forza Insurance Holdings, LLC ("Forza") in which the buyer Company will sell and Forza will acquire 100% of the issued and outstanding common stock of Interboro in exchange for a cash purchase price equal IIC. Closing is subject to the GAAP book value approval of Interboro at the time New York Department of closing, subject to negotiating Financial Services. Concurrently, IIC and entering SageSure entered into definitive documents containing customary a Program Administrator Agreement and Claims Services Agreement on May 9, 2024. Under the terms of these service agreements, SageSure will provide policy administration, underwriting and conditions and obtaining regulatory approval(s). claims administration services on behalf of IIC.

Effective October 16, 2023, we have changed the legal name of our subsidiary Skyway Technologies, LLC to Skyway Underwriters, LLC.

On October 20, 2023, in connection with the receivership of our former subsidiary, UPC, a notice of claim under our Director & Officer (D&O) insurance policy was received by the Company from the DFS. Under this Claim, the DFS as receiver of UPC has demanded the available policy limits of our D&O coverage. As of September 30, 2023, we have accrued the full retention associated with this coverage of $1,500,000 and do not expect the Company's exposure to exceed its retention.

AMERICAN COASTAL INSURANCE CORPORATION

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 Unaudited Condensed Consolidated Financial Statements and related notes appearing elsewhere in this Form 10-Q, as well as with the Consolidated Financial Statements and related footnotes under Part II. Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2022 and the Revised Items of our Form 10-K for the year ended December 31, 2022, filed as Exhibit 99.1 to Form 8-K on September 19, 2023 December 31, 2023. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed or implied in these forward-looking statements as a result of certain known and unknown risks and uncertainties. See "Forward-Looking Statements."

EXECUTIVE SUMMARY

Overview

American Coastal Insurance Corporation (referred to in this document as we, our, us, the Company or ACIC) is a holding company primarily engaged in commercial and personal property and casualty insurance business with investments in the United States. On July 10, 2023, we changed our corporate name from United Insurance Holdings Corp. to American Coastal Insurance Corporation. We conduct our business principally through our two wholly-owned insurance subsidiaries: American Coastal Insurance Company (AmCoastal); and Interboro Insurance Company (IIC). Collectively, we refer to the holding company and all our subsidiaries, including non-insurance subsidiaries, as “American Coastal Insurance Corporation,” which is the preferred brand identification for our Company.

Our Company’s primary source of revenue is generated from writing insurance in Florida and New York. Our target market in such areas consists of states where the perceived threat of natural catastrophe has caused large national insurance carriers to reduce their concentration of policies. We believe an opportunity exists for ACIC to write profitable business in such areas. During 2022, we also wrote commercial residential insurance in South Carolina and Texas, however, effective May 1, 2022, we no longer write in these states. In addition, during 2022 we wrote personal residential business in six other states, however on

On February 27, 2023, our former insurance subsidiary, United Property & Casualty Insurance Company (UPC) was placed into receivership with the Florida Department of Financial Services (the "DFS") (DFS), which divested our ownership of UPC. The events leading to receivership and results of this subsidiary, now included within discontinued operations, can be seen in Note 3 of the Notes to Unaudited Condensed Consolidated Financial Statements above.

On August 25, 2022, we announced that our former subsidiary UPC had filed plans for withdrawal in the states of Florida, Louisiana, and Texas and intended to file a plan for withdrawal in the state of New York. All filed plans entail non-renewing personal lines policies in these states. Additionally, we announced that Demotech, Inc. (Demotech), an insurance rating agency, notified UPC of its intent to withdraw UPC's Financial Stability Rating. On December 5, 2022, the Florida Office of Insurance Regulation ("FLOIR") issued Consent Order No. 303643-22- CO that provided for the administrative supervision and approval of the plan of run-off for UPC (the "Consent Order"). The Consent Order provided formal approval of UPC's Plan of Run-Off (the "Plan") to facilitate a solvent wind down of its affairs in an orderly fashion. Additionally, in connection with the Plan, IIC agreed to not pay ordinary dividends without the prior approval of the New York Department of Financial Services until January 1, 2025. On February 10, 2023, we announced that a solvent run-off of UPC was unlikely and on February 27, 2023, UPC was placed into receivership with the DFS which divested our ownership of UPC.

Our Company, together with its former subsidiary, UPC and wholly-owned subsidiary United Insurance Management, L.C. (UIM), entered into a Renewal Rights Agreement (Southeast Renewal Agreement), dated as of December 30, 2021 with Homeowners Choice Property and Casualty Insurance Company, Inc. (HCPCI), pursuant to which our Company, UPC and UIM agreed to sell, and HCPCI agreed to purchase, the renewal rights to UPC’s personal lines homeowners business in Georgia, South Carolina and North

Carolina. The transfer of policies is subject to regulatory approval. Effective June 1, 2022, we began transitioning South Carolina policies to HCPCI. The sale was consummated on December 30, 2021.

Effective June 1, 2022, we entered into a quota share reinsurance agreement with TypTap Insurance Company (Typtap) in connection with the Southeast Renewal Agreement. Under the terms of this agreement, we ceded 100% of our former subsidiary UPC's in-force, new, and renewal policies in the states of Georgia, North Carolina, and South Carolina. This agreement replaces the 85% quota share agreement with HCPCI effective December 31, 2021. Also effective June 1, our third-party quota share reinsurance agreements were renewed to exclude these states. We will no longer retain any risk associated with these states.

AMERICAN COASTAL INSURANCE CORPORATION

Our Company, together with its former subsidiary UPC and wholly-owned subsidiary UIM, entered into a Renewal Rights Agreement (Northeast Renewal Agreement), dated as of January 18, 2021 with HCPCI and HCI Group, Inc. (HCI), pursuant to which our Company, UPC and UIM agreed to sell, and HCPCI agreed to purchase, the renewal rights to UPC's personal lines homeowners business in Connecticut, Massachusetts, New Jersey and Rhode Island. The transfer of all states was completed as of June 30, 2022.

Effective June 1, 2021, we entered into a quota share reinsurance agreement with HCPCI and TypTap in connection with the Northeast Renewal Agreement. Under the terms of this agreement, we ceded 100% of our former subsidiary UPC's in-force, new, and renewal policies in the states of Connecticut, New Jersey, Massachusetts, and Rhode Island. The cession of these policies is 50% to HCPCI and 50% to TypTap.

We have historically grown our business through strong organic growth, complemented by strategic acquisitions and partnerships, including our acquisitions of AmCo Holding Company, LLC (AmCo) and its subsidiaries, including AmCoastal, in April 2017 and IIC in April 2016, and Family Security Holdings, LLC (FSH), including its subsidiary Family Security Insurance Company, Inc. (FSIC), in February 2015, and our strategic partnership with a subsidiary of Tokio Marine Kiln Group Limited (Tokio Marine), which formed Journey Insurance Company (JIC) in August 2018. Effective June 1, 2022, we merged JIC into AmCoastal, with AmCoastal being the surviving entity. Effective May 31, 2022, we merged FSIC into UPC, with UPC being the surviving entity. 2016.

As a result of the receivership of our former subsidiary UPC by the DFS effective February 27, 2023, our Our policies in-force decreased by 92.3% 3.2% from 302,296 23,473 policies in-force at September 30, 2022 March 31, 2023 to 23,162 22,733 policies in-force at September 30, 2023, with March 31, 2024. For more information regarding the majority concentration of those in-force insuring commercial, multi-family properties. our policies in force, please see the results of operations section below.

As of October 6, 2023, we were seeking a buyer for IIC to complete our exit from the personal lines business and expect the sale price to be the book value of the entity. The Company entered into a non-binding term sheet on October 6, 2023 for the sale of Interboro IIC whereby the buyer will acquire 100% of the issued and outstanding common stock of Interboro in exchange for a cash purchase price equal to the GAAP book value of Interboro IIC at the time of closing, subject to negotiating and entering into definitive documents containing customary terms and conditions and obtaining regulatory approval(s). The following discussion highlights significant factors influencing the consolidated financial position and results of operations of American Coastal Insurance Corporation. In evaluating our results of operations, we use premiums written and earned, policies in-force and new and renewal policies by geographic concentration. We also consider the impact of catastrophe losses and prior year development on our loss ratios, expense ratios and combined ratios. In monitoring our investments, we use credit quality, investment income, cash flows, realized gains and losses, unrealized gains and losses, asset diversification and portfolio duration. To evaluate our financial condition, we consider our liquidity, financial strength, ratings, book value per share and return on equity.

AMERICAN COASTAL INSURANCE CORPORATION

2023 2024 Highlights

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Gross premiums written	$ 103,872	$ 103,153	$ 534,880	$ 453,199
Gross premiums earned	165,760	138,360	468,435	390,576
Net premiums earned	55,808	70,226	226,301	192,504
Total revenues	58,714	72,752	228,329	195,094
Earnings from continuing operations, net of tax	14,373	(27,446)	65,092	(41,030)
Income (loss) from discontinued operations, net of tax	(3,805)	(43,438)	230,535	(132,166)
Consolidated net income (loss) attributable to ACIC	10,568	(70,884)	295,627	(173,085)
Net income (loss) available to ACIC stockholders per diluted share				
Continuing Operations	$ 0.33	$ (0.64)	$ 1.48	$ (0.95)
Discontinued Operations	(0.09)	(1.01)	5.25	(3.07)
Total	$ 0.24	$ (1.65)	$ 6.73	$ (4.02)
Reconciliation of net income (loss) to core income (loss):				
Plus: Non-cash amortization of intangible assets and goodwill impairment (1)	$ 812	$ 10,968	$ 2,436	$ 12,592

Less: Income (loss) from discontinued operations, net of tax	(3,805)	(43,438)	230,535	(132,166)
Less: Realized gains (losses) on investment portfolio	2	(4)	(6,806)	(44)
Less: Unrealized gains (losses) on equity securities	177	(897)	792	(4,058)
Less: Net tax impact (2)	133	2,493	1,775	3,506
Core income (loss) (3)	14,873	(18,070)	71,767	(27,731)
Core income (loss) per diluted share(3)	$ 0.34	$ (0.42)	$ 1.64	$ (0.64)
Book value per share			$ 2.78	$ 1.86

	Three Months Ended March 31,	
	2024	2023
Gross premiums written	$ 197,458	$ 187,123
Gross premiums earned	168,822	144,476
Net premiums earned	68,730	87,324
Total revenues	73,204	90,320
Income from continuing operations, net of tax	23,599	30,367
Income from discontinued operations, net of tax	—	236,913
Consolidated net income	23,599	267,280
Net income available to ACIC stockholders per diluted share		
Continuing Operations	$ 0.48	$ 0.70
Discontinued Operations	—	5.44
Total	$ 0.48	$ 6.14
Reconciliation of net income to core income:		
Plus: Non-cash amortization of intangible assets and goodwill impairment	$ 812	$ 812
Less: Income from discontinued operations, net of tax	—	236,913
Less: Realized losses on investment portfolio	—	(83)
Less: Unrealized gains (losses) on equity securities	(50)	474
Less: Net tax impact (1)	181	88
Core income (2)	24,280	30,700
Core income per diluted share(2)	$ 0.50	$ 0.70
Book value per share	$ 4.27	$ 2.08

(1) For both the three and nine months ended September 30, 2022, non-cash amortization of intangible assets and goodwill impairment includes $10,157,000 related to the impairment of goodwill attributable to our personal lines operating segment.

(2) In order to reconcile the net income (loss) to the core income (loss) measure, we included the tax impact of all adjustments using the 21% corporate federal tax rate.

(3) (2) Core income, (loss), a measure that is not based on U.S. generally accepted accounting principles (GAAP), is reconciled above to net income, (loss), the most directly comparable GAAP measure. Additional information regarding non-GAAP financial measures presented in this Form 10-Q is in "**Definitions of Non-GAAP Measures**" below.

