REFINITIV

DELTA REPORT

10-Q

ACIC - UNITED INSURANCE HOLDINGS

10-Q - JUNE 30, 2023 COMPARED TO 10-Q - MARCH 31, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1418
CHANGES	284
DELETIONS	478
ADDITIONS	656

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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 March 31, 2023

June 30, 2023
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

UnitedAmerican Coastal Insurance Holdings Corp.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
(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	UIHC 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	☐	
		Emerging growth company	☐	

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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 May 15, 2023 August 9, 2023, 43,287,573 43,406,486 shares of common stock, par value $0.0001 per share, were outstanding.

UNITED AMERICAN COASTAL INSURANCE HOLDINGS CORP. CORPORATION

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.

UNITED AMERICAN COASTAL INSURANCE HOLDINGS CORP. 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 are most concentrated; write business as of March 1, 2023;
- our ability to cultivate and maintain agent relationships, particularly our relationship with AmRisc, LLC;
- 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;
- 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;

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- 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;
- substantial doubt about our ability to continue as a going concern, including the impact on future financing and reinsurance coverage;
- 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 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.

UNITED AMERICAN COASTAL INSURANCE HOLDINGS CORP. CORPORATION

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Consolidated Balance Sheets (Unaudited)

		March 31, 2023	December 31, 2022		June 30, 2023	December 31, 2022
ASSETS	ASSETS			ASSETS		
Investments, at fair value:	Investments, at fair value:			Investments, at fair value:		
Fixed maturities, available-for-sale (amortized cost of $239,473 and $237,735, respectively)		$ 210,733	$ 204,682			
Fixed maturities, available-for-sale (amortized cost of $185,046 and $237,735, respectively)				Fixed maturities, available-for-sale (amortized cost of $185,046 and $237,735, respectively)	$ 160,863	$ 204,682
Equity securities	Equity securities	16,181	15,657	Equity securities	—	15,657
Other investments (amortized cost of $2,917 and $3,072, respectively)		3,550	3,675			
Other investments (amortized cost of $3,403 and $3,072, respectively)				Other investments (amortized cost of $3,403 and $3,072, respectively)	3,583	3,675
Total investments	Total investments	$ 230,464	$ 224,014	Total investments	$ 164,446	$ 224,014
Cash and cash equivalents	Cash and cash equivalents	92,586	70,903	Cash and cash equivalents	27,767	70,903
Restricted cash	Restricted cash	49,671	45,988	Restricted cash	49,501	45,988
Total cash, cash equivalents and restricted cash	Total cash, cash equivalents and restricted cash	$ 142,257	$ 116,891	Total cash, cash equivalents and restricted cash	$ 77,268	$ 116,891

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Accrued investment income	Accrued investment income	1,818	1,605	Accrued investment income	1,632	1,605
Property and equipment, net	Property and equipment, net	18,118	19,591	Property and equipment, net	4,474	5,293
Premiums receivable, net (credit allowance of $27 and $32, respectively)		48,120	39,301			
Reinsurance recoverable on paid and unpaid losses, net (credit allowance of $150 and $333, respectively)		792,350	796,546			
Premiums receivable, net (credit allowance of $28 and $32, respectively)				Premiums receivable, net (credit allowance of $28 and $32, respectively)	55,651	39,301
Reinsurance recoverable on paid and unpaid losses, net (credit allowance of $169 and $333, respectively)				Reinsurance recoverable on paid and unpaid losses, net (credit allowance of $169 and $333, respectively)	658,814	796,546
Ceded unearned premiums	Ceded unearned premiums	65,702	90,496	Ceded unearned premiums	329,676	90,496
Goodwill	Goodwill	59,476	59,476	Goodwill	59,476	59,476
Deferred policy acquisition costs, net	Deferred policy acquisition costs, net	59,897	60,979	Deferred policy acquisition costs, net	34,821	52,369
Intangible assets, net	Intangible assets, net	11,758	12,770	Intangible assets, net	10,946	12,770
Other assets	Other assets	15,426	3,920	Other assets	35,546	3,920
Assets held for disposal	Assets held for disposal	—	1,411,907	Assets held for disposal	12,105	1,434,815
Total Assets	Total Assets	$ 1,445,386	$ 2,837,496	Total Assets	$ 1,444,855	$ 2,837,496
LIABILITIES AND STOCKHOLDERS' EQUITY	LIABILITIES AND STOCKHOLDERS' EQUITY			LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:	Liabilities:			Liabilities:		
Unpaid losses and loss adjustment expenses	Unpaid losses and loss adjustment expenses	$ 748,365	$ 842,958	Unpaid losses and loss adjustment expenses	$ 534,676	$ 842,958
Unearned premiums	Unearned premiums	301,625	258,978	Unearned premiums	387,311	258,978
Reinsurance payable on premiums	Reinsurance payable on premiums	33,908	30,503	Reinsurance payable on premiums	140,662	30,503
Payments outstanding	Payments outstanding	2,326	2,000	Payments outstanding	17,532	2,000
Accounts payable and accrued expenses	Accounts payable and accrued expenses	89,582	75,374	Accounts payable and accrued expenses	93,184	74,386
Operating lease liability	Operating lease liability	1,412	1,689	Operating lease liability	1,172	1,689
Other liabilities	Other liabilities	36,242	17,466	Other liabilities	7,606	5,849
Notes payable, net	Notes payable, net	148,438	148,355	Notes payable, net	148,521	148,355
Liabilities held for disposal	Liabilities held for disposal	—	1,642,212	Liabilities held for disposal	1,795	1,654,817
Total Liabilities	Total Liabilities	$ 1,361,898	$ 3,019,535	Total Liabilities	$ 1,332,459	$ 3,019,535
Commitments and contingencies (Note 11)						

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Commitments and contingencies (Note 12)				Commitments and contingencies (Note 12)		
Stockholders' Equity:	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	$ —	$ —	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; 43,486,442 and 43,492,256 issued, respectively; 43,274,359 and 43,280,173 outstanding, respectively		4	4			
Common stock, $0.0001 par value; 100,000,000 shares authorized; 43,618,569 and 43,492,256 issued, respectively; 43,406,486 and 43,280,173 outstanding, respectively				Common stock, $0.0001 par value; 100,000,000 shares authorized; 43,618,569 and 43,492,256 issued, respectively; 43,406,486 and 43,280,173 outstanding, respectively	4	4
Additional paid-in capital	Additional paid-in capital	395,966	395,631	Additional paid-in capital	396,136	395,631
Treasury shares, at cost: 212,083 shares	Treasury shares, at cost: 212,083 shares	(431)	(431)	Treasury shares, at cost: 212,083 shares	(431)	(431)
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(25,629)	(30,947)	Accumulated other comprehensive loss	(21,072)	(30,947)
Retained earnings (deficit)	Retained earnings (deficit)	(286,422)	(546,296)	Retained earnings (deficit)	(262,241)	(546,296)
Total Stockholders' Equity (Deficit)	Total Stockholders' Equity (Deficit)	$ 83,488	$ (182,039)	Total Stockholders' Equity (Deficit)	$ 112,396	$ (182,039)
Total Liabilities and Stockholders' Equity	Total Liabilities and Stockholders' Equity	$ 1,445,386	$ 2,837,496	Total Liabilities and Stockholders' Equity	$ 1,444,855	$ 2,837,496

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

UNITED AMERICAN COASTAL INSURANCE HOLDINGS CORP. CORPORATION

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

		Three Months Ended March 31,			Three Months Ended June 30,		Six Months Ended June 30,	
		2023	**2022**		**2023**	**2022**	**2023**	**2022**
REVENUE:	REVENUE:			REVENUE:				
Gross premiums written	Gross premiums written	$ 187,123	$ 142,414	Gross premiums written	$ 243,885	$ 207,632	$ 431,008	$ 350,046
Change in gross unearned premiums	Change in gross unearned premiums	(42,647)	(19,681)	Change in gross unearned premiums	(85,686)	(78,149)	(128,333)	(97,830)
Gross premiums earned	Gross premiums earned	144,476	122,733	Gross premiums earned	158,199	129,483	302,675	252,216
Ceded premiums earned	Ceded premiums earned	(57,152)	(64,987)	Ceded premiums earned	(75,030)	(64,951)	(132,182)	(129,938)

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Net premiums earned	Net premiums earned	87,324	57,746	Net premiums earned	83,169	64,532		170,493	122,278	
Net investment income	Net investment income	2,589	1,404	Net investment income	2,692	1,839		5,281	3,243	
Net realized investment gains (losses)		(83)	37							
Net realized investment losses							Net realized investment losses	(6,725)	(77)	(6
Net unrealized gains (losses) on equity securities	Net unrealized gains (losses) on equity securities	474	(770)	Net unrealized gains (losses) on equity securities	141	(2,391)		615	(3,161)	
Management fee income		9,668	50,206							
Other revenue	Other revenue	4,075	8,738	Other revenue	18	7		34	22	
Total revenue	Total revenue	104,047	117,361	Total revenue	79,295	63,910		169,615	122,342	
EXPENSES:	EXPENSES:			EXPENSES:						
Losses and loss adjustment expenses	Losses and loss adjustment expenses	19,073	32,518	Losses and loss adjustment expenses	20,915	14,032		37,327	40,347	
Policy acquisition costs	Policy acquisition costs	26,927	52,152	Policy acquisition costs	25,545	23,570		52,517	43,878	
Operating expenses	Operating expenses	5,651	10,603	Operating expenses	3,274	3,820		5,442	7,527	
General and administrative expenses	General and administrative expenses	9,837	15,435	General and administrative expenses	6,583	8,208		15,376	16,272	
Interest expense	Interest expense	2,719	2,359	Interest expense	2,719	2,363		5,438	4,722	
Total expenses	Total expenses	64,207	113,067	Total expenses	59,036	51,993		116,100	112,746	
Income before other income	Income before other income	39,840	4,294	Income before other income	20,259	11,917		53,515	9,596	
Other income	Other income	588	1,333	Other income	806	258		1,394	1,591	
Income before income taxes	Income before income taxes	40,428	5,627	Income before income taxes	21,065	12,175		54,909	11,187	
Provision for income taxes	Provision for income taxes	9,855	980	Provision for income taxes	713	25,486		4,190	24,771	
Income from continuing operations, net of tax	Income from continuing operations, net of tax	$ 30,573	$ 4,647	Income from continuing operations, net of tax	$ 20,352	$ (13,311)		$ 50,719	$ (13,584)	
Income (loss) from discontinued operations, net of tax	Income (loss) from discontinued operations, net of tax	230,305	(37,904)	Income (loss) from discontinued operations, net of tax	(2,573)	(55,744)		234,340	(88,728)	
Net income (loss)	Net income (loss)	$ 260,878	$ (33,257)	Net income (loss)	17,779	(69,055)		$ 285,059	$ (102,312)	
Less: Net loss attributable to NCI	Less: Net loss attributable to NCI	—	(85)	Less: Net loss attributable to NCI	—	(26)		—	(111)	
Net income (loss) attributable to UIHC		$ 260,878	$ (33,172)							

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Net income (loss) attributable to ACIC							Net income (loss) attributable to ACIC		$17,779		$(69,029)	$285
OTHER COMPREHENSIVE INCOME (LOSS):	OTHER COMPREHENSIVE INCOME (LOSS):			OTHER COMPREHENSIVE INCOME (LOSS):								
Change in net unrealized gains (losses) on investments	Change in net unrealized gains (losses) on investments	4,231	(27,689)	Change in net unrealized gains (losses) on investments	(2,168)	(16,590)		2,063		(44,279)		
Reclassification adjustment for net realized investment losses	Reclassification adjustment for net realized investment losses	83	1,769	Reclassification adjustment for net realized investment losses	6,725	78		6,808		1,847		
Income tax benefit related to items of other comprehensive income (loss)		—	6,236									
Income tax benefit (expense) related to items of other comprehensive income (loss)							Income tax benefit (expense) related to items of other comprehensive income (loss)		—		(6,187)	
Total comprehensive income (loss)	Total comprehensive income (loss)	$ 265,192	$ (52,941)	Total comprehensive income (loss)	$ 22,336	$ (91,754)		$ 293,930		$ (144,695)		
Less: Comprehensive loss attributable to NCI		—	(643)									
Comprehensive income (loss) attributable to UIHC		$ 265,192	$ (52,298)									
Less: Comprehensive income (loss) attributable to NCI							Less: Comprehensive income (loss) attributable to NCI		—		479	
Comprehensive income (loss) attributable to ACIC							Comprehensive income (loss) attributable to ACIC		$22,336		$(92,233)	$293
Weighted average shares outstanding	Weighted average shares outstanding			Weighted average shares outstanding								
Basic	Basic	43,124,825	42,980,691	Basic	43,229,416	43,049,227		43,178,758		43,015,114		
Diluted	Diluted	43,574,840	42,980,691	Diluted	43,805,217	43,049,227		43,690,435		43,015,114		
Earnings available to UIHC common stockholders per share												
Earnings available to ACIC common stockholders per share							Earnings available to ACIC common stockholders per share					
Basic	Basic			Basic								
Continuing operations	Continuing operations	$ 0.71	$ 0.11	Continuing operations	$ 0.48	$ (0.31)		$ 1.16		$ (0.31)		
Discontinued operations	Discontinued operations	5.34	(0.88)	Discontinued operations	(0.06)	(1.29)		5.43		(2.06)		
Total	Total	$ 6.05	$ (0.77)	Total	$ 0.42	$ (1.60)		$ 6.59		$ (2.37)		
Diluted	Diluted			Diluted								

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Continuing operations	Continuing operations	$ 0.70	$ 0.11	Continuing operations	$ 0.47	$ (0.31)	$ 1.16	$ (0.31)
Discontinued operations	Discontinued operations	5.29	(0.88)	Discontinued operations	(0.06)	(1.29)	5.36	(2.06)
Total	Total	$ 5.99	$ (0.77)	Total	$ 0.41	$ (1.60)	$ 6.52	$ (2.37)

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

UNITED AMERICAN COASTAL INSURANCE HOLDINGS CORP. CORPORATION

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

	Common Stock Number of Shares	Common Stock Dollars	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Number of Shares / Retained Deficit		Stockholders' Equity Attributable to UIHC	Dollars	NCI
December 31, 2021	43,370,442	$ 4	Additional Paid-in Capital	$394,268 Treasury Stock	Accumulated Other Comprehensive Loss	Stockholders' Equity Attributable to UIHC $ (431)	$(6,531)	$ (74,904)	$312,406	$ 19,55
March 31, 2022									March 31, 2022	43,257,595
Net loss	Net loss —	—	—	—	—	(33,172)		(33,172)		(8
Other comprehensive loss, net	—	—	—	—	(19,126)	—		(19,126)		(55
Other comprehensive income (loss), net										
Return of Capital to NCI										
Stock Compensation	Stock Compensation (112,847)	—	452	—	—	—		452		-
Cash dividends on common stock ($0.06 per common share)	—	—	—	—	—	(2,589)		(2,589)		-
March 31, 2022	43,257,595	$ 4	$ 394,720	$ (431)	$ (25,657)	$(110,665)		$ 257,971		$ 18,9(
June 30, 2022										

	Common Stock Number of Shares	Common Stock Dollars	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings (Deficit)	Stockholders' Equity (Deficit) Attributable to UIHC / Number of Shares		NCI	Dol
December 31, 2022	43,280,173	$ 4	Additional Paid-in Capital	$395,631 Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings (Deficit) $ (431)	NCI $ (30,947)	$ (546,296)	$(182,039)	$
March 31, 2023							March 31, 2023	43,274,359		$ 4
Net Income	Net Income —	—	—	—	—	260,878	260,878		—	
Other comprehensive income, net	Other comprehensive income, net —	—	—	—	4,314	—	4,314		—	
Impact of Deconsolidation of Discontinued Operations	—	—	—	—	1,004	(1,004)	—		—	
Stock Compensation	Stock Compensation (5,814)	—	335	—	—	—	335		—	
March 31, 2023	43,274,359	$ 4	$ 395,966	$ (431)	$ (25,629)	$(286,422)	$ 83,488		$ —	
June 30, 2023										

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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Condensed Consolidated Statements of Stockholders' Equity for the Six 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
December 31, 2021	43,370,442	$ 4	$ 394,268	$ (431)	$ (6,531)	$ (74,904)	$ 312,406	$ 19,551	$ 331,957
Net loss	—	—	—	—	—	(102,201)	(102,201)	(111)	(102,312)
Other comprehensive loss, net	—	—	—	—	(42,330)	—	(42,330)	(53)	(42,383)
Return of Capital to NCI	—	—	—	—	—	1,052	1,052	(19,387)	(18,335)
Stock Compensation	(57,276)	—	634	—	—	—	634	—	634
Cash dividends on common stock ($0.06 per common share)	—	—	—	—	—	(2,589)	(2,589)	—	(2,589)
June 30, 2022	43,313,166	$ 4	$ 394,902	$ (431)	$ (48,861)	$ (178,642)	$ 166,972	$ —	$ 166,972

	Common Stock								
	Number of Shares	Dollars	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings (Deficit)	Stockholders' Equity (Deficit) Attributable to ACIC	NCI	Total Stockholders' Equity (Deficit)
December 31, 2022	43,280,173	$ 4	$ 395,631	$ (431)	$ (30,947)	$ (546,296)	$ (182,039)	$ —	$ (182,039)
Net Income	—	—	—	—	—	285,059	285,059	—	285,059
Other comprehensive income, net	—	—	—	—	8,871	—	8,871	—	8,871
Impact of Deconsolidation of Discontinued Operations	—	—	—	—	1,004	(1,004)	—	—	—
Stock Compensation	126,313	—	505	—	—	—	505	—	505
June 30, 2023	43,406,486	$ 4	$ 396,136	$ (431)	$ (21,072)	$ (262,241)	$ 112,396	$ —	$ 112,396

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Condensed Consolidated Statements of Cash Flows (Unaudited)

		Three Months Ended March 31, 2023	Three Months Ended March 31, 2022		Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
OPERATING ACTIVITIES	OPERATING ACTIVITIES			OPERATING ACTIVITIES		
Net income (loss)	Net income (loss)	$ 260,878	$ (33,257)	Net income (loss)	$ 285,059	$ (102,312)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:	Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	Depreciation and amortization	2,155	2,606	Depreciation and amortization	4,281	5,042
Bond amortization and accretion	Bond amortization and accretion	160	1,634	Bond amortization and accretion	499	3,041
Net realized losses (gains) on investments		(1,260)	1,769			

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Net realized losses on investments				Net realized losses on investments	5,464	1,847
Net unrealized losses (gains) on equity securities	Net unrealized losses (gains) on equity securities	(2,554)	2,268	Net unrealized losses (gains) on equity securities	(2,694)	7,352
Provision for uncollectable premiums	Provision for uncollectable premiums	5	12	Provision for uncollectable premiums	4	6
Provision for uncollectable reinsurance recoverables	Provision for uncollectable reinsurance recoverables	183	168	Provision for uncollectable reinsurance recoverables	164	223
Deferred income taxes, net	Deferred income taxes, net	15,767	(11,351)	Deferred income taxes, net	3,310	24,764
Stock based compensation	Stock based compensation	335	452	Stock based compensation	505	634
Settlement of receivable owed by HCI in connection with purchase agreement	Settlement of receivable owed by HCI in connection with purchase agreement	—	3,800	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	(422)	(1,528)	Gain on sale of property and equipment	(559)	(1,528)
Fixed asset disposal	Fixed asset disposal	524	343	Fixed asset disposal	953	343
Disposition of former subsidiary		(229,183)	—			
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:			Changes in operating assets and liabilities:		
Accrued investment income	Accrued investment income	369	437	Accrued investment income	555	200
Premiums receivable	Premiums receivable	15,178	2,265	Premiums receivable	7,648	(22,386)
Reinsurance recoverable on paid and unpaid losses	Reinsurance recoverable on paid and unpaid losses	289,946	85,140	Reinsurance recoverable on paid and unpaid losses	423,501	239,386
Ceded unearned premiums	Ceded unearned premiums	72,064	146,667	Ceded unearned premiums	(191,910)	(72,033)
Deferred policy acquisition costs, net	Deferred policy acquisition costs, net	(875)	(7,193)	Deferred policy acquisition costs, net	24,201	(38,671)
Other assets	Other assets	(31,630)	(4,618)	Other assets	(49,699)	(1,728)
Receivable from sale of building		—	3,236			
Unpaid losses and loss adjustment expenses	Unpaid losses and loss adjustment expenses	(278,142)	(117,236)	Unpaid losses and loss adjustment expenses	(491,831)	(234,456)
Unearned premiums	Unearned premiums	(145,540)	(39,731)	Unearned premiums	(59,854)	14,657