AMERICAN COASTAL INSURANCE CORPORATION

Consolidated Net Income (Loss)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	Three Months Ended March 31,			
	Three Months Ended March 31,			

		Three Months Ended March 31,							
		2024						2024	2023
REVENUE:	REVENUE:								
Gross premiums written									
Gross premiums written									
Gross premiums written	Gross premiums written	$ 103,872	$103,153	$534,880	$ 453,199				
Change in gross unearned premiums	Change in gross unearned premiums	61,888	35,207	(66,445)	(62,623)	Change in gross unearned premiums	(28,636)	(42,647)	(42,647)
Gross premiums earned	Gross premiums earned	165,760	138,360	468,435	390,576				
Ceded premiums earned	Ceded premiums earned	(109,952)	(68,134)	(242,134)	(198,072)				
Net premiums earned	Net premiums earned	55,808	70,226	226,301	192,504				
Net investment income	Net investment income	2,709	2,236	7,990	5,479				
Net realized investment losses	Net realized investment losses	2	(4)	(6,806)	(44)				
Net unrealized gains (losses) on equity securities	Net unrealized gains (losses) on equity securities	177	(897)	792	(4,058)				
Other revenue	Other revenue	18	1,191	52	1,213				
Other revenue									
Other revenue									
Total revenue	Total revenue	58,714	72,752	228,329	195,094				
EXPENSES:	EXPENSES:								
Losses and loss adjustment expenses									
Losses and loss adjustment expenses									
Losses and loss adjustment expenses	Losses and loss adjustment expenses	13,764	52,765	51,091	93,112				
Policy acquisition costs	Policy acquisition costs	15,600	26,030	68,117	69,908				
Operating expenses	Operating expenses	2,799	3,123	8,241	10,650				
General and administrative expenses	General and administrative expenses	6,131	15,959	21,507	32,231				
Interest expense	Interest expense	2,718	2,358	8,156	7,080				

Total expenses	Total expenses	41,012	100,235	157,112	212,981
Income (loss) before other income (loss)		17,702	(27,483)	71,217	(17,887)
Other income (loss)		(226)	(29)	1,168	1,562
Income (loss) before income taxes		17,476	(27,512)	72,385	(16,325)
Provision (benefit) for income taxes		3,103	(66)	7,293	24,705
Net income (loss) from continuing operations, net of tax		$ 14,373	$ (27,446)	$ 65,092	$ (41,030)
Income (loss) from discontinued operations, net of tax		(3,805)	(43,438)	230,535	(132,166)
Net income (loss)		$ 10,568	$ (70,884)	$295,627	$(173,196)
Less: Net loss attributable to noncontrolling interests		—	—	—	(111)
Net income (loss) attributable to ACIC		$ 10,568	$ (70,884)	$295,627	$(173,085)
Income before other income					
Other income					
Income before income taxes					
Provision for income taxes					
Net income from continuing operations, net of tax					
Income from discontinued operations, net of tax					
Net income					
Earnings available to ACIC common stockholders per diluted share	Earnings available to ACIC common stockholders per diluted share	$ 0.24	$ (1.65)	$ 6.73	$ (4.02)
Book value per share	Book value per share			$ 2.78	$ 1.86
Return on equity based on GAAP net income (loss)				NM	(99.1)%
Return on equity based on GAAP net income					
Loss ratio, net (1)	Loss ratio, net (1)	24.7 %	75.1 %	22.6 %	48.4 %
Expense ratio (2)	Expense ratio (2)	44.0 %	64.2 %	43.2 %	58.6 %
Combined ratio (3)	Combined ratio (3)	68.7 %	139.3 %	65.8 %	107.0 %
Effect of current year catastrophe losses on combined ratio	Effect of current year catastrophe losses on combined ratio	10.5 %	50.7 %	6.6 %	20.3 %
Effect of prior year development on combined ratio	Effect of prior year development on combined ratio	(6.0)%	(2.6)%	(5.2)%	(4.6)%
Underlying combined ratio (4)	Underlying combined ratio (4)	64.2 %	91.2 %	64.4 %	91.3 %

Return on equity based on GAAP net income	67.7 %	NM
Loss ratio, net (1)	23.1 %	18.9 %
Expense ratio (2)	35.2 %	43.4 %
Combined ratio (3)	58.3 %	62.3 %
Effect of current year catastrophe losses on combined ratio	1.1 %	3.0 %
Effect of prior year development on combined ratio	(0.6)%	(3.6) %

Underlying combined ratio (4)		
Underlying combined ratio (4)	57.8 %	63.0 %

(1) Loss ratio, net is calculated as losses and LAE net of losses ceded to reinsurers, relative to net premiums earned. Management uses this operating metric to analyze our loss trends and believes it is useful for investors to evaluate this component separately from our other operating expenses.

(2) Expense ratio is calculated as the sum of all operating expenses less interest expense relative to net premiums earned. Management uses this operating metric to analyze our expense trends and believes it is useful for investors to evaluate this component separately from our loss expenses.

(3) Combined ratio is the sum of the loss ratio, net and the expense ratio, net. Management uses this operating metric to analyze our total expense trends and believes it is a key indicator for investors when evaluating the overall profitability of our business.

(4) Underlying combined ratio, a measure that is not based on GAAP, is reconciled above to the combined ratio, the most directly comparable GAAP measure. Additional information regarding non-GAAP financial measures presented in this Form 10-Q is in "**Definitions of Non-GAAP Measures**" below.

AMERICAN COASTAL INSURANCE CORPORATION

Definitions of Non-GAAP Measures

We believe that investors' understanding of ACIC's performance is enhanced by our disclosure of the following non-GAAP measures. Our methods for calculating these measures may differ from those used by other companies and therefore comparability may be limited.

Combined ratio excluding the effects of current year catastrophe losses and prior year reserve development (underlying combined ratio) is a non-GAAP measure, that is computed by subtracting the effect of current year catastrophe losses and prior year development from the combined ratio. We believe that this ratio is useful to investors and it is used by management to highlight the trends in our business that may be obscured by current year catastrophe losses and prior year development. Current year catastrophe losses cause our loss trends to vary significantly between periods as a result of their frequency of occurrence and magnitude, and can have a significant impact on the combined ratio. Prior year development is caused by unexpected loss development on historical reserves. We believe it is useful for investors to evaluate these components separately and in the aggregate when reviewing our performance. The most directly comparable GAAP measure is the combined ratio. The underlying combined ratio should not be considered as a substitute for the combined ratio and does not reflect the overall profitability of our business.

Net loss and LAE excluding the effects of current year catastrophe losses and prior year reserve development (underlying loss and LAE) is a non-GAAP measure, that is computed by subtracting the effect of current year catastrophe losses and prior year reserve development from net loss and LAE. We use underlying loss and LAE figures to analyze our loss trends that may be impacted by current year catastrophe losses and prior year development on our reserves. As discussed previously, these two items can have a significant impact on our loss trends in a given period. We believe it is useful for investors to evaluate these components separately and in the aggregate when reviewing our performance. The most directly comparable GAAP measure is net loss and LAE. The underlying loss and LAE measure should not be considered a substitute for net loss and LAE and does not reflect the overall profitability of our business.

Net income (loss) excluding the effects of amortization of intangible assets, income (loss) from discontinued operations, realized gains (losses) and unrealized gains (losses) on equity securities, net of tax (core income (loss)) is a non-GAAP measure, which is computed by adding amortization, net of tax, to net income (loss) and subtracting income (loss) from discontinued operations, net of tax, realized gains (losses) on our investment portfolio, net of tax, and unrealized gains (losses) on our equity securities, net of tax, from net income (loss). Amortization expense is related to the amortization of intangible assets acquired, including goodwill, through mergers and therefore the expense does not arise through normal operations. Investment portfolio gains (losses) and unrealized equity security gains (losses) vary independent of our operations. We believe it is useful for investors to evaluate these components separately and in the aggregate when reviewing our performance. The most directly comparable GAAP measure is net income (loss). The core income (loss) measure should not be considered a substitute for net loss and does not reflect the overall profitability of our business.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

When we prepare our consolidated financial statements and accompanying notes in conformity with GAAP, we must make estimates and assumptions about future events that affect the amounts we report. Certain of these estimates result from judgments that can be subjective and complex. As a result of that subjectivity and complexity, and because we continuously evaluate these estimates and assumptions based on a variety of factors, actual results could materially differ from our estimates and assumptions if changes in one or more factors require us to make accounting adjustments. During the nine three months ended September 30, 2023 March 31, 2024, we reassessed our critical accounting policies and estimates as disclosed in Note 2 to the Notes to Unaudited Condensed Consolidated Financial Statements and our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023. We have made no material changes or additions with regard to those policies and estimates.

RECENT ACCOUNTING STANDARDS

Please refer to Note 2 in the Notes to Unaudited Condensed Consolidated Financial Statements for a discussion of recent accounting standards that may affect us.

AMERICAN COASTAL INSURANCE CORPORATION

ANALYSIS OF FINANCIAL CONDITION - SEPTEMBER 30, 2023 MARCH 31, 2024 COMPARED TO DECEMBER 31, 2022 2023

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our accompanying unaudited condensed consolidated interim financial statements and related notes, and in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2022December 31, 2023.

Investments

The primary goals of our investment strategy are to preserve capital, maximize after-tax investment income, maintain liquidity and minimize risk. To accomplish our goals, we purchase debt securities in sectors that represent the most attractive relative value, and we maintain a moderate equity exposure. Limiting equity exposure manages risks and helps to preserve capital for two reasons: first, bond market returns are less volatile than stock market returns, and second, should the bond issuer enter bankruptcy liquidation, bondholders generally have a higher priority than equity holders in a bankruptcy proceeding. Our investment strategy is the same for both our personal lines and commercial lines operating segments.

We must comply with applicable state insurance regulations that prescribe the type, quality and concentrations of investments our insurance subsidiaries can make; therefore, our current investment policy limits investment in non-investment-grade fixed maturities and limits total investment amounts in preferred stock, common stock and mortgage notes receivable. We do not invest in derivative securities.

Two outside asset management companies, which have authority and discretion to buy and sell securities for us, manage our investments subject to (i) the guidelines established by our Board of Directors and (ii) the direction of management. The Investment Committee of our Board of Directors reviews and approves our investment policy on a regular basis.

Our cash, cash equivalents, restricted cash and investment portfolio totaled $286,944,000$504,456,000 at September 30, 2023March 31, 2024, compared to $340,905,000$369,022,000 at December 31, 2022December 31, 2023.

The following table summarizes our investments, by type:

	March 31, 2024 Estimated Fair Value	Percent of Total		March 31, 2024 Estimated Fair Value	Percent of Total
U.S. government and agency securities	$ 27,296	5.4%		$ 27,432	
States, municipalities and political subdivisions	23,277	4.6%	4.6%	23,865	
Public utilities	5,128	1.0%	1.0%		
Corporate securities	61,473	12.3%	12.3%		
Mortgage-backed securities	45,440	9.0%	9.0%		
Asset-backed securities	15,702	3.1%	3.1%		
Total fixed maturities	178,316	35.4 %		180,703	
Mutual funds	6,214	1.2%	1.2%		
Total equity securities					

	September 30, 2023 Estimated Fair Value	September 30, 2023 Percent of Total	December 31, 2022 Estimated Fair Value	December 31, 2022 Percent of Total
U.S. government and agency securities	$ 2,399	0.8%	$ 2,385	0.7%
Foreign government	1,000	0.3%	991	0.3%
States, municipalities and political subdivisions	23,022	8.0%	26,895	7.9%
Public utilities	4,966	1.7%	7,694	2.3%
Corporate securities	60,154	21.1%	83,343	24.3%
Mortgage-backed securities	46,128	16.1%	56,115	16.5%
Asset-backed securities	16,188	5.6%	27,259	8.0%
Total fixed maturities	153,857	53.6 %	204,682	60.0 %
Mutual funds	—	—%	15,657	4.6%

Total equity securities										
Total equity securities	Total equity securities	—	— %	15,657	4.6 %		6,214	1.2	1.2 %	—
Other investments	Other investments	2,599	0.9 %	3,675	1.1 %	Other investments	14,217	2.8	2.8 %	
Total investments	Total investments	156,456	54.5%	224,014	65.7%	Total investments	198,747	39.4%	39.4%	
Cash and cash equivalents	Cash and cash equivalents	111,061	38.7 %	70,903	20.8 %	Cash and cash equivalents	285,400	56.6	56.6 %	
Restricted cash	Restricted cash	19,427	6.8%	45,988	13.5%	Restricted cash	20,309	4.0%	4.0%	
Total cash, cash equivalents, restricted cash and investments	Total cash, cash equivalents, restricted cash and investments	$ 286,944	100.0 %	$ 340,905	100.0 %	Total cash, cash equivalents, restricted cash and investments	$504,456	100.0	100.0 %	$

We classify all of our fixed-maturity investments as available-for-sale. Our investments at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 consisted mainly of U.S. government and agency securities, states, municipalities and political subdivisions, mortgage-backed securities and securities of investment-grade corporate issuers. Our equity holdings consisted mainly as of securities issued by companies in the financial, utilities and industrial sectors or March 31, 2024 consist of mutual funds. We held no equities as of December 31, 2023. At September 30, 2023 March 31, 2024, approximately 81.2% 83.1% of our fixed maturities were U.S. Treasuries or corporate bonds rated “A” or better, and 18.8% 16.9% were corporate bonds rated “BBB” or "BB".

Reinsurance

We follow the industry practice of reinsuring a portion of our risks. Reinsurance involves transferring, or "ceding", all or a portion of the risk exposure on policies we write to another insurer, known as a reinsurer. To the extent that our reinsurers are unable to meet the obligations they assume under our reinsurance agreements, we remain primarily liable for the entire insured loss under the policies we write.

Our catastrophe reinsurance program is designed, utilizing our risk management methodology, to address our exposure to catastrophe losses. According to the Insurance Service Office (ISO), a catastrophe loss is defined as a single unpredictable incident or series coverage consists of closely related incidents that result in $25,000,000 or more in U.S. industry-wide direct insured losses to property and that affect a significant number of policyholders and insurers (ISO catastrophes). In addition to ISO catastrophes, we also include as catastrophes those events (non-ISO catastrophes), which may include losses, that we believe are, or will be, material to our operations which we define as incidents that result in $1,000,000 or more in losses for multiple policyholders. three separate placements:

During the second quarter of 2023, we placed our 1. AmCoastal’s core catastrophe reinsurance program in effect June 1 through May 31, annually, which includes excess of loss and quota share treaties providing coverage for the 2023 hurricane season. We purchased catastrophe losses from named or numbered windstorms and earthquakes;

2. AmCoastal’s all other perils catastrophe excess of loss agreement in effect January 1 through December 31, annually, which provides protection from catastrophe loss events other than named or numbered windstorms and earthquakes; and

3. IIC’s core catastrophe reinsurance program in effect June 1 through May 31, annually, which provides protection from all catastrophe losses.

This reinsurance protection is an essential part of our catastrophe risk management strategy. It is intended to provide our stockholders with an acceptable return on the risks assumed by our insurance entities, and to reduce the variability of earnings, while providing surplus protection. Although reinsurance agreements contractually obligate our reinsurers to reimburse us for the agreed-upon portion of our gross paid losses, they do not discharge our primary liability. In the event one or more of our reinsurers fail to fulfill their obligation, the surplus of our statutory entities may decline, and we may not be able to fulfill our obligation to policyholders, or we may not be able to maintain compliance with various regulatory financial requirements. Additionally, we face the risk that actual losses incurred from one or more catastrophic events may be above the modeled expected loss resulting in losses exceeding our reinsurance coverage, which may result in a decline in surplus, and as a result we may not be able to fulfill our obligations to policyholders, or we may not be able to maintain compliance with various regulatory financial requirements. The details of our programs and the likelihood of a catastrophic event exceeding these three coverages are outlined below.