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Reinsurance payable on premiums	Reinsurance payable on premiums	(13,376)	(51,714)	Reinsurance payable on premiums	93,378	189,059
Payments outstanding	Payments outstanding	(68,493)	(10,246)	Payments outstanding	(53,287)	(5,561)
Accounts payable and accrued expenses	Accounts payable and accrued expenses	16,440	(2,924)	Accounts payable and accrued expenses	21,837	(7,693)
Operating lease liability	Operating lease liability	(277)	(183)	Operating lease liability	(517)	(334)
Other liabilities	Other liabilities	(6,416)	8,291	Other liabilities	(15,391)	4,634
Net cash provided by (used in) operating activities	Net cash provided by (used in) operating activities	$ (104,164)	$ (20,893)	Net cash provided by (used in) operating activities	$ (232,823)	$ 8,286
INVESTING 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:		
Fixed maturities	Fixed maturities	178,211	85,978	Fixed maturities	230,424	107,536
Equity securities	Equity securities	24,163	88	Equity securities	40,322	88
Other investments	Other investments	227	1,063	Other investments	500	1,464
Purchases of:	Purchases of:			Purchases of:		
Fixed maturities	Fixed maturities	(7,439)	(13,415)	Fixed maturities	(11,786)	(18,334)
Equity securities	Equity securities	(80)	(3,121)	Equity securities	35	(6,253)
Other investments	Other investments	—	(459)	Other investments	(759)	(840)
Proceeds from sale of property and equipment	Proceeds from sale of property and equipment	464	730	Proceeds from sale of property and equipment	599	3,966
Cost of property, equipment and capitalized software acquired	Cost of property, equipment and capitalized software acquired	(154)	(1,406)	Cost of property, equipment and capitalized software acquired	(273)	(2,360)
Disposition of cash on divestiture of subsidiary	Disposition of cash on divestiture of subsidiary	(232,582)	—	Disposition of cash on divestiture of subsidiary	(232,582)	—
Net cash provided by (used in) investing activities		$ (37,190)	$ 69,458			
Net cash provided by investing activities				Net cash provided by investing activities	$ 26,480	$ 85,267
FINANCING ACTIVITIES	FINANCING ACTIVITIES			FINANCING ACTIVITIES		
Repayments of borrowings	Repayments of borrowings	—	(381)	Repayments of borrowings	—	(761)
Dividends	Dividends	—	(2,589)	Dividends	—	(2,589)
Return of capital in connection with termination of noncontrolling interest				Return of capital in connection with termination of noncontrolling interest	—	(18,335)
Net cash used in financing activities	Net cash used in financing activities	$ —	$ (2,970)	Net cash used in financing activities	$ —	$ (21,685)

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Increase in cash, cash equivalents and restricted cash, including cash classified as assets held for disposal	Increase in cash, cash equivalents and restricted cash, including cash classified as assets held for disposal	(141,354)	45,595	Increase in cash, cash equivalents and restricted cash, including cash classified as assets held for disposal	(206,343)	71,868
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 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	$ 142,257	$ 290,873	Cash, cash equivalents and restricted at end of period	$ 77,268	$ 317,146
Supplemental Cash Flows Information	**Supplemental Cash Flows Information**			**Supplemental Cash Flows Information**		
Interest paid	Interest paid	$ —	$ 35	Interest paid	$ 5,438	$ 4,771
Income taxes paid	Income taxes paid	$ 5,325	$ 77	Income taxes paid	$ 614	$ 644

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

UNITED AMERICAN COASTAL INSURANCE HOLDINGS CORP. CORPORATION
Notes to Unaudited Condensed Consolidated Financial Statements
March 31, June 30, 2023

1) ORGANIZATION, CONSOLIDATION AND PRESENTATION

(a) Business

United American Coastal Insurance Holdings Corp. Corporation (referred to in this document as we, our, us, the Company or UIHC) 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 merger on April 29, 2016; and American Coastal Insurance Company (ACIC) (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, which provides claims adjusting services to ACIC; AmCoastal; 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 Technologies, LLC (SCS), 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 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 personal residential business in six other states; however 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 Florida Department of Financial Services (the "DFS") which divested our ownership of UPC.

Effective June 1, 2022, we merged our majority-owned insurance subsidiary, Journey Insurance Company (JIC) into ACIC, AmCoastal, with ACIC 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 ACIC 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

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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) and commercial residential property and casualty insurance policies (commercial 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 2, our former subsidiary, UPC, qualifies and activities related directly to supporting the business conducted by UPC qualify as a discontinued operation. 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.

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, 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 ACIC 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 ACIC 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 Hurrican 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 ACIC AmCoastal and future recoverables. Management also believed that the ability for ACIC 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 ACIC AmCoastal pursuant to the Allocation Agreement could be resolved in short order.

However, on April 19, 2023, ACIC AmCoastal entered into a Memorandum of Understanding with the DFS. Under the terms of the Memorandum, ACIC 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 ACIC. AmCoastal. If a true up adjustment demonstrates that any future

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reinsurance recoveries were over-collected by ACIC, ACIC AmCoastal, AmCoastal will remit any over-payment to UPC.

While On May 15, 2023, the Company, together with it's 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 is 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 on 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 does not object to the Company utilizing UPC's net operating loss carry-forward against its future taxable income. We believe probability of the Internal Revenue Service (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 execution of the MOU does these MOUs prior to June 30, 2023 alleviate the uncertainty regarding future recoverables, uncertainty does still exist regarding and recoveries currently held by UPC. The Company intends to continue to work towards a fair and equitable solution regarding these held recoveries (See Note 18). In addition, as of March 31, 2023, the Company has had not finalized its catastrophe cover for June 1, 2023 to May 31, 2024. While continued progress is being made, However, as of June 30, 2023, the Company has finalized this cover, alleviating the uncertainty does still exist regarding placement of this cover. placement. As a result, the Company has concluded substantial doubt continues to exist 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, we have reversed the valuation allowance on these deferred tax assets, totaling $2,223,000.

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 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.

(b) 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, was as well as the activities related directly to supporting the business conducted by UPC were evaluated for qualification as a discontinued operation. 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.

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(b)(c) Pending Accounting Pronouncements

We have evaluated pending accounting pronouncements and do not believe any would have an impact on the operations or financial reporting of our company.

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 of. 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 assets and liabilities for the balance sheet as of December 31, 2022 are reclassified as held for disposal retrospectively, 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 months ended March 31, 2023 and 2022 are presented below.

UNITED AMERICAN COASTAL INSURANCE HOLDINGS CORP. CORPORATION
Notes to Unaudited Condensed Consolidated Financial Statements
March 31, June 30, 2023

Results From Discontinued Operations

	Three Months Ended March 31,	
	2023	**2022**
REVENUE:		
Gross premiums written	$ (120,608)	$ 146,828
Change in gross unearned premiums	198,154	59,726
Gross premiums earned	77,546	206,554
Ceded premiums earned	(48,203)	(163,443)
Net premiums earned	29,343	43,111
Net investment income	2,182	1,075
Net realized investment gains (losses)	1,343	(1,806)
Net unrealized gains (losses) on equity securities	2,080	(1,498)
Other revenue	71	170
Total revenue	35,019	41,052
EXPENSES:		
Losses and loss adjustment expenses	33,978	64,691
Policy acquisition costs	8,361	24,070
Operating expenses	513	1,645
General and administrative expenses	240	570
Interest expense	22	20
Total expenses	43,114	90,996
Loss before other income	(8,095)	(49,944)
Other income (loss)	—	9
Loss before income taxes	(8,095)	(49,935)
Provision (benefit) for income taxes	(9,217)	(12,031)
Income (loss) from discontinued operations, net of tax	$ 1,122	$ (37,904)

The results from discontinued operations for the three and six months ended June 30, 2023 and 2022 are presented below.

Results From Discontinued Operations

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
REVENUE:				
Gross premiums written	$ —	$ 174,094	$ (120,608)	$ 320,922
Change in gross unearned premiums	—	13,243	198,154	72,969
Gross premiums earned	—	187,337	77,546	393,891
Ceded premiums earned	—	(140,463)	(48,203)	(303,906)
Net premiums earned	—	46,874	29,343	89,985
Net investment income	—	1,301	2,182	2,375
Net realized investment gains (losses)	—	(1)	1,343	(1,807)
Net unrealized gains (losses) on equity securities	—	(2,693)	2,080	(4,191)
Other revenue	—	6,411	2,717	9,474
Total revenue	—	51,892	37,665	95,836
EXPENSES:				
Losses and loss adjustment expenses	1,191	76,051	36,417	141,115
Policy acquisition costs	(170)	5,418	(1,522)	11,126
Operating expenses	507	9,199	4,503	17,740
General and administrative expenses	1,275	6,286	2,559	14,227
Interest expense	—	31	22	50
Total expenses	2,803	96,985	41,979	184,258
Loss before other income	(2,803)	(45,093)	(4,314)	(88,422)
Other income (loss)	—	13	—	23
Loss before income taxes	(2,803)	(45,080)	(4,314)	(88,399)
Provision (benefit) for income taxes	(230)	10,664	(214)	329
Income (loss) from discontinued operations, net of tax	$ (2,573)	$ (55,744)	$ (4,100)	$ (88,728)

As of February 28, 2023, the Company completed the disposal of its former subsidiary, UPC. This divestiture resulted in a gain of $229,183,000 $238,440,000 for the period. three months ended March 31, 2023. This gain was driven by the negative equity position of UPC.

AMERICAN COASTAL INSURANCE CORPORATION
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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.

UNITED INSURANCE HOLDINGS CORP.
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Major Classes of Assets and Liabilities Disposed	**Major Classes of Assets and Liabilities Disposed**	**Closing (1)**	**December 31, 2022**	**Major Classes of Assets and Liabilities Disposed**	**Closing (1)**	**December 31, 2022**
ASSETS	ASSETS			ASSETS		
Fixed maturities, available-for-sale	Fixed maturities, available-for-sale	1,380	171,781	Fixed maturities, available-for-sale	$ 1,380	$ 171,781
Equity securities	Equity securities	272	23,363	Equity securities	272	23,363
Other investments	Other investments	12,882	12,952	Other investments	12,882	12,952
Cash and cash equivalents	Cash and cash equivalents	224,824	158,990	Cash and cash equivalents	224,824	158,990

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Restricted cash	Restricted cash	7,758	7,730	Restricted cash	7,758	7,730
Accrued investment income	Accrued investment income	875	1,457	Accrued investment income	875	1,457
Premiums receivable, net	Premiums receivable, net	22,733	46,736	Premiums receivable, net	22,733	46,736
Reinsurance recoverable on paid and unpaid losses, net	Reinsurance recoverable on paid and unpaid losses, net	548,929	834,863	Reinsurance recoverable on paid and unpaid losses, net	548,929	834,863
Ceded unearned premiums	Ceded unearned premiums	75,262	122,533	Ceded unearned premiums	75,262	122,533
Deferred policy acquisition costs, net	Deferred policy acquisition costs, net	(89)	(2,046)	Deferred policy acquisition costs, net	(89)	(2,046)
Other assets	Other assets	53,675	33,548	Other assets	53,675	33,548
Total assets	Total assets	$ 948,501	$ 1,411,907	Total assets	$ 948,501	$ 1,411,907
LIABILITIES	LIABILITIES			LIABILITIES		
Unpaid losses and loss adjustment expenses	Unpaid losses and loss adjustment expenses	920,431	1,103,980	Unpaid losses and loss adjustment expenses	920,431	1,103,980
Unearned premiums	Unearned premiums	98,655	286,842	Unearned premiums	98,655	286,842
Reinsurance payable on premiums	Reinsurance payable on premiums	12,612	29,394	Reinsurance payable on premiums	12,612	29,394
Payments outstanding	Payments outstanding	144,238	213,058	Payments outstanding	144,238	213,058
Accounts payable and accrued expenses	Accounts payable and accrued expenses	1,361	(872)	Accounts payable and accrued expenses	1,361	(872)
Other liabilities	Other liabilities	(3,731)	5,692	Other liabilities	3,476	14,658
Notes payable, net	Notes payable, net	4,118	4,118	Notes payable, net	4,118	4,118
Total Liabilities	Total Liabilities	$ 1,177,684	$ 1,642,212	Total Liabilities	$ 1,184,891	$ 1,651,178

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

In addition, the major classes of assets and liabilities remaining related to activities directly supporting the business conducted by UPC are outlined in the table below as of June 30, 2023 and December 31, 2022.

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Major Classes of Assets and Liabilities Held for Disposal	**June 30, 2023**	**December 31, 2022**
ASSETS		
Property and equipment, net	12,105	14,299
Deferred policy acquisition costs	—	8,609
Total assets	$ 12,105	$ 22,908
LIABILITIES		
Commissions Payable	1,795	987
Unearned Policy Fees	—	2,652
Total Liabilities	$ 1,795	$ 3,639

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The discontinued operations of the Company does not have any depreciation, incurred $488,000 and $748,000 of amortization capital expenditures or expense during the six months ended June 30, 2023 and 2022, respectively. There were no other noncash items transactions for the periods in which the results of discontinued operations are presented.

either period.

4) SEGMENT REPORTING

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.

We have developed a unique and proprietary homeowners' product. This product uses a granular approach to pricing for catastrophe perils. We have focused on using independent agencies as a channel of distribution for our personal lines business. All of our personal lines business is managed internally.

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 ACIC. 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 ACIC, AmCoastal, with ACIC 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 six months ended March 31, 2023 June 30, 2023 and 2022:

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

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 six months ended March 31, 2023 June 30, 2023 and 2022. We have restated our segments to reflect the divestiture of UPC during the first quarter of 2023, discontinued operations disclosed in Note 3, excluding the result of the entity for all periods presented.

		Three Months Ended March 31, 2023					**Three Months Ended June 30, 2023**			
		Commercial	**Personal (1)**	**Adjustments**	**Consolidated**		**Commercial**	**Personal (1)**	**Adjustments**	**Consolidated**
REVENUE:	REVENUE:					REVENUE:				
Gross premiums written	Gross premiums written	$ 176,641	$ 10,482	$ —	$ 187,123	Gross premiums written	$ 236,822	$ 7,063	$ —	$ 243,885
Change in gross unearned premiums	Change in gross unearned premiums	(44,607)	1,960	—	(42,647)	Change in gross unearned premiums	(91,011)	5,325	—	(85,686)

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Gross premiums earned	Gross premiums earned	132,034	12,442	—	144,476	Gross premiums earned	145,811	12,388	—	158,199
Ceded premiums earned	Ceded premiums earned	(53,374)	(3,778)	—	(57,152)	Ceded premiums earned	(71,825)	(3,205)	—	(75,030)
Net premiums earned	Net premiums earned	78,660	8,664	—	87,324	Net premiums earned	73,986	9,183	—	83,169
Net investment income	Net investment income	1,786	782	21	2,589	Net investment income	1,866	804	22	2,692
Net realized gains (losses)	Net realized gains (losses)	(83)	—	—	(83)	Net realized gains (losses)	(6,708)	(17)	—	(6,725)
Net unrealized losses on equity securities	Net unrealized losses on equity securities	473	—	1	474	Net unrealized losses on equity securities	140	—	1	141
Management fee income		—	9,668	—	9,668					
Other revenue	Other revenue	—	4,075	—	4,075	Other revenue	—	18	—	18
Total revenues	Total revenues	80,836	23,189	22	104,047	Total revenues	69,284	9,988	23	79,295
EXPENSES:	EXPENSES:					EXPENSES:				
Losses and loss adjustment expenses	Losses and loss adjustment expenses	13,901	5,172	—	19,073	Losses and loss adjustment expenses	16,245	4,670	—	20,915
Policy acquisition costs	Policy acquisition costs	25,166	1,761	—	26,927	Policy acquisition costs	23,526	2,019	—	25,545
Operating expenses	Operating expenses	96	5,431	124	5,651	Operating expenses	1,501	1,669	104	3,274
General and administrative expenses (2)	General and administrative expenses (2)	2,754	6,951	132	9,837	General and administrative expenses (2)	2,631	3,772	180	6,583
Interest expense	Interest expense	—	—	2,719	2,719	Interest expense	—	—	2,719	2,719
Total expenses	Total expenses	41,917	19,315	2,975	64,207	Total expenses	43,903	12,130	3,003	59,036
Income (loss) before other income	Income (loss) before other income	38,919	3,874	(2,953)	39,840	Income (loss) before other income	25,381	(2,142)	(2,980)	20,259
Other income (loss)	Other income (loss)	—	803	(215)	588	Other income (loss)	—	806	—	806
Income (loss) before income taxes	Income (loss) before income taxes	$ 38,919	$ 4,677	(3,168)	40,428	Income (loss) before income taxes	$ 25,381	$ (1,336)	(2,980)	21,065
Provision for income taxes	Provision for income taxes			9,855	9,855	Provision for income taxes			713	713
Net income (loss)	Net income (loss)			$ (13,023)	$ 30,573	Net income (loss)			$ (3,693)	$ 20,352
Less: Net loss attributable to noncontrolling interests	Less: Net loss attributable to noncontrolling interests			—	—	Less: Net loss attributable to noncontrolling interests			—	—
Net income (loss) attributable to UIHC				$ (13,023)	$ 30,573					
Net income (loss) attributable to ACIC						Net income (loss) attributable to ACIC			$ (3,693)	$ 20,352

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Loss ratio, net (3) (4)	Loss ratio, net (3) (4)	17.7 %	59.7 %		21.9 %	Loss ratio, net (3) (4)	22.0 %	50.9 %		25.1 %
Expense ratio (3) (5)	Expense ratio (3) (5)	35.6 %	163.2 %		48.6 %	Expense ratio (3) (5)	37.4 %	81.2 %		42.6 %
Combined ratio (3) (6)	Combined ratio (3) (6)	53.3 %	222.9 %		70.5 %	Combined ratio (3) (6)	59.4 %	132.1 %		67.7 %
Total segment assets	Total segment assets	$ 1,304,499	$ 130,045	$ 10,842	$ 1,445,386	Total segment assets	$ 1,612,469	$ (233,324)	$ 53,605	$ 1,432,750

(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) Included in our General and Administrative expenses is $1,260,000 $996,000 and $812,000 $811,000 of depreciation and amortization expense related to our personal and commercial lines assets, respectively.

(3) 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.

(4) 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.

(5) 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.

(6) 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 March 31, 2022					Three Months Ended June 30, 2022			
		Commercial	Personal (1)	Adjustments	Consolidated		Commercial	Personal (1)	Adjustments	Consolidated
REVENUE:	REVENUE:					REVENUE:				
Gross premiums written	Gross premiums written	$ 127,964	$ 14,450	$ —	$ 142,414	Gross premiums written	$ 181,067	$ 26,565	$ —	$ 207,632
Change in gross unearned premiums	Change in gross unearned premiums	(20,499)	818	—	(19,681)	Change in gross unearned premiums	(67,849)	(10,300)	—	(78,149)
Gross premiums earned	Gross premiums earned	107,465	15,268	—	122,733	Gross premiums earned	113,218	16,265	—	129,483
Ceded premiums earned	Ceded premiums earned	(62,022)	(2,965)	—	(64,987)	Ceded premiums earned	(61,771)	(3,180)	—	(64,951)
Net premiums earned	Net premiums earned	45,443	12,303	—	57,746	Net premiums earned	51,447	13,085	—	64,532
Net investment income	Net investment income	1,127	268	9	1,404	Net investment income	1,476	353	10	1,839
Net realized gains		2	35	—	37					
Net realized gains (losses)						Net realized gains (losses)	(79)	2	—	(77)
Net unrealized losses on equity securities	Net unrealized losses on equity securities	(769)	—	(1)	(770)	Net unrealized losses on equity securities	(2,390)	—	(1)	(2,391)
Management fee income		—	50,206	—	50,206					
Other revenue	Other revenue	—	8,738	—	8,738	Other revenue	—	7	—	7
Total revenues	Total revenues	45,803	71,550	8	117,361	Total revenues	50,454	13,447	9	63,910
EXPENSES:	EXPENSES:					EXPENSES:				
Losses and loss adjustment expenses	Losses and loss adjustment expenses	14,114	18,404	—	32,518	Losses and loss adjustment expenses	8,194	5,838	—	14,032

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Policy acquisition costs	Policy acquisition costs	16,678	35,474	—	52,152	Policy acquisition costs	19,928	3,642	—	23,570
Operating expenses	Operating expenses	1,109	9,403	91	10,603	Operating expenses	1,127	2,606	87	3,820
General and administrative expenses (2)	General and administrative expenses (2)	2,320	12,734	381	15,435	General and administrative expenses (2)	2,421	5,285	502	8,208
Interest expense	Interest expense	—	—	2,359	2,359	Interest expense	—	—	2,363	2,363
Total expenses	Total expenses	34,221	76,015	2,831	113,067	Total expenses	31,670	17,371	2,952	51,993
Income (loss) before other income	Income (loss) before other income	11,582	(4,465)	(2,823)	4,294	Income (loss) before other income	18,784	(3,924)	(2,943)	11,917
Other income		—	(277)	1,610	1,333					
Other income (loss)						Other income (loss)	2	199	57	258
Income (loss) before income taxes	Income (loss) before income taxes	$ 11,582	$ (4,742)	(1,213)	5,627	Income (loss) before income taxes	$ 18,786	$ (3,725)	(2,886)	12,175
Provision for income taxes	Provision for income taxes			980	980	Provision for income taxes			25,486	25,486
Net income (loss)	Net income (loss)			$ (2,193)	$ 4,647	Net income (loss)			$ (28,372)	$ (13,311)
Less: Net income attributable to noncontrolling interests				(85)	(85)					
Net income (loss) attributable to UIHC				$ (2,108)	$ 4,732					
Less: Net loss attributable to noncontrolling interests						Less: Net loss attributable to noncontrolling interests			(26)	(26)
Net income (loss) attributable to ACIC						Net income (loss) attributable to ACIC			$ (28,346)	$ (13,285)
Loss ratio, net (3) (4) (7)		31.1 %	149.6 %		56.3 %					
Expense ratio (3) (5) (7)		44.2 %	468.3 %		135.4 %					
Combined ratio (3) (6) (7)		75.3 %	617.9 %		191.7 %					
Loss ratio, net (3) (4)						Loss ratio, net (3) (4)	15.9 %	44.6 %		21.7 %
Expense ratio (3) (5)						Expense ratio (3) (5)	45.6 %	88.1 %		55.2 %
Combined ratio (3) (6)						Combined ratio (3) (6)	61.5 %	132.7 %		76.9 %
Total segment assets	Total segment assets	$ 949,359	$ 179,208	$ 17,507	$ 1,146,074	Total segment assets	$ 1,352,713	$(471,806)	$ 304,824	$ 1,185,731

(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) Included in our General and Administrative expenses is $1,047,000 and $877,000 of depreciation and amortization expense related to our personal and commercial lines assets, respectively.