AmCoastal’s core catastrophe reinsurance program provides occurrence-based coverage up to an exhaustion point of approximately $1,100,000,000 for a first occurrence and $1,300,000,000 in the aggregate. The treaties reinsure for personal and commercial lines property excess catastrophe losses caused by multiple perils including hurricanes and tropical storms. The agreements became effective as of June 1, 2023, for a one-year term, and incorporate the mandatory coverage required by and placed with the Florida Hurricane Catastrophe Fund (FHCF) and coverage required under the Florida Optional Reinsurance Assistance Program (FORA Program). The FHCF Program covers Florida risks only and we participate at 90%. The FORA Program covers Florida risks only and we participate at 100%. Under this program, our core catastrophe excess of loss treaty, retention on a first and second event is $10,000,000. The exhaustion point $10,000,000 each, plus $2,250,000 retained separately by our captive. AmCoastal's program provides sufficient coverage for a 1-in-150-year return period, indicating that the probability of IIC's a single occurrence exceeding protection purchased is roughly 0.7% estimated by equally blending the AIR and RMS catastrophe reinsurance models using long-term catalogs including demand surge. AmCoastal's program is approximately $82,000,000 also provides sufficient coverage for a 1-in-100-year event followed by a 1-in-50-year event in the aggregate, with a retention of $3,000,000 per occurrence, covering all perils.

During same treaty year, the third quarter of 2022, the Company's core catastrophe reinsurance program was impacted by Hurricane Ian. As a result, the Company has approximately $508 million of occurrence limit remaining for Hurricane Ian, all probability of which is attributable to AmCoastal only. After reinstatement premiums less than 0.1%. While we believe these catastrophe models are very good tools and their output provides reasonable proxies for the probability of approximately $15.4 million, the Company, with its former subsidiary UPC has approximately $980 million of aggregate limit remaining after Hurricane Ian, based on exhausting our estimated ultimate net loss subject to the core catastrophe reinsurance program. protections, they are imperfect so actual results could vary dramatically from those expected.

Effective January 1, 2023, we renewed our AmCoastal's all other perils (AOP) catastrophe excess of loss agreement. The agreement provides protection from catastrophe loss events other than named windstorms and earthquakes up to $101,000,000. $172,000,000 in the aggregate. This agreement provides sufficient coverage for a 1-in-450-year return period, indicating that the probability of a single occurrence exceeding protection purchased is no more than 0.2%.

During the third quarter IIC's core catastrophe reinsurance program provides coverage up to an exhaustion point of 2022, one of our private reinsurers who held a 100% share of the $15,000,000 in excess of $15,000,000 layer on our all other perils catastrophe excess of loss agreement notified us of their intent to terminate the agreement due to the contractual provision regarding the change in UPC's statutory surplus being greater than 25%. We agreed to a termination and commutation date of September 30, 2022 for this contract. This change resulted in approximately $1,300,000 of ceded premium savings that would have otherwise been due $82,000,000 in the fourth quarter aggregate, with a retention of 2022 and $3,000,000 per occurrence. Based on IIC's PML, the Company retaining all program provides sufficient coverage for a 1-in-130-year return period, indicating the risk probability of a single occurrence exceeding protection purchased is no more than 0.8%. IIC's program also provides sufficient coverage for any non-hurricane catastrophe losses up to $30,000,000, excluding any quota share recoveries. a 1-in-100-year event followed by a 1-in-50-year event in the same treaty year, the probability of which is less than 0.1%.

Effective December 15, 2023, we agreed to commute a private reinsurer's share of core catastrophe reinsurance coverage and replace this gap in coverage with new coverage provided by one of our other private reinsurers. This transaction resulted in additional expense of approximately $6,300,000 for the year ended December 31, 2023, but will result in decreased expense totaling $14,300,000 during the first half of 2024, resulting in a net economic benefit of approximately $8,000,000 net of replacement coverage for the period December 15, 2023 through May 31, 2024.

The table below outlines our quota share agreements in effect for the nine three months ended September 30, 2023 March 31, 2024 and 2022. 2023.

Reinsurer	Companies in Scope (1)	Effective Dates	Cession Rate	States in Scope
External third-party	AmCoastal	06/01/2023 - 06/01/2024	40% (2) (1)	Florida
External third-party	UPC, FSIC & AmCoastal	06/01/2022 - 06/01/2023	10% (2) (1)	Florida, Louisiana, Texas
TypTap	UPC	06/01/2022 - 06/01/2023	100% (3) (2)	Georgia, North Carolina, South Carolina
External third-party	UPC, FSIC & AmCoastal	12/31/2021 - 12/31/2022	8% (2)	Florida, Louisiana, Texas
HCPCI	UPC	12/31/2021 - 06/01/2022	85%	Georgia, North Carolina, South Carolina
External third-party	UPC & FSIC	12/31/2021 - 12/31/2022	25% (4)	Florida, Louisiana, Texas
HCPCI / TypTap (5)	UPC	06/01/2021 - 06/01/2022	100% (3)	Connecticut, New Jersey, Massachusetts, Rhode Island
External third-party	UPC, FSIC & AmCoastal (6)	06/01/2021 - 06/01/2022	15% (2)	Florida, Georgia, Louisiana, North Carolina, South Carolina, Texas
IIC	UPC	12/31/2020 - 12/31/2022	100%	New York

(1) Effective May 31, 2022, FSIC was merged into UPC, with UPC being the surviving entity.

(2) This treaty provides coverage for all catastrophe perils and attritional losses incurred. For all catastrophe perils, the quota share agreement provides ground- up protection effectively reducing our retention for catastrophe losses.

(3) (2) This treaty provides provided coverage on our in-force, new and renewal policies until these states are were transitioned to HCPCI or TypTap upon renewal.

(4) This treaty provides coverage on non-catastrophe losses on policies in-force on the effective date of the agreement.

(5) Cessions are split 50% to HCPCI and 50% to TypTap.

(6) This treaty was amended effective December 31, 2020 to include AmCoastal.

Reinsurance costs as a percentage of gross earned premium during the three and nine month periods ended September 30, 2023 March 31, 2024 and 2022 2023 were as follows:

2024			2024	2023
2023	2022			

Three Months Ended September 30,						
Three Months Ended March 31,						
Three Months Ended March 31,						
Three Months Ended March 31,						
Non-at-Risk						
Non-at-Risk						
Non-at-Risk	Non-at-Risk	(0.4)%	(0.5)%		(0.3) %	(0.5) %
Quota Share	Quota Share	(29.9)%	(11.7)%	Quota Share	(29.8) %	(6.1) %
All Other	All Other	(36.0)%	(37.0)%	All Other	(29.2) %	(33.0) %
Total Ceding Ratio	Total Ceding Ratio	(66.3)%	(49.2)%	Total Ceding Ratio	(59.3) %	(39.6) %
Nine Months Ended September 30,						
Non-at-Risk		(0.5)%	(0.6)%			
Quota Share		(17.4)%	(13.8)%			
All Other		(34.0)%	(36.4)%			
Total Ceding Ratio		(51.9)%	(50.8)%			

Reinsurance costs as a percent of gross earned premium for our personal residential property and casualty insurance policies (personal lines) and commercial residential property and casualty insurance policies (commercial lines) operating segments during the three and nine month periods ended September 30, 2023 March 31, 2024 and 2022 2023 were as follows:

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	Personal			Personal		Commercial
	2024		2024	2023	2024	2023

	Personal		Commercial	
	2023	2022	2023	2022
Three Months Ended September 30,				
Three Months Ended March 31,				
Three Months Ended March 31,				
Three Months Ended March 31,				
Non-at-Risk				
Non-at-Risk				

Non-at-Risk	Non-at-Risk	(2.8)%	(1.0)%	(0.2)%	(0.5)%		(2.7) %	(1.6) %	(0.2) %	(0.4) %
Quota Share	Quota Share	— %	— %	(31.4)%	(13.5)%	Quota Share	— %	— %	(31.5) %	(6.7) %
All Other	All Other	(27.8)%	(41.3)%	(36.4)%	(36.3)%	All Other	(26.1) %	(28.8) %	(29.2) %	(33.3) %
Total Ceding Ratio	Total Ceding Ratio	(30.6)%	(42.3)%	(68.0)%	(50.3)%	Total Ceding Ratio	(28.8) %	(30.4) %	(60.9) %	(40.4) %

Nine Months Ended September 30,				
Non-at-Risk	(2.0)%	(1.1)%	(0.3)%	(0.5)%
Quota Share	— %	— %	(18.7)%	(15.8)%
All Other	(26.8)%	(26.8)%	(34.4)%	(37.8)%
Total Ceding Ratio	(28.8)%	(27.9)%	(53.4)%	(54.1)%

Please note that the sum of the percentages above will not reconcile to the consolidated percentages as they are calculated using each operating segments' gross earned premium rather than our consolidated gross earned premium.

We amortize our ceded unearned premiums over the annual agreement period, and we record that amortization in ceded premiums earned on our Unaudited Condensed Consolidated Statements of Comprehensive Loss. Income. The table below summarizes the amounts of our ceded premiums written under the various types of agreements, as well as the amortization of ceded unearned premiums:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
Quota Share	$ (29,756)	$ (10,661)	$ (160,955)	$ (51,733)
Excess-of-loss	8,107	(9,571)	(230,389)	(187,811)
Equipment, identity theft, and cyber security	103	(484)	(1,564)	(2,265)
Ceded premiums written	$ (21,546)	$ (20,716)	$ (392,908)	$ (241,809)
Change in ceded unearned premiums	(88,406)	(47,418)	150,774	43,737
Ceded premiums earned	$ (109,952)	$ (68,134)	$ (242,134)	$ (198,072)

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	Three Months Ended March 31,	
	2024	**2023**
Quota Share	$ (58,094)	$ (12,243)
Excess-of-loss	(19,829)	(19,295)
Equipment, identity theft, and cyber security	(783)	(820)
Ceded premiums written	$ (78,706)	$ (32,358)
Change in ceded unearned premiums	(21,386)	(24,794)
Ceded premiums earned	$ (100,092)	$ (57,152)

The breakdown of our ceded premiums written under the various types of agreements, as well as the amortization of ceded unearned premiums for our personal lines and commercial lines operating segments can be seen in the tables below. These values can be reconciled to the table above.

Commercial Lines Operating Segment Impact

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**

		Three Months Ended March 31, Three Months Ended March 31, Three Months Ended March 31,				
	2024				2024	2023
Quota Share	Quota Share	$ (29,756)	$(10,661)	$(160,955)	$ (51,733)	
Excess-of-loss	Excess-of-loss	8,187	(1,802)	(221,712)	(165,991)	
Equipment, identity theft, and cyber security	Equipment, identity theft, and cyber security	344	(214)	(829)	(1,650)	
Ceded premiums written	Ceded premiums written	$ (21,225)	$(12,677)	$(383,496)	$(219,374)	
Ceded premiums written						
Ceded premiums written						
Change in ceded unearned premiums	Change in ceded unearned premiums	(86,287)	(47,624)	150,785	35,280	
Ceded premiums earned	Ceded premiums earned	$(107,512)	$(60,301)	$(232,711)	$(184,094)	

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Personal Lines Operating Segment

		Three Months Ended March 31, Three Months Ended March 31, Three Months Ended March 31,				
	2024				2024	2023
		Three Months Ended September 30,		Nine Months Ended September 30,		
		2023	2022	2023	2022	
Excess-of-loss						
Excess-of-loss						
Excess-of-loss	Excess-of-loss	(80)	(7,769)	(8,677)	(21,820)	
Equipment, identity theft, and cyber security	Equipment, identity theft, and cyber security	(241)	(270)	(735)	(615)	
Ceded premiums written	Ceded premiums written	$ (321)	$(8,039)	$(9,412)	$(22,435)	
Ceded premiums written						
Ceded premiums written						

Change in ceded unearned premiums	(2,119)	206	(11)	8,457
Ceded premiums earned	$(2,440)	$(7,833)	$(9,423)	$(13,978)

Current year catastrophe losses disaggregated between name named and numbered storms and all other catastrophe loss events are shown in the following table.

	2024		
	Number of Events	Incurred Loss and LAE (1)	Combined Ratio Impact
Three Months Ended March 31,			
Current period catastrophe losses incurred			
Named and numbered storms	—	$ —	— %
All other catastrophe loss events	6	754	1.1 %
Total	6	$ 754	1.1 %

	2023			2022		
	Number of Events	Incurred Loss and LAE (1)	Combined Ratio Impact	Number of Events	Incurred Loss and LAE (1)	Combined Ratio Impact
Three Months Ended September 30,						
Current period catastrophe losses incurred						
Named and numbered storms	2	$ 2,539	4.5 %	1	$29,308	41.7 %
All other catastrophe loss events	6	3,308	6.0 %	2	6,298	9.0 %
Total	8	$ 5,847	10.5 %	3	$35,606	50.7 %
Nine Months Ended September 30,						
Current period catastrophe losses incurred						
Named and numbered storms	2	$ 2,539	1.1 %	1	$29,308	15.2 %
All other catastrophe loss events	14	12,463	5.5 %	12	9,713	5.0 %
Total	16	$15,002	6.6 %	13	$39,021	20.2 %

(1) Incurred loss and LAE is equal to losses and LAE paid plus the change in case and incurred but not reported reserves. Shown net of losses ceded to reinsurers. Incurred loss and LAE and number of events includes the development on storms during the year in which it occurred.

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The impact of the current year catastrophes to our personal lines and commercial lines operating segments can be seen in the tables below. Please note that the catastrophe events may have impacted both operating segments. As a result, the sum of the number of events in the tables below will not reconcile to the consolidated number of events above. In addition, the combined ratio impact is calculated using each segment's net premiums earned and sum of the ratios in the tables below will not reconcile to the ratios above.

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Commercial Lines Operating Segment

		2023			2022		
		Number of Events	Incurred Loss and LAE (1)	Combined Ratio Impact	Number of Events	Incurred Loss and LAE (1)	Combined Ratio Impact
Three Months Ended September 30,							
Current period catastrophe losses incurred	Current period catastrophe losses incurred						
Named and numbered storms	Named and numbered storms	1	$ 2,400	4.8 %	1	$20,451	34.4 %
All other catastrophe loss events	All other catastrophe loss events	1	2,492	4.9 %	—	6,784	11.4 %
Total	Total	2	$ 4,892	9.7 %	1	$27,235	45.8 %
Nine Months Ended September 30,							
Current period catastrophe losses incurred							
Named and numbered storms		1	$ 2,400	1.2 %	1	$20,452	13.0 %

	2024					
	Number of Events		Number of Events	Incurred Loss and LAE (1)	Combined Ratio Impact	
Three Months Ended March 31,						
Three Months Ended March 31,						
Three Months Ended March 31,						
Current period catastrophe losses incurred						
Current period catastrophe losses incurred						
Named and numbered storms						
Named and numbered storms	—	$	$ —	—	— %	—
All other catastrophe loss events	2	211	211	0.3	0.3 %	
Total	2	$	$ 211	0.3	0.3 %	1

All other catastrophe loss events	7	10,790	5.3 %	6	7,301	4.7 %
Total	8	$13,190	6.5 %	7	$27,753	17.7 %

(1) Incurred loss and LAE is equal to losses and LAE paid plus the change in case and incurred but not reported reserves. Shown net of losses ceded to reinsurers. Incurred loss and LAE and number of events includes the development on storms during the year in which it occurred.

Personal Lines Operating Segment

	2024		2024		
	Number of Events		Number of Events	Incurred Loss and LAE (1)	Combined Ratio Impact
Three Months Ended March 31,					
Three Months Ended March 31,					
Three Months Ended March 31,					
Current period catastrophe losses incurred					
Current period catastrophe losses incurred					
Named and numbered storms					
Named and numbered storms					
Named and numbered storms	—	$	$ —	—	— % —
All other catastrophe loss events	5	543	543	8.9	8.9 %
Total	5	$	$ 543	8.9	8.9 % 3

	2023			2022		
	Number of Events	Incurred Loss and LAE (1)	Combined Ratio Impact	Number of Events	Incurred Loss and LAE (1)	Combined Ratio Impact
Three Months Ended September 30,						
Current period catastrophe losses incurred						
Named and numbered storms	1	$ 139	2.5 %	1	$ 8,856	82.7 %
All other catastrophe loss events	6	816	14.7 %	1	(486)	(4.5) %
Total	7	$ 955	17.2 %	2	$ 8,370	78.2 %
Nine Months Ended September 30,						
Current period catastrophe losses incurred						
Named and numbered storms	1	$ 139	0.6 %	1	$ 8,856	24.5 %
All other catastrophe loss events	9	1,674	7.2 %	7	2,412	6.7 %
Total	10	$ 1,813	7.8 %	8	$11,268	31.2 %

(1) Incurred loss and LAE is equal to losses and LAE paid plus the change in case and incurred but not reported reserves. Shown net of losses ceded to reinsurers. Incurred loss and LAE and number of events includes the development on storms during the year in which it occurred.

See Note 9 in our Notes to Unaudited Condensed Consolidated Financial Statements for additional information regarding our reinsurance program.

Unpaid Losses and Loss Adjustments

We generally use the term “loss(es)” to collectively refer to both loss and LAE. We establish reserves for both reported and unreported unpaid losses that have occurred at or before the balance sheet date for amounts we estimate we will be required to pay in the future, including provisions for claims that have been reported but are unpaid at the balance sheet date and for obligations on claims that have been incurred but not reported at the balance sheet date. Our policy is to establish these loss reserves after considering all information known to us at each reporting period. At any given point in time, our loss reserve represents our best estimate of the ultimate settlement and administration costs of our insured claims incurred and unpaid.

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Unpaid losses and LAE totaled $443,406,000 $279,556,000 and $842,958,000 $370,221,000 as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. Of this total, $421,698,000 $258,379,000 and $816,489,000, $347,738,000, respectively, is related to our commercial lines operating segment. The remaining $21,708,000 $21,177,000 and $26,469,000, $22,483,000, respectively, is related to our personal lines operating segment. On a consolidated basis, this balance has decreased from year end as we continue to settle claims related to Hurricane Ian which made landfall in the third quarter of 2022.

Since the process of estimating loss reserves requires significant judgment due to a number of variables, such as fluctuations in inflation, judicial decisions, legislative changes and changes in claims handling procedures, our ultimate liability will likely differ from these estimates. We revise our reserve for unpaid losses as additional information becomes available, and reflect adjustments, if any, in our earnings in the periods in which we determine the adjustments as necessary.

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See Note 10 in our Notes to Unaudited Condensed Consolidated Financial Statements for additional information regarding our losses and loss adjustments.

Discontinued Operations

AMERICAN COASTAL INSURANCE CORPORATION On February 10, 2023, we announced that a solvent run-off for UPC was unlikely and on February 27, 2023, UPC was placed into receivership with the DFS, which divested our ownership of UPC. As a result, UPC, as well as the activities related directly to supporting the business conducted by UPC, qualifies as a discontinued operation. For more information regarding the results of our discontinued operations, see Note 3 in our Notes to Consolidated Financial Statements.

RESULTS OF OPERATIONS - COMPARISON OF THE THREE MONTH PERIODS ENDED SEPTEMBER 30, MARCH 31, 2024 AND 2023 AND 2022

Net earnings income attributable to ACIC for the three months ended September 30, 2023 increased $81,452,000, March 31, 2024 decreased $243,681,000, or 114.9% 91.2%, to net income of $10,568,000 for the third quarter of 2023 $23,599,000 from a net loss of $70,884,000 $267,280,000 for the same period in 2022. 2023. Of this income, $14,373,000 $23,599,000 is attributable to continuing operations for the three months ended September 30, 2023 March 31, 2024, an increase a decrease of $41,819,000 $6,768,000 from a net loss of $27,446,000 $30,367,000 for the same period in 2022. 2023. Drivers of net income from continuing operations during the third quarter of 2023 2024 include increased gross premiums earned partially offset by increased ceded premiums earned and decreased expenses driven by our 2023 quota share agreements, a decrease decreases in our loss and LAE incurred, driven by decreased catastrophe losses, and decreased policy acquisition costs and administrative costs described below. This was losses and LAE incurred, partially offset by lower revenues as the recognition result of losses from higher ceded premiums earned. During the first quarter of 2024, none of our net income was attributable to discontinued operations, compared to $236,913,000 of $3,805,000, driven by the deconsolidation of UPC and activities related directly net income attributable to supporting the business conducted by UPC. discontinued operations in 2023.

Revenue

Our gross written premiums increased $719,000, $10,335,000, or 0.7% 5.5%, to $103,872,000 $197,458,000 for the third quarter three months ended September 30, 2023 March 31, 2024 from $103,153,000 $187,123,000 for the same period in 2022. 2023. This increase was driven primarily by an increase in our commercial premiums written offset by decreased in Florida, as we continue to focus on our commercial book of business. In addition, we saw an increase in written premiums across our personal lines premiums written. Both of these changes are driven by our focus on transitioning towards a specialty commercial lines underwriter. business, due primarily to rate increases. The breakdown of the quarter-over-quarter changes in both direct written and assumed premiums by state and gross written premium by line of business are shown in the table below.

($ in thousands)	($ in thousands)	Three Months Ended September 30,				($ in thousands)	Three Months Ended March 31,		
			2023	2022	Change				
		2024					2024	2023	Change
Direct Written and Assumed Premium by State (1)	**Direct Written and Assumed Premium by State (1)**								
Florida									

Florida				
Florida	Florida	$ 93,965	$ 76,606	$ 17,359
New York	New York	9,886	9,749	137
Texas	Texas	—	114	(114)
South Carolina		—	—	—
Total direct written premium by state		103,851	86,469	17,382
Total direct written premium by region				
Assumed premium (2)	Assumed premium (2)	21	16,684	(16,663)
Total gross written premium by state		$ 103,872	$ 103,153	$ 719
Total gross written premium by region				
Gross Written Premium by Line of Business	**Gross Written Premium by Line of Business**			
Gross Written Premium by Line of Business				
Gross Written Premium by Line of Business				
Commercial property				
Commercial property				
Commercial property	Commercial property	93,986	76,867	17,119
Personal property	Personal property	$ 9,886	$ 26,286	$ (16,400)
Total gross written premium by line of business	Total gross written premium by line of business	$ 103,872	$ 103,153	$ 719

(1) We are no longer writing in Texas or South Carolina as of May 31, 2022.

(2) Assumed premium written for 2023 and 2024 primarily included commercial property business assumed from unaffiliated insurers. Assumed premium written for 2022 includes New York personal property business assumed from our former subsidiary, UPC totaling $16,537,000.

		Three Months Ended September 30,		
New and Renewal Policies(1) by State (2)		**2023**	**2022**	**Change**
	Three Months Ended March 31,			**Three Months Ended March 31,**
New and Renewal Policies (1) By State	**New and Renewal Policies (1) By State**	**2024**	**2023**	**Change**
Florida	Florida	629	818	(189)
New York	New York	5,331	8,761	(3,430)
Texas		—	—	—
South Carolina		—	—	—
Total	Total	5,960	9,579	(3,619)
Total				
Total				

AMERICAN COASTAL INSURANCE CORPORATION

(1) Only includes new and renewal homeowner, commercial and dwelling fire policies written during the quarter.

(2) We are no longer writing in Texas or South Carolina as of May 31, 2022.

AMERICAN COASTAL INSURANCE CORPORATION

Expenses

Expenses for the three months ended September 30, 2023 March 31, 2024 decreased $59,223,000, $14,264,000, or 59.1% 25.0%, to $41,012,000 $42,800,000 from $100,235,000 $57,064,000 for the same period in 2022. 2023. The decrease in expenses was primarily due to a decrease in loss and LAE, policy acquisition costs and administrative expenses. The details of these changes can be seen below.

The calculations of our loss ratios and underlying loss ratios are shown below.

	Three Months Ended September 30,		
	2023	2022	Change
Net loss and LAE	$ 13,764	$ 52,765	$ (39,001)
% of Gross earned premiums	8.3 %	38.1 %	(29.8) pts
% of Net earned premiums	24.7 %	75.1 %	(50.4) pts
Less:			
Current year catastrophe losses	$ 5,847	$ 35,605	$ (29,758)
Prior year reserve unfavorable development	(3,349)	(1,846)	(1,503)
Underlying loss and LAE (1)	$ 11,266	$ 19,006	$ (7,740)
% of Gross earned premiums	6.8 %	13.7 %	(6.9) pts
% of Net earned premiums	20.2 %	27.1 %	(6.9) pts

(1) Underlying loss and LAE is a non-GAAP measure and is reconciled above to Net loss and LAE, the most directly comparable GAAP measure. Additional information regarding non-GAAP financial measures presented in this document is in the "**Definitions of Non-GAAP Measures**" section of this Form 10-Q.

The calculations of our expense ratios are shown below.

	Three Months Ended September 30,		
	2023	2022	Change
Policy acquisition costs	$ 15,600	$ 26,030	$ (10,430)
Operating and underwriting	2,799	3,123	(324)
General and administrative	6,131	15,959	(9,828)
Total Operating Expenses	$ 24,530	$ 45,112	$ (20,582)
% of Gross earned premiums	14.8 %	32.6 %	(17.8) pts
% of Net earned premiums	44.0 %	64.2 %	(20.2) pts

Loss and LAE decreased by $39,001,000, or 73.9%, to $13,764,000 for the third quarter of 2023 from $52,765,000 for the third quarter of 2022. Loss and LAE expense as a percentage of net earned premiums decreased 50.4 points to 24.7% for the third quarter of 2023, compared to 75.1% for the third quarter of 2022. Excluding catastrophe losses and reserve development, our gross underlying loss and LAE ratio for the third quarter of 2023 would have been 6.8%, a decrease of 6.9 points from 13.7% during the third quarter of 2022.

Policy acquisition costs decreased by $10,430,000, or 40.1%, to $15,600,000 for the third quarter of 2023 from $26,030,000 for the third quarter of 2022, primarily due to an increase in ceding commission income of $17,002,000 driven by our commercial lines quota share coverage entered into the second quarter of 2023. This was partially offset by increases in agent commissions, external management fees and premium taxes of $4,466,000, $1,035,000 and $734,000, respectively, driven by increased written premium quarter-over-quarter.

Operating and underwriting expenses decreased by $324,000, or (10.4)%, to $2,799,000 for the third quarter of 2023 from $3,123,000 for the third quarter of 2022, driven by a decrease in investments in technology of $406,000 quarter-over-quarter.

General and administrative expenses decreased by $9,828,000, or (61.6)%, to $6,131,000 for the third quarter of 2023 from $15,959,000 for the third quarter of 2022, driven by the impairment of goodwill attributable to our personal lines operating segment of $10,157,000. This impairment charge was a one time charge, with no similar charge occurring in 2023.

Commercial Lines Operating Segment Results

Pretax earnings attributable to our commercial lines operating segment for the three months ended September 30, 2023 increased $24,185,000, or 1,372.6%, to pre-tax income of $25,947,000 for the third quarter of 2023 from pre-tax income of $1,762,000 for the same period in 2022. The change in earnings was primarily driven by decreased loss and LAE incurred and decreased policy acquisition costs quarter-over-quarter. These decreased expenses were partially offset by a decrease in net premiums earned quarter-over-quarter. The details of these changes are described below.