(3) 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.

(4) 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.

(5) 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.

(6) 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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	Six Months Ended June 30, 2023			
	Commercial	Personal (1)	Adjustments	Consolidated
REVENUE:				
Gross premiums written	$ 413,463	$ 17,545	$ —	$ 431,008
Change in gross unearned premiums	(135,618)	7,285	—	(128,333)
Gross premiums earned	277,845	24,830	—	302,675
Ceded premiums earned	(125,199)	(6,983)	—	(132,182)
Net premiums earned	152,646	17,847	—	170,493
Net investment income	3,652	1,586	43	5,281
Net realized gains (losses)	(6,791)	(17)	—	(6,808)
Net unrealized losses on equity securities	613	—	2	615
Management fee income	—	—	—	—
Other revenue	—	34	—	34
Total revenues	150,120	19,450	45	169,615
EXPENSES:				
Losses and loss adjustment expenses	30,146	7,181	—	37,327
Policy acquisition costs	48,692	3,825	—	52,517
Operating expenses	1,597	3,617	228	5,442
General and administrative expenses (2)	5,385	9,679	312	15,376
Interest expense	—	—	5,438	5,438
Total expenses	85,820	24,302	5,978	116,100
Income (loss) before other income	64,300	(4,852)	(5,933)	53,515
Other income (loss)	—	1,609	(215)	1,394
Income (loss) before income taxes	$ 64,300	$ (3,243)	(6,148)	54,909
Provision for income taxes			4,190	4,190
Net income (loss)			$ (10,338)	$ 50,719
Less: Net loss attributable to noncontrolling interests			—	—
Net income (loss) attributable to ACIC			$ (10,338)	$ 50,719
Loss ratio, net (3) (4)	19.7 %	40.2 %		21.9 %
Expense ratio (3) (5)	36.5 %	95.9 %		43.0 %
Combined ratio (3) (6)	56.2 %	136.1 %		64.9 %
Total segment assets	$ 1,612,469	$ (233,324)	$ 53,605	$ 1,432,750

(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) Included in our General and Administrative expenses is $2,003,000 and $1,623,000 of depreciation and amortization expense related to our personal and commercial lines assets, respectively.

(3) 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.

(4) 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.

(5) 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.

(6) 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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	Six Months Ended June 30, 2022			
	Commercial	Personal (1)	Adjustments	Consolidated
REVENUE:				
Gross premiums written	$ 309,031	$ 41,015	$ —	$ 350,046

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Change in gross unearned premiums	(88,348)	(9,482)	—	(97,830)
Gross premiums earned	220,683	31,533	—	252,216
Ceded premiums earned	(123,793)	(6,145)	—	(129,938)
Net premiums earned	96,890	25,388	—	122,278
Net investment income	2,603	621	19	3,243
Net realized gains	(77)	37	—	(40)
Net unrealized losses on equity securities	(3,159)	—	(2)	(3,161)
Management fee income		—		—
Other revenue	—	22	—	22
Total revenues	96,257	26,068	17	122,342
EXPENSES:				
Losses and loss adjustment expenses	22,308	18,039	—	40,347
Policy acquisition costs	36,606	7,272	—	43,878
Operating expenses	2,236	5,113	178	7,527
General and administrative expenses (2)	4,741	10,648	883	16,272
Interest expense	—	—	4,722	4,722
Total expenses	65,891	41,072	5,783	112,746
Income (loss) before other income	30,366	(15,004)	(5,766)	9,596
Other income	2	(78)	1,667	1,591
Income (loss) before income taxes	$ 30,368	$ (15,082)	(4,099)	11,187
Provision for income taxes			24,771	24,771
Net income (loss)			$ (28,870)	$ (13,584)
Less: Net income attributable to noncontrolling interests			(111)	(111)
Net income (loss) attributable to ACIC			$ (28,759)	$ (13,473)
Loss ratio, net (3) (4) (7)	23.0 %	71.1 %		33.0 %
Expense ratio (3) (5) (7)	45.0 %	90.7 %		55.3 %
Combined ratio (3) (6) (7)	68.0 %	161.8 %		88.3 %
Total segment assets	$ 1,352,713	$ (471,806)	$ 304,824	$ 1,185,731

(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) Included in our General and Administrative expenses is $1,512,000 $2,121,000 and $885,000 $1,762,000 of depreciation and amortization expense related to our personal and commercial lines assets, respectively.

(3) 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.

(4) 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.

(5) 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.

(6) 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.

UNITED AMERICAN COASTAL INSURANCE HOLDINGS CORP. CORPORATION
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5) INVESTMENTS

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

	Cost or Adjusted/Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value		Cost or Adjusted/Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2023									
June 30, 2023					**June 30, 2023**				

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U.S. government and agency securities	U.S. government and agency securities	$ 3,491	$ —	$ 82	$ 3,409	U.S. government and agency securities	$ 2,493	$ —	$ 100	$ 2,393
Foreign government	Foreign government	1,000	—	9	991	Foreign government	1,000	—	5	995
States, municipalities and political subdivisions	States, municipalities and political subdivisions	31,924	15	3,357	28,582	States, municipalities and political subdivisions	26,470	11	3,002	23,479
Public utilities	Public utilities	8,913	—	1,093	7,820	Public utilities	5,672	—	663	5,009
Corporate securities	Corporate securities	99,324	58	13,659	85,723	Corporate securities	72,088	—	10,318	61,770
Mortgage-backed securities	Mortgage-backed securities	64,285	—	8,283	56,002	Mortgage-backed securities	57,652	—	8,188	49,464
Asset-backed securities	Asset-backed securities	30,536	36	2,366	28,206	Asset-backed securities	19,671	—	1,918	17,753
Total fixed maturities	Total fixed maturities	$ 239,473	$ 109	$ 28,849	$ 210,733	Total fixed maturities	$ 185,046	$ 11	$ 24,194	$ 160,863
December 31, 2022	**December 31, 2022**					**December 31, 2022**				
U.S. government and agency securities	U.S. government and agency securities	$ 2,490	$ —	$ 105	$ 2,385	U.S. government and agency securities	$ 2,490	$ —	$ 105	$ 2,385
Foreign government	Foreign government	1,000	—	9	991	Foreign government	1,000	—	9	991
States, municipalities and political subdivisions	States, municipalities and political subdivisions	30,958	2	4,065	26,895	States, municipalities and political subdivisions	30,958	2	4,065	26,895
Public utilities	Public utilities	8,936	—	1,242	7,694	Public utilities	8,936	—	1,242	7,694
Corporate securities	Corporate securities	99,062	20	15,739	83,343	Corporate securities	99,062	20	15,739	83,343
Mortgage-backed securities	Mortgage-backed securities	65,251	—	9,136	56,115	Mortgage-backed securities	65,251	—	9,136	56,115
Asset-backed securities	Asset-backed securities	30,038	9	2,788	27,259	Asset-backed securities	30,038	9	2,788	27,259
Total fixed maturities	Total fixed maturities	$ 237,735	$ 31	$ 33,084	$ 204,682	Total fixed maturities	$ 237,735	$ 31	$ 33,084	$ 204,682

Equity securities are summarized as follows:

	March 31, 2023		**December 31, 2022**	
	Estimated Fair Value	**Percent of Total**	**Estimated Fair Value**	**Percent of Total**
Mutual funds	$ 16,181	100.0 %	$ 15,657	100.0 %

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

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When we sell investments, we calculate 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 six months ended March 31, 2023 June 30, 2023 and 2022, respectively:

	2023		2022	
	Gains (Losses)	Fair Value at Sale	Gains (Losses)	Fair Value at Sale
Three Months Ended March 31,				
Fixed maturities	$ 4	$ 5,292	$ 41	$ 12,192
Equity securities	—	—	—	—
Short-term investments	—	126	—	—
Total realized gains	4	5,418	41	12,192
Fixed maturities	(87)	(41)	(4)	251
Equity securities	—	—	—	—
Short-term investments	—	—	—	—
Total realized losses	(87)	(41)	(4)	251
Net realized investment gains (losses)	$ (83)	$ 5,377	$ 37	$ 12,443

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	2023		2022	
	Gains (Losses)	Fair Value at Sale	Gains (Losses)	Fair Value at Sale
Three Months Ended June 30,				
Fixed maturities	$ 55	$ 7,698	$ 23	$ 12,541
Equity securities	165	5,786	—	—
Short-term investments	—	—	—	—
Total realized gains	220	13,484	23	12,541
Fixed maturities	(6,280)	44,516	(100)	1,010
Equity securities	(665)	10,372	—	—
Short-term investments	—	—	—	—
Total realized losses	(6,945)	54,888	(100)	1,010
Net realized investment gains (losses)	$ (6,725)	$ 68,372	$ (77)	$ 13,551
Six Months Ended June 30,				
Fixed maturities	$ 59	$ 12,990	$ 64	$ 24,733
Equity securities	165	5,786	—	—
Short-term investments	—	126	—	—
Total realized gains	224	18,902	64	24,733
Fixed maturities	(6,367)	44,475	(104)	1,261
Equity securities	(665)	10,372	—	—
Short-term investments	—	—	—	—
Total realized losses	(7,032)	54,847	(104)	1,261
Net realized investment gains (losses)	$ (6,808)	$ 73,749	$ (40)	$ 25,994

The table below summarizes our fixed maturities at March 31, 2023 June 30, 2023 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.

March 31, 2023	June 30, 2023

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		Cost or Amortized Cost	Percent of Total	Fair Value	Percent of Total		Cost or Amortized Cost	Percent of Total	Fair Value	Percent of Total
Due in one year or less	Due in one year or less	$ 7,097	3.0 %	$ 7,016	3.3 %	Due in one year or less	$ 5,798	3.1 %	$ 5,728	3.6 %
Due after one year through five years	Due after one year through five years	50,754	21.2	46,402	22.0	Due after one year through five years	38,018	20.5	34,426	21.4
Due after five years through ten years	Due after five years through ten years	82,508	34.5	69,386	32.9	Due after five years through ten years	58,951	31.9	49,482	30.8
Due after ten years	Due after ten years	4,293	1.8	3,721	1.8	Due after ten years	4,956	2.7	4,010	2.5
Asset and mortgage-backed securities	Asset and mortgage-backed securities	94,821	39.5	84,208	40.0	Asset and mortgage-backed securities	77,323	41.8	67,217	41.7
Total	Total	$ 239,473	100.0 %	$ 210,733	100.0 %	Total	$ 185,046	100.0 %	$ 160,863	100.0 %

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

		Three Months Ended March 31,			Three Months Ended June 30,		Six Months Ended June 30,	
		2023	2022		2023	2022	2023	2022
Fixed maturities	Fixed maturities	$ 1,272	$ 1,431	Fixed maturities	$ 1,224	$ 1,583	$ 2,496	$ 3,014
Equity securities	Equity securities	81	66	Equity securities	—	62	81	128
Cash and cash equivalents	Cash and cash equivalents	1,304	22	Cash and cash equivalents	1,624	195	2,928	217
Other investments	Other investments	6	55	Other investments	(84)	117	(78)	172
Other assets		—	—					
Investment income	Investment income	2,663	1,574	Investment income	2,764	1,957	5,427	3,531
Investment expenses	Investment expenses	(74)	(170)	Investment expenses	(72)	(118)	(146)	(288)
Net investment income	Net investment income	$ 2,589	$ 1,404	Net investment income	$ 2,692	$ 1,839	$ 5,281	$ 3,243

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.

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During the three and six months ended March 31, 2023June 30, 2023, 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 March 31, 2023June 30, 2023. 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:

	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
March 31, 2023						
June 30, 2023						
U.S. government and agency securities	1	$ 9	$ 990	2	$ 73	$ 1,421
Foreign governments	1	9	991	—	—	—
States, municipalities and political subdivisions	8	49	3,732	45	3,308	23,324
Public utilities	—	—	—	12	1,093	7,819
Corporate securities	35	547	10,964	115	13,112	71,582
Mortgage-backed securities	12	248	3,749	116	8,035	52,254
Asset-backed securities	7	36	3,013	54	2,330	22,632
Total fixed maturities	64	$ 898	$23,439	344	$ 27,951	$179,032
December 31, 2022						
U.S. government and agency securities	3	$ 105	$ 2,385	—	$ —	$ —
Foreign governments	1	9	991	—	—	—
States, municipalities and political subdivisions	21	540	7,306	31	3,525	18,853
Public utilities	8	193	2,286	4	1,049	5,408
Corporate securities	78	2,279	24,594	77	13,460	57,765
Mortgage-backed securities	48	1,282	15,259	80	7,854	40,856
Asset-backed securities	16	795	6,397	46	1,993	19,028
Total fixed maturities	175	$ 5,203	$59,218	238	$ 27,881	$141,910

	Less Than Twelve Months			Twelve Months o	
	Number of Securities(1)	Gross Unrealized Losses	Fair Value	Number of Securities(1)	Gross Unrealiz Losses
June 30, 2023					
U.S. government and agency securities	1	$ 7	$ 992	2	$
Foreign governments	1	5	995	—	
States, municipalities and political subdivisions	7	52	3,412	42	2,9
Public utilities	—	—	—	12	6
Corporate securities	14	245	4,675	130	10,0
Mortgage-backed securities	5	135	1,744	118	8,0
Asset-backed securities	8	73	3,376	45	1,8
Total fixed maturities	36	$ 517	$15,194	349	$ 23,6
December 31, 2022					
U.S. government and agency securities	3	$ 105	$ 2,385	—	$
Foreign governments	1	9	991	—	
States, municipalities and political subdivisions	21	540	7,306	31	3,5
Public utilities	8	193	2,286	4	1,0
Corporate securities	78	2,279	24,594	77	13,4
Mortgage-backed securities	48	1,282	15,259	80	7,8
Asset-backed securities	16	795	6,397	46	1,9
Total fixed maturities	175	$ 5,203	$59,218	238	$ 27,8

(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.

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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 March 31, 2023June 30, 2023 and December 31, 2022. Changes in interest rates subsequent to March 31, 2023June 30, 2023 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 March 31, 2023June 30, 2023.

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

	Total	Level 1	Level 2	Level 3
March 31, 2023				
U.S. government and agency securities	$ 3,409	$ —	$ 3,409	$ —
Foreign government	991	—	991	—
States, municipalities and political subdivisions	28,582	—	28,582	—
Public utilities	7,820	—	7,820	—
Corporate securities	85,723	—	85,723	—
Mortgage-backed securities	56,002	—	56,002	—
Asset-backed securities	28,206	—	28,206	—
Total fixed maturities	210,733	—	210,733	—
Mutual funds	16,181	16,181	—	—
Total investments	$ 226,914	$ 16,181	$ 210,733	$ —
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	—

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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	$ —

	Total	Level 1	Level 2	Level 3
June 30, 2023				
U.S. government and agency securities	$ 2,393	$ —	$ 2,393	$ —
Foreign government	995	—	995	—
States, municipalities and political subdivisions	23,479	—	23,479	—
Public utilities	5,009	—	5,009	—
Corporate securities	61,770	—	61,770	—
Mortgage-backed securities	49,464	—	49,464	—
Asset-backed securities	17,753	—	17,753	—
Total fixed maturities	160,863	—	160,863	—
Mutual funds	—	—	—	—
Total equity securities	—	—	—	—
Other investments (1)	116	—	116	—
Total investments	$ 160,979	$ —	$ 160,979	$ —
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	$ —

(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 March 31, 2023June 30, 2023 and December 31, 2022.

The carrying amounts for the following financial instrument categories approximate their fair values at March 31, 2023June 30, 2023 and December 31, 2022, 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

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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 March 31, 2023 June 30, 2023, we transferred no investments between levels.

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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 March 31, 2023 June 30, 2023:

		Book Value	Unrealized Gain	Unrealized Loss	Fair Value		Book Value	Unrealized Gain	Unrealized Loss	Fair Value
March 31, 2023										
June 30, 2023						**June 30, 2023**				
Limited partnership investments (1)	Limited partnership investments (1)	$ 2,917	$ 633	$ —	$ 3,550	Limited partnership investments (1)	$ 3,286	$ 722	$ 541	$ 3,467
Certificates of deposit						Certificates of deposit	—	—	—	—
Short-term investments						Short-term investments	117	—	1	116
Total other investments						Total other investments	$ 3,403	$ 722	$ 542	$ 3,583

(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:

		March 31, 2023	December 31, 2022		June 30, 2023	December 31, 2022
Trust funds	Trust funds	$ 49,046	$ 45,364	Trust funds	$ 48,874	$ 45,364
Cash on deposit (regulatory deposits)	Cash on deposit (regulatory deposits)	625	624	Cash on deposit (regulatory deposits)	627	624
Total restricted cash	Total restricted cash	$ 49,671	$ 45,988	Total restricted cash	$ 49,501	$ 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.

	March 31, 2023	December 31, 2022
Invested assets on deposit (regulatory deposits)	$ 2,491	$ 2,616

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	June 30, 2023	December 31, 2022
Invested assets on deposit (regulatory deposits)	$ 2,493	$ 2,616

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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

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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 six month periods ended March 31, 2023 June 30, 2023 and 2022, respectively:

		Three Months Ended March 31, 2023	Three Months Ended March 31, 2022		Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Numerator:	Numerator:			Numerator:				
Net income (loss) attributable to UIHC common stockholders		$ 260,878	$ (33,172)					
Net income (loss) attributable to ACIC common stockholders				Net income (loss) attributable to ACIC common stockholders	$ 17,779	$(69,029)	$285,059	$(102,201)
Denominator:	Denominator:			Denominator:				
Weighted-average shares outstanding	Weighted-average shares outstanding	43,124,825	42,980,691	Weighted-average shares outstanding	43,229,416	43,049,227	43,178,758	43,015,114
Effect of dilutive securities	Effect of dilutive securities	450,015	—	Effect of dilutive securities	575,801	—	511,677	—
Weighted-average diluted shares	Weighted-average diluted shares	43,574,840	42,980,691	Weighted-average diluted shares	43,805,217	43,049,227	43,690,435	43,015,114
Earnings available to UIHC common stockholders per share								
Earnings available to ACIC common stockholders per share				Earnings available to ACIC common stockholders per share				
Basic	Basic	$ 6.05	$ (0.77)	Basic	$ 0.42	$ (1.60)	$ 6.59	$ (2.37)
Diluted	Diluted	$ 5.99	$ (0.77)	Diluted	$ 0.41	$ (1.60)	$ 6.52	$ (2.37)

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

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7) PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

		March 31, 2023	December 31, 2022		June 30, 2023	December 31, 2022
Computer hardware and software (software in progress of $76 and $82, respectively)	Computer hardware and software (software in progress of $76 and $82, respectively)	$ 29,746	$ 29,760	Computer hardware and software (software in progress of $76 and $82, respectively)	$ 8,134	$ 8,164
Office furniture and equipment	Office furniture and equipment	798	1,414	Office furniture and equipment	806	1,414
Leasehold improvements	Leasehold improvements	316	753	Leasehold improvements	311	753
Leased vehicles(1)	Leased vehicles(1)	11	1,080	Leased vehicles(1)	—	1,080
Total, at cost	Total, at cost	30,871	33,007	Total, at cost	9,251	11,411
Less: accumulated depreciation and amortization	Less: accumulated depreciation and amortization	(12,753)	(13,416)	Less: accumulated depreciation and amortization	(4,777)	(6,118)
Property and equipment, net	Property and equipment, net	$ 18,118	$ 19,591	Property and equipment, net	$ 4,474	$ 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 $1,260,000 $996,000 and $1,710,000 $2,004,000 for the three and six months ended March 31, 2023 June 30, 2023, respectively. Depreciation and 2022, amortization expense under property and equipment was $1,230,000 and $2,502,000 for the three and six months ended June 30, 2022, respectively. During the three six months ended March 31, 2023 June 30, 2023, we sold or disposed of leased vehicles totaling $1,069,000. The accumulated depreciation on these vehicles totaled $1,037,000 $1,038,000 at the time of disposal. We realized a net gain on this disposal of $422,000. $559,000. We disposed of computer hardware and software totaling $811,000. The accumulated depreciation on these systems totaled $321,000 at the time of disposal. In addition, we disposed of office furniture totaling $616,000 $691,000 during the period. Accumulated depreciation at the time of this disposal totaled $603,000, respectively. $644,000. 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.