Revenue

Our gross written premiums attributable to our commercial lines operating segment increased $17,119,000, or 22.3%, to $93,986,000 for the third quarter ended September 30, 2023 from $76,867,000 for the same period in 2022. This increase was driven primarily by an increase in written premiums in the state of Florida, as we focus on increasing commercial written premiums and transitioning towards a specialty commercial lines underwriter. The breakdown of the commercial lines operating segment quarter-over-quarter changes in both direct written and assumed premiums by state are shown in the table below.

($ in thousands)	Three Months Ended September 30, 2023	2022	Change
Direct Written and Assumed Premium by State (1)			
Florida	$ 93,965	$ 76,606	$ 17,359
Texas	—	114	(114)
South Carolina	—	—	—
Total direct written premium by state	93,965	76,720	17,245
Assumed premium (2)	21	147	(126)
Total gross written premium by state	$ 93,986	$ 76,867	$ 17,119

(1) We are no longer writing in Texas or South Carolina as of May 31, 2022.

(2) Assumed premium written for 2022 and 2021 is primarily commercial property business assumed from unaffiliated insurers.

New and Renewal Policies(1) by State (2)	Three Months Ended September 30, 2023	2022	Change
Florida	629	818	(189)
Texas	—	—	—
South Carolina	—	—	—
Total	629	818	(189)

(1) Only includes new and renewal commercial policies written during the year.

(2) We are no longer writing in Texas or South Carolina as of May 31, 2022.

Expenses

Expenses attributable to our commercial lines operating segment for the three months ended September 30, 2023 decreased $33,421,000, or 55.9%, to $26,383,000 from $59,804,000 for the same period in 2022. The decrease in expenses was primarily due to a decrease in loss and LAE and policy acquisition costs in the third quarter of 2023 compared to the third quarter of 2022. The details of these changes can be seen below.

The calculations of our commercial lines operating segment loss ratios and underlying loss ratios are shown below.

	Three Months Ended September 30, 2023	2022	Change
Net loss and LAE	$ 9,818	$ 34,229	$ (24,411)
% of Gross earned premiums	6.2 %	28.6 %	(22.4) pts
% of Net earned premiums	19.5 %	57.5 %	(38.0) pts
Less:			
Current year catastrophe losses	$ 4,892	$ 27,235	$ (22,343)
Prior year reserve (favorable) development	(3,105)	(1,795)	(1,310)
Underlying loss and LAE (1)	$ 8,031	$ 8,789	$ (758)
% of Gross earned premiums	5.1 %	7.3 %	(2.2) pts
% of Net earned premiums	15.9 %	14.7 %	1.2 pts

(1) Underlying loss and LAE is a non-GAAP measure and is reconciled above to Net loss and LAE, the most directly comparable GAAP measure. Additional information regarding non-GAAP financial measures presented in this document is in the "**Definitions of Non-GAAP Measures**" section of this Form 10-Q.

The calculations of our commercial lines operating segment expense ratios are shown below.

	Three Months Ended September 30,

	2023		2022		Change	
Policy acquisition costs	$	13,604	$	22,430	$	(8,826)
Operating and underwriting		717		717		—
General and administrative		2,244		2,428		(184)
Total Operating Expenses	$	16,565	$	25,575	$	(9,010)
% of Gross earned premiums		10.5 %		21.3 %		(10.8) pts
% of Net earned premiums		33.0 %		43.0 %		(10.0) pts

Loss and LAE attributable to our commercial lines operating segment decreased by $24,411,000, or 71.3%, to $9,818,000 for the third quarter of 2023 from $34,229,000 for the third quarter of 2022. Loss and LAE expense as a percentage of net earned premiums decreased 38.0 points to 19.5% for the third quarter of 2023, compared to 57.5% for the third quarter of 2022. Excluding catastrophe losses and reserve development, our gross underlying loss and LAE ratio for the third quarter of 2023 would have been 5.1%, a decrease of 2.2 points from 7.3% during the third quarter of 2022.

Policy acquisition costs attributable to our commercial lines operating segment decreased by $8,826,000, or 39.3%, to $13,604,000 for the third quarter of 2023 from $22,430,000 for the third quarter of 2022, ceding commission income of $14,543,000 driven by our commercial lines quota share coverage entered into the second quarter of 2023. This was partially offset by increases in agent commissions, external management fees and premium taxes of $4,004,000, $1,034,000 and $679,000, respectively, driven by increased written premium quarter-over-quarter.

Operating and underwriting expenses attributable to our commercial lines operating segment remained relatively flat, increasing by $0, or 0.0%, to $717,000 for the third quarter of 2023 from $717,000 for the third quarter of 2022.

General and administrative expenses attributable to our commercial lines operating segment remained relatively flat, decreasing by $184,000, or 7.6%, to $2,244,000 for the third quarter of 2023 from $2,428,000 for the third quarter of 2022.

Personal Lines Operating Segment Results

Pretax earnings attributable to our personal lines operating segment for the three months ended September 30, 2023 increased $21,043,000, or 79.4%, to a pre-tax loss of $5,461,000 for the third quarter of 2023 from a pre-tax loss of

$26,504,000 for the same period in 2022. The change in pretax earnings was primarily driven by a decrease in expenses, partially offset by a decrease in gross premiums written and earned quarter-over-quarter as described below. The details of the change in these expenses are described below.

Revenue

Our gross written premiums attributable to our personal lines operating segment increased $16,400,000, or 62.4%, to $9,886,000 for the third quarter ended September 30, 2023 from $26,286,000 for the same period in 2022. This increase was driven primarily by an increase in direct premiums, driven by the termination of our quota share agreement between our former subsidiary, UPC and IIC effective December 31, 2022 and subsequent renewal of policies directly with IIC. The change in personal lines direct written and assumed premiums and new and renewal policies of the personal lines operating segment quarter-over-quarter can be seen below.

($ in thousands, policies in ones)	Three Months Ended September 30,					
	2023		2022		Change	
Direct Written Premium	$	9,886	$	9,749	$	137
Assumed Premiums		—		16,537		(16,537)
Total gross written premium	$	9,886	$	26,286	$	(16,400)
New and Renewal Policies (1)		5,331		8,761		(3,430)

(1) Only includes new and renewal homeowner and dwelling fire policies written during the quarter.

Expenses

Expenses attributable to our personal lines operating segment for the three months ended September 30, 2023 decreased $26,043,000, or 69.2%, to $11,600,000 from $37,643,000 for the same period in 2022. The decrease in expenses is attributable to a decrease in loss & LAE incurred, general and administrative expenses and policy acquisition costs. The details of these changes are described below.

The calculations of our personal lines operating segment loss ratios and underlying loss ratios are shown below.

	Three Months Ended September 30,		
	2023	2022	Change
Net loss and LAE	$ 3,946	$ 18,536	$ (14,590)
% of Gross earned premiums	49.4 %	100.0 %	(50.6) pts
% of Net earned premiums	71.2 %	173.1 %	(101.9) pts
Less:			
Current year catastrophe losses	$ 955	$ 8,370	$ (7,415)
Prior year reserve (favorable) development	(244)	(51)	(193)
Underlying loss and LAE (1)	$ 3,235	$ 10,217	$ (6,982)
% of Gross earned premiums	40.5 %	55.1 %	(14.6) pts
% of Net earned premiums	58.4 %	95.4 %	(37.0) pts

(1) Underlying loss and LAE is a non-GAAP measure and is reconciled above to Net loss and LAE, the most directly comparable GAAP measure. Additional information regarding non-GAAP financial measures presented in this document is in the "**Definitions of Non-GAAP Measures**" section of this Form 10-Q.

The calculations of our personal lines operating segment expense ratios are shown below.

	Three Months Ended September 30,		
	2023	2022	Change
Policy acquisition costs	$ 1,996	$ 3,600	$ (1,604)
Operating and underwriting	1,984	2,296	(312)
General and administrative	3,674	13,211	(9,537)
Total Operating Expenses	$ 7,654	$ 19,107	$ (11,453)
% of Gross earned premiums	95.9 %	103.1 %	(7.2) pts
% of Net earned premiums	138.1 %	178.5 %	(40.4) pts

Loss and LAE attributable to our personal lines operating segment decreased by $14,590,000, or 78.7%, to $3,946,000 for the third quarter of 2023 from $18,536,000 for the third quarter of 2022. Loss and LAE expense as a percentage of net earned premiums decreased 101.9 points to 71.2% for the third quarter of 2023, compared to 173.1% for the third quarter of 2022. Excluding catastrophe losses and reserve development, our gross underlying loss and LAE ratio for the third quarter of 2023 would have been 40.5%, a decrease of 14.6 points from 55.1% during the third quarter of 2022.

Policy acquisition costs attributable to our personal lines operating segment decreased by $1,604,000, or 44.6%, to $1,996,000 for the third quarter of 2023 from $3,600,000 for the third quarter of 2022, primarily due to a decrease in reinsurance commissions of $2,459,000, driven by the termination of the quota share agreement between our former subsidiary UPC and IIC. This was partially offset by increased agent commissions and policy administration fees of $463,000 and $130,000, respectively, which fluctuate in conjunction with the quarter-over-quarter increase in personal lines direct gross written premium.

Operating and underwriting expenses attributable to our personal lines operating segment decreased by $312,000, or 13.6%, to $1,984,000 for the third quarter of 2023 from $2,296,000 for the third quarter of 2022, due to decreased investments in technology of $000 and decreased underwriting expenses of $000 quarter-over-quarter. We also experienced decreased operating costs such as utilities, printing and postage of $000 quarter-over-quarter.

General and administrative expenses attributable to our personal lines operating segment decreased by $9,537,000, or 72.2%, to $3,674,000 for the third quarter of 2023 from $13,211,000 for the third quarter of 2022, driven by a one time impairment of goodwill attributable to our personal lines segment totaling $10,157,000 in 2022. There was no similar transaction that occurred in 2023.

AMERICAN COASTAL INSURANCE CORPORATION

RESULTS OF OPERATIONS - COMPARISON OF THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2023 AND 2022

Net earnings attributable to ACIC for the nine months ended September 30, 2023 increased $468,712,000, or 270.8%, to net income of $295,627,000 from a net loss of $173,085,000 for the same period in 2022. Of this income, $65,092,000 is attributable to continuing operations for the nine months ended September 30, 2023, an increase of $106,122,000 from a net loss of $41,030,000 for the same period in 2022. Drivers of net income from continuing operations during 2023 include increased gross premiums earned partially offset by increased ceded premiums earned driven by our 2023 quota share agreements, decreased loss and LAE incurred, driven by decreased catastrophe losses year-over-year, and decreased administrative costs. In addition to continuing operations, we recognized income from discontinued operations of $230,535,000, driven by the deconsolidation of UPC and activities related directly to supporting the business conducted by UPC.

Revenue

Our gross written premiums increased $81,681,000, or 18.0%, to $534,880,000 for the nine months ended September 30, 2023 from $453,199,000 for the same period in 2022. This increase was driven primarily by an increase in our commercial premiums written, as we focus on transitioning towards a specialty commercial lines underwriter. The breakdown of the year-over-year changes in both direct written and assumed premiums by state and gross written premium by line of business are shown in the table below.

($ in thousands)	Nine Months Ended September 30,		
	2023	2022	Change
Direct Written and Assumed Premium by State (1)			
Florida	$ 507,342	$ 381,558	$ 125,784
New York	27,431	19,416	8,015
South Carolina	—	15	(15)
Texas	(9)	3,903	(3,912)
Total direct written premium by region	534,764	404,892	129,872
Assumed premium (2)	116	48,307	(48,191)
Total gross written premium by region	$ 534,880	$ 453,199	$ 81,681
Gross Written Premium by Line of Business			
Commercial property	507,449	385,898	121,551
Personal property	$ 27,431	$ 67,301	$ (39,870)
Total gross written premium by line of business	$ 534,880	$ 453,199	$ 81,681

(1) We are no longer writing in Texas or South Carolina as of May 31, 2022.

(2) Assumed premium written for 2023 primarily included commercial property business assumed from unaffiliated insurers. Assumed premium written for 2022 includes New York personal property business assumed from our former subsidiary, UPC totaling $21,630,000.

	Nine Months Ended September 30,		
New and Renewal Policies (1) **By State** (2)	2023	2022	Change
Florida	3,243	4,246	(1,003)
New York	16,031	29,704	(13,673)
Texas	—	32	(32)
South Carolina	—	2	(2)
Total	19,274	33,984	(14,710)

(1) Only includes new and renewal homeowner, commercial and dwelling fire policies written during the quarter.

(2) We are no longer writing in Texas or South Carolina as of May 31, 2022.

AMERICAN COASTAL INSURANCE CORPORATION

Expenses

Expenses for the nine months ended September 30, 2023 decreased $55,869,000, or 26.2%, to $157,112,000 from $212,981,000 for the same period in 2022. The decrease in expenses was primarily due to a decrease in loss & LAE incurred and administrative costs year-over-year. Policy acquisition costs and operating and underwriting expenses also decreased year-over-year. quarter-over-quarter. The details of these changes can be seen below.

		Nine Months Ended September 30,						
		2023	2022	Change				
	Three Months Ended March 31,						Three Months Ended March 31,	
						2024	2023	Change
Net loss and LAE	Net loss and LAE	$51,091	$93,112	$(42,021)				
% of Gross earned premiums	% of Gross earned premiums	10.9 %	23.8 %	(12.9) pts	% of Gross earned premiums	9.4 %	11.5 %	(2.1) pts
% of Net earned premiums	% of Net earned premiums	22.6 %	48.4 %	(25.8) pts	% of Net earned premiums	23.1 %	18.9 %	4.2 pts
Less:	Less:							
Current year catastrophe losses	Current year catastrophe losses	$15,002	$39,021	$(24,019)				
Current year catastrophe losses								
Current year catastrophe losses								

Prior year reserve (favorable) development	Prior year reserve (favorable) development	(11,665)	(8,787)	(2,878)				
Underlying loss and LAE (1)	Underlying loss and LAE (1)	$47,754	$62,878	$(15,124)				
% of Gross earned premiums	% of Gross earned premiums	10.2 %	16.1 %	(5.9) pts	% of Gross earned premiums	9.2 %	11.7 %	(2.5) pts
% of Net earned premiums	% of Net earned premiums	21.2 %	32.7 %	(11.5) pts	% of Net earned premiums	22.7 %	19.4 %	3.3 pts

(1) Underlying loss and LAE is a non-GAAP measure and is reconciled above to net loss and LAE, the most directly comparable GAAP measure. Additional information regarding non-GAAP financial measures presented in this document is in the "**Definitions of Non-GAAP Measures**" section of this Form 10-Q.

The calculations of our expense ratios are shown below.

		Nine Months Ended September 30,				Three Months Ended March 31,		
		2023	2022	Change		2024	2023	Change
Policy acquisition costs	Policy acquisition costs	$ 68,117	$ 69,908	$ (1,791)				
Operating and underwriting	Operating and underwriting	8,241	10,650	(2,409)				
General and administrative	General and administrative	21,507	32,231	(10,724)				
Total operating expenses	Total operating expenses	$ 97,865	$ 112,789	$ (14,924)				
% of Gross earned premiums	% of Gross earned premiums	20.9 %	28.9 %	(8.0) pts	% of Gross earned premiums	14.3 %	26.3 %	(12.0) pts
% of Net earned premiums	% of Net earned premiums	43.2 %	58.6 %	(15.4) pts	% of Net earned premiums	35.2 %	43.4 %	(8.2) pts

Loss and LAE decreased $42,021,000, $506,000, or 45.1% 3.1%, to $51,091,000 $15,906,000 for the nine three months ended September 30, 2023 March 31, 2024 from $93,112,000 $16,412,000 for the same period in 2022. 2023. Loss and LAE expense as a percentage of net earned premiums decreased 25.8 increased 4.2 points to 22.6% 23.1% for the nine three months ended September 30, 2023 March 31, 2024, compared to 48.4% 18.9% for the same period in 2022. 2023. Excluding catastrophe losses and reserve development, our gross underlying loss and LAE ratio for the nine three months ended September 30, 2023 March 31, 2024 was 10.2% 9.2%, a decrease of 5.9 2.5 points from 16.1% 11.7% during the nine three months ended September 30, 2022 March 31, 2023.

Policy acquisition costs decreased $1,791,000, $15,179,000, or 2.6% 56.3%, to $68,117,000 $11,793,000 for the nine three months ended September 30, 2023 March 31, 2024 from $69,908,000 $26,972,000 for the same period in 2022. 2023. The primary driver of the decrease was an increase in ceding commission income of $20,863,000 $17,321,000, driven by our commercial lines quota share coverage entered into in the third quarter of 2023. effective June 1, 2023. This was partially offset by an increase in external management fees incurred of $13,450,000, agent commissions of $3,378,000 $1,599,000 and premium taxes of $1,219,000 $556,000 related primarily to our increased commercial lines gross written premium during 2023. 2024.

Operating expenses decreased $2,409,000, increased $641,000, or 22.6% 29.6%, to $8,241,000 $2,809,000 for the nine three months ended September 30, 2023 March 31, 2024 from $10,650,000 $2,168,000 for the same period in 2022, 2023, primarily due to increased underwriting costs quarter-over-quarter totaling $1,120,000. This was partially offset by decreased investments in technology of $1,676,000. We also experienced decreased operating overhead costs such as rent, printing, postage and utilities printing and postage totaling $328,000 as a result of $748,000 year-over-year. cost saving initiatives implemented.

General and administrative expenses decreased $10,724,000, increased $780,000, or 33.3% 8.9%, to $21,507,000 $9,573,000 for the nine three months ended September 30, 2023 March 31, 2024 from $32,231,000 $8,793,000 for the same period in 2022 2023 driven by the impairment of goodwill attributable to our personal lines operating segment of $10,157,000. This impairment charge was a one time charge, with no similar charge occurring increased external legal and audit fees in 2023.

2024 totaling $707,000.

Commercial Lines Operating Segment Results

Pretax earnings attributable to our commercial lines operating segment for the nine three months ended September 30, 2023 increased $58,117,000, March 31, 2024 decreased $6,124,000, or 180.9% 15.7%, to pre-tax income of $90,247,000 $32,795,000 from pre-tax income of $32,130,000 $38,919,000 for the same period in 2022. 2023. The change in earnings was primarily driven by increased gross written ceded premiums, driven by changes in our quota share contracts effective June 1, 2023, increased general and administrative expenses and increased operating expenses, the details of which are described below. In addition, loss & LAE incurred decreased year-over-year. This increase was partially offset by increased policy acquisition costs during 2023 compared gross premiums earned quarter-over-quarter as we continue to the same period in 2022. The details of these changes are described below. focus on our specialty commercial lines underwriting.

Revenue

Our gross written premiums attributable to our commercial lines operating segment increased $121,551,000, $7,960,000, or 31.5% 4.5%, to $507,449,000 $184,601,000 for the nine three months ended September 30, 2023 March 31, 2024 from $385,898,000 $176,641,000 for the same period in 2022. 2023. This increase was driven primarily by an increase in written premiums in the state of Florida, as we our continued focus on increasing commercial written premiums and transitioning to a our specialty commercial lines underwriter. underwriting. The breakdown of the commercial lines operating segment year-over-year changes in both direct written and assumed premiums by state are shown in the table below.

($ in thousands)	($ in thousands)	Nine Months Ended September 30,			($ in thousands)	Three Months Ended March 31,		
		2023	2022	Change				
		2024				2024	2023	Change
Direct Written and Assumed Premium by State (1)	**Direct Written and Assumed Premium by State (1)**							
Florida	Florida	$ 507,342	$381,558	$125,784				
South Carolina		—	15	(15)				
Florida								
Florida								
Texas	Texas	(9)	3,903	(3,912)				
Total direct written premium by region	Total direct written premium by region	507,333	385,476	121,857				
Assumed premium (2)	Assumed premium (2)	116	422	(306)				
Total gross written premium by region	Total gross written premium by region	$ 507,449	$385,898	$121,551				

(1) We are no longer writing in Texas or South Carolina as of May 31, 2022.

(2) Assumed premium written for 2023 2024 and 2022 2023 is primarily commercial property business assumed from unaffiliated insurers.

	Nine Months Ended September 30,		
New and Renewal Policies(1) by State (2)	**2023**	**2022**	**Change**
Florida	3,243	4,246	(1,003)
Texas	—	32	(32)
South Carolina	—	2	(2)
Total	3,243	4,280	(1,037)

	Three Months Ended March 31,		
New and Renewal Policies(1) by State	**2024**	**2023**	**Change**
Florida	1,062	1,157	(95)
Total	1,062	1,157	(95)

(1) Only includes new and renewal commercial policies written during the year.

(2) We are no longer writing in Texas or South Carolina as of May 31, 2022.

Expenses

Expenses attributable to our commercial lines operating segment for the nine three months ended September 30, 2023 March 31, 2024 decreased $13,492,000, $8,663,000, or 10.7% 20.7%, to $112,203,000 $33,254,000 from $125,695,000 $41,917,000 for the same period in 2022. 2023. The decrease in expenses was primarily due to a decrease in policy acquisition costs and loss and LAE incurred during 2023 compared to the same period in 2022, incurred. This was partially offset by increased policy acquisition operating and administrative costs. The details of these changes quarter-over-quarter can be seen below.

The calculations of our commercial lines operating segment loss ratios and underlying loss ratios are shown below.

		Nine Months Ended September 30,			Three Months Ended March 31,			
		2023	2022	Change		2024	2023	Change
Net loss and LAE	Net loss and LAE	$39,964	$56,537	$(16,573)				
% of Gross earned premiums	% of Gross earned premiums	9.2 %	16.6 %	(7.4) pts	% of Gross earned premiums	7.2 %	10.5 %	(3.3) pts
% of Net earned premiums	% of Net earned premiums	19.7 %	36.1 %	(16.4) pts	% of Net earned premiums	18.4 %	17.7 %	0.7 pts
Less:	Less:							
Current year catastrophe losses	Current year catastrophe losses	$13,190	$27,753	$(14,563)				
Current year catastrophe losses								
Current year catastrophe losses								
Prior year reserve (favorable) development	Prior year reserve (favorable) development	(11,212)	(5,484)	(5,728)				
Underlying loss and LAE (1)	Underlying loss and LAE (1)	$37,986	$34,268	$ 3,718				
% of Gross earned premiums	% of Gross earned premiums	8.7 %	10.1 %	(1.4) pts	% of Gross earned premiums	7.1 %	11.0 %	(3.9) pts
% of Net earned premiums	% of Net earned premiums	18.7 %	21.9 %	(3.2) pts	% of Net earned premiums	18.2 %	18.5 %	(0.3) pts

(1) Underlying loss and LAE is a non-GAAP measure and is reconciled above to Net loss and LAE, the most directly comparable GAAP measure. Additional information regarding non-GAAP financial measures presented in this document is in the "**Definitions of Non-GAAP Measures**" section of this Form 10-Q.

The calculations of our commercial lines operating segment expense ratios are shown below.

		Nine Months Ended September 30,			Three Months Ended March 31,			
		2023	2022	Change		2024	2023	Change
Policy acquisition costs	Policy acquisition costs	$ 62,296	$ 59,036	$ 3,260				
Operating and underwriting	Operating and underwriting	2,314	2,953	(639)				
General and administrative	General and administrative	7,629	7,169	460				
Total Operating Expenses	Total Operating Expenses	$ 72,239	$ 69,158	$ 3,081				
% of Gross earned premiums	% of Gross earned premiums	16.6 %	20.3 %	(3.7) pts	% of Gross earned premiums	13.5 %	21.2 %	(7.7) pts
% of Net earned premiums	% of Net earned premiums	35.6 %	44.2 %	(8.6) pts	% of Net earned premiums	34.6 %	35.6 %	(1.0) pts

Loss and LAE attributable to our commercial lines operating segment decreased by $16,573,000, $2,348,000, or 29.3% 16.9%, to $39,964,000 $11,553,000 for the nine three months ended September 30, 2023 March 31, 2024 from $56,537,000 $13,901,000 for the same period in 2022. 2023. Loss and LAE expense as a percentage of net earned premiums decreased 16.4 increased 0.7 points to 19.7% 18.4% for the nine three months ended September 30, 2023 March 31, 2024 compared to 36.1% 17.7% for the same period in 2022. 2023. Excluding catastrophe losses and reserve development, our gross underlying loss and LAE ratio for the nine three months ended September 30, 2023 March 31, 2024 would have been 8.7% 7.1%, a decrease of 1.4 3.9 points from 10.1% 11.0% during the same period in 2022. 2023.

Policy acquisition costs attributable to our commercial lines operating segment increased decreased by $3,260,000, $12,985,000, or 5.5% 51.6%, to $62,296,000 $12,181,000 for the nine three months ended September 30, 2023 March 31, 2024 from $59,036,000 $25,166,000 for the same period in 2022, 2023, driven by a $13,450,000 increase in external management fees, a $2,031,000 increase in agent commissions and a $1,068,000 increase in premium taxes, all as a result of increased gross written premiums year-over-year. This was partially offset by a $13,283,000 $17,311,000 increase in ceding commission income related to our quota share agreements entered into effective June 1, 2023. This was partially offset by an $3,823,000 increase in the second quarter external management fees and commissions and a $509,000 increase in premium tax expense, all as a result of 2023. increased gross written premiums quarter-over-quarter.

Operating and underwriting expenses attributable to our commercial lines operating segment decreased increased by $639,000, $2,091,000, or 21.6% 2,178.1%, to $2,314,000 $2,187,000 for the nine three months ended September 30, 2023 March 31, 2024 from $2,953,000 $96,000 for the same period in 2022, 2023, driven by a $562,000 decrease $1,050,000 increase in allocations underwriting expenses and a $1,041,000 increase in allocation of overhead expenses for investments in technology. 2024.

General and administrative expenses attributable to our commercial lines operating segment increased by $460,000, $4,579,000, or 6.4% 166.3%, to $7,629,000 $7,333,000 for the nine three months ended 2023 2024 from $7,169,000 $2,754,000 for the same period in 2022, 2023, driven by a $424,000 $2,728,000 increase in allocated salaries and a $1,777,000 increase in allocated external fees related to such as legal, audit, actuarial and tax services provided during the year.

Personal Lines Operating Segment Results

Pretax earnings attributable to our personal lines operating segment for the nine three months ended September 30, 2023 March 31, 2024 increased $32,882,000, $3,013,000, or 79.1% 158.0%, to a pre-tax loss income of $8,704,000 $1,106,000 from a pre-tax loss of $41,586,000 $1,907,000 for the same period in 2022. 2023. The change in pretax earnings was primarily driven by a decrease in expenses, the details of which are described below. These decreases were partially offset by a decrease in gross written net premiums written earned quarter-over-quarter and earned year-over-year as described below. The details of the changes in these expenses are described below. increased losses and LAE, driven by increased non-catastrophe losses quarter-over-quarter.