8) GOODWILL AND INTANGIBLE ASSETS

Goodwill

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

No impairment in the value of goodwill was recognized during the three or six month period ended March 31, 2023 June 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 $13,569,000 $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 additional impairment in the value of the asset as of December 31, 2022.

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

There was no goodwill acquired or disposed of during the three six month periods ended March 31, 2023 June 30, 2023 and 2022. Accumulated impairment related to goodwill was $13,569,000 $10,156,000 at March 31, 2023 June 30, 2023 and December 31, 2022.

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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		March 31, 2023	December 31, 2022		June 30, 2023	December 31, 2022
Intangible assets subject to amortization	Intangible assets subject to amortization	$ 10,560	$ 11,372	Intangible assets subject to amortization	$ 9,748	$ 11,372
Indefinite-lived intangible assets(1)	Indefinite-lived intangible assets(1)	1,198	1,398	Indefinite-lived intangible assets(1)	1,198	1,398
Total	Total	$ 11,758	$ 12,770	Total	$ 10,946	$ 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		Weighted-average remaining amortization period (in years)	Gross carrying amount	Accumulated amortization	Net carrying amount
March 31, 2023										
June 30, 2023						**June 30, 2023**				
Value of business acquired	Value of business acquired	—	$ 42,788	$ (42,788)	$ —	Value of business acquired	—	$ 42,788	$ (42,788)	$ —
Agency agreements acquired	Agency agreements acquired	4.0	34,661	(24,910)	9,751	Agency agreements acquired	3.8	34,660	(25,519)	9,141
Trade names acquired	Trade names acquired	1.0	6,381	(5,572)	809	Trade names acquired	0.8	6,381	(5,774)	607
Total	Total		$ 83,830	$ (73,270)	$ 10,560	Total		$ 83,829	$ (74,081)	$ 9,748
December 31, 2022	**December 31, 2022**					**December 31, 2022**				
Value of business acquired	Value of business acquired	—	$ 42,788	$ (42,788)	$ —	Value of business acquired	—	$ 42,788	$ (42,788)	$ —
Agency agreements acquired	Agency agreements acquired	4.3	34,661	(24,300)	10,361	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	Trade names acquired	1.3	6,381	(5,370)	1,011
Total	Total		$ 83,830	$ (72,458)	$ 11,372	Total		$ 83,830	$ (72,458)	$ 11,372

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

Amortization expense of our intangible assets was $812,000 and $812,000 for the three months ended March 31, 2023 and 2022, respectively.

Amortization expense of our intangible assets was $811,000 and $812,000 for the three months ended June 30, 2023 and 2022, respectively. Amortization expense of our intangible assets was $1,623,000 and $1,624,000 for the six months ended June 30, 2023 and 2022, respectively.

Estimated amortization expense of our intangible assets to be recognized by the Company during the remainder of 2023 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	Remaining in 2023	$ 2,435	Remaining in 2023	$ 1,623
2024	2024	2,640	2024	2,640

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2025	2025	2,438	2025	2,438
2026	2026	2,438	2026	2,438
2027	2027	609	2027	609
2028	2028	—	2028	—

9) REINSURANCE

Our reinsurance program is designed, utilizing our risk management methodology, to address our exposure to catastrophes. Our program provides reinsurance protection for catastrophes, including hurricanes and tropical storms. These reinsurance agreements are part of our catastrophe management strategy, which is intended to provide our stockholders an acceptable return on the risks assumed in our property business, and to reduce variability of earnings, while providing protection to our policyholders. 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.

Our program includes excess of loss and quota share treaties. Our AmCoastal catastrophe reinsurance program, in effect from June 1, 2022 June 1, 2023 through May 31, 2023 May 31, 2024, provides coverage for catastrophe losses from named or numbered windstorms and earthquakes up to an exhaustion point of approximately $2,500,000,000 $1,300,000,000 in the aggregate, including coverage related to our former insurance subsidiary, UPC. aggregate. Under our core catastrophe excess of loss treaty, retention on a first and second event is $16,400,000 $10,000,000 each. During the third quarter, one of the our reinsurers participating on the $25,000,000 excess of $20,000,000 layer of the core catastrophe program exercised a contractual right to terminate their participation due to Demotech's downgrade of UPC's Financial Stability Rating. We were unsuccessful in replacing this coverage in the open market so our captive reinsurer, UPC Re, stepped into the $25,000,000 excess of $20,000,000 layer which was subsequently impacted by Hurricane Ian resulting in an additional retained loss of $20,100,000. The exhaustion point of IIC's catastrophe reinsurance program is approximately $200,000,000 $82,000,000 in 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 of which is attributable to ACIC AmCoastal only. After reinstatement premiums of approximately $15.4 million, the Company, with its former subsidiary UPC has approximately $993 million of aggregate limit remaining after Hurricane Ian, based on our estimated ultimate net loss subject to the core catastrophe reinsurance program.

Effective January 1, 2023, we renewed our 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.

During the third quarter 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 our former subsidiary UPC's statutory surplus being greater than 25%. We agreed to a termination and commutation date of September 30, 2022 August 22, 2022 for this contract. This change resulted in approximately $1,300,000 of ceded premium savings that would have otherwise been due in 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.

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

UNITED AMERICAN COASTAL INSURANCE HOLDINGS CORP. CORPORATION
Notes to Unaudited Condensed Consolidated Financial Statements
March 31, June 30, 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)	Florida
External third-party	UPC, FSIC & ACIC AmCoastal	06/01/2022 - 06/01/2023	10% (2)	Florida, Louisiana, Texas
TypTap	UPC	06/01/2022 - 06/01/2023	100% (3)	Georgia, North Carolina, South Carolina
External third-party	UPC, FSIC & ACIC 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 & ACIC 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) This treaty provides coverage on our in-force, new and renewal policies until these states are 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 ACIC. AmCoastal.

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

		March 31, 2023	December 31, 2022		June 30, 2023	December 31, 2022
Reinsurance recoverable on unpaid losses and loss adjustment expenses	Reinsurance recoverable on unpaid losses and loss adjustment expenses	$ 646,003	$ 732,254	Reinsurance recoverable on unpaid losses and loss adjustment expenses	$ 443,719	$ 732,254
Reinsurance recoverable on paid losses and loss adjustment expenses	Reinsurance recoverable on paid losses and loss adjustment expenses	146,347	64,292	Reinsurance recoverable on paid losses and loss adjustment expenses	215,095	64,292
Reinsurance recoverable (1)	Reinsurance recoverable (1)	$ 792,350	$ 796,546	Reinsurance recoverable (1)	$ 658,814	$ 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.

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 three six months ended March 31, 2023 June 30, 2023 and 2022 on a GAAP basis:

		March 31, 2023	March 31, 2022		June 30, 2023	June 30, 2022
Balance at January 1	Balance at January 1	$ 842,958	$ 250,642	Balance at January 1	$ 842,958	$ 250,642
Less: reinsurance recoverable on unpaid losses	Less: reinsurance recoverable on unpaid losses	732,254	176,096	Less: reinsurance recoverable on unpaid losses	732,254	176,096
Net balance at January 1	Net balance at January 1	$ 110,704	$ 74,546	Net balance at January 1	$ 110,704	$ 74,546
Incurred related to:	Incurred related to:			Incurred related to:		
Current year	Current year	22,238	35,582	Current year	45,643	47,288
Prior years	Prior years	(3,165)	(3,064)	Prior years	(8,316)	(6,941)
Total incurred	Total incurred	$ 19,073	$ 32,518	Total incurred	$ 37,327	$ 40,347
Paid related to:	Paid related to:			Paid related to:		
Current year	Current year	13,303	17,236	Current year	27,217	30,666
Prior years	Prior years	14,112	18,429	Prior years	29,857	23,651
Total paid	Total paid	$ 27,415	$ 35,665	Total paid	$ 57,074	$ 54,317
Net balance at March 31		$ 102,362	$ 71,399			
Net balance at June 30				Net balance at June 30	$ 90,957	$ 60,576
Plus: reinsurance recoverable on unpaid losses	Plus: reinsurance recoverable on unpaid losses	646,003	168,174	Plus: reinsurance recoverable on unpaid losses	443,719	163,509
Balance at March 31		$ 748,365	$ 239,573			
Balance at June 30				Balance at June 30	$ 534,676	$ 224,085
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	$ 284,679	$ 119,969	Case reserves	$ 182,196	$ 116,428
IBNR reserves	IBNR reserves	463,686	119,604	IBNR reserves	352,480	107,657

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Balance at March 31	$	748,365	$	239,573				
Balance at June 30					Balance at June 30	$	534,676	$ 224,085

Based upon our internal analysis and our review of the annual statement of actuarial opinion provided by our actuarial consultants at December 31, 2022, 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 and 2022 related to prior year losses. This favorable development came as a result of re-estimating ultimate losses in 2023 based on historical loss trends. The loss payments made by the Company during the three six months ended March 31, 2023 June 30, 2023, were lower higher than the loss payments made during the three six months ended March 31, 2022 June 30, 2022, due to the settling of claims related to non-tropical storm catastrophe events. Hurricane Ian, which made landfall during the third quarter of 2022. Case and IBNR reserves and reinsurance recoverable on unpaid losses also increased when compared to the prior period as a result of Hurricane Ian, which made landfall during the third quarter of 2022. Ian.

11) LONG-TERM DEBT

Long-Term Debt

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

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

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

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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, while our leverage ratio was greater than the allowed ratio above, we did not incur any additional debt 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, which was 3.76% 3.81% at the end of March June 2023. 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 March 31, 2023 June 30, 2023, we were no longer the holders of held the SBA Note. Note as a result of placing UPC into receivership.

Debt Issuance Costs

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

		2023	2022		2023	2022
Balance at January 1,	Balance at January 1,	$ 1,645	$ 1,998	Balance at January 1,	$ 1,645	$ 1,998
Additions	Additions	—	—	Additions	—	—
Amortization	Amortization	(83)	(84)	Amortization	(166)	(168)
Balance at March 31,		$ 1,562	$ 1,914			
Balance at June 30,				Balance at June 30,	$ 1,479	$ 1,830

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 March 31, 2023 June 30, 2023, the Company is involved in legal proceedings whereby on August 18, 2021, a former employee of Skyway Legal Services, LLC, Jacqueline A. Miraglia filed a complaint against the Company suit in the United States District Court for the District of Delaware. The lawsuit alleges Delaware against United Insurance Holdings Corp. alleging violations of and damages arising under Title VII of the Civil Rights Act of 1964 and the Age Discrimination in Employment Act of 1967, and seeks sought damages in an unspecified amount. The Company, a named party to the lawsuit, denies that it employed the plaintiff and disputes the claims set forth in the lawsuit. On September 27, 2022, venue was transferred to the United States District Court for the Middle District of Florida, Tampa Division. The Division and in November, 2022, the plaintiff amended the complaint to add Skyway Claims Services as a defendant. On July 6, 2023, the Company believes that entered into a Settlement Agreement and General Release, which resulted in an unfavorable outcome is neither probable nor estimable. immaterial payment to the plaintiff and did not involve an admission of any wrongdoing by any party.

Commitments to fund partnership investments

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We have fully funded one limited partnership investments and have committed to fund our remaining limited partnership investment. The amount of unfunded commitments was $4,242,000 $3,602,000 and $4,238,000 at March 31, 2023 June 30, 2023 and December 31, 2022, respectively.

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.

UNITED INSURANCE HOLDINGS CORP.
Notes to Unaudited Condensed Consolidated Financial Statements
March 31, 2023

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

	Financial Statement Line	March 31, 2023	December 31, 2022
Assets			
Operating lease assets	Other assets	$ 1,096	$ 1,278
Financing lease assets	Property and equipment, net	2	51
Total lease assets		$ 1,098	$ 1,329
Liabilities			
Operating lease liabilities	Operating lease liability	$ 1,412	$ 1,689
Financing lease liabilities	Other liabilities	—	2
Total lease liabilities		$ 1,412	$ 1,691

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

	Financial Statement Line	June 30, 2023	December 31, 2022
Assets			
Operating lease assets	Other assets	$ 903	$ 1,278
Financing lease assets	Property and equipment, net	—	51
Total lease assets		$ 903	$ 1,329
Liabilities			
Operating lease liabilities	Operating lease liability	$ 1,172	$ 1,689
Financing lease liabilities	Other liabilities	—	2
Total lease liabilities		$ 1,172	$ 1,691

The components of lease expenses were as follows:

		Three Months Ended March 31,			Three Months Ended June 30,			Six Months Ended June 30,					
		2023	2022		2023	2022		2023	2022				
Operating lease expense	Operating lease expense	$ 222	$ 160	Operating lease expense	$ 222	$ 160		$ 444	$ 320				
Financing lease expense:	Financing lease expense:			Financing lease expense:									
Amortization of leased assets	Amortization of leased assets	7	129	Amortization of leased assets	2	113		9	242				
Interest on lease liabilities							Interest on lease liabilities			—	1	—	1
Net lease expense	Net lease expense	$ 229	$ 289	Net lease expense	$ 224	$ 274		$ 453	$ 563				

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

	Operating Leases	Finance Leases	Total	Total

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Remaining in 2023	Remaining in 2023	$ 682	$ —	$ 682	Remaining in 2023	$ 432
2024	2024	593	—	593	2024	593
2025	2025	222	—	222	2025	222
2026	2026	11	—	11	2026	11
2027		—	—	—		
Thereafter		—	—	—		
Total undiscounted future minimum lease payments	Total undiscounted future minimum lease payments	1,508	—	1,508	Total undiscounted future minimum lease payments	1,258
Less: Imputed interest	Less: Imputed interest	(96)	—	(96)	Less: Imputed interest	(86)
Present value of lease liabilities	Present value of lease liabilities	$ 1,412	$ —	$ 1,412	Present value of lease liabilities	$ 1,172

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

		March 31, 2023		December 31, 2022			June 30, 2023		December 31, 2022	
Weighted average remaining lease term (months)	Weighted average remaining lease term (months)					Weighted average remaining lease term (months)				
Operating leases	Operating leases	23		25		Operating leases	21		25	
Financing leases	Financing leases	—		9		Financing leases	—		9	
Weighted average discount rate	Weighted average discount rate					Weighted average discount rate				
Operating leases	Operating leases	3.70	%	3.79	%	Operating leases	3.57	%	3.79	%
Financing leases	Financing leases	—	%	3.27	%	Financing leases	—	%	3.27	%

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There were no other cash or non-cash related activities during the three or six months ended March 31, 2023 June 30, 2023 and 2022.

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Capital lease amortization expenses are included in depreciation expense in our Unaudited Condensed Consolidated Statements of Comprehensive Loss. 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 subleased to a third-party. This sublease is effective from October 1, 2022 through July 31, 2025, with no option to extend. During the three six months ended March 31, 2023 June 30, 2023, we recognized $33,000 $99,000 of income related to this sublease, exclusive of the lease expense associated with the original lease. During the year ended December 31, 2022, we recognized $297,000 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 March 31, 2022 June 30, 2023, we have received $5,718,000 from the Internal Revenue Service related to this refund. A gain contingency is an uncertain situation that will be resolved in the future, possibly resulting in a gain. We

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have not recorded the recognition of recognized this gain contingency of $10,161,000 within our financial statements except for what the $5,718,000 that has already been received and what was received after the balance sheet date prior to finalizing our results for the quarter, prior to settlement of the underlying event. received.

While we believe the likelihood of the refund approval being reversed is low, a loss contingency to the extent of the refunds received and recognized of $5,718,000 is present. 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 different pools of assets based on similar risk characteristics: premiums receivable for direct written business; reinsurance recoverables from ceded losses to our reinsurers; our investment holdings; and our notes receivable. 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 three six months ended March 31, 2023 June 30, 2023 and 2022: 2022, respectively:

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March 31, 2023		**December 31, 2022**	**Provision for expected credit losses**	**Write-offs**	**March 31, 2023**					
June 30, 2023						**June 30, 2023**	**December 31, 2022**	**Provision for expected credit losses**	**Write-offs**	**June 30, 2023**
Premiums Receivable	Premiums Receivable	$ 32	$ (34)	$ 29	$ 27	Premiums Receivable	$ 32	$ (47)	$ 43	$ 28
Reinsurance Recoverables	Reinsurance Recoverables	333	(183)	—	150	Reinsurance Recoverables	333	(164)	—	169
Total	Total	$ 365	$ (217)	$ 29	$ 177	Total	$ 365	$ (211)	$ 43	$ 197
March 31, 2022		**December 31, 2021**	**Provision for expected credit losses**	**Write-offs**	**March 31, 2022**					
June 30, 2022						**June 30, 2022**	**December 31, 2021**	**Provision for expected credit losses**	**Write-offs**	**June 30, 2022**
Premiums Receivable	Premiums Receivable	$ 16	$ (14)	$ 10	$ 12	Premiums Receivable	$ 16	$ (21)	$ 22	$ 17
Reinsurance Recoverables	Reinsurance Recoverables	58	22	—	80	Reinsurance Recoverables	58	23	—	81
Total	Total	$ 74	$ 8	$ 10	$ 92	Total	$ 74	$ 2	$ 22	$ 98

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 ACIC AmCoastal were merged, with ACIC 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 ACIC AmCoastal are domiciled in Florida, while IIC is domiciled in New York. At March 31, 2023 June 30, 2023, and during the three six months then ended, ACIC 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 will be 1.3% on direct written premium of all covered lines of business in Florida to cover the cost of an insurance company facing insolvency.

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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 not 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 six months ended March 31, 2023 June 30, 2023 and 2022.

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	Three Months Ended March 31, 2023	2022	Three Months Ended June 30, 2023	2022	Six Months Ended June 30, 2023	2022
ACIC(1)	18,230	6,110				
AmCoastal(1)			40,883	4,577	59,113	10,687
IIC	(2,203)	(3,985)	(278)	1,389	(2,481)	(2,596)
Total	$ 16,027	$ 2,125	$ 40,605	$ 5,966	$ 56,632	$ 8,091

(1) ACIC 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 March 31, 2023 June 30, 2023, we met these requirements. The table below details the amount of surplus as regards policyholders for each of our regulated entities at March 31, 2023 June 30, 2023 and December 31, 2022.

	March 31, 2023	December 31, 2022	June 30, 2023	December 31, 2022
ACIC(1)	101,811	77,511		
AmCoastal(1)			122,200	77,511
IIC	23,966	26,152	23,574	26,152
Total	$ 125,777	$ 103,663	$ 145,774	$ 103,663

(1) ACIC 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	Pre-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
December 31, 2022	$ (33,041)	$ 2,094	$ (30,947)	$ (33,041)	$ 2,094	$ (30,947)
Changes in net unrealized losses on investments	5,574	(315)	5,259	3,407	1,366	4,773
Reclassification adjustment for realized losses	(1,260)	315	(945)	5,464	(1,366)	4,098

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Impact of deconsolidation of discontinued operations	Impact of deconsolidation of discontinued operations	$ (3)	$ 1,007	$ 1,004	Impact of deconsolidation of discontinued operations	$ (3)	$ 1,007	$ 1,004
March 31, 2023		$ (28,730)	$ 3,101	$ (25,629)				
June 30, 2023					**June 30, 2023**	$ (24,173)	$ 3,101	$ (21,072)

16) STOCKHOLDERS' EQUITY

Our Board of Directors declared dividends on our outstanding shares of common stock to stockholders of record as follows for the periods presented (in thousands, except per share amounts):

	Three Months Ended March 31,			
	2023		2022	
	Per Share Amount	Aggregate Amount	Per Share Amount	Aggregate Amount
First Quarter	$ —	$ —	$ 0.06	$ 2,589

	Six Months Ended June 30,			
	2023		2022	
	Per Share Amount	Aggregate Amount	Per Share Amount	Aggregate Amount
First Quarter	$ —	$ —	$ 0.06	$ 2,589
Second Quarter	—	—	—	—

In July 2019, our Board of Directors authorized a stock repurchase plan of up to $25,000,000 of our common stock. As of March 31, 2023June 30, 2023, 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 UIHCACIC common stock, and general market conditions. The plan has no expiration date, and the plan may be suspended or discontinued at any time.

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 March 31,			Three Months Ended June 30,		Six Months Ended June 30,	
		2023	2022		2023	2022	2023	2022
Employee stock-based compensation expense	Employee stock-based compensation expense			Employee stock-based compensation expense				
Pre-tax	Pre-tax	$ 309	$ 390	Pre-tax	$ 79	$ 141	$ 388	$ 531
Post-tax (1)	Post-tax (1)	244	308	Post-tax (1)	62	111	307	419
Director stock-based compensation expense	Director stock-based compensation expense			Director stock-based compensation expense				
Pre-tax	Pre-tax	26	62	Pre-tax	29	41	55	103
Post-tax (1)	Post-tax (1)	21	49	Post-tax (1)	23	32	43	81

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

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We had approximately $1,709,000 $2,676,000 of unrecognized stock compensation expense at March 31, 2023 June 30, 2023 related to non-vested stock-based compensation granted, which we expect to recognize over a weighted-average period of approximately 1.8 2.3 years. We had approximately $10,000 $218,000 of unrecognized director stock-based compensation expense at March 31, 2023 June 30, 2023 related to non-vested director stock-based compensation granted, which we expect to recognize over a weighted-average period of approximately 0.1 0.9 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 did not grant any granted 45,000 and 793,041 shares of restricted common stock during the three month period months ended March 31, 2023. We granted 114,866 shares of restricted common stock during the three month period ended March 31, 2022, June 30, 2023 and 2022, respectively, which had a weighted-average grant date fair value of $3.59 $5.25 and $1.74 per share. share, respectively. We granted 45,000 and 907,907 shares of restricted common stock during the six months ended June 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 three and six month periods ended June 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.

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

		Number of Restricted Shares	Weighted Average Grant Date Fair Value		Number of Restricted Shares	Weighted Average Grant Date Fair Value
Outstanding as of December 31, 2022	**Outstanding as of December 31, 2022**	714,239	$ 2.73	**Outstanding as of December 31, 2022**	714,239	$ 2.73
Granted (1)	Granted (1)	—	—	Granted (1)	45,000	5.25
Less: Forfeited	Less: Forfeited	856	3.59	Less: Forfeited	130,546	3.16
Less: Vested	Less: Vested	44,457	4.40	Less: Vested	179,334	3.20
Outstanding as of March 31, 2023		668,926	$ 2.62			
Outstanding as of June 30, 2023				**Outstanding as of June 30, 2023**	449,359	$ 2.67

(1) Contingent shares 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		2023	2022
Expected annual dividend yield	Expected annual dividend yield	— %	— %	Expected annual dividend yield	— %	— %
Expected volatility	Expected volatility	— %	49.66 %	Expected volatility	80.84 %	49.66 %
Risk-free interest rate	Risk-free interest rate	— %	2.92 %	Risk-free interest rate	3.44 %	2.92 %
Expected term	Expected term	N/A	6 years	Expected term	6 years	6 years

The expected annual dividend yield for our options granted during 2023 and 2022 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.

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We did not grant any stock options for the three and six months ended June 30, 2023. We granted 635,643 stock options during the three and six month periods ended March 31, 2023 June 30, 2022, which had a weighted average grant date fair value of $0.86 per share. Additionally, during the three and 2022. six months ended June 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.

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		Number of Stock Options	Weighted Average Exercise Prices	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2022	**Outstanding as of December 31, 2022**	1,250,685	$ 3.71	7.66	$ —	**Outstanding as of December 31, 2022**	1,250,685	$ 3.71	7.66	$ —
Granted (1)	Granted (1)	—	—	—	—	Granted (1)	—	—	—	—
Less: Forfeited	Less: Forfeited	—	—	—	—	Less: Forfeited	40,000	3.46	—	—
Less: Expired	Less: Expired	161,925	3.05	—	—	Less: Expired	161,925	3.05	—	—
Less: Exercised	Less: Exercised	—	—	—	—	Less: Exercised	20,000	3.46	—	—
Outstanding as of March 31, 2023		1,088,760	$ 3.81	8.55	$ 451					
Outstanding as of June 30, 2023						**Outstanding as of June 30, 2023**	1,028,760	$ 3.83	8.30	$ 1,561
Vested as of March 31, 2023(1)		532,797	$ 7.26	7.79	$ 112					
Exercisable as of March 31, 2023		270,861	$ 6.57	7.89	$ 112					
Vested as of June 30, 2023(2)						**Vested as of June 30, 2023**(2)	800,759	$ 5.25	7.99	$ 653
Exercisable as of June 30, 2023						**Exercisable as of June 30, 2023**	430,568	$ 5.25	7.99	$ 653

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

(2) The vested shares are calculated based on all vested shares at March 31, 2023 June 30, 2023, 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 March 31, 2023 June 30, 2023.

18) SUBSEQUENT EVENTS

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

At June 30, 2023, the Company was involved in legal proceedings whereby on August 18, 2021, Jacqueline A. Miraglia filed suit in the United States District Court for the District of Delaware against United Insurance Holdings Corp. alleging violations arising under Title VII of the Civil Rights Act of 1964 and the Age Discrimination in Employment Act of 1967, and sought damages in an unspecified amount. On April 5, 2023 September 27, 2022, venue was transferred to the United States District Court for the Middle District of Florida, Tampa Division and in November, 2022, the plaintiff amended the complaint to add Skyway Claims Services as a defendant. On July 6, the Company entered into a Settlement Agreement and General Release, which resulted in an immaterial payment to the plaintiff and does not involve an admission of any wrongdoing by any party.

On July 10, 2023, we filed with the Secretary of the State of the State of Delaware a Second Certificate of Amendment of Certificate of Incorporation to change its corporate name from United Insurance Holdings Corp. to American Coastal Insurance Corporation, effective July 10, 2023. In connection with the Company's name change, the Board of Directors amended the Company's by-laws to reflect the corporate name American Coastal Insurance Corporation, also effective on July 10, 2023. No other changes were made to the Company's by-laws.

On July 27, 2023, we announced that the Company will begin trading on NASDAQ under the ticker symbol "ACIC", prior to market open on August 15, 2023. The new ticker replaces the current ticker symbol "UIHC", which has been used since the Company's formation and initial public offering on the over-the-counter (OTC) market in 2007, and subsequent listing on The Nasdaq Capital Market in 2012.

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On August 10, 2023, the Company issued a press release related to its earnings for the second quarter ended June 30, 2023 (the Earnings Release). The Earnings Release was filed as exhibit 99.1 to the Form 8-K filed on August 10, 2023. Subsequent to the Earnings Release, the Company has reported changes to its provision for income taxes and Income from discontinued operations, net of tax on its Consolidated Statements of Comprehensive Loss. In addition, the Company has decreased its reported other liabilities and increased its reported other assets on its Consolidated Balance Sheets.

On August 21, 2023, the Company filed a Motion an amended 10-Q for Release the first quarter ended March 31, 2023. This amended filing corrects our allocation of Property discontinued operations to include activities related directly to the support of ACIC in our former subsidiary UPC. In addition, this amendment corrects our provision for income taxes to appropriately reflect the Circuit Court impact of the Second Judicial
Circuit for Leon County, Florida, requesting that UPC immediately remit to ACIC reinsurance recoveries currently held by UPC and reinsurance recoveries recovered by UPC in the future in accordance with the Company's Allocation Agreement. Alternatively, ACIC requested future reinsurance recoveries remitted to UPC be placed into a segregated account for future reconciliation and remittance to ACIC. On April 13, 2023, the DFS filed a response to the Company's motion, objecting to ACIC's position. On April 14, 2023, the Court denied ACIC's motion without prejudice.

On April 19, 2023, United Insurance Holding Corp.'s (the "Company") subsidiary, American Coastal Insurance Company ("ACIC") entered into a Memorandum disposition of Understanding (the "Memorandum") with the Florida Department of Financial Services, Division of Rehabilitation and Liquidation (the "DFS") as receiver of the Company's former subsidiary, United Property & Casualty Insurance Company ("UPC") related to the Reinsurance Allocation Agreement (the "Allocation Agreement") by and between ACIC and UPC.

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The Allocation Agreement, effective on June 1, 2022, and approved by the Florida Office of Insurance Regulation (the "FLOIR") on December 5, 2022, describes the manner in which reinsurance recoveries under shared reinsurance agreements are allocated between ACIC and UPC. Under the terms of the Memorandum, ACIC 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 ACIC. If a true up adjustment demonstrates that any future reinsurance recoveries were over-collected by ACIC, ACIC will remit any over-payment to UPC.

On May 15, 2023, the Company, together with it's subsidiary, ACIC, 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 is 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 on no value to UPC on a stand-alone basis. However, ACIC 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, ACIC 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 held by ACIC 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 ACIC, UIHC, 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 ACIC, UIHC, 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 ACIC provided the Internal Revenue Service does not object to the Company utilizing UPC's net operating loss carry-forward against its future taxable income.

UNITED INSURANCE HOLDINGS CORP. 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

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on Form 10-K for the year ended December 31, 2022. 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

United American Coastal Insurance Holdings Corp. Corporation (referred to in this document as we, our, us, the Company or UIHC) 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 (ACIC) (AmCoastal); and Interboro Insurance Company (IIC). Collectively, we refer to the holding company and all our subsidiaries, including non-insurance subsidiaries, as "United "American Coastal Insurance Holdings, 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 UIHC 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 February 27, 2023, our former insurance subsidiary, United Property & Casualty Insurance Company (UPC) was placed into receivership with the Florida Department of Financial Services, 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 Florida Department of Financial Services (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.

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 ACIC, AmCoastal, in April 2017, 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 ACIC, AmCoastal, with ACIC AmCoastal being the surviving entity. Effective May 31, 2022, we merged FSIC into UPC, with UPC being the surviving entity.

As a result of the receivership of our former subsidiary UPC by the DFS effective February 27, 2022 February 27, 2023, our policies in-force decreased by 51.3% 49.0% from 48,152 46,401 policies in-force at March 31, 2022 June 30, 2022 to 23,473 23,664 policies in-force at March 31, 2023 June 30, 2023.

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We are 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 following discussion highlights significant factors influencing the consolidated financial position and results of operations of United American Coastal Insurance Holdings. 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.

UNITED AMERICAN COASTAL INSURANCE HOLDINGS CORP. CORPORATION

2023 Highlights

		Three Months Ended March 31,			Three Months Ended June 30,			Six Months Ended June 30,			
		2023	2022		2023	2022		2023	2022		
Gross premiums written	Gross premiums written	$187,123	$142,414	Gross premiums written	$243,885	$207,632		$431,008	$350,046		
Gross premiums earned	Gross premiums earned	144,476	122,733	Gross premiums earned	158,199	129,483		302,675	252,216		
Net premiums earned	Net premiums earned	87,324	57,746	Net premiums earned	83,169	64,532		170,493	122,278		
Total revenues	Total revenues	104,047	117,361	Total revenues	79,295	63,910		169,615	122,342		
Earnings from continuing operations, before income tax		40,428	5,627								
Earnings from continuing operations, net of tax							Earnings from continuing operations, net of tax	20,352	(13,311)	50,719	(13,584)
Income (loss) from discontinued operations, net of tax	Income (loss) from discontinued operations, net of tax	230,305	(37,904)	Income (loss) from discontinued operations, net of tax	(2,573)	(55,744)		234,340	(88,728)		
Consolidated net income (loss) attributable to UIHC		260,878	(33,172)								
Net income (loss) available to UIHC stockholders per diluted share											
Consolidated net income (loss) attributable to ACIC							Consolidated net income (loss) attributable to ACIC	17,779	(69,029)	285,059	(102,201)
Net income (loss) available to ACIC stockholders per diluted share							Net income (loss) available to ACIC stockholders per diluted share				
Continuing Operations	Continuing Operations	$ 0.70	$ 0.11	Continuing Operations	$ 0.47	$ (0.31)		$ 1.16	$ (0.31)		
Discontinued Operations	Discontinued Operations	5.29	(0.88)	Discontinued Operations	(0.06)	(1.29)		5.36	(2.06)		
Total	Total	$ 5.99	$ (0.77)	Total	$ 0.41	$ (1.60)		$ 6.52	$ (2.37)		
Reconciliation of net income (loss) to core income (loss):	Reconciliation of net income (loss) to core income (loss):			Reconciliation of net income (loss) to core income (loss):							
Plus: Non-cash amortization of intangible assets	Plus: Non-cash amortization of intangible assets	$ 812	$ 812	Plus: Non-cash amortization of intangible assets	$ 811	$ 812		$ 1,623	$ 1,624		
Less: Income (loss) from discontinued operations, net of tax	Less: Income (loss) from discontinued operations, net of tax	230,305	(37,904)	Less: Income (loss) from discontinued operations, net of tax	(2,573)	(55,744)		234,340	(88,728)		
Less: Realized losses on investment portfolio	Less: Realized losses on investment portfolio	(83)	37	Less: Realized losses on investment portfolio	(6,725)	(77)		(6,808)	(40)		

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Less: Unrealized gains (losses) on equity securities	Less: Unrealized gains (losses) on equity securities	474	(770)	Less: Unrealized gains (losses) on equity securities	141	(2,391)	615	(3,161)	
Less: Net tax impact (1)	Less: Net tax impact (1)	88	324	Less: Net tax impact (1)	1,553	689	1,641	1,013	
Core income (loss) (2)		30,906	5,953						
Core income (loss) per diluted share(2)		$ 0.71	$ 0.14						
Core income (2)				Core income (2)	26,192	(10,693)	56,894	(9,660)	
Core income per diluted share(2)				Core income per diluted share(2)	$ 0.60	$ (0.25)	$ 1.30	$ (0.22)	
Book value per share	Book value per share	$ 1.93	$ (4.21)	Book value per share	$ 2.59	$ 3.85			

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

(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.

UNITED AMERICAN COASTAL INSURANCE HOLDINGS CORP. CORPORATION

Consolidated Net Income (Loss)

		Three Months Ended March 31,			Three Months Ended June 30,		Six Months Ended June 30,		
		2023	**2022**		**2023**	**2022**	**2023**	**2022**	
REVENUE:	REVENUE:			REVENUE:					
Gross premiums written	Gross premiums written	$187,123	$142,414	Gross premiums written	$243,885	$207,632	$431,008	$ 350,046	
Change in gross unearned premiums	Change in gross unearned premiums	(42,647)	(19,681)	Change in gross unearned premiums	(85,686)	(78,149)	(128,333)	(97,830)	
Gross premiums earned	Gross premiums earned	144,476	122,733	Gross premiums earned	158,199	129,483	302,675	252,216	
Ceded premiums earned	Ceded premiums earned	(57,152)	(64,987)	Ceded premiums earned	(75,030)	(64,951)	(132,182)	(129,938)	
Net premiums earned	Net premiums earned	87,324	57,746	Net premiums earned	83,169	64,532	170,493	122,278	
Net investment income	Net investment income	2,589	1,404	Net investment income	2,692	1,839	5,281	3,243	
Net realized investment gains (losses)		(83)	37						
Net realized investment losses				Net realized investment losses			(6,725)	(77)	(6,808)
Net unrealized gains (losses) on equity securities	Net unrealized gains (losses) on equity securities	474	(770)	Net unrealized gains (losses) on equity securities	141	(2,391)	615	(3,161)	
Management fee income		9,668	50,206						
Other revenue	Other revenue	4,075	8,738	Other revenue	18	7	34	22	
Total revenue	Total revenue	104,047	117,361	Total revenue	79,295	63,910	169,615	122,342	
EXPENSES:	EXPENSES:			EXPENSES:					
Losses and loss adjustment expenses	Losses and loss adjustment expenses	19,073	32,518	Losses and loss adjustment expenses	20,915	14,032	37,327	40,347	

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Policy acquisition costs	Policy acquisition costs	26,927	52,152	Policy acquisition costs	25,545	23,570		52,517		43,878		
Operating expenses	Operating expenses	5,651	10,603	Operating expenses	3,274	3,820		5,442		7,527		
General and administrative expenses	General and administrative expenses	9,837	15,435	General and administrative expenses	6,583	8,208		15,376		16,272		
Interest expense	Interest expense	2,719	2,359	Interest expense	2,719	2,363		5,438		4,722		
Total expenses	Total expenses	64,207	113,067	Total expenses	59,036	51,993		116,100		112,746		
Income before other income	Income before other income	39,840	4,294	Income before other income	20,259	11,917		53,515		9,596		
Other income	Other income	588	1,333	Other income	806	258		1,394		1,591		
Income before income taxes	Income before income taxes	40,428	5,627	Income before income taxes	21,065	12,175		54,909		11,187		
Provision for income taxes	Provision for income taxes	9,855	980	Provision for income taxes	713	25,486		4,190		24,771		
Net income from continuing operations, net of tax	Net income from continuing operations, net of tax	$ 30,573	$ 4,647	Net income from continuing operations, net of tax	$ 20,352	$ (13,311)		$ 50,719		$ (13,584)		
Income (loss) from discontinued operations, net of tax	Income (loss) from discontinued operations, net of tax	230,305	(37,904)	Income (loss) from discontinued operations, net of tax	(2,573)	(55,744)		234,340		(88,728)		
Net income (loss)	Net income (loss)	$260,878	$ (33,257)	Net income (loss)	$ 17,779	$ (69,055)		$285,059		$(102,312)		
Less: Net loss attributable to noncontrolling interests	Less: Net loss attributable to noncontrolling interests	—	(85)	Less: Net loss attributable to noncontrolling interests	—	(26)		—		(111)		
Net income (loss) attributable to UIHC		$260,878	$ (33,172)									
Earnings available to UIHC common stockholders per diluted share		$ 5.99	$ (0.77)									
Net income (loss) attributable to ACIC							Net income (loss) attributable to ACIC		$17,779		$(69,029)	$285,059
Earnings available to ACIC common stockholders per diluted share							Earnings available to ACIC common stockholders per diluted share		$ 0.41		$ (1.60)	$ 6.52
Book value per share	Book value per share	$ 1.93	$ (4.21)	Book value per share				$ 2.59		$ 3.85		
Return on equity based on GAAP net income (loss)	Return on equity based on GAAP net income (loss)	NM	(41.7)%	Return on equity based on GAAP net income (loss)				NM		(72.2)%		
Loss ratio, net (1)	Loss ratio, net (1)	21.9 %	56.3 %	Loss ratio, net (1)	25.1 %	21.7 %		21.9 %		33.0 %		
Expense ratio (2)	Expense ratio (2)	48.6 %	135.4 %	Expense ratio (2)	42.6 %	55.2 %		43.0 %		55.3 %		
Combined ratio (3)	Combined ratio (3)	70.5 %	191.7 %	Combined ratio (3)	67.7 %	76.9 %		64.9 %		88.3 %		
Effect of current year catastrophe losses on combined ratio	Effect of current year catastrophe losses on combined ratio	3.5 %	11.4 %	Effect of current year catastrophe losses on combined ratio	7.9 %	(3.3)%		5.4 %		2.8 %		

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Effect of prior year development on combined ratio	Effect of prior year development on combined ratio	(3.6)%	(5.3)%	Effect of prior year development on combined ratio	(6.2)%	(6.0)%	(4.9)%	(5.7)%
Underlying combined ratio (4)	Underlying combined ratio (4)	70.6 %	185.6 %	Underlying combined ratio (4)	66.0 %	86.2 %	64.4 %	91.2 %

(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.

Definitions of Non-GAAP Measures

We believe that investors' understanding of UIHC's 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 three six months ended March 31, 2023 June 30, 2023, 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. 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.

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

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, 2022.

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 $372,721,000 $241,714,000 at March 31, 2023 June 30, 2023, compared to $340,905,000 at December 31, 2022.

The following table summarizes our investments, by type:

		March 31, 2023		December 31, 2022			June 30, 2023		December 31, 2022	
		Estimated Fair Value	Percent of Total	Estimated Fair Value	Percent of Total		Estimated Fair Value	Percent of Total	Estimated Fair Value	Percent of Total
U.S. government and agency securities	U.S. government and agency securities	$ 3,409	0.9%	$ 2,385	0.7%	U.S. government and agency securities	$ 2,393	1.0%	$ 2,385	0.7%
Foreign government	Foreign government	991	0.3%	991	0.3%	Foreign government	995	0.4%	991	0.3%
States, municipalities and political subdivisions	States, municipalities and political subdivisions	28,582	7.7%	26,895	7.9%	States, municipalities and political subdivisions	23,479	9.7%	26,895	7.9%
Public utilities	Public utilities	7,820	2.1%	7,694	2.3%	Public utilities	5,009	2.1%	7,694	2.3%
Corporate securities	Corporate securities	85,723	23.0%	83,343	24.3%	Corporate securities	61,770	25.5%	83,343	24.3%
Mortgage-backed securities	Mortgage-backed securities	56,002	15.0%	56,115	16.5%	Mortgage-backed securities	49,464	20.5%	56,115	16.5%
Asset-backed securities	Asset-backed securities	28,206	7.6%	27,259	8.0%	Asset-backed securities	17,753	7.3%	27,259	8.0%
Total fixed maturities	Total fixed maturities	210,733	56.6 %	204,682	60.0 %	Total fixed maturities	160,863	66.5 %	204,682	60.0 %
Mutual funds	Mutual funds	16,181	4.3%	15,657	4.6%	Mutual funds	—	—%	15,657	4.6%
Total equity securities	Total equity securities	16,181	4.3 %	15,657	4.6 %	Total equity securities	—	— %	15,657	4.6 %
Other investments	Other investments	3,550	1.0 %	3,675	1.1 %	Other investments	3,582	1.5 %	3,675	1.1 %
Total investments	Total investments	230,464	61.9%	224,014	65.7%	Total investments	164,446	68.0%	224,014	65.7%
Cash and cash equivalents	Cash and cash equivalents	92,586	24.8 %	70,903	20.8 %	Cash and cash equivalents	27,767	11.5 %	70,903	20.8 %
Restricted cash	Restricted cash	49,671	13.3%	45,988	13.5%	Restricted cash	49,501	20.5%	45,988	13.5%
Total cash, cash equivalents, restricted cash and investments	Total cash, cash equivalents, restricted cash and investments	$ 372,721	100.0 %	$ 340,905	100.0 %	Total cash, cash equivalents, restricted cash and investments	$ 241,714	100.0 %	$ 340,905	100.0 %

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We classify all of our fixed-maturity investments as available-for-sale. Our investments at March 31, 2023 June 30, 2023 and December 31, 2022 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 of securities issued by companies in the financial, utilities and industrial sectors or mutual funds. At March 31, 2023 June 30, 2023, approximately 79.6% 82.7% of our fixed maturities were U.S. Treasuries or corporate bonds rated "A" or better, and 20.4% 17.3% 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 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 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.