Revenue

Our gross written premiums attributable to our personal lines operating segment decreased $39,870,000 increased $2,375,000 or 59.2% 22.7%, to $27,431,000 $12,857,000 for the nine three months ended September 30, 2023 March 31, 2024 from $67,301,000 $10,482,000 for the same period in 2022. 2023. This decrease increase was driven primarily by a decrease in assumed premiums, driven by the termination rate increases on our personal lines book of our quota share agreement between our former subsidiary, UPC and IIC effective December 31, 2022. business. The change in personal lines direct written and assumed premiums and new and renewal policies of the personal lines operating segment year-over-year quarter-over-quarter can be seen below.

($ in thousands)	($ in thousands)	Nine Months Ended September 30,			($ in thousands)	Three Months Ended March 31,		
		2023	2022	Change				
		2024				2024	2023	Change
Direct Written Premium	Direct Written Premium	$ 27,431	$ 19,416	$ 8,015				
Assumed Premiums		—	47,885	(47,885)				
Total gross written premium by region		$ 27,431	$ 67,301	$ (39,870)				
Direct Written Premium								
Direct Written Premium								
Total gross written premium								
Total gross written premium								
Total gross written premium								
New and Renewal Policies (1)	New and Renewal Policies (1)	16,031	29,704	(13,673)				
New and Renewal Policies (1)								
New and Renewal Policies (1)								

(1) Only includes new and renewal homeowner and dwelling fire policies written during the year.

Expenses

Expenses attributable to our personal lines operating segment for the nine three months ended September 30, 2023 March 31, 2024 decreased $42,813,000, $5,581,000, or 54.4% 45.9%, to $35,902,000 $6,591,000 from $78,715,000 $12,172,000 for the same period in 2022. 2023. The decrease in expenses is attributable to a decrease in policy acquisition costs, operating and administrative costs, the details of which are described below. These decreases were partially offset by increased loss and LAE incurred, and policy acquisition costs. General and administrative and operating and underwriting expenses also decreased year-over-year. The details of these changes are described below. driven by increased non-catastrophe losses.

The calculations of our personal lines operating segment loss ratios and underlying loss ratios are shown below.

	Nine Months Ended September 30,		
	2023	2022	Change

	Three Months Ended March 31,							Three Months Ended March 31,
						2024	2023	Change
Net loss and LAE	Net loss and LAE	$11,127	$36,575	$(25,448)				
% of Gross earned premiums	% of Gross earned premiums	33.9 %	73.0 %	(39.1) pts	% of Gross earned premiums	50.9 %	20.2 %	30.7 pts
% of Net earned premiums	% of Net earned premiums	47.6 %	101.3 %	(53.7) pts	% of Net earned premiums	71.4 %	29.0 %	42.4 pts
Less:	Less:							
Current year catastrophe losses	Current year catastrophe losses	$ 1,813	$11,268	$ (9,455)				
Current year catastrophe losses								
Current year catastrophe losses								
Prior year reserve (favorable) development	Prior year reserve (favorable) development	(453)	(3,303)	2,850				
Underlying loss and LAE (1)	Underlying loss and LAE (1)	$ 9,767	$28,610	$(18,843)				
% of Gross earned premiums	% of Gross earned premiums	29.8 %	57.1 %	(27.3) pts	% of Gross earned premiums	49.0 %	19.2 %	29.8 pts
% of Net earned premiums	% of Net earned premiums	41.7 %	79.3 %	(37.6) pts	% of Net earned premiums	68.7 %	27.5 %	41.2 pts

(1) Underlying loss and LAE is a non-GAAP measure and is reconciled above to Net loss and LAE, the most directly comparable GAAP measure. Additional information regarding non-GAAP financial measures presented in this document is in the "**Definitions of Non-GAAP Measures**" section of this Form 10-Q.

The calculations of our personal lines operating segment expense ratios are shown below.

		Nine Months Ended September 30,						
		2023	2022	Change				
		Three Months Ended March 31,						Three Months Ended March 31,
						2024	2023	Change
Policy acquisition costs	Policy acquisition costs	$ 5,821	$ 10,872	$ (5,051)				
Operating and underwriting	Operating and underwriting	5,601	7,409	(1,808)				
General and administrative	General and administrative	13,353	23,859	(10,506)				
Total Operating Expenses	Total Operating Expenses	$ 24,775	$ 42,140	$ (17,365)				
% of Gross earned premiums	% of Gross earned premiums	75.5 %	84.2 %	(8.7) pts	% of Gross earned premiums	26.2 %	77.6 %	(51.4) pts
% of Net earned premiums	% of Net earned premiums	105.9 %	116.7 %	(10.8) pts	% of Net earned premiums	36.7 %	111.5 %	(74.8) pts

Loss and LAE attributable to our personal lines operating segment decreased increased by $25,448,000, $1,842,000, or 69.6% 73.4%, to $11,127,000 $4,353,000 for the nine three months ended September 30, 2023 March 31, 2024 from $36,575,000 $2,511,000 for the same period in 2022. 2023. Loss and LAE expense as a percentage of net earned premiums decreased 53.7 increased 42.4 points to 47.6% 71.4% for the nine three months ended September 30, 2023 March 31, 2024, compared to 101.3% 29.0% for the same period in 2022. 2023. Excluding catastrophe losses and reserve development, our gross underlying loss and LAE ratio for the nine three months ended September 30, 2023 March 31, 2024 would have been 29.8% 49.0%, a decrease an increase of 27.3 29.8 points from 57.1% 19.2% for the same period in 2022. 2023.

Policy acquisition costs attributable to our personal lines operating segment decreased by $5,051,000, $2,194,000, or 46.5% 121.5%, to $5,821,000 $(388,000) for the nine three months ended September 30, 2023 March 31, 2024 from $10,872,000 $1,806,000 for the same period in 2022, 2023, primarily due to a $2,214,000 decrease in reinsurance commissions of $7,580,000, agent commission expense in 2024, driven by the termination collection of the quota share agreement between our former subsidiary UPC and IIC. This was partially offset by increased previously unearned agent commissions and policy administration fees of $1,347,000 and $413,000, respectively, which fluctuate in conjunction with the year-over-year increase in personal lines direct gross written premium. commissions.

Operating and underwriting expenses attributable to our personal lines operating segment decreased by $1,808,000, $1,412,000, or 24.4% 72.5%, to $5,601,000 $536,000 for the nine three months ended September 30, 2023 March 31, 2024 from $7,409,000 $1,948,000 for the same period in 2022, 2023, due to decreased allocation of investments in technology of $1,100,000. $1,070,000. We also experienced decreased operating costs such as utilities, printing and postage of $513,000 year-over-year. $375,000 quarter-over-quarter.

General and administrative expenses attributable to our personal lines operating segment decreased $10,506,000, $3,817,000, or 44.0% 64.6%, to $13,353,000 $2,090,000 for the nine three months ended September 30, 2023 March 31, 2024 from $23,859,000 $5,907,000 for the same period in 2022, 2023, driven by a $3,363,000 decrease in allocated salaries and a $586,000 decrease in allocated external fees such as legal, audit, actuarial and tax services provided during the year.

impairment of all goodwill attributable to our personal lines segment totaling $10,157,000 in 2022. There was no similar transaction that occurred in 2023.

LIQUIDITY AND CAPITAL RESOURCES

We generate cash through premium collections, reinsurance recoveries, investment income, the sale or maturity of invested assets, the incurrence of debt and the issuance of additional shares of our stock. We use our cash to pay reinsurance premiums, claims and related costs, policy acquisition costs, salaries and employee benefits, other expenses and stockholder dividends, acquire subsidiaries and pay associated costs, as well as to repay debts, repurchase stock and purchase investments.

As a holding company, we do not conduct any business operations of our own and, as a result, we rely on cash dividends or intercompany loans from our management subsidiaries to pay our general and administrative expenses. Insurance regulatory authorities heavily regulate our insurance subsidiaries, including restricting any dividends paid by our insurance subsidiaries and requiring approval of any management fees our insurance subsidiaries pay to our management subsidiaries for services rendered; however, nothing restricts our non-insurance company subsidiaries from paying us dividends other than state corporate laws regarding solvency. Our management subsidiaries pay us dividends primarily using cash from the collection of management fees from our insurance subsidiaries, pursuant to the management agreements in effect between those entities. In accordance with state laws, our insurance subsidiaries may pay dividends or make distributions out of that part of their statutory surplus derived from their net operating profit and their net realized capital gains. The Risk-Based Capital (RBC) guidelines published by the National Association of Insurance Commissioners may further restrict our insurance subsidiaries' ability to pay dividends or make distributions if the amount of the intended dividend or distribution would cause their respective surplus as it regards policyholders to fall below minimum RBC guidelines. See Note 14 in our Notes to Unaudited Condensed Consolidated Financial Statements for additional information.

During the three and nine months ended September 30, 2023 March 31, 2024, the Company made no a capital contributions contribution of $1,265,000 to its subsidiaries. During the three months ended September 30, 2022, the Company made capital contributions totaling $16,000,000 to our former insurance reinsurance subsidiary, UPC. During the nine months ended September 30, 2022, the Company made capital contributions of $55,000,000 and $11,200,000 each to our former insurance subsidiaries, UPC and FSIC. The contribution made to FSIC was made prior to the merging of FSIC into UPC. Re. We may make future contributions of capital to our insurance subsidiaries as circumstances require.

As described in Note 1 in The Company made no capital contributions to its subsidiaries during the Notes to Unaudited Condensed Consolidated Financial Statements above, substantial doubt existed about the Company's ability to continue as a going concern within the twelve-month period subsequent to the date that our Form 10-K was previously issued. However, as of June 30, 2023, the Company concluded that the events described in Note 1 have alleviated this substantial doubt. Accordingly, the unaudited condensed consolidated interim financial statements have been prepared on a basis that assumes the Company will continue as a going concern and which contemplates the realization of assets and satisfaction of liabilities and commitments in the ordinary course of business. three months ended March 31, 2023.

In September 2023, the Company entered into an equity distribution agreement (the "Agreement") with Raymond James & Associates, Inc., as agent (the "Agent"), of up to 8,000,000 shares of the Company's common stock, par value $0.0001 per share (the "Shares"). Sales of the Shares under the Agreement will be made in sales deemed to be "at the market offerings". The Agent is not required to sell any specific amount of Shares but has agreed to act as the Company's sales agent for a commission equal to 3.0% of the gross proceeds from the sales of the Shares. As of September 30, 2023 March 31, 2024, 5,200 4,373,000 shares had been sold under the Agreement resulting in commissions paid of approximately $1,000 $1,181,000 and net proceeds of approximately $38,000 and as of November 13, 2023, approximately 978,000 shares have been sold under the agreement resulting in commissions paid of approximately $221,000 and net proceeds of approximately $7,138,000. $38,190,000. The Agreement will terminate upon the issuance and sale of all Shares subject to the Agreement, or the Agreement may be suspended or discontinued at any time. The Company does not plan to sell additional shares under the at-the-market program to which this Agreement relates during the first half of 2024.

Cash Flows for the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023 (in millions)

Operating Activities

The principal cash inflows from our operating activities come from premium collections, reinsurance recoveries and investment income. The principal cash outflows from our operating activities are the result of claims and related costs, reinsurance premiums, policy acquisition costs and salaries and employee benefits. A primary liquidity concern with respect to these cash flows is the risk of large magnitude catastrophe events.

During the nine three months ended September 30, 2023 March 31, 2024, we experienced cash outflows inflows of $184,889,000 $124,484,000 compared to cash outflows of $27,048,000 $104,164,000 during the nine three months ended September 30, 2022 March 31, 2023. This change in outflows was driven by the continued payment of claims, partially normal business operations, such as premium collections. Claims payments were offset by recoveries received reinsurance recovery collections, with the net outflow from these activities totaling approximately $6,685,000. In addition, during the year, first quarter of 2023, we disposed of UPC, resulting in a decrease gain on disposal adjustment of $238,440,000. There was no similar transaction in our unpaid loss & loss adjustment expenses of $51,364,000 net of reinsurance recoverables. In addition, the Company experienced outflows from reinsurance contract payments which can be seen in the change in our ceded unearned premiums of $160,577,000. The remainder of these outflows can be attributed to normal business processes. 2024.

Investing Activities

The principal cash inflows from our investing activities come from repayments of principal, proceeds from maturities and sales of investments. We closely monitor and manage these risks through our comprehensive investment risk management process. The principal cash outflows relate to sales of investments. The primary liquidity concerns with respect to these cash flows are the risk of default by debtors and market disruption. During the nine three months ended September 30, 2023 March 31, 2024, net sales purchases of investments totaled $263,877,000 $2,005,000 compared to net sales of investments of $99,702,000 $195,082,000 during the nine three months ended September 30, 2022 March 31, 2023. This was These net sales in 2023 were offset by the disposition of $232,582,000 in cash related to the receivership of cash held by UPC at the time of receivership. UPC.

Financing Activities

The principal cash outflows from our financing activities come from repayments of debt and payments of dividends. The primary liquidity concern with respect to these cash flows is market disruption in the cost and availability of credit. We believe our current capital resources, together with cash provided from our operations, are sufficient to meet currently anticipated working capital requirements. During the nine three months ended September 30, 2023 March 31, 2024, cash provided by financing activities totaled $38,000, $11,398,000, compared to no cash used in financing activities totaling $25,071,000 for the nine three months ended September 30, 2022 March 31, 2023. The decrease increase in outflow inflow in 2023 2024 can be attributed to no dividend payment being made in the first quarter proceeds received from the issuance of 2023. In addition, no repayments of borrowings were made in 2023 as we no longer hold our common stock under our at the debt associated with our former subsidiary, UPC. Finally, in 2022 we returned capital attributable to the noncontrolling interest of JIC. This was a one-time return of capital.

market program described above.