During the second quarter of 2022, 2023, we placed our reinsurance program for the 2022 2023 hurricane season. We purchased catastrophe excess of loss reinsurance protection up to an exhaustion point of approximately $2,500,000,000 $1,300,000,000 in the aggregate, including coverage related to our former insurance subsidiary, UPC. 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, 2022 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 to Assist Policyholders Assistance Program (RAP (FORA Program). The FHCF and RAP Program covers Florida risks only and we participate at 90% . The FORA Program covers Florida risks only and we participate at 100%. Under our core catastrophe excess of loss treaty, retention on a first and second event is $16,400,000. During the third quarter, one of our reinsurers participating on the $25,000,000 excess of $20,000,000 layer of the core catastrophe program exercised a contractual right to terminate their participation due to Demotech's downgrade of UPC's Financial Stability Rating. We were unsuccessful in replacing this coverage in the open market so our captive reinsurer, UPC Re, stepped into the $25,000,000 excess of $20,000,000 layer which was subsequently impacted by Hurricane Ian resulting in an additional retained loss of $20,100,000 million. $10,000,000. The exhaustion point of IIC's catastrophe reinsurance program is approximately $200,000,000 $82,000,000 in 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 of which is attributable to ACIC AmCoastal only. After reinstatement premiums of approximately $15.4 million, the Company, with its former subsidiary UPC has approximately $993 million of aggregate limit remaining after Hurricane Ian, based on our estimated ultimate net loss subject to the core catastrophe reinsurance program.

Effective January 1, 2023, we renewed our 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.

During the third quarter 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 will result resulted in approximately $1,300,000 of ceded premium savings that would have otherwise been due in 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.

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

Reinsurer	Companies in Scope (1)	Effective Dates	Cession Rate	States in Scope
External third-party	AmCoastal	06/01/2023 - 06/01/2024	40% (2)	Florida
External third-party	UPC, FSIC & ACIC AmCoastal	06/01/2022 - 06/01/2023	10% (2)	Florida, Louisiana, Texas
TypTap	UPC	06/01/2022 - 06/01/2023	100% (3)	Georgia, North Carolina, South Carolina
External third-party	UPC, FSIC & ACIC 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 & ACIC 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

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(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) This treaty provides coverage on our in-force, new and renewal policies until these states are 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 six month periods ended March 31, 2023 June 30, 2023 and 2022 were as follows:

		2023	2022		2023	2022
Three Months Ended March 31,						
Three Months Ended June 30,				**Three Months Ended June 30,**		
Non-at-Risk	Non-at-Risk	(0.5) %	(0.6) %	Non-at-Risk	(0.5) %	(0.6) %
Quota Share	Quota Share	(6.1) %	(15.6) %	Quota Share	(14.4) %	(14.2) %
All Other	All Other	(33.0) %	(36.8) %	All Other	(32.5) %	(35.4) %
Total Ceding Ratio	Total Ceding Ratio	(39.6) %	(53.0) %	Total Ceding Ratio	(47.4) %	(50.2) %
Six Months Ended June 30,				**Six Months Ended June 30,**		
Non-at-Risk				Non-at-Risk	(0.5) %	(0.6) %
Quota Share				Quota Share	(10.5) %	(14.9) %
All Other				All Other	(32.8) %	(36.0) %
Total Ceding Ratio				Total Ceding Ratio	(43.8) %	(51.5) %

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 six month periods ended March 31, 2023 June 30, 2023 and 2022 were as follows:

	Personal		Commercial	
	2023	2022	2023	2022
Three Months Ended March 31,				
Non-at-Risk	(1.6)%	(1.2)%	(0.4)%	(0.5)%
Quota Share	— %	— %	(6.7)%	(17.8)%
All Other	(28.8)%	(18.2)%	(33.3)%	(39.4)%
Total Ceding Ratio	(30.4)%	(19.4)%	(40.4)%	(57.7)%

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	Personal		Commercial	
	2023	2022	2023	2022
Three Months Ended June 30,				
Non-at-Risk	(2)%	(1.1)%	(0.4)%	(0.5)%
Quota Share	— %	— %	(15.6)%	(16.3)%
All Other	(23.9)%	(18.5)%	(33.2)%	(37.8)%
Total Ceding Ratio	(25.9)%	(19.6)%	(49.2)%	(54.6)%
Six Months Ended June 30,				
Non-at-Risk	(1.8)%	(1.2)%	(0.4)%	(0.5)%
Quota Share	— %	— %	(11.4)%	(17.0)%
All Other	(26.4)%	(18.3)%	(33.3)%	(38.6)%
Total Ceding Ratio	(28.2)%	(19.5)%	(45.1)%	(56.1)%

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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. The table below summarizes

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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 March 31,			Three Months Ended June 30,		Six Months Ended June 30,	
		2023	2022		2023	2022	2023	2022
Quota Share	Quota Share	$ (12,243)	$ (23,128)	Quota Share	$(118,956)	$ (17,944)	$(131,199)	$ (41,072)
Excess-of-loss	Excess-of-loss	(19,295)	(5,507)	Excess-of-loss	(219,201)	(172,733)	(238,496)	(178,240)
Equipment, identity theft, and cyber security	Equipment, identity theft, and cyber security	(820)	(746)	Equipment, identity theft, and cyber security	(847)	(1,035)	(1,667)	(1,781)
Ceded premiums written	Ceded premiums written	$ (32,358)	$ (29,381)	Ceded premiums written	$(339,004)	$(191,712)	$(371,362)	$(221,093)
Change in ceded unearned premiums	Change in ceded unearned premiums	(24,794)	(35,606)	Change in ceded unearned premiums	263,974	126,761	239,180	91,155
Ceded premiums earned	Ceded premiums earned	$ (57,152)	$ (64,987)	Ceded premiums earned	$ (75,030)	$ (64,951)	$(132,182)	$(129,938)

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.

Personal Lines Operating Segment

	Three Months Ended March 31,	
	2023	2022
Excess-of-loss	(995)	353
Equipment, identity theft, and cyber security	(290)	(168)
Ceded premiums written	$ (1,285)	$ 185
Change in ceded unearned premiums	(2,493)	(3,150)
Ceded premiums earned	$ (3,778)	$ (2,965)

Commercial Lines Operating Segment Impact

		Three Months Ended March 31,			Three Months Ended June 30,		Six Months Ended June 30,	
		2023	2022		2023	2022	2023	2022
Quota Share	Quota Share	$ (12,243)	$ (23,128)	Quota Share	$ (118,956)	$ (17,944)	$ (131,199)	$ (41,072)
Excess-of-loss	Excess-of-loss	(18,300)	(5,860)	Excess-of-loss	(211,599)	(158,335)	(229,899)	(164,189)
Equipment, identity theft, and cyber security	Equipment, identity theft, and cyber security	(530)	(578)	Equipment, identity theft, and cyber security	(643)	(858)	(1,173)	(1,436)
Ceded premiums written	Ceded premiums written	$ (31,073)	$ (29,566)	Ceded premiums written	$ (331,198)	$ (177,137)	$ (362,271)	$ (206,697)
Change in ceded unearned premiums	Change in ceded unearned premiums	(22,301)	(32,456)	Change in ceded unearned premiums	259,373	115,366	237,072	82,904
Ceded premiums earned	Ceded premiums earned	$ (53,374)	$ (62,022)	Ceded premiums earned	$ (71,825)	$ (61,771)	$ (125,199)	$ (123,793)

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Personal Lines Operating Segment

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Excess-of-loss	(7,602)	(14,404)	(8,597)	(14,051)
Equipment, identity theft, and cyber security	(204)	(177)	(494)	(345)
Ceded premiums written	$ (7,806)	$ (14,581)	$ (9,091)	$ (14,396)
Change in ceded unearned premiums	4,601	11,401	2,108	8,251
Ceded premiums earned	$ (3,205)	$ (3,180)	$ (6,983)	$ (6,145)

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

		2023			2022				2023			2022		
		Number of Events	Incurred Loss and LAE (1)	Combined Ratio Impact	Number of Events	Incurred Loss and LAE (1)	Combined Ratio Impact		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 March 31,														
Three Months Ended June 30,								**Three Months Ended June 30,**						
Current period catastrophe losses incurred	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	All other catastrophe loss events	3	3,071	3.5 %	3	6,555	11.4 %	All other catastrophe loss events	5	6,540	7.9 %	7	(2,113)	(3.3) %
Total	Total	3	$ 3,071	3.5 %	3	$ 6,555	11.4 %	Total	5	$ 6,540	7.9 %	7	$ (2,113)	(3.3) %
Six Months Ended June 30,								**Six Months Ended June 30,**						
Current period catastrophe losses incurred								Current period catastrophe losses incurred						
Named and numbered storms								Named and numbered storms	—	$ —	— %	—	$ —	— %
All other catastrophe loss events								All other catastrophe loss events	8	9,155	5.4 %	10	3,416	2.8 %
Total								Total	8	$ 9,155	5.4 %	10	$ 3,416	2.8 %

(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.

Personal

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Commercial Lines Operating Segment

		2023			2022				2023			2022		
		Number of Events	**Incurred Loss and LAE (1)**	**Combined Ratio Impact**	**Number of Events**	**Incurred Loss and LAE (1)**	**Combined Ratio Impact**		**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 March 31,														
Three Months Ended June 30,								**Three Months Ended June 30,**						
Current period catastrophe losses incurred	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	All other catastrophe loss events	3	974	11.2 %	3	3,450	28.0 %	All other catastrophe loss events	5	6,201	8.4 %	3	(2,587)	(5.0) %
Total	Total	3	$ 974	11.2 %	3	$ 3,450	28.0 %	Total	5	$ 6,201	8.4 %	3	$ (2,587)	(5.0) %
Six Months Ended June 30,								**Six Months Ended June 30,**						
Current period catastrophe losses incurred								Current period catastrophe losses incurred						
Named and numbered storms								Named and numbered storms	—	$ —	— %	—	$ —	— %
All other catastrophe loss events								All other catastrophe loss events	6	8,298	5.4 %	6	518	0.5 %
Total								Total	6	$ 8,298	5.4 %	6	$ 518	0.5 %

(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.

Commercial Personal Lines Operating Segment

	2023			2022				2023			2022		
	Number of Events	**Incurred Loss and LAE (1)**	**Combined Ratio Impact**	**Number of Events**	**Incurred Loss and LAE (1)**	**Combined Ratio Impact**		**Number of Events**	**Incurred Loss and LAE (1)**	**Combined Ratio Impact**	**Number of Events**	**Incurred Loss and LAE (1)**	**Combined Ratio Impact**

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Three Months Ended March 31,							
Three Months Ended June 30,							
Current period catastrophe losses incurred	Current period catastrophe losses incurred						
Named and numbered storms	Named and numbered storms	—	$ —	— %	—	$ —	— %
All other catastrophe loss events	All other catastrophe loss events	1	2,097	2.7 %	3	3,105	6.8 %
Total	Total	1	$ 2,097	2.7 %	3	$ 3,105	6.8 %
Six Months Ended June 30,							
Current period catastrophe losses incurred							
Named and numbered storms							
All other catastrophe loss events							
Total							

Three Months Ended June 30,						
Current period catastrophe losses incurred						
Named and numbered storms	—	$ —	— %	—	$ —	— %
All other catastrophe loss events	—	340	3.7 %	3	474	3.6 %
Total	—	$ 340	3.7 %	3	$ 474	3.6 %
Six Months Ended June 30,						
Current period catastrophe losses incurred						
Named and numbered storms	—	$ —	— %	—	$ —	— %
All other catastrophe loss events	3	858	4.8 %	6	2,898	11.4 %
Total	3	$ 858	4.8 %	6	$ 2,898	11.4 %

(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.

Unpaid losses and LAE totaled $748,365,000 $534,676,000 and $842,958,000 as of March 31, 2023 June 30, 2023 and December 31, 2022, respectively. Of this total, $727,320,000 $513,118,000 and $816,489,000, respectively, is related to our commercial lines operating segment. The

remaining $21,045,000 $21,558,000 and $26,469,000, 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

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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.

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

Inflation

During the fourth quarter of 2021, the United States began experiencing an increase in the rate of inflation. During the first half of 2022, inflation hit 8.6%, its highest level since 1981, impacting all industries. Premium rates charged to policyholders are typically developed several months prior to implementation, using market information available at the time of the filing. While we attempt to charge adequate premium rates to combat increased costs, during periods of high inflation, we may not have included the negative impact to loss and loss adjustment expenses into our projections, resulting in premium rates that may not be sufficient. In addition, we may be limited in our ability to raise premium rates due to regulatory restrictions. As a result of the inflation during 2023, higher loss and loss adjustment expenses have had a negative impact on our results of operations during the three months ended March 31, 2023.

In response to inflation, the Federal Reserve has also increased interest rates which may negatively affect the market value of our investment portfolio and our rate of return on investments. Management monitors and responds to the inflationary pressure and changing interest rate environment for potential long-term material impacts to our investment portfolio and results of operations.

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

Net income earnings attributable to UIHC ACIC for the three months ended March 31, 2023 June 30, 2023 increased $294,050,000, $86,808,000, or 886.4% 125.8%, to net income of $260,878,000 $17,779,000 for the first second quarter of 2023 from a net loss of $33,172,000 $69,029,000 for the same period in 2022. Of this income, $20,352,000 is attributable to continuing operations for the three months ended June 30, 2023, an increase of $33,663,000 from a net loss of $13,311,000 for the same period in 2022. of Drivers of net income from continuing operations during the three months ended March 31, 2023 second quarter of 2023 include increased gross premiums earned, decreased a decrease in our provision for taxes driven by the recognition of a valuation allowance against our deferred tax assets during 2022 and decreases in both operating and administrative costs, as described below. This was partially offset by increases in loss and LAE driven by decreased non-catastrophe increased catastrophe losses, and decreases across increased policy acquisition costs, operating and underwriting expenses and general and administrative expenses, the details of which are as described below. In addition to continuing operations, we recognized income a loss from discontinued operations of $230,305,000, $2,573,000, driven by the deconsolidation of UPC and activities related directly to supporting the business conducted by UPC.

Revenue

Our gross written premiums increased $44,709,000, $36,253,000, or 31.4% 17.5%, to $187,123,000 $243,885,000 for the first second quarter ended March 31, 2023 June 30, 2023 from $142,414,000 $207,632,000 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 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 March 31,			($ in thousands)	Three Months Ended June 30,		
		2023	2022	Change		2023	2022	Change
Direct Written and Assumed Premium by State (1)	**Direct Written and Assumed Premium by State (1)**				**Direct Written and Assumed Premium by State (1)**			
Florida	Florida	$176,611	$125,764	$50,847	Florida	$236,766	$179,188	$ 57,578
New York					New York	7,063	4,984	2,079
Texas	Texas	(9)	1,986	(1,995)	Texas	—	1,803	(1,803)
New York		10,482	14,450	(3,968)				
South Carolina	South Carolina	—	93	(93)	South Carolina	—	(78)	78
Total direct written premium by state	Total direct written premium by state	187,084	142,293	44,791	Total direct written premium by state	243,829	185,897	57,932
Assumed premium (2)	Assumed premium (2)	39	121	(82)	Assumed premium (2)	56	21,735	(21,679)
Total gross written premium by state	Total gross written premium by state	$187,123	$142,414	$44,709	Total gross written premium by state	$243,885	$207,632	$ 36,253
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	236,822	181,067	55,755
Personal property	Personal property	$ 10,482	$ 14,450	$ (3,968)	Personal property	$ 7,063	$ 26,565	$(19,502)
Commercial property		176,641	127,964	48,677				
Total gross written premium by line of business	Total gross written premium by line of business	$187,123	$142,414	$44,709	Total gross written premium by line of business	$243,885	$207,632	$ 36,253

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

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(2) Assumed premium written for 2023 and 2022 is 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 $11,863,000.

	Three Months Ended March 31,				Three Months Ended June 30,			
New and Renewal Policies(1) by State (2)	New and Renewal Policies(1) by State (2)	2023	2022	Change	New and Renewal Policies(1) by State (2)	2023	2022	Change
Florida	Florida	1,157	1,472	(315)	Florida	1,457	1,956	(499)
New York					New York	4,563	10,991	(6,428)
Texas	Texas	—	18	(18)	Texas	—	14	(14)
New York		6,137	9,952	(3,815)				
South Carolina	South Carolina	—	1	(1)	South Carolina	—	1	(1)
Total	Total	7,294	11,443	(4,149)	Total	6,020	12,962	(6,942)

(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.

In connection with the divestiture of our former subsidiary, UPC, our income statement was recast to present our results from continuing operations separately from the results of UPC. As a result, we have presented management fee income of $9,668,000 for the three months ended March 31, 2023, compared to $50,206,000 for the three months ended March 31, 2022. This decrease is attributable directly to the divestiture of UPC, as management fee income was earned by our subsidiary, United Insurance Management for the servicing of UPC policies. In 2023, UPC operated until receivership

effective February 27, 2023, compared to normal operation for the three months ended March 31, 2022. This income previously eliminated on a consolidated basis.

Expenses

Expenses for the three months ended March 31, 2023 decreased $48,860,000, June 30, 2023 increased $7,043,000, or 43.2% 13.5%, to $64,207,000 $59,036,000 from $113,067,000 $51,993,000 for the same period in 2022. The decrease increase in expenses was primarily due to a decrease in policy acquisition costs of $25,225,000 and decrease an increase in loss and LAE of $13,445,000. and policy acquisition costs. Operating and underwriting expenses and general and administrative expenses also decreased $4,952,000 and $5,598,000 in the first second quarter of 2023 compared to the first second quarter of 2022. 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 March 31,				Three Months Ended June 30,		
		2023	2022	Change		2023	2022	Change
Net loss and LAE	Net loss and LAE	$19,073	$32,518	$(13,445)	Net loss and LAE	$20,915	$14,032	$ 6,883
% of Gross earned premiums	% of Gross earned premiums	13.3 %	26.5 %	(13.2) pts	% of Gross earned premiums	13.2 %	10.8 %	2.4 pts
% of Net earned premiums	% of Net earned premiums	21.9 %	56.3 %	(34.4) pts	% of Net earned premiums	25.1 %	21.7 %	3.4 pts
Less:	Less:				Less:			
Current year catastrophe losses	Current year catastrophe losses	$ 3,071	$ 6,555	$ (3,484)	Current year catastrophe losses	$ 6,540	$ (2,112)	$ 8,652
Prior year reserve unfavorable development	Prior year reserve unfavorable development	(3,165)	(3,064)	(101)	Prior year reserve unfavorable development	(5,151)	(3,877)	(1,274)
Underlying loss and LAE (1)	Underlying loss and LAE (1)	$19,167	$29,027	$ (9,860)	Underlying loss and LAE (1)	$19,526	$20,021	$ (495)
% of Gross earned premiums	% of Gross earned premiums	13.3 %	23.7 %	(10.4) pts	% of Gross earned premiums	12.3 %	15.5 %	(3.2) pts
% of Net earned premiums	% of Net earned premiums	21.9 %	50.3 %	(28.4) pts	% of Net earned premiums	23.5 %	31.0 %	(7.5) 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 March 31,				Three Months Ended June 30,		
		2023	2022	Change		2023	2022	Change
Policy acquisition costs	Policy acquisition costs	$ 26,927	$ 52,152	$ (25,225)	Policy acquisition costs	$ 25,545	$ 23,570	$ 1,975

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Operating and underwriting	Operating and underwriting	5,651	10,603	(4,952)	Operating and underwriting	3,274	3,820	(546)
General and administrative	General and administrative	9,837	15,435	(5,598)	General and administrative	6,583	8,208	(1,625)
Total Operating Expenses	Total Operating Expenses	$ 42,415	$ 78,190	$ (35,775)	Total Operating Expenses	$ 35,402	$ 35,598	$ (196)
% of Gross earned premiums	% of Gross earned premiums	29.4 %	63.7 %	(34.3) pts	% of Gross earned premiums	22.4 %	27.5 %	(5.1) pts
% of Net earned premiums	% of Net earned premiums	48.6 %	135.4 %	(86.8) pts	% of Net earned premiums	42.6 %	55.2 %	(12.6) pts

Loss and LAE decreased increased by $13,445,000, $6,883,000, or 41.3% 49.1%, to $19,073,000 $20,915,000 for the first second quarter of 2023 from $32,518,000 $14,032,000 for the first second quarter of 2022. Loss and LAE expense as a percentage of net earned premiums decreased 34.4 increased 3.4 points to 21.9% 25.1% for the first second quarter of 2023, compared to 56.3% 21.7% for the first second quarter of 2022. Excluding catastrophe losses and reserve development, our gross underlying loss and LAE ratio for the first second quarter of 2023 would have been 13.3% 12.3%, a decrease of 10.4 3.2 points from 23.7% 15.5% during the first second quarter of 2022.