OFF-BALANCE SHEET ARRANGEMENTS

AMERICAN COASTAL INSURANCE CORPORATION

At September 30, 2023 March 31, 2024, we did not have any off-balance sheet arrangements or material changes to our contractual obligations during the quarter.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks, including interest rate risk related to changes in interest rates in our fixed-maturity securities, credit risk related to changes in the financial condition of the issuers of our fixed-maturities and equity price risk related to changes in equity security prices. These risks are disclosed in Part II, Item 7A. *"Quantitative and Qualitative Disclosures about Market Risk"* of our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

We held no equity securities as of December 31, 2023. During the first quarter of 2024, we began investing in equity securities. As of March 31, 2024, our equity portfolio consists of mutual funds totaling $6,214,000. We had no other material changes in our market risk during the nine three months ended September 30, 2023 March 31, 2024.

Item 4. Controls and Procedures

We maintain a set of disclosure controls and procedures designed to ensure that the information required to be disclosed in reports we file or submit under the Securities Exchange Act of 1934, as amended (Exchange Act), is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. We designed our disclosure controls with the objective of ensuring we accumulate and communicate this information to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operations 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 report. Based on our evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of the end of the period covered by this report.

Subsequent to that evaluation, our management, including our principal executive officer and principal financial officer, concluded that, as of March 31, 2023, our disclosure controls and procedures were not effective due to the a material weakness in our internal control over financial reporting described below.

Existence of Material Weakness as of March 31, 2023

The During the second quarter of 2023, the Company identified a material weakness in its internal control over financial reporting related to the reporting of the discontinued operations. operations as of March 31, 2023. Specifically, the Company's controls over the review of significant unusual transactions, including the effects of the transactions on the preparation of the Company's tax provision were not designed effectively. The Company did not have sufficient, experienced accounting resources to effectively review the accounting for and reporting of significant, unusual transactions. As a result of the material weakness, management's review control did not detect an error in the accounting related to the recording of the discontinued operations and as a result, net income was understated by $6.4 million. The In 2023, the Company restated its consolidated interim financial statements as of and for the three months ended March 31, 2023 to reflect the correction of this error in this Amended Report. error.

Remediation Plan

Since identifying the material weakness related to management's review controls related to significant, unusual and complex transactions in the preparation of the Company's financial statements, management has begun remediation of the process and controls in place to measure and record transactions and their related effects to income tax accounting to enhance the effectiveness of the design and operation of those controls. The Company will focus on the accounting and disclosure for unusual and complex transactions such as discontinued operations and will continue to augment existing staff with additional skilled accounting resources and strengthen the review process to improve the design and operation of financial reporting and corresponding internal controls.

These remediation measures require validation and testing of the design and operating effectiveness of internal control over a sustained period of financial reporting to reach a determination that the material weakness has been remediated. As we continue to validate and test our internal control over financial reporting, we may determine that additional measures or modifications to the remediation plan are necessary or appropriate.

Changes in Internal Control over Financial Reporting

During the nine three months ended September 30, 2023 March 31, 2024, there was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) identified in connection with the evaluation of our internal control performed during the fiscal year ended December 31, 2022 December 31, 2023, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting, except as noted above with respect to the identification of the material weakness. reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in routine claims-related legal actions arising in the ordinary course of business. We accrue amounts resulting from claims-related legal actions in unpaid losses and loss adjustment expenses during the period that we determine an unfavorable outcome becomes probable and we can estimate the amounts. Management makes revisions to our estimates based on its analysis of subsequent information that we receive regarding various factors, including: (i) per claim information; (ii) company and industry historical loss experience; (iii) judicial decisions and legal developments in the awarding of damages; and (iv) trends in general economic conditions, including the effects of inflation.

At September 30, 2023 On October 20, 2023, we received notice that the Company was not DFS filed a notice of claim and demand for tender of insurance policy limits under our director and officer insurance to carriers participating in our director and officer's insurance program (the "Claim"). The Claim alleges that former officers and directors of UPC were involved in any material non-claims-related legal actions. wrongful acts that resulted in UPCs insolvency and demands immediate tender of our director and officer's policy limit of $40,000,000 where we have a retention of $1,500,000. The former directors and officers of UPC deny the allegations. Although no litigation has arisen from the Claim, litigation is anticipated. The directors and officers plan to vigorously defend against the Claim; however, due to our indemnification obligation, during 2023 we accrued the policy retention amount of $1,500,000. This claim remains open as of March 31, 2024.

Item 1A. Risk Factors

There have been no material changes to the risk factors previously disclosed in Part I. Item 1A "*Risk Factors*" of our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, except as set forth below.

The insurance industry is heavily regulated and further restrictive regulation may reduce our profitability and limit our growth.

The insurance industry is extensively regulated and supervised. Insurance regulatory authorities generally design insurance rules and regulations to protect the interests of policyholders, and not necessarily the interests of insurers, their stockholders, and other investors. This regulation relates to authorization for lines of business, capital and surplus requirements, investment limitations, underwriting limitations, transactions with affiliates, dividend limitations, changes in control, premium rates and a variety of other financial and non-financial components of an insurance company's business. We are subject to comprehensive regulation and supervision by state insurance departments in New York and Florida, the states in which our insurance subsidiaries are domiciled, as well as all states in which they are licensed. The regulations of each state are unique and complex and subject to change, and certain states may have identified regulations that conflict with the regulations of other states in which we operate. As a material weakness in our internal control over financial reporting, and our management has concluded that our internal control over financial reporting and disclosure controls and procedures were not effective as of the end of the period covered by this report. While result, we are working subject to remediate the identified material weakness, we cannot assure you risk that additional material weaknesses or significant deficiencies will compliance with the regulations in one state may not occur result in compliance with the future. If we fail regulations in another state.

We strive to maintain an effective system of internal controls, all required licenses and approvals. However, we may not be able fully comply with the wide variety of applicable laws and regulations. The relevant authority's interpretation of the laws and regulations also may change from time to accurately report our financial results time.

Regulatory authorities have relatively broad discretion to impose fines, and grant, renew or prevent fraud. As a result, our stockholders could lose confidence in our financial reporting, which could harm our business revoke licenses and the trading price of our common stock.

The Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. As disclosed in this Amended Report, in the course of preparing our interim financial statements for the fiscal quarter ended June 30, 2023, we identified a material weakness in our internal control over financial reporting, which existed as of March 31, 2023. The material weakness was caused by inadequate controls over our tax processes, described in more detail under the heading Part I — Item 4. Controls and Procedures in this Amended Report. We have commenced efforts to remediate the material weakness as described in more detail under the heading Part I — Item 4. Controls and Procedures in this Amended Report. The material weakness in our internal control over financial reporting will not be considered remediated until the controls operate for a sufficient period of time and management has concluded, through testing, that these controls operate effectively. approvals. If we do not successfully remediate have the required licenses and approvals or do not comply with applicable regulatory requirements, these authorities could preclude or temporarily suspend us from carrying on some or all of our activities or impose substantial fines. In addition, we may face individual and class action lawsuits by insured and other parties for alleged violations of certain of these laws or regulations.

State statutes and administrative rules generally require each insurance company to register with the department of insurance in its state of domicile and to furnish information concerning the operations of the companies within the holding company system. Failure to comply with such requirements may materially affect the operations, management or financial condition of the insurers.As part of its registration, each insurance company must identify material weakness, agreements, relationships and transactions with affiliates, including loans, investments, asset transfers, transactions outside of the ordinary course of business, certain management, service, and cost sharing agreements, reinsurance transactions, dividends, and other financial and non-financial components of an insurer's business. Some states impose restrictions or if other material weaknesses require prior regulatory approval of specific corporate actions, which may adversely affect our ability to operate, innovate, obtain necessary rate adjustments in a timely manner or other deficiencies arise grow our business profitably. For example, the Florida Office of Insurance Regulation (the "Office") notified our subsidiary, American Coastal Insurance Company and its officers and directors, that it was required to show why those officers and directors were not a substantial contributing cause of the insolvency of our former subsidiary, United Property & Casualty Insurance Company, pursuant to section 624.4073 Fla. Stat., which prohibits officers and directors of insolvent insurers from serving as officers or directors of another insurer unless that officer or director demonstrates that their actions or omissions were not a significant contributing cause of the insolvency.We have been in discussions with the Office and continue working with the Office on this issue. Our ability to comply with these laws and regulations, and to obtain necessary regulatory action in a timely manner is, and will continue to be, critical to our success.

Currently, the federal government's role in regulating or dictating the policies of insurance companies is limited. However, from time to time Congress has considered and may in the future we may be unable to accurately report our financial results, which could cause our financial results to be materially misstated and require restatement. In such case, we may be unable to maintain compliance with securities law requirements regarding timely filing consider proposals that would increase the role of periodic reports the federal government in insurance regulation, either in addition to applicable stock exchange listing requirements, investors or in lieu of state regulation. For example, the Dodd-Frank Act established a Federal Insurance Office (FIO) within the U.S. Department of Treasury Department to collect data on the insurance industry, recommend changes to the state system of insurance regulation and preempt certain state insurance laws. The potential impact on our business as a result of the Dodd-Frank Act and the FIO's current and future recommendations remains unclear; however, the implementation of any federal insurance regulations that constrain our business opportunities or reduce investment flexibility could negatively impact our business.

In recent years, the state insurance regulatory framework has come under increased federal scrutiny. Changes in federal legislation, regulation and/or administrative policies in several areas, including changes in financial services regulation and federal taxation, could negatively affect the insurance industry and us. In addition, Congress and some federal agencies from time to time investigate the current condition of insurance regulation in the United States to determine whether to impose federal or national regulation or to allow an optional federal charter, similar to the option available to most banks. Further, the

NAIC and state insurance regulators continually reexamine existing laws and regulations, specifically focusing on modifications to holding company regulations, interpretations of existing laws and the development of new laws and regulations. We cannot predict what effect, if any, proposed or future legislation or NAIC initiatives may lose confidence have on the manner in which we conduct our financial reporting business.

As part of potential, or future, industry-wide investigations, we may from time to time receive requests for information from government agencies and authorities at the state or federal level. If we are subpoenaed for information by government agencies and authorities, potential outcomes could include law enforcement proceedings or settlements resulting in fines, penalties and/or changes in business practices that could cause a material adverse effect on our results of operations. In addition, these investigations may result in changes to laws and regulations affecting the industry.

Changes to insurance laws or regulations, or new insurance laws and regulations, may be more restrictive than current laws or regulations and could significantly increase our compliance costs, which could have a material adverse effect on our results of operations and our stock price prospects for future growth. Additionally, our failure to comply with certain provisions of applicable insurance laws and regulations could result in significant fines or penalties being levied against us and may decline as a result. We cannot assure you that the measures we have taken to date, or any measures we may take in the future, will be sufficient to remediate the control deficiencies that led to cause a material weakness in adverse effect on our internal control over results of operations or financial reporting or that they will prevent or avoid potential future material weaknesses. condition.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the nine three months ended September 30, 2023 March 31, 2024, we did not sell any unregistered equity securities or repurchase any of our equity securities.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The following exhibits are filed or furnished herewith or are incorporated herein by reference:

Exhibit	Description
1.1 10.1	Equity Distribution Employment Agreement, dated as of September 27, 2023 January 17, 2024, between American Coastal Insurance Corporation and Svetlana Castle (included as Exhibit 10.1 to the Company Form 8-K filed on January 18, 2024 and Raymond James & Associates, Inc. incorporated herein by reference).
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
32.1	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act.
32.2	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (embedded within the Inline XBRL document and included in Exhibit 101).

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.

AMERICAN COASTAL INSURANCE CORPORATION

November 14, 2023 May 10, 2024	By:	*/s/ R. Daniel Peed*
		R. Daniel Peed, Chief Executive Officer (principal executive officer and duly authorized officer)
November 14, 2023 May 10, 2024	By:	*/s/ B. Bradford Martz Svetlana Castle*
		B. Bradford Martz, Svetlana Castle, Chief Financial Officer and President (principal financial officer and principal accounting officer)

EXHIBIT 31.1

CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, R. Daniel Peed, certify that:

1. I have reviewed this Form 10-Q of American Coastal Insurance Corporation;

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 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 15(d)-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;

(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;

(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

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.

/s/ R. Daniel Peed

R. Daniel Peed
Chief Executive Officer
(principal executive officer)

November 14, 2023 May 10, 2024

EXHIBIT 31.2

CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, B. Bradford Martz, Svetlana Castle, certify that:

1. I have reviewed this Form 10-Q of American Coastal Insurance Corporation;

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 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 15(d)-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;

(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;

(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

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.

/s/ B. Bradford Martz Svetlana Castle

B. Bradford Martz Svetlana Castle
President and Chief Financial Officer
(principal financial officer and principal accounting officer)

November 14, 2023 May 10, 2024

EXHIBIT 32.1

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT

In connection with the Form 10-Q of American Coastal Insurance Corporation for the quarter ended September 30, 2023 March 31, 2024, as filed with the Securities and Exchange Commission (the Report), I, R. Daniel Peed, the Chief Executive Officer (principal executive officer) of American Coastal Insurance Corporation hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1) 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 American Coastal Insurance Corporation

By: */s/ R. Daniel Peed*

R. Daniel Peed
Chief Executive Officer
(principal executive officer)

November 14, 2023 May 10, 2024

EXHIBIT 32.2

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT

In connection with the Form 10-Q of American Coastal Insurance Corporation for the quarter ended September 30, 2023 March 31, 2024, as filed with the Securities and Exchange Commission (the Report), I, B. Bradford Martz, Svetlana Castle, the Chief Financial Officer (principal financial officer and principal accounting officer) of American Coastal Insurance Corporation hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1) 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 American Coastal Insurance Corporation

By: */s/ B. Bradford Martz Svetlana Castle*

B. Bradford Martz Svetlana Castle
President and Chief Financial Officer
(principal financial officer and principal accounting officer)

November 14, 2023 May 10, 2024

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