Policy acquisition costs decreased increased by $25,225,000, $1,975,000, or 48.4% 8.4%, to $26,927,000 $25,545,000 for the first second quarter of 2023 from $52,152,000 $23,570,000 for the first second quarter of 2022, primarily due to decreases in agent commissions and policy administration fees, of $30,127,000, $2,836,000 respectively, which fluctuate in conjunction with the quarter-over-quarter decrease in personal lines gross written premium. This was partially offset by a $7,537,000 an increase in external management fees incurred of $4,878,000 related to our commercial lines gross written premium during the first second quarter of 2023, 2023. In addition, we experienced increases in agent commissions, policy administration fees and premium taxes of $1,009,000, $149,000 and $658,000, respectively, driven by increased written premium quarter-over-quarter. These increases were partially offset by an increase in ceding commission income of $4,837,000 driven by our commercial lines quota share coverage entered into in the second quarter of 2023.

UNITED INSURANCE HOLDINGS CORP.

Operating and underwriting expenses decreased by $4,952,000, $546,000, or 4.7% 14.3%, to $5,651,000 $3,274,000 for the first second quarter of 2023 from $10,603,000 $3,820,000 for the first second quarter of 2022, driven by a decrease in investments in technology of $2,244,000 and decreased underwriting expenses of $2,179,000 as a result of the decrease in personal lines premiums shown in the table above. $766,000 quarter-over-quarter.

General and administrative expenses decreased by $5,598,000, $1,625,000, or 36.3% 19.8%, to $9,837,000 $6,583,000 for the first second quarter of 2023 from $15,435,000 $8,208,000 for the first second quarter of 2022, driven by the a decrease in salary related expenses of $5,667,000, $863,000, driven by decreased headcount quarter-over-quarter. In addition, costs for professional services provided by external vendors decreased $624,000 quarter-over-quarter.

AMERICAN COASTAL INSURANCE CORPORATION

Commercial Lines Operating Segment Results

Pretax earnings attributable to our commercial lines operating segment for the three months ended June 30, 2023 increased $6,595,000, or 35.1%, to pre-tax income of $25,381,000 for the second quarter of 2023 from pre-tax income of $18,786,000 for the same period in 2022. The change in earnings was primarily driven by increased gross written premiums quarter-over-quarter. This was partially offset by increased loss and LAE and policy acquisition costs quarter-over-quarter. The details of these changes are described below.

Revenue

Our gross written premiums attributable to our commercial lines operating segment increased $55,755,000, or 30.8%, to $236,822,000 for the second quarter ended June 30, 2023 from $181,067,000 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 June 30,		
	2023	**2022**	**Change**
Direct Written and Assumed Premium by State (1)			
Florida	$ 236,766	$ 179,188	$ 57,578
Texas	—	1,803	(1,803)
South Carolina	—	(78)	78

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Total direct written premium by state	236,766	180,913	55,853
Assumed premium (2)	56	154	(98)
Total gross written premium by state	$ 236,822	$ 181,067	$ 55,755

(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.

	Three Months Ended June 30,		
New and Renewal Policies(1) by State (2)	**2023**	**2022**	**Change**
Florida	1,457	1,956	(499)
Texas	—	14	(14)
South Carolina	—	1	(1)
Total	1,457	1,971	(514)

(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.

AMERICAN COASTAL INSURANCE CORPORATION

Expenses

Expenses attributable to our commercial lines operating segment for the three months ended June 30, 2023 increased $12,233,000, or 38.6%, to $43,903,000 from $31,670,000 for the same period in 2022. The increase in expenses was primarily due to an increase in loss and LAE and policy acquisition costs in the second quarter of 2023 compared to the second 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 June 30,		
	2023	**2022**	**Change**
Net loss and LAE	$ 16,245	$ 8,194	$ 8,051
% of Gross earned premiums	11.1 %	7.2 %	3.9 pts
% of Net earned premiums	22.0 %	15.9 %	6.1 pts
Less:			
Current year catastrophe losses	$ 6,201	$ (2,587)	$ 8,788
Prior year reserve (favorable) development	(5,337)	(1,886)	(3,451)
Underlying loss and LAE (1)	$ 15,381	$ 12,667	$ 2,714
% of Gross earned premiums	10.5 %	11.2 %	(0.7) pts
% of Net earned premiums	20.8 %	24.6 %	(3.8) 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 June 30,		
	2023	**2022**	**Change**
Policy acquisition costs	$ 23,526	$ 19,928	$ 3,598
Operating and underwriting	1,501	1,127	374
General and administrative	2,631	2,421	210
Total Operating Expenses	$ 27,658	$ 23,476	$ 4,182
% of Gross earned premiums	19.0 %	20.7 %	(1.7) pts
% of Net earned premiums	37.4 %	45.6 %	(8.2) pts

Loss and LAE attributable to our commercial lines operating segment increased by $8,051,000, or 98.3%, to $16,245,000 for the second quarter of 2023 from $8,194,000 for the second quarter of 2022. Loss and LAE expense as a percentage of net earned premiums increased 6.1 points to 22.0% for the second quarter of 2023, compared to 15.9% for the second quarter of 2022. Excluding catastrophe losses and reserve development, our gross underlying loss and LAE ratio for the second quarter of 2023 would have been 10.5%, a decrease of 0.7 points from 11.2% during the second quarter of 2022.

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Policy acquisition costs attributable to our commercial lines operating segment increased by $3,598,000, or 18.1%, to $23,526,000 for the second quarter of 2023 from $19,928,000 for the second quarter of 2022, driven by increases in external management fees of $4,879,000, premium taxes of $591,000 and agent commissions of $391,000, all as a result of increased gross written premiums quarter-over-quarter. This was partially offset by increased ceding commission income of $2,246,000 related to our quota share reinsurance agreements, driven by new agreements as a part of our 2023 core catastrophe reinsurance program.

Operating and underwriting expenses attributable to our commercial lines operating segment increased by $374,000, or 33.2%, to $1,501,000 for the second quarter of 2023 from $1,127,000 for the second quarter of 2022, driven by a $749,000 increase in underwriting expenses quarter-over-quarter, partially offset by decreased allocations of expenses for investments in technology of $361,000 quarter-over-quarter.

General and administrative expenses attributable to our commercial lines operating segment increased by $210,000, or 8.7%, to $2,631,000 for the second quarter of 2023 from $2,421,000 for the second quarter of 2022, driven by a $369,000 increase in allocated external professional services costs for the second quarter of 2023 compared to the same period in 2022. This was partially offset by a decrease in salary related expenses of $133,000, driven by decreased headcount quarter-over-quarter.

AMERICAN COASTAL INSURANCE CORPORATION

Personal Lines Operating Segment Results

Pretax earnings attributable to our personal lines operating segment for the three months ended March 31, 2023 June 30, 2023 increased $9,419,000, $2,389,000, or 198.6% 64.1%, to a pre-tax income loss of $4,677,000 $1,336,000 for the first second quarter of 2023 from a pre-tax loss of $4,742,000 $3,725,000 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 premiums and earned quarter-over-quarter as described below. Expenses decreased quarter-over-quarter, driven by decreased loss & LAE, policy acquisition costs, and operating expenses. These decreases were partially offset by an increase in general and administrative expenses quarter-over-quarter. The details of the change in these expenses are described below.

Revenue

Our gross written premiums attributable to our personal lines operating segment decreased $3,968,000, $19,502,000, or 27.5% 73.4%, to $10,482,000 $7,063,000 for the first second quarter ended March 31, 2023 June 30, 2023 from $14,450,000 $26,565,000 for the same period in 2022. This decrease was driven primarily by a decreae decrease in assumed premiums, driven by the termination of our quota share agreement between our former subsidiary, UPC and IIC effective December 31, 2022. The change in personal lines direct written and assumed premiums and new and renewal premiums policies of the personal lines operating segment quarter-over-quarter can be seen below.

($ in thousands, policies in ones)	($ in thousands, policies in ones)	Three Months Ended March 31,			($ in thousands, policies in ones)	Three Months Ended June 30,		
		2023	2022	Change		2023	2022	Change
Direct Written Premium	Direct Written Premium	$ 10,482	$ 4,684	$ 5,798	Direct Written Premium	$ 7,063	$ 4,984	$ 2,079
Assumed Premiums	Assumed Premiums	—	9,766	(9,766)	Assumed Premiums	—	21,581	(21,581)
Total gross written premium	Total gross written premium	$ 10,482	$ 14,450	$ (3,968)	Total gross written premium	$ 7,063	$ 26,565	$ (19,502)
New and Renewal Policies (1)	New and Renewal Policies (1)	6,137	9,952	(3,815)	New and Renewal Policies (1)	4,563	10,991	(6,428)

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

In connection with the divestiture of our former subsidiary, UPC, our income statement was recast to present our results from continuing operations separately from the results of UPC. As a result, we have presented management fee income of $9,668,000 for the three months ended March 31, 2023, compared to $50,206,000 for the three months ended March 31, 2022. This decrease is attributable directly to the divestiture of UPC, as management fee income was earned by our subsidiary, United Insurance Management for the servicing of UPC policies. In 2023, UPC operated until receivership effective February 27, 2023, compared to normal operation for the three months ended March 31, 2022. This income previously eliminated on a consolidated basis.

UNITED AMERICAN COASTAL INSURANCE HOLDINGS CORP. CORPORATION

Expenses

Expenses attributable to our personal lines operating segment for the three months ended March 31, 2023 June 30, 2023 decreased $56,700,000, $5,241,000, or 74.6% 30.2%, to $19,315,000 $12,130,000 from $76,015,000 $17,371,000 for the same period in 2022. The decrease in expenses is attributable to a decrease in general and administrative expenses and policy acquisition costs, as well as decreased loss costs. Loss and LAE incurred also decreased, driven by decreased non-catastrophe losses, operating losses. Operating and underwriting expenses and general and administrative expenses. also decreased quarter-over-quarter. 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 March 31,				Three Months Ended June 30,		
		2023	2022	Change		2023	2022	Change
Net loss and LAE	Net loss and LAE	$5,172	$18,404	$(13,232)	Net loss and LAE	$4,670	$5,838	$(1,168)
% of Gross earned premiums	% of Gross earned premiums	41.6 %	120.5 %	(78.9) pts	% of Gross earned premiums	37.7 %	35.9 %	1.8 pts

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% of Net earned premiums	% of Net earned premiums	59.7 %	149.6 %	(89.9) pts	% of Net earned premiums	50.9 %	44.6 %	6.3 pts
Less:	Less:				Less:			
Current year catastrophe losses	Current year catastrophe losses	$ 974	$ 3,450	$ (2,476)	Current year catastrophe losses	$ 340	$ 475	$ (135)
Prior year reserve (favorable) development	Prior year reserve (favorable) development	(395)	(1,261)	866	Prior year reserve (favorable) development	186	(1,991)	2,177
Underlying loss and LAE (1)	Underlying loss and LAE (1)	$4,593	$16,215	$(11,622)	Underlying loss and LAE (1)	$4,144	$7,354	$(3,210)
% of Gross earned premiums	% of Gross earned premiums	36.9 %	106.2 %	(69.3) pts	% of Gross earned premiums	33.5 %	45.2 %	(11.7) pts
% of Net earned premiums	% of Net earned premiums	52.9 %	131.8 %	(78.9) pts	% of Net earned premiums	45.2 %	56.2 %	(11.0) 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 March 31,				Three Months Ended June 30,		
		2023	2022	Change		2023	2022	Change
Policy acquisition costs	Policy acquisition costs	$ 1,761	$ 35,474	$ (33,713)	Policy acquisition costs	$ 2,019	$ 3,642	$ (1,623)
Operating and underwriting	Operating and underwriting	5,431	9,403	(3,972)	Operating and underwriting	1,669	2,606	(937)
General and administrative	General and administrative	6,951	12,734	(5,783)	General and administrative	3,772	5,285	(1,513)
Total Operating Expenses	Total Operating Expenses	$ 14,143	$ 57,611	$ (43,468)	Total Operating Expenses	$ 7,460	$ 11,533	$ (4,073)
% of Gross earned premiums	% of Gross earned premiums	113.7 %	377.3 %	(263.6) pts	% of Gross earned premiums	60.2 %	70.9 %	(10.7) pts
% of Net earned premiums	% of Net earned premiums	163.2 %	468.3 %	(305.1) pts	% of Net earned premiums	81.2 %	88.1 %	(6.9) pts

Loss and LAE attributable to our personal lines operating segment decreased by $13,232,000, $1,168,000, or 71.9% 20.0%, to $5,172,000 $4,670,000 for the first second quarter of 2023 from $18,404,000 $5,838,000 for the first second quarter of 2022. Loss and LAE expense as a percentage of net earned premiums decreased 89.9 increased 6.3 points to 59.7% 50.9% for the first second quarter of 2023, compared to 149.6% 44.6% for the first second quarter of 2022. Excluding catastrophe losses and reserve development, our gross underlying loss and LAE ratio for the first second quarter of 2023 would have been 36.9% 33.5%, a decrease of 69.3 11.7 points from 106.2% 45.2% during the first second quarter of 2022.

Policy acquisition costs attributable to our personal lines operating segment decreased by $33,713,000, $1,623,000, or 95.0% 44.6%, to $1,761,000 $2,019,000 for the first second quarter of 2023 from $35,474,000 $3,642,000 for the first second quarter of 2022, primarily due to a decrease in agent commissions and policy administration fees of $27,763,000, $2,848,000, respectively, which fluctuate in conjunction with the quarter-over-quarter decrease in personal lines gross written premium. In addition reinsurance commissions decreased $2,530,000, of $2,591,000, 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 $618,000 and $167,000, 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 $3,972,000, $937,000, or 42.2% 36.0%, to $5,431,000 $1,669,000 for the first second quarter of 2023 from $9,403,000 $2,606,000 for the first second quarter of 2022, due to decreased investments in technology of $2,041,000 in 2023 $397,000 and decreased underwriting expenses of $1,588,000 $188,000 quarter-over-quarter. We also experienced decreased operating costs such as the result utilities, printing and postage of the decrease in premiums written described above. $216,000 quarter-over-quarter.

General and administrative expenses attributable to our personal lines operating segment decreased by $5,783,000, $1,513,000, or 45.4% 28.6%, to $6,951,000 $3,772,000 for the first second quarter of 2023 from $12,734,000 $5,285,000 for the first second quarter of 2022, driven by a $5,640,000 $730,000 decrease in salary related expenses as a result of lower headcount quarter-over-quarter.

In addition, costs for professional services provided by external vendors decreased $739,000 quarter-over-quarter.

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RESULTS OF OPERATIONS - COMPARISON OF THE SIX MONTH PERIODS ENDED JUNE 30, 2023 AND 2022

Net earnings attributable to ACIC for the six months ended June 30, 2023 increased $387,260,000, or 378.9%, to net income of $285,059,000 from a net loss of $102,201,000 for the same period in 2022. Of this income, $50,719,000 is attributable to continuing operations for the six months ended June 30, 2023, an increase of $64,303,000 from a net loss of $13,584,000 for the same period in 2022. Drivers of net income from continuing operations during 2023 include increased gross premiums earned, a decrease in our provision for taxes driven by the recognition of a valuation allowance against our deferred tax assets during 2022 and decreased operating and administrative costs, as well as decreased loss and LAE incurred, as described below. In addition to continuing operations, we recognized income from discontinued operations of $234,340,000, driven by the deconsolidation of UPC and activities related directly to supporting the business conducted by UPC.

Revenue

Our gross written premiums increased $80,962,000, or 23.1%, to $431,008,000 for the six months ended June 30, 2023 from $350,046,000 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 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)	Six Months Ended June 30,		
	2023	2022	Change
Direct Written and Assumed Premium by State (1)			
Florida	$ 413,377	$ 304,952	$ 108,425
New York	17,545	9,667	7,878
South Carolina	—	15	(15)
Texas	(9)	3,789	(3,798)
Total direct written premium by region	430,913	318,423	112,490
Assumed premium (2)	95	31,623	(31,528)
Total gross written premium by region	$ 431,008	$ 350,046	$ 80,962
Gross Written Premium by Line of Business			
Commercial property	413,463	309,031	104,432
Personal property	$ 17,545	$ 41,015	$ (23,470)
Total gross written premium by line of business	$ 431,008	$ 350,046	$ 80,962

(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.

	Six Months Ended June 30,		
New and Renewal Policies (1) By State (2)	2023	2022	Change
Florida	2,614	3,428	(814)
New York	10,700	20,943	(10,243)
Texas	—	32	(32)
South Carolina	—	2	(2)
Total	13,314	24,405	(11,091)

(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.

Expenses

Expenses for the six months ended June 30, 2023 increased $3,354,000, or 3.0%, to $116,100,000 from $112,746,000 for the same period in 2022. The increase in expenses was primarily due to an increase in policy acquisition costs year-over-year. Loss and LAE incurred, operating and underwriting and general and administrative expenses all decreased year-over-year. The details of these changes can be seen below.

Six Months Ended June 30,		
2023	2022	Change

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Net loss and LAE	$ 37,327	$ 40,347	$ (3,020)
% of Gross earned premiums	12.3 %	16.0 %	(3.7) pts
% of Net earned premiums	21.9 %	33.0 %	(11.1) pts
Less:			
Current year catastrophe losses	$ 9,155	$ 3,416	$ 5,739
Prior year reserve (favorable) development	(8,316)	(6,941)	(1,375)
Underlying loss and LAE (1)	$ 36,488	$ 43,872	$ (7,384)
% of Gross earned premiums	12.1 %	17.4 %	(5.3) pts
% of Net earned premiums	21.4 %	35.9 %	(14.5) 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.

	Six Months Ended June 30,		
	2023	**2022**	**Change**
Policy acquisition costs	$ 52,517	$ 43,878	$ 8,639
Operating and underwriting	5,442	7,527	(2,085)
General and administrative	15,376	16,272	(896)
Total operating expenses	$ 73,335	$ 67,677	$ 5,658
% of Gross earned premiums	24.2 %	26.8 %	(2.6) pts
% of Net earned premiums	43.0 %	55.3 %	(12.3) pts

Loss and LAE decreased $3,020,000, or 7.5%, to $37,327,000 for the six months ended June 30, 2023 from $40,347,000 for the same period in 2022. Loss and LAE expense as a percentage of net earned premiums decreased 11.1 points to 21.9% for the six months ended June 30, 2023, compared to 33.0% for the same period in 2022. Excluding catastrophe losses and reserve development, our gross underlying loss and LAE ratio for the six months ended June 30, 2023 was 12.1%, a decrease of 5.3 points from 17.4% during the six months ended June 30, 2022.

Policy acquisition costs increased $8,639,000, or 19.7%, to $52,517,000 for the six months ended June 30, 2023 from $43,878,000 for the same period in 2022. The primary driver of the increase was an increase in external management fees incurred of $12,415,000 related to our commercial lines gross written premium during 2023. This was partially offset by an increase in ceding commission income of $3,861,000 driven by our commercial lines quota share coverage entered into in the second quarter of 2023.

Operating expenses decreased $2,085,000, or 27.7%, to $5,442,000 for the six months ended June 30, 2023 from $7,527,000 for the same period in 2022, primarily due to decreased investments in technology of $1,271,000. We also experienced decreased operating costs such as utilities, printing and postage of $484,000 year-over-year.

General and administrative expenses decreased $896,000, or 5.5%, to $15,376,000 for the six months ended June 30, 2023 from $16,272,000 for the same period in 2022 driven by a $477,000 decrease in tax related expenses year-over-year. In addition, depreciation and amortization expense decreased $501,000 year-over-year.

AMERICAN COASTAL INSURANCE CORPORATION

Commercial Lines Operating Segment Results

Pretax earnings attributable to our commercial lines operating segment for the three six months ended March 31, 2023 June 30, 2023 increased $27,337,000, $33,932,000, or 236.0% 111.7%, to pre-tax income of $38,919,000 for the first quarter of 2023 $64,300,000 from pre-tax income of $11,582,000 $30,368,000 for the same period in 2022. The change in earnings was primarily driven by increased gross written premiums, quarter-over-quarter, and decreased operating and underwriting expenses. the details of which are described below. This increase was partially offset by increased policy acquisition costs quarter-over-quarter. and loss and LAE incurred during 2023 compared to the same period in 2022. The details of these changes are described below.

Revenue

Our gross written premiums attributable to our commercial lines operating segment increased $48,677,000, $104,432,000, or 38.0% 33.8%, to $176,641,000 $413,463,000 for the first quarter six months ended March 31, 2023 June 30, 2023 from $127,964,000 $309,031,000 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 to a specialty commercial lines underwriter. The breakdown of the commercial lines operating segment quarter-over-quarter year-over-year changes in both direct written and assumed premiums by state are shown in the table below.

($ in thousands)	($ in thousands)	Three Months Ended March 31,			($ in thousands)	Six Months Ended June 30,		
		2023	**2022**	**Change**		**2023**	**2022**	**Change**

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Direct Written and Assumed Premium by State (1)	Direct Written and Assumed Premium by State (1)				Direct Written and Assumed Premium by State (1)			
Florida	Florida	$176,611	$125,764	$50,847	Florida	$413,377	$304,952	$108,425
South Carolina					South Carolina	—	15	(15)
Texas	Texas	(9)	1,986	(1,995)	Texas	(9)	3,789	(3,798)
South Carolina		—	93	(93)				
Total direct written premium by state		176,602	127,843	48,759				
Total direct written premium by region					Total direct written premium by region	413,368	308,756	104,612
Assumed premium (2)	Assumed premium (2)	39	121	(82)	Assumed premium (2)	95	275	(180)
Total gross written premium by state		$176,641	$127,964	$48,677				
Total gross written premium by region					Total gross written premium by region	$413,463	$309,031	$104,432

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

(2) Assumed premium written for 2022 2023 and 2021 2022 is primarily commercial property business assumed from unaffiliated insurers.

	Three Months Ended March 31,				Six Months Ended June 30,			
New and Renewal Policies(1) by State (2)	New and Renewal Policies(1) by State (2)	2023	2022	Change	New and Renewal Policies(1) by State (2)	2023	2022	Change
Florida	Florida	1,157	1,472	(315)	Florida	2,614	3,428	(814)
Texas	Texas	—	18	(18)	Texas	—	32	(32)
South Carolina	South Carolina	—	1	(1)	South Carolina	—	2	(2)
Total	Total	1,157	1,491	(334)	Total	2,614	3,462	(848)

(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 six months ended March 31, 2023 June 30, 2023 increased $7,696,000, $19,929,000, or 22.5% 30.2%, to $41,917,000 $85,820,000 from $34,221,000 $65,891,000 for the same period in 2022. The increase in expenses was primarily due to an increase in policy acquisition costs of $8,488,000 in the first quarter of and loss and LAE expenses during 2023 compared to the first quarter of same period in 2022. This was partially offset by a $1,012,000 decrease in policy acquisition costs. 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 March 31,				Six Months Ended June 30,		
		2023	2022	Change		2023	2022	Change
Net loss and LAE	Net loss and LAE	$13,901	$14,114	$ (213)	Net loss and LAE	$30,146	$22,308	$ 7,838
% of Gross earned premiums	% of Gross earned premiums	10.5 %	13.1 %	(2.6) pts	% of Gross earned premiums	10.8 %	10.1 %	0.7 pts
% of Net earned premiums	% of Net earned premiums	17.7 %	31.1 %	(13.4) pts	% of Net earned premiums	19.7 %	23.0 %	(3.3) pts
Less:	Less:				Less:			
Current year catastrophe losses	Current year catastrophe losses	$ 2,097	$ 3,105	$ (1,008)	Current year catastrophe losses	$ 8,298	$ 518	$ 7,780
Prior year reserve (favorable) development	Prior year reserve (favorable) development	(2,770)	(1,803)	(967)	Prior year reserve (favorable) development	(8,107)	(3,689)	(4,418)
Underlying loss and LAE (1)	Underlying loss and LAE (1)	$14,574	$12,812	$ 1,762	Underlying loss and LAE (1)	$29,955	$25,479	$ 4,476
% of Gross earned premiums	% of Gross earned premiums	11.0 %	11.9 %	(0.9) pts	% of Gross earned premiums	10.8 %	11.5 %	(0.7) pts
% of Net earned premiums	% of Net earned premiums	18.5 %	28.2 %	(9.7) pts	% of Net earned premiums	19.6 %	26.3 %	(6.7) 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.

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

		Three Months Ended March 31,				Six Months Ended June 30,		
		2023	2022	Change		2023	2022	Change
Policy acquisition costs	Policy acquisition costs	$ 25,166	$ 16,678	$ 8,488	Policy acquisition costs	$ 48,692	$ 36,606	$ 12,086
Operating and underwriting	Operating and underwriting	96	1,109	(1,013)	Operating and underwriting	1,597	2,236	(639)
General and administrative	General and administrative	2,754	2,320	434	General and administrative	5,385	4,741	644
Total Operating Expenses	Total Operating Expenses	$ 28,016	$ 20,107	$ 7,909	Total Operating Expenses	$ 55,674	$ 43,583	$ 12,091
% of Gross earned premiums	% of Gross earned premiums	21.2 %	18.7 %	2.5 pts	% of Gross earned premiums	20.0 %	19.7 %	0.3 pts
% of Net earned premiums	% of Net earned premiums	35.6 %	44.2 %	(8.6) pts	% of Net earned premiums	36.5 %	45.0 %	(8.5) pts

Loss and LAE attributable to our commercial lines operating segment decreased increased by $213,000, $7,838,000, or 1.5% 35.1%, to $13,901,000 $30,146,000 for the first quarter of 2023 six months ended June 30, 2023 from $14,114,000 $22,308,000 for the first quarter of same period in 2022. Loss and LAE expense as a percentage of net earned premiums decreased 13.4 3.3 points to 17.7% 19.7% for the first quarter of 2022, six months ended June 30, 2023 compared to 31.1% 23.0% for the first quarter of 2021. same period in 2022. Excluding catastrophe losses and reserve development, our gross underlying loss and LAE ratio for the first quarter of 2022 six months ended June 30, 2023 would have been 11.0% 10.8%, a decrease of 0.9 0.7 points from 11.9% 11.5% during the first quarter of same period in 2022.

Policy acquisition costs attributable to our commercial lines operating segment increased by $8,488,000, $12,086,000, or 50.9% 33.0%, to $25,166,000 $48,692,000 for the first quarter of 2023 six months ended June 30, 2023 from $16,678,000 $36,606,000 for the first quarter of same period in 2022, driven by increases a $12,415,000 increase in external management fees of $7,537,000, as a result of increased gross written premiums quarter-over-quarter. In addition ceding commission income related to our quota share reinsurance agreements decreasing $3,506,000, driven by the non-renewal of agreements at the end of 2022. These increases were partially offset by decreased agent commission expenses of $2,363,000. year-over-year.

Operating and underwriting expenses attributable to our commercial lines operating segment decreased by $1,013,000, $639,000, or 91.3% 28.6%, to $96,000 $1,597,000 for the first quarter of 2023 six months ended June 30, 2023 from $1,109,000 $2,236,000 for the first quarter of same period in 2022, driven by a $591,000 $557,000 decrease in underwriting expenses quarter-over-quarter, decreased allocations of expenses for investments in technology of $196,000, and a decrease in expense related to our credit allowance reserve of $208,000. technology.

General and administrative expenses attributable to our commercial lines operating segment increased by $434,000, $644,000, or 18.7% 13.6%, to $2,754,000 $5,385,000 for the first quarter of six months ended 2023 from $2,320,000 $4,741,000 for the first quarter of same period in 2022, driven by a $433,000 $765,000 increase in allocated external professional fees related to legal, audit, actuarial and tax services costs for provided during the first quarter of 2023 compared to the same period in 2022. year.

Personal Lines Operating Segment Results

Pretax earnings attributable to our personal lines operating segment for the six months ended June 30, 2023 increased $11,839,000, or 78.5%, to a pre-tax loss of $3,243,000 from a pre-tax loss of $15,082,000 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 written premiums written and earned year-over-year as described below. The details of the changes in these expenses are described below.

Revenue

Our gross written premiums attributable to our personal lines operating segment decreased $23,470,000 or 57.2%, to $17,545,000 for the six months ended June 30, 2023 from $41,015,000 for the same period in 2022. This decrease was driven primarily by a decrease in assumed premiums, driven by the termination of our quota share agreement between our former subsidiary, UPC and IIC effective December 31, 2022. The change in personal lines direct written and assumed premiums and new and renewal policies of the personal lines operating segment year-over-year can be seen below.

($ in thousands)	Six Months Ended June 30,		
	2023	2022	Change

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Direct Written Premium	$ 17,545	$ 9,667	$ 7,878
Assumed Premiums	—	31,348	(31,348)
Total gross written premium by region	$ 17,545	$ 41,015	$ (23,470)
New and Renewal Policies (1)	10,700	20,943	(10,243)

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

AMERICAN COASTAL INSURANCE CORPORATION

Expenses

Expenses attributable to our personal lines operating segment for the six months ended June 30, 2023 decreased $16,770,000, or 40.8%, to $24,302,000 from $41,072,000 for the same period in 2022. The decrease in expenses is attributable to a decrease in 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.

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

	Six Months Ended June 30,		
	2023	2022	Change
Net loss and LAE	$ 7,181	$ 18,039	$ (10,858)
% of Gross earned premiums	28.9 %	57.2 %	(28.3) pts
% of Net earned premiums	40.2 %	71.1 %	(30.9) pts
Less:			
Current year catastrophe losses	$ 858	$ 2,898	$ (2,040)
Prior year reserve (favorable) development	(209)	(3,252)	3,043
Underlying loss and LAE (1)	$ 6,532	$ 18,393	$ (11,861)
% of Gross earned premiums	26.3 %	58.3 %	(32.0) pts
% of Net earned premiums	36.5 %	72.4 %	(35.9) 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 personal lines operating segment expense ratios are shown below.

	Six Months Ended June 30,		
	2023	2022	Change
Policy acquisition costs	$ 3,825	$ 7,272	$ (3,447)
Operating and underwriting	3,617	5,113	(1,496)
General and administrative	9,679	10,648	(969)
Total Operating Expenses	$ 17,121	$ 23,033	$ (5,912)
% of Gross earned premiums	69.0 %	73.0 %	(4.0) pts
% of Net earned premiums	95.9 %	90.7 %	5.2 pts

Loss and LAE attributable to our personal lines operating segment decreased by $10,858,000, or 60.2%, to $7,181,000 for the six months ended June 30, 2023 from $18,039,000 for the same period in 2022. Loss and LAE expense as a percentage of net earned premiums increased 30.9 points to 40.2% for the six months ended June 30, 2023, compared to 71.1% for the same period in 2022. Excluding catastrophe losses and reserve development, our gross underlying loss and LAE ratio for the six months ended June 30, 2023 would have been 26.3%, a decrease of 32.0 points from 58.3% for the same period in 2022.

Policy acquisition costs attributable to our personal lines operating segment decreased by $3,447,000, or 47.4%, to $3,825,000 for the six months ended June 30, 2023 from $7,272,000 for the same period in 2022, primarily due to a decrease in reinsurance commissions of $5,121,000, 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 $884,000 and $284,000, respectively, which fluctuate in conjunction with the year-over-year increase in personal lines direct gross written premium.

Operating and underwriting expenses attributable to our personal lines operating segment decreased by $1,496,000, or 29.3%, to $3,617,000 for the six months ended June 30, 2023 from $5,113,000 for the same period in 2022, due to decreased investments in technology of $699,000 and decreased underwriting expenses of $310,000 year-over-year. We also experienced decreased operating costs such as utilities, printing and postage of $188,000 year-over-year.

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General and administrative expenses attributable to our personal lines operating segment decreased $969,000, or 9.1%, to $9,679,000 for the six months ended June 30, 2023 from $10,648,000 for the same period in 2022, driven costs for professional services provided by external vendors decreasing $877,000 year-over-year.

AMERICAN COASTAL INSURANCE CORPORATION

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 six months ended March 31, 2023June 30, 2023, the Company made no capital contributions to its subsidiaries. During the three and six months ended March 31, 2022June 30, 2022, the Company made capital contributions of $8,000,000 each $31,000,000 and $39,000,000, respectively to our former insurance subsidiaries, subsidiary, UPC and capital contribution of $3,200,000 and $11,200,000, respectively to our former insurance subsidiary, FSIC. We may make future contributions of capital to our insurance subsidiaries as circumstances require.

As described in Note 1 in the Notes to Unaudited Condensed Consolidated Financial Statements above, substantial doubt exists existed about the Company's ability to continue as a going concern within the twelve-month period subsequent to the date that these unaudited condensed consolidated interim financial statements are our Form 10-K was previously issued. No adjustments have been made that might be necessary if However, as of June 30, 2023, the Company is unable to continue as a going concern. has 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.

Management's strategic plans include the following:

- Working with the DFS to achieve a fair and equitable solution regarding reinsurance recoverables held by UPC that management believes are due to ACIC;
- Providing additional information to our rating agencies for the affirmation of the Company's current financial ratings;
- Successfully renewing our catastrophe reinsurance programs for ACIC and IIC effective June 1, 2023; and
- Exploring raising additional capital for UIHC and ACIC, including in the form of surplus note contributions, to strengthen its statutory risk-based capital if necessary.

If the Company is unable to implement these actions, there is no assurance that the Company will be able to obtain the necessary amounts of additional capital to continue as a going concern. As of the date of this report we do not have any commitments from any source to provide such additional capital. Even if we are able to secure debt or equity financing, it may be unavailable in the amounts or time when we require. Furthermore, such financing would likely take the form of bank loans, surplus notes, private placement or public offering of debt or equity securities or some combination of these. The issuance of additional equity securities would dilute the stock ownership of current investors while incurring loans, surplus notes or other debt would increase our capital requirements and a possible loss of valuable assets if such obligations were not repaid in accordance with their terms.

UNITED INSURANCE HOLDINGS CORP.

Cash Flows for the three six months ended March 31, 2023June 30, 2023 and 2022 (in millions)

65 66 67

Operating Activities

AMERICAN COASTAL INSURANCE CORPORATION

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.

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During the three six months ended March 31, 2023 June 30, 2023, we experienced cash outflows of $104,164,000 $232,823,000 compared to cash outflows inflows of $20,893,000 $8,286,000 during the three six months ended March 31, 2022 June 30, 2022. Net income for This change in outflows was driven by the period also increased $63,830,000, exclusive continued payment of the impact of the disposition of UPC, driving these inflows. This is claims, partially offset by recoveries received during the deconsolidation of UPC year, resulting in the first quarter of 2023. This resulted in changes a decrease in our unpaid loss and & loss adjustment expenses of $68,330,000 net of reinsurance recoverables on recoverables. In addition, the Company experienced outflows from reinsurance contract payments which resulted in a net increase in our unearned paid and unpaid losses, in 2022, as we no longer hold the UPC portion premiums of this liability. $98,532,000. The remainder of these outflows can be attributed to normal business processes.

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 three six months ended March 31, 2023 June 30, 2023, net purchases sales of investments totaled $195,082,000 $258,736,000 compared to net sales of investments of $70,134,000 $83,661,000 during the three six months ended March 31, 2022 June 30, 2022. This was partially offset by the disposition of $232,582,000 of cash held by UPC at the time of receivership.

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 three six months ended March 31, 2023 June 30, 2023, no cash was used in financing activities compared to $2,970,000 $21,685,000 for the three six months ended March 31, 2022 June 30, 2022. The decrease in outflow in 2023 can be attributed to no dividend payment being made in the first quarter of 2023. In addition, no repayments of borrowings were made in 2023 as we no longer hold 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.

OFF-BALANCE SHEET ARRANGEMENTS

At March 31, 2023 June 30, 2023, 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. We had no material changes in our market risk during the three six months ended March 31, 2023 June 30, 2023.

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 material weakness in our internal control over financial reporting described below.

Existence of Material Weakness as of March 31, 2023

The Company identified a material weakness in its internal control over financial reporting related to the reporting of the discontinued operations. 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 Company restated its consolidated financial statements as of and for the three months ended March 31, 2023 to reflect the correction of this error in this Amended Report.

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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 reaching 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 quarter six months ended March 31, 2023 June 30, 2023, 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, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. reporting, except as noted above with respect to the identification of the material weakness.

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 March 31, 2023 June 30, 2023, the Company is involved in legal proceedings whereby on August 18, 2021, Jacqueline A. Miraglia v. United Insurance Holdings Corp., and United Property & Casualty Insurance Company was filed suit in the United States District Court for the District of Delaware against United Insurance Holdings Corp. alleging violations and damages arising under Title VII of the Civil Rights Act of 1964 and the Age Discrimination in Employment Act of 1967, and seeks sought damages in an unspecified amount. On September 27, 2022, venue was transferred to the United States District Court for the Middle District of Florida, Tampa Division. In Division and in November, 2022, the plaintiff filed an Amended Complaint styled Jacqueline A. Miraglia vs. United Insurance Holdings Corp., United Property & Casualty Insurance Company, and amended the complaint to add Skyway Claims Services LLC, alleging violations arising under Title VII as a defendant. On July 6, 2023, the Company entered into a Settlement Agreement and General Release, which resulted in an immaterial payment to the plaintiff and did not involve an admission of the Civil Rights Act of 1964 and the Age Discrimination in Employment Act of 1967. The Company denies any wrongdoing and believes that an unfavorable outcome is neither probable nor estimable.

by any party.

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, except as set forth below.

We have identified 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 we are working to remediate the identified material weakness, we cannot assure you that additional material weaknesses or significant deficiencies will not occur in the future. If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud. As a result, our stockholders could lose confidence in our financial reporting, which could harm our business 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. If we do not successfully remediate the material weakness, or if other material weaknesses or other deficiencies arise 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 of periodic reports in addition to applicable stock exchange listing requirements, investors may lose confidence in our financial reporting and our stock price 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,

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will be sufficient to remediate the control deficiencies that led to a material weakness in our internal control over financial reporting or that they will prevent or avoid potential future material weaknesses.

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

During the three six months ended March 31, 2023 June 30, 2023, 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:

AMERICAN COASTAL INSURANCE CORPORATION

Exhibit	Description
10.1 3.1	Renewal Rights Agreement, dated as Second Certificate of February 1, 2023, by and among United Property and Casualty Insurance Company and Slide Insurance Company. Amendment of Certificate of Incorporation. (included as Exhibit 10.1 3.1 to the Form 8-K filed on February 6, 2023 July 14, 2023, and incorporated herein by reference.)
10.2 3.2	Asset Purchase and Services Agreement, dated as of February 1, 2023, by and among United Insurance Management, L.C. and Slide Insurance Company. First Amendment to the Amended And Restated Bylaws. (included as Exhibit 10.2 3.2 to the Form 8-K filed on February 6, 2023, and incorporated herein by reference.)
10.3	Consent Order Appointing the Florida Department of Financial Services as Receiver of United Property & Casualty Insurance Company for Purposes of Liquidation, Injunction and Notice of Automatic Stay, dated as of February 27, 2023. (included as Exhibit 10.1 to the Form 8-K filed on February 28, 2023 July 14, 2023, and 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).

UNITED AMERICAN COASTAL INSURANCE HOLDINGS CORP. CORPORATION

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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.

UNITED AMERICAN COASTAL INSURANCE HOLDINGS CORP. CORPORATION

May 19, August 21, 2023	By:	*/s/ R. Daniel Peed*
		R. Daniel Peed, Chief Executive Officer (principal executive officer and duly authorized officer)
May 19, August 21, 2023	By:	*/s/ B. Bradford Martz*
		B. Bradford Martz, 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 United American Coastal Insurance Holdings Corp.; 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.

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/s/ R. Daniel Peed

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

May 19, August 21, 2023

EXHIBIT 31.2

CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, B. Bradford Martz, certify that:

1. I have reviewed this Form 10-Q of United American Coastal Insurance Holdings Corp.; 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

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

May 19, August 21, 2023

EXHIBIT 32.1

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CERTIFICATION PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT

In connection with the Form 10-Q of United American Coastal Insurance Holdings Corp. Corporation for the quarter ended March 31, 2023 June 30, 2023, as filed with the Securities and Exchange Commission (the Report), I, R. Daniel Peed, the Chief Executive Officer (principal executive officer) of United American Coastal Insurance Holdings Corp. 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 United American Coastal Insurance Holdings Corp. Corporation

By: */s/ R. Daniel Peed*

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

May 19, August 21, 2023

EXHIBIT 32.2

CERTIFICATION PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT

In connection with the Form 10-Q of United American Coastal Insurance Holdings Corp. Corporation for the quarter ended March 31, 2023 June 30, 2023, as filed with the Securities and Exchange Commission (the Report), I, B. Bradford Martz, the Chief Financial Officer (principal financial officer and principal accounting officer) of United American Coastal Insurance Holdings Corp. 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 United American Coastal Insurance Holdings Corp. Corporation

By: */s/ B. Bradford Martz*

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

May 19, August 21, 2023

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